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**TOWN OF NAGS HEAD, NORTH CAROLINA**

*Comprehensive Annual Financial Report*

**Fiscal Year Ended June 30, 2017**

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

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**Town of Nags Head  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30 2017**

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## **INTRODUCTORY SECTION**

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**Robert C Edwards**  
Mayor

**Susie Walters**  
Mayor Pro Tem

**Cliff Ogburn**  
Town Manager



## **Town of Nags Head**

Post Office Box 99  
Nags Head, North Carolina 27959  
Telephone 252-441-5508  
Fax 252-441-0776  
[www.nagsheadnc.gov](http://www.nagsheadnc.gov)

**M. Renée Cahoon**  
Commissioner

**John Ratzenberger**  
Commissioner

**Marvin Demers**  
Commissioner

November 22, 2017

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

The Local Government Commission of the North Carolina State Treasurer's Office requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principals (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Town of Nags Head for the fiscal year ended June 30, 2017.

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

The financial statements contained herein have been audited by Martin Starnes and Associates, CPAs, P.A., 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, 2017, 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, 2017, 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.



# Town of Nags Head

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

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

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

The Town provides a full range of services. These services include tax collection, planning and inspections, police, animal control, fire and ocean rescue protection, sanitation and recycling, and the construction and maintenance of streets and infrastructure as well as storm water management. In addition to general government activities, the Town provides water 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, and Enterprise Fund. Multi-year project budgets are adopted for Capital Project Funds. Appropriations in the General and Enterprise Funds 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



# Town of Nags Head

other economic benefits to local businesses. The Town's travel and tourism industry not only encompasses those revenues that have a direct relationship, such as sales and occupancy taxes, but also revenues related to property transactions and construction, such as land transfer tax, as the majority of those activities come from non-residents and residential construction for rental purposes. This steady stream of income has helped to maintain a healthy balance in the tax base that has enabled the Town to keep property tax rates at moderate levels while providing the infrastructure and high level of services demanded by citizens. In planning for the future, the Town continues to maintain a high priority on both the delivery of quality services and financial stability.

**Long-term financial planning and major initiatives.** To allow for more strategic planning for both operating and capital expenditures, as well as to provide a basis for future fiscal policy decision making, the Town implemented a two-year budget cycle which includes the adopted fiscal year 2018 budget and financial plan year 2019 budget. This enables management to better understand the impacts of how longer term debt and the Capital Improvements Program (CIP) impact operating expenditures and available revenue as well as how services and financial decisions impact future budgets.

A comprehensive five-year CIP plan, which includes expansions and enhancements of amenities and services, long-term master planning initiatives, and major vehicle and equipment replacements, was included as part of the fiscal year 2018 budget. Plans include the second phase of Dowdy Park in fiscal year 2018 to include bathrooms, a community garden, a bocce ball area and multi-use court. This \$593,570 project is being funded in large part by grants (\$486,750) from the North Carolina Parks and Recreation Trust Fund (PARTF), the Outer Banks Visitors Bureau, and Dominion Power along with designated Parks and Paths funds (\$106,820). Additionally, the Bonnett Street Bathhouse will be replaced with a budget of \$460,000. Looking forward to fiscal year 2019, in order to enhance residential connectivity throughout town, several of the highest ranking pedestrian pathway projects are being implemented as a consolidated project costing \$1,610,250 funded by debt service from six years of parks and paths capital reserves averaging \$208,000 a year. Financing will be combined with and collateralized by the final phase of Dowdy Park totaling \$174,000, which will provide pathway lighting, an observation deck, and additional shaded spaces as well as a venue for fitness activities. A vehicle replacement of note is the fire pumper at \$684,000, financed for ten years.

FOCUS Nags Head is a Board initiated planning effort concentrated on assessing where the Town is in accomplishing its long term goals and plans, determining our current needs, and navigating the future. It is a \$100,000 two part project including a Comprehensive Plan that will replace the currently adopted Land Use Plan and work to consolidate numerous plans into a concise, implementable document and a Unified Development Ordinance consolidating all development regulations into a standalone document. An additional initiative is the Sea Level Rise Study, funded mainly by grants, specifically the NC Sea Grant. It is an ongoing effort with multiple phases and goals including assessing the Town's vulnerability with regard to Shoreline Management, Onsite Waste Water, and Storm Water Management.



## Town of Nags Head

Funding the capital reserve continues and sets aside revenue sources including a penny of the ad valorem tax designated for Parks and Paths, a penny of the ad valorem tax designated for Storm Water Management projects, Facility Fees, town-wide and municipal service district tax net of debt service. As sales tax revenues derived from the municipal service district (MSD) levy are calculated from the prior fiscal year, that capital reserve funding will be suspended in fiscal year 2018 based on an MSD levy of zero, however will be funded again in fiscal year 2019.

The pay-as-you-go plan for street and storm water improvements, funded in large part by state Powell Bill funding and the storm water capital reserve, will continue with \$193,000 and \$292,500 estimated for fiscal years 18 and 19, respectively. Additional prioritized storm water projects to be funded during the year through the capital reserve, including drainage pipe replacements, shoulder scraping, and swale establishment, will provide flood relief throughout town. A long-term strategic storm water master plan will also be implemented over fiscal years 18 and 19 at \$200,000. A street pavement master plan is set to be undertaken in fiscal year 2018, with a budget of \$50,000, which will prioritize street and drainage improvements to areas within the Town according to condition rating.

The Town has contracted for a Water System Master Plan which includes a hydraulic analysis 10-year Capital Improvement Plan. The North Carolina Rural Water Association is performing a rate study to fund and plan for the future capital needs identified in the Master Plan as well as annual operating expenses. A Decentralized Waste Water Master Plan is being performed in fiscal year 2018 as well. The water system, storm water, and waste water master plans, as well as the pavement condition survey, will become long term planning tools in prioritizing infrastructural improvements, replacements, and upgrades in order to sustain reliable operations.

The Town is contracted with Coastal Science and Engineering for the engineering, permitting, and design of a 2.3 million cubic yard beach nourishment maintenance project to add sand along 10 miles of its 11-mile shoreline. This project has an estimated budget of \$25,546,711. Up to almost half the funding, or \$12,573,356, will come from a combination of an up-front payment of \$9,573,356 as well as five (5) debt payment supplements of \$600,000 from Dare County pursuant to an inter-local agreement, a special revenue bond of approximately \$11,573,355 with mainly tourism driven occupancy tax revenue being pledged as collateral, and excess funds of \$4,400,000 in the capital reserve held for beach nourishment. The Municipal Service District established for beach nourishment assessed tax was levied at 17.5 cents, as well as the entire town with the general fund's current tax equivalent of 2.7 cents appropriated to pay the remaining portion of debt service, both which are proportionate to their level of direct benefit. The special obligation bonds are estimated to be issued in fiscal year 2018, with the first debt payment, at approximately \$2,660,000, out of five, to be made in fiscal year 2019. Additionally, \$1,550,000 has been appropriated from the beach nourishment capital reserve to fund pay as you go beach nourishment projects, including \$750,000 for a 30-year beach study and \$800,000 towards annual maintenance for profile monitoring, springing, and sand fencing.

As a result of Hurricane Matthew occurring in October 2016, the Town lost 1.4 million cubic yards of sand from its original beach nourishment project. The Town and Federal Emergency Management Agency (FEMA) have agreed to an approximate \$16,000,000 beach restoration project to replace this sand. This project is anticipated to be in conjunction with beach renourishment in an attempt to provide savings by splitting mobilization and demobilization costs.



## Town of Nags Head

The Town is in the process of obtaining the permits required in advance of the FEMA funds being fully committed through a congressional oversight committee. Once committed, the funds will be released to and administered by the North Carolina Division of Emergency Management (NCDEM) through which the Town will request reimbursement. The \$16,000,000 funding is a 75%/25% Federal/State split with no local funding required.

**Awards and Acknowledgements.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Nags Head for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. Nags Head has received a Certificate of Achievement last fiscal year 2016. 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,

Cliff Ogburn  
Town Manager

Amy Miller  
Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Town of Nags Head  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**



Executive Director/CEO

**Town of Nags Head, North Carolina**  
**List of Elected and Appointed Officials**  
**For the Fiscal Year Ended June 30, 2017**

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Elected Officials

Mayor	Robert C. Edwards
Mayor Pro Tempore	Susie Walters
Commissioner	M. Renee Cahoon
Commissioner	Marvin Demers
Commissioner	John Ratzenberger

