

FISCAL YEAR
**Annual Comprehensive
Financial Report 2021/2022**



TOWN OF
NAGS HEAD

5401 SOUTH CROATAN HIGHWAY, NAGS HEAD, NC 27959 • NAGSHEADNC.GOV • 252-441-5508

TOWN OF NAGS HEAD, NORTH CAROLINA

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2022

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

Town of Nags Head Annual Comprehensive Financial Report For the Fiscal Year Ended June 30 2022

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INTRODUCTORY SECTION

Benjamin Cahoon
Mayor

Michael Siers
Mayor Pro Tem

Andy Garman
Town Manager



Town of Nags Head
Post Office Box 99
Nags Head, NC 27959
Telephone 252-441-5508
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M. Renée Cahoon
Commissioner

Kevin Brinkley
Commissioner

Bob Sanders
Commissioner

November 28, 2022

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, 2022.

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 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 Potter & Company, 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, 2022, 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, 2022, 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 in part by the Town of Nags Head, and managed 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). 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 three legally adopted capital reserve funds for specific priorities, which sets aside revenue sources restricted for future capital projects and debt service. 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). In fiscal year 2023, the Board established the capital investment fund (CIF). The CIF will allow the Town to strategically plan for long-term capital expenditures and leverage existing financial resources. It will be a separate fund as part of the general fund dedicated to capital expenditures such as infrastructure projects and equipment. This will separate the Town's financial resources for these items and will carry a fund balance that can be used to cover those years with greater expenditures that exceed the Town's annual contribution. The CIF is designed to allow the Town to pay cash for capital items, including all equipment and rolling stock, as well as most infrastructure projects. Only the larger projects may still need financing. This required a change to our fund balance policy that will allow the Town to monetize funds that have

traditionally sat idle. 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 four legally budgeted capital project funds, three of which are for beach nourishment. 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. A capital project fund was established for the Public Services complex design and construction. The Town has developed a master plan to construct new facilities for our facilities maintenance, sanitation, fleet maintenance, water operations, water distribution, and public services administrative staff. We expect to begin construction in the first quarter of 2023. To tackle a project of this magnitude the Town will seek public financing for the first time in its history.

There was no tax or water rate increase in the fiscal year 2023 budget. This is partially due to the tax increase the Board approved in fiscal year 2022 as well as the continued strength of our shared revenues, which include sales, occupancy, and land transfer taxes. As a result of a fiscal year 2022 rate analysis study, a new system development fee has been adopted in accordance with North Carolina General Statutes.

Major Initiatives. As part of our strategic plan, the Board has had a greater focus on maintenance of our assets and infrastructure. Part of this focus includes improving processes and our capacity for project delivery, as well as planning and forecasting our needs for different categories of infrastructure. We now have master plans for streets, water, and stormwater infrastructure and we use a connected Capital Improvement Plan (CIP) process to combine infrastructure improvement projects, under a single project work scope. Infrastructure project work may consist of water distribution lines and drainage system improvements in combination with street resurfacing. The pavement master plan serves as the guiding document towards project planning in association with the Stormwater CIP and the Water System Master Plan. This approach intends to avoid conducting separate infrastructure projects in the same location over different time periods in addition to preserving the street pavement condition. We have developed a five-year plan for these combined projects.

The Board has approved several public amenity enhancements. Sidewalk and pedestrian improvements will be integrated with paving and waterline improvements. An ad hoc committee has developed an updated prioritized sidewalk and multi-use path project list to consider for future years. The fiscal year 2023 budget also includes funds to begin planning for maintenance of the multi-use path along South Virginia Dare Trail. We are pursuing grant funds to use towards identified portions of the path that need reconstructed due to accessibility and drainage concerns. Public input has also been received for improvements at Whalebone Park. We have submitted a state grant to pay for a splash pad and shaded seating areas at Whalebone Park. This is in addition to a local grant received for a new restroom facility.

The Town is also pursuing several major grants as part of a comprehensive look at infrastructure needs and projects. We are seeking funding for stormwater improvements along State Route 1243 (Old Oregon Inlet Road) for an innovative technique that involves pumping flooded portions of the roadway to new dune infiltration areas at some of the Town's public beach accesses. In continuing this plan, we will seek additional grants to systematically replace aging asbestos cement pipe (ACP) infrastructure with updated pipe distribution networks in the Vista Colony neighborhood. This project would serve over 200 residences and three commercial properties currently receiving drinking water provided via ACP's in use since the 1970's. In conjunction with this project, we are exploring opportunities to replace the Town's water meters with Advanced Metering Infrastructure (AMI) in order to provide real-time data and leak detection information.

We will apply for further American Rescue Plan Act (ARPA) funding to update the Town's 2018 Water Master Plan. This will integrate an asset management plan with a capital improvement strategy. Part of this grant includes geographic information system (GIS) mapping of our system-wide water supply. We recognize water services requires a geography-based platform to support the creation of a road map towards sustainable operations. This holistic approach to improving operations will assist with implementing proven and progressive practices, such as optimizing the planning and delivery of services, protecting the environment by meeting or exceeding regulatory requirements, and having a consistently reliable source of water.

As stewards of public resources, we continue to work to understand how growth and environmental changes impact our community. In FY 22 we completed an update to our Decentralized Wastewater Management Plan to understand how wastewater systems may be impacting the environment and water quality. To incentivize measures to improve system performance, the plan recommends several changes to our Todd D. Krafft Septic Health Program, including increasing the wastewater system pumping credit, setting new targets for septic tank inspections, and increasing the septic loan program. Finally, the plan recommends increasing our water quality monitoring and adding groundwater monitoring to our normal activities. We have received a state grant towards the purchase of groundwater and water quality data loggers. The data collected will help us gain a better understanding of how climate change and development affect groundwater quality and will guide best management practices in developing a water management plan.

The Town began a beach nourishment project in the summer of 2022 to replace sand lost from 2019's Hurricane Dorian, primarily funded by FEMA and the North Carolina Division of Emergency Management. The project area spans from 8031 South Old Oregon Inlet Road south to Nags Head's corporate limits with Cape Hatteras National Seashore. Also included will be sand fencing and vegetative sprigging to provide post-project stabilization. Our beach nourishment capital project fund is also being used to support on-going planning for future projects. In FY 2023, we will be conducting Phase 3 of a master plan, which is a long-term, 30- year plan, to identify sand sources and develop programmatic permits that address identified needs. We have received a state grant to assist with this master planning. To further our shoreline management approach, we will be using the additional sales tax generated by the municipal service districts towards prioritizing public beach access replacements on an annual basis. We have been awarded several grants in assistance with shoreline management and planning. In FY 22, we received grant funds to replace the Epstein Street bathhouse; construction on this project is expected to begin sometime in 2023. We also received a generous \$300,000 state grant to assist with dune stabilization in order to enhance dune integrity and mitigate risk of damage from storm impacts.

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, 2021. 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 six 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 Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Nags Head
North Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

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, 2022

Elected Officials

Mayor
Mayor Pro Tempore
Commissioner
Commissioner
Commissioner

Benjamin Cahoon
Michael Siers
M. Renee Cahoon
Kevin Brinkley
Bob Sanders

Appointed

Town Attorney
Town Manager

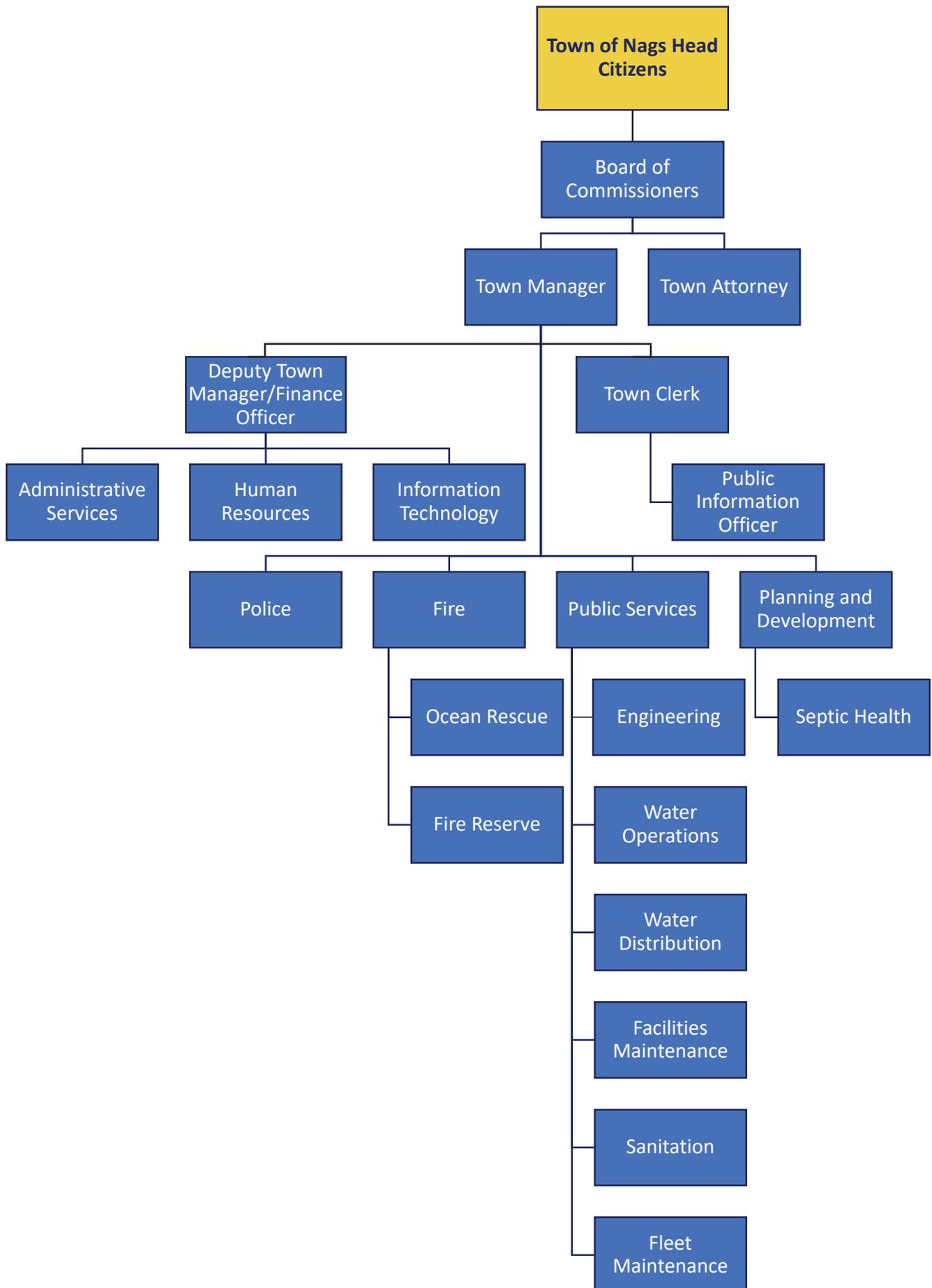
John Leidy
Andy Garman

Town Administration

Deputy Town Manager/Finance Officer
Fire Chief
Planning Director
Police Chief
Public Services Director
Town Clerk

Amy Miller
Randy Wells
Kelly Wyatt
Perry Hale
Nancy Carawan
Carolyn Morris

Town of Nags Head, North Carolina
 Organizational Chart
 June 30, 2022



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of Financial Statements

Opinions

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 then ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the **Town of Nags Head's** basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the accompanying 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**, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the **Town of Nags Head**, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the **Town of Nags Head's** ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, and *Governmental Auditing Standards*, we

- exercised professional judgment and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 **Town of Nags Head's** internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Town of Nags Head's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 18, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 74 through 77, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 78 through 79, and the Other Post Employment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 80, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 consist 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 provided us will sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Town of Nags Head's** basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 by us. In our opinion, based on our audit, and the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory information and the statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance on thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2022, on our consideration of **Town of Nags Head's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **Town of Nags Head's** 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.

Potter & Company, P.A.

November 28, 2022
Mooresville, North Carolina

Management Discussion and Analysis

Town of Nags Head

June 30, 2022

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, 2022. 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 \$58,823,518 (*net position*).
- The Town's total net position decreased by \$2,464,075. This includes a decrease in the governmental activities of \$3,100,124 and an increase in the business-type activities of \$636,049. The decrease in net position for governmental activities can be attributed to the implementation of GASB Statement No. 87, Leases. The Town is a lessor under seven qualifying contracts and recorded \$1,582,273 in deferred inflows of resources from those leases. Another item to note is the increase of \$1,402,362 in unearned revenue over the prior fiscal year. Prior to making expenditures, an NC Water Resources grant for \$1,408,247 was received towards a beach nourishment restoration project in conjunction with a FEMA project due to 2019's Hurricane Dorian. The increase in business-type activities can be explained by construction in progress capital asset infrastructure improvements totaling \$1,355,148 in the water fund. These improvements are partially offset by \$474,062 of Coronavirus State and Local Fiscal Recovery Funds.
- As of the close of the current fiscal year, the Town of Nags Head's governmental funds reported combined ending fund balances of \$ 23,579,698, of which 40%, or \$9,518,476, is non-spendable or restricted. Although other taxes and licenses, including sales, occupancy, and land transfer taxes, came in \$1,758,667 over budget, and outstanding general fund encumbrances totaling \$1,154,135 will be re-appropriated in the subsequent year's budget, the governmental funds combined ending fund balance saw a decrease of \$713,039 from the prior year. The fund balance decrease can be attributed to a fair market value loss on investments of \$1,847,406. In the beach renourishment and beach nourishment maintenance capital project funds, expenditures, net of grant revenue reimbursements, totaled \$328,371. This is due to monitoring and professional services in preparation for a fiscal year 2023 Federal Emergency Management Agency (FEMA) grant beach nourishment restoration project, from to 2019's Hurricane Dorian. In the general fund, \$489,950 was transferred to establish the capital project fund for the public services complex design work. Of these funds, \$410,413 were expended. In the capital reserve fund, \$1,577,476 was transferred to the beach nourishment master plan capital project fund, of which \$908,993 was expended for the purposes of long-term beach nourishment planning. This contributed to a net fund balance increase of \$532,737 in that fund. This also primarily accounts for the \$755,987 decrease in the restricted portion of fund balance for the capital reserve fund.
- North Carolina state statute restricts an amount of general fund balance not available for appropriation in what is known as restricted for stabilization by state statute (RSS). This restriction of annually budgeted funds 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. This calculation includes open encumbrances of \$1,154,135 on June 30, 2022, compared to \$2,319,838 for the prior fiscal year, or a \$1,165,703 decrease. This is the primary factor for the decrease of \$1,180,528 in the restricted portion of general fund balance in accordance with state statute.

Management Discussion and Analysis
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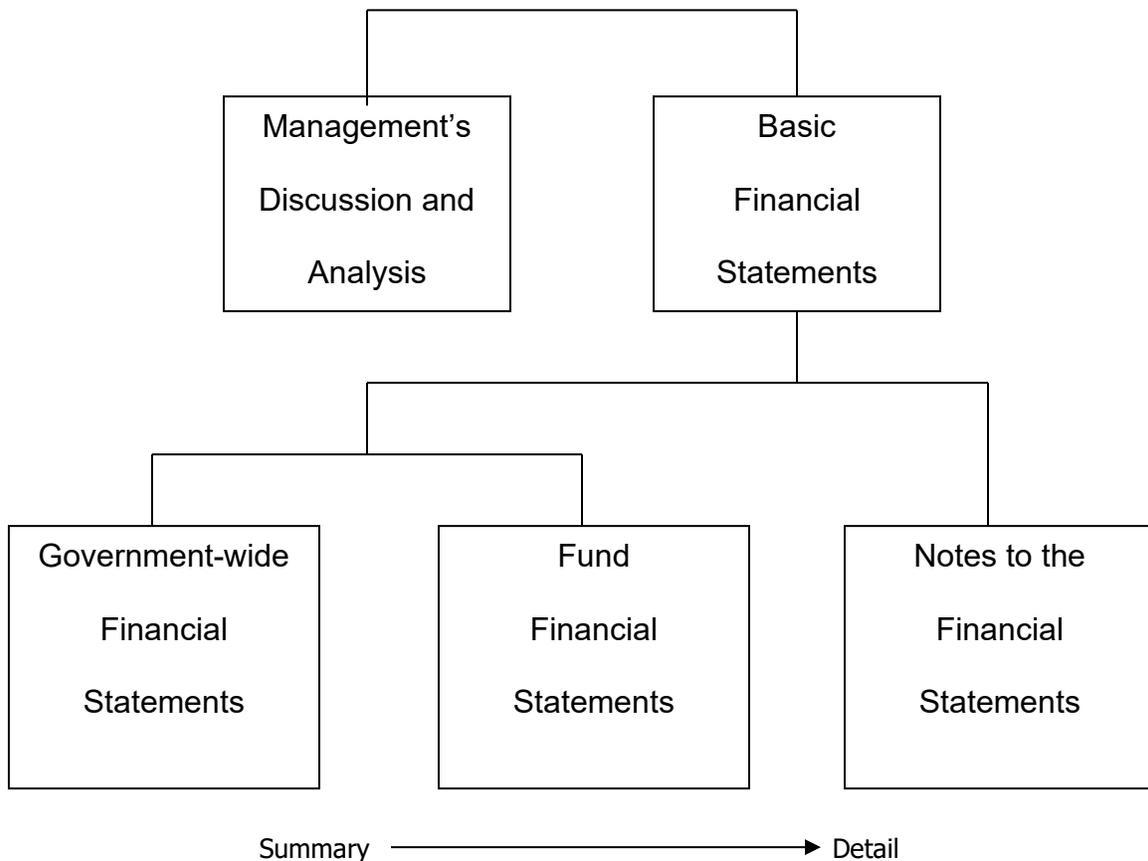
- In the general fund, assigned fund balance of \$3,275,000 is the portion of fund balance appropriated in the next fiscal year's budget, which was a \$2,958,288 increase over the prior fiscal year. To plan more strategically for long-term capital expenditures and debt service, a capital investment fund was created in fiscal year 2023. In order to seed this fund, a general fund balance appropriation of \$3,000,000 was made in the next fiscal year's budget. This resulted in an assigned fund balance of \$3,275,000 compared to \$316,712 in the prior fiscal year for a \$2,958,288 increase.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,294,383, or a \$1,891,601 decrease over the prior fiscal year balance of \$8,185,984. This can be attributed to factors discussed above, including the fund balance appropriation of \$3,275,000 for the fiscal year 2023 adopted budget which accounts for the assigned portion of fund balance in fiscal year 2022.
- The unassigned fund balance for the general fund represents 24.06% of total general fund expenditures for the fiscal year, or 26.55% of general fund expenditures excluding bond debt, which is more than our fund balance policy minimum of 25% of general fund expenditures excluding bond debt.
- The Town's total governmental debt for installment financing purchase contracts decreased by \$749,772, 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 adopted budget for the June 30, 2022, fiscal year includes a \$.0225 tax increase for a \$.2875 per \$100 valuation ad valorem tax rate. Of the ad valorem rate, \$.025 (a \$.0025 increase) is restricted by the Board for beach nourishment. The tax increase resulted in an ad valorem net levy increase of 8.79%, or \$721,758, over the prior fiscal year, with ad valorem property valuation increasing by .32%
- 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.
- A 5% water rate increase to both the minimum base rate and volumetric charges were adopted to meet current and future capital and operating needs. The Town did receive a 2.62% increase, or \$96,098, in water charges for services due to the rate change.
- A System Development Fee (SDF) professional supporting analysis was conducted in accordance with NC General Statutes, which resulted in a 57.63% increase to the Town's Gallons Per Day Service Unit Fees. The unit cost of capacity increased to \$2.79, calculated in accordance with NC administrative code.
- Although the water fund had a fair market value loss of (\$335,311) on its investments, business-type net position still increased by \$636,049. This is largely due to the \$474,062 in Coronavirus State and Local Fiscal Recovery Funds received.

**Management Discussion and Analysis
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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

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Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the town budget ordinance. All of the funds of the Town of Nags Head can be divided into two categories: governmental funds and proprietary funds.

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

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

Proprietary Funds – The Town of Nags Head has one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Nags Head uses its enterprise funds to account for its water operations. Nags Head Leasing, blended component unit enterprise fund, is used for financing purposes and has no account balance at the end of the fiscal year.

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 30-73 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 pages 74-80 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.

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Government-Wide Financial Analysis
Town of Nags Head Net Position
June 30, 2022

	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>2022</u>	<u>2021</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 26,323,200	\$ 25,037,810	\$ 5,107,960	\$ 5,416,309	\$ 31,431,160	\$ 30,454,119
Non-current assets	1,464,471	-	-	-	1,464,471	-
Capital assets	42,882,585	45,896,084	6,240,750	5,088,202	49,123,335	50,984,286
Total assets	<u>70,670,256</u>	<u>70,933,894</u>	<u>11,348,710</u>	<u>10,504,511</u>	<u>82,018,966</u>	<u>81,438,405</u>
Deferred outflows of resources	3,446,249	2,904,536	274,331	221,648	3,720,580	3,126,184
Long-term liabilities	13,879,728	16,145,357	549,239	744,374	14,428,967	16,889,731
Other liabilities	6,489,831	4,804,372	964,397	720,831	7,454,228	5,525,203
Total liabilities	<u>20,369,559</u>	<u>20,949,729</u>	<u>1,513,636</u>	<u>1,465,205</u>	<u>21,883,195</u>	<u>22,414,934</u>
Deferred inflows of resources	4,653,522	695,153	379,311	166,909	5,032,833	862,062
Net position:						
Net investment in capital assets	33,233,399	36,284,111	6,199,951	5,008,907	39,433,350	41,293,018
Restricted	9,405,616	11,184,939	7,153	45,506	9,412,769	11,230,445
Unrestricted	6,454,409	4,724,498	3,522,990	4,039,632	9,977,399	8,764,130
Total net position	<u>\$ 49,093,424</u>	<u>\$ 52,193,548</u>	<u>\$ 9,730,094</u>	<u>\$ 9,094,045</u>	<u>\$ 58,823,518</u>	<u>\$ 61,287,593</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Nags Head exceeded liabilities and deferred inflows of resources by \$58,823,518 as of June 30, 2022. The largest portion of net position, \$39,433,350 (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 decreased for governmental activities and increased for business-type activities. For business-type activities, the increase relates to the additional construction in progress of water infrastructure improvements totaling \$1,355,148. The decrease in governmental activities relates to the depreciation of \$9,095,542 that was taken on the Town's 2019 beach nourishment project.

An additional portion of the Town's net position, \$9,412,769 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,977,399 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

As of June 30, 2022, the Town of Nags Head is able to report positive balances in all three categories of net position, for the government as a whole, as well as its governmental activities and net effect of its business-type activities. The same situation held true for the prior fiscal year.

