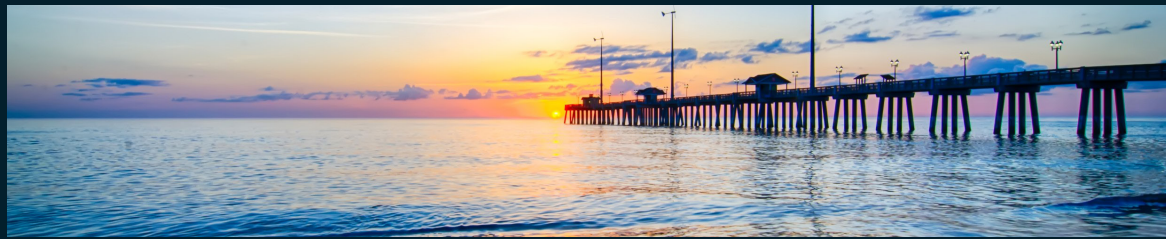
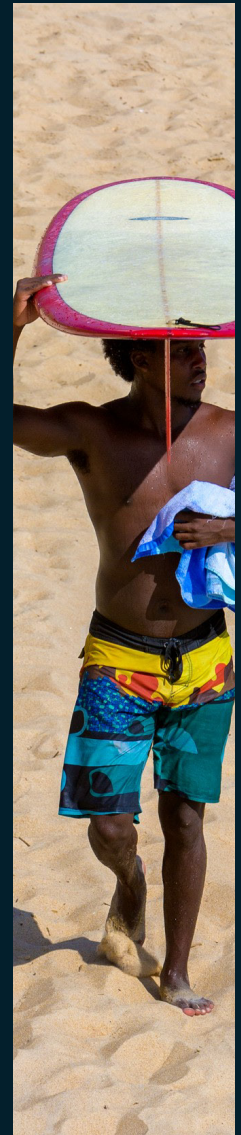


Annual Comprehensive Financial Report

Fiscal Year Ended

June 30, 2023



TOWN OF
NAGS HEAD

TOWN OF NAGS HEAD, NORTH CAROLINA

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2023

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 2023**

Table of Contents

INTRODUCTORY SECTION

PAGE

Letter of Transmittal.....	i-iv
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	v
List of Elected and Appointed Officials.....	vi
Organizational Chart.....	vii

FINANCIAL SECTION

EXHIBIT PAGE

Independent Auditor's Report.....		1-3
Management's Discussion and Analysis.....		4-17
Basic Financial Statements - Overview:		
Government-wide Financial Statements:		
Government-wide Statement of Net Position.....	1	18
Government-wide Statement of Activities.....	2	19-20
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	3	21
Reconciliation of the Balance Sheet - Governmental Funds to the Government-wide		
Statement of Net Position.....	3	22
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.....	4	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds to the Government-wide Statement of Activities.....	4	24
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual		
General Fund.....	5	25
Statement of Fund Net Position- Proprietary Funds.....	6	26
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	7	27
Statement of Cash Flows - Proprietary Funds.....	8	28
Notes to the Basic Financial Statements.....		29-73

Town of Nags Head Annual Comprehensive Financial Report For the Fiscal Year Ended June 30 2023

Table of Contents

(Continued)

	EXHIBIT	PAGE
Required Supplemental Information:		
Local Government Employees' Retirement System:		
Schedule of the Proportionate share of Net Pension Liability (Asset).....	A-1	74-75
Schedule of Contributions.....	A-2	76-77
Law Enforcement Officers' Special Separation Allowance:		
Schedule of Changes in Total Pension Liability.....	A-3	78-79
Schedule of Total Pension Liability as a Percentage of Covered Payroll.....	A-4	80-81
Other Post Employment Health Care Benefits Plan:		
Schedule of Changes in the Total OPEB Liability and Related Ratios.....	A-5	82
Combining and Individual Fund Financial Statements and Schedules Section:		
Governmental Funds:		
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance -		
Budget and Actual.....	1	83-93
Capital Reserve Fund - Schedule of Revenues, Expenditures, and Changes in		
Fund Balance - Budget and Actual.....	2	94
Capital Investment Fund - Schedule of Revenues, Expenditures, and Changes in		
Fund Balance - Budget and Actual.....	3	95
Beach Renourishment Capital Project Fund - Schedule of Revenues, Expenditures, and		
Changes in Fund Balance - Budget and Actual.....	4	96
Beach Renourishment Maintenance Capital Project Fund - Schedule of Revenues,		
Expenditures, and Changes in Fund Balance - Budget and Actual.....	5	97
Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in		
Fund Balance - Budget and Actual.....	6	98
Non-Major Governmental Fund - Combining Balance Sheet.....	7	99
Non-Major Governmental Fund - Combining Statement of Revenues, Expenditures		
and Changes in Fund Balances.....	8	100

Town of Nags Head Annual Comprehensive Financial Report For the Fiscal Year Ended June 30 2023

Table of Contents

(Continued)

	SCHEDULE	PAGE
Beach Renourishment Master Plan Capital Project Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - From Inception.....	9	101
Enterprise Fund:		
Major Fund:		
Water Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP).....	10	102-105
Water Capital Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP).....	11	106
Water Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP).....	12	107
Supplementary Schedules:		
Schedule of Ad Valorem Taxes Receivable.....	13	108
Analysis of Current Tax Levy.....	14	109
STATISTICAL SECTION (Not Covered by Auditor's Report)		
	TABLE	PAGE
Financial Trends:		
Net Position by Component.....	1	110-111
Changes in Net Position.....	2	112-115
Fund Balances of Governmental Funds.....	3	116-117
Changes in Fund Balances of Governmental Funds.....	4	118-119
Revenue Capacity:		
Property Tax Levies and Collections - Last Ten Fiscal Years.....	5	120
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years.....	6	121-122
Property Tax Rates of Direct and Overlapping Governmental Jurisdictions - Last Ten Fiscal Years	7	123
Principal Property Taxpayers.....	8	124
Debt Capacity:		
Ratios of Outstanding Debt by Type.....	9	125-126
Legal Debt Margin Information.....	10	127-128

Town of Nags Head Annual Comprehensive Financial Report For the Fiscal Year Ended June 30 2023

Table of Contents

(Continued)

	TABLE	PAGE
Direct and Overlapping Governmental Activities Debt.....	11	129
Demographic & Economic Information:		
Demographic and Economic Statistics.....	12	130
Principal Employers.....	13	131
Operating Information:		
Full-time Equivalent Town Government Employees by Function.....	14	132
Operating Indicators by Function/Program.....	15	133-138
Capital Asset Statistics by Function/Program.....	16	139-140
COMPLIANCE SECTION	SCHEDULE	PAGE
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i>		141-142
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.....		143-145
Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance With OMB Uniform Guidance and the State Single Audit Implementation Act.....		146-148
Schedule of Findings, Responses, and Questioned Costs.....		149-151
Corrective Action Plan.....		152
Summary Schedule of Schedule of Prior Year Audit Findings.....		153
Schedule of Expenditures of Federal and State Awards.....	15	154

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
Fax 252-441-0776
www.nagsheadnc.gov

M. Renée Cahoon
Commissioner

Kevin Brinkley
Commissioner

Bob Sanders
Commissioner

November 28, 2023

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, 2023.

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, 2023, 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, 2023, 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 many 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 optimizing the planning and delivery of quality services and financial stability.

Long-term financial planning. The Town has three legally adopted capital reserve funds for specific priorities, which set aside revenue sources restricted for future capital projects and debt service. Funding includes appropriations for facility fees, town-wide and municipal service district taxes, and sales tax revenues derived from the municipal service districts (MSDs). The capital investment fund (CIF) allows the Town to strategically plan for debt and capital expenditures. This provides a dedicated funding source for long-term capital planning and maintenance of assets and infrastructure. 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. 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.

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 CIP focuses on improving processes and 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 as part of a connected CIP to combine infrastructure improvement projects under a single project work scope. Multi-use path improvements and public beach access rehabilitations will also be integrated with

these projects. This holistic approach in improving how we operate avoids conducting separate infrastructure projects in the same location over different time periods in addition to preserving the street pavement condition.

Relevant financial policies. The Board has a comprehensive set of financial policies in place that were most recently updated in fiscal year 2023. They cover the operating budget, fund balances, capital improvements and planning, debt, accounting, financial planning, cash management, and investments. Particularly relevant is the revised fund balance policy. The fiscal year 2023 unassigned fund balance exceeding 35% of general fund expenditures, less bond debt, will be transferred to the Capital Investment Fund (CIF). In fiscal year 2024 the general fund will transfer over \$1.3 million to the CIF. This policy allows us to monetize our fund balance and assists with covering years with greater expenditures, unanticipated capital needs, and filling in gaps in grant funding.

Major Initiatives. How can our town be its best self? Over the summer of 2023, we invited residents and property owners to participate in a community survey. The results are being used to determine where we direct budgetary resources for capital improvements and services in shaping our future, leading to more evidence-based decisions, priorities, and investments that will improve the overall quality of life in Nags Head. This type of meaningful context will guide the Board in future policy and resource planning initiatives. We want to make sure our efforts align with the priorities of our community.

After many months of planning, design, permitting, and financing efforts, the new Public Services Complex has started taking shape. The project entails the construction of approximately 35,000 square feet of floor area divided into five new buildings. The project design considered specific goals for the facility that include addressing the operational needs of the department well into the future, creating operationally efficient spaces that optimize the use and function of the various Public Services divisions, enhancing the capacity to increase service levels, and utilizing durable materials to achieve an extended lifespan. Environmental goals were also established, consisting of: creating a compact design to minimize potential environmental impacts, incorporating low-impact development techniques to address stormwater management, installing solar panels to result in net zero energy usage, and constructing infrastructure for future electric vehicle (EV) charging stations. To pay for the project, for the first time the Town issued Limited Obligation Bonds and received an Aa1 issuer rating from Moody's Investor Service. This rating reflects the Town's strong financial position.

Advanced Metering Infrastructure (AMI), which will provide greater efficiency in managing our water, was also financed with the Public Services Complex. The system allows meters to be read remotely through a wireless network, providing much more accurate water usage data and the ability to notify customers of leaks in real-time. An encouraging environmental initiative, this project will provide accurate, real-time data on water usage, which will help promote water conservation and reduce water waste. As stewards of public resources, we believe sustainable water usage is an important factor in understanding how growth and environmental changes impact our community. We are in the process of adding groundwater monitoring to our normal activities. In addition to automating our water quality testing, data collected will help guide best management practices in developing a water management plan. As part of a holistic strategy in managing our water system, we will be reviewing our water rates in tandem with developing a Capital Improvement Plan.

The Town's Vision Statement notes that Nags Head needs to be a great place to live before it can be a great place to visit. One of the many ways we have been working to enhance our public amenities is to provide not only great spaces to gather and recreate, but also activities that bring the community together. We now have a full-time team member dedicated to events. Having this resource allows us to expand our menu of events such as holiday markets, fitness classes, farmers markets, concerts, and movies.

One of our strategic goals is to actively pursue grants as part of a comprehensive look at future needs. These grants provide valuable resources to fund public services and projects that otherwise may not have been accomplished. They bridge the gap between resources and needs and can allow us to address issues more expediently. Over the past year, Nags Head has been awarded over \$5 million in grants! We are grateful to the organizations that believe in our initiatives and understand how impactful they are to our community. These grants assist us with beach protection, coastal infrastructure improvements, flood mitigation, sidewalks and multi-use paths, and upgrades to our parks. We have also leveraged American Rescue Plan Act (ARPA) funding in receiving planning grants. These awards will allow us to update our stormwater master plan, create a watershed

restoration plan, and proactively manage our water utility system. We will also be creating a GIS database to create efficiencies in asset management and the integration of multiple data sources and platforms.

To further our shoreline management approach, our beach nourishment capital project funds are being used to support on-going planning for future projects. We are currently 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 are working on how to structure funding for our next beach maintenance project, tentatively planned for 2027. To further protect our natural resources as part of our strategic, long-term focused shoreline management plan, we will be conducting an aggressive vegetative stabilization planting project to enhance dune integrity and mitigate risk of damage from storm impacts. We will be planting protective, native vegetation within a ten-mile length of the oceanfront. We have also adopted a comprehensive Estuarine Shoreline Management Plan, which addresses the management of 17 miles of estuarine shoreline in the Town while balancing land use, ecosystem health, and recreational opportunities. It serves as a guide in implementing and constructing features to protect the Town's estuarine shoreline and infrastructure, accomplishing recommendations made in our Comprehensive Plan.

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, 2022. 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.

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 seven 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,

The image shows two handwritten signatures in blue ink. The first signature on the left is for Andy Garman, and the second signature on the right is for Amy Miller. Both signatures are fluid and cursive.

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, 2022

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, 2023

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

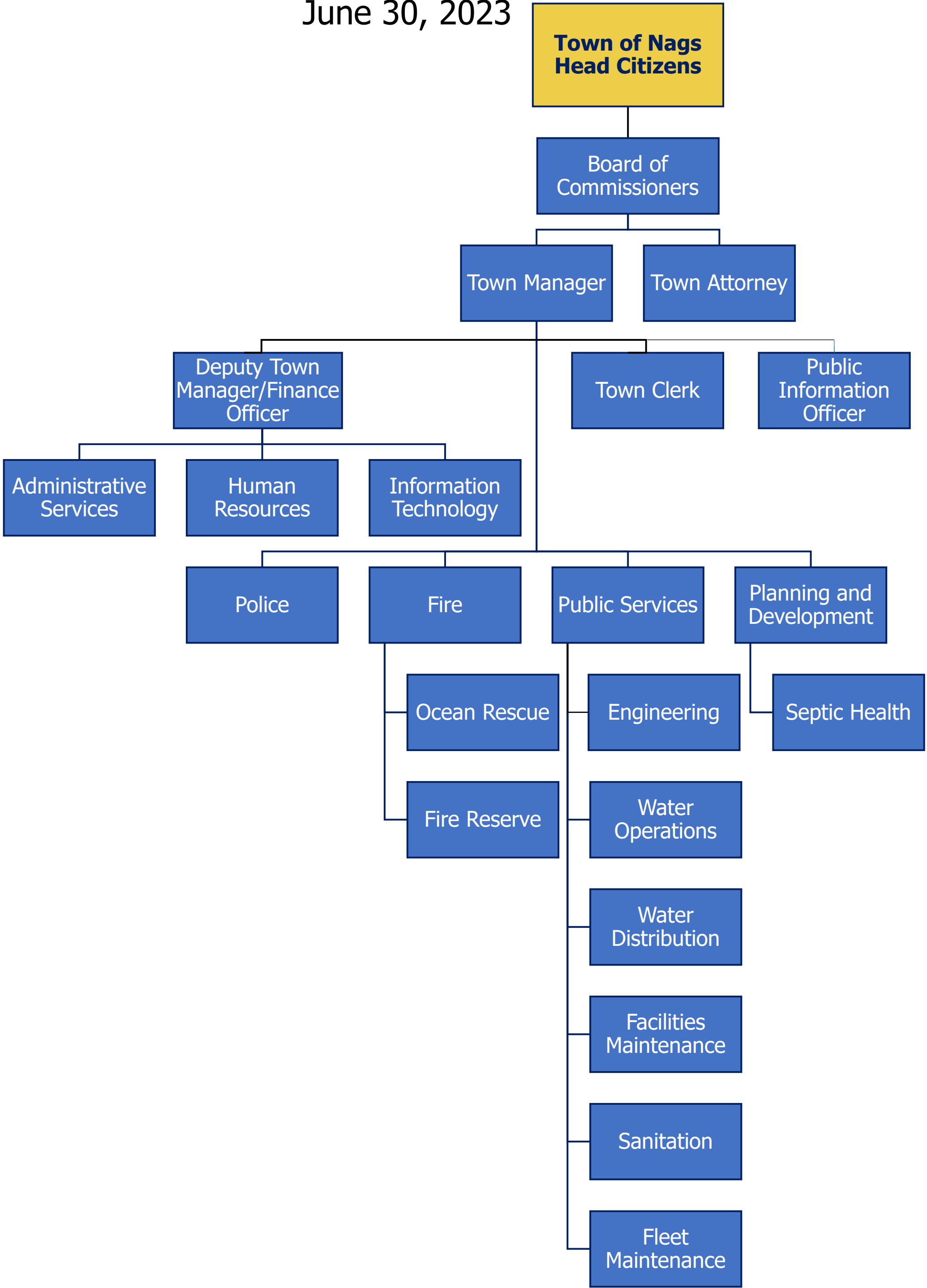
John Leidy
Andy Garman

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
Organization Chart
June 30, 2023



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the 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 ended June 30, 2023, 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, 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, 2023, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and major, annually budgeted special revenue funds, if applicable, 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from 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 *Government 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 *Government Auditing Standards*, we:

- exercise professional judgment and maintain 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 the Management's Discussion and Analysis on pages 4 through 17, 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 Employee Payroll on pages 78 through 81, and the Other Post Employment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 82, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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. In our opinion, 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 and 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, 2023, 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 solely 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, 2023
Monroe, North Carolina

Management Discussion and Analysis
Town of Nags Head
June 30, 2023

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, 2023. 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 \$68,072,751 (*net position*).
- The Town's total net position increased by \$9,249,233. This includes an increase in the governmental activities of \$8,476,371 and an increase in the business-type activities of \$772,862. The increase in net position for both governmental and business-type activities can be attributed to new capital projects, the Public Services Complex (80%/20% split between governmental and business-type) and Advanced Metering Infrastructure for business-type activities. Debt service for limited obligation bonds was issued on these projects for \$17,110,000 at par with an additional \$2,578,869 received in premiums. Interest only payments will be made on this debt until fiscal year 2025. The Town received an Aa1 issuer rating and an Aa2 bond rating from Moody's Investors Service on this issuance.
- In governmental activities, the Town completed a grant-funded beach nourishment maintenance project to replace sand lost during 2019's Hurricane Dorian, costing over \$12 million in fiscal year 2023.
- Unrestricted net position decreased for governmental activities even though total net position increased in governmental activities. In fiscal year 2023 the Town adopted a new capital reserve fund, the capital investment fund (CIF), a separate fund consolidated into the general fund's restricted net position. Funded through the general fund, this is a dedicated source for capital expenditures and debt service payments. The CIF restricted \$1,957,176 of governmental net position. The CIF has a separate minimum fund balance policy requiring a balance of 25% of CIF expenditures. This year the fund balance was 45.48%.
- Part of the capital investment fund's (CIF) philosophy is to carry a fund balance that can be used to smooth out capital and debt spending over time. It is designed to allow the Town to pay cash for most capital items including rolling stock and infrastructure projects. Therefore, no debt financing occurred beyond the Limited Obligation Bond offering.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,562,014, or a \$2,267,631 increase over the prior fiscal year balance of \$6,294,383. The assigned fund balance for fiscal year 2023 decreased by \$2,925,000 over the prior fiscal year because of the \$3,000,000 fund balance appropriation made to establish the CIF in the fiscal year 2023 adopted budget.
- The unassigned fund balance for the general fund represents 37.38% of total general fund expenditures for the fiscal year, or 41.72% excluding bond debt. This is above our fund balance policy minimum of 25%-35% of general fund expenditures excluding bond debt. Per our policy, any fund balance above 35% gets transferred to the CIF. This means in fiscal year 2024, \$1,378,672 will be transferred. This is in addition to the fiscal year 2024 general fund budgeted transfer of \$4,120,000.
- As of the close of the current fiscal year, the Town of Nags Head's governmental funds reported combined ending fund balances of \$ 36,743,089, of which 36%, or \$13,103,862 is non-spendable or restricted. This is an increase of \$13,163,391 over the prior fiscal year. The non-spendable portion of the fund balance accounts primarily for this increase. In addition to the increased restricted fund balance due to the new CIF fund described

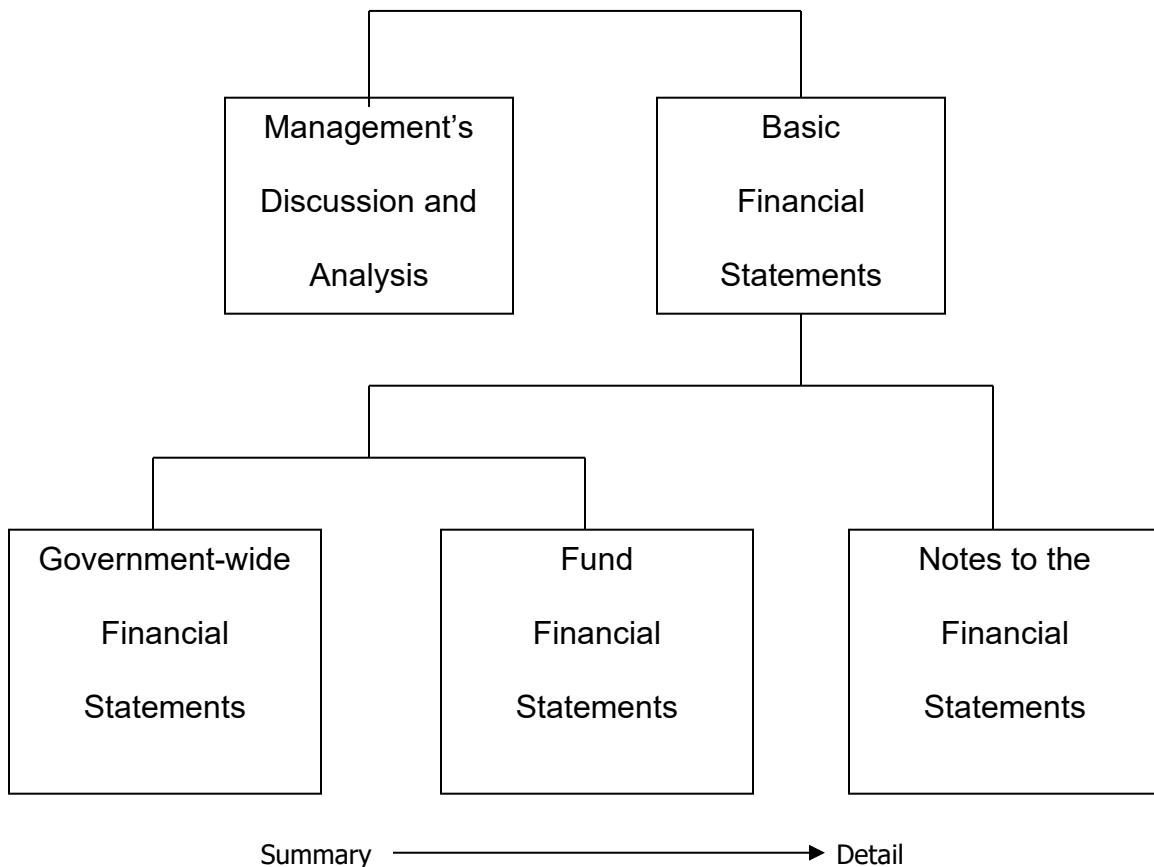
Management Discussion and Analysis
Town of Nags Head
June 30, 2023

- above, the unspent portion of debt proceeds (\$12,072,329) for the Public Services Complex capital project is accounted for in the committed portion.
- In the general fund (CIF), \$489,950 was transferred back from the capital project fund for reimbursement of design work incurred before debt proceeds were received. Additionally, \$1,380,289 was transferred back from the beach renourishment capital project fund into the capital reserve fund. This fund was closed this fiscal year as that portion of the beach nourishment project was complete and came in under budget.
 - The Town's total governmental debt increased by \$14,227,026, attributable to limited obligations bond issued towards the new Public Services Complex for \$12,404,000 (par) with an additional \$1,968,254 in proceeds from issuance premiums. Total direct borrowing and placement installment finance debt decreased by \$3,523,088 due to payment of \$2,276,000 made towards our beach nourishment special obligation bond as well as other regularly scheduled debt payments. No new direct borrowing or placement debt was incurred. The net pension liability for the Local Governmental Employees' Retirement System (LGERs) increased by \$3,679,930.
 - The adopted ad valorem tax rate for the June 30, 2023, fiscal year remained unchanged at \$.2875 per \$100 valuation. Of the ad valorem rate, \$.025 is restricted by the Board for beach nourishment. The ad valorem net levy increased by .6% over the prior fiscal year.
 - The six Municipal Service Districts (MSD's) 1-6 tax rates for the purpose of beach nourishment also remained unchanged. Tax rates for MSD 1-2 are \$.143 per \$100 of assessed valuation, one half cent (\$.005) for MSD 3 and 6, and one cent (\$.01) for MSD 4 (currently there remains no tax rate 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. The tax revenues these districts generate support future beach nourishment maintenance and planning projects and provide more stability for future tax rates.
 - The minimum base water rates, volumetric charges, and system development fee remain unchanged. Because of this, water fund operating revenues remained the same as the prior fiscal year.
 - Business-type net position increased by \$772,862 largely due to \$474,062 in Coronavirus State and Local Fiscal Recovery Funds received (reflected in capital grants and contributions), used to offset over \$700,000 of capital infrastructure improvements.
 - The water fund portion of the limited obligation bond issuance increased long-term debt by \$4,706,000 (par) with an additional \$610,615 in proceeds from issuance premiums. No new direct borrowing or placement debt was incurred. The water fund portion of the net pension liability for LGERs increased by \$339,655.
 - A newly adopted Water Capital Project Fund, which includes the Advanced Metering Infrastructure and the water fund's portion (20%) of the Public Services complex, for reporting purposes is consolidated in the water fund exhibits. This primarily represents restricted cash's increase of \$4,825,827 over the prior fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Nags Head's basic financial statements. The town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Nags Head.