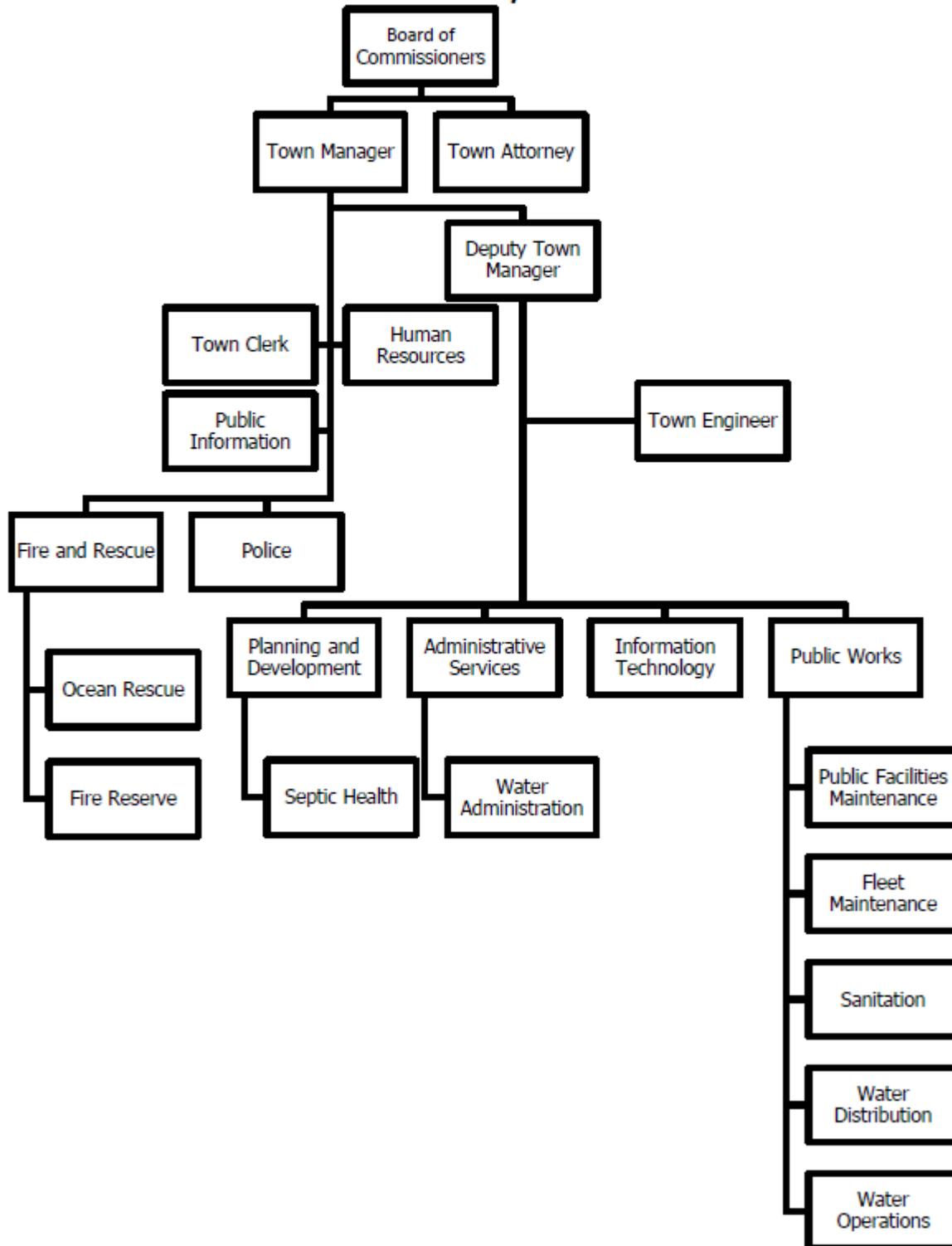
Appointed

Town Attorney	John Leidy
Town Manager	Cliff Ogburn

Town Administration

Town Clerk	Carolyn Morris
Deputy Town Manager	Andy Garman
Finance Director	Amy Miller
Planning Director	Andy Garman
Public Works Director	Ralph Barile
Fire Chief	Kevin Zorc
Police Chief	Kevin Brinkley

# Town of Nags Head, North Carolina Organizational Chart June 30, 2017



## **FINANCIAL SECTION**

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

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

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nags Head, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nags Head, North Carolina, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Post-Employment Benefits' Schedule of Funding Progress and Schedule of Employer Contributions, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, be presented to supplement the basic financial statements. Such information, 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 financial reporting for placing the basic financial statements in an appropriate operational, economical, 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 Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Nags Head, North Carolina's basic financial statements. The introductory information, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other 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, budget and actual schedules, and supplemental ad valorem tax schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2017 on our consideration of the Town of Nags Head, North Carolina's internal control over financial reporting and 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 Nag's 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 the Town of Nags Head's internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
November 22, 2017

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**Management Discussion and Analysis**  
**Town of Nags Head**  
**June 30, 2017**

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**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, 2017. 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.

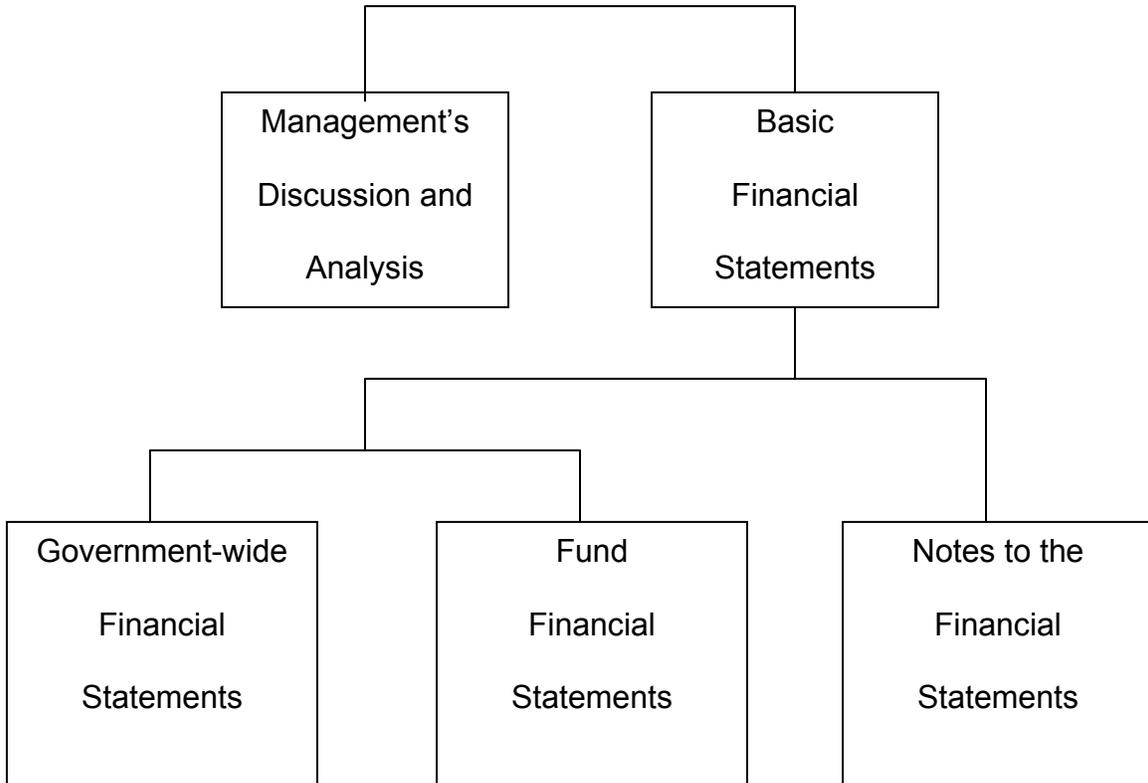
**Financial Highlights**

- 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 \$ 43,796,185 (*net position*).
- The Town's total net position decreased by \$ 6,795,417. This includes a decrease in the governmental activities of \$ 5,586,834 and a decrease in the business-type activities of \$ 1,208,583.
- As of the close of the current fiscal year, the Town of Nags Head's governmental funds reported combined ending fund balances of \$ 16,455,686, an increase of \$ 1,374,417 over the prior year. Approximately 52% of this total amount, or \$ 8,550,527, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 6,579,895, or 35% of total general fund expenditures for the fiscal year. This is a \$ 1,181,251 increase over the prior year of \$ 5,398,644, which is primarily a result of a decrease in encumbrances and shared revenues (sales, occupancy, and land transfer taxes) coming in higher than anticipated.
- The Town's total governmental debt for financing contracts and capital leases and bonded debt decreased \$ 65,432.
- The General Fund budget for the fiscal year June 30, 2017, was adopted with a tax rate of 29.7 cents per \$ 100 of assessed valuation reflecting a three cent increase over the prior year. 2.7 cents of this town-wide tax rate is designated by the Board for beach nourishment and 1.0 cent is designated by the Board for both parks and paths and storm water management. As storm water is now funded through ad valorem taxes and is a capital reserve, the storm water fee was eliminated and that enterprise fund closed.
- The Beach Nourishment Capital Project fund was closed and a Beach Renourishment Capital Project Fund was opened and funded through the capital reserve in anticipation of a beach maintenance project, currently in the engineering and permitting phase.
- While the municipal service district remains, the tax designated for beach nourishment was set at zero in fiscal year 2017.
- The total overall assessed property valuation including property and registered motor vehicles increased \$ 24,455,634 from \$ 2,351,897,661 in fiscal year 2016 to \$ 2,376,353,295 in the current fiscal year. There was an increase in both the property valuation and motor vehicle valuation.

**Overview of the Financial Statements**

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

Required Components of Annual Financial Report (Figure 1)



Summary → Detail

### Basic Financial Statements

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

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

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

**Management Discussion and Analysis**  
**Town of Nags Head**  
**June 30, 2017**

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**Government-wide Financial Statements**

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. 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 three categories: governmental funds, proprietary funds and fiduciary 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.