Management Discussion and Analysis
Town of Nags Head
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Town of Nags Head Changes in Net Position
June 30, 2022

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program revenues:						
Charges for services	\$ 702,577	\$ 457,203	\$ 3,810,398	\$ 3,713,838	\$ 4,512,975	\$ 4,171,041
Operating grants and contributions	959,030	852,638	-	2,100	959,030	854,738
Capital grants and contributions	786,266	511,050	518,324	64,930	1,304,590	575,980
General revenues:						
Property taxes	10,580,588	9,718,872	-	-	10,580,588	9,718,872
Other taxes and licenses	10,260,692	9,398,028	-	-	10,260,692	9,398,028
Other unrestricted intergovernmental	952,365	918,654	-	-	952,365	918,654
Investment income	(1,648,548)	(124,386)	(293,271)	(19,280)	(1,941,819)	(143,666)
Other	91,292	229,691	1,900	2,120	93,192	231,811
Total Revenues	<u>22,684,262</u>	<u>21,961,750</u>	<u>4,037,351</u>	<u>3,763,708</u>	<u>26,721,613</u>	<u>25,725,458</u>
Expenses:						
General government	12,715,848	12,504,708	-	-	12,715,848	12,504,708
Public safety	7,342,949	7,036,704	-	-	7,342,949	7,036,704
Public Services	2,991,500	2,158,949	-	-	2,991,500	2,158,949
Environment Protection	2,214,312	2,183,166	-	-	2,214,312	2,183,166
Streets and Drainage	286,284	267,697	-	-	286,284	267,697
Interest on long-term debt	233,493	294,342	-	-	233,493	294,342
Water Utility	-	-	3,401,302	3,950,579	3,401,302	3,950,579
Total Expenses	<u>25,784,386</u>	<u>24,445,566</u>	<u>3,401,302</u>	<u>3,950,579</u>	<u>29,185,688</u>	<u>28,396,145</u>
Increase (decrease) in Net Position	<u>(3,100,124)</u>	<u>(2,483,816)</u>	<u>636,049</u>	<u>(186,871)</u>	<u>(2,464,075)</u>	<u>(2,670,687)</u>
Net position – July 1	<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>
Net position – June 30	<u>\$ 49,093,424</u>	<u>\$ 52,193,548</u>	<u>\$ 9,730,094</u>	<u>\$9,094,045</u>	<u>\$ 58,823,518</u>	<u>\$ 61,287,593</u>

Governmental activities. Governmental activities decreased the Town’s net position by \$3,100,124. Primary reasons for this include the fair market value loss of \$1,648,548 on investments and depreciation of \$9,095,542 taken on the Town’s 2019 beach nourishment project, which is a \$1,586,251 increase over the prior fiscal year. Public Services expenses were \$832,551 or 38.56% higher than last fiscal year because of a donated capital asset (land) with a book value of \$626,096 in the prior fiscal year. Originally donated to the Town and recorded in the water fund, the water fund donated this piece of land to the general fund as it is more appropriately owned in the general fund. This was not reported in the statement of activities. Noteworthy revenue variances include property taxes which is correlated to both the \$.0225 property tax increase and the establishment of four new municipal service districts (MSD’s) and associated tax rates within each one, as previously described. The total town wide levy collection percentage for fiscal year 2022 was 99.99%, due to continued diligence in the collection of property taxes. As a point of reference, the statewide average in fiscal year 2022 was 99.12%. Tourism driven revenues including sales, occupancy, and land transfer taxes are included in other taxes and licenses and came in at 13%, 7%, and 5%, respectively, over the prior fiscal year. Combined, these revenues came in over 9% higher, or \$842,126, compared to the prior fiscal year. Investment income decreased by \$1,524,162 due to an unrealized fair market value loss of \$1,648,548 on investments compared to the prior year’s loss of \$319,863.

Business-type activities. Business-type activities in the water fund increased the town’s net position by \$636,049, or 7%. The net investment in capital asset portion of net position increased by \$1,191,044 due to non-depreciable construction in progress capital asset infrastructure improvements totaling \$1,355,148 as previously discussed. These improvements are partially offset by \$474,062 of Coronavirus State and Local Fiscal Recovery Funds, reflected in capital grants and contributions. The increase in net investments in capital asset resulted in a decrease of \$516,642, or 13%, in unrestricted net position. As previously discussed, the 5% water rate increase accounted

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for utility sales to increase by 3%, or \$96,098. The unrealized fair market value loss on investments of \$335,312 accounts for the decrease in interest income, compared to the prior year's fair market value loss of \$63,453. The decrease of \$549,277 or approximately 16% in water utility expenses can be explained by the loss on disposal of non-depreciable land totaling \$626,096 in the prior fiscal year, as explained under governmental activities. The wholesale water rate decreased from \$2.152 to \$1.970 per million gallons purchased, or 8.46%. The rate is set per an interlocal agreement with Dare County and was driven by a total increase in gallons in fiscal year 2020-2021. Gallons purchased from Dare County decreased by 6.75 million gallons, or 2%. Due to both a wholesale water rate decrease and a decrease in usage (gallons purchased), the cost of wholesale water purchased decreased by \$89,618 or approximately 9%.

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 \$6,294,383 while total fund balance reached \$19,087,859. As previously discussed, the decrease in fund balance can be attributed to the fair market value loss on investments of \$1,362,342 in the general fund. Additionally, funds totaling \$1,612,476 and \$489,950 were transferred to the beach nourishment and capital project funds, respectively, for the purposes of beach nourishment maintenance and planning and design of the newly proposed Public Services Complex. General fund expenditures, most notably capital outlay, saw a significant increase over the prior fiscal year. Because of significant delays and lead times in receiving items, fiscal year 2021 general fund encumbrances carried over totaled \$2,319,838. For example, environmental protection capital outlay was \$944,077 higher over the prior fiscal year. Open purchase orders for sanitation trucks totaling \$1,472,013 were carried over to fiscal year 2022. In public safety, this amount totaled \$234,506 for vehicles. The Town also acquired a new piece of property totaling \$1,700,000, reflected in public services capital outlay. We also contracted for a new fire truck in public safety, making a down payment of \$1,062,005 in order to receive a discount. Current expenditures reflect implementing a new pay plan as part of a comprehensive pay and benefits policy. A pay and classification study encompassed a new classification plan and a salary and benefits study. Despite these aforementioned items, total general fund balance decreased by \$727,297, or a modest 3%. As previously mentioned, the increase in the ad valorem tax rate combined with healthy tourism-driven sales, occupancy, and land transfer tax revenues bolstered revenues to defray some of these items. While the total fund balance change is less than approximately 3%, the Board of Commissioners accomplished funding a strategic initiative of adopting a capital investment fund in fiscal year 2023 in order to plan for long-term capital expenditures and debt. Upon diligent budget monitoring, fund balance was able to be assigned in order to balance the fiscal year 2023 budget to seed this fund with an initial \$3,000,000. This resulted in the decrease in unassigned fund balance previously discussed. In order to align with best practices while maintaining this fund, a new fund balance policy was adopted for the general fund. Although fund balance was leveraged for this new fund, resulting in the unassigned fund balance decrease, we were able to stay within our new fund balance policy. In the general fund, the Town must maintain unassigned fund balance equal to no less than 25% of general fund expenditures, less bond debt. Any unassigned fund balance over 35% will be transferred to the capital investment fund. The unassigned fund balance of \$6,294,383, 26.55%

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of general fund expenditures excluding bond debt, compared to 39% for the prior fiscal year. While this is about the 25% minimum, no excess transfers will be made to the capital investment fund in fiscal year 2023. 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 24% of total general fund expenditures for the fiscal year compared to 35% for the prior year. This calculation includes bond debt of which \$2,521,353 was paid in the prior fiscal, compared to \$2,451,252 paid in the current fiscal year.

On June 30, 2022, the governmental funds of the Town of Nags Head reported a combined fund balance of \$23,579,698 a 3% decrease from last year. In addition to the general fund items discussed above, capital project expenditures accounting for this decreased were discussed in the financial highlights. This includes monitoring and professional services for a FEMA grant beach nourishment restoration project (\$328,371, net of grant funding), design services for the public services complex design (\$410,413), and long-term beach nourishment planning (\$908,993).

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 \$3,522,990, a \$516,535 or 13% decrease compared to last fiscal year, while total net position amounted to \$9,730,094, a \$636,049 or 7% increase compared to last fiscal year. 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, restricted intergovernmental revenue, capital outlay expenditures, and other financing sources (uses). Relative to our robust tourism-driven economy, initial conservative budget assumptions were made for sales, and occupancy taxes. Uncertainty over the real estate market and interest rates led to conserve budgeting for land transfer taxes as well. These are all included in other taxes and licenses. The Board of Commissioners was able to review the tourism driven revenues after the seasonal summer peak period in order to fund projects and unexpected price increases 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 items such as fuel and tipping fees, in addition to providing expanded and enhanced services and amenities including sidewalks and design work towards the public services complex. Fund balance was appropriated for the general fund purchase of a piece of property located next to Fire Station 16 and continued design services for the public services complex. A budget amendment for \$489,950 was done to establish the capital project fund in order the account for the public services complex design and construction. Additional budget amendments were made to use manager's contingency and increase occupancy taxes in order to make this transfer from the general fund. A budget increase in installment financing proportionately increased the various capital outlay functions to appropriate \$3,028,313 of direct borrowing and associated capital outlay expenditures for budgeted capital purchases, including a fire apparatus truck in public safety and various vehicles and equipment among other functions of the Town. The Town also financed \$1,200,000 for a piece of property located next to Fire Station 16 as previously discussed. Amendments made to recognize funding amounts in restricted intergovernmental revenues include reducing grants funding by approximately \$500,000 toward bath house reconstruction. Extensions will likely be requested for this project due to the escalated prices and lead time in construction projects. The fiscal year 2022 overlay paving project budgeted at \$803,520 in the streets and drainage function was delayed due to bids coming in over budget. State street aid combined with streets and stormwater capital

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reserve funds were budgeted for this project. An economy of scale and more streamlined approach will be realized in combining this project with the fiscal year 2023 paving project. A budget amendment was done to reduce capital outlay and transfers from the capital reserve fund to the general fund to reflect deferring this project to fiscal year 2023. By statute, state street aid is restricted for street construction and maintenance, therefore unspent funds are accumulated in the restricted for streets portion of fund balance and will be appropriated towards the project in the next fiscal year. The streets and stormwater funds are also legally restricted in the capital reserve fund for that specific use, therefore the unspent funds will be accumulated in the capital reserve fund towards the same project in the next fiscal year.

General fund balance appropriations totaling \$2,319,838 were made for fiscal year 2021 open encumbrances. These purchase orders that are carried over increase the adopted budget's appropriated fund balance and corresponding expenditure categories. Many of these encumbrances were carried over due to lead times in the supply chain. Most notably, the adopted budget for capital expenditures in the environmental protection function increased by \$1,452,866 for sanitation vehicles and \$234,506 for public services vehicles.

General Fund expenditures not in alignment with the final revised budget are notably from encumbrances totaling \$1,154,135 being carried forward to fiscal year 2023's appropriated fund balance. Of these encumbrances, current expenditures include \$56,256 carried over towards the coastal resiliency estuarine shoreline management plan and capital outlay encumbrances include \$148,597 towards security retrofits in general government. Other capital outlay encumbrances include \$298,370 for the remaining payment owed upon delivery of the new fire truck in public safety and \$222,317 for a new sanitation vehicle and Curotto can in environmental protection. Savings occurred naturally throughout all expenditure functions including lapse salaries and benefits.

Expenditures made in the general fund exceeded the authorized appropriations made by the governing board for general government activities for debt service. This over-expenditure occurred because of reclassifications for leases as required by initial implementation of GASB 87. Management and the Board will more closely review the budget reports to ensure compliance in future years.

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, 2022, totals \$49,123,335 (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:

- 105 W Seachase \$1,700,000, governmental activities
- KME 103' Fire Truck 1,062,005 (Construction in progress), governmental activities
- Public Services Master Plan \$415,412 (Construction in progress), governmental activities
- Beach Nourishment Master Plan \$908,993, governmental activities
- Beach Nourishment Dorian \$907,667, governmental activities
- Storm Drainpipe on S Memorial/E Soundside \$365,396, governmental activities
- Old Nags Head Cove Water \$1,355,148, business-type activities
- Governmental activities decrease due to \$9,095,542 depreciation on the Town's 2019 beach nourishment project (improvements)

Management Discussion and Analysis
Town of Nags Head
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Town of Nags Head Capital Assets (net of accumulated depreciation)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 13,182,598	\$ 12,309,818	\$ 204,205	\$ 204,205	\$ 13,386,803	\$ 12,514,023
Art	107,553	107,553	-	-	107,553	107,553
Construction in progress	1,871,333	44,991	1,399,038	73,721	3,270,371	118,712
Buildings	4,166,028	3,568,739	832,894	874,876	4,998,922	4,443,615
Other improvements	320,559	354,573	155,767	9,007	476,326	363,580
Improvements	12,013,427	19,228,741	273,517	292,135	12,286,944	19,520,876
Equipment	1,549,231	1,648,495	138,457	134,474	1,687,688	1,782,969
Vehicles	4,205,472	3,368,390	68,942	94,585	4,274,414	3,462,975
Intangibles	-	-	799,461	907,865	799,461	907,865
Infrastructure	5,466,384	5,264,784	2,368,469	2,497,334	7,834,853	7,762,118
Total	\$ 42,882,585	\$ 45,896,084	\$ 6,240,750	\$ 5,088,202	\$ 49,123,335	\$ 50,984,286

Additional information on the town's capital assets can be found on pages 47-48 in the notes to the financial statements.

Long-term Debt. The Town of Nags Head's total debt decreased by \$2,551,221. The Town's total governmental debt for installment financing purchase contracts decreased by \$749,772, attributable to a combination of the debt payment of \$2,276,000 made towards direct placement financing for a beach nourishment special obligation bond and issuance of installment finance purchases of a fire apparatus for \$1,358,079 and property located at 105 W Seachase for \$1,200,000. The Town's proportionate share of the Local Government Employees' Retirement System (LERS) net pension liability and its total Other Post-Employment Benefits (OPEB) liability decreased by approximately 58% and .4%, respectively, from the prior fiscal year. As of June 30, 2022, the Town had long-term debt totaling \$18,350,369. Of this amount, \$17,752,912 is reported in the governmental activities and \$597,457 is reported in the business-type activities.

Town of Nags Head Outstanding Debt

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Direct borrowing installment finance purchases	\$ 5,097,186	\$ 3,570,958	\$ 40,799	\$ 79,295	\$ 5,137,985	\$ 3,650,253
Direct placement installment finance purchases	4,552,000	6,828,000	-	-	4,552,000	6,828,000
Lease liabilities	99,542	-	-	-	99,542	-
Total OPEB liability	4,612,008	4,631,344	401,861	392,938	5,013,869	5,024,282
Total pension liability (LEOSSA)	1,363,416	1,303,038	-	-	1,363,416	1,303,038
Net pension liability (LERS)	1,307,131	3,141,267	120,647	289,937	1,427,778	3,431,204
Compensated absences	721,629	624,113	34,150	40,700	755,779	664,813
Total	\$ 17,752,912	\$ 20,098,720	\$ 597,457	\$ 802,870	\$ 18,350,369	\$ 20,901,590

Additional information in the Town's debt can be found on pages 64-67 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 \$238,877,118.

Management Discussion and Analysis
Town of Nags Head
June 30, 2022

Economic Factors and Next Year’s Budgets and Rates

- The Town’s economy is reliant on travel, tourism, and related service industries. The 2021 seasonally unadjusted average annual unemployment rate in Dare County of 6.0% is higher than the State of North Carolina’s 2021 average of 4.8%, which is the latest average annual information available. Dare County experiences significant seasonality in rates as visitor spending has a direct impact on employment. For example, the seasonally unadjusted unemployment rate was 7.00% in January and February 2022 compared to 3.80% and 3.70%, respectively, for the State of North Carolina. Dare County’s seasonally unadjusted unemployment rate hit a low of 3.0% in September 2022 compared to 3.3% for the State of North Carolina.
- Visitor spending fuels our economy by sustaining local businesses, supporting thousands of jobs, and bringing in tax revenue. 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” in terms of visitor spending, employment, personal income, employment, and taxes:

Dare County Visitor Spending (millions)	Lodging	Food & Beverage	Recreation	Retail	Transportation	Total Spending (Millions)	Share of State	Spending Growth Rate	Employment	Share of State	Labor Income (Millions)	State taxes (Millions)	Local Taxes (Millions)	State/Local Tax Savings per resident
2021	\$464	\$574	\$268	\$174	\$346	\$1,827	6.3%	29.6%	12,295	6.2%	\$454	\$68	\$79	\$3,930
2020	\$358	\$467	\$183	\$144	\$258	\$1,410	7.0%	-2%	11,803	7%	\$409	\$56	\$68	\$3,244

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, \$3,930 compared to the State at \$224.

- Compared to fiscal year 2022 for the same time period (July through September), occupancy tax revenue has come in 8.64% higher, sales tax revenue has come in 13% higher, and land transfer tax has come in -19% lower for the Town of Nags Head. As a point of reference, compared to fiscal year 2021, fiscal year 2022 occupancy tax revenues came in 10% higher, sales tax revenues came in 17% higher, and land transfer tax came in 6% 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, 2022

Budget Highlights for the Fiscal Year Ending June 30, 2023

- The adopted budget for June 30, 2023, maintains our current rate structure for a continued ad valorem tax rate of \$.2875 per \$100 valuation. With a tax base of \$3,081,005,061, this results in a net levy of \$8,863,337. One cent of tax is equal to \$308,290. Of the ad valorem rate, \$.025 is restricted by the Board for beach nourishment.
- The Municipal Service Districts (MSD's) taxes for the purpose of beach nourishment remained unchanged. With a total tax base of \$3,136,924,953, this results in a total levy of \$1,638,184 for all six districts. The tax rates in the MSD's remained unchanged at \$.143 per \$100 valuation in Districts 1 and 2, \$.005 in Districts 3 and 6, \$.01 in District 4, and no tax in District 5.
- To strategically plan for long-term capital expenditures and leverage existing financial resources, a capital investment fund (CIF) has been created. It is a separate fund as part of the general fund dedicated to capital expenditures such as infrastructure projects, capital expenditures, and debt service payments. In this first year, a \$3,000,000 fund balance appropriation was made to seed the capital investment fund in addition to monthly installments of \$250,000 totaling a \$6,000,000 transfer from the general fund to the CIF, while staying within fund balance policy. A new fund balance policy would transfer any unassigned fund balance above 35% from the general fund to the CIF.
- The impetus for the creation of the capital investment fund is a new Public Services complex, which the Board has been discussing for several years. The Town has developed a master plan to construct new facilities for our facilities maintenance, sanitation, fleet maintenance, water operations, water distribution, and administrative staff. Construction is expected to begin in later winter/early spring 2023. For the first time, we will seek public financing and undergo the bond rating process in order to pay for the project.
- The General Fund adopted budget totals \$33,255,283, an increase of \$6,849,817, or over 25% from the fiscal year 2022 adopted budget. Shared revenues consist of sales, occupancy, and land transfer taxes, and contribute to over 25% of our revenues. Dare County distributes these revenues using a formula based on our percentage of the total county-wide levy. These revenues are indicators of our tourism-driven economy and are budgeted to reflect a robust and growing economy. Prior history, industry trends and projections, forecast continuation of strong occupancy and sales taxes revenues. As the housing peak is anticipated to level off and mortgage interest rates have been rising, land transfer taxes are budgeted at approximately half of the anticipated revenues last fiscal year.
- Our Board has prioritized the Town's employees, making sure Nags Head is great place to work through pay, benefits, training, and an engaging work environment. This year's budget remains competitive by offering cost of living adjustments, within-grade increases, career progression programs, and 4% Town 401(k) contribution (for non-sworn law enforcement officers) with no required match.
- We use a connected Capital Improvement Program (CIP) to combine infrastructure improvement projects, when feasible, under a single project work scope. We have developed a five-year plan for these combined projects. In FY 2023, we will be resurfacing portions of Old Nags Head Cove, Nags Head Acres, Admiral Street, Barnes Street, Soundside Road, and Memorial Avenue in conjunction with waterline and drainage replacements at East Barnes Street.

Management Discussion and Analysis
Town of Nags Head
June 30, 2022

- The fiscal year 2023 budget includes planning for maintenance and reconstruction of the multi-use path along South Virginia Dare Trail. We plan to use funds this year for survey and design work as we identify portions of the path that may need to be reconstructed due to accessibility or drainage concerns. We will pursue grant opportunities combined with local funding in the CIP to conduct the work.
- The fiscal year 2023 budget includes improvements and enhanced activities at the dog park, skate park, Dowdy Park, and Whalebone Park, including a restroom, splash pad, and shaded seating areas. We will pursue grant opportunities in order to leverage LOCAL funds for these projects.
- The Town conducted a large-scale beach nourishment project in 2019 that combined a local project with Federal Emergency Management Agency (FEMA) and State of North Carolina disaster assistance funding for damages related to 2016's Hurricane Matthew. We also received funding from Dare County and paid for a significant portion of the project using town-wide and Municipal Service District (MSD) taxes. We continue to pay off the debt service from this project.
- The Town will be conducting a beach nourishment project in the summer of 2022 to replace sand lost from 2019's Hurricane Dorian, primarily funded by FEMA and the North Carolina Division of Emergency Management. The project area spans from 8031 South Old Oregon Inlet Road south to Nags Head's corporate limits with Cape Hatteras National Seashore. Also included will be sand fencing and vegetative sprigging to provide post-project stabilization.
- Our beach nourishment capital project fund is also being used to support on-going planning for future projects. In FY 2023, we will be conducting Phase 3 of a master plan, which is a long-term, 30-year plan, to identify sand sources and develop programmatic permits that address identified needs.
- Town staff has developed a prioritized list of public beach access replacements that we are funding using the additional sales tax generated by the municipal service districts. In FY 23, we are replacing the Conch Street and Hollowell Street dune walkovers. In FY 22, we received grant funds to replace the Epstein Street bathhouse; construction on this project is expected to begin in FY 23.
- As maintaining a safe work environment is a continued priority, best practices and physical improvements were evaluated to implement phasing in building security and energy conservation retrofits. Projects include structural improvements at the second floor of Town Hall and lighting and fixture upgrades.
- The water fund adopted budget totals \$6,807,631 which is a 30%, or \$1,588,974, increase from the prior year. This increase can be attributed to asbestos cement pipe (ACP) and Advanced Metering Infrastructure (AMI) replacements. Both of these projects are contingent on grant funding. Both the water base rate and volumetric rates and structures remain unchanged.
- In order to improve septic system performance and water quality, we will begin implementing measures recommended in the newly adopted Decentralized Wastewater Management Plan. Incentives include increasing the wastewater system pumping credit and increasing septic loan amounts. Our plan increases our water quality monitoring and adds groundwater monitoring to our normal activities by purchasing data loggers, with assistance from an NC Water resources Development grant.