Required Components of Annual Financial Report (Figure 1)



Basic Financial Statements

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

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

Management Discussion and Analysis

Town of Nags Head

June 30, 2023

business. The government-wide statements provide short and long-term information about the town's financial status as a whole.

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

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

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

Fund Financial Statements

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

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

The Town of Nags Head adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the town, the management of the town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the town complied with the budget ordinance and whether or not the town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement 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

Management Discussion and Analysis
Town of Nags Head
June 30, 2023

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 29-73 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 and retiree health benefits (OPEB) to its employees. Required supplementary information can be found on 74-82 of this report.

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

Government-Wide Financial Analysis
Town of Nags Head Net Position
June 30, 2023

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 39,227,060	\$ 26,323,200	\$ 9,932,944	\$ 5,107,960	\$ 49,160,004	\$ 31,431,160
Non-current assets	1,200,594	1,464,471	-	-	1,200,594	1,464,471
Capital assets	50,220,721	42,882,585	7,504,737	6,240,750	57,725,458	49,123,335
Total assets	90,648,375	70,670,256	17,437,681	11,348,710	108,086,056	82,018,966
Deferred outflows of resources	4,523,726	3,446,249	379,063	274,331	4,902,789	3,720,580
Long-term liabilities	28,158,505	13,879,728	6,149,435	549,239	34,307,940	14,428,967
Other liabilities	6,292,529	6,489,831	933,960	964,397	7,226,489	7,454,228
Total liabilities	34,451,034	20,369,559	7,083,395	1,513,636	41,534,429	21,883,195
Deferred inflows of resources	3,151,272	4,653,522	230,393	379,311	3,381,665	5,032,833
Net position:						
Net investment in capital assets	41,411,411	33,233,399	6,815,447	6,199,951	48,226,858	39,433,350
Restricted	12,950,862	9,405,616	34,492	7,153	12,985,354	9,412,769
Unrestricted	3,207,522	6,454,409	3,653,017	3,522,990	6,860,539	9,977,399
Total net position	\$ 57,569,795	\$ 49,093,424	\$ 10,502,956	\$ 9,730,094	\$ 68,072,751	\$ 58,823,518

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 \$68,072,751 as of June 30, 2023. The largest portion of net position, \$48,226,858 (71%) reflects the town's investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less liabilities restricted from debt proceeds and any related debt still outstanding that was issued to acquire those items, net of

Management Discussion and Analysis
Town of Nags Head
June 30, 2023

unexpended debt proceeds. The Town 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 increased for governmental and business-type activities. In governmental activities, the increase relates to the additional construction in progress for the public services complex and improvements totaling over \$12 million related to the beach nourishment capital project completed in fiscal year 2023. For business-type activities, the increase relates to waterline and infrastructure improvements totaling \$718,184 and the construction in progress related to the water portion of the public services complex and Advanced Metering Infrastructure (AMI).

An additional portion of the Town's net position, \$12,985,354, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,860,539 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

As of June 30, 2023, the Town of Nags Head is able to report positive balances in all three categories of net position, for the government as a whole, as well as its governmental activities and net effect of its business-type activities. The same situation held true for the prior fiscal year.

Town of Nags Head Changes in Net Position
June 30, 2023

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues:						
Program revenues:						
Charges for services	\$ 991,893	\$ 702,577	\$ 3,810,628	\$ 3,810,398	\$ 4,802,521	\$ 4,512,975
Operating grants and contributions	735,269	959,030	32,556	-	767,825	959,030
Capital grants and contributions	12,876,104	786,266	506,837	518,324	13,382,941	1,304,590
General revenues:						
Property taxes	10,645,011	10,580,588	-	-	10,645,011	10,580,588
Other taxes and licenses	10,205,134	10,260,692	-	-	10,205,134	10,260,692
Other unrestricted intergovernmental	1,007,408	952,365	-	-	1,007,408	952,365
Investment income	56,014	(1,648,548)	42,798	(293,271)	98,812	(1,941,819)
Other	196,495	91,292	1,500	1,900	197,995	93,192
Total Revenues	36,713,328	22,684,262	4,394,319	4,037,351	41,107,647	26,721,613
Expenses:						
General Government	13,554,409	12,715,848	-	-	13,554,409	12,715,848
Public Safety	8,229,791	7,342,949	-	-	8,229,791	7,342,949
Public Services	3,252,736	2,991,500	-	-	3,252,736	2,991,500
Environment Protection	2,531,073	2,214,312	-	-	2,531,073	2,214,312
Streets and Drainage	339,067	286,284	-	-	339,067	286,284
Interest on long-term debt	329,881	233,493	-	-	329,881	233,493
Water Utility	-	-	3,621,457	3,401,302	3,621,457	3,401,302
Total Expenses	28,236,957	25,784,386	3,621,457	3,401,302	31,858,414	29,185,688
Increase (decrease) in Net Position	8,476,371	(3,100,124)	772,862	636,049	9,249,233	(2,464,075)
Net position – July 1	49,093,424	52,193,548	9,730,094	9,094,045	58,823,518	61,287,593
Net position – June 30	\$ 57,569,795	\$ 49,093,424	\$ 10,502,956	\$ 9,730,094	\$ 68,072,751	\$ 58,823,518

The Town of Nags Head's overall net position increased \$9,249,233 from the prior year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Management Discussion and Analysis
Town of Nags Head
June 30, 2023

Governmental activities. Governmental activities increased the Town's net position by \$8,476,371, accounting for 91.64% of the total growth in net position of the Town of Nags Head. Management believes healthy investments in the Town will result in additional revenues, adding to the Town's net position by investing in capital assets. The Town was able to fund some items in its capital spending plan with grant revenues. For example, in capital grants and contributions, grant reimbursement towards the summer of 2022's beach nourishment maintenance project totaled \$12,611,151. In General Government, depreciation and amortization expense increased by \$650,253 from the prior year due to this project. Noteworthy revenue variances include an increase of 41% in Charges for services due to the collection of fees for cart-roll back for ocean front homes in the amount of \$222,925. The cart roll back contracted services also can account for the increase in environmental protection expenses. The total town wide levy collection percentage for fiscal year 2023 was 99.99%, due to continued diligence in the collection of property taxes. Tourism driven revenues including sales and occupancy, are included in other taxes and licenses and came in at 10% and 4%, respectively, over the prior fiscal year. Land transfer taxes, also included in other taxes, saw a decline of 36% from the prior fiscal year due to slowing real estate sales and increased interest rates. Combined, these revenues balanced each other out compared to the prior fiscal year with only a .5% total decrease. Investment income increased by \$1,704,562 due to the prior year's unrealized fair market value loss of \$1,648,548 on investments compared to the current year's loss of \$443,428. Realized investment income was bolstered this year by earning \$229,822 in interest on the Town's limited obligation bond funds in escrow. Currently the Town is tracking for no arbitrage liability owed.

Management continually evaluates ways to minimize expenses without sacrificing the high level of service our citizens deserve. These efforts allow us to maintain a healthy net position and led to some of the functional expenditure categories of governmental activities not experiencing significant increases. Across all functions, increases can be largely attributable to salary and benefit increases provided to employees during the current fiscal year. A 7% Cost of Living Adjustment (COLA) was given to all employees, the seasonal lifeguard pay scale was increased, and the non-matching 401k contribution was increased by 1% for all non-sworn Law Enforcement Officers. New positions include an additional stormwater technician (Public Services) and converting the part-time event planner position to full-time (General Government). Public Safety saw increases in long-term liabilities including accrued vacation at \$53,848, and retirement benefits including the NC Local Governmental Employees' Retirement System (LGERS) at \$574,193, Law Enforcement Officers Special Separation Allowance (LEOSSA) at \$98,301, and Other postemployment benefits (OPEB) at \$35,207. With implementation of GASB 96 in fiscal year 2023, the town amortized right to use assets for leases and IT subscriptions totaling \$72,886 in Public Safety and \$49,616 in General Government.

In total, interest expense increased by \$96,388 due to accrued interest payable on the newly issued limited obligation bonds. This increase was offset by the beach nourishment debt principal paydown of \$2,276,000.

Town management recognized that 2023 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Business-type activities. Business-type activities in the water fund increased the town's net position by \$772,862, or 8%. The net investment in capital asset portion of net position increased by \$615,496 due to non-depreciable construction in progress related to the Public Services Complex and Advanced Metering Infrastructure (AMI) as previously discussed. The unrestricted portion of net position increased by \$130,027. Because there were no changes in water rates, there was not a significant change in charges for services. The unrealized fair market value loss on investments of \$68,443 was \$266,868 less than the prior year. This accounts for the \$336,069 increase in investment income, which was supplemented with earnings on unspent limited obligation bond

Management Discussion and Analysis

Town of Nags Head

June 30, 2023

proceeds in escrow. The wholesale water rate decreased from \$1.970 to \$1.838 per million gallons purchased, or 6.7%. The rate is set per an interlocal agreement with Dare County and was driven by an increase in total gallons delivered and a decrease in eligible costs. Gallons purchased from Dare County decreased by over 17 million gallons, or 4%. Due to both a wholesale water rate decrease and a decrease in usage (gallons purchased), the cost of wholesale water purchased decreased by \$179,500 or approximately 21%.

In order to offset inflationary costs, Town management continued to implement cost savings strategies across departments. These efforts helped to limit the expenses for the current fiscal year. For example, two water fund positions that remained vacant throughout fiscal year 2023 were not funded in the fiscal year 2024 budget.

The water fund reimburses the general fund for costs of services provided to the fund. Due to rising costs, the reimbursement this year was \$796,773, over a 25% increase of \$163,532.

Interest expense on long-term debt increased by \$54,805 due to accrued interest payable on the limited obligation bonds.

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, the unassigned fund balance of the general fund was \$8,562,014 while total fund balance reached \$22,015,876. As previously discussed, the increase in unassigned fund balance can be attributed to the decrease in assigned fund balance for fund balance appropriated in the fiscal year 2024 adopted budget. This is due to the newly adopted capital investment fund (CIF), for which the general fund appropriated \$3,000,000 of fund balance in the fiscal year 2023 budget in order fund. As this is a legally adopted capital reserve fund, consequently this resulted in increases both for restricted fund balance and restricted cash. The CIF fund balance at the end of the fiscal year was \$1,957,176. The cash balance increased by \$1,740,207 in the capital reserve fund. This also contributes to the increase in both restricted cash and fund balance. Cash balance increases in these funds were also due to funds being transferred from capital project funds. As previously discussed, the beach renourishment fund was closed, and excess funds of \$1,380,289 originally contributed by the capital reserve fund were transferred back. Per the fiscal year 2023 budget ordinance, general fund transfers to the capital project fund were transferred back to the CIF fund once limited obligation bond funds were received. These funds were originally transferred for design fees in order to put the Public Services Complex project out to bid ahead of financing. Some of the factors for the various increases in current expenditures have previously been discussed. A notable capital outlay increase in the Streets and Drainage function was due to a street paving and resurfacing project that deferred the 2022 project in order to see an economy of scale in combination with the 2023 project. While this project combined street work with water line improvements, the general fund portion of this project totaled \$1,765,107. Other functions of capital outlay saw a decrease. In the prior fiscal year, in order to receive a prepayment discount, a payment of \$1,062,005 was made on a fire apparatus. Because this has not been received, there is still an outstanding purchase order for the remaining balance of \$298,370. Due to significant

Management Discussion and Analysis

Town of Nags Head

June 30, 2023

delays and lead times, there are multiple vehicles throughout the functions of government including environmental protection, public safety, and public services where vehicle purchase orders remain outstanding. This contributes to the reason these functions of government are lower compared to the prior fiscal year. In the previous fiscal year, the Town also acquired a new piece of property totaling \$1,700,000, reflected in public services capital outlay. Total general fund balance increased by \$2,928,017, or 15%. This fiscal year, total revenues were higher primarily due to the net investment loss being \$845,277 less than the previous year's loss. This is because the fair market value loss on investments was \$687,193 less than it was in the prior year. 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 \$8,562,014, 41.72% of general fund expenditures excluding bond debt, compared to 26.55% for the prior fiscal year. As this is over the 35% maximum, excess funds of \$1,378,672 will be transferred to the capital investment fund in fiscal year 2024. 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 37.38% of total general fund expenditures for the fiscal year compared to 24% for the prior year. This calculation includes bond debt of which \$2,451,252 was paid in the prior fiscal, compared to \$2,381,151 paid in the current fiscal year.

On June 30, 2023, the governmental funds of the Town of Nags Head reported a combined fund balance of \$36,743,089 a 56% increase from last year, primarily due to the Public Services Complex in the capital project fund with an ending fund balance of \$12,072,329. A more detailed accounting of this increase is discussed in the financial highlights.

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 \$3,653,017, a \$130,027 or 3% increase compared to last fiscal year, while total net position amounted to \$10,502,956, a \$772,862 or 8% 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.

There were several reasons the Town revised its General Fund budget throughout the year. In restricted governmental, changes were made to budgeted grant revenues. The Town did not receive a \$472,300 grant towards a streets and drainage capital project. The Town deferred a bath house capital outlay construction building project to fiscal year 2024. Grant funds of \$450,000 have been re-budgeted in fiscal year 2024 in the Public Services function. As these capital projects are funded with capital investment fund (CIF) money, and the grant funds reimburse the CIF as well, both transfers to and from the capital investment fund are likewise reflected.

For capital expenditures in streets and drainage, the paving project bids came in over budget. Excess funds not used in the CIF were instead used for this project. For example, under debt service, interest expense was reduced by \$244,800 and used towards this project. A debt service contingency was originally built into the budget for the Public Service Complex. This was not needed since the first interest-only debt payment occurs in fiscal year 2024. A budget amendment of \$573,145 was done to increase capital outlay and transfers from the capital reserve fund to the general fund in order to use capital reserve funds restricted in the previous year for this project.

Management Discussion and Analysis

Town of Nags Head

June 30, 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. A budget amendment was done for \$251,599 to use these accumulated funds, via appropriated fund balance, to help make up the budget shortfall for this project.

The adopted budget included reimbursement of upfront design costs for the Public Services Complex before bond proceeds were received. These funds would then be transferred into the CIF. Instead, the transfer was done directly from the capital project fund to the CIF upon receipt of proceeds.

General fund balance appropriations totaling \$1,154,135 were made for fiscal year 2022 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 increased by \$222,317 in the environmental protection function for vehicles and \$298,370 in public safety for the fire apparatus. Other capital outlay encumbrances include \$144,697 towards security retrofits in general government.

Fiscal year 2023 encumbrances that will be carried forward to fiscal year 2024 total \$1,246,981. This reflects \$271,132 being carried over in the Police Department (public safety capital outlay) for vehicles that have not been received. A budget amendment was adopted for \$217,305 to move money from the CIF to general fund to pay for this. Due to difficulty in purchasing police vehicles, the Town was required to issue a purchase order in May in order to receive the vehicles in fiscal year 2024. Other purchase orders that were carried forward for vehicles include \$50,288 in public services and \$192,818 in environmental protection. The fire apparatus purchase order described above will also be carried forward into the next fiscal year.

Savings occurred naturally throughout all expenditure functions including lapse salaries and benefits.

While the Town was generally in compliance with budgetary requirements there was one instance of spending in excess of the budget amount. Due to the implementation of GASB 96 an amendment was not made to record the debt service on IT subscription liabilities. Since the budget could no longer be revised the Town had to report and disclose this \$64,522 of expenditures over appropriations. Town management and the Board will more closely review 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, 2023, totals \$57,725,458 (net of accumulated depreciation) an increase of 17.28% over the prior year. These assets include land, art, construction in process, buildings, other improvements, equipment, vehicles, infrastructure, right to use assets for leases and IT subscriptions, and intangible assets in the water fund.

Major capital asset transactions occurred during the year including:

- Public Services Master Plan \$2,650,896 (Construction in Progress), split between governmental activities (\$2,120,717) and business-type activities (\$530,179)
- 2023 Peterbilt Commercial Side Load Truck \$194,682 (Construction in Progress), governmental activities
- Security cameras and access control system \$247,360, governmental activities
- Beach Nourishment Master Plan \$1,205,486, governmental activities

Management Discussion and Analysis
Town of Nags Head
June 30, 2023

- Beach Nourishment maintenance \$12,039,739, governmental activities
- Backhoe Loader \$183,378, governmental activities
- Front Load Trash Truck \$372,384, governmental activities
- Advanced Metering Infrastructure (AMI) water meters \$309,237 (Construction in Progress), business-type activities
- Repaving \$1,809,541, split between governmental activities (\$1,765,107) and business-type activities (\$44,434)
- Old Nags Head Cove water main infrastructure upgrades \$2,072,787, business-type activities

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 13,187,898	\$ 13,182,598	\$ 204,205	\$ 204,205	\$ 13,392,103	\$ 13,386,803
Art	107,553	107,553	-	-	107,553	107,553
Construction in progress	4,325,352	1,871,333	848,866	1,399,038	5,174,218	3,270,371
Buildings	4,239,865	4,166,028	790,947	832,894	5,030,812	4,998,922
Other improvements	284,384	320,559	140,026	155,767	424,411	476,326
Improvements	15,405,292	12,013,427	254,900	273,517	15,660,192	12,286,944
Equipment	1,426,055	1,549,231	187,283	138,457	1,613,338	1,687,688
Vehicles	4,117,418	4,205,472	47,900	68,942	4,165,318	4,274,414
Intangibles	-	-	691,058	799,461	691,058	799,461
Infrastructure	6,717,140	5,466,384	4,339,551	2,368,469	11,056,691	7,834,853
Lease equipment	57,592	98,593	-	-	57,592	98,593
IT subscriptions	352,172	-	-	-	352,172	-
Total	\$ 50,220,721	\$ 42,981,178	\$ 7,504,737	\$ 6,240,750	\$ 57,725,458	\$ 49,221,928

Additional information on the town's capital assets can be found on pages 47-49 in the notes to the financial statements.

Long-term Debt. The Town of Nags Head's total debt increased by \$19,820,005. As described earlier, this is attributed to the Town's Limited Obligation Bond issuance of \$17,110,000 at par with an additional \$2,578,869 generated in issuance premiums. Interest only payments will be made until fiscal year 2025. This obligation will be paid both by the General and Water Funds. No other direct installment finance purchase debt was issued. The implementation of GASB 96 resulted in an increase in IT subscription liabilities for governmental activities of \$238,355. The Town's proportionate share of the Local Government Employees' Retirement System (LERS) net pension liability increased by approximately 282%. Of the increase in the liability to LERS \$3,679,930 relates to governmental activities and \$339,655 relates to business-type activities. The increase was offset by a decrease of Total Other post-employment benefits (OPEB) totaling \$521,532. Additionally, a debt payment of \$2,276,000 was made for the beach nourishment special obligation bond, as well as other direct installment finance purchase debt payments. As of June 30, 2023, the Town had long-term debt totaling \$38,170,374. Of this amount, \$31,979,938 is reported in the governmental activities and \$6,190,436 is reported in the business-type activities.

Management Discussion and Analysis
Town of Nags Head
June 30, 2023

Town of Nags Head Outstanding Debt

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Limited obligation bonds	\$12,404,000	\$ -	\$ 4,706,000	\$ -	\$ 17,110,000	\$ -
Deferred amounts: Issuance premiums	1,968,254	-	610,615	-	2,578,869	-
Direct borrowing installment finance purchases	3,850,098	5,097,186	12,582	40,799	3,862,680	5,137,985
Direct placement installment finance purchases	2,276,000	4,552,000	-	-	2,276,000	4,552,000
Lease liabilities	59,446	99,542	-	-	59,446	99,542
IT Subscription liabilities	238,355	-	-	-	238,355	-
Total OPEB liability	4,132,277	4,612,008	360,060	401,861	4,492,337	5,013,869
Total pension liability (LEOSSA)	1,243,592	1,363,416	-	-	1,243,592	1,363,416
Net pension liability (LGERs)	4,987,061	1,307,131	460,302	120,647	5,447,363	1,427,778
Compensated absences	820,855	721,629	40,877	34,150	861,732	755,779
Total	\$ 31,979,938	\$ 17,752,912	\$ 6,190,436	\$ 597,457	\$ 38,170,374	\$ 18,350,369

For the first time, the Town issued limited obligation bonds and received an Aa1 issuer rating and an Aa2 bond rating from Moody's Investor Service. This bond rating is a clear indication of the sound financial condition of the Town of Nags Head. This achievement is a primary factor in keeping interest costs low on the Town's largest portion of outstanding debt.

Additional information on the Town's debt can be found on pages 63-67 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 \$224,018,130.

Economic Factors and Next Year's Budgets and Rates

The Town's economy is reliant on travel, tourism, and related service industries. The 2022 seasonally unadjusted average annual unemployment rate in Dare County of 4.3% is higher than the State of North Carolina's 2022 average of 3.7%, 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 7.3% in January 2023 compared to 3.7% for the State of North Carolina. Dare County's seasonally unadjusted unemployment rate hit a low of 2.7% in September 2023 compared to 3.2% 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:

Management Discussion and Analysis
Town of Nags Head
June 30, 2023

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
2022	\$553	\$583	\$260	\$176	\$402	\$1,974	5.9%	8.0%	12,030	5.5%	\$444	\$66	\$74	\$3,697

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, \$3,697 compared to the State at \$230. Dare County is the fourth highest county in the state for total visitor spending.

Compared to fiscal year 2023 for the same time period (July through September), occupancy tax revenue has come in 5% higher and sales tax revenue has come in 3% higher for the Town of Nags Head. As a point of reference, compared to fiscal year 2022, fiscal year 2023 occupancy tax revenues came in 4% higher and sales tax revenues came in 10% higher. With Dare County's rich variety of unique and distinctive experiences, visitor demand continues to drive our growing economy.

Budget Highlights for the Fiscal Year Ending June 30, 2024

The adopted budget for June 30, 2024, includes a 4.25 cent ad valorem tax increase bringing the rate to \$.33 per \$100 valuation. Increased tax revenues were necessary to repay Limited Obligation Bond debt service for the Public Services Complex. With a tax base of \$3,124,190,698, this results in a net levy of \$10,284,539. One cent of tax is equal to \$312,419. 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 \$3,152,756,630, this results in a total levy of \$1,639,351 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.

Tax funds are restricted in the capital investment fund (CIF), a separate fund part of the general fund, to dedicate capital expenditures such as infrastructure projects, capital expenditures, and debt service payments. This year, a \$4,120,000 transfer from the general fund was budgeted. Grant revenues of \$2,393,474 are additionally budgeted for the general fund to reimburse the CIF for capital grant expenditures. Our fund balance policy transfers any unassigned fund balance above 35% from the general fund to the CIF.

The General Fund adopted budget totals \$37,703,256, an increase of \$2,682,803, or 8% from the fiscal year 2023 adopted budget. This is attributed to a 25% increase in the transfers from the capital investment fund to the general fund, as described above. As debt service and capital outlay are accounted for in the CIF, new debt service of \$775,250 for the Public Services Complex and capital improvements including a \$1.3 million grant-funded drainage project can be attributed to this increase.

Management Discussion and Analysis
Town of Nags Head
June 30, 2023

Dare County distributes sales, occupancy, and land transfer tax revenues using a formula based on our percentage of the total county-wide tax levy. Occupancy and sales tax revenues are good indicators of our tourism-driven economy and are budgeted higher to reflect a continued healthy, growing economy. Land transfer taxes are also budgeted higher than the previous fiscal year. Overall, these tax sources account for over \$10,000,000 in revenues, and are budgeted 13% higher than fiscal year 2023.

Our Board has prioritized the Town's employees, making sure Nags Head is a 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 5% Town 401(k) contribution with no required match. Two new police officer positions and funding for part-time fire fighters are also included.

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 2024, we will be resurfacing portions of south Memorial Avenue in conjunction with waterline and drainage replacements.

We are opportunistic in supplementing our local funds with grants to provide the greatest value to our taxpayers. We have received grants for vegetative dune planning a 10-mile stretch of oceanfront, a stormwater master plan update and watershed restoration plan, public infrastructure flood mitigation, sidewalks and multi-use paths, and coastal infrastructure improvements.

The water fund adopted budget totals \$4,449,142 which is a 35%, or \$2,364,822, decrease from the prior year. In fiscal year 2023, funds were budgeted for asbestos cement pipe replacements and Advanced Metering Infrastructure (AMI), which the Town was not awarded.

Both the water base rate and volumetric rates and structures increased 12.3%. This was to accommodate \$294,126 in debt service for the Public Services Complex, which is 20% funded through the water fund, and Advanced Metering Infrastructure.

We received an Asset Inventory and Assessment grant to proactively manage our utility system, review our water rates, and plan our Capital Improvement Program. This project will also create a GIS database to create efficiencies in asset management and the integration of multiple data sources and platforms.