**Management Discussion and Analysis**  
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The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 24-66 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the town's progress in funding its obligation to provide pension benefits and retiree health benefits to its employees. Required supplementary information can be found on pages 67-72 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, 2017**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 16,961,911	\$ 15,929,089	\$ 4,216,537	\$ 4,539,327	\$ 21,178,448	\$ 20,468,416
Capital assets	23,031,136	29,758,606	6,526,182	7,474,678	29,557,318	37,233,284
Deferred outflows of resources	1,654,039	368,764	154,977	27,714	1,809,016	396,478
Total assets and deferred outflows of resources	41,647,086	46,056,459	10,897,696	12,041,719	52,544,782	58,098,178
Long-term liabilities	6,759,333	4,453,767	589,853	468,948	7,349,186	4,922,715
Other liabilities	508,715	837,366	555,795	603,763	1,064,510	1,441,129
Deferred inflows of resources	192,242	280,009	142,659	151,036	334,901	431,045
Total liabilities and deferred inflows of resources	7,460,290	5,571,142	1,288,307	1,223,747	8,748,597	6,794,889
Net position:						
Net investment in capital assets	20,966,687	27,708,368	6,294,923	7,151,840	27,261,610	34,860,208
Restricted	8,329,744	9,021,585	-	-	8,329,744	9,021,585
Unrestricted	4,890,365	3,755,364	3,314,466	3,666,132	8,204,831	7,421,496
Total net position	\$ 34,186,796	\$ 40,485,317	\$ 9,609,389	\$ 10,817,972	\$ 43,796,185	\$ 51,303,289

**Management Discussion and Analysis**  
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As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Nags Head exceeded liabilities by \$ 43,796,185 as of June 30, 2017. The largest portion of net position, \$ 27,261,610 (62%) reflects the town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any unexpended debt proceeds and any related debt still outstanding that was issued to acquire those items. The Town of Nags Head uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Nags Head's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$ 8,329,744 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 8,204,831 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

As of June 30, 2017, 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, 2017**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 435,409	\$ 411,689	\$ 2,533,007	\$ 2,954,462	\$ 2,968,416	\$ 3,366,151
Operating grants and contributions	654,565	309,809	-	-	654,565	309,809
Capital grants and contributions	1,980,420	2,143,076	104,500	102,500	2,084,920	2,245,576
General revenues:						
Property taxes	7,067,172	8,125,911	-	-	7,067,172	8,125,911
Other taxes	5,788,370	5,843,050	-	-	5,788,370	5,843,050
Other unrestricted intergovernmental	1,018,345	1,080,122	-	-	1,018,345	1,080,122
Investment income	86,867	113,379	21,271	31,578	108,138	144,957
Other	187,262	187,746	4,490	2,120	191,752	189,866
Total Revenues	<u>17,218,410</u>	<u>18,214,782</u>	<u>2,663,268</u>	<u>3,090,660</u>	<u>19,881,678</u>	<u>21,305,442</u>
Expenses:						
General government	10,328,168	9,974,716	-	-	10,328,168	9,974,715
Public safety	5,501,986	5,402,779	-	-	5,501,986	5,402,779
Public Works/Transportation	4,728,501	2,174,552	-	-	4,728,501	2,174,552
Environment Protection	1,730,249	1,886,219	-	-	1,730,249	1,886,219
Streets and Drainage	545,888	-	-	-	545,888	-
Interest on long-term debt	40,122	143,298	-	-	40,122	143,298
Water Utility	-	-	3,802,181	2,718,778	3,802,181	2,718,778
Total Expenses	<u>22,874,914</u>	<u>19,581,564</u>	<u>3,802,181</u>	<u>2,718,778</u>	<u>26,677,095</u>	<u>22,300,342</u>
Increase (decrease) in Net Position before transfers	(5,656,504)	(1,366,782)	(1,138,913)	371,882	(6,795,417)	(994,900)
Transfers	69,670	-	(69,670)	-	-	-
Increase (decrease) in Net Position	(5,586,834)	(1,366,782)	(1,208,583)	371,882	(6,795,417)	(994,900)
Net position – July 1 (previously reported)	40,485,317	41,659,281	10,817,972	10,446,090	51,303,289	52,105,371
Restatement due to GASB 73 implementation	(711,687)	-	-	-	(711,687)	-
Restatement due to GASB 68 implementation	-	192,818	-	-	-	192,818
Net position – July 1 (restated)	<u>39,773,630</u>	<u>41,852,099</u>	<u>10,817,972</u>	<u>10,446,090</u>	<u>50,591,602</u>	<u>52,298,189</u>
Net position – June 30	<u>\$ 34,186,796</u>	<u>\$ 40,485,317</u>	<u>\$9,609,389</u>	<u>10,817,972</u>	<u>\$ 43,796,185</u>	<u>\$ 51,303,289</u>

**Management Discussion and Analysis**  
**Town of Nags Head**  
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**Governmental activities.** Governmental activities decreased the town's net position by \$ 5,586,834. The Town eliminated the Municipal Service District Tax in Fiscal Year 2017, compared to a 23 cent tax in Fiscal Year 2016, which generated \$1,823,812 in revenue. Shared revenues including sales, occupancy, and land transfer tax collections decreased by \$59,802 due to the Town's shared levy percentage decrease. Because of the fair market value on June 30, the unrealized loss on investments held on June 30 was \$96,033. General Fund debt service did decrease as the final debt service principal of \$3,600,000 on the Town's beach nourishment special obligation bonds was paid in fiscal year 2016. However, General Fund current expenditures increased by \$ 2,358,741 due primarily to the completion of Dowdy Park Phase I at \$1,610,776 in Public Works. Dowdy Park Phase I expenditures were partially offset by grant funding of \$999,257 in fiscal year 2017. Grant pass through expenditures of \$366,734 were recognized in fiscal year 2017, which largely accounts for the increase in General Government, again offset by grant revenues for the same amount. In addition, increases in pension expenses of \$475,794 for the Local Government Employees' Retirement System (LGERS) and \$62,103 for the Law Enforcement Officers' Special Separation Allowance (LEOSSA), and increased liabilities of OPEB funding of \$160,411 and compensated absences of \$18,965 caused for increased expenses. Finally, a transfer of \$2,674,211 was made from the Capital Reserve Fund to create a new Beach Nourishment Capital Reserve Fund in anticipation of a beach nourishment maintenance projected currently in the engineering and permitting phase.

**Business-type activities.** Business-type activities decreased the town's net position by \$ 1,208,583. This includes a decrease of \$ 263,253 in the water fund and a decrease of \$ 945,330 in the storm water fund.

The decrease in net position of \$ 263,253 in the water fund compares to an increase in the prior year of \$ 240,577. This is a result of a 7.09% decrease in water sales. Operating expenses including depreciation increased 12.21% primarily due to a \$75,305 or 10% increase in the cost of wholesale water purchased. The wholesale water rate increased from \$1.778 to \$1.872 per million gallons purchased.

The storm water enterprise fund was closed in Fiscal Year 2017 and became a capital reserve, funded by a one cent ad valorem tax, eliminating the \$4 a month storm water fee. The unrestricted portion of net position, or \$69,670, was transferred into the Capital Reserve Fund. The remaining net investment in capital assets of \$875,662 was a capital contribution to General Fund capital assets.

**Financial Analysis of the Town of Nags Head's Funds**

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

**Governmental Funds.** The focus of the Town of Nags Head's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Nags Head's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Nags Head. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 6,579,895, while total fund balance reached \$14,157,333. The Governing Body of the Town of Nags Head has determined that the Town should maintain an available fund balance of 50% of expenditures less bond debt, but not less than \$5 million as per audited financial statements at the end of each fiscal year in case of unforeseen needs or opportunities, in addition to meeting the cash flow

**Management Discussion and Analysis**  
**Town of Nags Head**  
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needs of the Town. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 36% of total general fund budgeted expenditures for the fiscal year.

At June 30, 2017, the governmental funds of Town of Nags Head reported a combined fund balance of \$ 16,455,686, a 8.35% increase over last year. Included in this change in fund balance is an increase in the general fund and the beach renourishment fund. The beach nourishment fund was closed and the fund balance remaining after restricted obligations were paid was transferred into the capital reserve fund.

**Proprietary Fund.** The Town of Nags Heads' proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$3,314,364, a 9.6% decrease over last year. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town of Nags Head's business-type activities.

**General Fund Budgetary Highlights:** During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. The primary changes to the adopted budget were to appropriate \$988,525 of lease purchase funds for budgeted capital purchases, to increase anticipated revenues and appropriate additional fund balance for Dowdy Park Phase I totaling \$214,250, record \$999,257 in additional grants awarded for Dowdy Park, record \$366,734 in pass through grant revenues and expenditures for Peak Resources nursing home improvements, and record \$87,065 in revenues received from the Federal Emergency Management Agency and the North Carolina Division of Emergency Management for Hurricane Matthew relief funding.

**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, 2017, totals \$ 29,557,318 (net of accumulated depreciation). These assets include land, construction in process, buildings, other improvements, equipment, vehicles and intangible assets in the water fund.

Major capital asset transactions during the year include the following additions:

- A sanitation front loader costing \$310,100
- Financial software, Finance/GL module costing \$148,444
- 3 police vehicles costing \$109,339
- Sally Port related costs \$99,488
- A truck each for Ocean Rescue, Public Works Admin, Public Works Facilities Maintenance, and Garage Service, costing \$173,141
- Construction related to Dowdy Park costing \$1,610,776
- Storm water culvert cleaner costing \$52,079
- Becker Street waterline costing \$ 168,646
- Beach Nourishment related costs \$423,467
- Station 16 roof costing \$150,153

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

	<u>Governmental</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 10,302,205	\$ 10,315,495	\$ 1,853,473	\$ 1,853,473	\$ 12,155,678	\$ 12,168,968
Construction in progress	398,588	150,782	-	-	398,589	150,782
Buildings/Plant	3,793,045	6,256,618	3,019,659	3,686,120	6,812,704	9,942,738
Other improvements	4,063,972	9,977,946	-	-	4,063,969	9,977,946
Equipment	800,341	622,974	246,538	250,487	1,046,879	873,461
Vehicles	2,805,988	2,434,791	65,035	92,596	2,871,023	2,527,387
Intangibles	145,435	-	1,341,477	1,592,002	1,486,912	1,592,002
Plant	721,562				721,562	
<b>Total</b>	<b>\$ 23,031,136</b>	<b>\$ 29,758,606</b>	<b>\$ 6,526,182</b>	<b>\$ 7,474,678</b>	<b>\$ 29,557,318</b>	<b>\$ 37,233,284</b>

Additional information on the town's capital assets can be found on pages 39-40 in the notes to the financial statements.