Management Discussion and Analysis
Town of Nags Head
June 30, 2022

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Town of Nags Head, North Carolina
Statement of Net Position
June 30, 2022

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 17,729,502	\$ 3,933,212	\$ 21,662,714
Taxes receivable (net)	1,471	-	1,471
Accounts receivable (net)	14,014	618,839	632,853
Leases receivable	245,500	-	245,500
Accrued interest receivable	48,076	8,887	56,963
Due from other governments	2,720,073	-	2,720,073
Inventories	67,118	81,701	148,819
Prepaid items	16,637	-	16,637
Restricted cash and cash equivalents	5,480,809	465,321	5,946,130
Total current assets	<u>26,323,200</u>	<u>5,107,960</u>	<u>31,431,160</u>
Non-current assets:			
Leases receivable, non-current	1,365,878	-	1,365,878
Right to use leased assets, net of amortization	98,593	-	98,593
Capital Assets:			
Land, non-depreciable improvements and construction in progress	15,161,485	1,603,243	16,764,728
Other capital assets, net of depreciation	27,721,100	4,637,507	32,358,607
Total capital assets	<u>42,882,585</u>	<u>6,240,750</u>	<u>49,123,335</u>
Total non-current assets	<u>44,347,056</u>	<u>6,240,750</u>	<u>50,587,806</u>
Total assets	<u>70,670,256</u>	<u>11,348,710</u>	<u>82,018,966</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals OPEB	170,531	14,358	184,889
Changes of assumptions or other inputs OPEB	813,448	70,879	884,327
Pension deferrals LEOSSA	413,565	-	413,565
Pension deferrals LGERS	2,048,705	189,094	2,237,799
Total deferred outflows of resources	<u>3,446,249</u>	<u>274,331</u>	<u>3,720,580</u>
LIABILITIES			
Current liabilities:			
Accounts payable	605,080	429,775	1,034,855
Salaries and benefits	484,869	28,005	512,874
Accrued interest payable	101,090	103	101,193
Unearned revenue	1,415,764	-	1,415,764
Due to other governments	2,134	-	2,134
Current portion of long-term liabilities	3,873,184	48,218	3,921,402
Liabilities to be paid from restricted assets	7,710	458,296	466,006
Total current liabilities	<u>6,489,831</u>	<u>964,397</u>	<u>7,454,228</u>
Long-term liabilities:			
Due in more than one year	13,879,728	549,239	14,428,967
Total liabilities	<u>20,369,559</u>	<u>1,513,636</u>	<u>21,883,195</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	8,464	-	8,464
Prepaid privilege licenses	125	-	125
Leases	1,582,273	-	1,582,273
Pension deferrals LGERS	1,927,256	177,884	2,105,140
Pension deferrals LEOSSA	63,173	-	63,173
Pension deferrals OPEB	1,072,231	93,427	1,165,658
Prepaid water impact fees	-	108,000	108,000
Total deferred inflows of resources	<u>4,653,522</u>	<u>379,311</u>	<u>5,032,833</u>
NET POSITION			
Net investment in capital assets	33,233,399	6,199,951	39,433,350
Restricted for:			
Stabilization by state statute	3,922,259	-	3,922,259
Streets	251,599	-	251,599
Public safety	105,708	-	105,708
Capital reserve fund	5,126,050	7,153	5,133,203
Unrestricted	6,454,409	3,522,990	9,977,399
Total net position	<u>\$ 49,093,424</u>	<u>\$ 9,730,094</u>	<u>\$ 58,823,518</u>

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, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities				
General Government	\$ 12,715,848	\$ 553,362	\$ 681,383	\$ 762,190
Public Safety	7,342,949	41,131	127,808	17,946
Public Services	2,991,500	103,732	23,273	-
Environmental Protection	2,214,312	4,352	-	-
Streets and Drainage	286,284	-	126,566	6,130
Interest on long-term debt	233,493	-	-	-
Total governmental activities	25,784,386	702,577	959,030	786,266
Business-type activities:				
Water	3,401,302	3,810,398	-	518,324
Total business-type activities	3,401,302	3,810,398	-	518,324
Total primary government	\$ 29,185,688	\$ 4,512,975	\$ 959,030	\$ 1,304,590

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
\$ (10,718,913)	\$ -	\$ (10,718,913)
(7,156,064)	-	(7,156,064)
(2,864,495)	-	(2,864,495)
(2,209,960)	-	(2,209,960)
(153,588)	-	(153,588)
(233,493)	-	(233,493)
(23,336,513)	-	(23,336,513)
-	927,420	927,420
-	927,420	927,420
(23,336,513)	927,420	(22,409,093)
8,938,833	-	8,938,833
1,641,755	-	1,641,755
4,457,313	-	4,457,313
1,727,795	-	1,727,795
3,995,689	-	3,995,689
79,895	-	79,895
952,365	-	952,365
(1,648,548)	(293,271)	(1,941,819)
91,292	1,900	93,192
20,236,389	(291,371)	19,945,018
20,236,389	(291,371)	19,945,018
(3,100,124)	636,049	(2,464,075)
52,193,548	9,094,045	61,287,593
<u>\$ 49,093,424</u>	<u>\$ 9,730,094</u>	<u>\$ 58,823,518</u>

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

Town of Nags Head, North Carolina
Governmental Funds
Balance Sheet
June 30, 2022

Exhibit 3

	General	Total Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 11,657,725	\$ 6,071,777	\$ 17,729,502
Restricted cash and cash equivalents	5,480,809	-	5,480,809
Taxes receivable (net)	1,471	-	1,471
Accounts receivable (net)	13,697	317	14,014
Accrued interest receivable	35,844	12,232	48,076
Due from other governments	2,720,073	-	2,720,073
Inventories	67,118	-	67,118
Leases Receivable	1,611,378	-	1,611,378
Prepaid items	16,637	-	16,637
Total assets	<u>21,604,752</u>	<u>6,084,326</u>	<u>27,689,078</u>
LIABILITIES			
Accounts payable	420,840	184,240	605,080
Salaries and benefits	484,869	-	484,869
Due to other governments	2,134	-	2,134
Unearned revenue	7,517	1,408,247	1,415,764
Liabilities payable from restricted assets:			
Bonds and deposits	7,710	-	7,710
Accounts payable	-	-	-
Total liabilities	<u>923,070</u>	<u>1,592,487</u>	<u>2,515,557</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	8,464	-	8,464
Prepaid privilege licenses	125	-	125
Leases	1,582,273	-	1,582,273
Property taxes receivable	1,471	-	1,471
Privilege licenses receivable	1,490	-	1,490
Total deferred inflows of resources	<u>1,593,823</u>	<u>-</u>	<u>1,593,823</u>
FUND BALANCES:			
Nonspendable:			
Inventories	67,118	-	67,118
Leases	29,105	-	29,105
Prepays	16,637	-	16,637
Restricted:			
Restricted for Stabilization by State Statute	3,922,259	-	3,922,259
Restricted for Streets	251,599	-	251,599
Restricted for Public Safety	105,708	-	105,708
Restricted for Capital Reserve Fund	5,126,050	-	5,126,050
Committed:			
Public Services Complex	-	61,956	61,956
Beach Nourishment capital projects	-	4,429,883	4,429,883
Assigned:			
Subsequent year's expenditures	3,275,000	-	3,275,000
Unassigned	6,294,383	-	6,294,383
Total fund balances	<u>19,087,859</u>	<u>4,491,839</u>	<u>23,579,698</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 21,604,752</u>	<u>\$ 6,084,326</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, 2022

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)	\$ 23,579,698
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	42,882,585
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Right to use assets at historical cost	140,004
Accumulated amortization	<u>(41,411)</u>
	98,593
Deferred outflows of resources related to pensions are not reported in the funds.	
Pension deferrals - LEOSSA	413,565
Pension deferrals - OPEB	170,531
Changes of assumptions or other inputs - OPEB	813,448
Pension deferrals - LGERS	<u>2,048,705</u>
	3,446,249
Deferred inflows of resources related to pensions are not reported in the funds.	
Pension related deferrals-LGERS	(1,927,256)
Pension related deferrals-LEOSSA	(63,173)
Pension related deferrals-OPEB	<u>(1,072,231)</u>
	(3,062,660)
Liabilities for earned revenues considered deferred inflows of resources in fund statements:	
Deferred taxes receivable	1,471
Deferred miscellaneous receivable	<u>1,490</u>
	2,961
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	(10,470,357)
Net pension liability	(1,307,131)
Total pension liability	(1,363,416)
Total OPEB liability	(4,612,008)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(101,090)
Net position of governmental activities (Exhibit 1)	<u><u>\$ 49,093,424</u></u>

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

Town of Nags Head, North Carolina
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2022

Exhibit 4

	General Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 10,582,398	\$ -	\$ 10,582,398
Other taxes and licenses	10,260,892	-	10,260,892
Unrestricted intergovernmental	952,365	-	952,365
Restricted intergovernmental	1,010,044	719,292	1,729,336
Permits and fees	388,634	-	388,634
Sales and services	313,943	-	313,943
Net investment earnings	(1,208,157)	(440,391)	(1,648,548)
Miscellaneous	82,619	-	82,619
Total revenues	<u>22,382,738</u>	<u>278,901</u>	<u>22,661,639</u>
EXPENDITURES			
Current:			
General Government	3,342,466	-	3,342,466
Public Safety	6,633,356	-	6,633,356
Environmental Protection	1,851,026	-	1,851,026
Public Services	2,256,872	-	2,256,872
Streets and Drainage	55,498	-	55,498
Debt service:			
Principal	3,818,546	-	3,818,546
Interest and other charges	247,532	-	247,532
Capital outlay:			
General Government	484,808	1,956,656	2,441,464
Public Safety	1,333,580	-	1,333,580
Environmental Protection	1,245,804	-	1,245,804
Public Services	2,381,450	410,413	2,791,863
Streets and Drainage	409,617	-	409,617
Total expenditures	<u>24,060,555</u>	<u>2,367,069</u>	<u>26,427,624</u>
Revenues (under) expenditures	(1,677,817)	(2,088,168)	(3,765,985)
OTHER FINANCING SOURCES (USES)			
Installment financing	3,028,313	-	3,028,313
Transfers to:			
Capital Project Funds	(2,102,426)	2,102,426	-
Sale of Capital Assets	24,633	-	24,633
Total other financing sources (uses)	<u>950,520</u>	<u>2,102,426</u>	<u>3,052,946</u>
Net change in fund balance	(727,297)	14,258	(713,039)
Fund balances - beginning	19,815,156	4,477,581	24,292,737
Fund balances - ending	<u>\$ 19,087,859</u>	<u>\$ 4,491,839</u>	<u>\$ 23,579,698</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, 2022

Exhibit 4
(Continued)

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

Net changes in fund balances - total governmental funds		\$ (713,039)
<p>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.</p>		
Capital outlay	8,222,328	
Loss on disposal of capital asset	(2,151)	
Depreciation	<u>(11,233,676)</u>	(3,013,499)
<p>Right to use leased asset capital outlay expenditures which were capitalized</p>		
	140,004	
Amortization expense for intangible assets	<u>(41,411)</u>	98,593
<p>LGERS pension plan deferrals in the current fiscal year are not included on the Statement of Activities</p>		
		771,015
<p>OPEB plan deferrals in the current fiscal year are not included on the Statement of Activities</p>		
		164,786
<p>LEOSSA plan deferrals are not included on the Statement of Activities</p>		
		64,531
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues/expenditures in the funds.</p>		
Changes in tax revenues		(2,010)
<p>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.</p>		
Debt Issued	(3,168,317)	
Decrease in accrued interest payable	14,039	
Principal repayments	<u>3,818,546</u>	<u>664,268</u>
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
LGERS pension expense	(558,797)	
LEOSSA pension expense	(170,322)	
Increase in compensated absences	(97,516)	
OPEB plan expense	<u>(308,134)</u>	<u>(1,134,769)</u>
Total change in net position of governmental activities		<u>\$ (3,100,124)</u>

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

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

Exhibit 5

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022**

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 10,501,165	\$ 10,501,165	\$ 10,582,398	\$ 81,233
Other taxes and licenses	7,420,101	8,502,225	10,260,892	1,758,667
Unrestricted intergovernmental	903,200	903,200	952,365	49,165
Restricted intergovernmental	1,442,709	1,011,743	1,010,044	(1,699)
Permits and fees	315,775	325,275	388,634	63,359
Sales and services	246,428	258,263	313,943	55,680
Net investment earnings	110,000	110,000	(866,305)	(976,305)
Miscellaneous	132,500	22,902	82,619	59,717
Total revenues	<u>21,071,878</u>	<u>21,634,773</u>	<u>22,724,590</u>	<u>1,089,817</u>
Expenditure:				
Current:				
General Government	3,637,012	3,802,086	3,342,466	459,620
Public Safety	6,480,725	6,786,322	6,633,356	152,966
Environmental Protection	1,897,958	2,051,702	1,851,026	200,676
Public Services	2,242,458	2,578,498	2,256,872	321,626
Streets and Drainage	79,750	94,750	55,498	39,252
Debt service:				
Principal	3,728,579	3,785,934	3,818,546	(32,612)
Interest and other charges	245,413	246,658	247,532	(874)
Capital outlay:				
General Government	646,172	693,983	484,808	209,175
Public Safety	45,109	1,702,522	1,333,580	368,942
Environmental Protection	-	1,488,475	1,245,804	242,671
Public Services	720,050	2,453,010	2,381,450	71,560
Streets and Drainage	1,458,520	705,100	409,617	295,483
Contingency	125,000	-	-	-
Total expenditures	<u>21,306,746</u>	<u>26,389,040</u>	<u>24,060,555</u>	<u>2,328,485</u>
Revenues over (under) expenditures	<u>(234,868)</u>	<u>(4,754,267)</u>	<u>(1,335,965)</u>	<u>3,418,302</u>
Other financing sources (uses):				
Transfers from Capital Reserve Fund	4,185,733	3,485,733	3,275,050	(210,683)
Transfers to Capital Reserve Fund	(4,465,479)	(4,665,479)	(4,473,391)	192,088
Transfers to Capital Project Fund	-	(489,950)	(489,950)	-
Installment financing	-	3,028,313	3,028,313	-
Sale of Capital Assets	20,000	20,000	24,633	4,633
Restricted Fund Balance	124,000	124,000	-	(124,000)
Committed Fund Balance	53,902	53,902	-	(53,902)
Appropriated Fund Balance	316,712	3,197,748	-	(3,197,748)
Total other financing sources (uses)	<u>234,868</u>	<u>4,754,267</u>	<u>1,364,655</u>	<u>(3,389,612)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>28,690</u>	<u>\$ 28,690</u>
Fund balances, beginning of the year			<u>13,933,119</u>	
Fund balances, end of year			<u>\$ 13,961,809</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Interest Income			\$ (341,852)	
Transfers to General Fund			(3,275,050)	
Transfers to Capital Project Funds			(1,612,476)	
Transfers from General Fund			4,473,391	
Fund balance, beginning of the year			<u>5,882,037</u>	
Fund balance, end of year			<u>\$ 19,087,859</u>	

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

Town of Nags Head, North Carolina
Proprietary Funds
Statement of Fund Net Position
June 30, 2022

Exhibit 6

	Business-type Activities	
	Major Fund Water Fund	Total Enterprise Funds June 30, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,933,212	\$ 3,933,212
Accounts receivable trade (net)	577,183	577,183
Accounts receivable other (net)	50,543	50,543
Inventories	81,701	81,701
Restricted cash and cash equivalents	465,321	465,321
Total current assets	5,107,960	5,107,960
Capital assets:		
Land and construction in progress	1,603,243	1,603,243
Other capital assets, net of depreciation	4,637,507	4,637,507
Total capital assets (net)	6,240,750	6,240,750
Total noncurrent assets	6,240,750	6,240,750
Total assets	11,348,710	- 11,348,710
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals OPEB	14,358	14,358
Changes of assumptions or other inputs OPEB	70,879	70,879
Pension deferrals LGERS	189,094	189,094
Total deferred outflows of resources	274,331	274,331
LIABILITIES		
Current liabilities:		
Accounts payable	429,775	429,775
Salaries and benefits	28,005	28,005
Accrued interest payable	103	103
Compensated absences - current	20,000	20,000
Direct placement installment purchases-current	28,218	28,218
Liabilities payable from restricted assets:		
Customer bonds and deposits	458,296	458,296
Total current liabilities	964,397	964,397
Noncurrent liabilities:		
Net pension liability	120,647	120,647
Compensated absences	14,150	14,150
Total OPEB liability	401,861	401,861
Direct placement installment purchases	12,581	12,581
Total noncurrent liabilities	549,239	549,239
Total liabilities	1,513,636	1,513,636
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals LGERS	177,884	177,884
Pension deferrals OPEB	93,427	93,427
Prepaid water consumption units	108,000	108,000
Total deferred inflows of resources	379,311	379,311
NET POSITION		
Net investment in capital assets	6,199,951	6,199,951
Restricted for capital reserve fund	7,153	7,153
Unrestricted	3,522,990	3,522,990
Net Position	\$ 9,730,094	\$ 9,730,094

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, 2022

	Business-type Activities		
	Major Fund Water Fund	Non-Major Fund Nags Head Leasing	Total Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 3,760,396	\$ -	\$ 3,760,396
Tap and connection fees	21,277	-	21,277
Late payment penalties	25,275	-	25,275
Water tag fees	3,450	-	3,450
Miscellaneous	1,900	-	1,900
Total operating revenues	3,812,298	-	3,812,298
OPERATING EXPENSES			
Administration	293,960	-	293,960
Septic Health	107,390	-	107,390
Operations	1,835,918	-	1,835,918
Distribution	797,276	-	797,276
Depreciation and amortization	365,539	-	365,539
Total operating expenses	3,400,083	-	3,400,083
Total operating income	412,215	-	412,215
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental grant	474,062	-	474,062
Investment earnings	42,038	1	42,039
Change in fair market value of investments	(335,311)	1	(335,310)
Interest expense	(1,219)	-	(1,219)
Total nonoperating revenues (expenses)	179,570	2	179,572
Income Before			
Contributions and Transfers	591,785	2	591,787
Insurance recovery	16,850	-	16,850
Transfer from other funds	109	-	109
Transfer to other funds	-	(109)	(109)
Capital contributions	27,412	-	27,412
Change in net position	636,156	(107)	636,049
Total net position - beginning	9,093,938	107	9,094,045
Total net position - ending	\$ 9,730,094	\$ -	\$ 9,730,094

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, 2022

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	\$ 3,896,064	\$ -	\$ 3,896,064
Cash paid for goods and services	(1,804,062)	-	(1,804,062)
Cash paid to or on behalf of employees for services	(1,008,744)	-	(1,008,744)
Customer deposits received	59,067	-	59,067
Customer deposits returned	(47,973)	-	(47,973)
Other operating revenues	1,900	-	1,900
Net cash provided by operating activities	1,096,252	-	1,096,252
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfer from Nags Head Leasing Fund	109	(109)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contribution	474,062	-	474,062
System development fees received	23,412	-	23,412
Insurance recovery	16,850	-	16,850
Interest paid on debt financing	(1,336)	-	(1,336)
Septic Loans issued	(34,550)	-	(34,550)
Repayment of septic loans	24,998	-	24,998
Principal paid on debt financing	(38,495)	-	(38,495)
Acquisition of capital assets	(1,518,088)	-	(1,518,088)
Net cash (used) by capital and related financing activities	(1,053,147)	-	(1,053,147)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment earnings	(294,372)	2	(294,370)
Net (decrease) in cash and cash equivalents	(251,158)	(107)	(251,265)
Cash balances - beginning of the year	4,649,691	107	4,649,798
Cash balances - end of the year	\$ 4,398,533	\$ -	\$ 4,398,533
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 412,215	\$ -	\$ 412,215
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	365,539	-	365,539
Changes in assets, deferred outflows of resources, and liabilities:			
Decrease in accounts receivable	85,666	-	85,666
(Increase) in inventories	(17,933)	-	(17,933)
(Increase) in deferred outflows of resources-pension	(25,204)	-	(25,204)
(Increase) in deferred outflows of resources-OPEB	(27,479)	-	(27,479)
(Decrease) in net pension liability	(169,290)	-	(169,290)
Increase in deferred inflows of resources-pension	174,906	-	174,906
Increase in accounts payable	239,541	-	239,541
(Decrease) in accrued liabilities	(3,222)	-	(3,222)
Increase in customer deposits	11,094	-	11,094
Increase in deferred inflows of resources-OPEB	41,496	-	41,496
Increase in OPEB liability	8,923	-	8,923
Total adjustments	684,037	-	684,037
Net cash provided by operating activities	\$ 1,096,252	\$ -	\$ 1,096,252

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, 2022

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 fiscal year end. The blended component unit of the Town has no account balance at the end of the fiscal year.

Blended Component Unit – Nags Head t 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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, grants, and various other taxes and licenses. The primary expenditures are for 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 four 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, the beach nourishment master plan capital project fund accounting for long-term beach nourishment planning, and the capital projects fund accounting for the acquisition, construction and improvements of various capital equipment and facilities.

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under 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, Beach Nourishment Master Plan, and 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, 2022

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, 2022

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

Money in the Capital Reserve Funds are 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		\$ 251,599
	Public safety		105,708
	Capital reserve fund		5,115,792
	Bonds and deposits		<u>7,710</u>
Total General Fund			<u>\$ 5,480,809</u>
Business-type Activities:			
Water Fund	Customer deposits		\$ 450,016
	Capital reserve fund		7,025
	Cash bonds		<u>8,280</u>
Total business-type activities			<u>\$ 465,321</u>
Total Restricted Cash			<u>\$ 5,946,130</u>

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, 2021.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

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. Lease Receivable

The Town's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the leases. The deferred inflow of resources is recorded at the initiation of the leases in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the leases.

7. 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.

8. 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, 2022

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

9. Right to use assets

The Town has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

10. 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*, represent a consumption of net assets that applies to future periods 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 2022 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 2022 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* represent an acquisition of net assets that applies to future periods 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 privilege licenses, leases, prepaid water impact fees, receivables for property taxes and privilege licenses, and OPEB and pension deferrals.

11. 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.

12. 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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

In accordance with the Fair Labor Standards Act, the Town allows 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.

13. Reimbursement for Pandemic-related Expenditures

In fiscal year 2022, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The Town was allocated \$948,124 of fiscal recovery funds to be paid in two equal installments. The first installment of \$474,062 was received in July 2021. The second installment will be received in July 2022. Town staff and the Board of Commissioners have elected to use \$474,062 of the ARPA funds for water line infrastructure improvements. The Town plans on using the rest of the funds for water line infrastructure improvements in fiscal year 2023. The entire \$474,062 fiscal year 2022 allocation was used towards the infrastructure improvements and was recorded in the water fund. The entire remaining balance will be used towards the infrastructure improvements and will be recorded in the water fund as well.

14. 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.

Leases - portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

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.

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. 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.

Committed for public services complex - portion of fund balance that has been budgeted by the Board of Commissioners for construction of the public services complex that is not classified in restricted.

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.

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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

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.

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

The Town of Nags Head has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, state funds, local funds, Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Finance Officer 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.

15. 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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

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 \$25,513,726 consists of several elements as follows:

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)	\$ 130,904,459	
Less accumulated depreciation	<u>(88,021,874)</u>	
Net capital assets		42,882,585

Right to use leased assets used in governmental activities are not financial resource and therefore are not reported in the funds:

Right to use assets at historical cost	140,004	
Accumulated amortization	<u>(41,411)</u>	98,593

Deferred outflows of resources related to pensions are not reported in the funds:

Pension related deferrals-LGERS	2,048,705	
Pension related deferrals-LEOSSA	413,565	
Changes of assumptions or other inputs-OPEB	813,448	
Pension related deferrals-OPEB	<u>170,531</u>	3,446,249

Liabilities for earned revenues considered deferred inflows of resources in fund statements:

Deferred taxes receivable	1,471	
Deferred miscellaneous receivable	<u>1,490</u>	2,961

Deferred inflows of resources related to pensions are not reported in the funds:

Pension related deferrals-LGERS	(1,927,256)	
Pension related deferrals -LEOSSA	(63,173)	
Pension related deferrals -OPEB	<u>(1,072,231)</u>	(3,062,660)

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	(9,649,186)	
Compensated absences	(721,629)	
Lease liabilities	(99,542)	
Net pension liability-LGERS	(1,307,131)	
Total pension liability-LEOSSA	(1,363,416)	
Total OPEB liability	<u>(4,612,008)</u>	(17,752,912)

Other long-term liabilities (accrued interest) are not available

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

to pay for current period expenditures and, are deferred in the funds.	(101,090)
Net adjustment	\$ 25,513,726

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of (\$2,387,085) as follows:

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 expenditures recorded in the fund statements capitalized as assets in the statement of activities	8,222,328	
Loss on disposal of capital asset that is recorded on the statement of activities but not in the fund stat	(2,151)	
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(11,233,676)	(3,013,499)
Right to use leased asset capital outlay expenditures which were capitalized	140,004	
Amortization expense for intangible assets	(41,411)	98,593
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		771,015
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities.		164,786
Benefit payments paid and administrative expenses for the LEOSA plan are not included on the Statement of Activities		64,531
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		(2,010)

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

Town of Nags Head, North Carolina
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For the Fiscal Year Ended June 30, 2022

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	(3,028,313)	
Lease liabilities	(140,004)	
Accrued interest payable	14,039	
	(3,154,278)	
Principal repayments	3,818,546	664,268
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.		
Increase in compensated absences	(97,516)	
Pension expense - LGERS	(558,797)	
Pension expense - LEOSSA	(170,322)	
Plan expense - OPEB	(308,134)	
	(1,134,769)	
Net adjustment		\$(2,387,085)

H. 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.

I. Stewardship, Compliance and Accountability

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2022, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for general government activities by \$33,486. This over-expenditure occurred because of reclassifications for leases as required by initial implementation of GASB 87. Management and the Board will more closely review the budget reports to ensure compliance in future years.