We incentivize proactive septic system maintenance in considering the relationship between onsite wastewater, stormwater, surface water, and groundwater. We offer free septic system inspections, a septic pump out water utility bill credit, and low-interest loans for septic system repairs or replacement. We plan to expand our water testing by automating groundwater and water quality monitoring by purchasing data loggers.

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, 2023

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 14,557,118	\$ 3,863,914	\$ 18,421,032
Taxes receivable (net)	113	-	113
Accounts receivable (net)	10,822	675,789	686,611
Leases receivable	258,404	-	258,404
Accrued interest receivable	123,156	22,118	145,274
Due from other governments	2,577,268	-	2,577,268
Inventories	75,422	79,975	155,397
Prepaid items	29,554	-	29,554
Restricted cash and cash equivalents	21,595,203	5,291,148	26,886,351
Total current assets	39,227,060	9,932,944	49,160,004
Non-current assets:			
Leases receivable, non-current	1,200,594	-	1,200,594
Capital Assets:			
Right to use lease assets, net of amortization	409,764	-	409,764
Land, non-depreciable			
improvements and construction in progress	17,620,803	1,053,071	18,673,874
Other capital assets, net of depreciation	32,190,154	6,451,666	38,641,820
Total capital assets	50,220,721	7,504,737	57,725,458
Total non-current assets	51,421,315	7,504,737	58,926,052
Total assets	90,648,375	17,437,681	108,086,056
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals OPEB	146,806	12,792	159,598
Changes of assumptions or other inputs OPEB	673,040	58,644	731,684
Pension deferrals LEOSSA	370,949	-	370,949
Pension deferrals LGERS	3,332,931	307,627	3,640,558
Total deferred outflows of resources	4,523,726	379,063	4,902,789
LIABILITIES			
Current liabilities:			
Accounts payable	1,002,328	185,594	1,187,922
Salaries and benefits	440,645	35,061	475,706
Accrued interest payable	207,286	55,396	262,682
Unearned revenue	167,218	-	167,218
Due to other governments	3,128	-	3,128
Current portion of long-term liabilities	3,821,433	41,001	3,862,434
Liabilities to be paid from restricted assets	650,491	616,908	1,267,399
Total current liabilities	6,292,529	933,960	7,226,489
Long-term liabilities:			
Due in more than one year	28,158,505	6,149,435	34,307,940
Total liabilities	34,451,034	7,083,395	41,534,429
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	7,853	-	7,853
Prepaid privilege licenses	565	-	565
Leases	1,410,974	-	1,410,974
Pension deferrals LGERS	55,309	5,105	60,414
Pension deferrals LEOSSA	238,682	-	238,682
Pension deferrals OPEB	1,437,889	125,288	1,563,177
Prepaid water impact fees	-	100,000	100,000
Total deferred inflows of resources	3,151,272	230,393	3,381,665
NET POSITION			
Net investment in capital assets	41,411,411	6,815,447	48,226,858
Restricted for:			
Stabilization by state statute	3,942,177	-	3,942,177
Streets	45,191	-	45,191
Public safety	115,539	-	115,539
Capital reserve fund	8,847,955	34,492	8,882,447
Unrestricted	3,207,522	3,653,017	6,860,539
Total net position	\$ 57,569,795	\$ 10,502,956	\$ 68,072,751

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, 2023

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities					
General Government	\$ 13,554,409	\$ 635,277	\$ 633,166	\$ 12,636,151	
Public Safety	8,229,791	30,662	72,056	67,268	
Public Services	3,252,736	101,286	20,047	-	
Environmental Protection	2,531,073	224,668	10,000	-	
Streets and Drainage	339,067	-	-	172,685	
Interest on long-term debt	329,881	-	-	-	
Total governmental activities	28,236,957	991,893	735,269	12,876,104	
Business-type activities:					
Water	3,621,457	3,810,628	-	506,837	
Total business-type activities	3,621,457	3,810,628	-	506,837	
Total primary government	\$ 31,858,414	\$ 4,802,521	\$ 735,269	\$ 13,382,941	

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 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
\$ 350,185	\$ -	\$ 350,185
(8,059,805)	-	(8,059,805)
(3,131,403)	-	(3,131,403)
(2,296,405)	-	(2,296,405)
(166,382)	-	(166,382)
(329,881)	-	(329,881)
(13,633,691)	-	(13,633,691)
-	696,008	696,008
-	696,008	696,008
(13,633,691)	696,008	(12,937,683)
9,000,291	-	9,000,291
1,644,720	-	1,644,720
4,624,217	-	4,624,217
1,108,709	-	1,108,709
4,395,996	-	4,395,996
76,212	-	76,212
1,007,408	-	1,007,408
56,014	42,798	98,812
196,495	1,500	197,995
22,110,062	44,298	22,154,360
8,476,371	772,862	9,249,233
49,093,424	9,730,094	58,823,518
<u>\$ 57,569,795</u>	<u>\$ 10,502,956</u>	<u>\$ 68,072,751</u>

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

Town of Nags Head, North Carolina
Governmental Funds
Balance Sheet
June 30, 2023

Exhibit 3

	Major Funds				Total Nonmajor Fund	Total Governmental Funds
	General	Beach Renourishment	Beach Nourishment Maintenance	Capital Projects		
ASSETS						
Cash and cash equivalents	\$ 11,611,061	\$ -	\$ 1,924,729	\$ 85,486	\$ 935,842	\$ 14,557,118
Restricted cash and cash equivalents	9,015,854	-	-	12,579,349	-	21,595,203
Taxes receivable (net)	113	-	-	-	-	113
Accounts receivable (net)	10,822	-	-	-	-	10,822
Accrued interest receivable	108,356	-	9,940	-	4,860	123,156
Due from other governments	2,577,268	-	-	-	-	2,577,268
Inventories	75,422	-	-	-	-	75,422
Leases Receivable	1,458,998	-	-	-	-	1,458,998
Prepaid items	29,554	-	-	-	-	29,554
Total assets	24,887,448	-	1,934,669	12,664,835	940,702	40,427,654
LIABILITIES						
Accounts payable	931,841	-	44,377	-	26,110	1,002,328
Salaries and benefits	440,645	-	-	-	-	440,645
Due to other governments	3,128	-	-	-	-	3,128
Unearned revenue	17,218	-	150,000	-	-	167,218
Liabilities payable from restricted assets:						
Bonds and deposits	57,985	-	-	-	-	57,985
Accounts payable	-	-	-	592,506	-	592,506
Total liabilities	1,450,817	-	194,377	592,506	26,110	2,263,810
DEFERRED INFLOWS OF RESOURCES						
Prepaid taxes	7,853	-	-	-	-	7,853
Prepaid privilege licenses	565	-	-	-	-	565
Leases	1,410,974	-	-	-	-	1,410,974
Property taxes receivable	113	-	-	-	-	113
Privilege licenses receivable	1,250	-	-	-	-	1,250
Total deferred inflows of resources	1,420,755	-	-	-	-	1,420,755
FUND BALANCES:						
Nonspendable:						
Inventories	75,422	-	-	-	-	75,422
Leases Receivable, net	48,024	-	-	-	-	48,024
Prepays	29,554	-	-	-	-	29,554
Restricted:						
Restricted for Stabilization by State Statute	3,942,177	-	-	-	-	3,942,177
Restricted for Streets	45,191	-	-	-	-	45,191
Restricted for Public Safety	115,539	-	-	-	-	115,539
Restricted for Capital Reserve Funds	8,847,955	-	-	-	-	8,847,955
Committed:						
Public Services Complex	-	-	-	12,072,329	-	12,072,329
Beach Nourishment capital projects	-	-	1,740,292	-	914,592	2,654,884
Assigned:						
Subsequent year's expenditures	350,000	-	-	-	-	350,000
Unassigned	8,562,014	-	-	-	-	8,562,014
Total fund balances	22,015,876	-	1,740,292	12,072,329	914,592	36,743,089
Total liabilities, deferred inflows of resources and fund balances	\$ 24,887,448	\$ -	\$ 1,934,669	\$ 12,664,835	\$ 940,702	

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, 2023

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)	\$ 36,743,089
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	49,810,957
Right to use lease assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Right to use assets at historical cost	567,214
Accumulated amortization	(157,450)
	<u>409,764</u>
Deferred outflows of resources related to pensions are not reported in the funds.	
Pension deferrals - LEOSSA	370,949
Pension deferrals - OPEB	146,806
Changes of assumptions or other inputs - OPEB	673,040
Pension deferrals - LGERS	3,332,931
	<u>4,523,726</u>
Deferred inflows of resources related to pensions are not reported in the funds.	
Pension related deferrals-LGERS	(55,309)
Pension related deferrals-LEOSSA	(238,682)
Pension related deferrals-OPEB	(1,437,889)
	<u>(1,731,880)</u>
Liabilities for earned revenues considered deferred inflows of resources in fund statements:	
Deferred taxes receivable	113
Deferred miscellaneous receivable	1,250
	<u>1,363</u>
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	(21,617,008)
Net pension liability	(4,987,061)
Total pension liability	(1,243,592)
Total OPEB liability	(4,132,277)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(207,286)
Net position of governmental activities (Exhibit 1)	<u><u>\$ 57,569,795</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, 2023

Exhibit 4

	Major Funds					
	General Fund	Beach Renourishment	Beach Nourishment Maintenance	Capital Projects	Total Nonmajor Fund	Total Governmental Funds
REVENUES						
Ad valorem taxes	\$ 10,646,369	\$ -	\$ -	\$ -	\$ -	\$ 10,646,369
Other taxes and licenses	10,205,374	-	-	-	-	10,205,374
Unrestricted intergovernmental	1,007,408	-	-	-	-	1,007,408
Restricted intergovernmental	975,222	-	12,611,151	-	25,000	13,611,373
Permits and fees	640,052	-	-	-	-	640,052
Sales and services	351,839	-	-	-	-	351,839
Net investment earnings (loss)	(362,880)	60,826	34,337	248,786	74,945	56,014
Miscellaneous	72,831	-	-	-	-	72,831
Total revenues	23,536,215	60,826	12,645,488	248,786	99,945	36,591,260
EXPENDITURES						
Current:						
General Government	3,394,010	-	-	-	-	3,394,010
Public Safety	7,121,801	-	-	-	-	7,121,801
Environmental Protection	2,110,238	-	-	-	-	2,110,238
Public Services	2,363,205	-	-	-	-	2,363,205
Streets and Drainage	90,138	-	-	-	-	90,138
Debt service:						
Principal	3,627,713	-	-	-	-	3,627,713
Interest and other charges	223,685	-	-	-	-	223,685
Capital outlay:						
General Government	276,200	135,744	12,039,739	-	1,025,486	13,477,169
Public Safety	737,710	-	-	-	-	737,710
Environmental Protection	564,784	-	-	-	-	564,784
Public Services	419,806	-	-	2,120,717	-	2,540,523
Streets and Drainage	1,975,694	-	-	-	-	1,975,694
Total expenditures	22,904,984	135,744	12,039,739	2,120,717	1,025,486	38,226,670
Revenues over (under) expenditures	631,231	(74,918)	605,749	(1,871,931)	(925,541)	(1,635,410)
OTHER FINANCING SOURCES (USES)						
Limited obligation bond proceeds	-	-	-	14,372,254	-	14,372,254
Transfers from:						
Capital Project Funds	1,380,289	-	-	-	-	1,380,289
Transfers to:						
Capital Investment Fund	489,950	-	-	(489,950)	-	-
Capital Reserve Fund	-	(1,380,289)	-	-	-	(1,380,289)
Insurance recovery	4,618	-	-	-	-	4,618
IT subscription agreement	302,881	-	-	-	-	302,881
Sale of Capital Assets	119,048	-	-	-	-	119,048
Total other financing sources (uses)	2,296,786	(1,380,289)	-	13,882,304	-	14,798,801
Net change in fund balance	2,928,017	(1,455,207)	605,749	12,010,373	(925,541)	13,163,391
Fund balances - beginning	19,087,859	1,455,207	1,134,543	61,956	1,840,133	23,579,698
Fund balances - ending	\$ 22,015,876	\$ -	\$ 1,740,292	\$ 12,072,329	\$ 914,592	\$ 36,743,089

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, 2023

Exhibit 4
(Continued)

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

Net changes in fund balances - total governmental funds		\$ 13,163,391
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	18,862,207	
Loss on disposal of capital asset	(8,865)	
Book value on transfer of capital asset from Water Fund	1,533	
Depreciation	<u>(11,945,222)</u>	6,909,653
Right to use lease asset capital outlay expenditures which were capitalized	433,673	
Amortization expense for intangible assets	<u>(122,502)</u>	311,171
LGERS pension plan deferrals in the current fiscal year are not included on the Statement of Activities		900,820
OPEB plan deferrals in the current fiscal year are not included on the Statement of Activities		141,061
LEOSSA plan deferrals in the fiscal year are not included on the Statement of Activities		52,250
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	(1,598)	
Seized capital asset	13,419	
Donated capital asset	<u>5,300</u>	17,121
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt Issued	(14,675,137)	
Increase in accrued interest payable	(106,196)	
Principal repayments	<u>3,627,713</u>	<u>(11,153,620)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
LGERS pension expense	(1,424,578)	
LEOSSA pension expense	(150,551)	
Increase in compensated absences	(99,226)	
OPEB plan expense	<u>(191,121)</u>	<u>(1,865,476)</u>
Total change in net position of governmental activities		<u>\$ 8,476,371</u>

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

Town of Nags Head, North Carolina
Exhibit 5
General Fund
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2023**

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 10,546,600	\$ 10,546,600	\$ 10,646,369	\$ 99,769
Other taxes and licenses	8,974,102	9,049,102	10,205,374	1,156,272
Unrestricted intergovernmental	900,700	900,700	1,007,408	106,708
Restricted intergovernmental	1,932,569	1,005,750	975,222	(30,528)
Permits and fees	615,700	615,700	640,052	24,352
Sales and services	339,650	339,650	351,839	12,189
Net investment earnings	110,000	110,000	123,996	13,996
Miscellaneous	25,400	32,500	72,829	40,329
Total revenues	23,444,721	22,600,002	24,023,089	1,423,087
Expenditures:				
Current:				
General Government	3,636,218	3,701,248	3,394,010	307,238
Public Safety	7,313,420	7,484,118	7,121,801	362,317
Environmental Protection	2,367,446	2,378,357	2,110,238	268,119
Public Services	2,507,890	2,645,651	2,363,205	282,446
Streets and Drainage	97,200	123,350	90,138	33,212
Debt service:				
Principal	3,523,093	3,563,191	3,627,713	(64,522)
Interest and other charges	467,829	235,683	223,685	11,998
Capital outlay:				
General Government	201,500	319,053	276,200	42,853
Public Safety	466,221	1,079,825	737,710	342,115
Environmental Protection	530,142	769,599	564,784	204,815
Public Services	1,030,137	654,739	419,806	234,933
Streets and Drainage	1,613,482	2,212,935	1,975,694	237,241
Contingency	125,000	-	-	-
Total expenditures	23,879,578	25,167,749	22,904,984	2,262,765
Revenues over (under) expenditures	(434,857)	(2,567,747)	1,118,105	3,685,852
Other financing sources (uses):				
Transfers from Capital Reserve Fund	2,511,902	3,179,227	3,146,286	(32,941)
Transfers from Capital Investment Fund	5,378,880	4,599,200	4,303,533	(295,667)
Transfers to Capital Reserve Fund	(3,690,860)	(3,765,860)	(3,730,136)	35,724
Transfers to Capital Investment Fund	(7,450,015)	(6,062,723)	(6,058,223)	4,500
Installment financing	389,950	-	-	-
Sale of Capital Assets	20,000	20,000	119,048	99,048
Insurance recovery	-	-	4,618	4,618
IT subscription agreement	-	-	302,881	302,881
Appropriated Fund Balance	3,275,000	4,597,903	-	(4,597,903)
Total other financing sources (uses)	434,857	2,567,747	(1,911,993)	(4,479,740)
Net change in fund balance	\$ -	\$ -	(793,888)	\$ (793,888)
Fund balances, beginning of the year			13,961,809	
Fund balances, end of year			<u>\$ 13,167,921</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Interest Income			\$ (199,411)	
Transfers to General Fund			(3,146,285)	
Transfers from Capital Project Fund			1,380,289	
Transfers from General Fund			3,730,136	
Fund balance, beginning Capital Reserve Fund			<u>5,126,050</u>	
A legally budgeted Capital Investment Fund is consolidated into the General Fund for reporting purposes:				
Interest Income			\$ (287,465)	
Transfers to General Fund			(4,303,532)	
Transfers from Capital Project Fund			489,950	
Transfers from General Fund			6,058,223	
Fund balance, beginning Capital Investment Fund			-	
Fund balance, end of year consolidated General Fund			<u>\$ 22,015,876</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, 2023

Exhibit 6

	Business-type Activities	
	Water Fund	Total Enterprise Funds
	Water Fund	June 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,863,914	\$ 3,863,914
Accounts receivable trade (net)	610,289	610,289
Accounts receivable other (net)	87,618	87,618
Inventories	79,975	79,975
Restricted cash and cash equivalents	5,291,148	5,291,148
Total current assets	9,932,944	9,932,944
Noncurrent assets:	-	-
Capital assets:		
Land and construction in progress	1,053,071	1,053,071
Other capital assets, net of depreciation	6,451,666	6,451,666
Total capital assets (net)	7,504,737	7,504,737
Total noncurrent assets	7,504,737	7,504,737
Total assets	17,437,681	17,437,681
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals OPEB	12,792	12,792
Changes of assumptions or other inputs OPEB	58,644	58,644
Pension deferrals LGERS	307,627	307,627
Total deferred outflows of resources	379,063	379,063
LIABILITIES		
Current liabilities:		
Accounts payable	185,594	185,594
Salaries and benefits	35,061	35,061
Accrued interest payable	55,396	55,396
Compensated absences - current	20,000	20,000
Direct placement installment purchases-current	21,001	21,001
Liabilities payable from restricted assets:		
Customer bonds and deposits	616,908	616,908
Total current liabilities	933,960	933,960
Noncurrent liabilities:		
Net pension liability	460,302	460,302
Compensated absences	20,877	20,877
Total OPEB liability	345,350	345,350
Limited obligation bonds	5,316,615	5,316,615
Direct placement installment purchases	6,291	6,291
Total noncurrent liabilities	6,149,435	6,149,435
Total liabilities	7,083,395	7,083,395
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals LGERS	5,105	5,105
Pension deferrals OPEB	125,288	125,288
Prepaid water consumption units	100,000	100,000
Total deferred inflows of resources	230,393	230,393
NET POSITION		
Net investment in capital assets	6,815,447	6,815,447
Restricted for capital reserve fund	34,492	34,492
Unrestricted	3,653,017	3,653,017
Net Position	\$ 10,502,956	\$ 10,502,956

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

Town of Nags Head, North Carolina
Exhibit 7
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2023

	Business-type Activities	
	Major Fund	Total
	Water	Enterprise
	Fund	Funds
OPERATING REVENUES		
Charges for services	\$ 3,758,134	\$ 3,758,134
Tap and connection fees	27,505	27,505
Late payment penalties	23,289	23,289
Non-payment fees	1,700	1,700
Miscellaneous	1,500	1,500
Total operating revenues	3,812,128	3,812,128
OPERATING EXPENSES		
Administration	311,198	311,198
Septic Health	122,215	122,215
Operations	1,674,748	1,674,748
Distribution	1,067,814	1,067,814
Depreciation and amortization	387,925	387,925
Total operating expenses	3,563,900	3,563,900
Total operating income	248,228	248,228
NONOPERATING REVENUES (EXPENSES)		
Non-capital contribution	32,556	32,556
Investment earnings	111,241	111,241
Change in fair market value of investments	(68,443)	(68,443)
Interest expense	(56,024)	(56,024)
Premium on limited obligation bonds	-	-
Loss on disposal of capital assets	(1,533)	(1,533)
Total nonoperating revenues (expenses)	17,797	17,797
Income Before		
Contributions and Transfers	266,025	266,025
Capital contributions	506,837	506,837
Change in net position	772,862	772,862
Total net position - beginning	9,730,094	9,730,094
Total net position - ending	\$ 10,502,956	\$ 10,502,956

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, 2023

Exhibit 8

	Business-Type Activities	
	Major Fund Water Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 3,778,141	\$ 3,778,141
Cash paid for goods and services	(2,200,801)	(2,200,801)
Cash paid to or on behalf of employees for services	(1,002,284)	(1,002,284)
Customer deposits received	48,357	48,357
Customer deposits returned	(39,102)	(39,102)
Other operating revenues	1,500	1,500
Net cash provided by operating activities	585,811	585,811
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
Non-capital contribution	32,556	32,556
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contribution	474,062	474,062
System development fees received	24,775	24,775
Limited obligation bond proceeds	5,316,615	5,316,615
Interest paid on debt financing	(731)	(731)
Septic Loans issued	(54,300)	(54,300)
Repayment of septic loans	29,838	29,838
Principal paid on debt financing	(28,218)	(28,218)
Acquisition of capital assets	(1,653,446)	(1,653,446)
Net cash provided by capital and related financing activities	4,108,595	4,108,595
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment earnings	29,567	29,567
Net increase in cash and cash equivalents	4,756,529	4,756,529
Cash balances - beginning of the year	4,398,533	4,398,533
Cash balances - end of the year	\$ 9,155,062	\$ 9,155,062
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 248,228	\$ 248,228
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	387,925	387,925
Changes in assets, deferred outflows of resources, and liabilities:		
(Increase) in accounts receivable	(32,487)	(32,487)
Decrease in inventories	1,726	1,726
(Increase) in deferred outflows of resources-pension	(118,534)	(118,534)
Increase in deferred outflows of resources-OPEB	13,801	13,801
Increase in net pension liability	339,655	339,655
(Decrease) in deferred inflows of resources-pension	(172,779)	(172,779)
(Decrease) in accounts payable	(94,823)	(94,823)
Increase in accrued liabilities	13,784	13,784
Increase in customer deposits	9,255	9,255
Increase in deferred inflows of resources-OPEB	31,861	31,861
(Decrease) in OPEB liability	(41,801)	(41,801)
Total adjustments	337,583	337,583
Net cash provided by operating activities	\$ 585,811	\$ 585,811
Schedule of non-cash capital and related financing activities:		
Loss on disposal of capital asset	\$ 1,533	\$ 1,533

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, 2023

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 unit, an entity for which the government is considered to be financially accountable. The component unit of the Town has no financial transactions or account balances at the end of the fiscal year; therefore, it does not appear in the basic financial statements.

Component Unit – Nags Head Leasing Corporation (Corporation) 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. The Corporation has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Corporation does not issue separate financial statements.

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, 2023

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** and a **Capital Investment Fund**, funds that are restricted for future capital projects, and are consolidated in the General Fund.

Beach Renourishment Capital Project Fund. This multi-year fund accounts for the Town's maintenance on a 2019 beach nourishment project.

Beach Nourishment Maintenance Capital Project Fund. This multi-year fund accounts for the Town's maintenance on a 2022 beach nourishment restoration project.

Capital Projects Fund. This multi-year fund accounts for monies used for the acquisition, construction and improvements of various capital equipment and facilities.

The Town reports one non-major governmental fund, a legally budgeted capital project fund –the beach nourishment master plan capital project fund accounting for long-term beach nourishment planning.

The Town reports the following major enterprise fund:

Water Fund. This fund accounts for the Town's water operations. Additionally, the Town maintains two other legally budgeted funds, the Water Capital Reserve Fund and the Water Capital Projects Fund, which are consolidated into the Water Fund.

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation/amortization 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. Issuance of general long-term debt and acquisitions under leases and IT subscriptions 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 a 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, Capital Project, and Capital Project Funds which are general governmental fund capital projects. The Water Capital Project Fund is an enterprise fund and is consolidated with the

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Water Fund for reporting purposes. Capital Reserve ordinances have been adopted for the Capital Reserve Fund, Capital Investment Fund, and Water Capital Reserve Fund, and a revised budget is amended as reserve funds have been used.

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

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, 2023

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

The unexpended bond proceeds of General and Water fund limited obligation bonds issued by the Town are classified as restricted assets for the General and Enterprise Funds because their use is completely restricted to the purpose for which the bonds were originally issued. Money in the Capital Reserve Funds are classified as restricted as their use is restricted to the Capital Reserve Funds 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 and federally forfeited funds that are shared with the Town of Nags Head 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	Unexpended bond proceeds	\$ 12,579,349
	Streets	45,191
	Public safety	115,539
	Capital Reserve Fund	6,855,999
	Capital Investment Fund	1,941,140
	Bonds and deposits	<u>57,985</u>
Total General Fund		<u>\$ 21,595,203</u>

Business-type Activities:

Water Fund	Unexpended bond proceeds	\$ 4,789,264
	Customer deposits	458,271
	Capital Reserve Fund	34,333
	Cash bonds	<u>9,280</u>
Total Business-type activities		<u>\$ 5,291,148</u>
Total Restricted Cash		<u>\$ 26,886,351</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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, 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 recognized as expenditures when purchased. If significant, the amount of inventory on hand at year end is reported on the balance sheet in the governmental funds. However, in the Government-wide Statement of Activities the cost of these inventories is expensed as the items are used.