**Long-term Debt.** The Town of Nags Head's total debt increased by 49.2%, primarily due to increases in the Towns' proportionate share of the Local Government Employees' Retirement System (LGERS), the total pension liability for the Law Enforcement Officers' Special Separation Allowance (LEOSSA), and other post-employment benefits (OPEB). As of June 30, 2017, the Town had long-term debt totaling \$ 7,349,187. \$ 6,759,334 of this amount is reported in the governmental activities and \$ 589,853 is reported in the business-type activities. New debt during the year consisted of \$ 1,061,624 for capital purchases. GASB Statement 68 requires the Town to recognize its proportionate share of the Local Government Employees' Retirement System's net pension asset or liability. The Town's proportionate share of the LGERS net pension liability was \$ 2,091,986 at June 30, 2017 and \$ 511,850 at June 30, 2016.

**Town of Nags Head Outstanding Debt**

	<u>Governmental</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Finance contract	\$ 343,333	\$ 590,000	\$173,333	\$ 260,000	\$ 516,666	\$ 850,000
Capital leases	1,886,898	1,705,663	87,901	62,838	1,974,799	1,768,501
Post-employment benefits	1,248,006	1,087,595	101,173	63,967	1,349,179	1,151,562
Total pension liability (LEOSSA)	772,627	15,543	-	-	772,627	15,543
Net pension liability (LGERS)	1,910,611	476,072	181,375	35,778	2,091,986	511,850
Compensated absences	597,859	578,894	46,071	46,365	643,930	625,259
<b>Total</b>	<b>\$ 6,759,334</b>	<b>\$ 4,453,767</b>	<b>\$ 589,853</b>	<b>\$ 468,948</b>	<b>\$ 7,349,187</b>	<b>\$ 4,922,715</b>

Additional information in the Town's debt can be found on pages 54-58 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 \$ 187,616,799.

**Management Discussion and Analysis**  
**Town of Nags Head**  
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**Economic Factors and Next Year's Budgets and Rates**

- Average unemployment rate in Dare County of 6.8% is higher than the State of North Carolina's 2017 average of 4.86%, however, Dare County experiences significant seasonality in rates with a high of 13.0% in January 2017 and a low of 4.0% in June of 2017.
- Projected growth factors for shared revenues in fiscal year 2018 include occupancy tax increasing 2.50%, land transfer tax increasing .95%, and sales tax increasing at 2.10% (Article 39), 4.00% (Article 40), and 3.96% (Article 42).
- Travel and tourism have increased within Dare County as gross occupancy tax collections increased by 7.6%.
- The locally collected portion of sales increased 4.68% within Dare County. Nags Head realized increased sales tax revenue in fiscal year 2017 as well despite its loss in shared revenues. This was primarily due to new legislation charging sales tax on labor.
- While showing steady increases for the past two years due to a new allocation method for sales tax beginning FY 2015, utilities sales tax saw a 7% decrease in revenues for fiscal year end June 30, 2017.
- Steady growth is expected in building related income.
- The Town of Nags Head's approximate year round population is 2,977, while summer season population is estimated at 35-40,000 persons a day. Twenty four hour services are required for these fluctuating populations, for residents and non-residents alike.

**Budget Highlights for the Fiscal Year Ending June 30, 2018**

- The adopted budget for the June 30, 2018 fiscal year includes a tax rate of \$.297 per \$ 100 of assessed valuation. \$.027 of this total is designated by the Board for beach nourishment; \$.01 is designated by the Board for parks and paths, and \$.01 for storm water management. The Municipal Service District (MSD) tax for the purpose of beach nourishment has been established at \$.175 per \$100 of assessed valuation for the fiscal year 2018.
- A beach renourishment maintenance project is budgeted at \$25,546,711. Half, or \$12,573,356, is being funded from Dare County, \$4,400,000 from the beach nourishment capital reserve from excess collections from town-wide and MSD beach nourishment tax, along with excess collections of sales tax from the Town's increase in shared revenue, and the remainder to be financed through issuance of a special obligation bond at \$11,573,355, with tourism driven occupancy tax revenue being pledged as collateral.
- Two new positions were funded which include an Equipment Operator to help keep well-maintained streets and neighborhoods and an Engineering Technician to help address increasing storm water needs throughout town.
- In 2017, storm water management became General Fund activities. Projects budgeted for the fiscal year 2018 include \$100,000 toward a storm water master plan, \$50,000 for South Nags Head drainage improvements, \$35,000 for Mall Drive drainage improvements, and \$18,000 for Vista Colony pump automation. Additional prioritized storm water projects will be funded throughout the year through the capital reserve in order to enhance flood relief.
- A 2.2% cost of living adjustment is included in the budget for all employees. 1.5% is budgeted to implement performance based merit increases.
- The adopted budget includes a \$ 25 business registration fee so all businesses can be tracked for zoning and fire inspection compliance.
- As the elimination of the Towns' MSD tax in fiscal year 2017 for its beach nourishment projects resulted in a decrease in the Town's tax levy, the Town's portion of land transfer and occupancy tax revenues decreased to 23.99% compared to fiscal year 2017 at 26.84%. The Town's portion of sales tax distribution decreased to 7.52% in fiscal year

**Management Discussion and Analysis**  
**Town of Nags Head**  
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- 2018, down from 8.65% in fiscal year 2017. The Town's proportionate share is based on its ad valorem tax levy as a percentage of the other municipalities within Dare County.
- General Fund budgeted expenditures are anticipated to be \$16,899,479 which is approximately a 5.5% increase over the prior year budget primarily due to reinstating an MSD tax of \$17.5 cents.
  - Business-type activities budgeted expenditures are anticipated to be \$3,213,598 which is approximately a 4.3% increase over the prior year budget primarily due to a decentralized wastewater management plan cash funded at \$150,000. The adopted budget maintains the same water rates, base quantity, current rate structure of base charge, and commodity charges. However, a water master plan is currently being conducted to in part to help develop a capital improvement program, as well as a rate study being conducted by the North Carolina Rural Water Association to address future capital and operating funding needs and decreasing water utility revenues. In addition, a new leak adjustment policy has been implemented for water sales in order to recapture costs associated with lost water.
  - Capital Reserve Fund expenditures from this funding for Fiscal Year 2018 include:
    - Dowdy Park purchase debt (year 5 of 5)                     \$101,180
    - Dowdy Park phase II/III development                     \$106,820
    - Beach Road multi-use path repairs                     \$ 25,000
  - Capital projects included in the general fund budget are:
    - Cash funded:
      - Access Control Software                                     \$ 6,800
      - Street Master Plan Pavement Condition Survey     \$ 50,000
      - Taser Assurance Program                                 \$ 7,476
      - Brush Truck Skid Unit                                     \$ 18,500
    - Financed:
      - Time and Attendance Software (\$36,248) debt service                     \$ 12,560
      - Boom tractor (\$155,000) debt service                 \$ 34,096
      - Bonnett Street Bath House (\$441,250) debt service                     \$ 89,250
      - Freightliner (\$160,000) debt service                 \$ 35,196
      - Police body cameras financed with vehicles         \$ 2,121
    - Funded by Reserves:
      - Dowdy Park Phase II/III                                     \$106,820
      - Multiuse Path (Parks and Paths)                     \$ 25,000
      - L3 Mobile Vision Software/Hardware (Police Facility Fees)                     \$ 10,000
    - Funded by Grants:
      - L3 Mobile Vision Software/Hardware                 \$ 24,500
  - Capital projects included in the water fund budget are:
    - Decentralized Wastewater Management Plan     \$150,000 cash

**Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

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**Town of Nags Head, North Carolina**  
**Statement of Net Position**  
**June 30, 2017**

**Exhibit 1**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 10,825,354	\$ 3,189,602	\$ 14,014,956
Taxes receivable (net)	375	-	375
Accounts receivable (net)	26,926	509,392	536,318
Accrued interest receivable	35,002	7,929	42,931
Due from other governments	1,514,189	-	1,514,189
Inventories	54,184	62,381	116,565
Prepaid items	816	-	816
Restricted cash and cash equivalents	4,505,065	447,233	4,952,298
Total current assets	16,961,911	4,216,537	21,178,448
Capital Assets:			
Land, non-depreciable			
improvements and construction in progress	10,700,793	1,853,473	12,554,266
Other capital assets, net of depreciation	12,330,343	4,672,709	17,003,052
Total capital assets	23,031,136	6,526,182	29,557,318
Total assets	39,993,047	10,742,719	50,735,766
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan in current fiscal year LEOSSA	21,508	-	21,508
Contributions to pension plan in current fiscal year LGERS	409,448	38,869	448,317
Pension deferrals	1,223,083	116,108	1,339,191
Total deferred outflows of resources	1,654,039	154,977	1,809,016
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	243,630	122,876	366,506
Salaries and benefits	240,720	14,575	255,295
Accrued interest payable	13,638	1,086	14,724
Unearned revenue	3,636	-	3,636
Due to other governments	741	-	741
Current portion of long-term liabilities	1,255,787	154,032	1,409,819
Liabilities to be paid from restricted assets	6,350	417,258	423,608
Total current liabilities	1,764,502	709,827	2,474,329
Long-term liabilities:			
Net pension liability	1,910,611	181,375	2,091,986
Total pension liability	772,627	-	772,627
Due in more than one year	2,820,308	254,446	3,074,754
Total long-term liabilities	5,503,546	435,821	5,939,367
Total liabilities	7,268,048	1,145,648	8,413,696
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	175,486	16,659	192,145
Changes of assumptions - pensions	16,706	-	16,706
Prepaid taxes	50	-	50
Prepaid water impact fees	-	126,000	126,000
Total deferred inflows of resources	192,242	142,659	334,901
<b>NET POSITION</b>			
Net investment in capital assets	20,966,687	6,294,923	27,261,610
Restricted for:			
Stabilization by state statute	3,987,704	-	3,987,704
Streets	32,594	-	32,594
Public safety	20,743	-	20,743
Capital reserve fund	4,288,703	-	4,288,703
Unrestricted	4,890,365	3,314,466	8,204,831
Total net position	\$ 34,186,796	\$ 9,609,389	\$ 43,796,185