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2022, the Town's deposits had a carrying amount of \$632,425 and a bank balance of \$586,376. 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, 2022, the Town's petty cash fund totaled \$1,000.

2. Investments

At June 30, 2022, the Town's investments were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/22	< 9 months	9 months-3 Years	3-5 Years	5-10 Years
Government Agency: FHLMC	Fair Value Level 2	1,943,819	-	259,929	-	1,683,890
Government Agency: FHL Bank	Fair Value Level 2	9,750,223	-	1,488,058	3,304,835	4,957,330
Government Agency: FFC Bank	Fair Value Level 2	10,422,175	-	2,799,280	4,995,745	2,627,150
Government Agency: FNMA	Fair Value Level 2	1,342,320	-	-	459,990	882,330
Commercial Paper- Credit Suisse	Amortized Cost	1,992,352	1,992,352	-	-	-
Commercial Paper - ING US Funding	Amortized Cost	1,492,522	1,492,522	-	-	-
NC Capital Management Trust- Government Portfolio*	Fair Value Level 1	32,008	32,008	-	-	-
Total		\$26,975,419	\$3,516,882	\$ 4,547,267	\$ 8,760,570	\$10,150,700

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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

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 0.12% and Commercial Paper at 12.62% matured in less than 9 months, 16.47% of U.S. Government Agencies matured in less than 3 years, 30.06% of U.S Government Agencies matured in less than 5 years, and 33.57% of U.S. Government Agencies matured in less than 10 years based on the \$27,608,844 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 \$242,726 was realized during fiscal year 2022. During the year one investment was sold for a realized loss of (\$2,433). Because of the fair market value on June 30, unrealized loss on investments held on June 30 was (\$2,182,112). When combined, total investment income for fiscal year 2022 was a net loss of (\$1,941,819).

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 and ING US Funding 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, which consists of an SEC-registered mutual fund, is authorized by N.C.G.S. 159-309(c) (8). The Government Portfolio, which invests in treasuries and government agencies, is a money market fund (2a7) and maintains an AAAM rating from Standard and Poor's and AAAMf by Moody's Investors Service as of June 30, 2022. It is reported at fair value.

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 Officer.

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 35.32%, Federal Farm Credit Bank at 37.75%, Federal Home Loan Mortgage Corporation at 7.04%, Credit Suisse commercial paper at 7.22%, and ING US Funding commercial paper at 5.41%.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

3. Receivables

The receivables shown in Exhibit 1 at June 30, 2022, were:

	Accounts	Taxes	Due from other Governments	Grants Receivable	Interest Receivable	Total
Governmental						
General	\$ 2,724	\$ 6,471	\$ 2,720,073	\$ 11,290	\$ 48,076	\$ 2,788,634
Allowance for doubtful accounts	-	(5,000)	-	-	-	(5,000)
Total governmental activities	<u>\$ 2,724</u>	<u>\$ 1,471</u>	<u>\$ 2,720,073</u>	<u>\$ 11,290</u>	<u>\$ 48,076</u>	<u>\$ 2,783,634</u>
Business-type						
Water	\$ 637,608	\$ -	\$ -	\$ -	\$ 8,887	\$ 646,495
Allowance for doubtful accounts	(18,769)	-	-	-	-	(18,769)
Total business type activities	<u>\$ 618,839</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,887</u>	<u>\$ 627,726</u>

Due from other governments consisted of the following:

Occupancy tax	\$ 1,161,031
Land transfer tax	442,916
Sales taxes	713,514
Sales tax reimbursement	178,574
ABC Mixed Beverage	8,023
Utilities sales tax	160,770
Cable sales tax	28,049
Telecommunications sales tax	5,117
N.C. Division of Motor Vehicles	14,547
Other	7,531
Total	<u>\$ 2,720,073</u>

4. Leases Receivable

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On July 1, 2021, the Town of Nags Head recorded a 107-month lease (original lease date of May 22, 2015) as Lessor for the use of Water Tower - 123 West Westside Court. An initial lease receivable was recorded in the amount of \$362,953. As of June 30, 2022, the value of the lease receivable is \$328,046. The lessee is required to make monthly fixed payments of \$3,116. The lease has an interest rate of 0.8140%. The value of the deferred inflow of resources as of June 30, 2022, was \$322,248, and Nags Head recognized lease revenue of \$40,705 during the fiscal year. The lease has 4 extension options, each for 60 months.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

On July 1, 2021, the Town of Nags Head recorded an 18-month lease (original lease date of November 8, 2019) as Lessor for the use of Lab Space - 425 Health Center Drive. An initial lease receivable was recorded in the amount of \$18,393. As of June 30, 2022, the value of the lease receivable is \$6,143. The lessee is required to make monthly fixed payments of \$1,025. The lease has an interest rate of 0.4350%. The value of the deferred inflow of resources as of June 30, 2022, was \$6,131, and Nags Head recognized lease revenue of \$12,262 during the fiscal year. The lease has 1 extension option for 12 months.

On July 1, 2021, the Town of Nags Head recorded an 80-month lease (original lease date April 26, 2018) as Lessor for the use of Century Link Gull St Building. An initial lease receivable was recorded in the amount of \$91,473. As of June 30, 2022, the value of the lease receivable is \$78,114. The lessee is required to make annual fixed payments of \$13,646. The lease has an interest rate of 0.4350%. The value of the deferred inflow of resources as of June 30, 2022, was \$77,865, and Nags Head recognized lease revenue of \$13,608 during the fiscal year. The lease has 2 extension options, each for 60 months.

On December 15, 2021, the Town of Nags Head entered into a 50-month lease as Lessor for the use of 105 West Seachase Drive. An initial lease receivable was recorded in the amount of \$285,021. As of June 30, 2022, the value of the lease receivable is \$254,891. The lessee is required to make monthly fixed payments of \$5,610. The lease has an interest rate of 0.6480%. The value of the deferred inflow of resources as of June 30, 2022, was \$248,172, and Nags Head recognized lease revenue of \$36,850 during the fiscal year. The lease has 1 extension option for 60 months.

On July 1, 2021, the Town of Nags Head recorded a 107-month (original lease date May 18, 2020) lease as Lessor for the use of Town Hall Monopole - 5401 South Croatan Highway. An initial lease receivable was recorded in the amount of \$299,916. As of June 30, 2022, the value of the lease receivable is \$271,096. The lessee is required to make monthly fixed payments of \$2,575. The lease has an interest rate of 0.8140%. The value of the deferred inflow of resources as of June 30, 2022, was \$266,281, and Nags Head recognized lease revenue of \$33,635 during the fiscal year. The lease has 4 extension options, each for 60 months.

On July 1, 2021, the Town of Nags Head recorded a 79-month lease (original lease date February 6, 2009) as Lessor for the use of Wireless Tower - 5401 South Croatan Highway. An initial lease receivable was recorded in the amount of \$279,970. As of June 30, 2022, the value of the lease receivable is \$241,867. The lessee is required to make monthly fixed payments of \$3,231. The lease has an interest rate of 0.4350%. The value of the deferred inflow of resources as of June 30, 2022, was \$237,532, and Nags Head recognized lease revenue of \$42,438 during the fiscal year. The lease has 1 extension option for 60 months.

On July 1, 2021, the Town of Nags Head recorded a 97-month lease (original lease date September 6, 2017) as Lessor for the use of Communications Water Tower. An initial lease receivable was recorded in the amount of \$483,862. As of June 30, 2022, the value of the lease receivable is \$431,221. The lessee is required to make monthly fixed payments of \$4,615. The lease has an interest rate of 0.6480%. The value of the deferred inflow of resources as of June 30, 2022, was \$424,044, and Nags Head recognized lease revenue of \$59,818 during the fiscal year. The lease has 2 extension options, each for 60 months.

Principal and Interest Expected to Maturity

Fiscal Year	Governmental Activities			Total Payments
	Principal Payments	Interest Payments		
2023	245,500	10,044		255,544
2024	248,544	8,468		257,012
2025	259,862	6,826		266,688
2026	243,362	5,145		248,507
2027	202,466	3,749		206,215
2028 - 2031	411,644	4,040		415,685

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

5. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 12,309,818	\$ 872,780	\$ -	\$ 13,182,598
Art	107,553	-	-	107,553
Construction in progress	44,991	1,826,343	-	1,871,333
Total capital assets not being depreciated	<u>12,462,362</u>	<u>2,699,123</u>	<u>-</u>	<u>15,161,485</u>
Capital assets being depreciated:				
Buildings	8,102,934	827,220	-	8,930,154
Other improvements	447,218	2,160	-	449,378
Improvements	43,539,622	2,099,555	-	45,639,177
Equipment	4,459,788	315,487	41,710	4,733,565
Vehicles and motorized equipment	10,216,084	1,543,163	488,968	11,270,280
Infrastructure	43,984,801	735,620	-	44,720,421
Total capital assets being depreciated	<u>110,750,447</u>	<u>5,523,206</u>	<u>530,677</u>	<u>115,742,975</u>
Less accumulated depreciation for:				
Buildings	4,534,195	229,931	-	4,764,126
Other improvements	92,645	36,175	-	128,819
Improvements	24,310,881	9,314,869	-	33,625,750
Equipment	2,811,293	412,602	39,560	3,184,335
Vehicles and motorized equipment	6,847,694	706,081	488,968	7,064,808
Infrastructure	38,720,017	534,020	-	39,254,037
Total accumulated depreciation	<u>77,316,725</u>	<u>\$ 11,233,676</u>	<u>\$ 528,528</u>	<u>88,021,874</u>
Total capital assets being depreciated, net	<u>33,433,722</u>			<u>27,721,100</u>
Governmental activity capital assets, net	<u>\$ 45,896,084</u>			<u>\$ 42,882,585</u>

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

General Government	\$ 9,338,378
Public Safety	562,806
Public Works	751,584
Environmental Protection	350,122
Streets and Drainage	230,786
Total Depreciation Expense	<u>\$ 11,233,676</u>

In Governmental activity, capital outlay purchases were \$8,222,328. Decreases resulted from capital asset disposals totaled \$530,677. Accumulated depreciation on disposals totaled \$528,528. There was a loss on disposal of a capital asset in the environmental protection function of \$2,149. Accumulated depreciation increased by \$11,233,676.

Town of Nags Head, North Carolina
Notes to the Financial Statements
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Capital asset activities for the Business-type activities for the year ended June 30, 2022, are as follows:

	Beginning Balances	Increases	Decreases (Transfers)	Ending Balances
Business-Type Activities:				
Water Fund				
Capital assets not being depreciated:				
Land	\$ 204,205	\$ -	\$ -	\$ 204,205
Construction in progress	73,721	1,355,148	29,831	1,399,038
Total capital assets not being depreciated	<u>277,926</u>	<u>1,355,148</u>	<u>29,831</u>	<u>1,603,243</u>
Capital assets being depreciated:				
Building	3,283,693	-	-	3,283,693
Other	178,232	150,000	-	328,232
Improvements	704,641	-	-	704,641
Equipment	1,071,962	42,771	8,985	1,105,748
Vehicles and motorized equipment	296,699	-	41,557	255,142
Intangibles	4,203,619	-	-	4,203,619
Infrastructure	3,581,404	-	-	3,581,404
Total capital assets being depreciated	<u>13,320,250</u>	<u>192,771</u>	<u>50,543</u>	<u>13,462,479</u>
Less accumulated depreciation for:				
Building	2,408,817	41,983	-	2,450,800
Other	169,225	3,240	-	172,465
Improvements	412,506	18,617	-	431,124
Equipment	937,488	38,788	8,985	967,291
Vehicles and motorized equipment	202,114	25,642	41,557	186,200
Intangibles	3,295,754	108,403	-	3,404,158
Infrastructure	1,084,070	128,866	-	1,212,936
Total accumulated depreciation	<u>8,509,974</u>	<u>\$ 365,539</u>	<u>\$ 50,543</u>	<u>8,824,972</u>
Total capital assets being depreciated, net	<u>4,810,276</u>			<u>4,637,507</u>
Water Fund capital assets, net	<u>\$ 5,088,202</u>			<u>6,240,750</u>

Depreciation expense of \$365,539 was charged to business-type activities.

As used in this section, the term depreciation includes amortization of intangible assets. Capital asset disposals totaled \$50,543. There was \$50,543 accumulated depreciation on disposals.

The government has active construction projects as of June 30, 2022. 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	\$ 1,399,038	\$212,291
Epstein Street Bath House	58,104	41,896
Security System	102,663	106,563
Surface Overlay and Storm Drainage	18,791	2,209
Fire Apparatus	1,062,005	298,370
Frontload Residential Sanitation Truck	150,067	222,317
Public Works Master Plan	<u>460,403</u>	<u>79,536</u>
Total	<u>\$3,251,071</u>	<u>\$963,182</u>

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6. Right to Use Leased Assets

The Town of Nags Head has recorded two right to use leased assets. The assets are right to use assets for leased computer equipment and office equipment. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Right to use assets				
Leased Computer Equipment	\$ -	\$ 133,540	\$ -	\$ 133,540
Leased Equipment	-	6,464	-	6,464
Total right to use assets	-	140,004	-	140,004
Less accumulated amortization for:				
Leased Computer Equipment	-	37,974	-	37,974
Leased Equipment	-	3,437	-	3,437
Total accumulated amortization	-	41,411	-	41,411
Right to use assets, net	\$ -	\$ 98,593	\$ -	\$ 98,593

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

Town of Nags Head, North Carolina
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For the Fiscal Year Ended June 30, 2022

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

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

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, 2022, was 12.100% of compensation for law enforcement officers and 11.350% 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 \$842,179 for the year ended June 30, 2022.

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, 2022, the Town reported a liability of \$1,427,778 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, 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

Town of Nags Head, North Carolina
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determined. At June 30, 2021 (measurement date), the Town's proportion was 0.09310%, which was a decrease of 0.00292% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$610,374. At June 30, 2022, 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	\$ 454,227	\$ -
Changes of assumptions and other inputs	897,009	-
Net difference between projected and actual earnings on pension plan investments	-	2,039,866
Changes in proportion and differences between Town contributions and proportionate share of contributions	44,384	65,274
Town contributions subsequent to the measurement date	842,179	-
Total	\$ 2,237,799	\$ 2,105,140

The \$842,179 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, 2023. 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:	
2023	\$ 127,490
2024	(43,440)
2025	(169,360)
2026	(624,211)
2027	-
Thereafter	-
	\$ (709,521)

Actuarial Assumptions. The total pension liability in the December 31, 2020, 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 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 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.

Town of Nags Head, North Carolina
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The actuarial assumptions used in the December 31, 2020, valuation were based on the results of an actuarial experience study for the period January 1, 2011, through December 31, 2015.

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, 2022, are summarized in the following table:

<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 2021 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 6.50%. 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

Town of Nags Head, North Carolina
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	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability	\$ 5,542,515	\$ 1,427,778	\$ (1,958,412)

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 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, 2020 (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	23
Total	26

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.

Town of Nags Head, North Carolina
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3. Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2020, valuation. The total pension liability in the December 31, 2020 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	2.25 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, 2020, 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.

Deaths after retirement (Disabled Members at Retirement) mortality rates 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) mortality rates 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, 2022, the Town reported a total pension liability of \$1,363,416. The total pension liability was measured as of December 31, 2021, based on a December 31, 2020, actuarial valuation. The total pension

Town of Nags Head, North Carolina
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liability was then rolled forward to the measurement date of December 31, 2021, utilizing updated procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$170,322.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 125,227	\$ 13,199
Changes of assumptions and other inputs	255,875	49,974
Benefit payments and administrative expenses subsequent to the measurement date	32,463	-
Total	<u>\$ 413,565</u>	<u>\$ 63,173</u>

\$32,463 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, 2023.

Other amounts reported as deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2023	\$ 102,438	\$ 20,456	\$ 81,982
2024	97,477	16,594	80,883
2025	88,016	12,733	75,283
2026	74,415	6,523	67,892
2027	17,666	6,300	11,366
Thereafter	1,090	567	523
	<u>\$ 381,102</u>	<u>\$ 63,173</u>	<u>\$ 317,929</u>

\$32,057 paid as benefits came due and \$406 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 2.25 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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	1% Decrease (1.25%)	Current Discount Rate (2.25%)	1% Increase (3.25%)
Total pension liability	\$ 1,487,147	\$ 1,363,416	\$ 1,250,660

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

	2022
Total Pension Liability	
Beginning balance	\$ 1,303,038
Service Cost at end of year	64,728
Interest on the total pension liability	24,530
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	73,600
Changes of assumptions or other inputs	(38,367)
Benefit payments	(64,113)
Other changes	-
Net changes in Total Pension Liability	60,378
Ending balance of the total pension liability	\$ 1,363,416

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	\$ 610,374	\$ 170,322	\$ 780,696
Pension Liability	1,427,778	1,363,416	2,791,194
Proportionate share of the net pension liability	0.09310%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	454,227	125,227	579,454
Changes of assumptions	897,009	255,875	1,152,884
Changes in proportion and differences between contributions and proportionate share of contributions	44,384	-	44,384
Benefit payments and administrative costs paid subsequent to the measurement date	842,179	32,463	874,642
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	13,199	13,199

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Changes of assumptions	-	49,974	49,974
Net difference between projected and actual earnings on plan investments	2,039,866	-	2,039,866
Changes in proportion and differences between contributions and proportionate share of contributions	65,274	-	65,274

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the 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, 2022, were \$154,176 which consisted of \$82,939 from the Town and \$71,237 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 three percent of each employee's salary (excluding law enforcement officers), and all amounts contributed are vested immediately. Employees may also make voluntary contributions to the plan. Total contributions for the year ended June 30, 2022, were \$439,681 which consisted of \$170,285 from the Town and \$269,396 from employees. No amounts were forfeited.

Town of Nags Head, North Carolina
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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, 2022, were \$107,448 which consisted of \$80,084 from regular employees and \$27,364 from law enforcement employees.

f. Other Post-employment Benefits

Healthcare Benefits:

Plan Description. According to a Town resolution, the Town administers a single employer defined benefit health care plan. This plan provides health care benefits to retirees of the Town who participate in the North Carolina Local Governmental Employees' Retirement System (System). The Town pays the full cost of coverage for these benefits for retirees who began working for the Town on or before November 3, 1997. The Town pays 25% for retiree with 10 years or more of service, 50% for retirees with 15 years or more of service, 75% with 20 years or more of service, and 100% with 25 years. Coverage ends when retirees become eligible for Medicare. Also, retirees can purchase coverage for their dependents at the Town's group rates. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. Membership of the health care plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

Inactive members or beneficiaries currently receiving benefits	14
Inactive members entitled to but not yet receiving benefits	-
Active members	107
Total membership	121

Total OPEB Liability

The Town's total OPEB liability of \$5,013,869 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021, 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	0.75 %
Wage inflation	3.25 %
Salary increases, including wage inflation	
General Employees	3.25% – 8.41%
Firefighters	3.25% – 8.15%
Law Enforcement Officers	3.25% – 7.90%

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Municipal Bond Index Rate	
Prior Measurement Date	2.21 %
Measurement Date	2.16 %
Health Care Cost Trends	
Pre-Medicare	7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031
Dental	3.50%
Vision	2.00%

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.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal and salary increases used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care costs trends, rate of plan participation, rates of plan election, etc.) used in the June 20, 2021 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2021 valuation.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2020	\$ 5,024,282
Changes for the year	
Service cost at end of year (includes interest for the year)	280,694
Interest on total OPEB liability and Cash Flows	115,222
Changes in benefit terms	-
Differences between expected and actual experience	(704,774)
Changes of assumptions or other inputs	482,032
Benefit payments	(183,587)
Other changes	-
Net changes	<u>\$ (10,413)</u>
Balance at June 30, 2021	<u>\$ 5,013,869</u>

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 (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ 5,569,786	\$ 5,013,869	\$ 4,521,956

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

Town of Nags Head, North Carolina
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For the Fiscal Year Ended June 30, 2022

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	\$ 4,395,925	\$ 5,013,869	\$ 5,756,586

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$351,177. At June 30, 2022, 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	\$ -	\$ 960,215
Changes of assumptions or other inputs	884,327	205,443
Benefit payments and administrative costs subsequent to the measurement date	184,889	-
Total	\$ 1,069,216	\$ 1,165,658

\$184,889 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, 2023. \$(281,331) reported as Deferred Inflows of Resources related to OPEB benefits will be recognized in OPEB Expense as follows:

Year ended June 30:

2023	\$ (50,484)
2024	(50,484)
2025	(50,484)
2026	(50,484)
2027	(37,390)
Thereafter	(42,005)
Total	\$ (281,331)

\$184,889 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

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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, 2022, the Town made contributions to the State for death benefits of \$ 5,169. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .050% 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, 2022, were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Unearned Revenue	Customer Deposits	Total
Governmental Activities						
General	\$422,974	\$ 484,869	\$101,090	\$1,415,764	\$ 7,710	\$ 2,432,407
Nonmajor Funds	184,240	-	-	-	-	184,240
Total Governmental activities	<u>\$607,214</u>	<u>\$ 484,869</u>	<u>\$101,090</u>	<u>\$1,415,764</u>	<u>\$ 7,710</u>	<u>\$2,616,647</u>
Business-type Activities						
Water	429,775	28,005	103	-	458,296	916,179
Total Business-type activities	<u>\$429,775</u>	<u>\$ 28,005</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>\$458,296</u>	<u>\$ 916,179</u>

4. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end reported on the Statement of Net Position is comprised of the following:

	Statement of Net Position
Benefit payments made for LEOSA subsequent to measurement date	\$ 32,463
Contributions to pension plan in current fiscal year-LGERS	842,179
Benefit payments made for OPEB subsequent to measurement date	184,889
Differences between expected and actual experience-LGERS	454,227
Changes of assumptions-LGERS	897,009
Changes in proportion and differences between employer contributions and proportionate share of contributions-LGERS	44,384
Differences between expected and actual experience-LEOSA	125,227
Changes of assumptions and other inputs-OPEB	884,327

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Changes of assumptions and other inputs-LEOSSA	255,875
Total	\$ 3,720,580

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

	Statement of Net Position	Government Funds Balance Sheet
Prepaid taxes (General Fund)	\$ 8,464	\$ 8,464
Property taxes receivable, less penalties (General Fund)	-	1,471
Privilege licenses receivable, less penalties (General Fund)	-	1,490
Prepaid privilege licenses (General Fund)	125	125
Prepaid water consumption units (Water Fund)	108,000	-
Lease Receivable (General Fund)	1,582,273	1,582,273
Differences between expected and actual experience- LEOSSA (General Fund)	13,199	-
Differences between projected and actual earnings on pension plan investments-LGERS	2,039,866	-
Differences between expected and actual experience-OPEB	960,215	-
Changes in proportion and difference between contributions and proportionate share of contributions-LGERS	65,274	-
Changes of assumptions/other inputs-LEOSSA General Fund	49,974	-
Changes of assumptions and other inputs-OPEB	205,443	-
Total	\$ 5,032,833	\$ 1,593,823

5. 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.