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 of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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.

The Town's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the Town reports a lease (only applies when the Town is the lessee) or agreements where the Town reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term.

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. 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 2023 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 2023 fiscal year. In addition to

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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 unavailable revenues (reported only on the Balance Sheet of the Governmental Funds), and OPEB and pension deferrals.

10. 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. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums. Bond issuance costs are expensed in the reporting period in which they are incurred.

In fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether withheld from the actual debt proceeds received or not, are reported as debt service expenditures.

11. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty-six days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

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

12. Reimbursement for Pandemic-related Expenditures

In fiscal year 2023, 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 was received in July 2022. Town staff and the Board of Commissioners have elected to use the entire allocation of the ARPA funds for water line infrastructure improvements. The entire allocation has been used and recorded in the water fund.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

13. 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 externally imposed either 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 Receivable, net- portion of fund balance that is not an available resource because it is not in spendable form. The reported amount is calculated by reducing the lease receivable by the related deferred inflow of resources.

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

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

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

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

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Restricted for Capital Reserve Funds – portion of fund balance that is restricted by State Statute [N.C.G.S.159-18] for legally adopted capital reserve funds which have been consolidated with the General Fund due to GASB 54. This amount represents capital reserve funds for use of debt service, capital outlay, and 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.

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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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.

14. Defined Benefit Cost-Sharing Plans

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

F. Use of Estimates

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

G. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$20,826,705 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)	\$ 147,871,608	
Less accumulated depreciation	<u>(98,060,652)</u>	
Net capital assets		49,810,956

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

Right to use assets at historical cost	567,214	
Accumulated amortization	<u>(157,450)</u>	
		409,764

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

Pension related deferrals-LGERS	3,332,931
Pension related deferrals-LEOSSA	370,949
Changes of assumptions or other inputs-OPEB	673,040

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Pension related deferrals-OPEB	<u>146,806</u>	4,523,726
Liabilities for earned revenues considered deferred inflows of resources in fund statements:		
Deferred taxes receivable	113	
Deferred miscellaneous receivable	<u>1,250</u>	1,363
Deferred inflows of resources related to pensions are not reported in the funds:		
Pension related deferrals-LGERS	(55,309)	
Pension related deferrals -LEOSSA	(238,682)	
Pension related deferrals -OPEB	<u>(1,437,889)</u>	(1,731,880)
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	(6,126,098)	
Compensated absences	(820,855)	
Limited obligation bond proceeds	(14,372,254)	
Subscription liabilities	(238,355)	
Lease liabilities	(59,446)	
Net pension liability-LGERS	(4,987,061)	
Total pension liability-LEOSSA	(1,243,592)	
Total OPEB liability	<u>(4,132,277)</u>	(31,979,938)
Other long-term liabilities (accrued interest) are not available to pay for current period expenditures and, are deferred in the funds.		<u>(207,286)</u>
Net adjustment		<u><u>\$ 20,826,705</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of (\$4,687,020) 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	18,862,207
Loss on disposal of capital asset that is recorded on the statement of activities but not in the fund statements	(8,865)

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Book value on transfer of capital asset from Water Fund	1,533	
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	<u>(11,945,222)</u>	6,909,653
Right to use lease asset capital outlay expenditures which were capitalized	433,673	
Amortization expense for intangible assets	<u>(122,502)</u>	311,171
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		900,820
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities.		141,061
Benefit payments paid and administrative expenses for the LEOSA plan are not included on the Statement of Activities		52,250
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	(1,598)	
Seized capital asset	13,419	
Donated capital asset	<u>5,300</u>	17,121
The issuance of long-term debt (e.g., installment financing contracts from direct borrowings and direct placements) provides current financial resources premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Debt issued or incurred:		
Limited obligation bond proceeds	(14,372,254)	
Right of use subscription	(302,883)	
Increase in accrued interest payable	<u>(106,196)</u>	
	(14,781,333)	
Principal repayments	<u>3,627,713</u>	(11,153,620)
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	(99,226)	

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Pension expense - LGERS	(1,424,578)	
Pension expense - LEOSSA	(150,551)	
Plan expense - OPEB	(191,121)	
		<u>(1,865,476)</u>
Net adjustment		<u><u>\$(4,687,020)</u></u>

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.

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2023, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for general government activities by \$64,522. This over-expenditure occurred because of reclassifications for IT subscriptions as required by the initial implementation of GASB 96. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2023, the Town's deposits had a carrying amount of \$1,316,200 and a bank balance of \$1,291,230. 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, 2023, the Town's petty cash fund totaled \$250.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

2. Investments

At June 30, 2023, the Town's investments were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/23	< 9 months	9 months-3 Years	3-5 Years	5-10 Years
Government Agency: FHLMC	Fair Value Level 2	1,730,714	-	-	99,094	1,631,620
Government Agency: FHL Bank	Fair Value Level 2	9,453,805	-	3,730,279	1,844,256	3,879,270
Government Agency: FFC Bank	Fair Value Level 2	9,282,165	-	5,010,185	1,751,240	2,520,740
Government Agency: FNMA	Fair Value Level 2	1,303,590	-	453,230	-	850,360
Commercial Paper- Credit Agricole	Amortized Cost	976,050	976,050	-	-	-
Commercial Paper - ING US Funding	Amortized Cost	971,526	971,526	-	-	-
Commercial Paper – Llyods Bank	Amortized Cost	964,386	964,386	-	-	-
Commercial Paper – MUFG Bank	Amortized Cost	963,162	963,162	-	-	-
Commercial Paper – Natixis NY	Amortized Cost	960,322	960,322	-	-	-
NC Capital Management Trust- Government Portfolio*	Fair Value Level 1	17,385,214	17,385,214	-	-	-
Total		\$43,990,934	\$22,220,660	\$ 9,193,694	\$3,694,590	\$ 8,881,990

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

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

Interest Rate Risk 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 0.04% and

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Commercial Paper at 10.67% matured in less than 9 months, 20.29% of U.S. Government Agencies matured in less than 3 years, 8.15% of U.S Government Agencies matured in less than 5 years, and 19.60% of U.S. Government Agencies matured in less than 10 years based on the \$45,307,134 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 \$683,381 was realized during fiscal year 2023. During the year four investments were sold for a realized loss of (\$72,698). Because of the fair market value on June 30, unrealized loss on investments held on June 30 was (\$511,871). When combined, total investment income for fiscal year 2023 was \$98,812.

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, 2023. 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 20.87% and Federal Farm Credit Bank at 20.49%.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

3. Receivables – Allowances for Doubtful Accounts

The amounts presented in Exhibit 1 at June 30, 2023, are net of the allowances for doubtful accounts:

	Accounts	Taxes	Due from other Governments	Insurance Proceeds	Interest Receivable	Total
Governmental						
General	\$ 5,694	\$ 5,113	\$ 2,577,268	\$ 5,128	\$ 123,156	\$ 2,716,359
Allowance for doubtful accounts	-	(5,000)	-	-	-	(5,000)
Total governmental activities	<u>\$ 5,694</u>	<u>\$ 113</u>	<u>\$ 2,577,268</u>	<u>\$ 5,128</u>	<u>\$ 123,156</u>	<u>\$ 2,711,359</u>
Business-type						
Water	\$ 694,558	\$ -	\$ -	\$ -	\$ 22,118	\$ 716,676
Allowance for doubtful accounts	(18,769)	-	-	-	-	(18,769)
Total business type activities	<u>\$ 675,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,118</u>	<u>\$ 697,907</u>

Due from other governments consisted of the following:

Occupancy tax	\$ 1,138,196
Land transfer tax	311,396
Sales taxes	713,086
Sales tax reimbursement	198,319
Utilities sales tax	196,596
N.C. Division of Motor Vehicles	15,556
Other	4,119
Total	<u>\$ 2,577,268</u>

4. Leases Receivable

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, 2023, the value of the lease receivable is \$291,973. 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, 2023, was \$281,543, and the town recognized lease revenue of \$40,705 during the fiscal year. The lease has 4 extension options, each for 60 months. The town has 1 extension option for 60 months.

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, 2023, the value of the lease receivable is \$0. 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, 2023, was \$0, and Nags Head recognized lease revenue of \$6,131 during the fiscal year. The lease has 1 extension option for 12 months. The town has 1 extension option for 12 months.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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, 2023, the value of the lease receivable is \$64,126. 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, 2023, was \$64,258, and the town 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, 2023, the value of the lease receivable is \$189,027. 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, 2023, was \$180,489, and the town recognized lease revenue of \$67,683 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, 2023, the value of the lease receivable is \$241,286. 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, 2023, was \$232,645, and the town recognized lease revenue of \$33,635 during the fiscal year. The lease has 4 extension options, each for 60 months. The lessee had a termination period of 3 months as of the lease commencement.

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, 2023, the value of the lease receivable is \$202,510. 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, 2023, was \$195,095, and the town 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, 2023, the value of the lease receivable is \$376,956. 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, 2023, was \$364,226, and the town recognized lease revenue of \$59,818 during the fiscal year. The lease has 2 extension options, each for 60 months. The town had a termination period of 1 month as of the lease commencement.

On January 1, 2023, the Town of Nags Heads entered into a 108-month lease as Lessor for the use of Lab Space - 425 Health Center Drive. An initial lease receivable was recorded in the amount of \$98,173. As of June 30, 2023, the value of the lease receivable is \$93,120. The lessee is required to make monthly fixed payments of \$1,025. The lease has an interest rate of 2.7540%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2023 was \$92,719, and the town recognized lease revenue of \$5,454 during the fiscal year. The lessee has 1 extension option for 12 months.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Principal and Interest Expected to Maturity

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 258,404	\$ 10,909	\$ 269,312
2025	269,996	8,992	278,988
2026	253,779	7,028	260,807
2027	213,174	5,341	218,515
2028	187,146	3,723	190,870
2029 - 2032	2,764,500	3,665	280,165
Total	\$ 3,946,999	\$ 39,658	\$ 1,498,657

5. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 13,182,598	\$ 5,300	\$ -	\$ 13,187,898
Art	107,553	-	-	107,553
Construction in progress	1,871,333	2,725,540	271,521	4,325,352
Total capital assets not being depreciated	15,161,484	2,730,840	271,521	17,620,803
Capital assets being depreciated:				
Buildings	8,930,154	313,833	-	9,243,987
Other improvements	449,378	-	-	449,378
Improvements	45,639,177	13,383,649	-	59,022,825
Equipment	4,733,565	266,612	163,047	4,837,130
Vehicles and motorized equipment	11,270,280	687,338	1,781,398	10,176,219
Infrastructure	44,720,421	1,800,845	-	46,521,266
Total capital assets being depreciated	115,742,975	16,452,277	1,944,445	130,250,805
Less accumulated depreciation for:				
Buildings	4,764,126	239,996	-	5,004,122
Other improvements	128,819	36,175	-	164,994
Improvements	33,625,750	9,991,784	-	43,617,534
Equipment	3,184,335	389,787	163,047	3,411,075
Vehicles and motorized equipment	7,064,808	766,527	1,772,533	6,058,801
Infrastructure	39,254,037	550,089	-	39,804,126
Total accumulated depreciation	88,021,875	11,974,358	1,935,580	98,060,652
Total capital assets being depreciated, net	27,721,100	4,477,919	8,865	32,190,154
Capital assets being amortized:				
Right to use assets:				
Lease equipment	140,004	-	6,464	133,540
IT subscriptions	-	433,674	-	433,674
Total capital assets being amortized	140,004	433,674	6,464	567,214
Less accumulated amortization for:				
Right to use assets:				
Lease equipment	41,411	41,001	6,464	75,948
IT subscriptions	-	81,502	-	81,502
Total accumulated amortization	41,411	122,503	6,464	157,450
Total capital assets being amortized, net	98,593	311,171	-	409,764
Governmental activity capital assets, net	\$ 42,981,178	\$ 7,519,930	\$ 280,386	\$ 50,220,721

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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

General Government	\$ 9,988,631
Public Safety	574,193
Public Works	773,960
Environmental Protection	359,509
Streets and Drainage	248,929
Total Depreciation Expense	<u>\$ 11,945,222</u>

In Governmental activity, a capital asset land donation totaled \$5,300, vehicles increased from the reclassification of construction in progress of \$150,067, a truck that was transferred from the water fund of \$30,669, and a seized vehicle recorded at a current book value of \$13,419, buildings increased from the reclassification of construction in progress of \$102,663, infrastructure increased from the reclassification of construction in progress of \$18,791, and capital outlay purchases were \$18,862,206, for a total increase of \$19,183,115. Decreases resulted from construction in progress being reclassified in the amount of \$271,521, a vehicle transferred to the water department in the amount of \$32,609 and capital asset disposals totaling \$1,911,836 for a total decrease of \$2,215,966. There was a loss on disposal of a capital asset in the environmental protection function of \$8,865. Accumulated depreciation on disposals totaled \$1,902,971, along with capital asset transfers between funds, which resulted in \$32,609 transferring within accumulated depreciation, for a total decrease of \$1,935,580. Accumulated depreciation increased by \$11,945,222 of depreciation expense and the transfer amount of \$29,135, for a total increase of \$11,974,357.

Capital asset activities for the Business-type activities for the year ended June 30, 2023, 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	1,399,038	848,866	1,399,038	848,866
Total capital assets not being depreciated	<u>1,603,243</u>	<u>848,866</u>	<u>1,399,038</u>	<u>1,053,071</u>
Capital assets being depreciated:				
Building	3,283,693	-	-	3,283,693
Other	328,232	-	-	328,232
Improvements	704,641	-	-	704,641
Equipment	1,105,748	86,396	-	1,192,145
Vehicles and motorized equipment	255,142	32,609	30,669	257,081
Intangibles	4,203,619	-	-	4,203,619
Infrastructure	3,581,404	2,117,221	-	5,698,626
Total capital assets being depreciated	<u>13,462,479</u>	<u>2,236,226</u>	<u>30,669</u>	<u>15,668,037</u>
Less accumulated depreciation for:				
Building	2,450,800	41,946	-	2,492,746
Other	172,465	15,740	-	188,206
Improvements	431,124	18,617	-	449,741
Equipment	967,291	37,571	-	1,004,862
Vehicles and motorized equipment	186,200	52,117	29,136	209,181
Intangibles	3,404,158	108,403	-	3,512,561
Infrastructure	1,212,936	146,139	-	1,359,075
Total accumulated depreciation	<u>8,824,974</u>	<u>\$ 420,533</u>	<u>\$ 29,136</u>	<u>9,216,372</u>
Total capital assets being depreciated, net	<u>4,637,507</u>			<u>6,451,666</u>
Water Fund capital assets, net	<u>6,240,750</u>			<u>7,504,737</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Depreciation expense of \$387,924 was charged to business-type activities and accumulated depreciation in the amount of \$32,609 for an asset that was transferred from the general fund for a total increase of \$420,533. As used in this section, the term depreciation includes amortization of intangible assets.

A capital asset was transferred to the general fund in the amount of \$30,669. There was \$29,136 accumulated depreciation that was associated with this transfer.

The government has active construction projects as of June 30, 2023. At year-end, the government's estimated commitments to projects ongoing are as follows:

Project	Spent-to-date	Remaining Commitment
AMI Water Meters	\$ 309,237	\$1,401,944
Ground Water Management	9,450	82,389
Epstein Street Bath House	58,104	25,590
S Memorial Ave/Linda Lane Survey	19,300	2,800
Lobby Renovations	27,233	55,760
South Virginia Dare Trail Multiuse Path	16,900	43,100
Dune Infiltration Design Project	46,000	3,075
Fire Apparatus	1,133,752	295,254
Commercial Side Load Sanitation Truck	194,682	142,222
Peterbilt Dumpster Truck	115,417	46,596
Peterbilt Dump Truck	132,844	48,288
Public Works Complex	<u>3,111,300</u>	<u>13,914,667</u>
Total	<u>\$ 5,174,219</u>	<u>\$16,061,685</u>

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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Benefits Provided

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

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

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, 2023, was 13.04% of compensation for law enforcement officers and 12.14% 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 \$983,965 for the year ended June 30, 2023.

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-day 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, 2023, the Town reported a liability of \$5,447,363 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022 (measurement date), the Town's proportion was 0.09656%, which was an increase of 0.00346% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$1,556,065. At June 30, 2023, 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	\$ 234,722	\$ 23,013
Changes of assumptions and other inputs	543,525	-
Net difference between projected and actual earnings on pension plan investments	1,800,410	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	77,936	37,401
Town contributions subsequent to the measurement date	983,965	-
Total	<u>\$ 3,640,558</u>	<u>\$ 60,414</u>

The \$983,965 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, 2024. 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:

2024	\$ 823,628
2025	693,550
2026	221,252
2027	857,749
2028	-
Thereafter	-
	<u>\$ 2,596,179</u>

Actuarial Assumptions. The total pension liability in the December 31, 2022, 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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2021, 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	100%	

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
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability	\$ 9,831,788	\$ 5,447,363	\$ 1,834,342

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, 2021 (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	<u>22</u>
Total	<u><u>25</u></u>

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2021, valuation. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.31 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, 2021, 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 \$62,476 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, 2023, the Town reported a total pension liability of \$1,243,592. The total pension liability was measured as of December 31, 2022, based on a December 31, 2021, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022, utilizing updated procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$150,551.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 162,158	\$ 7,012
Changes of assumptions and other inputs	186,964	231,670
Benefit payments and administrative expenses subsequent to the measurement date	21,827	-
Total	\$ 370,949	\$ 238,682

\$21,827 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, 2024.

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
2024	\$ 112,564	\$ 58,557	\$ 54,007
2025	103,103	54,696	48,407
2026	89,502	48,486	41,016
2027	32,753	48,263	(15,510)
2028	11,200	28,680	(17,480)
Thereafter	-	-	-
	\$ 349,122	\$ 238,682	\$ 110,440

\$21,417 paid as benefits came due and \$410 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 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	1% Decrease (3.31%)	Current Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$ 1,353,361	\$ 1,243,592	\$ 1,143,877

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Schedule of Changes in Total Pension Liability

Law Enforcement Officers' Special Separation Allowance

	2023
Total Pension Liability	
Beginning balance	\$ 1,363,416
Service Cost at end of year	65,061
Interest on the total pension liability	29,974
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	85,545
Changes of assumptions or other inputs	(237,928)
Benefit payments	(62,476)
Other changes	-
Net changes in Total Pension Liability	(119,824)
Ending balance of the total pension liability	\$ 1,243,592

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 1,556,065	\$ 150,551	\$ 1,706,616
Pension Liability	5,447,363	1,243,592	6,690,955
Proportionate share of the net pension liability	0.09656%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	234,722	162,158	396,880
Changes of assumptions	543,525	186,964	730,489
Net difference between projected and actual earnings on plan investments	1,800,410	-	1,800,410
Changes in proportion and differences between contributions and proportionate share of contributions	77,936	-	77,936
Benefit payments and administrative costs paid subsequent to the measurement date	983,965	21,827	1,005,792

Deferred of Inflows of Resources

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Differences between expected and actual experience	23,013	7,012	30,025
Changes of assumptions	-	231,670	231,670
Changes in proportion and differences between contributions and proportionate share of contributions	37,401	-	37,401

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, 2023, were \$140,613 which consisted of \$89,958 from the Town and \$50,655 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 four 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, 2023, were \$535,195 which consisted of \$248,363 from the Town and \$286,832 from employees. No amounts were forfeited.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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 \$95,306 which consisted of \$84,146 from regular employees and \$11,160 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, 2022, 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	<u>121</u>

Total OPEB Liability

The Town's total OPEB liability of \$4,492,337 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2022, 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%

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Municipal Bond Index Rate	
Prior Measurement Date	2.16 %
Measurement Date	3.54 %
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 30, 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, 2021	\$ 5,013,869
Changes for the year	
Service cost at end of year (includes interest for the year)	247,155
Interest on total OPEB liability and Cash Flows	111,714
Changes in benefit terms	-
Differences between expected and actual experience	(19,736)
Changes of assumptions or other inputs	(681,521)
Benefit payments	(179,144)
Other changes	-
Net changes	<u>\$ (521,532)</u>
Balance at June 30, 2022	<u><u>\$ 4,492,337</u></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 (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	(2.54%)	(3.54%)	(4.54)
Total OPEB liability	\$ 4,974,674	\$ 4,492,337	\$ 4,065,451

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
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	\$ 3,933,181	\$ 4,492,337	\$ 5,162,171

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

For the year ended June 30, 2023, the Town recognized OPEB expense of \$213,522. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 803,236
Changes of assumptions or other inputs	731,684	759,941
Benefit payments and administrative costs subsequent to the measurement date	159,598	-
Total	<u>\$ 891,282</u>	<u>\$ 1,563,177</u>

\$159,598 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. \$(831,493) reported as Deferred Inflows of Resources related to OPEB benefits will be recognized in OPEB Expense as follows:

Year ended June 30:

2024	\$ (151,095)
2025	(151,095)
2026	(151,095)
2027	(138,001)
2028	(109,363)
Thereafter	<u>(130,844)</u>
Total	<u>\$ (831,493)</u>

\$159,598 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

2. Other Employment Benefit – Death Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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, 2023, the Town made contributions to the State for death benefits of \$ 5,004. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .040% 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 and Current Liabilities

Payables on Exhibit 1 at June 30, 2023, were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Unearned Revenue	Customer Deposits	Total
Governmental Activities	\$ 1,597,962	\$ 440,645	\$ 207,286	\$ 167,218	\$ 57,985	\$ 2,471,096
Business-type activities (Water)	\$ 185,594	\$ 35,061	\$ 55,396	\$ -	\$ 616,908	\$ 892,959

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 LEOSSA subsequent to measurement date	\$ 21,827
Contributions to pension plan in current fiscal year-LGERS	983,965
Benefit payments made for OPEB subsequent to measurement date	159,598
Differences between expected and actual experience-LGERS	234,722
Changes of assumptions-LGERS	543,525
Changes in proportion and differences between employer contributions and proportionate share of contributions-LGERS	77,936
Differences between projected and actual investment earnings on plan investments - LGERS	1,800,410
Differences between expected and actual experience-LEOSSA	162,158
Changes of assumptions and other inputs-OPEB	731,684
Changes of assumptions and other inputs-LEOSSA	186,964
Total	\$ 4,902,789

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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

	Statement of Net Position	Government Funds Balance Sheet
Prepaid taxes (General Fund)	\$ 7,853	\$ 7,853
Property taxes receivable, less penalties (General Fund)	-	113
Privilege licenses receivable, less penalties (General Fund)	-	1,250
Prepaid privilege licenses (General Fund)	565	565
Prepaid water consumption units (Water Fund)	100,000	-
Lease Receivable (General Fund)	1,410,974	1,410,974
Differences between expected and actual experience- LGERS	23,013	-
Differences between expected and actual experience- LEOSSA (General Fund)	7,012	-
Differences between expected and actual experience-OPEB	803,236	-
Changes in proportion and difference between contributions and proportionate share of contributions-LGERS	37,401	-
Changes of assumptions/other inputs-LEOSSA General Fund	231,670	-
Changes of assumptions and other inputs-OPEB	759,941	-
Total	<u>\$ 3,381,665</u>	<u>\$ 1,420,755</u>

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 from the prior year and settled claims have not exceeded insurance coverage in any of the past three fiscal years.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town owns property in an area of the State that has been mapped and designated as an "VE, AE, A, and X" area (an area with a 1% annual chance of flooding and a 26% chance of flooding over 30 years) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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.

In accordance with G.S. 159-29, the finance officer's fidelity bond was renewed on July 1, 2023, for \$1,000,000. The tax collector's bond was renewed for \$250,000.

6. Claims, Judgments and Contingent Liabilities

Pending or Threatened Litigation, Claims and Assessments:

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. A new action has been filed seeking damages for the demolition of the structure. There are numerous legal defenses to these counterclaims, and we expect to defend those claims aggressively. 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 is unaware of any other unasserted claims or assessments for the reporting period.

7. Long-Term Obligations

a. Leases

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

On July 1, 2021, the Town of Nags Head entered into a 42-month lease (original lease date October 2, 2019) as Lessee for the use of computer equipment. An initial lease liability was recorded in the amount of \$133,540. As of June 30, 2023, the value of the lease liability is \$59,446. 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, 2023, is \$133,540 with accumulated amortization of \$75,947.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, are as follows:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Principal and Interest Requirements to Maturity

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 37,456	\$ 344	\$ 37,800
2025	21,990	60	22,050
Total	\$ 59,446	404	\$ 59,850

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

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

In 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 were recorded to collateralize the property where the park lighting improvements are located at 3005 South Croatan Highway, Nags Head, North Carolina. The contract requires annual principal and interest payments beginning May 2020.

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 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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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.