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, 2017**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental Activities							
General Government	\$ 10,328,168	\$ 429,748	\$ 396,069	\$ 6,000	\$ (9,496,351)	\$ -	\$ (9,496,351)
Public Safety	5,501,986	5,661	84,511	22,676	(5,389,138)	-	(5,389,138)
Public Works	4,728,501	-	38,720	999,257	(3,690,524)	-	(3,690,524)
Environmental Protection	1,730,249	-	92,574	-	(1,637,675)	-	(1,637,675)
Streets and Drainage	545,888	-	42,691	952,487	449,290	-	449,290
Interest on long-term debt	40,122	-	-	-	(40,122)	-	(40,122)
Total governmental activities	22,874,914	435,409	654,565	1,980,420	(19,804,520)	-	(19,804,520)
Business-type activities:							
Water	2,926,519	2,533,007	-	104,500	-	(289,012)	(289,012)
Storm Water	875,662	-	-	-	-	(875,662)	(875,662)
Total business-type activities	3,802,181	2,533,007	-	104,500	-	(1,164,674)	(1,164,674)
Total primary government	\$ 26,677,095	\$ 2,968,416	\$ 654,565	\$ 2,084,920	(19,804,520)	(1,164,674)	(20,969,194)
General revenues:							
Taxes:							
Property taxes levied for general purpose					7,067,172	-	7,067,172
Occupancy tax					2,572,622	-	2,572,622
Land transfer taxes					617,313	-	617,313
Sales taxes					2,533,000	-	2,533,000
Other taxes and licenses					65,435	-	65,435
Other unrestricted intergovernmental revenues					1,018,345	-	1,018,345
Net unrestricted investment earnings					86,867	21,271	108,138
Miscellaneous					187,262	4,490	191,752
Total general revenues not including transfers					14,148,016	25,761	14,173,777
Transfers					69,670	(69,670)	-
Total general revenues and transfers					14,217,686	(43,909)	14,173,777
Total change in net position					(5,586,834)	(1,208,583)	(6,795,417)
Net position - beginning, previously reported					40,485,317	10,817,972	51,303,289
Restatement					(711,687)	-	(711,687)
Net position, beginning, restated					39,773,630	10,817,972	50,591,602
Net position - ending					\$ 34,186,796	\$ 9,609,389	\$ 43,796,185

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

**Town of Nags Head, North Carolina**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2017**

**Exhibit 3**

	Major Funds		
	General	Beach Renourishment	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,471,310	\$ 2,354,044	\$ 10,825,354
Restricted cash and cash equivalents	4,505,065	-	4,505,065
Taxes receivable (net)	375	-	375
Accounts receivable (net)	26,926	-	26,926
Accrued interest receivable	29,865	5,137	35,002
Due from other governments	1,514,189	-	1,514,189
Inventories	54,184	-	54,184
Prepaid items	816	-	816
Total assets	14,602,730	2,359,181	16,961,911
<b>LIABILITIES</b>			
Accounts payable	182,802	60,828	243,630
Salaries and benefits	240,720	-	240,720
Due to other governments	741	-	741
Unearned revenue	3,636	-	3,636
Liabilities payable from restricted assets:			
Bonds and deposits	6,350	-	6,350
Total liabilities	434,249	60,828	495,077
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	50	-	50
Property taxes receivable	375	-	375
Miscellaneous receivables	10,723	-	10,723
Total deferred inflows of resources	11,148	-	11,148
<b>FUND BALANCES:</b>			
Nonspendable:			
Inventories	54,184	-	54,184
Prepays	816	-	816
Restricted:			
Restricted for Stabilization by State statute	2,476,592	1,511,112	3,987,704
Restricted for General Government	165,783	-	165,783
Restricted for Streets	32,594	-	32,594
Restricted for Public Safety	20,743	-	20,743
Restricted for Capital Reserve Fund	4,288,703	-	4,288,703
Committed:			
Health Insurance	80,000	-	80,000
LEO Special Separation Allowance	182,520	-	182,520
Beach Renourishment capital projects	-	787,241	787,241
Assigned:			
Subsequent year's expenditures	275,503	-	275,503
Unassigned	6,579,895	-	6,579,895
Total fund balances	14,157,333	2,298,353	16,455,686
Total liabilities, deferred inflows of resources and fund balances	\$ 14,602,730	\$ 2,359,181	

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, 2017**

**Exhibit 3**  
**(Continued)**

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

<b>Total fund balances-governmental fund (previous page)</b>	\$ 16,455,686
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	23,031,136
Deferred outflows of resources related to pensions are not reported in the funds	
Benefit payments paid and administrative expense-LEOSSA	21,508
Contributions to pension plan in the current fiscal year-LGERS	409,448
Pension related deferrals-LGERS	1,223,083
	<u>1,654,039</u>
Deferred inflows of resources related to pensions are not reported in the funds	
Pension related deferrals-LGERS	(175,486)
Changes of assumptions -LEOSSA	(16,706)
	<u>(192,192)</u>
Liabilities for earned revenues considered deferred inflows of resources in fund statements:	
Deferred taxes receivable	375
Deferred miscellaneous receivable	10,723
	<u>11,098</u>
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	(4,076,095)
Net pension liability	(1,910,611)
Total pension liability	(772,627)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	(13,638)
Net position of governmental activities (Exhibit 1)	<u>\$ 34,186,796</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, 2017**

**Exhibit 4**

	Major Funds			Total Governmental Funds
	General Fund	Beach Renourishment	Non-Major Fund	
<b>REVENUES</b>				
Ad valorem taxes	\$ 7,067,296	\$ -	\$ -	\$ 7,067,296
Other taxes and licenses	5,799,168	-	-	5,799,168
Unrestricted intergovernmental	1,018,345	-	-	1,018,345
Restricted intergovernmental	1,742,369	-	-	1,742,369
Permits and fees	325,505	-	-	325,505
Sales and services	92,226	-	-	92,226
Net investment earnings	77,332	9,476	59	86,867
Miscellaneous	214,459	-	-	214,459
Total revenues	<u>16,336,700</u>	<u>9,476</u>	<u>59</u>	<u>16,346,235</u>
<b>EXPENDITURES</b>				
Current:				
General Government	3,194,112	385,334	38,134	3,617,580
Public Safety	5,371,092	-	-	5,371,092
Environmental Protection	2,094,089	-	-	2,094,089
Public Works	3,607,129	-	-	3,607,129
Streets and Drainage	270,763	-	-	270,763
Debt service:				
Principal	1,053,957	-	-	1,053,957
Interest and other charges	38,150	-	-	38,150
Total expenditures	<u>15,629,292</u>	<u>385,334</u>	<u>38,134</u>	<u>16,052,760</u>
Revenues over (under) expenditures	707,408	(375,858)	(38,075)	293,475
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease obligations issued	988,525	-	-	988,525
Transfers from:				
Storm Water Enterprise Fund	69,670	-	-	69,670
Beach Nourishment Fund	71	-	-	71
General Fund	-	2,674,211	-	2,674,211
Transfers to:				
Capital Reserve Fund	-	-	(71)	(71)
Beach Renourishment Fund	(2,674,211)	-	-	(2,674,211)
Sale of Capital Assets	22,747	-	-	22,747
Total other financing sources (uses)	<u>(1,593,198)</u>	<u>2,674,211</u>	<u>(71)</u>	<u>1,080,942</u>
Net change in fund balance	(885,790)	2,298,353	(38,146)	1,374,417
Fund balances - beginning	15,043,123	-	38,146	15,081,269
Fund balances - ending	<u>\$ 14,157,333</u>	<u>\$ 2,298,353</u>	<u>\$ -</u>	<u>\$ 16,455,686</u>

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

**Town of Nags Head, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2017**

**Exhibit 4**  
**(Continued)**

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

Net changes in fund balances - total governmental funds		\$ 1,374,417
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital Outlay	3,577,748	
Capital contribution from Storm Water Enterprise Fund	875,662	
Loss on sale of land	(15,312)	
Depreciation	<u>(11,165,569)</u>	(6,727,471)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		409,448
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		21,508
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues/expenditures in the funds.		(10,923)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Debt Issued	(988,525)	
Increase in accrued interest payable	(1,972)	
Principal repayments	<u>1,053,957</u>	<u>63,460</u>
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
LGERS pension expense	(475,794)	
LEOSSA pension expense	(62,103)	
Increase in compensated absences	(18,965)	
Increase in other post employment benefits	<u>(160,411)</u>	(717,273)
<b>Total change in net position of governmental activities</b>		<b><u>\$ (5,586,834)</u></b>