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For the Fiscal Year Ended June 30, 2022

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 officer and tax collector are each individually bonded for \$125,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

6. 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 October 7, 2021, settlements had been reached, paid and/or finalized with all, but one (1) of the remaining condemnations. The final 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.

As part of the Town's 2022 Beach Nourishment Project, the Town sought to obtain easements on an oceanfront property. This property includes a beach cottage that has been storm damaged and unusable since before the Town's 2011 Beach Nourishment Project. Although the Town had clear authority to acquire the Beach Nourishment Easement needed for the 2022 Project, the owner of this property has filed a counterclaim asserting that the Town has inversely condemned the entire property. There are numerous legal defenses to these counterclaims, and we expect to defend those claims aggressively. This litigation was just recently filed and we do not have an estimate of any potential damages to which the Town might be exposed, except that the value of the property is probably less than \$200,000.

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.

Town of Nags Head, North Carolina
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7. Long-Term Obligations

a. Leases

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On July 1, 2021, the Town of Nags Head recorded a 22-month lease (original lease date May 18, 2018) as Lessee for the use of Canon Copier - Administration Office. An initial lease liability was recorded in the amount of \$6,464. As of June 30, 2022, the value of the lease liability is \$2,944. Town of Nags Head is required to make monthly fixed payments of \$295. The lease has an interest rate of 0.4350%. The value of the right to use asset as of June 30, 2022, of \$6,464 with accumulated amortization of \$3,437 is included with Equipment on the Lease Class activities table found at the Right to Use Leased Assets section.

On July 1, 2021, the Town of Nags Head recorded a 42-month lease (original lease date October 2, 2019) as Lessee for the use of Dell Computer Equipment. An initial lease liability was recorded in the amount of \$133,540. As of June 30, 2022, the value of the lease liability is \$96,598. Town of Nags Head is required to make monthly fixed payments of \$3,150. The lease has an interest rate of 0.8140%. The value of the right to use asset as of June 30, 2022, of \$133,540 with accumulated amortization of \$37,974 is included with Computer Equipment on the Lease Class activities table found at the Right to Use Leased Assets section.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Principal and Interest Requirements to Maturity				
Fiscal Year	Governmental Activities			Total Payments
	Principal Payments	Interest Payments		
2023	40,096	654		40,750
2024	37,456	344		37,800
2025	<u>21,990</u>	<u>60</u>		<u>22,050</u>
	<u>\$99,542</u>	<u>\$1,058</u>		<u>\$100,600</u>

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

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.

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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.

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.

In January 2022, The Town entered into a 10-year direct borrowing contract for \$1,200,000 to finance a piece of property located at 105 W Seachase Drive in Nags Head, North Carolina, which is pledged as collateral while the debt is outstanding. The interest rate is 2.37% per annum fixed. The contract requires annual principal and interest payments beginning January 2023.

In March 2022, The Town entered into a 3-year direct borrowing contract for \$275,439 to finance vehicles and equipment, which are pledged as collateral while the debt is outstanding. The interest rate is 2.22% per annum fixed. The contract requires annual principal and interest payments beginning March 2022.

In March 2022, The Town entered into a 5-year direct borrowing contract for \$194,795 to finance a piece of equipment, which is pledged as collateral while the debt is outstanding. The interest rate is 2.47% per annum fixed. The contract requires annual principal and interest payments beginning March 2022.

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In March 2022, The Town entered into a 10-year direct borrowing contract for \$1,358,079 to finance a Fire Apparatus, which is pledged as collateral while the debt is outstanding. The interest rate is 2.78% per annum fixed. The contract requires annual principal and interest payments beginning March 2023.

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	\$ 3,570,958	\$ 3,028,313	\$ 1,502,085	\$ 5,097,186	\$ 1,247,088
Direct placement installment finance purchases	6,828,000	-	2,276,000	4,552,000	2,276,000
Lease liabilities	-	140,004	40,461	99,542	40,096
Total OPEB liability	4,631,344	-	19,336	4,612,008	-
Total pension liability (LEOSSA)	1,303,038	60,378	-	1,363,416	-
Net pension liability (LGERS)	3,141,267	-	1,834,136	1,307,131	-
Compensated absences	624,113	926,936	829,420	721,629	310,000
Governmental activities long-term liabilities	<u>\$ 20,098,720</u>	<u>\$ 4,155,631</u>	<u>\$ 6,501,438</u>	<u>\$ 17,752,912</u>	<u>\$ 3,873,184</u>

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	\$ 79,295	\$ -	\$ 38,495	\$ 40,799	\$ 28,218
Total OPEB liability	392,938	8,923	-	401,861	-
Net pension liability (LGERS)	289,937	-	169,290	120,647	-
Compensated absences	40,700	67,987	74,536	34,150	20,000
Business-type activities long-term liabilities	<u>\$ 802,870</u>	<u>\$ 76,910</u>	<u>\$ 282,321</u>	<u>\$ 597,457</u>	<u>\$ 48,218</u>

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

Year Ending June 30	Principal	Interest
2023	\$ 3,523,088	\$ 223,031
2024	3,228,395	126,100
2025	808,705	70,306
2026	361,858	52,459
2027	326,905	43,685
2028	331,975	35,772
2029	261,072	27,730
2030	264,994	20,964
2031	269,025	14,089
2032	273,168	7,102
Total	<u>\$ 9,649,186</u>	<u>\$ 621,239</u>

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

Year Ending June 30	Principal	Interest
2023	\$ 28,218	\$ 731
2024	6,291	304
2025	6,291	152
Total	\$ 40,799	\$ 1,187

c. 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, 2022, the Town had a legal debt margin of \$238,877,118.

8. 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, 2022, 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 729 WCU's which are guaranteed by the Town and are valued at \$1,458,000.

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 54 WCU's in the amount of \$108,000 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 \$58,822 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, 2022, the Board of Commissioners adopted a resolution declaring the intention to pay off this interfund balance using fire facility

Town of Nags Head, North Carolina
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For the Fiscal Year Ended June 30, 2022

fee revenues. Any accumulated fire facility fees will be used to repay the interfund balance until paid in full. During the current year, \$4,503 in repayments were made.

Transfers and Capital Contributions to/from other funds for the year ended June 30, 2022, consisted of the following:

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

Beach nourishment taxes designated for future beach nourishment	\$ 776,655
Municipal Service District (MSD) taxes collected	1,635,797
Restricted sales tax from municipal service district (MSD) taxes collected	1,206,806
Facility fees	29,133
Restricted for Streets and Storm Water	625,000
Restricted for Parks and Paths	200,000
	<u>\$ 4,473,391</u>

Transfers from the General Fund to the Capital Project Fund for the following purpose:

Public Services Complex design	\$ 489,950
	<u>\$ 489,950</u>

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

Beach nourishment MSD restricted for beach nourishment	\$ 2,451,252
Parks and paths	242,890
Streets and Storm Water	570,681
Police facility fees	370
Recreation facility fees	9,856
	<u>\$ 3,275,049</u>

Transfers from Capital Reserve Fund to Beach Nourishment Maintenance Capital Project Fund for the purpose of beach nourishment maintenance.

\$ 35,000

Transfers from the Capital Reserve Fund to the Beach Nourishment Master Plan Capital Project Fund for the purpose of long-term beach nourishment planning.

\$ 1,577,476

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

\$ 23,412

Transfer balance from Nags Head Leasing Fund into Water Fund to consolidate balances.

\$ 109

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

\$ 57,130

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 42,882,585	\$ 6,240,750
Less: long term debt	(9,649,186)	(40,799)
Less: liabilities from restricted debt proceeds	-	-
Add: unexpended debt proceeds	-	-
Net investment in capital assets	<u>\$ 33,233,399</u>	<u>\$ 6,199,951</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

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		\$	19,087,859
Less:			
Nonspendable			(112,860)
Stabilization by State Statute			(3,922,259)
Restricted for Public Safety			(105,708)
Restricted for State Street Aid			(251,599)
Restricted for Capital Reserve Fund			(5,126,050)
Assigned for subsequent year's expenditures			(3,275,000)
Fund Balance Policy			(6,294,383)
Fund Balance Remaining		\$	-

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 at a minimum of 25% of expenditures less bond debt as per audited financial statements at the end of each fiscal year. The \$6,294,383 reported above is more than the 25% of expenditures, less bond debt of \$2,451,252, calculation of \$23,711,729.

The following amounts represent open purchase orders and contracts outstanding at June 30, 2022. These encumbrances outstanding will be re-appropriated in the subsequent year's budget.

General Fund		\$	1,154,135
Water Fund			757,207
Total			\$ 1,911,342

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, 2022, the facility fees were transferred to the Capital Reserve Fund where they will remain until funds are needed for appropriate capital expenditures.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

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

	Admin.	Fire	Police	Sanitation	Recreation	Total
Beginning of year balance	\$ 40,600	\$ -	\$ -	\$ 2,673	\$ 26,420	\$ 69,693
Current year additions (including interest)	10,087	4,503	5,517	3,849	3,856	27,812
Current year expenses	-	(4,503)	(370)	-	(9,856)	(14,729)
End of year balance	\$ 50,688	\$ -	\$ 5,147	\$ 6,521	\$ 20,420	\$ 82,776

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 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 occurred in the summer of 2022 replaced 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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

	Beach nourishment taxes (MSD and town-wide)	Restricted sales taxes from municipal service district tax	Total
Beginning of year balance	\$ 2,928,601	\$ 2,035,396	\$ 4,963,997
Current year additions	2,412,452	1,206,806	3,619,258
Current year net interest	(248,232)	(35,714)	(283,946)
Current year uses	(1,577,476)	(2,486,252)	(4,063,728)
End of year balance	\$ 3,515,345	\$ 720,236	\$ 4,235,581

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, 2022, \$ 200,000 was restricted for parks and paths and \$625,000 was restricted for streets and stormwater. The balance at June 30, 2022, included in the capital reserve fund for this purpose is:

	Parks and Paths	Streets and Storm Water
Beginning of year balance	\$ 66,313	\$ 782,035
Current year additions	200,000	625,000
Current year interest	(2,099)	(49,983)
Current year uses	(242,891)	(570,681)
End of year balance	\$ 21,323	\$ 786,371

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, 2022, was \$3,973 plus an additional \$303 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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

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, 2022. 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 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. Coronavirus Disease (COVID-19)

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the Town, COVID-19 is expected to impact various parts of its fiscal year 2022-23 operations and financial results. Management believes the Town is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022

C. 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 2022 was \$75.94 per ton, plus an additional fuel surcharge per ton which varies each month.

D. 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, 2022, accumulated amortization totaled \$3,404,158.

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 Nine Fiscal Years *
Local Government Employees' Retirement System

	2022	2021	2020
Town of Nags Head's proportion of the net pension liability (asset) (%)	0.09310%	0.09602%	0.09116%
Town of Nags Head's proportion of the net pension liability (asset) (\$)	\$ 1,427,778	\$ 3,431,204	\$ 2,489,508
Town of Nags Head's covered payroll	\$ 6,830,772	\$ 6,664,768	\$ 6,382,086
Town of Nags Head's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	20.90%	51.48%	39.01%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	90.86%	91.63%

* 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.

2019	2018	2017	2016	2015	2014
0.09691%	0.10036%	0.09857%	0.11405%	0.10721%	0.10930%
\$ 2,299,037	\$ 1,533,223	\$ 2,091,986	\$ 511,850	\$ (632,268)	\$ 1,317,485
\$ 6,293,652	\$ 6,008,611	\$ 5,807,371	\$ 5,376,833	\$ 5,585,383	\$ 5,159,503
36.53%	25.52%	36.02%	9.52%	-11.32%	25.54%
94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

	2022	2021	2020
Contractually required contribution	\$ 842,179	\$ 701,447	\$ 604,634
Contributions in relation to the contractually required contribution	842,179	701,447	604,634
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Town of Nags Head's covered payroll	\$ 7,353,869	\$ 6,830,772	\$ 6,664,768
Contributions as a percentage of covered payroll	11.45%	10.27%	9.07%

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.

2019	2018	2017	2016	2015	2014
\$ 502,605	\$ 484,882	\$ 448,317	\$ 396,478	\$ 384,097	\$ 397,372
502,605	484,882	448,317	396,478	384,097	397,372
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 6,382,086	\$ 6,293,652	\$ 6,008,611	\$ 5,807,371	\$ 5,376,833	\$ 5,585,383
7.88%	7.70%	7.46%	6.83%	7.14%	7.11%

Town of Nags Head, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Six Fiscal Years

A-3

	2022	2021	2020	2019	2018	2017
Total Pension Liability						
Beginning balance	\$ 1,303,038	\$ 922,305	\$ 910,087	\$ 823,639	\$ 772,627	\$ 769,077
Service Cost at end of year	64,728	38,543	32,304	46,110	33,911	38,198
Interest on the total pension liability	24,530	29,022	31,960	25,267	29,059	26,713
Differences between expected and actual experience in the measurement of the total pension liability	73,600	33,839	(16,921)	104,529	(21,647)	-
Changes of assumptions or other inputs	(38,367)	343,442	28,988	(41,378)	49,282	(19,711)
Benefit payments	(64,113)	(64,113)	(64,113)	(48,080)	(39,593)	(41,650)
Net change in Total Pension Liability	60,378	380,733	12,218	86,448	51,012	3,550
Ending balance of the total pension liability	<u>\$ 1,363,416</u>	<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
Last Six Fiscal Years

	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 1,363,416	\$ 1,303,038	\$ 922,305	\$ 910,087	\$ 823,639	\$ 772,627
Covered-employee payroll	1,507,527	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	90.44%	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
Last Five Fiscal Years

A-5

	Measurement Period Ending				
	2021	2020	2019	2018	2017
Total OPEB Liability					
Service Cost at end of year (includes interest for the year)	\$ 280,694	\$ 208,084	\$ 340,542	\$ 348,444	\$ 370,146
Interest on Total OPEB Liability and Cash Flows	115,222	153,860	165,619	143,590	116,800
Difference between expected and actual experience	(704,774)	(22,396)	(522,224)	(18,158)	(12,992)
Changes of assumptions or other inputs	482,032	569,014	79,662	(131,192)	(209,200)
Benefit payments	(183,587)	(143,139)	(123,419)	(113,891)	(109,742)
Net change in total OPEB liability	(10,413)	765,423	(59,819)	228,793	155,012
Total OPEB liability-beginning	5,024,282	4,258,859	4,318,678	4,089,885	3,934,873
Total OPEB liability-ending	\$ 5,013,869	\$ 5,024,282	\$ 4,258,859	\$ 4,318,678	\$ 4,089,885
Covered-employee payroll	\$ 6,044,153	\$ 5,784,194	\$ 5,784,194	\$ 5,922,513	\$ 5,922,513
Total OPEB liability as a percentage of covered-employee payroll	82.95%	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
2022	2.16%
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.

The Town of Nags Head has no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the pension/OPEB plan.

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

Schedule 1

General Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021**

	2022		Variance Over (Under)	2021
	Budget	Actual		Actual
REVENUES				
Ad Valorem Taxes:				
Current year		\$ 8,772,579		\$ 8,062,562
Municipal service district		1,641,766		1,496,670
Prior year		5,180		7,999
DMV current year		155,067		148,166
Penalties and interest		7,806		9,530
Total	\$ 10,501,165	10,582,398	\$ 81,233	9,724,927
Other Taxes and Licenses:				
Occupancy tax		4,457,313		4,152,935
Land Transfer tax		1,727,795		1,639,383
Local governmental sales tax		2,413,218		2,142,017
1/2% sales tax revenue		1,582,471		1,404,336
Short term rental registration fees		4,000		6,350
Privilege licenses and Business registrations		19,908		18,165
Mixed beverage tax		53,637		32,227
Privilege license penalties		2,550		3,100
Total	8,502,225	10,260,892	1,758,667	9,398,513
Intergovernmental Revenues:				
Unrestricted:				
Utility sales tax		715,919		685,944
Telecommunications tax		20,138		27,232
Natural Gas sales tax		7,913		5,441
Solid Waste Disposal fees		2,394		2,297
Video programming tax		110,672		108,146
Cable Franchise - PEG fund fees		51,949		53,435
Beer and wine		12,601		12,818
ABC revenue		30,779		23,341
Total	903,200	952,365	49,165	918,654
Restricted:				
Federal:				
Homeland Security Investigations		10,836		12,664
Bulletproof Vest Partnership Program		423		2,480
Controlled substance excise tax		48,705		4,736
Assistance to Firefighters		22,458		267,496
Coronavirus relief fund		-		31,636
Edward Byrne Memorial Justice Assistance		22,792		24,029
CAMA		-		169,458
State:				
State Street Aid - Powell Bill		132,696		110,487
State Department of Public Instruction		23,504		23,504
CAMA minor permit reimbursement		2,875		7,075
Controlled substance excise tax		1,076		5,392

Town of Nags Head, North Carolina

Schedule 1

General Fund

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

For the Year Ended June 30, 2022

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

	2022		Variance Over (Under)	2021
	Budget	Actual		Actual
Local:				
National Fish and Wildlife Fund grant		60,781		-
Contributions from Dare County		623,273		624,000
Government Access Channel grant		5,000		5,000
Outer Banks Visitor Bureau grant		51,625		40,000
North Carolina League of Municipalities grant		4,000		7,456
Total	1,011,743	1,010,044	(1,699)	1,335,413
Total Intergovernmental Revenues	1,914,943	1,962,409	47,466	2,254,067
Permits and Fees:				
Building permits		234,818		221,105
Facility fees		29,133		22,724
Inspection and review fees		16,833		17,172
Beach driving permits		50,110		45,981
Pit Fire fees		18,190		22,130
Special event fee		20,192		16,941
CAMA permits		3,400		3,700
Court costs and fees		4,425		2,444
Crowd gathering permit fees		2,450		900
Alarm fees		225		150
Civil penalties		7,850		4,050
Automobile town tags		1,008		803
Total	325,275	388,634	63,359	358,100
Sales and Services:				
Lease revenue		210,211		-
Sale of materials		103,732		99,103
Total	258,263	313,943	55,680	99,103
Investment Earnings:				
Investment Earnings		114,100		117,104
Change in fair market value of investments		(980,405)		(170,012)
Net investment earnings	110,000	(866,305)	(976,305)	(52,908)
Other Revenues:				
Other rents		15,201		183,462
Interest on lease revenue		29,105		-
Miscellaneous		22,353		9,571
Contributions to Police, Fire & Rescue Benevolent Fund		15,960		14,332
Total	22,902	82,619	59,717	207,365
Total Revenues	21,634,773	22,724,590	1,089,817	21,989,167

Town of Nags Head, North Carolina

Schedule 1

General Fund

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

For the Year Ended June 30, 2022

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

	2022		Variance Over (Under)	2021
	Budget	Actual		Actual
EXPENDITURES				
General Government:				
Governing Body:				
Fees paid to elected officials		38,028		37,056
FICA expense		2,909		2,835
Contracted services		49,849		12,868
Department supplies and materials		4,963		4,608
Special events		826		660
Dues and subscriptions		7,602		8,442
Printing		676		979
Travel and Training		1,330		443
Equipment rental		3		3
Contribution to Government Access Channel		52,949		54,435
Contributions, miscellaneous		10,200		10,550
Reimbursement from Water Fund		(12,645)		(15,110)
Total	167,988	156,690	(11,298)	117,769
Special Obligation Bonds:				
Debt service, principal		2,276,000		2,276,000
Debt service, interest		175,252		245,353
Total	2,451,252	2,451,252	-	2,521,353
Administration:				
Salaries and wages		475,575		559,102
FICA expense		34,625		40,502
Group insurance		85,749		88,727
Group insurance - retiree		14,358		14,358
Retirement		53,627		56,886
401(k) account		14,258		11,251
Contracted services		22,675		40,139
Travel and Training		4,862		2,994
Professional services		35,500		6,869
Advertising		6,217		5,544
Departmental supplies		18,541		7,470
Dues and subscriptions		6,159		5,499
Equipment rental		1,492		4,664
Telephone		1,175		2,115
Postage		684		176
Repairs and maintenance, vehicles		328		50
Automotive Supplies		846		563
Capital outlay, buildings		102,663		-
Capital outlay, other		-		652
Capital outlay, equipment		7,098		6,148
Capital outlay, infrastructure		341,201		-
Reimbursement from Water Fund		(145,175)		(146,895)
Debt service, principal		3,520		-
Debt service, interest		20		-
Total	1,400,800	1,085,998	(314,802)	706,814

Town of Nags Head, North Carolina

Schedule 1

General Fund

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

For the Year Ended June 30, 2022

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

	2022		Variance Over (Under)	2021
	Budget	Actual		Actual
Administrative Services:				
Salaries and wages		481,538		410,763
FICA expense		35,615		30,261
Group insurance expense		63,634		67,080
Retirement		49,873		40,246
401(k) account		13,230		7,957
Unemployment expense		3,326		3,199
Insurance		358,352		307,739
Contracted services		53,038		41,274
Professional services		44,007		29,890
Fines and forfeitures		7,061		3,844
Departmental supplies and materials		14,700		8,198
Postage		5,380		5,335
Travel and Training		7,277		4,325
Equipment rental		7,248		7,521
Repairs and maintenance, equipment		355		-
Wellness program		4,179		7,414
Special contracted services		6,277		5,905
Dues and subscriptions		1,652		1,220
Purchases for resale		1,644		2,310
Advertising		2,145		1,214
Repairs and maintenance, vehicles		4,291		230
Automotive supplies		1,394		172
Capital outlay, equipment		5,010		1,956
Reimbursement from Water Fund		(73,094)		(85,382)
Debt service, principal		-		70,810
Debt service, interest		-		1,275
Total	1,127,797	1,098,132	(29,665)	974,756
Information Technology:				
Salaries and wages		26,687		45,990
FICA expense		2,008		3,488
Group insurance		2,900		7,467
Group insurance - retiree		6,533		9,799
Retirement		3,699		4,029
401(k) account		1,062		789
Contracted services		111,092		104,400
Contracted services, website		10,920		10,571
Contracted service, GIS		17,068		-
Contracted services, annual contracts		103,093		100,983
Travel and Training		-		595
Departmental supplies		3,457		2,980
Telephone		8,701		7,781
Repairs and maintenance, equipment		5,940		5,850
Other supplies		-		500
Other supplies-computer		28,550		43,796
Internet costs		8,231		8,231
Equipment rental		10,294		47,797
Reimbursement from Water Fund		(35,929)		(34,831)
Debt service, principal		36,942		-
Debt service, interest		858		-
Total	405,683	352,106	(53,577)	370,215