Series 2023 direct placement limited obligation bonds: In March 2023, the Town entered into an installment purchase contract with Nags Head Leasing Corporation for an issuance of limited obligation bonds (G.S. 160A-20) for \$17,110,000 over 20 years at a true interest cost of 3.40%. Interest only payments will be made until fiscal year 2025. This agreement, the Town of Nags Head, NC, NC Limited Obligation Bond Series 2023, provided financing for the construction and design of the new Public Services Complex and Advanced Metering Infrastructure (AMI). The agreement is secured by a deed of trust granted on the Public Services Complex.

c. Subscriptions

For the year ended June 30, 2023, the Town implemented the requirements of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (Subscriptions). The Statement provides a definition of Subscriptions and provides uniform guidance for accounting and financial reporting for such transactions. The guidance will decrease diversity in the accounting and financial reporting for these transactions, thereby, increasing comparability in financial reporting among governments. Further, the reporting of a subscription asset (a right-to-use intangible capital asset) and a subscription liability will enhance the relevance and reliability of the financial statements.

On 07/01/2022, Town of Nags Head entered into a 36-month subscription for the use of DebtBook Software. An initial subscription liability was recorded in the amount of \$25,847. As of 06/30/2023, the value of the subscription liability is \$19,347. The Town of Nags Head is required to make annual fixed payments of \$6,500. The subscription has an interest rate of 2.1843%. The value of the right to use asset as of 06/30/2023 of \$25,847 with accumulated amortization of \$8,616 is included with Software on the Subscription Class activities table found below.

On 07/29/2022, Town of Nags Head entered into a 60-month subscription for the use of Motorola Flex Software. An initial subscription liability was recorded in the amount of \$49,766. As of 06/30/2023, the value of the subscription liability is \$39,342. The Town of Nags Head is required to make annual fixed payments of \$10,424. The subscription has an interest rate of 2.3657%. The value of the right to use asset as of 06/30/2023 of \$174,317 with accumulated amortization of \$32,152 is included with Software on the Subscription Class activities table found below.

On 08/17/2022, Town of Nags Head entered into a 60-month subscription for the use of Motorola Video Software. An initial subscription liability was recorded in the amount of \$227,270. As of 06/30/2023, the value of the subscription liability is \$179,666. The Town of Nags Head is required to make annual fixed payments of \$47,604. The subscription has an interest rate of 2.3657%. The value of the right to use asset as of 06/30/2023 of \$233,510 with accumulated amortization of \$40,735 is included with Software on the Subscription Class activities table found below.

Subscription Asset Class	As of Fiscal Year-end	
	Subscription Asset Value	Accumulated Amortization
Software	\$ 433,674	\$ 81,502

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Principal and Interest Requirements to Maturity					
Fiscal Year	Governmental Activities				
	Principal Payments		Interest Payments		Total Payments
2024	\$	62,174	\$	5,604	\$ 67,778
2025		64,116		4,150	68,266
2026		55,377		2,651	58,028
2027		56,687		1,341	58,028
Total	\$	238,354	\$	13,746	\$ 252,100

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Limited obligation bonds	\$ -	\$ 12,404,000	\$ -	\$ 12,404,000	\$ -
Deferred amounts:					
Issuance premiums	-	1,968,254	-	1,968,254	-
Direct borrowing installment finance purchases	5,097,186	-	1,247,088	3,850,098	952,395
Direct placement installment finance purchases	4,552,000	-	2,276,000	2,276,000	2,276,000
Lease liabilities	99,542	-	40,096	59,446	37,456
IT subscription liabilities	-	302,883	64,528	238,355	62,174
Total OPEB liability	4,612,008	-	479,731	4,132,277	137,297
Total pension liability (LEOSSA)	1,363,416	-	119,824	1,243,592	46,111
Net pension liability (LGERS)	1,307,131	3,679,930	-	4,987,061	-
Compensated absences	721,629	1,104,934	1,005,708	820,855	310,000
Governmental activities long-term liabilities	\$ 17,752,912	\$ 19,460,001	\$ 5,232,975	\$ 31,979,938	\$ 3,821,433

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Limited obligation bonds	\$ -	\$ 4,706,000	\$ -	\$ 4,706,000	\$ -
Deferred amounts:					
Issuance premiums	-	610,615	-	610,615	-
Direct placement installment finance purchases	40,799	-	28,217	12,582	6,291
Total OPEB liability	401,861	-	41,801	360,060	14,710
Net pension liability (LGERS)	120,647	339,655	-	460,302	-
Compensated absences	34,150	100,066	93,339	40,877	20,000
Business-type activities long-term liabilities	\$ 597,457	\$ 5,756,336	\$ 163,357	\$ 6,190,436	\$ 41,001

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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

Year Ending June 30	Principal	Interest
2024	\$ 3,228,395	\$ 901,350
2025	1,464,705	690,506
2026	1,017,858	639,859
2027	982,905	598,285
2028	987,975	557,572
2029-2033	4,328,259	2,188,884
2034-2038	3,260,000	1,304,000
2039-2043	3,260,000	489,000
Total	\$ 18,530,097	\$ 7,369,456

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

Year Ending June 30	Principal	Interest
2024	\$ 6,291	\$ 294,429
2025	220,291	235,452
2026	219,000	224,600
2027	224,000	213,650
2028	224,000	202,450
2029-2033	1,170,000	841,250
2034-2038	1,265,000	539,750
2039-2043	1,390,000	211,000
Total	\$ 4,718,582	\$ 2,762,581

d. 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, 2023, the Town had a legal debt margin of \$224,018,130.

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, 2023, 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 733 WCU's which are guaranteed by the Town and are valued at \$1,466,000.

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

The remaining 50 WCU's in the amount of \$100,000 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 \$55,604 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, 2023, the Board of Commissioners adopted a resolution declaring the intention to pay off this interfund balance using fire facility fee revenues. Any accumulated fire facility fees will be used to repay the interfund balance until paid in full. During the current year, \$3,218 in repayments were made.

Transfers and Capital Contributions to/from other funds for the year ended June 30, 2023, consisted of the following:

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

Beach nourishment taxes designated for future beach nourishment	\$ 781,460
Municipal Service District (MSD) taxes collected	1,644,720
Restricted sales tax from municipal service district (MSD) taxes collected	680,939
Facility fees	23,017
Dare County contribution – beach nourishment debt payment	600,000
	<u>\$ 3,730,136</u>

Transfers from the General Fund to the Capital Investment Fund for the purposes of capital outlay and debt service.

\$ 6,058,223

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

Restricted for beach nourishment	\$ 2,481,171
Parks and paths	25,158
Streets and Storm Water	597,923
Admin. facility fees	42,034
	<u>\$ 3,146,286</u>

Transfers from Capital Investment Fund to the General Fund for the purposes of capital outlay and debt service.

\$ 4,303,533

Transfers from the Beach Renourishment Capital Project Fund to the Capital Reserve Fund for the purpose of returning unspent funds upon closing the fund.

\$ 1,380,289

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.

\$ 24,775

Transfers from the Capital Projects Fund to the Capital Investment Fund for reimbursement of capital expenditures made ahead of debt issuance.

\$ 489,950

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 50,220,721	\$ 7,504,737
Less: long term debt	(20,796,153)	(5,329,197)
Less: liabilities from restricted debt proceeds	(592,506)	(149,357)
Add: unexpended debt proceeds	12,579,349	4,789,264
Net investment in capital assets	<u>\$ 41,411,411</u>	<u>\$ 6,815,447</u>

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	\$ 22,015,876
Less:	
Nonspendable	(153,000)
Stabilization by State Statute	(3,942,177)
Restricted for Public Safety	(115,539)
Restricted for State Street Aid	(45,191)
Restricted for Capital Reserve Fund	(8,847,955)
Assigned for subsequent year's expenditures	(350,000)
Fund Balance Policy	<u>(8,562,014)</u>
Fund Balance Remaining	<u>\$ -</u>

The Town of Nags Head has adopted a minimum fund balance policy for the general fund which instructs management to maintain an unassigned general fund balance at a minimum of 25%-35% of expenditures less bond debt as per audited financial statements at the end of each fiscal year. Any unassigned fund balance above 35% transfers to the Capital Investment Fund. The \$8,562,014 reported above is more than the 35% of expenditures, less bond debt of \$2,381,151, calculation of \$20,523,833.

The following amounts represent open purchase orders and contracts outstanding at June 30, 2023. These encumbrances outstanding will be re-appropriated in the subsequent year's budget.

General Fund	\$ 1,246,981
Water Fund	509,433
Total	<u>\$ 1,756,414</u>

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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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, 2023, the facility fees were transferred to the Capital Reserve Fund where they will remain until funds are needed for appropriate capital expenditures.

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

	Admin.	Fire	Police	Sanitation	Recreation	Total
Beginning of year balance	\$ 50,688	\$ -	\$ 5,147	\$ 6,521	\$ 20,420	\$ 82,776
Current year additions (including interest)	14,483	3,218	2,963	1,579	5,446	27,689
Current year expenses	(42,034)	(3,218)	-	-	-	(45,252)
End of year balance	\$ 23,137	\$ -	\$ 8,110	\$ 8,100	\$ 25,866	\$ 65,213

G. Beach Nourishment

The Town currently has two legally adopted Capital Project Ordinances for the purpose of beach nourishment. 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 is 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, 2023

	Beach nourishment taxes (MSD and town-wide)	Restricted sales taxes from municipal service district tax	Total
Beginning of year balance	\$ 3,515,345	\$ 720,236	\$ 4,235,581
Current year additions	3,026,180	680,939	3,707,119
Interfund transfer	-	1,380,289	1,380,289
Current year net interest	(117,064)	(133,739)	(250,803)
Current year uses	<u>(1,881,151)</u>	<u>(600,020)</u>	<u>(2,481,171)</u>
End of year balance	<u>\$ 4,543,310</u>	<u>\$ 2,047,705</u>	<u>\$ 6,591,015</u>

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, 2023, no amount was restricted for parks and paths or for streets and stormwater. The balance at June 30, 2023, included in the capital reserve fund for this purpose is:

	Parks and Paths	Streets and Storm Water
Beginning of year balance	\$ 21,323	\$ 786,371
Current year additions	-	-
Current year interest	3,835	46,102
Current year uses	<u>(25,158)</u>	<u>(597,923)</u>
End of year balance	<u>\$ -</u>	<u>\$ 234,550</u>

In fiscal year ending June 30, 2022, the Town began restricting funds in the Capital Investment Fund for capital expenditures, debt service, maintenance and repairs, and significant fiscal investments essential to ensure the Town has necessary equipment and infrastructure.

	Capital Investment Fund
Beginning of year balance	\$ -
Current year additions	6,548,173
Current year interest	(287,465)
Current year uses	<u>(4,303,532)</u>
End of year balance	<u>\$ 1,957,176</u>

I. Volunteer Incentive Pay Agreement

The Board of Commissioners maintains an agreement for volunteer firefighter pay that calls for incentive pay based on an individual members qualifications, training, and call response. The method of calculation of

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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, 2023, was \$3,053 plus an additional \$234 in related FICA.

IV. Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firefighter's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firefighter's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firefighter's Relief Fund. The funds are used to assist fire fighters in various ways. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2023. 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 so long as the Property remains designated as an event site and both the Town and Visitors Bureau remain owners of the Property. 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.

V. 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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

B. Municipal Waste Management Agreement

On December 3, 2008, the Town approved a Municipal Waste Management Agreement with Dare County, a member of the Albemarle Regional Solid Waste Authority, for disposal of solid waste as contracted through Republic Services. The contract extends for 26 years and became effective when signed by all parties to the agreement as of May 1, 2009. Charges are based on the Town's actual tonnage of solid waste; the rate in effect in fiscal year 2023 was \$84.06 per ton, plus an additional fuel surcharge per ton which varies each month.

C. Intangible Water Rights

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

The intangible water rights are being amortized over 40 years. This time period corresponds to the estimated useful life of the R.O. water desalination plant. At June 30, 2023, accumulated amortization totaled \$3,512,561.

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 Ten Fiscal Years
Local Government Employees' Retirement System

	2023	2022	2021
Town of Nags Head's proportion of the net pension liability (asset) (%)	0.09656%	0.09310%	0.09602%
Town of Nags Head's proportion of the net pension liability (asset) (\$)	\$ 5,447,363	\$ 1,427,778	\$ 3,431,204
Town of Nags Head's covered payroll	\$ 7,353,869	\$ 6,830,772	\$ 6,664,768
Town of Nags Head's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	74.07%	20.90%	51.48%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	90.86%

* 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.

2020	2019	2018	2017	2016	2015	2014
0.09116%	0.09691%	0.10036%	0.09857%	0.11405%	0.10721%	0.10930%
\$ 2,489,508	\$ 2,299,037	\$ 1,533,223	\$ 2,091,986	\$ 511,850	\$ (632,268)	\$ 1,317,485
\$ 6,382,086	\$ 6,293,652	\$ 6,008,611	\$ 5,807,371	\$ 5,376,833	\$ 5,585,383	\$ 5,159,503
39.01%	36.53%	25.52%	36.02%	9.52%	-11.32%	25.54%
91.63%	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 Ten Fiscal Years
Local Government Employees' Retirement System

	2023	2022	2021
Contractually required contribution	\$ 983,965	\$ 842,179	\$ 701,447
Contributions in relation to the contractually required contribution	983,965	842,179	701,447
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Town of Nags Head's covered payroll	\$ 8,012,999	\$ 7,353,869	\$ 6,830,772
Contributions as a percentage of covered payroll	12.28%	11.45%	10.27%

2020		2019		2018		2017		2016		2015		2014	
\$	604,634	\$	502,605	\$	484,882	\$	448,317	\$	396,478	\$	384,097	\$	397,372
604,634		502,605		484,882		448,317		396,478		384,097		397,372	
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	6,664,768	\$	6,382,086	\$	6,293,652	\$	6,008,611	\$	5,807,371	\$	5,376,833	\$	5,585,383
9.07%		7.88%		7.70%		7.46%		6.83%		7.14%		7.11%	

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

	2023	2022	2021
Total Pension Liability			
Beginning balance	\$ 1,363,416	\$ 1,303,038	\$ 922,305
Service Cost at end of year	65,061	64,728	38,543
Interest on the total pension liability	29,974	24,530	29,022
Differences between expected and actual experience in the measurement of the total pension liability	85,545	73,600	33,839
Changes of assumptions or other inputs	(237,928)	(38,367)	343,442
Benefit payments	(62,476)	(64,113)	(64,113)
Net change in Total Pension Liability	(119,824)	60,378	380,733
Ending balance of the total pension liability	<u>\$ 1,243,592</u>	<u>\$ 1,363,416</u>	<u>\$ 1,303,038</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.

2020	2019	2018	2017
\$ 910,087	\$ 823,639	\$ 772,627	\$ 769,077
32,304	46,110	33,911	38,198
31,960	25,267	29,059	26,713
(16,921)	104,529	(21,647)	-
28,988	(41,378)	49,282	(19,711)
(64,113)	(48,080)	(39,593)	(41,650)
12,218	86,448	51,012	3,550
<u>\$ 922,305</u>	<u>\$ 910,087</u>	<u>\$ 823,639</u>	<u>\$ 772,627</u>

Town of Nags Head, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Seven Fiscal Years

	2023	2022	2021
Total pension liability	\$ 1,243,592	\$ 1,363,416	\$ 1,303,038
Covered-employee payroll	1,595,543	1,507,527	1,383,788
Total Pension Liability as a percentage of of covered-employee payroll	77.94%	90.44%	94.16%

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.

2020	2019	2018	2017
\$ 922,305	\$ 910,087	\$ 823,639	\$ 772,627
1,168,578	1,396,151	1,227,153	1,386,134
78.93%	65.19%	67.12%	55.74%

Town of Nags Head, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Six Fiscal Years

A-5

	Measurement Period Ending					
	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service Cost at end of year (includes interest for the year)	\$ 247,155	\$ 280,694	\$ 208,084	\$ 340,542	\$ 348,444	\$ 370,146
Interest on Total OPEB Liability and Cash Flows	111,714	115,222	153,860	165,619	143,590	116,800
Difference between expected and actual experience	(19,736)	(704,774)	(22,396)	(522,224)	(18,158)	(12,992)
Changes of assumptions or other inputs	(681,521)	482,032	569,014	79,662	(131,192)	(209,200)
Benefit payments	(179,144)	(183,587)	(143,139)	(123,419)	(113,891)	(109,742)
Net change in total OPEB liability	(521,532)	(10,413)	765,423	(59,819)	228,793	155,012
Total OPEB liability-beginning	5,013,869	5,024,282	4,258,859	4,318,678	4,089,885	3,934,873
Total OPEB liability-ending	<u>\$ 4,492,337</u>	<u>\$ 5,013,869</u>	<u>\$ 5,024,282</u>	<u>\$ 4,258,859</u>	<u>\$ 4,318,678</u>	<u>\$ 4,089,885</u>
Covered-employee payroll	\$ 6,044,153	\$ 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	74.33%	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:

<u>Fiscal year</u>	<u>Rate</u>
2023	3.54%
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.

GENERAL FUND

The **General Fund** is the Town's primary operating fund and is used to account for all financial resources of the general government, except those required to be accounted for in another fund. The county maintains two other legally budgeted funds, the Capital Reserve Fund and the Capital Investment Fund, which are consolidated into the General Fund in accordance with GASB statement No. 54. The General Fund is a major fund.

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

The **Capital Investment 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 capital acquisitions and related debt service.

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, 2023
With Comparative Actual Amounts for the Year Ended June 30, 2022

	2023			2022
	Budget	Actual	Variance Over (Under)	Actual
REVENUES				
Ad Valorem Taxes:				
Current year		\$ 8,817,045		\$ 8,772,579
Municipal service district		1,644,720		1,641,766
Prior year		(151)		5,180
DMV current year		175,462		155,067
Penalties and interest		9,293		7,806
Total	\$ 10,546,600	10,646,369	\$ 99,769	10,582,398
Other Taxes and Licenses:				
Occupancy tax		4,624,217		4,457,313
Land Transfer tax		1,108,709		1,727,795
Local governmental sales tax		2,656,113		2,413,218
1/2% sales tax revenue		1,739,883		1,582,471
Short term rental registration fees		850		4,000
Privilege licenses and business registrations		20,770		19,908
Mixed beverage tax		52,732		53,637
Privilege license penalties		2,100		2,550
Total	9,049,102	10,205,374	1,156,272	10,260,892
Intergovernmental Revenues:				
Unrestricted:				
Utility sales tax		778,209		715,919
Telecommunications tax		20,528		20,138
Natural Gas sales tax		8,937		7,913
Solid Waste Disposal fees		2,590		2,394
Video programming tax		102,574		110,672
Cable Franchise - PEG fund fees		51,200		51,949
Beer and wine		14,562		12,601
ABC revenue		28,808		30,779
Total	900,700	1,007,408	106,708	952,365
Restricted:				
Federal:				
Homeland Security Investigations		11,109		10,836
Bulletproof Vest Partnership Program		2,504		423
Controlled substance excise tax		3,618		48,705
Assistance to Firefighters		67,268		22,458
FEMA reimbursement		7,111		-
Edward Byrne Memorial Justice Assistance		17,895		22,792
U.S. Department of Commerce		40,500		-
CAMA minor permit reimbursement		3,685		2,875
State:				
State Street Aid - Powell Bill		132,185		132,696
State Department of Public Instruction		27,347		23,504
Controlled substance excise tax		9,583		1,076
NC Department of Agriculture		2,324		-
NC Department of Public Safety		2,370		-
NC Department of Environmental Quality		10,000		-

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, 2023
With Comparative Actual Amounts for the Year Ended June 30, 2022

	2023			2022
	Budget	Actual	Variance Over (Under)	Actual
Local:				
National Fish and Wildlife Fund grant		-		60,781
Contributions from Dare County		600,000		623,273
Government Access Channel grant		5,000		5,000
Outer Banks Visitor Bureau grant		12,500		51,625
North Carolina League of Municipalities grant		2,500		4,000
Miscellaneous		17,723		-
Total	1,005,750	975,222	(30,528)	1,010,044
Total Intergovernmental Revenues	1,906,450	1,982,630	76,180	1,962,409
Permits and Fees:				
Building permits		257,124		234,818
Cart rollback fees		222,925		-
Facility fees		23,017		29,133
Inspection and review fees		44,725		16,833
Beach driving permits		34,052		50,110
Pit Fire fees		14,581		18,190
Special event fee		23,930		20,192
CAMA permits		4,400		3,400
Court costs and fees		2,747		4,425
Crowd gathering permit fees		4,900		2,450
Alarm fees		75		225
Civil penalties		6,800		7,850
Automobile town tags		776		1,008
Total	615,700	640,052	24,352	388,634
Sales and Services:				
Lease revenue		250,553		210,211
Sale of materials		101,286		103,732
Total	339,650	351,839	12,189	313,943
Investment Earnings:				
Investment Earnings		193,195		114,100
Change in fair market value of investments		(69,199)		(980,405)
Net investment earnings	110,000	123,996	13,996	(866,305)
Other Revenues:				
Other rents		11,193		15,201
Interest on lease revenue		18,919		29,105
Miscellaneous		29,181		22,353
Contributions to Police, Fire & Rescue Benevolent Fund		13,536		15,960
Total	32,500	72,829	40,329	82,619
Total Revenues	22,600,002	24,023,089	1,423,087	22,724,590

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, 2023
With Comparative Actual Amounts for the Year Ended June 30, 2022

	2023			2022
	Budget	Actual	Variance Over (Under)	Actual
EXPENDITURES				
General Government:				
Governing Body:				
Fees paid to elected officials		40,704		38,028
FICA expense		3,114		2,909
Contracted services		46,128		49,849
Department supplies and materials		2,493		4,963
Special events		1,142		826
Dues and subscriptions		8,159		7,602
Printing		600		676
Travel and Training		1,225		1,330
Equipment rental		7		3
Contribution to Government Access Channel		52,200		52,949
Contributions, miscellaneous		10,250		10,200
Reimbursement from Water Fund		(10,444)		(12,645)
Total	176,341	155,578	(20,763)	156,690
Special Obligation Bonds:				
Debt service, principal		2,276,000		2,276,000
Debt service, interest		105,151		175,252
Total	2,381,152	2,381,151	(1)	2,451,252
Administration:				
Salaries and wages		554,625		475,575
FICA expense		40,464		34,625
Group insurance		89,232		85,749
Group insurance - retiree		14,364		14,358
Retirement		66,624		53,627
401(k) account		21,707		14,258
Contracted services		15,303		22,675
Travel and Training		5,848		4,862
Professional services		68,941		35,500
Advertising		6,838		6,217
Departmental supplies		22,723		18,541
Dues and subscriptions		6,264		6,159
Equipment rental		2,283		1,492
Telephone		1,247		1,175
Postage		50		684
Repairs and maintenance, vehicles		-		328
Printing		378		-
Automotive Supplies		325		846
Capital outlay, buildings		144,697		102,663
Capital outlay, equipment		-		7,098
Capital outlay, infrastructure		14,149		341,201
Reimbursement from Water Fund		(138,395)		(145,175)
Debt service, principal		2,944		3,520
Debt service, interest		6		20
Total	1,039,556	940,617	(98,939)	1,085,998

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, 2023
With Comparative Actual Amounts for the Year Ended June 30, 2022

	2023			2022
	Budget	Actual	Variance Over (Under)	Actual
Administrative Services:				
Salaries and wages		416,981		481,538
FICA expense		30,547		35,615
Group insurance expense		59,990		63,634
Retirement		48,227		49,873
401(k) account		15,840		13,230
Unemployment expense		5,353		3,326
Insurance		371,470		358,352
Contracted services		48,182		53,038
Professional services		42,945		44,007
Fines and forfeitures		6,388		7,061
Departmental supplies and materials		7,467		14,700
Postage		5,335		5,380
Travel and Training		8,532		7,277
Equipment rental		7,645		7,248
Repairs and maintenance, equipment		374		355
Wellness program		12,870		4,179
Special contracted services		6,903		6,277
Dues and subscriptions		1,735		1,652
Purchases for resale		2,430		1,644
Advertising		698		2,145
Repairs and maintenance, vehicles		341		4,291
Automotive supplies		387		1,394
Capital outlay, equipment		3,790		5,010
Capital outlay, IT subscription agreement		25,846		-
Reimbursement from Water Fund		(108,288)		(73,094)
Debt service, principal		6,500		-
Total	1,047,256	1,028,488	(18,768)	1,098,132
Information Technology:				
Salaries and wages		73,224		26,687
FICA expense		5,548		2,008
Group insurance		8,305		2,900
Group insurance - retiree		-		6,533
Retirement		8,817		3,699
401(k) account		2,910		1,062
Contracted services		117,329		111,092
Contracted services, website		12,803		10,920
Contracted service, GIS		10,692		17,068
Contracted services, annual contracts		110,827		103,093
Travel and Training		3,756		-
Departmental supplies		9,131		3,457
Telephone		8,656		8,701
Repairs and maintenance, equipment		11,783		5,940
Other supplies-computer		-		28,550
Internet costs		13,908		8,231
Equipment rental		11,922		10,294
Reimbursement from Water Fund		(40,713)		(35,929)
Debt service, principal		37,152		36,942
Debt service, interest		648		858
Total	433,730	406,698	(27,032)	352,106

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, 2023
With Comparative Actual Amounts for the Year Ended June 30, 2022