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

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance Positive (Negative)
	Original Budget	Revised Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 6,951,016	\$ 6,951,016	\$ 7,067,296	\$ 116,280
Other taxes and licenses	5,528,294	5,575,588	5,799,168	223,580
Unrestricted intergovernmental	978,000	998,250	1,018,345	20,095
Restricted intergovernmental	731,218	2,174,659	1,742,369	(432,290)
Permits and fees	328,850	311,850	325,505	13,655
Sales and services	60,948	86,156	92,226	6,070
Net investment earnings (loss)	110,000	110,000	58,873	(51,127)
Miscellaneous	121,500	191,500	214,459	22,959
Total revenues	14,809,826	16,399,019	16,318,241	(80,778)
Expenditure:				
Current:				
General Government	2,872,465	3,640,944	3,194,112	446,832
Public Safety	5,236,017	5,510,472	5,371,092	139,380
Environmental Protection	1,591,519	2,186,542	2,094,089	92,453
Public Works	2,484,609	4,237,864	3,607,129	630,735
Streets and Drainage	350,904	402,608	270,763	131,845
Debt service:				
Principal	1,025,585	1,053,957	1,053,957	-
Interest and other charges	38,042	38,150	38,150	-
Contingency	125,000	92,928	-	92,928
Total expenditures	13,724,141	17,163,465	15,629,292	1,534,173
Revenues over (under) expenditures	1,085,685	(764,446)	688,949	1,453,395
Other financing sources (uses):				
Transfers from Capital Reserve Fund	543,264	543,264	545,491	2,227
Transfers to Capital Reserve Fund	(1,723,118)	(1,723,118)	(1,739,256)	(16,138)
Installment purchase obligations issued	-	988,525	988,525	-
Sale of Capital Assets	20,000	20,000	22,747	2,747
Appropriated Fund Balance	74,169	935,775	-	(935,775)
Total other financing sources (uses)	(1,085,685)	764,446	(182,493)	(946,939)
Net change in fund balance	\$ -	\$ -	506,456	\$ 506,456
Fund balances, beginning of year			9,277,144	
Fund balances, end of year			\$ 9,783,600	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Interest Income			\$ 18,459	
Transfers to General Fund			(545,491)	
Transfers from General Fund			1,739,256	
Transfers from Storm Water Enterprise Fund			69,670	
Transfers from Beach Nourishment Fund			71	
Transfers to Beach Renourishment Fund			(2,674,211)	
Fund balance, beginning of the year			5,765,979	
Fund balance, end of year			\$ 14,157,333	

The accompanying notes an integral part of the financial statements.

**Town of Nags Head, North Carolina**  
**Proprietary Funds**  
**Statement of Fund Net Position**  
**June 30, 2017**

**Exhibit 6**

	Business-type Activities		
	Major Fund Water Fund	Total Non-Major Funds	Total Enterprise Funds June 30, 2017
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 3,189,500	\$ 102	\$ 3,189,602
Accounts receivable trade (net)	437,963	-	437,963
Accounts receivable other (net)	79,358	-	79,358
Inventories	62,381	-	62,381
Restricted cash and cash equivalents	447,233	-	447,233
Total current assets	4,216,435	102	4,216,537
Capital assets:			
Land, non-depreciable improvements and construction in progress	1,853,473	-	1,853,473
Other capital assets, net of depreciation	4,672,709	-	4,672,709
Total capital assets (net)	6,526,182	-	6,526,182
Total noncurrent assets	6,526,182	-	6,526,182
Total assets	10,742,617	102	10,742,719
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contribution to pension plan	154,977	-	154,977
Total deferred outflows of resources	154,977	-	154,977
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	122,876	-	122,876
Salaries and benefits	14,575	-	14,575
Accrued interest payable	1,086	-	1,086
Compensated absences - current	20,000	-	20,000
Capital leases payable - current	134,032	-	134,032
Total current liabilities	292,569	-	292,569
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Customer bonds and deposits	417,258	-	417,258
Net pension liability	181,375	-	181,375
Other post employment benefits	101,173	-	101,173
Compensated absences - non current	26,071	-	26,071
Capital leases payable - non current	127,202	-	127,202
Total noncurrent liabilities	853,079	-	853,079
Total liabilities	1,145,648	-	1,145,648
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	16,659	-	16,659
Prepaid impact fees	126,000	-	126,000
Total deferred inflows of resources	142,659	-	142,659
<b>NET POSITION</b>			
Net investment in capital assets	6,294,923	-	6,294,923
Unrestricted	3,314,364	102	3,314,466
Net Position	\$ 9,609,287	\$ 102	\$ 9,609,389

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

## Proprietary Funds

## Statement of Revenues, Expenses and Changes in Fund Net Position

For the Year Ended June 30, 2017

	Business-type Activities		
	Major Fund Water Fund	Total Non-Major Funds	Total Enterprise Funds
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,485,693	\$ -	\$ 2,485,693
Tap and connection fees	14,508	-	14,508
Late payment penalties	25,706	-	25,706
Water tag fees	7,100	-	7,100
Miscellaneous	4,490	-	4,490
<b>Total operating revenues</b>	<b>2,537,497</b>	<b>-</b>	<b>2,537,497</b>
<b>OPERATING EXPENSES</b>			
Administration	236,015	-	236,015
Septic Health	147,020	-	147,020
Operations	1,670,089	-	1,670,089
Distribution	538,961	-	538,961
Storm Water	-	-	-
Depreciation and amortization	327,864	-	327,864
<b>Total operating expenses</b>	<b>2,919,949</b>	<b>-</b>	<b>2,919,949</b>
<b>Total operating (loss)</b>	<b>(382,452)</b>	<b>-</b>	<b>(382,452)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	41,630	2	41,632
Change in fair market value of investments	(20,361)	-	(20,361)
Loss on disposal of capital assets	-	(875,662)	(875,662)
Interest expense	(6,570)	-	(6,570)
<b>Total nonoperating revenues</b>	<b>14,699</b>	<b>(875,660)</b>	<b>(860,961)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(367,753)</b>	<b>(875,660)</b>	<b>(1,243,413)</b>
Transfer to Capital Reserve Fund	-	(69,670)	(69,670)
Capital contributions from impact fees	104,500	-	104,500
	104,500	(69,670)	34,830
<b>Change in net position</b>	<b>(263,253)</b>	<b>(945,330)</b>	<b>(1,208,583)</b>
<b>Total net position - beginning</b>	<b>9,872,540</b>	<b>945,432</b>	<b>10,817,972</b>
<b>Total net position - ending</b>	<b>\$ 9,609,287</b>	<b>\$ 102</b>	<b>\$ 9,609,389</b>

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, 2017**

**Exhibit 8**

	Business-Type Activities		
	Major Fund Water Fund	Total Non-Major Funds	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 2,612,506	\$ 13,632	\$ 2,626,138
Cash paid for goods and services	(1,837,342)	-	(1,837,342)
Cash paid to or on behalf of employees for services	(756,139)	-	(756,139)
Customer deposits received	34,711	-	34,711
Customer deposits returned	(35,956)	-	(35,956)
Other operating revenues	4,491	-	4,491
Net cash provided by operating activities	22,271	13,632	35,903
<b>CASH FLOWS FROM NON CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Transfers to Capital Reserve Fund	-	(69,670)	(69,670)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Initial impact fees received	100,500	-	100,500
Lease proceeds	73,099	-	73,099
Interest paid on debt financing	(6,603)	-	(6,603)
Septic Loans issued	(57,680)	-	(57,680)
Repayment of septic loans	28,503	-	28,503
Special assessments collected	385	-	385
Principal paid on debt financing	(134,702)	-	(134,702)
Acquisition of capital assets	(255,029)	-	(255,029)
Net cash (used) by capital and related financing activities	(251,527)	-	(251,527)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investment earnings	17,953	59	18,012
Net increase (decrease) in cash and cash equivalents	(211,303)	(55,979)	(267,282)
Cash balances - beginning of the year	3,848,036	56,081	3,904,117
Cash balances - end of the year	\$ 3,636,733	\$ 102	\$ 3,636,835
<b>Reconciliation of operating gain to net cash provided by operating activities</b>			
<b>Operating (loss)</b>	\$ (382,452)	\$ -	\$ (382,452)
Adjustments to reconcile operating income (loss) gain to net cash provided by operating activities:			
Depreciation and amortization	327,864	-	327,864
Changes in assets, deferred outflows of resources, and liabilities:			
Decrease in accounts receivable	79,499	13,632	93,131
(Increase) in inventories	(5,541)	-	(5,541)
(Decrease) in deferred outflows of resources-pensions	(127,263)	-	(127,263)
Increase in net pension liability	145,597	-	145,597
(Decrease) in deferred inflows of resources-pensions	(4,377)	-	(4,377)
(Decrease) in accounts payable	(32,353)	-	(32,353)
(Decrease) in accrued liabilities	(14,696)	-	(14,696)
Increase in accrued interest payable	33	-	33
(Decrease) in customer deposits	(1,245)	-	(1,245)
Increase in accrued OPEB liability	37,205	-	37,205
Total adjustments	404,723	13,632	418,355
Net cash provided by operating activities	\$ 22,271	\$ 13,632	\$ 35,903
<b>Schedule of non-cash capital and related financing activities:</b>			
Contributions of capital assets	\$ -	\$ (875,662)	\$ (875,662)

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, 2017**

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**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Nags Head conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

**A. Reporting Entity**

The Town of Nags Head is a municipal corporation, which is governed by an elected mayor and four commissioners. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The blended component unit has a June 30 year end.