Town of Nags Head, North Carolina

Schedule 1

General Fund

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

For the Year Ended June 30, 2022

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

	2022		Variance	2021
	Budget	Actual	Over (Under)	Actual
Planning and Development:				
Salaries and wages		696,685		734,765
FICA expense		50,096		52,702
Group insurance		132,239		139,209
Retirement		77,738		73,439
401(k) account		20,636		12,664
Planning board, board of adjustment		9,230		9,660
Contracted services		83,244		-
Professional services		2,010		3,422
Departmental supplies		4,374		3,361
Special events		12,624		5,295
Uniforms		449		219
Travel and Training		2,195		1,807
Telephone		3,887		3,893
Postage		766		786
Repairs and maintenance, vehicles		1,536		649
Repairs and maintenance, buildings		14		-
Printing		1,717		726
Other supplies		786		2,546
Other supplies-computer		2,954		3,043
Advertising		594		-
Automotive supplies		2,740		2,085
Equipment rental		2,559		2,131
Dues and subscriptions		2,856		3,389
Capital outlay, other		270		2,322
Capital outlay, vehicles		28,566		785
Capital outlay, infrastructure		-		601,152
Debt service, principal		205,293		195,412
Debt service, interest		18,238		22,886
Reimbursement from Water Fund		(131,253)		(132,260)
Total	1,436,673	1,233,043	(203,630)	1,746,088
Legal Services:				
Professional services		183,660		119,401
Reimbursement from Water Fund		(17,484)		(16,507)
Total	182,516	166,176	(16,340)	102,894
Total General Government	7,172,709	6,543,397	(629,312)	6,539,889

Town of Nags Head, North Carolina

Schedule 1

General Fund

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

For the Year Ended June 30, 2022

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

	2022		Variance	2021
	Budget	Actual	Over (Under)	Actual
Public Safety:				
Police Department:				
Salaries and wages		1,792,621		1,589,664
FICA expense		130,476		114,513
Group insurance		330,990		352,601
Group insurance - retiree		57,434		57,432
Retirement		213,962		177,298
401(k) account		86,793		76,663
Separation Allowance		68,278		69,017
Automotive supplies		73,767		46,603
Departmental supplies		68,346		63,729
Repairs and maintenance, vehicles		34,784		26,371
Repairs and maintenance, equipment		33,909		39,751
Repairs and maintenance, firing range		6,618		-
Telephone		12,180		9,798
Other supplies		3,041		-
Other supplies, computer		22,496		-
Uniforms		12,645		14,996
Equipment rental		8,217		8,426
Travel and Training		26,676		9,964
Professional services		7,336		4,938
Postage		547		1,075
Dues and subscriptions		2,454		1,357
Advertising		150		131
Printing		411		749
Contracted services		11,007		7,005
Special investigations		4,000		1,833
Capital outlay, vehicles		233,463		254,903
Capital outlay, equipment		13,770		240,085
Debt service, principal		143,929		191,541
Debt service, interest		5,218		3,095
Total	3,501,442	3,405,518	(95,924)	3,363,538
Drug Forfeiture:				
Professional services		-		5,295
Total	-	-	-	5,295
Fire Department:				
Salaries and wages		1,853,220		1,687,089
FICA expense		135,271		121,926
Group insurance		370,017		375,205
Group insurance, retiree		57,744		50,554
Retirement expense		211,301		170,933
401(k) account		56,099		31,170
Incentive pay		3,973		1,338
Supplemental pension fund		2,410		2,490
Departmental supplies		69,962		68,069
Repairs and maintenance, buildings		29,032		140,430
Repairs and maintenance, vehicles		28,448		50,693
Repairs and maintenance, equipment		5,802		4,970
Uniforms		7,745		12,867
Automotive supplies		20,197		12,463
Telephone		1,824		1,824
OSHA Compliance		1,729		1,952
Travel and Training		9,951		6,745

Town of Nags Head, North Carolina

Schedule 1

General Fund

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

For the Year Ended June 30, 2022

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

	2022		Variance Over (Under)	2021
	Budget	Actual		Actual
Fire Department (continued):				
Safety training		4,332		4,239
Other supplies		4,344		5,018
Equipment rental		3,960		3,688
Dues and subscriptions		2,736		2,198
Professional services		3,087		2,435
Postage		238		145
Contracted Services		21,909		18,695
Printing		139		894
Capital outlay, equipment		18,843		264,043
Capital outlay, vehicle		1,062,005		65,074
Debt service, principal		164,935		174,693
Debt service, interest		10,882		21,869
Total	4,506,026	4,162,135	(343,891)	3,303,709
Ocean Rescue:				
Salaries and wages		597,138		518,725
FICA expense		37,364		37,196
Group insurance		8,541		7,253
Retirement expense		5,904		3,659
401(k) account		1,576		735
Departmental supplies		21,109		28,196
Uniforms		12,959		11,559
Automotive supplies		13,534		7,375
Repairs and maintenance, equipment		4,056		5,299
Travel and Training		3,803		1,242
Repairs and maintenance, vehicles		3,504		3,232
Professional fees		2,400		4,246
Contracted Services		1,492		320
Telephone		1,778		1,810
Printing		2,089		848
Dues and subscriptions		1,450		2,060
Postage		51		27
Capital outlay, equipment		5,499		110,763
Debt service, principal		36,089		34,011
Debt service, interest		1,317		437
Total	843,209	761,653	(81,556)	778,993
Total Public Safety	8,850,677	8,329,306	(521,371)	7,451,535

Town of Nags Head, North Carolina

Schedule 1

General Fund

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

For the Year Ended June 30, 2022

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

	2022		Variance	2021
	Budget	Actual	Over (Under)	Actual
Environmental Protection:				
Sanitation:				
Salaries and wages		391,057		364,674
FICA expense		27,901		25,847
Group insurance		90,938		93,236
Group insurance, retiree		28,717		28,710
Retirement		43,053		35,176
401(k) account		11,379		1,511
Travel and training		2,047		-
Repairs and maintenance, vehicles		132,541		219,999
Automotive supplies		125,857		77,187
Department supplies		21,222		16,283
Uniforms		4,583		2,862
Contracted services		87,500		45,016
Recycling		75,941		78,677
Repairs and maintenance, equipment		1,116		2,409
Advertising		119		497
Capital outlay, equipment		18,468		-
Capital outlay, vehicles		1,227,336		301,727
Debt service, principal		426,230		434,808
Debt service, interest		17,977		16,353
Total	3,136,927	2,733,982	(402,945)	1,744,972
Solid Waste:				
Tipping fees		807,055		828,826
Total	847,456	807,055	(40,401)	828,826
Total Environmental Protection	3,984,383	3,541,037	(443,346)	2,573,798
Public Services:				
Administration:				
Salaries and wages		178,994		180,787
FICA expense		12,258		12,720
Group insurance		51,618		42,947
Group insurance, retiree		-		8,375
Retirement		20,413		15,573
401(k) account		5,518		3,278
Contracted services		9,261		3,435
Purchase for resale		82,685		78,220
Telephone		641		506
Departmental supplies		33,425		6,198
Equipment rental		2,164		2,093
Automotive supplies		1,237		1,224
Travel and Training		515		52
Dues and subscriptions		4,521		875
Postage		44		120
Repairs and maintenance, vehicles		196		2,959
Advertising		495		275
Uniforms		70		257
Capital outlay, equipment		-		10,004
Debt service, principal		27,368		27,368
Debt service, interest		2,649		3,325
Reimbursement from Water Fund		(37,686)		(39,112)
Total	414,623	396,386	(18,237)	361,479

Town of Nags Head, North Carolina

Schedule 1

General Fund

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

For the Year Ended June 30, 2022

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

	2022		Variance Over (Under)	2021
	Budget	Actual		Actual
Public Facilities Maintenance:				
Salaries and wages		618,783		569,909
FICA expense		45,688		42,491
Group insurance		125,889		118,700
Retirement		70,261		57,643
401(k) account		18,655		8,482
Repairs and maintenance, facilities		246,859		171,186
Utilities		209,290		212,526
Contracted services		84,298		66,970
Department supplies		36,769		19,710
Repairs and maintenance, equipment		18,368		34,655
Signs		13,694		6,343
Automotive supplies		34,027		21,849
Repairs and maintenance, parks and paths		37,959		-
Repairs and maintenance, other		41,500		56,598
Other supplies		28,862		21,129
Professional services		200		4,708
Uniforms		7,514		2,973
Repairs and maintenance, vehicles		9,410		13,347
Dues and subscriptions		-		50
Travel and Training		3,661		473
Special Projects, sand fencing		23,273		24,000
Special Projects, lighting		14,250		26,700
Reimbursement from Water Fund		(139,588)		(153,210)
Capital outlay, Dowdy Park		22,894		-
Capital outlay, improvements		142,898		109,307
Capital outlay, equipment		243,478		8,155
Capital outlay, land		872,780		872,532
Capital outlay, building		890,323		44,991
Capital outlay, other		1,890		76,876
Capital outlay, vehicles		203,866		31,100
Debt service, principal		374,241		288,277
Debt service, interest		7,868		15,076
Total	4,672,715	4,309,860	(362,855)	2,773,546

Town of Nags Head, North Carolina

Schedule 1

General Fund

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

For the Year Ended June 30, 2022

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

	2022		Variance Over (Under)	2021
	Budget	Actual		Actual
Maintenance Garage:				
Salaries and wages		245,106		213,664
FICA account		18,391		15,995
Group insurance		40,647		37,241
Retirement		28,009		21,593
401(k) account		7,444		3,973
Other supplies		14,126		11,517
Departmental supplies		21,883		16,805
Uniforms		1,593		1,521
Professional fees		-		246
Contracted services		662		2,250
Automotive supplies		1,285		794
Travel and training		70		962
Repairs and maintenance, vehicles		368		265
Repairs and maintenance, equipment		1,684		1,338
Reimbursement from Water Fund		(40,387)		(43,976)
Capital outlay, equipment		3,322		-
Total	362,831	344,203	(18,628)	284,188
Total Public Services	5,450,169	5,050,449	(399,720)	3,419,213
Streets and Drainage:				
State Street Aid:				
Street supplies, Powell Bill		19,555		10,337
Capital outlay, other		6,130		-
Total	249,000	25,685	(223,315)	10,337
Storm Water Maintenance:				
Utilities		664		1,968
Fuel costs		1,217		858
Department Supplies		2,049		3,116
Maintenance and repairs equipment		4,259		502
Professional services		100		27
Professional fees/Water quality testing		1,975		1,560
Contracted services		25,679		20,611
Capital outlay, infrastructure		403,487		293,035
Debt service, principal		124,000		124,000
Debt Service, interest		7,251		11,108
Total	682,102	570,681	(111,421)	456,785
Total Streets and Drainage	931,102	596,366	(334,736)	467,122
Total Expenditures	26,389,040	24,060,555	(2,328,485)	20,451,557
Revenues Over (Under) Expenditures	(4,754,267)	(1,335,965)	3,418,302	1,537,610

Town of Nags Head, North Carolina

Schedule 1

General Fund

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

For the Year Ended June 30, 2022

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

	2022		Variance Over (Under)	2021
	Budget	Actual		Actual
Other Financing Sources (Uses):				
Installment financing	3,028,313	3,028,313	-	1,373,008
Transfers to Capital Reserve Fund	(4,665,479)	(4,473,391)	192,088	(3,977,779)
Transfers from Capital Reserve Fund	3,485,733	3,275,050	(210,683)	2,595,653
Transfers to Capital Project Fund	(489,950)	(489,950)	-	-
Sale of capital assets	20,000	24,633	4,633	36,658
Restricted Fund Balance	124,000	-	(124,000)	-
Committed Fund Balance	53,902	-	(53,902)	-
Appropriated Fund Balance	3,197,748	-	(3,197,748)	-
Other financing sources (uses), net	4,754,267	1,364,655	(3,389,612)	27,540
Net change in fund balance	<u>\$ -</u>	28,690	<u>\$ 28,690</u>	1,565,150
Fund balance, beginning		13,933,119		12,367,969
Fund balance, ending		<u>\$ 13,961,809</u>		<u>\$ 13,933,119</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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021**

	2022		Variance Over (Under)	2021
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 40,085	40,085	\$ 48,743
Change in fair market value of investments		(381,937)	(381,937)	(90,861)
Total revenues	-	(341,852)	(341,852)	(42,118)
Other financing sources (uses):				
Transfers from:				
General Fund	4,665,479	4,473,391	(192,088)	3,977,779
Transfers to:				
Capital Project Funds	(2,474,027)	(1,612,476)	861,551	(3,058,390)
General Fund	(3,485,733)	(3,275,050)	210,683	(2,595,653)
Appropriated Fund Balance	1,294,281	-	(1,294,281)	-
Total other financing sources (uses)	-	(414,135)	(414,135)	(1,676,264)
Net change in fund balance	\$ -	(755,987)	\$ (755,987)	(1,718,382)
Fund balances, beginning		5,882,037		7,600,419
Fund balances, ending		\$ 5,126,050		\$ 5,882,037

NON-MAJOR GOVERNMENTAL FUNDS

The Capital Project Funds are used to account for the acquisition, construction, maintenance and/or planning of major outlay.

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 the 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 that occurred 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.

The **Capital Projects Fund** is used to account for the acquisition, construction and improvements of various capital equipment and facilities.

Town of Nags Head, North Carolina
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2022

Schedule 3

	Capital Projects			Capital Projects Fund	Total Nonmajor Governmental Funds
	Beach Renourishment	Beach Nourishment Maintenance	Beach Nourishment Master Plan		
ASSETS					
Cash and cash equivalents	\$ 1,452,794	\$ 2,540,651	\$ 1,836,411	\$ 241,921	\$ 6,071,777
Accounts receivable (net)	-	317	-	-	317
Accrued interest receivable	2,944	5,137	3,721	430	12,232
Total assets	<u>1,455,738</u>	<u>2,546,105</u>	<u>1,840,132</u>	<u>242,351</u>	<u>6,084,326</u>
LIABILITIES					
Accounts payable	530	3,315	-	180,395	184,240
Unearned revenue	-	1,408,247	-	-	1,408,247
Total liabilities	<u>530</u>	<u>1,411,562</u>		<u>180,395</u>	<u>1,592,487</u>
FUND BALANCES:					
Committed:					
Beach Nourishment capital projects	1,455,208	1,134,543	1,840,132	-	4,429,883
Public Services Complex	-	-	-	61,956	61,956
Total fund balances	<u>1,455,208</u>	<u>1,134,543</u>	<u>1,840,132</u>	<u>61,956</u>	<u>4,491,839</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,455,738</u>	<u>\$ 2,546,105</u>	<u>\$ 1,840,132</u>	<u>\$ 242,351</u>	<u>\$ 6,084,326</u>

Town of Nags Head, North Carolina
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022

Schedule 4

	Capital Projects			Capital Projects Fund	Total Nonmajor Governmental Funds
	Beach Renourishment	Beach Nourishment Maintenance	Beach Nourishment Master Plan		
REVENUES					
Restricted intergovernmental	\$ -	\$ 719,292	\$ -	\$ -	\$ 719,292
Net investment earnings	(97,311)	(189,753)	(135,746)	(17,581)	(440,391)
Total revenues	(97,311)	529,539	(135,746)	(17,581)	\$ 278,901
EXPENDITURES					
Capital outlay:					
General Government	139,996	907,667	908,993	-	1,956,656
Public Services	-	-	-	410,413	410,413
Total expenditures	139,996	907,667	908,993	410,413	2,367,069
Revenues (under) expenditures	(237,307)	(378,128)	(1,044,739)	(427,994)	(2,088,168)
OTHER FINANCING SOURCES					
Transfers from:					
Capital Reserve Fund	-	35,000	1,577,476	-	1,612,476
General Fund	-	-	-	489,950	489,950
Total other financing sources	-	35,000	1,577,476	489,950	2,102,426
Net change in fund balance	(237,307)	(343,128)	532,737	61,956	14,258
Fund balances - beginning	1,692,514	1,477,671	1,307,396	-	4,477,581
Fund balances - ending	\$ 1,455,207	\$ 1,134,543	\$ 1,840,133	\$ 61,956	\$ 4,491,839

**Town of Nags Head, North Carolina
Beach Renourishment Capital Project Fund**

Schedule 5

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2022**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ 110,000	\$ 433,141	\$ 11,897	\$ 445,038	\$ 335,038
Change in fair market value of investments	-	(20,795)	(109,208)	(130,003)	(130,003)
Restricted intergovernmental	9,773,356	9,773,356	-	9,773,356	-
Total revenues	9,883,356	10,185,702	(97,311)	10,088,391	205,035
Expenditures					
General Government:					
Professional Fees	686,000	672,691	530	673,221	(12,779)
Capital Construction Oversight	1,862,523	1,741,257	1,427	1,742,684	(119,839)
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	352,412	120,219	472,631	(310,318)
Thirty Year Beach Study	750,000	-	-	-	(750,000)
Sprigging	450,000	308,333	-	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	404,812	17,820	422,632	(2,368)
Total Expenditures	43,022,251	40,565,684	139,996	40,705,680	(2,316,571)
Revenues over (under) expenditures	(33,138,895)	(30,379,982)	(237,307)	(30,617,289)	2,521,606
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	\$ -	\$ 1,692,514	(237,307)	\$ 1,455,207	\$ 1,455,207
Fund balance, beginning of year			1,692,514		
Fund balance, end of year			<u>\$ 1,455,207</u>		

Town of Nags Head, North Carolina
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, 2022

Schedule 6

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ -	\$ 7,907	\$ 18,506	\$ 26,413	\$ 26,413
Change in fair market value of investments	-	(18,574)	(208,259)	(226,833)	(226,833)
Restricted intergovernmental	12,429,542	13,943	719,292	733,235	(11,696,307)
Total revenues	12,429,542	3,276	529,539	532,815	(11,896,727)
Expenditures					
General Government:					
Professional Fees	793,000	110,215	442,445	552,660	(240,340)
Capital Construction Oversight	1,337,636	154,212	452,772	606,984	(730,652)
Pumping Costs	6,146,778	-	-	-	(6,146,778)
Mobilization	5,023,000	-	-	-	(5,023,000)
Contingency	125,000	-	-	-	(125,000)
Monitoring	472,200	-	-	-	(472,200)
Sprigging	64,750	-	12,450	12,450	(52,300)
Turtle Monitoring	80,000	-	-	-	(80,000)
Other Costs	161,000	-	-	-	(161,000)
Total Expenditures	14,203,364	264,427	907,667	1,172,094	(13,031,270)
Revenues over (under) expenditures	(1,773,822)	(261,151)	(378,128)	(639,279)	1,134,543
Other financing sources:					
Transfers from Capital Reserve Fund	1,773,822	1,738,822	35,000	1,773,822	-
Total other financing sources	1,773,822	1,738,822	35,000	1,773,822	-
Net change in fund balance	\$ -	\$ 1,477,671	(343,128)	\$ 1,134,543	\$ 1,134,543
Fund balance, beginning of year			1,477,671		
Fund balance, end of year			\$ 1,134,543		

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, 2022**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ -	\$ 3,227	\$ 13,187	\$ 16,414	\$ 16,414
Change in fair market value of investments	-	(15,399)	(148,933)	(164,332)	(164,332)
Total revenues	-	(12,172)	(135,746)	(147,918)	(147,918)
Expenditures					
General Government:					
Beach Study	2,772,044	-	908,993	908,993	(1,863,051)
Contingency	125,000	-	-	-	(125,000)
Total Expenditures	2,897,044	-	908,993	908,993	(1,988,051)
Revenues over (under) expenditures	(2,897,044)	(12,172)	(1,044,739)	(1,056,911)	1,840,133
Other financing sources:					
Transfers from Capital Reserve Fund	2,897,044	1,319,568	1,577,476	2,897,044	-
Total other financing sources	2,897,044	1,319,568	1,577,476	2,897,044	-
Net change in fund balance	\$ -	\$ 1,307,396	532,737	\$ 1,840,133	\$ 1,840,133
Fund balance, beginning of year			1,307,396		
Fund balance, end of year			<u>\$ 1,840,133</u>		

Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ -	\$ -	\$ 1,383	\$ 1,383	\$ 1,383
Change in fair market value of investments	-	-	(18,964)	(18,964)	(18,964)
Total revenues	-	-	(17,581)	(17,581)	(17,581)
Expenditures					
Public Services:					
Public Services Complex					
Capital Construction Oversight	489,950	-	410,413	410,413	(79,537)
Total Expenditures	489,950	-	410,413	410,413	(79,537)
Revenues over (under) expenditures	(489,950)	-	(427,994)	(427,994)	61,956
Other financing sources:					
Transfers from General Fund	489,950	-	489,950	489,950	-
Total other financing sources	489,950	-	489,950	489,950	-
Net change in fund balance	\$ -	\$ -	61,956	\$ 61,956	\$ 61,956
Fund balance, beginning of year			-		
Fund balance, end of year			\$ 61,956		

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.

Non-Major Enterprise Fund

Nags Head Leasing. This fund is a blended component until and is used for financing.