	2023			2022
	Budget	Actual	Variance Over (Under)	Actual
Planning and Development:				
Salaries and wages		733,932		696,685
FICA expense		53,241		50,096
Group insurance		131,685		132,239
Retirement		88,096		77,738
401(k) account		28,936		20,636
Planning board, board of adjustment		7,510		9,230
Contracted services		56,256		83,244
Professional services		8,673		2,010
Departmental supplies		5,806		4,374
Special events		21,665		12,624
Uniforms		515		449
Travel and Training		4,241		2,195
Telephone		4,389		3,887
Postage		5,592		766
Repairs and maintenance, vehicles		793		1,536
Repairs and maintenance, buildings		-		14
Printing		3,334		1,717
Other supplies		27		786
Other supplies-computer		3,043		2,954
Advertising		959		594
Automotive supplies		3,805		2,740
Equipment rental		3,315		2,559
Dues and subscriptions		2,706		2,856
Capital outlay, other		-		270
Capital outlay, equipment		4,200		-
Capital outlay, vehicles		857		28,566
Capital outlay, improvements		82,661		-
Debt service, principal		196,158		205,293
Debt service, interest		13,983		18,238
Reimbursement from Water Fund		(172,170)		(131,253)
Total	1,446,016	1,294,208	(151,808)	1,233,043
Legal Services:				
Professional services		121,716		183,660
Reimbursement from Water Fund		(19,704)		(17,484)
Total	130,296	102,012	(28,284)	166,176
Total General Government	6,654,347	6,308,752	(345,595)	6,543,397

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, 2023
With Comparative Actual Amounts for the Year Ended June 30, 2022

	2023			2022
	Budget	Actual	Variance Over (Under)	Actual
Public Safety:				
Police Department:				
Salaries and wages		1,922,005		1,792,621
FICA expense		145,755		130,476
Group insurance		316,169		330,990
Group insurance - retiree		57,455		57,434
Retirement		249,063		213,962
401(k) account		94,525		86,793
Separation Allowance		51,837		68,278
Automotive supplies		77,824		73,767
Departmental supplies		52,865		68,346
Repairs and maintenance, vehicles		20,172		34,784
Repairs and maintenance, equipment		34,664		33,909
Repairs and maintenance, firing range		5,376		6,618
Repairs and maintenance, buildings		7,796		-
Telephone		12,574		12,180
Other supplies		5,776		3,041
Other supplies, computer		21,800		22,496
Uniforms		18,088		12,645
Equipment rental		8,369		8,217
Travel and Training		24,767		26,676
Professional services		11,362		7,336
Postage		588		547
Dues and subscriptions		2,386		2,454
Advertising		210		150
Printing		1,164		411
Contracted services		22,272		11,007
Special investigations		3,484		4,000
Capital outlay, vehicles		170,932		233,463
Capital outlay, equipment		-		13,770
Capital outlay, IT subscription agreement		407,826		-
Debt service, principal		156,063		143,929
Debt service, interest		3,002		5,218
Total	4,082,096	3,906,169	(175,927)	3,405,518
 Drug Forfeiture:				
Department supplies		1,970		-
Special investigations		5,000		-
Total	6,970	6,970	-	-
 Fire Department:				
Salaries and wages		2,027,628		1,853,220
FICA expense		148,400		135,271
Group insurance		367,494		370,017
Group insurance, retiree		44,688		57,744
Retirement expense		245,891		211,301
401(k) account		80,839		56,099
Incentive pay		4,132		3,973
Supplemental pension fund		2,650		2,410
Departmental supplies		69,335		69,962
Repairs and maintenance, buildings		19,919		29,032
Repairs and maintenance, vehicles		31,350		28,448
Repairs and maintenance, equipment		7,487		5,802
Uniforms		15,961		7,745

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, 2023
With Comparative Actual Amounts for the Year Ended June 30, 2022

	2023			2022
	Budget	Actual	Variance Over (Under)	Actual
Fire Department (continued):				
Automotive supplies		23,686		20,197
Telephone		2,282		1,824
OSHA Compliance		3,916		1,729
Travel and Training		22,162		9,951
Safety training		3,002		4,332
Other supplies		4,786		4,344
Equipment rental		3,920		3,960
Dues and subscriptions		3,929		2,736
Professional services		16,079		3,087
Postage		317		238
Contracted Services		26,843		21,909
Printing		178		139
Capital outlay, equipment		86,228		18,843
Capital outlay, vehicle		1,116		1,062,005
Debt service, principal		209,537		164,935
Debt service, interest		45,952		10,882
Total	3,926,236	3,519,707	(406,529)	4,162,135
Ocean Rescue:				
Salaries and wages		633,367		597,138
FICA expense		37,080		37,364
Group insurance		9,191		8,541
Retirement expense		6,768		5,904
401(k) account		2,222		1,576
Departmental supplies		23,382		21,109
Uniforms		18,482		12,959
Automotive supplies		13,388		13,534
Repairs and maintenance, equipment		6,560		4,056
Travel and Training		4,285		3,803
Repairs and maintenance, vehicles		4,220		3,504
Professional fees		3,600		2,400
Contracted Services		1,570		1,492
Telephone		1,539		1,778
Printing		2,085		2,089
Advertising		97		-
Dues and subscriptions		1,708		1,450
Postage		68		51
Capital outlay, equipment		24,272		5,499
Capital outlay, vehicle		47,335		-
Debt service, principal		35,396		36,089
Debt service, interest		1,681		1,317
Total	952,244	878,296	(73,948)	761,653
Total Public Safety	8,967,546	8,311,142	(656,404)	8,329,306

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, 2023

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

	2023			2022
	Budget	Actual	Variance Over (Under)	Actual
Environmental Protection:				
Sanitation:				
Salaries and wages		468,814		391,057
FICA expense		33,747		27,901
Group insurance		103,363		90,938
Group insurance, retiree		28,728		28,717
Retirement		54,340		43,053
401(k) account		17,858		11,379
Travel and training		903		2,047
Repairs and maintenance, vehicles		115,448		132,541
Automotive supplies		146,764		125,857
Department supplies		51,506		21,222
Uniforms		5,528		4,583
Contracted services		196,080		87,500
Recycling		65,435		75,941
Repairs and maintenance, equipment		3,702		1,116
Advertising		238		119
Capital outlay, equipment		32,368		18,468
Capital outlay, vehicles		532,416		1,227,336
Debt service, principal		272,507		426,230
Debt service, interest		10,606		17,977
Total	2,580,251	2,140,351	(439,900)	2,733,982
Solid Waste:				
Tipping fees		817,785		807,055
Total	850,818	817,785	(33,033)	807,055
Total Environmental Protection	3,431,069	2,958,136	(472,933)	3,541,037
Public Services:				
Administration:				
Salaries and wages		286,527		178,994
FICA expense		20,509		12,258
Group insurance		51,997		51,618
Retirement		34,726		20,413
401(k) account		11,411		5,518
Contracted services		10,729		9,261
Purchase for resale		75,208		82,685
Telephone		1,294		641
Departmental supplies		5,745		33,425
Equipment rental		2,405		2,164
Automotive supplies		2,199		1,237
Travel and Training		2,767		515
Dues and subscriptions		4,452		4,521
Postage		989		44
Repairs and maintenance, vehicles		564		196
Advertising		-		495
Uniforms		120		70
Debt service, principal		27,368		27,368
Debt service, interest		1,987		2,649
Reimbursement from Water Fund		(44,749)		(37,686)
Total	637,686	496,248	(141,438)	396,386

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, 2023
With Comparative Actual Amounts for the Year Ended June 30, 2022

	2023			2022
	Budget	Actual	Variance Over (Under)	Actual
Public Facilities Maintenance:				
Salaries and wages		659,838		618,783
FICA expense		48,859		45,688
Group insurance		128,937		125,889
Retirement		79,638		70,261
401(k) account		26,155		18,655
Repairs and maintenance, facilities		95,373		246,859
Utilities		208,957		209,290
Contracted services		108,996		84,298
Department supplies		32,122		36,769
Repairs and maintenance, equipment		28,525		18,368
Signs		32,670		13,694
Automotive supplies		42,293		34,027
Repairs and maintenance, parks and paths		74,994		37,959
Repairs and maintenance, other		94,700		41,500
Other supplies		24,735		28,862
Professional services		100		200
Uniforms		10,091		7,514
Repairs and maintenance, vehicles		12,834		9,410
Dues and subscriptions		50		-
Travel and Training		3,961		3,661
Special Projects, sand fencing		-		23,273
Special Projects, lighting		25,575		14,250
Reimbursement from Water Fund		(213,004)		(139,588)
Capital outlay, Dowdy Park		21,589		22,894
Capital outlay, improvements		116,920		142,898
Capital outlay, equipment		-		243,478
Capital outlay, land		-		872,780
Capital outlay, building		93,705		890,323
Capital outlay, other		-		1,890
Capital outlay, vehicles		184,586		203,866
Debt service, principal		298,925		374,241
Debt service, interest		37,274		7,868
Total	2,636,849	2,279,398	(357,451)	4,309,860

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, 2023
With Comparative Actual Amounts for the Year Ended June 30, 2022

	2023			2022
	Budget	Actual	Variance Over (Under)	Actual
Maintenance Garage:				
Salaries and wages		275,341		245,106
FICA account		20,722		18,391
Group insurance		40,735		40,647
Retirement		33,509		28,009
401(k) account		11,011		7,444
Other supplies		13,237		14,126
Departmental supplies		17,620		21,883
Uniforms		1,744		1,593
Contracted services		1,097		662
Automotive supplies		1,135		1,285
Travel and training		2,254		70
Repairs and maintenance, vehicles		705		368
Repairs and maintenance, equipment		108		1,684
Reimbursement from Water Fund		(49,306)		(40,387)
Capital outlay, equipment		3,007		3,322
Total	391,411	372,919	(18,492)	344,203
Total Public Services	3,665,946	3,148,565	(517,381)	5,050,449
Streets and Drainage:				
State Street Aid:				
Street supplies, Powell Bill		4,388		19,555
Capital outlay, infrastructure		346,131		6,130
Total	371,599	350,519	(21,080)	25,685
Storm Water Maintenance:				
Utilities		556		664
Automotive supplies		2,080		1,217
Department Supplies		10,930		2,049
Maintenance and repairs equipment		8,078		4,259
Professional services		100		100
Professional fees/water quality testing		2,165		1,975
Contracted services		61,841		25,679
Capital outlay, equipment		183,378		-
Capital outlay, infrastructure		1,446,185		403,487
Debt service, principal		109,162		124,000
Debt Service, interest		3,395		7,251
Total	2,077,242	1,827,870	(249,372)	570,681
Total Streets and Drainage	2,448,841	2,178,389	(270,452)	596,366
Total Expenditures	25,167,749	22,904,984	(2,262,765)	24,060,555
Revenues Over (Under) Expenditures	(2,567,747)	1,118,105	3,685,852	(1,335,965)

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, 2023
With Comparative Actual Amounts for the Year Ended June 30, 2022

	2023			2022
	Budget	Actual	Variance Over (Under)	Actual
Other Financing Sources (Uses):				
Installment financing	-	-	-	3,028,313
Transfers to Capital Reserve Fund	(3,765,860)	(3,730,136)	35,724	(4,473,391)
Transfers to Capital Investment Fund	(6,062,723)	(6,058,223)	4,500	-
Transfers from Capital Reserve Fund	3,179,227	3,146,286	(32,941)	3,275,050
Transfers from Capital Investment Fund	4,599,200	4,303,533	(295,667)	-
Transfers to Capital Project Fund	-	-	-	(489,950)
Sale of capital assets	20,000	119,048	99,048	24,633
Insurance recovery	-	4,618	4,618	-
IT subscription agreement	-	302,881	302,881	-
Appropriated Fund Balance	4,597,903	-	(4,597,903)	-
Other financing sources (uses), net	2,567,747	(1,911,993)	(4,479,740)	1,364,655
Net change in fund balance	<u>\$ -</u>	<u>(793,888)</u>	<u>\$ (793,888)</u>	28,690
Fund balance, beginning		13,961,809		13,933,119
Fund balance, ending		<u>\$ 13,167,921</u>		<u>\$ 13,961,809</u>

Town of Nags Head, North Carolina
Schedule 2
Capital Reserve Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2023
With Comparative Actual Amounts for the Year Ended June 30, 2022

	2023			2022
	Budget	Actual	Variance Over (Under)	Actual
Revenues:				
Investment earnings	\$ -	\$ 72,364	72,364	\$ 40,085
Change in fair market value of investments		(271,775)	(271,775)	(381,937)
Total revenues	-	(199,411)	(199,411)	(341,852)
Other financing sources (uses):				
Transfers from:				
General Fund	3,765,860	3,730,136	(35,724)	4,473,391
Capital Project Fund	1,380,290	1,380,289	(1)	-
Transfers to:				
Capital Project Funds	-	-	-	(1,612,476)
General Fund	(3,179,227)	(3,146,285)	32,942	(3,275,050)
Appropriated Fund Balance	(1,966,923)	-	1,966,923	-
Total other financing sources (uses)	-	1,964,140	1,964,140	(414,135)
Net change in fund balance	<u>\$ -</u>	<u>1,764,729</u>	<u>\$ 1,764,729</u>	<u>(755,987)</u>
Fund balances, beginning		<u>5,126,050</u>		<u>5,882,037</u>
Fund balances, ending		<u>\$ 6,890,779</u>		<u>\$ 5,126,050</u>

Town of Nags Head, North Carolina

Schedule 3

Capital Investment Fund

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

For the Year Ended June 30, 2023

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

	2023			2022
	Budget	Actual	Variance Over (Under)	Actual
Revenues:				
Investment earnings	\$ -	\$ 46,710	46,710	\$ -
Change in fair market value of investments		(334,175)	(334,175)	-
Total revenues	-	(287,465)	(287,465)	-
Other financing sources (uses):				
Transfers from:				
General Fund	6,062,723	6,058,223	(4,500)	-
Capital Project Fund	489,950	489,950	-	-
Transfers to:				
General Fund	(4,599,200)	(4,303,532)	295,668	-
Appropriated Fund Balance	(1,953,473)	-	1,953,473	-
Total other financing sources (uses)	-	2,244,641	2,244,641	-
Net change in fund balance	\$ -	1,957,176	\$ 1,957,176	-
Fund balances, beginning		-		-
Fund balances, ending		\$ 1,957,176		\$ -

OTHER MAJOR GOVERNMENTAL FUNDS

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.

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

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

Schedule 4

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2023

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ 375,864	\$ 445,038	\$ (69,177)	\$ 375,861	\$ (3)
Change in fair market value of investments	-	(130,003)	130,003	-	-
Restricted intergovernmental	9,773,356	9,773,356	-	9,773,356	-
Total revenues	10,149,220	10,088,391	60,826	10,149,217	(3)
Expenditures					
General Government:					
Professional Fees	685,597	673,221	12,375	685,596	(1)
Capital Construction Oversight	1,742,684	1,742,684	-	1,742,684	-
Pumping Costs	32,644,500	32,644,500	-	32,644,500	-
Mobilization	4,000,000	4,000,000	-	4,000,000	-
Monitoring	596,000	472,631	123,369	596,000	-
Sprigging	308,334	308,333	-	308,333	(1)
Turtle Monitoring	66,679	66,679	-	66,679	-
Ocean Outfall	375,000	375,000	-	375,000	-
Other Costs	422,632	422,632	-	422,632	-
Total Expenditures	40,841,426	40,705,680	135,744	40,841,424	(2)
Revenues (under) expenditures	(30,692,206)	(30,617,289)	(74,918)	(30,692,207)	(1)
Other financing sources (uses):					
Installment purchase obligations issued	27,613,837	27,613,837	-	27,613,837	-
Transfers to Capital Reserve Fund	(1,380,290)	-	(1,380,289)	(1,380,289)	1
Transfers from Capital Reserve Fund	4,436,211	4,436,211	-	4,436,211	-
Sale of capital assets	22,448	22,448	-	22,448	-
Total other financing sources	30,692,206	32,072,496	(1,380,289)	30,692,207	1
Net change in fund balance	\$ -	\$ 1,455,207	(1,455,207)	\$ -	\$ -
Fund balance, beginning of year			1,455,207		
Fund balance, end of year			\$ -		

Town of Nags Head, North Carolina
Schedule 5
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, 2023**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ -	\$ 26,413	\$ 14,642	\$ 41,055	\$ 41,055
Change in fair market value of investments	-	(226,833)	19,696	(207,137)	(207,137)
Restricted intergovernmental	12,767,042	733,235	12,611,151	13,344,386	577,344
Total revenues	12,767,042	532,815	12,645,489	13,178,304	411,262
Expenditures					
General Government:					
Professional Fees	793,000	552,660	128,827	681,487	(111,513)
Capital Construction Oversight	1,337,636	606,984	321,574	928,558	(409,078)
Pumping Costs	6,175,419	-	6,175,419	6,175,419	-
Mobilization	5,023,000	-	5,023,000	5,023,000	-
Contingency	98,359	-	-	-	(98,359)
Monitoring	472,200	-	100,175	100,175	(372,025)
Sprigging	64,750	12,450	43,235	55,685	(9,065)
Turtle Monitoring	80,000	-	-	-	(80,000)
Other Costs	496,500	-	247,510	247,510	(248,990)
Total Expenditures	14,540,864	1,172,094	12,039,740	13,211,834	(1,329,030)
Revenues (under) expenditures	(1,773,822)	(639,279)	605,749	(33,530)	1,740,292
Other financing sources:					
Transfers from Capital Reserve Fund	1,773,822	1,773,822	-	1,773,822	-
Total other financing sources	1,773,822	1,773,822	-	1,773,822	-
Net change in fund balance	\$ -	\$ 1,134,543	605,749	\$ 1,740,292	\$ 1,740,292
Fund balance, beginning of year			1,134,543		
Fund balance, end of year			\$ 1,740,292		

Town of Nags Head, North Carolina

Schedule 6

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, 2023**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ -	\$ 1,383	\$ 229,822	\$ 231,205	\$ 231,205
Change in fair market value of investments	-	(18,964)	18,964	-	-
Total revenues	-	(17,581)	248,786	231,205	231,205
Expenditures					
Public Services:					
Public Services Complex:					
Professional Fees	265,938	-	261,913	261,913	(4,025)
Buildings	11,704,280	-	1,102,331	1,102,331	(10,601,949)
Equipment	1,019,413	-	16,857	16,857	(1,002,556)
Capital Construction Oversight	1,382,623	410,413	739,616	1,150,029	(232,594)
Total Expenditures	14,372,254	410,413	2,120,717	2,531,130	(11,841,124)
Revenues (under) expenditures	(14,372,254)	(427,994)	(1,871,931)	(2,299,925)	12,072,329
Other financing sources (uses):					
Installment purchase obligations issued	14,372,254	-	14,372,254	14,372,254	-
Transfers to the Capital Investment Fund	(489,950)	-	(489,950)	(489,950)	-
Transfers from General Fund	489,950	489,950	-	489,950	-
Total other financing sources	14,372,254	489,950	13,882,304	14,372,254	-
Net change in fund balance	\$ -	\$ 61,956	12,010,373	\$ 12,072,329	\$ 12,072,329
Fund balance, beginning of year			61,956		
Fund balance, end of year			\$ 12,072,329		

NON-MAJOR GOVERNMENTAL FUND

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

The **Beach Nourishment Master Plan Capital Project Fund** accounts for long-term beach nourishment planning.

Town of Nags Head, North Carolina
Non-Major Governmental Fund
Balance Sheet
June 30, 2023

Schedule 7

	Capital Project Beach Nourishment Master Plan	Total Nonmajor Governmental Fund
ASSETS		
Cash and cash equivalents	\$ 935,842	\$ 935,842
Accrued interest receivable	4,860	4,860
Total assets	<u>940,702</u>	<u>940,702</u>
LIABILITIES		
Accounts payable	<u>26,110</u>	<u>26,110</u>
Total liabilities	<u>26,110</u>	<u>26,110</u>
FUND BALANCES:		
Committed:		
Beach Nourishment capital projects	<u>914,592</u>	<u>914,592</u>
Total fund balances	<u>914,592</u>	<u>914,592</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 940,702</u>	<u>\$ 940,702</u>

Town of Nags Head, North Carolina
Non-Major Governmental Fund
Statement of Revenues, Expenditures and Changes in
For the Year Ended June 30, 2023

Schedule 8

	Capital Project Beach Nourishment Master Plan	Total Nonmajor Governmental Fund
REVENUES		
Restricted intergovernmental	\$ 25,000	\$ 25,000
Net investment earnings	74,945	74,945
Total revenues	<u>99,945</u>	<u>\$ 99,945</u>
EXPENDITURES		
Capital outlay:		
General Government	<u>1,025,486</u>	<u>1,025,486</u>
Total expenditures	<u>1,025,486</u>	<u>1,025,486</u>
Revenues		
(under) expenditures	(925,541)	(925,541)
Net change in fund balance	(925,541)	(925,541)
Fund balances - beginning	<u>1,840,133</u>	<u>1,840,133</u>
Fund balances - ending	<u>\$ 914,592</u>	<u>\$ 914,592</u>

Town of Nags Head, North Carolina
Schedule 9
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, 2023**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ -	\$ 16,414	\$ 11,887	\$ 28,301	\$ 28,301
Change in fair market value of investments	-	(164,332)	63,058	(101,274)	(101,274)
Restricted intergovernmental	-	-	25,000	25,000	25,000
Total revenues	-	(147,918)	99,945	(47,973)	(47,973)
Expenditures					
General Government:					
Beach Study	2,772,044	908,993	1,025,486	1,934,479	(837,565)
Contingency	125,000	-	-	-	(125,000)
Total Expenditures	2,897,044	908,993	1,025,486	1,934,479	(962,565)
Revenues (under) expenditures	(2,897,044)	(1,056,911)	(925,541)	(1,982,452)	914,592
Other financing sources:					
Transfers from Capital Reserve Fund	2,897,044	2,897,044	-	2,897,044	-
Total other financing sources	2,897,044	2,897,044	-	2,897,044	-
Net change in fund balance	\$ -	\$ 1,840,133	(925,541)	\$ 914,592	\$ 914,592
Fund balance, beginning of year			1,840,133		
Fund balance, end of year			\$ 914,592		

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

The **Water Fund** is used to account for activities of the Water Departments.

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.

The **Water Capital Projects Fund** accounts for funds used for the acquisition, construction or improvement of water system capital equipment and facilities.