Blended Component Unit – Nags Head Leasing is a not for profit corporation formed and operated for the purpose of providing financial assistance to the Town of Nags Head and to enable the Town to acquire water system improvements or other capital items and is governed by a board comprised of the Town of Nags Head's governing board. Nags Head Leasing Corporation is reported as an Enterprise fund.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as no 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, 2017**

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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/transportation, and environmental protection services. Additionally, the Town has legally adopted a **Capital Reserve Fund**, a fund that is designated for future capital projects, and is consolidated in the General Fund.

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

The Town reports the following non-major governmental fund:

**Beach Nourishment Capital Project Fund.** This fund accounts for the Town's activities for a beach nourishment project. This fund was closed in Fiscal Year 2017 and the fund balance was transferred into the Capital Reserve Fund.

The Town reports the following major enterprise fund:

**Water Fund.** This fund is used to account for the Town's water operations.

The Town reports the following non-major enterprise funds:

**Storm Water Fund.** This fund was used to account for the Town's storm water management operations. This fund was closed in Fiscal Year 2017 and the fund balance was transferred into the Capital Reserve Fund.

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

### **C. Measurement Focus and Basis of Accounting**

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

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and are for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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**D. Budgetary Data**

1. Budget

As required by the North Carolina General Statutes, the governing board must adopt by July 1 an annual balanced budget ordinance for all funds except for those funds that operate under project ordinances. All annual appropriations lapse at fiscal year-end. The annual budget is prepared on the modified accrual basis of accounting to be compatible with the accounting system used in recording transactions. A project ordinance has been adopted for the Beach Renourishment Capital Project Fund and the Beach Nourishment Capital Project Fund which are general governmental fund capital projects. Capital Reserve ordinances have been adopted for the 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 SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT), a SEC-registered external investment pool.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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) external investment pool, are measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

The unexpended debt proceeds of the General and Water Funds are classified as restricted assets because their use is completely restricted to the purpose for which the debt was originally issued. Money in the Capital Reserve Fund is also classified as restricted as its use is restricted to the Capital Reserve Fund per NC G. S. Chapter 159, Article 3, Part 2. North Carolina controlled substance excise taxes are classified as restricted assets since they may only be used for law enforcement purposes. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.1. Customer deposits in the Water Fund are held by the Town for the duration of the customer's water service until such time as water service is discontinued at which point they are returned to the customer in part or in full after satisfying any outstanding balance are reported as restricted assets. Bonds and deposits held in both the General and Water Funds are held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Nags Head Restricted Cash:

Governmental Activities:		
General Fund	Streets	\$ 32,594
	Controlled substance	20,743
	Capital reserve fund	4,279,595
	Bonds and deposits	6,350
	Unexpended debt proceeds	<u>165,783</u>
Total governmental activities		<u>\$ 4,505,065</u>
Business-type Activities:		
Water Fund	Customer deposits	\$ 416,758
	Cash bonds	500
	Unexpended debt proceeds	<u>29,975</u>
Total business-type activities		<u>447,233</u>
Total Restricted Cash		<u>\$ 4,952,298</u>

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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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, 2016.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the Town's enterprise fund consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when used or held for resale rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government – wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of five years. Minimum capitalization cost is \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

In conjunction with implementing GASB 34, "The New Reporting Model", the Town began capitalizing public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, water lines, and lighting systems as of July 1, 2003. Infrastructure assets exceeding the Town's capitalization threshold will be reported as capital assets in the Statement of Net Assets. Infrastructure assets acquired prior to July 1, 2003 were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Assets only include assets purchased after July 1, 2003.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	5 to 30
Buildings	40
Improvements	25
Vehicles	5 to 10
Furniture and equipment	5 to 20

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meets this criterion, contributions made to the pension plan in the 2017 fiscal year for the Law Enforcement Officers' Special Separation Allowance (LEOSSA) and the Local Government Employees' Retirement System (LGERS), as well as other pension deferrals for the 2017 fiscal year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources* represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – prepaid taxes, prepaid water impact fees, deferrals of pension expense that result from the implementation of GASB 68, and changes of assumptions and administrative expenses for the LEOSSA that result from the implementation of GASB 73.

**9. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

**10. Compensated Absences**

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

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

In accordance with the Fair Labor Standards Act, the Town allows non-exempt employees to accrue compensatory time up to the specified limits of 240 hours for non-sworn public safety and 480 hours for sworn public safety employees. The Town uses a first-in, first-out method for the use of this compensatory time.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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11. Net Position/Fund Balances

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

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

Restricted for General Government - portion of fund balance that is restricted for unexpended debt proceeds for software for use for certain General Government expenditures.

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

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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Committed for health insurance – portion of fund balance that is committed by action of the Governing Body for future health insurance expenditures.

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

Committed for beach renourishment capital projects – portion of fund balance that has been budgeted by the Board of Commissioners for beach nourishment maintenance.

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.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriation within funds up to 10% of the appropriated monies for the department whose allocation is reduced.

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 fund unassigned fund balance in that fund.

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

## 12. Defined Benefit Cost-Sharing Plans

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

## F. Use of Estimates

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

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

**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 \$17,731,110 consists of several elements as follows:

<b>Description</b>	<b>Amount</b>
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)	\$ 71,103,427
Less accumulated depreciation	<u>(48,072,291)</u>
Net capital assets	23,031,136
Deferred outflows of resources related to pensions are not reported in the funds:	
Pension related deferrals-LGERS	1,223,083
Contributions to pension plan in the current fiscal year-LGERS	409,448
Benefit payments paid and admin expense - LEOSSA	<u>21,508</u>
	1,654,039
Liabilities for earned revenues considered deferred inflows of resources in fund statements:	
Deferred taxes receivable	375
Deferred miscellaneous receivable	<u>10,723</u>
	11,098
Deferred inflows of resources related to pensions are not reported in the funds:	
Pension related deferrals-LGERS	(175,486)
Changes of assumptions -LEOSSA	<u>(16,706)</u>
	(192,192)
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:	
Leases and installment financings payable	(2,230,230)
Compensated absences	(597,859)
Net pension liability-LGERS	(1,910,611)
Total pension liability-LEOSSA	(772,627)
Net other post-employment benefits obligation	<u>(1,248,006)</u>
	(6,759,333)
Other long-term liabilities (accrued interest) are not available to pay for current period expenditures and, are deferred in the funds.	<u>(13,638)</u>
Net adjustment	<u>\$ 17,731,110</u>

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

**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 \$(6,961,251) as follows:

<b>Description</b>	<b>Amount</b>
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital outlay expenditures recorded in the fund statements capitalized as assets in the statement of activities	\$ 3,577,748
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>(11,165,569)</u> (7,587,821)
The effect of various miscellaneous transactions involving capital assets:	
Loss on disposal of capital asset	(15,312)
Contributed capital assets from Storm Water Enterprise Fund to General Fund	875,662
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	409,448
Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities.	21,508
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax and misc. revenues	(10,922)
The issuance of long-term debt (e.g., bonds, leases) 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:	
Capitalized lease financing	(988,525)
Accrued interest payable	<u>(1,972)</u>
	(990,497)
Principal payments	<u>1,053,956</u>
	63,459

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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

Compensated absences	(18,965)	
Pension expense-LGERS	(475,794)	
Pension expense-LEOSSA	( 62,103)	
Other postemployment benefits	(160,411)	
		<u>(717,273)</u>

Net adjustment \$ ( 6,961,251)

**G. Comparative Data**

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

**II. Detail Notes on All Funds**

**A. Assets**

1. Deposits

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

At June 30, 2017, the Town's deposits had a carrying amount of \$3,495,995 and a bank balance of \$4,394,608. Of the bank balance, \$695,757 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2017, the Town's petty cash fund totaled \$1,000.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

2. Investments

At June 30, 2017, the Town's investments were as follows:

Investment Type	Valuation Measurement Method	Book Value at 6/30/17	< 9 months	9 months-3 Years	3-5 Years	5-10 Years	10-15 Years
Government Agency: FNMA	Fair Value Level 2	\$ 2,482,438	\$ -	\$ 498,458	\$1,490,075	\$ -	\$ 493,905
Government Agency :FHLMC	Fair Value Level 2	3,918,472	-	999,362	2,439,845	-	479,265
Government Agency:FHL Bank	Fair Value Level 2	3,601,338	149,925	997,280	991,750	981,900	480,483
Government Agency:FFC Bank	Fair Value Level 2	1,245,245	-	995,060	-	-	250,185
Government Agency: GNMA Mortgage Backed Securities	Fair Value Level 2	152,961	935	6,533	-	145,493	-
Wake County GO Bonds	Fair Value Level 2	108,346	-	-	-	108,346	-
Commercial Paper-JP Morgan	Amortized Cost	990,250	990,250	-	-	-	-
Commercial Paper-Commercial Paper Co II LLC	Amortized cost	238,108	238,108	-	-	-	-
Commercial Paper-Credit-Suisse	Amortized Cost	1,485,308	1,485,308	-	-	-	-
Commercial Paper-Natixis NY	Amortized Cost	495,125	495,125	-	-	-	-
NC Capital Management Trust-Term Portfolio*	Fair Value Level 1	63,734	63,734	-	-	-	-
NC Capital Management Trust-Government Portfolio*	Amortized Cost	688,934	N/A	-	-	-	-
<b>Total</b>		<b>\$15,470,259</b>	<b>\$3,423,385</b>	<b>\$3,496,693</b>	<b>\$4,921,670</b>	<b>\$1,235,739</b>	<b>\$1,703,838</b>

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

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

\* Because the NC Capital Management Trust Term Portfolio had duration of 0.09 years, it was presented as an investment with a maturity of less than one year.