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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

Schedule 9

	2022		Variance Over (Under)	2021
	Budget	Actual		Actual
REVENUES				
Operating Revenues:				
Water sales		\$ 3,760,396		\$ 3,664,298
Tap and connection fees		21,277		19,530
Late payment penalties and interest		25,275		24,610
Water cutoff tag fees		3,450		5,400
Miscellaneous		1,900		4,220
Total Operating Revenues	3,687,848	3,812,298	124,450	3,718,058
Non-operating Revenues:				
Intergovernmental grant		474,062		43,000
Interest earned on investments		41,567		43,812
Change in fair market value of investments		(330,205)		(62,854)
Total Non-operating Revenues	503,913	185,424	(318,489)	23,958
Total Revenues	4,191,761	3,997,722	(194,039)	3,742,016
EXPENDITURES				
Administration:				
Salaries and wages		133,421		134,249
FICA expense		9,053		9,224
Group insurance		38,076		35,530
Retirement expense		15,168		12,716
401(k) account		4,044		2,585
Reimburse General Fund administrative expenses		60,101		55,694
Contracted services		2,286		2,177
Postage		12,061		13,217
Travel and Training		580		817
Supplies and materials		2,708		3,967
Professional fees		13,940		11,420
Repairs and maintenance, equipment		2,391		1,968
Total Administration	313,862	293,829	(20,033)	283,564
Septic Health:				
Salaries and wages		25,215		25,092
FICA expense		1,896		1,913
Group insurance		4,480		418
Retirement		2,859		2,550
401(k) account		760		506
Reimburse General Fund administrative expenses		33,840		38,216
Inspection rebates		7,800		11,775
Pumping credits		2,340		3,780
Postage		-		30

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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

Schedule 9

	2022		Variance Over (Under)	2021
	Budget	Actual		Actual
Septic Health (continued):				
Travel and Training		485		1,092
Water quality testing		12,180		32,952
Contracted services		14,755		6,027
Automotive supplies		279		162
Repairs and maintenance, vehicles		37		-
Departmental supplies		464		417
Total Septic Health	147,434	107,390	(40,044)	124,930
Operations:				
Salaries and wages		302,618		269,204
FICA expense		22,218		19,695
Group insurance		63,176		59,670
Retirement		34,467		27,350
401(k) account		9,134		4,048
Purchases for resale		866,941		956,560
Reimburse General Fund administrative expenses		340,719		413,738
Insurance		59,192		55,680
Utilities		51,289		48,962
Contracted services		13,450		8,582
Departmental supplies		37,435		39,884
Professional fees		75		690
Other supplies		3,404		2,803
Repairs and maintenance, equipment		9,667		17,909
Repairs and maintenance, buildings		3,900		670
Postage		1,905		1,578
Telephone		956		587
Uniforms		1,852		1,732
Dues and subscriptions		2,473		3,159
Equipment rental		316		444
Printing		3,102		2,975
Automotive supplies		11,567		6,669
Travel and Training		678		1,348
Repairs and maintenance, vehicles		1,574		2,057
Total Operations	1,980,974	1,842,108	(138,866)	1,945,994
Operations Distribution:				
Salaries and wages		227,832		197,605
FICA expense		16,312		14,562
Group insurance		54,202		49,454
Group insurance, retiree		14,358		14,358
Retirement		25,903		19,993

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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

Schedule 9

	2022		Variance	2021
	Budget	Actual	Over (Under)	Actual
Operations Distribution (continued):				
401(k) account		6,879		2,176
Reimburse General Fund administrative expenses		198,581		159,635
Contracted services		155,440		84,879
Other supplies		13,267		15,011
Repairs and maintenance, other		9,702		28,113
Automobile supplies		8,089		5,741
Departmental supplies		19,450		13,776
Professional fees		31,055		7,196
Uniforms		2,894		2,287
Repairs and maintenance, vehicles		1,036		1,532
Telephone		2,099		1,432
Dues and subscriptions		1,414		1,801
Advertising		979		906
Repairs and maintenance, equipment		1,884		28,730
Travel and Training		3,040		1,811
Total Operations Distribution	867,417	794,416	(73,001)	650,998
Capital Outlay:				
Machinery and equipment	42,771	42,771		44,240
Infrastructure	2,051,795	1,355,148		284,798
Vehicles	-	-		65,780
Other	120,169	120,169		29,831
Total Capital Outlay	2,214,735	1,518,088	(696,647)	424,649
TOTAL EXPENDITURES	5,524,422	4,555,831	(968,591)	3,430,135
REVENUES OVER (UNDER) EXPENDITURES	(1,332,661)	(558,109)	774,552	311,881
Other Financing Sources and (Uses):				
Restricted Net Position	474,062	-		-
Appropriated Net Position	881,043	-		-
Installment finance contract	-	-		65,780
Sale of capital assets	-	-		872,532
Transfer from Water Capital Reserve Fund	57,130	57,130		-
Transfer from Nags Head Leasing Fund	109	109		-
Transfer to Water Capital Reserve Fund	(25,000)	(23,412)		(15,930)
Insurance recovery	-	16,850		-
Debt interest	(1,334)	(1,336)		(1,249)
Debt principal	(38,497)	(38,495)		(46,430)
Contingency	(4,852)	-		-
Septic Health Loans provided to customers	(35,000)	(34,550)		(23,950)
Principal repayments Septic Health Loans	25,000	24,998		29,194
Total Other Financing Sources and (Uses)	1,332,661	1,294	(1,331,367)	879,947

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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

Schedule 9

	2022		Variance Over (Under)	2021
	Budget	Actual		Actual
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	\$ (556,815)	\$ (556,815)	\$ 1,191,828

RECONCILIATION OF MODIFIED ACCRUAL TO FULL ACCRUAL BASIS

Revenues over (under) expenditures	\$ (556,815)	\$ 1,191,828
Reconciling items:		
Septic Health Loans	34,550	23,950
Principal repayments Septic Health Loans	(24,998)	(29,194)
Payment of debt principal	38,495	46,430
Decrease in accrued interest payable	119	46
Decrease (increase) in accrued vacation payable	6,549	(2,327)
Increase in deferred outflows of resources-pensions	25,204	37,362
Increase in deferred outflows of resources-OPEB	27,479	18,718
Decrease (increase) in net pension liability	169,290	(79,573)
(Increase) decrease in deferred inflows of resources-pensions	(174,906)	2,965
(Increase) in OPEB liability	(8,923)	(5,022)
(Increase) decrease in deferred inflows of resources-OPEB	(41,496)	70,306
Installment financing	-	(65,780)
Capital contributions	27,412	21,930
Capital outlay	1,518,088	424,649
Loss on disposal of capital asset	-	(1,498,626)
Depreciation and amortization	(365,539)	(360,225)
Change in net position	\$ 674,509	\$ (202,563)

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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

Schedule 10

	2022		Variance Over (Under)	2021
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 471	471	\$ 361
Change in fair market value of investments		(5,106)	(5,106)	(599)
Total revenues	-	(4,635)	(4,635)	(238)
Other financing sources (uses):				
Transfer to Water Fund	(57,130)	(57,130)	-	-
Transfers from Water Fund	25,000	23,412	(1,588)	15,930
Appropriated net position	32,130	-	(32,130)	-
Total other financing sources (uses)	-	(33,718)	(33,718)	15,930
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	(38,353)	\$ (38,353)	15,692
Change in net position		\$ (38,353)		\$ 15,692

Town of Nags Head, North Carolina
Enterprise Fund - Nags Head Leasing Fund
Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

Schedule 11

	2022			2021
	Budget	Actual	Variance Over (Under)	Actual
Revenues:				
Investment earnings	\$ -	\$ 1	1	\$ 1
Change in fair market value of investments		1	1	(2)
Total revenues	<u>-</u>	<u>2</u>	<u>2</u>	<u>(1)</u>
Other financing sources (uses):				
Transfer to Water Fund	(109)	(109)	-	-
Appropriated net position	109	-	(109)	-
Total other financing sources (uses)	<u>-</u>	<u>(109)</u>	<u>(109)</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>(107)</u>	<u>\$ (107)</u>	<u>(1)</u>
Change in net position		<u>\$ (107)</u>		<u>\$ (1)</u>

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, 2022

Schedule 12

Fiscal Year	Uncollected Balance June 30, 2021	Additions	Collections And Credits	Adjustments	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 8,717,995	\$ 8,935,380	\$ 218,266	\$ 881
2021-2022 MSD	-	1,629,855	1,635,797	5,950	8
2020-2021	3,774	-	2,701	-	1,073
2020-2021 MSD	2	-	-	-	2
2019-2020	1,936	-	1,237	-	699
2019-2020 MSD	2	-	-	-	2
2018-2019	361	-	150	-	211
2018-2019 MSD	1	-	-	-	1
2017-2018	185	-	-	-	185
2017-2018 MSD	1	-	-	-	1
2016-2017	154	-	-	-	154
2015-2016	58	-	-	-	58
2015-2016 MSD	2	-	-	-	2
2014-2015	90	-	-	-	90
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	-	-
Total	\$ 10,781	\$ 10,347,850	\$ 10,576,376	\$ 224,216	\$ 6,471

Less allowance for uncollectible
ad valorem taxes receivable

\$ 5,000

Ad Valorem Taxes Receivable, net

\$ 1,471

Reconciliation with revenues:

Taxes, ad valorem , General Fund	\$ 8,946,601
Taxes, ad valorem , General Fund, MSD	1,635,797
Reconciling items:	
Amounts written off for tax year 2009-2010	475
DMV written off for tax year 2009-2010	635
Prior year taxes released from Dare County	674
Penalties and interest	(7,806)
Subtotal	(6,022)
Total collections and credits	\$ 10,576,376

Town of Nags Head, North Carolina
Analysis of Current Tax Levy
June 30, 2022

Schedule 13

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 3,029,968,646	\$ 0.2875	\$ 8,711,173	\$ 8,711,173	\$ -
Registered Motor Vehicles taxed at current year rates	44,333,301	0.2875	127,273	-	127,273
Registered Motor Vehicles taxed at 2020 year's rate	10,717,366	0.2650	28,401	-	28,401
Registered Motor Vehicles taxed at 2019 year's rate	48,886	0.3170	155	-	155
Penalties	-	-	6,821	6,821	-
Total	3,085,068,199		8,873,823	8,717,994	155,829
Discoveries and Adjustments:					
Current year discoveries and adjustments	22,526,809	0.2875	64,764	64,764	-
Releases and Adjustments:					
Current year releases and adjustments	(506,224)	0.2875	(2,218)	(1,455)	(762)
Penalty Releases and Adjustments	-	-	(108)	(108)	-
Total	(506,224)		(2,326)	(1,563)	(762)
Write-offs or Adjustments:			(1)	(1)	-
Total property valuation	\$ 3,107,088,784				
Net levy			8,936,261	8,781,194	155,067
Uncollected taxes at June 30, 2022			(881)	(881)	-
Current year taxes collected			\$ 8,935,380	\$ 8,780,313	\$ 155,067
Current levy collection percentage			99.990%	99.990%	100.00%

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	107
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	117
These tables contain information to help the reader assess the Town's most significant local revenue source: property tax.	
Debt Capacity	122
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	127
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	129
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 annual comprehensive financial reports for the relevant year.

TOWN OF NAGS HEAD, NORTH CAROLINA

NET POSITION BY COMPONENT,

LAST TEN FISCAL YEARS

(accrual basis of accounting)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities				
Net investment in capital assets	\$ 36,870,772	\$ 33,903,387	\$ 31,135,962	\$ 27,708,368
Restricted	4,215,704	5,228,502	6,624,621	9,021,585
Unrestricted	6,290,213	5,800,045	3,898,698	3,755,364
Total governmental activities net position	<u>\$ 47,376,689</u>	<u>\$ 44,931,934</u>	<u>\$ 41,659,281</u>	<u>\$ 40,485,317</u>
Business-type activities				
Net investment in capital assets	\$ 6,956,945	\$ 6,615,501	\$ 6,893,822	\$ 7,151,840
Restricted	-	-	-	-
Unrestricted	3,503,486	3,714,971	3,552,268	3,666,132
Total business-type activities net position	<u>\$ 10,460,431</u>	<u>\$ 10,330,472</u>	<u>\$ 10,446,090</u>	<u>\$ 10,817,972</u>
Primary government				
Net investment in capital assets	\$ 43,827,717	\$ 40,518,888	\$ 38,029,784	\$ 34,860,208
Restricted	4,215,704	5,228,502	6,624,621	9,021,585
Unrestricted	9,793,699	9,515,016	7,450,966	7,421,496
Total primary government activities net position	<u>\$ 57,837,120</u>	<u>\$ 55,262,406</u>	<u>\$ 52,105,371</u>	<u>\$ 51,303,289</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.

The Town adopted GASB Statement No. 87 for fiscal year 2022; prior years are not restated.

TABLE 1

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 20,966,687	\$ 21,952,386	\$ 25,110,090	\$ 40,161,631	\$ 36,284,111	\$ 33,233,399
8,329,744	11,467,485	20,760,822	11,135,803	11,184,939	9,405,616
4,890,365	1,878,340	6,504,243	3,379,930	4,724,498	6,454,409
<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>	<u>\$ 49,093,424</u>
\$ 6,294,923	\$ 6,220,850	\$ 6,084,121	\$ 6,462,459	\$ 5,008,907	\$ 6,199,951
-	-	20,747	29,815	45,506	7,153
3,314,466	2,914,008	2,904,685	2,788,642	4,039,632	3,522,990
<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>	<u>\$ 9,730,094</u>
\$ 27,261,610	\$ 28,173,236	\$ 31,194,211	\$ 46,624,090	\$ 41,293,018	\$ 39,433,350
8,329,744	11,467,485	20,781,569	11,165,618	11,230,445	9,412,769
8,204,831	4,819,348	9,408,928	6,168,572	8,764,130	9,977,399
<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>	<u>\$ 58,823,518</u>

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

	2013	2014	2015	2016
Expenses				
Governmental activities:				
General government	\$ 9,253,686	\$ 9,408,905	\$ 10,812,062	\$ 9,974,716
Public safety	4,894,679	5,251,148	5,274,035	5,402,779
Public Works	1,972,369	2,158,516	2,137,237	2,174,552
Environmental protection	1,721,611	1,744,024	1,726,901	1,886,219
Streets and Drainage	-	-	-	-
Interest on long-term debt	409,005	319,462	226,348	143,298
Total Governmental activities expenses	<u>18,251,350</u>	<u>18,882,055</u>	<u>20,176,583</u>	<u>19,581,564</u>
Business-type activities:				
Water Fund	2,771,846	2,634,525	2,721,655	2,616,111
Storm Water Fund	29,519	41,395	70,127	102,667
Total Business-type activities expenses	<u>2,801,365</u>	<u>2,675,920</u>	<u>2,791,782</u>	<u>2,718,778</u>
Total primary government activities expenses	<u>\$ 21,052,715</u>	<u>\$ 21,557,975</u>	<u>\$ 22,968,365</u>	<u>\$ 22,300,342</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 380,445	\$ 426,391	\$ 470,792	\$ 407,776
Public safety	3,099	2,018	3,278	3,913
Public Works	-	-	-	-
Environmental Protection	-	-	-	-
Operating grants and contributions:				
General government	6,915	27,570	32,057	185,181
Public safety	34,277	111,572	73,833	70,628
Public Works	43,934	24,000	24,000	24,000
Environmental protection	-	-	-	30,000
Streets and Drainage	-	-	-	-
Capital grants and contributions:				
General Government	2,020,000	1,525,325	2,000,000	2,000,000
Public safety	-	83,843	-	7,000
Public Works	309,639	209,432	253,784	136,076
Streets and Drainage	-	-	-	-
Total Governmental activities program revenues	<u>2,798,309</u>	<u>2,410,151</u>	<u>2,857,744</u>	<u>2,864,574</u>
Business-type activities:				
Charges for services:				
Water Fund	2,319,482	2,308,365	2,662,592	2,720,922
Storm Water Fund	114,572	115,364	116,184	233,540
Operating grants and contributions:				
Water Fund	-	-	-	-
Capital grants and contributions:				
Water Fund	91,500	95,500	162,500	102,500
Total Business-type activities program revenues	<u>2,525,554</u>	<u>2,519,229</u>	<u>2,941,276</u>	<u>3,056,962</u>
Total primary government activities program revenues	<u>\$ 5,323,863</u>	<u>\$ 4,929,380</u>	<u>\$ 5,799,020</u>	<u>\$ 5,921,536</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.
The Town adopted GASB Statement No. 87 for fiscal year 2022; prior years are not restated.

TABLE 2
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	2017	2018	2019	2020	2021	2022
\$	10,328,168	\$ 3,548,805	\$ 8,197,403	\$ 12,396,326	\$ 12,504,708	\$ 12,715,848
	5,501,986	5,791,918	5,922,340	6,340,300	7,036,704	7,342,949
	4,728,501	2,146,924	2,390,713	2,616,743	2,158,949	2,991,500
	1,730,249	1,857,765	1,920,037	2,017,127	2,183,166	2,214,312
	545,888	310,542	318,282	381,747	267,697	286,284
	40,122	41,470	430,674	581,012	294,342	233,493
	<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>	<u>25,784,386</u>
	2,926,519	3,082,644	3,382,034	3,186,733	3,950,579	3,401,302
	875,662	-	-	-	-	-
	<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>3,401,302</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>	<u>29,185,688</u>
\$	429,748	\$ 556,438	\$ 251,901	\$ 241,799	\$ 321,514	\$ 553,362
	5,661	4,343	33,147	19,946	34,925	41,131
	-	-	73,813	109,837	99,103	103,732
	-	-	7,459	3,688	1,661	4,352
	396,069	24,275	37,696	649,033	646,167	681,383
	84,511	58,844	100,179	189,960	71,984	127,808
	38,720	24,000	15,812	52,467	24,000	23,273
	92,574	-	17,222	60,898	-	-
	42,691	93,831	5,165	4,123	110,487	126,566
	6,000	1,047,680	17,726,292	7,726,152	58,943	762,190
	22,676	23,131	-	227,579	282,649	17,946
	999,257	185,000	512,450	-	169,458	-
	952,487	25,432	202,805	136,387	-	6,130
	<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>	<u>2,447,873</u>
	2,533,007	2,696,650	3,088,432	3,365,591	3,713,838	3,810,398
	-	-	-	-	-	-
	-	-	-	-	2,100	-
	104,500	145,000	22,461	10,496	64,930	518,324
	<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>4,328,722</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>	<u>6,776,595</u>

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

	2013	2014	2015	2016
Net (Expense)/Revenue				
Governmental activities	\$ (15,453,041)	\$ (16,471,904)	\$ (17,318,839)	\$ (16,716,990)
Business-type activities	(275,811)	(156,691)	149,494	338,184
Total primary government net expense	<u>\$ (15,728,852)</u>	<u>\$ (16,628,595)</u>	<u>\$ (17,169,345)</u>	<u>\$ (16,378,806)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes levied for general purpose	\$ 5,532,574	\$ 6,007,054	\$ 6,245,990	\$ 6,302,099
Municipal service district taxes	1,800,722	1,793,280	1,826,183	1,823,812
Occupancy tax	2,549,080	2,492,045	2,637,450	2,637,733
Land transfer taxes	525,314	532,837	664,756	658,595
Sales taxes	2,197,553	2,233,617	2,343,993	2,486,409
Other taxes and licenses	59,393	45,939	68,143	60,313
Intergovernmental revenues not restricted	658,137	699,313	841,649	1,080,122
Net unrestricted investment earnings	35,785	80,246	75,122	113,379
Miscellaneous	157,502	137,618	188,115	187,746
Capital Contributions	-	5,200	-	-
Transfers	-	-	-	-
Total Governmental activities	<u>13,516,060</u>	<u>14,027,149</u>	<u>14,891,401</u>	<u>15,350,208</u>
Business-type activities				
Unrestricted investment earnings	7,378	24,968	21,810	31,578
Miscellaneous	3,089	1,764	19,211	2,120
Transfers	-	-	-	-
Total Business-type activities	<u>10,467</u>	<u>26,732</u>	<u>41,021</u>	<u>33,698</u>
Total primary government	<u>\$ 13,526,527</u>	<u>\$ 14,053,881</u>	<u>\$ 14,932,422</u>	<u>\$ 15,383,906</u>
Change in Net Position				
Governmental activities	(1,936,981)	(2,444,755)	(2,427,438)	(1,366,782)
Restatement - Governmental activities	-	-	(845,215)	192,818
Business-type activities	(265,344)	(129,959)	190,515	371,882
Restatement - Business-type activities	-	-	(74,897)	-
Total primary government change in net position	<u>\$ (2,202,325)</u>	<u>\$ (2,574,714)</u>	<u>\$ (3,157,035)</u>	<u>\$ (802,082)</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.
The Town adopted GASB Statement No. 87 for fiscal year 2022; prior years are not restated.

TABLE 2
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2017	2018	2019	2020	2021	2022
\$ (19,804,520)	\$ (11,654,450)	\$ (195,508)	\$ (14,911,386)	\$ (22,624,675)	\$ (23,336,513)
(1,164,674)	(240,994)	(271,141)	189,354	(169,711)	927,420
<u>\$ (20,969,194)</u>	<u>\$ (11,895,444)</u>	<u>\$ (466,649)</u>	<u>\$ (14,722,032)</u>	<u>\$ (22,794,386)</u>	<u>\$ (22,409,093)</u>
\$ 7,067,172	\$ 7,147,201	\$ 7,456,247	\$ 7,785,799	\$ 8,222,813	\$ 8,938,833
-	1,412,472	1,414,525	1,422,383	1,496,059	1,641,755
2,572,622	2,419,390	2,870,519	2,741,871	4,152,935	4,457,313
617,313	592,775	711,883	719,914	1,639,383	1,727,795
2,533,000	2,339,634	2,721,543	2,761,461	3,546,353	3,995,689
65,435	60,239	53,543	64,487	59,357	79,895
1,018,345	880,000	960,846	932,135	918,654	952,365
86,867	98,515	894,881	571,689	(124,386)	(1,648,548)
187,262	59,916	188,465	213,856	229,691	91,292
-	-	-	-	-	-
69,670	-	-	-	-	-
<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>	<u>20,236,389</u>
21,271	22,186	116,854	79,816	(19,280)	(293,271)
4,490	2,951	1,982	2,193	2,120	1,900
(69,670)	-	-	-	-	-
<u>(43,909)</u>	<u>25,137</u>	<u>118,836</u>	<u>82,009</u>	<u>(17,160)</u>	<u>(291,371)</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>	<u>\$ 19,945,018</u>
(5,586,834)	3,355,692	17,076,944	2,302,209	(2,483,816)	(3,100,124)
(711,687)	(2,244,277)	-	-	-	-
(1,208,583)	(215,857)	(152,305)	271,363	(186,871)	636,049
-	(231,674)	-	-	-	-
<u>\$ (7,507,104)</u>	<u>\$ 663,884</u>	<u>\$ 16,924,639</u>	<u>\$ 2,573,572</u>	<u>\$ (2,670,687)</u>	<u>\$ (2,464,075)</u>

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

(modified accrual basis of accounting)

	2013	2014	2015	2016
General Fund				
Non-Spendable	\$ 80,712	\$ 73,383	\$ 71,433	\$ 78,175
Restricted	3,860,363	5,040,137	6,496,072	9,228,864
Committed	-	-	-	263,271
Assigned	477,850	399,000	317,500	74,169
Unassigned	7,906,928	6,653,787	5,738,240	5,398,644
Total General Fund	<u>\$ 12,325,853</u>	<u>\$ 12,166,307</u>	<u>\$ 12,623,245</u>	<u>\$ 15,043,123</u>
All Other Governmental Funds				
Restricted	\$ 355,341	\$ 188,365	\$ 301,156	\$ 38,146
Committed	1,376,076	343,663	11,914	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 1,731,417</u>	<u>\$ 532,028</u>	<u>\$ 313,070</u>	<u>\$ 38,146</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.
The Town adopted GASB Statement No. 87 for fiscal year 2022; prior years are not restated.

TABLE 3

	2017	2018	2019	2020	2021	2022
\$	55,000	\$ 66,336	\$ 73,868	\$ 72,625	\$ 73,819	\$ 112,860
	6,984,415	10,060,421	20,760,822	11,135,803	11,184,939	9,405,616
	262,520	223,371	189,105	125,744	53,702	-
	275,503	450,000	411,332	-	316,712	3,275,000
	6,579,895	6,378,688	6,981,462	8,634,215	8,185,984	6,294,383
\$	<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>	<u>19,087,859</u>
\$	1,511,112	\$ 1,407,064	\$ -	\$ -	\$ -	\$ -
	787,241	700,810	-	-	4,477,581	4,491,839
	-	-	17,889,355	2,386,849	-	-
	-	-	-	-	-	-
\$	<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>	<u>4,491,839</u>

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

	2013	2014	2015	2016
Revenues				
Ad valorem taxes	\$ 7,327,126	\$ 7,804,535	\$ 8,073,532	\$ 8,138,686
Other taxes and licenses	5,365,819	5,360,806	5,723,727	5,866,657
Unrestricted intergovernmental revenues	623,658	642,945	841,649	1,080,122
Restricted intergovernmental revenues	2,406,193	1,971,466	2,366,589	2,428,829
Permits and fees	226,348	258,038	307,544	281,000
Sales and services	3,099	2,018	3,278	3,913
Net investment earnings	35,760	80,246	75,122	113,380
Other revenues	320,196	316,247	368,451	281,436
Total revenues	<u>16,308,199</u>	<u>16,436,301</u>	<u>17,759,892</u>	<u>18,194,023</u>
Expenditures				
General government	2,403,961	2,479,757	3,835,487	2,732,414
Public safety	4,462,517	4,749,036	4,951,779	4,978,495
Environmental protection	1,425,084	1,465,995	1,463,177	1,637,808
Public works	1,533,263	1,637,644	1,605,570	1,644,467
Streets and Drainage	-	-	-	-
Debt service				
Principal	4,267,602	4,320,700	4,454,715	4,581,963
Interest	409,005	319,462	226,348	131,632
Capital Outlay	<u>1,396,226</u>	<u>3,761,181</u>	<u>1,737,968</u>	<u>1,601,067</u>
Total expenditures	<u>15,897,658</u>	<u>18,733,775</u>	<u>18,275,044</u>	<u>17,307,846</u>
Excess (deficiency) of revenues over expenditures	410,541	(2,297,474)	(515,152)	886,177
Other financing sources (uses)				
Installment financing	1,055,818	938,539	753,132	1,015,819
Transfers from other funds	-	1,000,000	-	139,373
Transfers to other funds	-	(1,000,000)	-	(139,373)
Sale of Capital Assets	-	-	-	50,140
Total other financing sources	<u>1,055,818</u>	<u>938,539</u>	<u>753,132</u>	<u>1,065,959</u>
Net change in fund balances	<u>\$ 1,466,359</u>	<u>\$ (1,358,935)</u>	<u>\$ 237,980</u>	<u>\$ 1,952,136</u>
Debt service as a percentage of non-capital expenditures	32.25%	30.99%	28.31%	30.01%

The Town adopted GASB Statement No. 87 for fiscal year 2022; prior years are not restated.