Town of Nags Head, North Carolina
Schedule 10
Enterprise Fund - Water Fund
Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2023
With Comparative Actual Amounts for the Year Ended June 30, 2022

	2023			2022
	Budget	Actual	Variance Over (Under)	Actual
REVENUES				
Operating Revenues:				
Water sales		\$ 3,758,134		\$ 3,760,396
Tap and connection fees		27,505		21,277
Late payment penalties and interest		23,289		25,275
Water non-payment fees		1,700		3,450
Miscellaneous		1,500		1,900
Total Operating Revenues	3,863,539	3,812,128	(51,411)	3,812,298
Non-operating Revenues:				
Intergovernmental grant		474,062		474,062
Non-capital contribution		32,556		-
Interest earned on investments		53,495		41,567
Change in fair market value of investments		(70,782)		(330,205)
Total Non-operating Revenues	797,849	489,331	(308,518)	185,424
Total Revenues	4,661,388	4,301,459	(359,929)	3,997,722
EXPENDITURES				
Administration:				
Salaries and wages		152,210		133,421
FICA expense		10,619		9,053
Group insurance		34,344		38,076
Retirement expense		18,454		15,168
401(k) account		6,065		4,044
Reimburse General Fund administrative expenses		46,046		60,101
Contracted services		2,400		2,286
Postage		12,530		12,061
Travel and Training		3,945		580
Supplies and materials		3,558		2,708
Professional fees		18,834		13,940
Repairs and maintenance, equipment		3,024		2,391
Total Administration	380,913	312,029	(68,884)	293,829
Septic Health:				
Salaries and wages		27,030		25,215
FICA expense		2,041		1,896
Group insurance		3,862		4,480
Retirement		3,265		2,859
401(k) account		1,073		760
Reimburse General Fund administrative expenses		25,384		33,840
Inspection rebates		7,388		7,800
Pumping credits		13,800		2,340
Postage		262		-

Town of Nags Head, North Carolina**Schedule 10****Enterprise Fund - Water Fund****Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)****For the Year Ended June 30, 2023****With Comparative Actual Amounts for the Year Ended June 30, 2022**

	2023			2022
	Budget	Actual	Variance Over (Under)	Actual
Septic Health (continued):				
Travel and Training		712		485
Water quality testing		27,150		12,180
Contracted services		6,880		14,755
Printing		770		-
Advertising		1,020		-
Automotive supplies		756		279
Repairs and maintenance, vehicles		71		37
Departmental supplies		753		464
Total Septic Health	194,197	122,217	(71,980)	107,390
Operations:				
Salaries and wages		245,804		302,618
FICA expense		17,885		22,218
Group insurance		57,125		63,176
Retirement		29,818		34,467
401(k) account		9,801		9,134
Purchases for resale		687,441		866,941
Reimburse General Fund administrative expenses		292,597		340,719
Insurance		80,000		59,192
Utilities		40,658		51,289
Contracted services		7,800		13,450
Departmental supplies		35,859		37,435
Professional fees		3,282		75
Other supplies		4,972		3,404
Repairs and maintenance, equipment		9,798		9,667
Repairs and maintenance, buildings		79,496		3,900
Postage		62		1,905
Telephone		497		956
Uniforms		2,259		1,852
Dues and subscriptions		2,265		2,473
Equipment rental		258		316
Printing		-		3,102
Automotive supplies		8,119		11,567
Travel and Training		1,249		678
Repairs and maintenance, vehicles		232		1,574
Total Operations	2,043,351	1,617,277	(426,074)	1,842,108
Operations Distribution:				
Salaries and wages		256,677		227,832
FICA expense		18,086		16,312
Group insurance		59,733		54,202
Group insurance, retiree		14,364		14,358
Retirement		30,924		25,903

Town of Nags Head, North Carolina
Schedule 10
Enterprise Fund - Water Fund
Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2023
With Comparative Actual Amounts for the Year Ended June 30, 2022

	2023			2022
	Budget	Actual	Variance Over (Under)	Actual
Operations Distribution (continued):				
401(k) account		10,159		6,879
Reimburse General Fund administrative expenses		432,746		198,581
Contracted services		88,282		155,440
Other supplies		21,745		13,267
Repairs and maintenance, other		24,111		9,702
Automobile supplies		10,696		8,089
Departmental supplies		27,029		19,450
Professional fees		400		31,055
Uniforms		3,108		2,894
Repairs and maintenance, vehicles		2,737		1,036
Telephone		1,906		2,099
Dues and subscriptions		1,289		1,414
Advertising		788		979
Repairs and maintenance, equipment		57,785		1,884
Travel and Training		2,956		3,040
Total Operations Distribution	1,465,096	1,065,521	(399,575)	794,416
Capital Outlay:				
Machinery and equipment	291,347	95,846		42,771
Infrastructure	721,147	718,184		1,355,148
Other	-	-		120,169
Total Capital Outlay	1,012,494	814,030	(198,464)	1,518,088
TOTAL EXPENDITURES	5,096,051	3,931,074	(1,164,977)	4,555,831
REVENUES OVER (UNDER) EXPENDITURES	(434,663)	370,385	805,048	(558,109)
Other Financing Sources and (Uses):				
Appropriated Net Position	533,611	-		-
Transfer from Water Capital Reserve Fund	-	-		57,130
Transfer from Nags Head Leasing Fund	-	-		109
Transfer to Water Capital Reserve Fund	(25,000)	(24,775)		(23,412)
Insurance recovery	-	-		16,850
Debt interest	(729)	(731)		(1,336)
Debt principal	(28,219)	(28,218)		(38,495)
Contingency	(10,000)	-		-
Septic Health Loans provided to customers	(60,000)	(54,300)		(34,550)
Principal repayments Septic Health Loans	25,000	29,838		24,998
Total Other Financing Sources and (Uses)	434,663	(78,186)	(512,849)	1,294

Town of Nags Head, North Carolina
Schedule 10
Enterprise Fund - Water Fund
Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2023
With Comparative Actual Amounts for the Year Ended June 30, 2022

	2023		Variance	2022
	Budget	Actual	Over (Under)	Actual
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	\$ 292,199	\$ 292,199	\$ (556,815)

RECONCILIATION OF MODIFIED ACCRUAL TO FULL ACCRUAL BASIS

Revenues over (under) expenditures	\$ 292,199	\$ (556,815)
Reconciling items:		
Septic Health Loans	54,300	34,550
Principal repayments Septic Health Loans	(29,838)	(24,998)
Payment of debt principal	28,218	38,495
(Increase) decrease in accrued interest payable	(55,293)	119
(Increase) decrease in accrued vacation payable	(6,727)	6,549
Increase in deferred outflows of resources-pensions	118,534	25,204
(Decrease) increase in deferred outflows of resources-OPEB	(13,801)	27,479
(Increase) decrease in net pension liability	(339,655)	169,290
Decrease (increase) in deferred inflows of resources-pensions	172,779	(174,906)
Decrease (increase) in OPEB liability	41,801	(8,923)
(Increase) decrease in deferred inflows of resources-OPEB	(31,861)	(41,496)
Limited obligation bonds	(5,316,615)	-
Capital contributions	32,775	27,412
Capital outlay	814,030	1,518,088
Loss on disposal of capital asset	(1,533)	-
Depreciation and amortization	(387,926)	(365,539)
Water Capital Reserve Fund	27,339	-
Water Capital Project Fund:		
Revenues and other sources over expenditures	4,534,720	-
Capital outlay	839,416	-
Change in net position	\$ 772,862	\$ 674,509

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, 2023
With Comparative Actual Amounts for the Year Ended June 30, 2022

Schedule 11

	2023			2022
	Budget	Actual	Variance Over (Under)	Actual
Revenues:				
Investment earnings	\$ -	\$ 225	225	\$ 471
Change in fair market value of investments		2,339	2,339	(5,106)
Total revenues	-	2,564	2,564	(4,635)
Other financing sources (uses):				
Transfer to Water Fund	-	-	-	(57,130)
Transfers from Water Fund	25,000	24,775	(225)	23,412
Appropriated net position	(25,000)	-	25,000	-
Total other financing sources (uses)	-	24,775	24,775	(33,718)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	27,339	\$ 27,339	(38,353)
Change in net position		\$ 27,339		\$ (38,353)

Town of Nags Head, North Carolina
Schedule 12
Water Capital Projects Fund
Schedule of Revenues and Expenditures - Budget and Actual (non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2023

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ -	\$ -	\$ 57,521	\$ 57,521	\$ 57,521
Total revenues	-	-	57,521	57,521	57,521
Expenditures					
Public Services Complex:					
Professional Fees	66,484	-	65,478	65,478	(1,006)
Capital Construction Oversight	219,377	-	184,904	184,904	(34,473)
Construction	2,926,070	-	275,583	275,583	(2,650,487)
Equipment	254,854	-	4,214	4,214	(250,640)
Total Expenditures	3,466,785	-	530,179	530,179	(2,936,606)
Advanced Metering Infrastructure:					
Equipment	1,849,830	-	309,237	309,237	(1,540,593)
Total Expenditures	1,849,830	-	309,237	309,237	(1,540,593)
Revenues (under) expenditures	(5,316,615)	-	(781,895)	(781,895)	4,534,720
Other financing sources:					
Limited obligation bonds issued	5,316,615	-	5,316,615	5,316,615	-
Total other financing sources	5,316,615	-	5,316,615	5,316,615	-
Net change in fund balance	\$ -	\$ -	4,534,720	\$ 4,534,720	\$ 4,534,720
Fund balance, beginning of year			-		
Fund balance, end of year			\$ 4,534,720		

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, 2023

Schedule 13

Fiscal Year	Uncollected Balance June 30, 2022	Additions	Collections And Credits	Adjustments	Uncollected Balance June 30, 2023
2022-2023	\$ -	\$ 8,752,780	\$ 8,992,507	\$ 240,407	\$ 680
2022-2023 MSD		1,636,421	1,644,720	8,301	2
2021-2022	881	-	74	(5)	802
2021-2022 MSD	8	-	-	-	8
2020-2021	1,073	-	9	-	1,064
2020-2021 MSD	2	-	-	-	2
2019-2020	699	-	10	-	689
2019-2020 MSD	2	-	-	-	2
2018-2019	211	-	9	-	202
2018-2019 MSD	1	-	-	-	1
2017-2018	185	-	9	-	176
2017-2018 MSD	1	-	-	-	1
2016-2017	154	-	10	-	144
2015-2016	58	-	8	-	50
2015-2016 MSD	2	-	-	-	2
2014-2015	90	-	11	-	79
2013-2014	1,182	-	10	-	1,172
2013-2014 MSD	37	-	-	-	37
2012-2013	1,883	-	1,883	-	-
2012-2013 MSD	2	-	2	-	-
Total	\$ 6,471	\$ 10,389,201	\$ 10,639,262	\$ 248,703	\$ 5,113

Less allowance for uncollectible
ad valorem taxes receivable

\$ 5,000

Ad Valorem Taxes Receivable, net

\$ 113

Reconciliation with revenues:

Taxes, ad valorem , General Fund	\$ 9,001,649
Taxes, ad valorem , General Fund, MSD	1,644,720
Reconciling items:	
Amounts written off for tax year 2012	528
DMV written off for tax year 2012	1,356
Prior year taxes released from Dare County	302
Penalties and interest	(9,293)
Subtotal	(7,107)
Total collections and credits	<u>\$ 10,639,262</u>

Town of Nags Head, North Carolina
Analysis of Current Tax Levy
June 30, 2023

Schedule 14

	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	\$ 3,042,397,495	\$ 0.2875	\$ 8,746,907	\$ 8,746,907	\$ -
Registered Motor Vehicles taxed at current year rates	48,905,369	0.2875	140,959	-	140,959
Registered Motor Vehicles taxed at 2021 year's rate	12,585,232	0.2875	36,183	-	36,183
Registered Motor Vehicles taxed at 2020 year's rate	38,072	0.2650	101	-	101
Penalties	-	-	5,873	5,873	-
Total	3,103,926,168		8,930,023	8,752,780	177,243
Discoveries and Adjustments:					
Current year discoveries and adjustments	23,430,182	0.2875	67,362	67,362	-
Releases and Adjustments:					
Current year releases and adjustments	(562,846)	0.2875	(4,045)	(2,264)	(1,781)
Penalty Releases and Adjustments	-	-	(148)	(148)	-
Total	(562,846)		(4,193)	(2,412)	(1,781)
Write-offs or Adjustments:			(5)	(5)	-
Total property valuation	\$ 3,126,793,504				
Net levy			8,993,187	8,817,725	175,462
Uncollected taxes at June 30, 2023			(680)	(680)	-
Current year taxes collected			\$ 8,992,507	\$ 8,817,045	\$ 175,462
Current levy collection percentage			99.992%	99.992%	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	110
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	120
These tables contain information to help the reader assess the Town's most significant local revenue source: property tax.	
Debt Capacity	125
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	130
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	132
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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities				
Net investment in capital assets	\$ 33,903,387	\$ 31,135,962	\$ 27,708,368	\$ 20,966,687
Restricted	5,228,502	6,624,621	9,021,585	8,329,744
Unrestricted	5,800,045	3,898,698	3,755,364	4,890,365
Total governmental activities net position	<u>\$ 44,931,934</u>	<u>\$ 41,659,281</u>	<u>\$ 40,485,317</u>	<u>\$ 34,186,796</u>
Business-type activities				
Net investment in capital assets	\$ 6,615,501	\$ 6,893,822	\$ 7,151,840	\$ 6,294,923
Restricted	-	-	-	-
Unrestricted	3,714,971	3,552,268	3,666,132	3,314,466
Total business-type activities net position	<u>\$ 10,330,472</u>	<u>\$ 10,446,090</u>	<u>\$ 10,817,972</u>	<u>\$ 9,609,389</u>
Primary government				
Net investment in capital assets	\$ 40,518,888	\$ 38,029,784	\$ 34,860,208	\$ 27,261,610
Restricted	5,228,502	6,624,621	9,021,585	8,329,744
Unrestricted	9,515,016	7,450,966	7,421,496	8,204,831
Total primary government activities net position	<u>\$ 55,262,406</u>	<u>\$ 52,105,371</u>	<u>\$ 51,303,289</u>	<u>\$ 43,796,185</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.

The Town adopted GASB Statement No. 96 for fiscal year 2023; prior years are not restated.

TABLE 1

2018	2019	2020	2021	2022	2023
\$ 21,952,386	\$ 25,110,090	\$ 40,161,631	\$ 36,284,111	\$ 33,233,399	\$ 41,411,411
11,467,485	20,760,822	11,135,803	11,184,939	9,405,616	12,950,862
1,878,340	6,504,243	3,379,930	4,724,498	6,454,409	3,207,522
<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>	<u>\$ 57,569,795</u>
\$ 6,220,850	\$ 6,084,121	\$ 6,462,459	\$ 5,008,907	\$ 6,199,951	\$ 6,815,447
-	20,747	29,815	45,506	7,153	34,492
2,914,008	2,904,685	2,788,642	4,039,632	3,522,990	3,653,017
<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>	<u>\$ 10,502,956</u>
\$ 28,173,236	\$ 31,194,211	\$ 46,624,090	\$ 41,293,018	\$ 39,433,350	\$ 48,226,858
11,467,485	20,781,569	11,165,618	11,230,445	9,412,769	12,985,354
4,819,348	9,408,928	6,168,572	8,764,130	9,977,399	6,860,539
<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>	<u>\$ 68,072,751</u>

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

	2014	2015	2016	2017
Expenses				
Governmental activities:				
General government	\$ 9,408,905	\$ 10,812,062	\$ 9,974,716	\$ 10,328,168
Public safety	5,251,148	5,274,035	5,402,779	5,501,986
Public Works	2,158,516	2,137,237	2,174,552	4,728,501
Environmental protection	1,744,024	1,726,901	1,886,219	1,730,249
Streets and Drainage	-	-	-	545,888
Interest on long-term debt	319,462	226,348	143,298	40,122
Total Governmental activities expenses	<u>18,882,055</u>	<u>20,176,583</u>	<u>19,581,564</u>	<u>22,874,914</u>
Business-type activities:				
Water Fund	2,634,525	2,721,655	2,616,111	2,926,519
Storm Water Fund	41,395	70,127	102,667	875,662
Total Business-type activities expenses	<u>2,675,920</u>	<u>2,791,782</u>	<u>2,718,778</u>	<u>3,802,181</u>
Total primary government activities expenses	<u>\$ 21,557,975</u>	<u>\$ 22,968,365</u>	<u>\$ 22,300,342</u>	<u>\$ 26,677,095</u>
Program revenues				
Governmental activities:				
Charges for services				
General government	\$ 426,391	\$ 470,792	\$ 407,776	\$ 429,748
Public safety	2,018	3,278	3,913	5,661
Public Works	-	-	-	-
Environmental Protection	-	-	-	-
Operating grants and contributions				
General government	27,570	32,057	185,181	396,069
Public safety	111,572	73,833	70,628	84,511
Public Works	24,000	24,000	24,000	38,720
Environmental protection	-	-	30,000	92,574
Streets and Drainage	-	-	-	42,691
Capital grants and contributions				
General Government	1,525,325	2,000,000	2,000,000	6,000
Public safety	83,843	-	7,000	22,676
Public Works	209,432	253,784	136,076	999,257
Streets and Drainage	-	-	-	952,487
Total Governmental activities program revenues	<u>2,410,151</u>	<u>2,857,744</u>	<u>2,864,574</u>	<u>3,070,394</u>
Business-type activities				
Charges for services:				
Water Fund	2,308,365	2,662,592	2,720,922	2,533,007
Storm Water Fund	115,364	116,184	233,540	-
Operating grants and contributions				
Water Fund	-	-	-	-
Capital grants and contributions:				
Water Fund	95,500	162,500	102,500	104,500
Total Business-type activities program revenues	<u>2,519,229</u>	<u>2,941,276</u>	<u>3,056,962</u>	<u>2,637,507</u>
Total primary government activities program revenues	<u>\$ 4,929,380</u>	<u>\$ 5,799,020</u>	<u>\$ 5,921,536</u>	<u>\$ 5,707,901</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.
The Town adopted GASB Statement No. 96 for fiscal year 2023; prior years are not restated.

TABLE 2

2018	2019	2020	2021	2022	2023
\$ 3,548,805	\$ 8,197,403	\$ 12,396,326	\$ 12,504,708	\$ 12,715,848	\$ 13,554,409
5,791,918	5,922,340	6,340,300	7,036,704	7,342,949	8,229,791
2,146,924	2,390,713	2,616,743	2,158,949	2,991,500	3,252,736
1,857,765	1,920,037	2,017,127	2,183,166	2,214,312	2,531,073
310,542	318,282	381,747	267,697	286,284	339,067
41,470	430,674	581,012	294,342	233,493	329,881
<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>	<u>28,236,957</u>
3,082,644	3,382,034	3,186,733	3,950,579	3,401,302	3,621,457
-	-	-	-	-	-
<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>3,621,457</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>	<u>\$ 31,858,414</u>
\$ 556,438	\$ 251,901	\$ 241,799	\$ 321,514	\$ 553,362	\$ 635,277
4,343	33,147	19,946	34,925	41,131	30,662
-	73,813	109,837	99,103	103,732	101,286
-	7,459	3,688	1,661	4,352	224,668
24,275	37,696	649,033	646,167	681,383	633,166
58,844	100,179	189,960	71,984	127,808	72,056
24,000	15,812	52,467	24,000	23,273	20,047
-	17,222	60,898	-	-	10,000
93,831	5,165	4,123	110,487	126,566	-
1,047,680	17,726,292	7,726,152	58,943	762,190	12,636,151
23,131	-	227,579	282,649	17,946	67,268
185,000	512,450	-	169,458	-	-
25,432	202,805	136,387	-	6,130	172,685
<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>	<u>14,603,266</u>
2,696,650	3,088,432	3,365,591	3,713,838	3,810,398	3,810,628
-	-	-	-	-	-
-	-	-	2,100	-	32,556
145,000	22,461	10,496	64,930	518,324	506,837
<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>4,350,021</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>	<u>\$ 18,953,287</u>

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

	2014	2015	2016	2017
Net (Expense)/Revenue				
Governmental activities	\$ (16,471,904)	\$ (17,318,839)	\$ (16,716,990)	\$ (19,804,520)
Business-type activities	(156,691)	149,494	338,184	(1,164,674)
Total primary government net expense	<u>\$ (16,628,595)</u>	<u>\$ (17,169,345)</u>	<u>\$ (16,378,806)</u>	<u>\$ (20,969,194)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes levied for general purpose	\$ 6,007,054	\$ 6,245,990	\$ 6,302,099	\$ 7,067,172
Municipal service district taxes	1,793,280	1,826,183	1,823,812	-
Occupancy tax	2,492,045	2,637,450	2,637,733	2,572,622
Land transfer taxes	532,837	664,756	658,595	617,313
Sales taxes	2,233,617	2,343,993	2,486,409	2,533,000
Other taxes and licenses	45,939	68,143	60,313	65,435
Intergovernmental revenues not restricted	699,313	841,649	1,080,122	1,018,345
Net unrestricted investment earnings	80,246	75,122	113,379	86,867
Miscellaneous	137,618	188,115	187,746	187,262
Capital Contributions	5,200	-	-	-
Transfers	-	-	-	69,670
Total Governmental activities	<u>14,027,149</u>	<u>14,891,401</u>	<u>15,350,208</u>	<u>14,217,686</u>
Business-type activities				
Unrestricted investment earnings	24,968	21,810	31,578	21,271
Miscellaneous	1,764	19,211	2,120	4,490
Transfers	-	-	-	(69,670)
Total Business-type activities	<u>26,732</u>	<u>41,021</u>	<u>33,698</u>	<u>(43,909)</u>
Total primary government	<u>\$ 14,053,881</u>	<u>\$ 14,932,422</u>	<u>\$ 15,383,906</u>	<u>\$ 14,173,777</u>
Change in Net Position				
Governmental activities	(2,444,755)	(2,427,438)	(1,366,782)	(5,586,834)
Restatement - Governmental activities	-	(845,215)	192,818	(711,687)
Business-type activities	(129,959)	190,515	371,882	(1,208,583)
Restatement - Business-type activities	-	(74,897)	-	-
Total primary government change in net position	<u>\$ (2,574,714)</u>	<u>\$ (3,157,035)</u>	<u>\$ (802,082)</u>	<u>\$ (7,507,104)</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.
The Town adopted GASB Statement No. 96 for fiscal year 2023; prior years are not restated.

TABLE 2

2018	2019	2020	2021	2022	2023
\$ (11,654,450)	\$ (195,508)	\$ (14,911,386)	\$ (22,624,675)	\$ (23,336,513)	\$ (13,633,691)
(240,994)	(271,141)	189,354	(169,711)	927,420	728,564
<u>\$ (11,895,444)</u>	<u>\$ (466,649)</u>	<u>\$ (14,722,032)</u>	<u>\$ (22,794,386)</u>	<u>\$ (22,409,093)</u>	<u>\$ (12,905,127)</u>
\$ 7,147,201	\$ 7,456,247	\$ 7,785,799	\$ 8,222,813	\$ 8,938,833	\$ 9,000,291
1,412,472	1,414,525	1,422,383	1,496,059	1,641,755	1,644,720
2,419,390	2,870,519	2,741,871	4,152,935	4,457,313	4,624,217
592,775	711,883	719,914	1,639,383	1,727,795	1,108,709
2,339,634	2,721,543	2,761,461	3,546,353	3,995,689	4,395,996
60,239	53,543	64,487	59,357	79,895	76,212
880,000	960,846	932,135	918,654	952,365	1,007,408
98,515	894,881	571,689	(124,386)	(1,648,548)	56,014
59,916	188,465	213,856	229,691	91,292	196,495
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>22,110,062</u>
22,186	116,854	79,816	(19,280)	(293,271)	42,798
2,951	1,982	2,193	2,120	1,900	1,500
-	-	-	-	-	-
<u>25,137</u>	<u>118,836</u>	<u>82,009</u>	<u>(17,160)</u>	<u>(291,371)</u>	<u>44,298</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>	<u>\$ 22,154,360</u>
3,355,692	17,076,944	2,302,209	(2,483,816)	(3,100,124)	8,476,371
(2,244,277)	-	-	-	-	-
(215,857)	(152,305)	271,363	(186,871)	636,049	772,862
(231,674)	-	-	-	-	-
<u>\$ 663,884</u>	<u>\$ 16,924,639</u>	<u>\$ 2,573,572</u>	<u>\$ (2,670,687)</u>	<u>\$ (2,464,075)</u>	<u>\$ 9,249,233</u>

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

(modified accrual basis of accounting)

	2014	2015	2016	2017
General Fund				
Non-Spendable	\$ 73,383	\$ 71,433	\$ 78,175	\$ 55,000
Restricted	5,040,137	6,496,072	9,228,864	6,984,415
Committed	-	-	263,271	262,520
Assigned	399,000	317,500	74,169	275,503
Unassigned	6,653,787	5,738,240	5,398,644	6,579,895
Total General Fund	<u>\$ 12,166,307</u>	<u>\$ 12,623,245</u>	<u>\$ 15,043,123</u>	<u>\$ 14,157,333</u>
All Other Governmental Funds				
Restricted	\$ 188,365	\$ 301,156	\$ 38,146	\$ 1,511,112
Committed	343,663	11,914	-	787,241
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 532,028</u>	<u>\$ 313,070</u>	<u>\$ 38,146</u>	<u>\$ 2,298,353</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.
The Town adopted GASB Statement No.96 for fiscal year 2023; prior years are not restated.

TABLE 3

2018	2019	2020	2021	2022	2023
\$ 66,336	\$ 73,868	\$ 72,625	\$ 73,819	\$ 112,860	\$ 153,000
10,060,421	20,760,822	11,135,803	11,184,939	9,405,616	12,950,862
223,371	189,105	125,744	53,702	-	-
450,000	411,332	-	316,712	3,275,000	350,000
6,378,688	6,981,462	8,634,215	8,185,984	6,294,383	8,562,014
<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>	<u>\$ 22,015,876</u>
\$ 1,407,064	\$ -	\$ -	\$ -	\$ -	\$ -
700,810	-	-	4,477,581	4,491,839	14,727,213
-	17,889,355	2,386,849	-	-	-
-	-	-	-	-	-
<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>	<u>\$ 14,727,213</u>

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

	2014	2015	2016	2017
Revenues				
Ad valorem taxes	\$ 7,804,535	\$ 8,073,532	\$ 8,138,686	\$ 7,067,296
Other taxes and licenses	5,360,806	5,723,727	5,866,657	5,799,168
Unrestricted intergovernmental revenues	642,945	841,649	1,080,122	1,018,345
Restricted intergovernmental revenues	1,971,466	2,366,589	2,428,829	1,742,369
Permits and fees	258,038	307,544	281,000	325,505
Sales and services	2,018	3,278	3,913	92,226
Net investment earnings	80,246	75,122	113,380	86,867
Other revenues	316,247	368,451	281,436	214,459
Total revenues	<u>16,436,301</u>	<u>17,759,892</u>	<u>18,194,023</u>	<u>16,346,235</u>
Expenditures				
General government	2,479,757	3,835,487	2,732,414	3,042,364
Public safety	4,749,036	4,951,779	4,978,495	5,076,316
Environmental protection	1,465,995	1,463,177	1,637,808	1,527,864
Public works	1,637,644	1,605,570	1,644,467	1,594,503
Streets and Drainage	-	-	-	141,859
Debt service				
Principal	4,320,700	4,454,715	4,581,963	1,053,956
Interest	319,462	226,348	131,632	38,150
Capital Outlay	3,761,181	1,737,968	1,601,067	3,577,748
Total expenditures	<u>18,733,775</u>	<u>18,275,044</u>	<u>17,307,846</u>	<u>16,052,760</u>
Excess (deficiency) of revenues over expenditures	(2,297,474)	(515,152)	886,177	293,475
Other financing sources (uses)				
Installment financing	938,539	753,132	1,015,819	988,525
Limited obligation bond proceeds	-	-	-	-
Transfers from other funds	1,000,000	-	139,373	2,743,952
Transfers to other funds	(1,000,000)	-	(139,373)	(2,674,282)
Insurance recovery	-	-	-	-
IT subscription agreement	-	-	-	-
Sale of Capital Assets	-	-	50,140	22,747
Total other financing sources	<u>938,539</u>	<u>753,132</u>	<u>1,065,959</u>	<u>1,080,942</u>
Net change in fund balances	\$ <u>(1,358,935)</u>	\$ <u>237,980</u>	\$ <u>1,952,136</u>	\$ <u>1,374,417</u>
Debt service as a percentage of non-capital expenditures	30.99%	28.31%	30.01%	8.75%

The Town adopted GASB Statement No. 87 for fiscal year 2022; prior years are not restated.
The Town adopted GASB Statement No. 96 for fiscal year 2023; prior years are not restated.