TABLE 4

	2017	2018	2019	2020	2021	2022
\$	7,067,296	\$ 8,559,752	\$ 8,869,938	\$ 9,199,976	\$ 9,724,927	\$ 10,582,398
	5,799,168	5,411,329	6,366,165	6,288,313	9,398,513	10,260,892
	1,018,345	880,000	960,846	932,135	918,654	952,365
	1,742,369	1,283,785	18,564,123	9,036,209	1,349,356	1,729,336
	325,505	367,214	300,228	268,293	358,100	388,634
	92,226	69,837	66,091	106,977	99,103	313,943
	86,867	98,515	894,881	571,689	(124,386)	(1,648,548)
	214,459	186,555	185,920	191,700	207,365	82,619
	<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>	<u>22,661,639</u>
	3,042,364	2,798,124	2,996,329	3,170,729	3,115,138	3,342,466
	5,076,316	5,355,905	5,418,519	5,526,696	6,091,021	6,633,356
	1,527,864	1,589,536	1,653,298	1,749,846	1,820,910	1,851,026
	1,594,503	1,548,039	1,626,009	1,756,630	1,932,203	2,256,872
	141,859	69,318	50,875	110,240	38,979	55,498
	1,053,956	1,216,638	1,293,230	20,022,960	3,816,919	3,818,546
	38,150	37,307	41,431	826,491	340,777	247,532
	<u>3,577,748</u>	<u>2,523,113</u>	<u>25,960,813</u>	<u>19,638,796</u>	<u>4,247,851</u>	<u>8,222,328</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>	<u>26,427,624</u>
	293,475	1,719,007	(2,832,312)	(26,207,096)	527,834	(3,765,985)
	988,525	1,090,403	29,831,220	2,223,843	1,373,008	3,028,313
	2,743,952	12,000	1,750,000	-	-	-
	(2,674,282)	(12,000)	(1,750,000)	-	-	-
	22,747	21,594	20,345	32,546	36,658	24,633
	<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>3,052,946</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>	<u>(713,039)</u>
	8.75%	9.94%	10.20%	62.87%	24.23%	22.33%

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
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%	3,002	5,870,235	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%	1,538	7,316,034	99.997%
	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%	9,082	7,635,531	99.991%
	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%	2,701.37	8,065,422	99.987%
	MSD	1,490,916	1,490,914	100.000%	-	1,490,914	100.000%
2022	Town Tax	8,781,194	8,780,313	99.990%	[2]	8,780,313	99.990%
	MSD	1,629,822	1,629,814	99.999%	[2]	1,629,814	99.999%

[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.

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	
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
2022	2,958,509,981	70,980,064	55,099,553	22,499,186

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 County 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>
3,133,209,763	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
3,107,088,784	0.2875	79.11%	3,927,555,030

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]
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
2022	0.2875 Town Wide Rate 0.143 Dist 1 MSD Rate 0.143 Dist 2 MSD Rate 0.005 Dist 3 MSD Rate 0.01 Dist 4 MSD Rate 0.000 Dist 5 MSD Rate 0.005 Dist 6 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, 2022			June 30, 2013		
	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation
Dominion NC Power	\$ 18,303,199	1	0.60%	\$ 16,719,561	6	0.54%
SRE Mustang (previously Tanger)	15,025,591	2	0.49%	12,443,003	10	0.40%
The Outer Banks Hospital, Inc.	14,052,200	3	0.46%			
Nags Head Company, LLC	14,027,042	4	0.46%	14,125,645	9	0.46%
Ocean Carolina, LLC	11,851,794	5	0.39%	20,029,662	5	0.65%
Stanford M. White	11,832,468	6	0.39%			
Brian K. Newman	10,773,676	7	0.35%	20,029,944	4	0.65%
Mildred Roughton	10,127,028	8	0.33%	24,862,913	1	0.80%
Clubcorp Golf of North Carolina	9,712,513	9	0.32%	16,276,868	7	0.53%
Surf Side Realty LLC	8,697,138	10	0.28%			
The Lacour Group, LLC				22,629,228	2	0.73%
Kenneth Simpler				21,329,966	3	0.69%
Nags Head Inn				15,629,538	8	0.51%
	<u>\$ 124,402,649</u>		<u>4.07%</u>	<u>\$ 184,076,328</u>		<u>5.96%</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	
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
2022	5,097,186	4,552,000	40,799	9,689,985

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>
0.39%	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	7.10%
0.34%	0.34%	3,300	*
0.25%	0.25%	3,052	*

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Assessed Value of Property	\$ 3,133,209,763	\$ 2,328,518,697	\$ 2,332,706,201	\$ 2,351,897,661
Debt Limit, 8% of Assessed Value (Statutory Limitation)	\$ 250,656,781	\$ 186,281,496	\$ 186,616,496	\$ 188,151,813
Amount of debt applicable to limit				
Gross debt	\$ 13,443,610	\$ 10,094,857	\$ 6,273,507	\$ 2,618,501
Total net debt applicable to limit	\$ 13,443,610	\$ 10,094,857	\$ 6,273,507	\$ 2,618,501
Legal Debt Margin	<u>\$ 237,213,171</u>	<u>\$ 176,186,639</u>	<u>\$ 180,342,989</u>	<u>\$ 185,533,312</u>
Total net debt applicable to the limit as a percentage of debt limit	5.36%	5.42%	3.36%	1.39%
Total net debt applicable to the limit as a percentage of assessed value	0.43%	0.43%	0.27%	0.11%

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

	2017	2018	2019	2020	2021	2022
\$	<u>2,376,353,295</u>	<u>2,403,107,381</u>	<u>2,425,366,425</u>	<u>2,451,719,147</u>	<u>3,097,162,628</u>	<u>3,107,088,784</u>
\$	190,108,264	192,248,590	194,029,314	196,137,532	247,773,010	248,567,103
\$	<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>	<u>9,689,985</u>
\$	2,491,465	2,250,779	30,676,357	12,902,814	10,478,253	9,689,985
\$	<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>	<u><u>238,877,118</u></u>
	1.31%	1.17%	15.81%	6.58%	4.23%	3.90%
	0.10%	0.09%	1.26%	0.53%	0.34%	0.31%

TABLE 11

TOWN OF NAGS HEAD, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2022

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable [1]</u>	<u>Estimated Share of Overlapping Debt</u>
Dare County	\$ 124,439,321	18.23%	\$ 22,681,479
Town of Nags Head direct debt			9,649,186
Total direct and overlapping debt			<u>32,330,665</u>

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

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

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

TABLE 12

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

Fiscal Year	TOWN OF NAGS HEAD		DARE COUNTY		
	Population [1]	Personal Income [5]	Per Capita Personal Income [4]	School Enrollment [3]	Unemployment Percentage Rate [2]
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	181,807,560	59,240	5,367	8.2%
2021	3,175	*	*	5,131	6.9%
2022	3,213	*	*	5,140	4.8%

[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 11/16/2021

[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, 2022			June 30, 2013		
	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	*	-	-	*
Village Realty & Management Serv.	250 - 499	3	*	250 - 499	3	*
Food Lion	250 - 499	4	*	250 - 499	2	*
Town of Nags Head	100 - 249	5	*	100 - 249	7	*
Kitty Hawk Kites	100 - 249	6	*	100 - 249	6	*
State of NC Dept of Cultural Resources	100 - 249	7	*	-	8	*
*	*	8	*	-	-	*
*	*	9	*	*	9	*
*	*	10	*	*	10	*
East Carolina Health Inc				250 - 499	4	*
Stan White Realty				100 - 249	5	*

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

[2] Employment data is only available in rank 1-7 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**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Function/Program										
General government										
Administration	6	6	6	6	6 3/4	7 1/2	7 1/2	6 3/4	5 3/4	5
Administrative Services	6	6	6	6	6	6	6	6	7	5 1/2
Information Technology	2	2	2	2	2	2	1	1	1	1
Planning and Development	8	8	8	8 1/2	8 1/2	9	9 1/2	10 3/4	10 3/4	10 1/4
Public Safety										
Police	24	24	24	25	25	25	25	25	25	25
Fire	27	27	27	27	27	27	27	27 1/3	27 1/3	27 1/3
Ocean Rescue	23	24	24	24	26	26	26	25 2/3	50 2/3	25 2/3
Year-round	1	1	1	1	1	1	1	2/3	2/3	2/3
Seasonal Lifeguards	22	23	23	23	25	25	25	25	50	25
Environmental Protection										
Solid Waste	10	10	10	10	10	11	11	11 1/2	9 1/2	9 1/2
Public Works										
Administration	4	4	4	4	3	2 3/4	2 3/4	2 3/4	2 3/4	4 1/4
Facilities Maintenance	10	9 1/2	9 1/2	10 1/2	10 1/2	11	12	12 1/2	13	12
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	2 1/2	2 1/2	2 1/4	2 1/4	2 1/2
Septic Health	1	1	1	1/2	1/2	1/2	1/2	1/2	1/2	1/2
Water Operations	4	4	4	4	4	4	5	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

	2013	2014	2015
Population	2,791	2,901	2,916
Police:			
Crime Activity: Reported			
Rape (includes attempts):	7	9	11
Robbery (includes attempts):	2	3	-
Assaults (felonious & misdemeanor):	65	90	65
Burglary(breaking/entering-structures):	76	65	150
Larceny:	258	231	191
Auto Larceny:	6	2	7
Arson/unlawful burnings:	-	-	2
All other crimes (unspecified above):	383	404	493
Total Crime:	797	804	919
Traffic Activity:			
Traffic Accidents	230	248	269
Driving while impaired arrests	62	57	56
General traffic violations-citation	663	1,010	1,150
General traffic violations-warning	872	1,307	1,291
Parking violations-citation issued	2	-	1
All other traffic-related, non-violation	95	61	43
Total Traffic	1,924	2,683	2,810
General Calls for Service:			
Police calls-emergency status, non-emergency, traffic control	11,775	9,863	10,584
Animal control calls	422	-	304
Total General Calls for Service	12,197	9,863	10,888
Total all Police/Animal Control Activity	14,918	13,350	14,617

Source: Budget documents and individual Town departments.

TABLE 15

Page 1 of 3

2016	2017	2018	2019	2020	2021	2022
2,954	2,977	2,994	3,008	3,069	3,175	3,213
3	3	1	4	2	3	2
1	1	2	-	1	1	-
85	98	77	74	73	75	88
98	112	111	46	17	42	31
201	106	116	94	96	87	50
6	8	5	2	3	5	10
4	-	1	-	1	-	-
395	532	375	249	198	207	177
793	860	688	469	391	420	358
251	266	258	258	229	233	229
53	50	68	47	37	40	77
1,406	1,746	1,714	1,067	2,148	1,019	565
1,938	2,190	2,408	1,891	1,384	1,103	1,493
1	2	7	2	19	129	229
46	108	45	61	208	245	222
3,695	4,362	4,500	3,326	4,025	2,769	2,815
11,760	11,244	17,156	14,590	11,711	14,066	14,613
355	265	667	661	635	716	635
12,115	11,509	17,823	15,251	12,346	14,782	15,248
16,603	16,731	23,011	19,046	16,762	17,971	18,421

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

	2013	2014	2015
Fire:			
Number of volunteers	15	13	16
Number of calls answered	902	877	918
Total dollar loss	\$ 1,188,900	\$ 14,300	\$ 716,650
Total dollar property and content saved	\$ 8,703,398	\$ 4,051,050	\$ 3,190,600
Planning:			
Building permits:			
One and Two Family Dwellings	32	24	48
Residential multi-family	-	-	-
Commercial/Government/Other	-	2	1
Miscellaneous:			
Accessory Structure	275	333	351
Addition	46	56	59
Demolition	16	12	22
Move	6	6	16
Remodel	-	1	6
Repair	62	62	58
Trade Permits:	145	196	190
Electrical	483	497	447
Gas	28	17	27
Mechanical	385	407	446
Plumbing	102	100	123
Sprinkler	3	9	7
Number of CAMA permits issued	43	42	45
Number of land disturbance permits issued	*	13	23
Number of certificates of occupancy issued	34	27	42
Site plan reviews:			
Commercial	2	4	4
Residential	*	*	*
Number of zoning amendments	16	12	12
Number of variance applications	4	2	2
Number of exempt plats issued	-	-	-
Number of code compliance inspections	306	231	198

* Information Unavailable

Source: Budget documents and individual Town departments.

TABLE 15

Page 2 of 3

	2016	2017	2018	2019	2020	2021	2022
	12	9	10	8	4	3	3
	882	1,116	1,092	1,057	958	990	1,091
\$	457,150	\$ 1,273,400	\$ 142,700	\$ 1,391,700	\$ 266,050	\$ 290,400	\$ 365,150
\$	4,809,750	\$ 7,939,200	\$ 9,222,715	\$ 8,947,900	\$ 3,945,550	\$ 7,539,800	\$ 5,556,650
	33	31	45	25	13	24	23
	1	-	-	-	-	-	-
	-	3	4	4	2	-	1
	416	348	339	425	437	431	473
	42	38	40	46	46	51	48
	14	35	17	21	17	29	24
	6	6	7	6	2	7	9
	6	-	-	-	-	-	-
	47	66	67	92	98	132	129
	301	203	208	260	274	212	263
	533	538	571	492	424	545	506
	31	41	31	23	21	37	23
	454	468	485	434	373	443	383
	112	129	135	100	92	96	69
	7	6	13	4	3	3	4
	71	54	65	59	30	31	28
	34	19	35	21	38	71	54
	30	38	34	40	23	19	21
	5	3	12	8	6	1	6
	*	*	*	*	*	*	*
	11	10	9	5	10	13	9
	2	6	2	1	5	8	4
	1	2	2	2	2	3	2
	193	1,430	1,315	1,064	774	883	773

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

	2013	2014	2015
Planning continued:			
Total building permit fees	\$ 156,813	\$ 177,594	\$ 221,100
Total site plan review fees	\$ 19,761	\$ 21,970	\$ 12,538
Total CAMA permit fees	\$ 4,500	\$ 5,100	\$ 5,300
Total construction valuation	\$ 20,838,802	\$ 22,017,479	\$ 36,682,703
Septic Health:			
Tank Inspections	212	301	324
Tanks Pumped	43	56	43
Water Quality Sites Tested	163	273	253
Refuse collection:			
Refuse collection (tons)	8,325.82	8,239.19	8,225.68
Bulk (tons)	529.93	512.64	703.52
Water:			
Number of new services	41.0	34.0	60.0
Number of new customers	172.0	171.0	248.0
Daily consumption (million gallons)	1.2	1.3	1.2
Maximum daily capacity of plant(million gallons)	7.9	7.9	7.9
Maximum contracted per day(million gallons)	3.5	3.5	3.5

* Information Unavailable

Source: Budget documents and individual Town departments.

TABLE 15
Page 3 of 3

	2016	2017	2018	2019	2020	2021	2022
\$	201,576	\$ 199,232	\$ 229,929	\$ 190,236	\$ 189,016	\$ 221,005	\$ 234,818
\$	10,290	\$ 35,727	\$ 36,193	\$ 8,442	\$ 10,930	\$ 15,822	\$ 15,558
\$	8,600	\$ 5,300	\$ 7,400	\$ 5,900	\$ 3,900	\$ 3,700	\$ 3,400
\$	29,925,081	\$ 30,640,450	\$ 36,335,579	\$ 25,775,548	\$ 20,393,237	\$ 26,197,676	\$ 34,023,378
	298	281	283	376	40	171	110
	54	59	101	78	132	94	48
	322	299	285	299	259	230	181
	8,253.29	8,593.27	8,568.64	8,209.21	7,873.47	9,924.64	9,308.65
	423.83	628.82	485.52	522.26	567.16	887.25	748.39
	31.0	36.0	38.0	41.0	19.0	25.0	22.0
	236.0	250.0	248.0	279.0	351.0	619.0	499.0
	1.1	1.2	1.2	1.3	1.0	1.2	1.2
	7.9	7.9	7.9	7.9	7.9	7.9	7.9
	3.5	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

Function/Program	2013	2014	2015	2016
Police stations	1	1	1	1
Fire stations	2	2	2	2
Ocean rescue facilities	1	1	1	1
Refuse collection				
Collection trucks	14	15	15	16
Other public works				
Paved streets (miles)	24.7	34.82	34.82	34.82
Unpaved streets (miles)	2.25	2.36	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	101.30	101.64	102.02
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

2017	2018	2019	2020	2021	2022
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
16	18	20	17	17	19
34.77	34.77	34.77	34.77	34.94	34.94
2.36	2.36	2.36	2.36	2.37	2.37
427	427	427	427	427	427
2	2	3	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	15.3	15.7	15.7
1	1	1	1	1	1
102.15	102.20	102.20	102.5	103	104.0
550	557	559	553	562	563
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 Auditors' Report

To the Honorable Mayor
and the Board of Commissioners
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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2022, and the related notes to the financial statements, which collectively comprises the Town of Nags Head's basic financial statements, and have issued our report thereon dated November 28, 2022.

Report on 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) as a basis for designing 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'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 entity'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings, responses, and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on 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*.

Town of Nags Head's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Nags Head's responses to the findings identified in our audit are described in the accompanying schedule of findings, responses, and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.

Potter & Company, P.A.

November 28, 2022
Mooreville, North Carolina



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
WITH OMB UNIFORM GUIDANCE AND THE
STATE SINGLE AUDIT IMPLEMENTATION ACT**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Nags Head, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Nags Head's major federal programs for the year ended June 30, 2022. The Town of Nags Head's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Nags Head complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Town of Nags Head and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Nags Head's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Nags Head federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Nags Head's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Nags Head's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Nags Head's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town of Nags Head's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Nags Head's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in Auditors' Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Potter & Company, P.A.

November 28, 2022
Mooresville, North Carolina

TOWN OF NAGS HEAD, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2022

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements Audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses. _____ X yes _____ none reported

Noncompliance material to financial statements noted.

_____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness (es) identified? _____ yes X no
- Significant Deficiency(ies) identified that are not considered to be material weaknesses. _____ yes X none reported

Noncompliance material to federal awards.

_____ yes X no

Type of auditors' report issued on compliance for major federal programs:

Unmodified, for all federal programs.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

Assistance Listing No.
21.027

Names of Federal Programs or Cluster
Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B Programs.

\$ 750,000

Auditee qualified as low-risk auditee?

 X yes _____ no

TOWN OF NAGS HEAD, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2022

Section II. Financial Statement Findings

Significant Deficiency

Finding 2022-001

Criteria: Per G.S. 159-8, all money received and expended by a local government should be included in the budget ordinance.

Condition: During the fiscal year ended June 30, 2022, there was a violation of the G.S. 159-8 by the Town with regard to expenditures exceeding appropriations in the General Fund.

Effect: The Town was in violation of North Carolina State Statutes.

Cause: Due to the implementation of GASB 87, lease payments were reclassified to debt service for financial reporting. The lease payments were budgeted under categories other than debt service.

Recommendation: Management and the Board should ensure that amounts are reclassified after budgets are approved and/or amended as required by statutes.

Name of Contact Person: Amy Miller, Finance Director

Views of Responsible Officials and Planned Corrective Actions: The Town agrees with this finding and will adhere to the Corrective Action Plan in this audit report.

Section III. Federal Award Findings and Questioned Costs

None reported.



Ben Cahoon
Mayor

Michael Siers
Mayor Pro Tem

Andy Garman
Town Manager

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M. Renée Cahoon
Commissioner

Kevin Brinkley
Commissioner

Bob Sanders
Commissioner

**TOWN OF NAGS HEAD, NORTH CAROLINA
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2022**

II. Financial Statement Findings

Significant Deficiency

Finding 2022-001

Name of Contact Person: Amy Miller, Finance Officer

Corrective Action: Per N.C.G.S. 159-8, all money received and expended by a local government should be included in the budget ordinance. The Town was in violation of G.S. 159-8 with regard to expenditures exceeding appropriations in the General Fund, due to the implementation of GASB 87. Lease payments were reclassified to debt service for financial reporting after June 30, 2022. Although there were enough funds in current expenditures, a budget amendment was not done to move those funds from current expenditures to debt service. Management and the Board will ensure that amounts are properly classified for financial reporting in the original and/or revised budget as required by statutes. On November 2, 2022, the Board of Commissioners approved a budget amendment to reclassify fiscal year 2023 lease payments from current expenditures to debt service in accordance with GASB 87. Going forward, the original budget will categorize lease payments as debt service.

Proposed Completion Date: Immediately

III. Federal Award Findings and Questioned Costs

None reported.

TOWN OF NAGS HEAD, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Fiscal Year Ended June 30, 2022

None

Town of Nags Head, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Department of Commerce</u>					
Passed through N.C. Department of Environmental Quality:					
Coastal Zone Management Administration Awards					
Minor Permit Program Administration	11.419	DEQ-22	\$ 2,875		\$ -
Total U.S. Department of Commerce			<u>2,875.00</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>					
Direct Programs:					
Assistance to Firefighters Grant	97.044		22,458	-	1,123
Passed through N.C. Department of Public Safety:					
Disaster Grants-Public Assistance	97.036	FEMA-4465-DR-NC	340,650	113,550	-
Total U.S. Department of Homeland Security			<u>363,108</u>	<u>113,550</u>	<u>1,123</u>
<u>U.S. Department of the Interior</u>					
Direct Programs:					
U.S. Fish and Wildlife Service	15.663		75,000	-	8,244
Total U.S. Department of the Interior			<u>75,000</u>	<u>-</u>	<u>8,244</u>
<u>U.S. Department of Justice</u>					
Direct Program:					
Bulletproof Vest Partnership Program	16.607		423	-	402
Passed-through N.C. Department of Public Safety:					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	GOV-5	22,792	-	-
Total U.S. Department of Justice			<u>23,215</u>	<u>-</u>	<u>402</u>
<u>U.S. Department of Treasury</u>					
Passed through the N.C. Office of the Governor:					
Coronavirus State and Local Fiscal Recovery Funds	21.027	GOV-2	474,062	-	881,086
Total U.S. Department of Treasury			<u>474,062</u>	<u>-</u>	<u>881,086</u>
State Awards:					
<u>N.C. Department of Agriculture</u>					
Community Conservation Assistance Program					
Total N.C. Department of Agriculture		AGRI-2		2,324	7,182
				<u>2,324</u>	<u>7,182</u>
<u>N.C. Department of Transportation</u>					
Powell Bill Program					
Total N.C. Department of Transportation		DOT-4		25,685	-
				<u>25,685</u>	<u>-</u>
Total Federal and State awards			<u>\$ 938,260</u>	<u>\$ 141,559</u>	<u>\$ 898,037</u>

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

Note 1: Basis of Presentation

(1) Basis of presentation: The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the Federal and State grant activity of The Town of Nags Head under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of The Town of Nags Head, it is not intended to and does not present the financial position, changes in net position or cash flows of The Town of Nags Head.

Note 2: Summary of Significant Accounting Policies

(2) Summary of significant accounting policies: Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Town of Nags Head has elected not to use the 10-percent de minimum indirect cost rate as allowed under the Uniform Guidance.



TOWN OF
NAGS HEAD



nagsheadnc.gov



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