TABLE 4

	2018	2019	2020	2021	2022	2023
\$	8,559,752	\$ 8,869,938	\$ 9,199,976	\$ 9,724,927	\$ 10,582,398	\$ 10,646,369
	5,411,329	6,366,165	6,288,313	9,398,513	10,260,892	10,205,374
	880,000	960,846	932,135	918,654	952,365	1,007,408
	1,283,785	18,564,123	9,036,209	1,349,356	1,729,336	13,611,373
	367,214	300,228	268,293	358,100	388,634	640,052
	69,837	66,091	106,977	99,103	313,943	351,839
	98,515	894,881	571,689	(124,386)	(1,648,548)	56,014
	186,555	185,920	191,700	207,365	82,619	72,831
	<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>	<u>36,591,260</u>
	2,798,124	2,996,329	3,170,729	3,115,138	3,342,466	3,394,010
	5,355,905	5,418,519	5,526,696	6,091,021	6,633,356	7,121,801
	1,589,536	1,653,298	1,749,846	1,820,910	1,851,026	2,110,238
	1,548,039	1,626,009	1,756,630	1,932,203	2,256,872	2,363,205
	69,318	50,875	110,240	38,979	55,498	90,138
	1,216,638	1,293,230	20,022,960	3,816,919	3,818,546	3,627,713
	37,307	41,431	826,491	340,777	247,532	223,685
	<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>19,295,880</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>	<u>38,226,670</u>
	1,719,007	(2,832,312)	(26,207,096)	527,834	(3,765,985)	(1,635,410)
	1,090,403	29,831,220	2,223,843	1,373,008	3,028,313	-
	-	-	-	-	-	14,372,254
	12,000	1,750,000	-	-	-	1,380,289
	(12,000)	(1,750,000)	-	-	-	(1,380,289)
	-	-	-	-	-	4,618
	-	-	-	-	-	302,881
	<u>21,594</u>	<u>20,345</u>	<u>32,546</u>	<u>36,658</u>	<u>24,633</u>	<u>119,048</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>14,798,801</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>	<u>\$ 13,163,391</u>
	9.94%	10.20%	62.87%	24.23%	22.33%	20.34%

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
2014 [1]	Town Tax	5,871,417	5,867,233	99.929%	3,013	5,870,246	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%	5,587	6,144,836	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%	830	6,183,252	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%	52	6,940,425	99.998%
	MSD	-	-	-	-	-	-
2018	Town Tax	7,013,398	7,012,961	99.994%	261	7,013,222	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%	1,548	7,316,044	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%	9,091	7,635,540	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%	2,710	8,065,431	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%	79	8,780,392	99.991%
	MSD	1,629,822	1,629,814	99.999%	1	1,629,814	99.999%
2023	Town Tax	8,817,725	8,817,045	99.992%	[2]	8,817,045	99.992%
	MSD	1,636,362	1,636,360	100.000%	[2]	1,636,360	100.000%

[1] Revaluation of taxable property occurred on January 1, 2005, January 1, 2013 and January 1, 2020
Each year's tax levy is revised every year to reflect pick-ups and releases applicable to that year.
Subsequent year's tax collections include subsequent collections of the original levy and collections
of pick-ups and releases applicable to each particular year.

[2] Not applicable.

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	
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
2023	2,971,566,181	70,306,469	61,528,673	23,392,181

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>
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
3,126,793,504	0.2875	63.20%	4,947,458,076

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]
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
2023	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, 2023			June 30, 2014		
	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation
Dominion NC Power	\$ 19,564,943	1	0.64%	\$ 17,141,584	1	0.75%
SRE Mustang (previously Tanger)	14,990,094	2	0.49%	9,358,198	10	0.41%
The Outer Banks Hospital, Inc.	14,052,200	3	0.46%			
Nags Head Company, LLC	14,025,980	4	0.46%	9,796,545	9	0.43%
Ocean Carolina, LLC	11,798,506	5	0.38%			
Brian K. Newman	10,773,676	6	0.35%	13,517,681	6	0.59%
Stanford M. White	10,708,451	7	0.35%	14,060,638	5	0.62%
Mildred Roughton	10,127,028	8	0.33%	15,875,549	2	0.69%
Clubcorp Golf of North Carolina	9,767,797	9	0.32%	11,041,051	8	0.48%
Surf Side Realty LLC	8,708,279	10	0.28%			
The Lacour Group, LLC				14,587,537	3	0.64%
Kenneth Simpler				14,265,700	4	0.62%
Nags Head Inn				13,136,685	7	0.58%
	<u>\$ 124,516,954</u>		<u>4.06%</u>	<u>\$ 132,781,168</u>		<u>5.81%</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					
	Governmental Activities				Business-type Activities	
	Installment Financing	Direct	Direct	Right of Use Liabilities	Installment Financing	Direct
		Borrowing Installment Finance Purchases	Placement Installment Finance Purchases			Borrowing Installment Finance Purchases
2014	-	2,363,390	7,200,000	-	-	531,467
2015	-	2,261,807	3,600,000	-	-	411,700
2016	-	2,295,663	-	-	-	322,838
2017	-	2,230,231	-	-	-	261,234
2018	-	2,103,996	-	-	-	146,783
2019	-	3,028,149	27,613,837	-	-	34,371
2020	-	3,738,869	9,104,000	-	-	59,945
2021	-	3,570,958	6,828,000	-	-	79,295
2022	-	5,097,186	4,552,000	99,542	-	40,799
2023	14,372,254	3,850,098	2,276,000	297,801	5,316,615	12,582

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

The Town adopted GASB Statement No. 87 for fiscal year 2022; prior years are not restated.
The Town adopted GASB Statement No.96 for fiscal year 2023; prior years are not restated.

TABLE 9

	<u>Percent of Estimated</u>			
<u>Total Primary Government</u>	<u>Governmental Activities</u>	<u>Total</u>	<u>Per Capita [2]</u>	<u>Percent of Personal Income [2]</u>
10,094,857	0.39%	0.41%	3,480	7.85%
6,273,507	0.24%	0.26%	2,151	4.43%
2,618,501	0.09%	0.10%	886	1.80%
2,491,465	0.08%	0.09%	837	1.57%
2,250,779	0.08%	0.08%	752	1.33%
30,676,357	1.05%	1.06%	10,198	17.68%
12,902,814	0.54%	0.54%	4,204	7.10%
10,478,253	0.34%	0.34%	3,300	4.79%
9,789,527	0.25%	0.25%	3,083	*
26,125,350	0.42%	0.53%	8,061	*

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

	2014	2015	2016	2017
Assessed Value of Property	\$ 2,328,518,697	\$ 2,332,706,201	\$ 2,351,897,661	\$ 2,376,353,295
Debt Limit, 8% of Assessed Value (Statutory Limitation)	\$ 186,281,496	\$ 186,616,496	\$ 188,151,813	\$ 190,108,264
Amount of debt applicable to limit				
Gross debt	\$ 10,094,857	\$ 6,273,507	\$ 2,618,501	\$ 2,491,465
Total net debt applicable to limit	\$ 10,094,857	\$ 6,273,507	\$ 2,618,501	\$ 2,491,465
Legal Debt Margin	<u>\$ 176,186,639</u>	<u>\$ 180,342,989</u>	<u>\$ 185,533,312</u>	<u>\$ 187,616,799</u>
Total net debt applicable to the limit as a percentage of debt limit	5.42%	3.36%	1.39%	1.31%
Total net debt applicable to the limit as a percentage of assessed value	0.43%	0.27%	0.11%	0.10%

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

2018	2019	2020	2021	2022	2023
\$ 2,403,107,381	\$ 2,425,366,425	\$ 2,451,719,147	\$ 3,097,162,628	\$ 3,107,088,784	\$ 3,126,793,504
\$ 192,248,590	\$ 194,029,314	\$ 196,137,532	\$ 247,773,010	\$ 248,567,103	\$ 250,143,480
\$ 2,250,779	\$ 30,676,357	\$ 12,902,814	\$ 10,478,253	\$ 9,689,985	\$ 26,125,350
\$ 2,250,779	\$ 30,676,357	\$ 12,902,814	\$ 10,478,253	\$ 9,689,985	\$ 26,125,350
\$ 189,997,811	\$ 163,352,957	\$ 183,234,718	\$ 237,294,757	\$ 238,877,118	\$ 224,018,130
1.17%	15.81%	6.58%	4.23%	3.90%	10.44%
0.09%	1.26%	0.53%	0.34%	0.31%	0.84%

TABLE 11

TOWN OF NAGS HEAD, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2023

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable [1]</u>	<u>Estimated Share of Overlapping Debt</u>
Dare County	\$ 135,868,096	18.30%	\$ 24,865,758
Town of Nags Head direct debt			20,796,153
Total direct and overlapping debt			<u>45,661,911</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]
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	218,716,225	68,887	5,131	6.9%
2022	3,213	*	*	5,140	4.8%
2023	3,241	*	*	5,109	4.3%

[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 11/16/2022

[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, 2023			June 30, 2014		
	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 (Hospital)	250 - 499	2	*	250 - 499	4	*
Food Lion	250 - 499	3	*	250 - 499	2	*
Village Realty	250 - 499	4	*	250 - 499	3	*
Town of Nags Head	100 - 249	5	*	100 - 249	8	*
State of NC Dept of Cultural Resources	100 - 249	6	*	100 - 249	5	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
Stan White Realty & Const Inc	*	*	*	100 - 249	6	*
Kitty Hawk Kites	*	*	*	100 - 249	7	*

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

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

[3] Employment data is only available in rank 1-8 from the North Carolina Employment Security Commission.

* Information unavailable for the Town of Nags Head

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

TABLE 14

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Function/Program</u>										
General government										
Administration	6	6	6	6 3/4	7 1/2	7 1/2	6 3/4	5 3/4	5	5
Administrative Services	6	6	6	6	6	6	6	7	5 1/2	5 1/2
Information Technology	2	2	2	2	2	1	1	1	1	1
Planning and Development	8	8	8 1/2	8 1/2	9	9 1/2	10 3/4	10 3/4	10 1/4	10 1/4
Public Safety										
Police	24	24	25	25	25	25	25	25	25	27
Fire	27	27	27	27	27	27	27 1/3	27 1/3	27 1/3	27 1/3
Ocean Rescue	24	24	24	26	26	26	25 2/3	50 2/3	25 2/3	25 2/3
Year-round	1	1	1	1	1	1	2/3	2/3	2/3	2/3
Seasonal Lifeguards	23	23	23	25	25	25	25	50	25	25
Enviromental Protectoin										
Solid Waste	10	10	10	10	11	11	11 1/2	9 1/2	9 1/2	9 1/2
Public Works										
Administration	4	4	4	3	2 3/4	2 3/4	2 3/4	2 3/4	4 1/4	3 1/2
Facilities Maintenance	9 1/2	9 1/2	10 1/2	10 1/2	11	12	12 1/2	13	12	13
Garage	4	4	4	4	4	4	4	4	4	4
Water										
Water Administration	1 1/2	1 1/2	1 1/2	1 1/2	2 1/2	2 1/2	2 1/4	2 1/4	2 1/2	2 1/4
Septic Health	1	1	1/2	1/2	1/2	1/2	1/2	1/2	1/2	1/2
Water Operations	4	4	4	4	4	5	5	5	5	4
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

	2014	2015	2016	2017
Population	2,901	2,916	2,954	2,977
Police:				
Crime Activity: Reported				
Rape (includes attempts):	9	11	3	3
Robbery (includes attempts):	3	-	1	1
Assaults (felonious & misdemeanor):	90	65	85	98
Burglary(breaking/entering-structures):	65	150	98	112
Larceny:	231	191	201	106
Auto Larceny:	2	7	6	8
Arson/unlawful burnings:	-	2	4	-
All other crimes (unspecified above):	404	493	395	532
Total Crime:	804	919	793	860
Traffic Activity:				
Traffic Accidents	248	269	251	266
Driving while impaired arrests	57	56	53	50
General traffic violations-citation	1,010	1,150	1,406	1,746
General traffic violations-warning	1,307	1,291	1,938	2,190
Parking violations-citation issued	-	1	1	2
All other traffic-related, non-violation	61	43	46	108
Total Traffic	2,683	2,810	3,695	4,362
General Calls for Service:				
Police calls-emergency status, non-emergency, traffic control	9,863	10,584	11,760	11,244
Animal control calls	-	304	355	265
Total General Calls for Service	9,863	10,888	12,115	11,509
Total all Police/Animal Control Activity	13,350	14,617	16,603	16,731

Source: Budget documents and individual Town departments.

TABLE 15

2018	2019	2020	2021	2022	2023
2,994	3,008	3,069	3,175	3,213	3,241
1	4	2	3	2	2
2	-	1	1	.	.
77	74	73	75	88	75
111	46	17	42	31	84
116	94	96	87	50	58
5	2	3	5	10	2
1	-	1	-	.	.
375	249	198	207	177	209
688	469	391	420	358	430
258	258	229	233	229	219
68	47	37	40	77	66
1,714	1,067	2,148	1,019	565	1,643
2,408	1,891	1,384	1,103	1,493	1,822
7	2	19	129	229	191
45	61	208	245	222	1,185
4,500	3,326	4,025	2,769	2,815	5,126
17,156	14,590	11,711	14,066	14,613	13,724
667	661	635	716	635	579
17,823	15,251	12,346	14,782	15,248	14,303
23,011	19,046	16,762	17,971	18,421	19,429

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

	2014	2015	2016	2017
Fire:				
Number of volunteers	13	16	12	9
Number of calls answered	877	918	882	1,116
Total dollar loss	\$ 14,300	\$ 716,650	\$ 457,150	\$ 1,273,400
Total dollar property and content saved	\$ 4,051,050	\$ 3,190,600	\$ 4,809,750	\$ 7,939,200
Planning:				
Building permits:				
One and Two Family Dwellings	24	48	33	31
Residential multi-family	-	-	1	-
Commercial/Government/Other	2	1	-	3
Miscellaneous:	333	351	416	348
Accessory Structure	56	59	42	38
Addition	12	22	14	35
Demolition	6	16	6	6
Move	1	6	6	-
Remodel	62	58	47	66
Repair	196	190	301	203
Trade Permits:				
Electrical	497	447	533	538
Gas	17	27	31	41
Mechanical	407	446	454	468
Plumbing	100	123	112	129
Sprinkler	9	7	7	6
Number of CAMA permits issued	42	45	71	54
Number of land disturbance permits issued	13	23	34	19
Number of certificates of occupancy issued	27	42	30	38
Site plan reviews:				
Commercial	4	4	5	3
Residential	*	*	*	*
Number of zoning amendments	12	12	11	10
Number of variance applications	2	2	2	6
Number of exempt plats issued	-	-	1	2
Number of code compliance inspections	231	198	193	1,430

* Information Unavailable

Source: Budget documents and individual Town departments.

TABLE 15

	2018	2019	2020	2021	2022	2023
	10	8	4	3	3	4
	1,092	1,057	958	990	1,091	1,045
\$	142,700	\$ 1,391,700	\$ 266,050	\$ 290,400	\$ 365,150	\$ 345,950
\$	9,222,715	\$ 8,947,900	\$ 3,945,550	\$ 7,539,800	\$ 5,556,650	\$ 9,902,450
	45	25	13	24	23	24
	-	-	-	-	-	-
	4	4	2	-	1	2
339	425	437	431	473	550	
40	46	46	51	48	51	
17	21	17	29	24	30	
7	6	2	7	9	3	
-	-	-	-	-	-	
67	92	98	132	129	134	
208	260	274	212	263	332	
571	492	424	545	506	633	
31	23	21	37	23	34	
485	434	373	443	383	446	
135	100	92	96	69	104	
13	4	3	3	4	4	
65	59	30	31	28	37	
35	21	38	71	54	49	
34	40	23	19	21	25	
12	8	6	1	6	7	
*	*	*	*	*	*	
9	5	10	13	9	8	
2	1	5	8	4	0	
2	2	2	3	2	3	
1,315	1,064	774	883	773	*	

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

	2014	2015	2016	2017
Planning continued:				
Total building permit fees	\$ 177,594	\$ 221,100	\$ 201,576	\$ 199,232
Total site plan review fees	\$ 21,970	\$ 12,538	\$ 10,290	\$ 35,727
Total CAMA permit fees	\$ 5,100	\$ 5,300	\$ 8,600	\$ 5,300
Total construction valuation	\$ 22,017,479	\$ 36,682,703	\$ 29,925,081	\$ 30,640,450
Septic Health:				
Tank Inspections	301	324	298	281
Tanks Pumped	56	43	54	59
Water Quality Sites Tested	273	253	322	299
Refuse collection:				
Refuse collection (tons)	8,239.19	8,225.68	8,253.29	8,593.27
Bulk (tons)	512.64	703.52	423.83	628.82
Water:				
Number of new services	34.0	60.0	31.0	36.0
Number of new customers	171.0	248.0	236.0	250.0
Daily consumption (million gallons)	1.3	1.2	1.1	1.2
Maximum daily capacity of plant(million gallons)	7.9	7.9	7.9	7.9
Maximum contracted per day(million gallons)	3.5	3.5	3.5	3.5

* Information Unavailable

Source: Budget documents and individual Town departments.

TABLE 15

2018	2019	2020	2021	2022	2023
\$ 229,929	\$ 190,236	\$ 189,016	\$ 221,005	\$ 234,818	\$ 257,124
\$ 36,193	\$ 8,442	\$ 10,930	\$ 15,822	\$ 15,558	\$ 41,700
\$ 7,400	\$ 5,900	\$ 3,900	\$ 3,700	\$ 3,400	\$ 4,400
\$ 36,335,579	\$ 25,775,548	\$ 20,393,237	\$ 26,197,676	\$ 34,023,378	\$ 55,458,266
283	376	40	171	110	142
101	78	132	94	48	118
285	299	259	230	181	254
8,568.64	8,209.21	7,873.47	9,924.64	9,308.65	8,448.10
485.52	522.26	567.16	887.25	748.39	791.91
38.0	41.0	19.0	25.0	22.0	32.0
248.0	279.0	351.0	619.0	499.0	380.0
1.2	1.3	1.0	1.2	1.2	1.1
7.9	7.9	7.9	7.9	7.9	7.9
3.5	3.5	3.5	3.5	3.5	3.5

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

Function/Program	2014	2015	2016	2017
Police stations	1	1	1	1
Fire stations	2	2	2	2
Ocean rescue facilities	1	1	1	1
Refuse collection				
Collection trucks	15	15	16	16
Other public works				
Paved streets (miles)	34.82	34.82	34.82	34.77
Unpaved streets (miles)	2.36	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)	101.30	101.64	102.02	102.15
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

2018	2019	2020	2021	2022	2023
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
18	20	17	17	19	20
34.77	34.77	34.77	34.94	34.94	35.24
2.36	2.36	2.36	2.37	2.37	2.37
427	427	427	427	427	595
2	3	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	15.3	15.7	15.7	15.7
1	1	1	1	1	1
102.20	102.20	102.5	103	104.0	104
557	559	553	562	563	542
1.0	1.0	1.0	1.0	1.0	1
1.0	1.0	1.0	1.0	1.0	1

COMPLIANCE SECTION

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 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 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, 2023, 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, 2023.

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 of Nags Head's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the 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 2023-001 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's financial statements are free from 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 financial statements. 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 that are described in the accompanying schedule of findings, responses, and questioned costs. The Town of Nags Head'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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Potter & Company, P.A.

November 28, 2023
Monroe, 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 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, 2023. 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, 2023.

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 provides 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 Town of Nags Head's 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 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 generally accepted auditing standards, *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 Town of Nags Head's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 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 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 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 above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance 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, 2023
Monroe, North Carolina



**REPORT ON COMPLIANCE FOR EACH MAJOR STATE 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 Town Council
Town of Nags Head, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State 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 State programs for the year ended June 30, 2023. The Town of Nags Head's major State 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 compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of 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 provides a reasonable basis for our opinion on compliance for each major State 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 Town of Nags Head State 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 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 generally accepted auditing standards, *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 Town of Nags Head's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 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 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 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 State 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 State 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 State 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, 2023
Monroe, North Carolina

TOWN OF NAGS HEAD, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2023

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.
97.036

Names of Federal Programs or Cluster
Disaster Grants-Public Assistance

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 AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2023**

State Awards

Internal control over major State Programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered
to be material weaknesses. _____ yes X no

Noncompliance material to State awards. _____ yes X no

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

Any audit findings disclosed that are required to be reported in
accordance with the State Single Audit Implementation Act. _____ yes X no

Identification of major State programs:

Program Name

Disaster Grants-Public Assistance
Division of Water Resources

**TOWN OF NAGS HEAD, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2023**

Section II. Financial Statement Findings

Significant Deficiency**Finding 2023-001**

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, 2023, 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 96, IT subscription payments were reclassified to debt service for financial reporting. The IT subscription 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 Officer

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.

Section IV. State Award Findings and Questioned Costs

None reported.

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
Fax 252-441-0776
www.nagsheadnc.gov

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, 2023**

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 96. IT subscription payments were reclassified to debt service for financial reporting after June 30, 2023. Departmentally, there were enough funds budgeted to cover the debt service. A budget amendment was not done to record principal payment and other financing sources (IT subscription agreement). 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. In fiscal year 2024, the Board of Commissioners will approve a budget amendment to reclassify fiscal year 2024 IT subscription payments as debt service in accordance with GASB 96. Going forward, the original budget will categorize IT subscription payments as debt service.

Proposed Completion Date: Immediately

III. Federal Award Findings and Questioned Costs

None reported.

IV. State 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, 2023

Finding: 2022-001
Status: Repeat as 2023-001

Town of Nags Head, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

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:					
Division of Coastal Management					
Minor Permit Program Administration	11.419	DEQ-22	\$ 3,685	\$ -	\$ -
Coastal Management Land Use Planning	11.419	DEQ-22	25,000	-	33,992
N.C. Resilient Coastal Communities Program	11.473	DEQ-22	45,000	-	1,000
Total U.S. Department of Commerce			<u>73,685</u>	<u>-</u>	<u>34,992</u>
<u>U.S. Department of Homeland Security</u>					
Direct Programs:					
Assistance to Firefighters Grant	97.044		67,268	-	3,363
Passed through N.C. Department of Public Safety:					
Disaster Grants-Public Assistance	97.036	FEMA-4465-DR-NC	8,767,119	2,922,373	-
Hazard Mitigation Grant Program	97.039	4543	10,289	1,143	-
Total U.S. Department of Homeland Security			<u>8,844,676</u>	<u>2,923,516</u>	<u>3,363</u>
<u>U.S. Department of Justice</u>					
Direct Program:					
Bulletproof Vest Partnership Program	16.607		2,504	-	2,342
Passed-through N.C. Department of Public Safety:					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	GOV-5	17,895	-	-
Total U.S. Department of Justice			<u>20,400</u>	<u>-</u>	<u>2,342</u>
<u>U.S. Department of Treasury</u>					
Direct Program:					
Equitable Sharing Program	21.016		6,970	-	-
Passed through the N.C. Office of the Governor:					
NC Pandemic Recovery Office:					
Coronavirus State and Local Fiscal Recovery Funds	21.027	GOV-2	474,062	-	199,688
Total U.S. Department of Treasury			<u>481,032</u>	<u>-</u>	<u>199,688</u>
State Awards:					
<u>N.C. Department of Environmental Quality</u>					
Division of Environmental Assistance and Customer Service		DEQ-14		10,000	5,185
Division of Water Resources		DEQ-19		1,426,522	44,238
Total N.C. Department of Environmental Quality				<u>1,436,522</u>	<u>49,423</u>
<u>N.C. Department of Transportation</u>					
Powell Bill Program		DOT-4		350,519	1,444,619
Total N.C. Department of Transportation				<u>350,519</u>	<u>1,444,619</u>
Total Federal and State awards			<u>\$ 9,419,793</u>	<u>\$ 4,710,557</u>	<u>\$ 1,734,426</u>

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

Note 1: Basis of Presentation

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, 2023. 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

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



[TownofNagsHead](#)



[TownofNagsHead](#)



[TownofNagsHead](#)



[company/nagshead](#)



[\(252\) 441-5508](tel:(252)441-5508)

5401 SOUTH CROATAN HIGHWAY, NAGS HEAD, NC 27959