*Interest Rate* As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's Investment Policy limits at least 40% of the Town's investment portfolio to maturities of less than 9 months. Per Town policy, investment maturities are required to be limited to at least 40% less than 9 months, at least 50% less than 3 years, at least 70% less than 5 years, at least 90% less than 10 years, and 100% less than fifteen years. As of June 30, .79% of U.S. Government Agencies, the NC Capital Management Trust portfolios (.34%) and Commercial Paper (16.92%) matured in less than 9 months, 18.44% of U.S. Government Agencies matured in less than 3 years, 25.95% of U.S Government Agencies matured in less than 5 years, 7.83% of U.S. Government Agencies and general obligation bonds in less than 10 years, and 7.66% of U.S. Government Agencies in less than 15 years based on the \$18,967,254 cash and investment total. Also, the Town's Internal Management Policy requires purchases of securities to be laddered with staggered maturity dates. Investment income of \$223,042 was realized during fiscal year 2017. During the year no investments were sold for a realized gain or loss; however, because of the fair market value on June 30, the unrealized loss on investments held on June 30 was \$116,394. When combined, total investment income for fiscal year 2017 was a net gain of \$108,138.

*Credit Risk* The Town limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law and the Town's Investment Policy require that commercial paper bear the highest rating of at least one nationally recognized rating service. The Town's investments in JP Morgan, Commercial Paper Co II LLC, Credit-Suisse and Natixis NY commercial paper are rated A-1 by Standard and Poor's and P-1 by Moody's Investors Service. The Town's investments in US agencies, Federal Home Loan Bank, Federal National Mortgage Association, Government National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation were rated AA+ by Standard and Poor's and Aaa by Moody's Investors Services. The Town's investment in Wake County general obligation bonds carried a credit rating of Aaa by Moody's Investors Service and AAA by Standard and Poor's and Fitch Ratings. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2017. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US Government agencies, and in high grade money market instruments as permitted under G.S. 159-30 as amended.

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

*Concentration of Credit Risk* The Town's investment policy limits the amount that the Town may invest in any one issuer, except for U.S. Treasury securities and the North Carolina Capital Management Trust, to 30% of total investments. Investments which are restricted further are commercial paper, limited to no more than 25% of total investments and no more than \$3,000,000 in a single issuer. More than 5% of the Town's investments are in Federal National Mortgage Association (13.09%), Federal Home Loan Bank

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(18.99%), Federal Farm Credit Bank (6.57%), Federal Home Loan Mortgage Corporation (20.66%), JP Morgan commercial paper (5.22%), and Credit-Suisse commercial paper (7.83%).

3. Receivables

The receivables shown in Exhibit 1 at June 30, 2017 were

	Accounts	Taxes	Due from other Governments	Interest Receivable	Total
<b>Governmental Activities:</b>					
General	\$ 26,926	\$ 8,375	\$ 1,514,189	\$ 35,002	\$ 1,584,492
Allowance for doubtful accounts	-	(8,000)	-	-	(8,000)
Total governmental activities	<u>\$ 26,926</u>	<u>\$ 375</u>	<u>\$ 1,514,189</u>	<u>\$ 35,002</u>	<u>\$ 1,576,492</u>
<b>Business-type Activities:</b>					
Water	\$ 528,708	\$ -	\$ -	\$ 7,929	\$ 536,637
Stormwater	-	-	-	-	-
Allowance for doubtful accounts	(19,316)	-	-	-	(19,316)
Total business type activities	<u>\$ 509,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,929</u>	<u>\$ 517,321</u>

Due from other governments consisted of the following:

Occupancy tax	\$ 608,785
FEMA	11,040
Land transfer tax	179,063
Sales taxes	387,749
Sales tax reimbursement	133,326
NC Emergency Management	3,680
Utilities sales tax	137,358
Cable sales tax	31,198
Telecommunications sales tax	9,845
Other	12,145
Total	<u>\$ 1,514,189</u>

**Town of Nags Head, North Carolina**  
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4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 10,315,495	\$ 2,022	\$ 15,312	\$ 10,302,205
Construction in progress	150,782	2,285,621	2,037,815	398,588
Total capital assets not being depreciated	<u>10,466,277</u>	<u>2,287,643</u>	<u>2,053,127</u>	<u>10,700,793</u>
<b>Capital assets being depreciated:</b>				
Buildings	10,076,943	307,505	2,904,080	7,480,368
Other improvements	39,384,173	1,868,846	258,773	40,994,246
Equipment	2,569,045	424,041	94,313	2,898,773
Vehicles and motorized equipment	7,512,146	840,001	362,061	7,990,086
Intangibles	-	171,427	-	171,427
Plant	-	867,734	-	867,734
Total capital assets being depreciated	<u>59,542,307</u>	<u>4,479,554</u>	<u>3,619,227</u>	<u>60,402,634</u>
<b>Less accumulated depreciation for:</b>				
Buildings	3,820,325	2,771,078	2,904,080	3,687,323
Other improvements	29,406,227	7,782,820	258,773	36,930,274
Equipment	1,946,071	246,674	94,313	2,098,432
Vehicles and motorized equipment	5,077,355	468,804	362,061	5,184,098
Intangibles	-	25,992	-	25,992
Plant	-	146,172	-	146,172
Total accumulated depreciation	<u>40,249,978</u>	<u>\$ 11,441,540</u>	<u>\$ 3,619,227</u>	<u>48,072,291</u>
Total capital assets being depreciated, net	<u>19,292,329</u>			<u>12,330,343</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 29,758,606</u>			<u>\$ 23,031,136</u>

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

General Government	\$ 7,087,564
Public Safety	360,280
Public Works	3,123,254
Environmental Protection	190,442
Streets and Drainage	404,029
Total Depreciation Expense	<u>\$ 11,165,569</u>

Accumulated depreciation of \$275,971, and capital assets of \$1,151,633 were transferred from business-type to governmental activities with the closing of the Storm Water Enterprise Fund.

**Town of Nags Head, North Carolina**  
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**For the Fiscal Year Ended June 30, 2017**

Capital asset activities for the Business-type activities for the year ended June 30, 2017 are as follows:

	Beginning Balances	Increases	Decreases (Transfers)	Ending Balances
<b>Business-Type Activities:</b>				
<b>Water Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,853,473	\$ -	\$ -	\$ 1,853,473
Construction in progress	-	178,597	178,597	-
Total capital assets not being depreciated	1,853,473	178,597	178,597	1,853,473
<b>Capital assets being depreciated:</b>				
Plant	6,205,163	205,178	-	6,410,341
Equipment	1,004,864	49,851	81,169	973,546
Vehicles	214,712	-	18,263	196,449
Intangibles	4,203,619	-	-	4,203,619
Total capital assets being depreciated	11,628,358	255,029	99,432	11,783,955
<b>Less accumulated depreciation for:</b>				
Plant	3,240,605	150,077	-	3,390,682
Equipment	763,042	45,136	81,170	727,008
Vehicles	122,116	27,561	18,263	131,414
Intangibles	2,757,052	105,090	-	2,862,142
Total accumulated depreciation	6,882,815	\$ 327,864	\$ 99,433	7,111,246
Total capital assets being depreciated, net	4,745,543			4,672,709
<b>Water Fund capital assets, net</b>	<b>\$ 6,599,016</b>			<b>\$ 6,526,182</b>
	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
<b>Business-Type Activities:</b>				
<b>Storm Water Fund</b>				
<b>Capital assets being depreciated:</b>				
Plant	\$ 867,734	\$ -	\$ 867,734	\$ -
Equipment	44,803	-	44,803	-
Intangibles	171,427	-	171,427	-
Total capital assets being depreciated	1,083,964	-	1,083,964	-
<b>Less accumulated depreciation for:</b>				
Plant	146,172	-	146,172	-
Equipment	36,138	-	36,138	-
Intangibles	25,992	-	25,992	-
Total accumulated depreciation	208,302	\$ -	\$ 208,302	-
Total capital assets being depreciated, net	875,662			-
<b>Storm Water Fund capital assets, net</b>	<b>\$ 875,662</b>			<b>\$ -</b>
<b>Business-Type activities capital assets, net</b>	<b>\$ 7,474,678</b>			<b>\$ 6,526,182</b>

As used in this section, the term depreciation includes amortization of intangible assets.

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The government has active construction projects as of June 30, 2017. At year-end, the government's estimated commitments to projects ongoing are as follows:

<b>Project</b>	<b>Spent-to-date</b>	<b>Remaining Commitment</b>
Beach Renourishment	\$ 385,334	\$2,288,877
Dog Park	<u>13,255</u>	<u>16,745</u>
Total	<u>\$389,589</u>	<u>\$2,305,622</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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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*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, 2017, was 8.00% of compensation for law enforcement officers and 7.25% 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 \$ 448,317 for the year ended June 30, 2017.

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

**Town of Nags Head, North Carolina**  
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***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2017, the Town reported a liability of \$2,091,986 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.09857%, which was a decrease of 0.01548% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$528,619. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 39,305	\$ 73,306
Changes of assumptions	143,282	-
Net difference between projected and actual earnings on pension plan investments	1,156,604	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	118,839
Town contributions subsequent to the measurement date	448,317	-
Total	<u>\$ 1,787,508</u>	<u>\$ 192,145</u>

\$448,317 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2018	\$ 156,131
2019	156,392
2020	523,459
2021	311,064
2022	-
Thereafter	-
	<u>\$ 1,147,046</u>

**Town of Nags Head, North Carolina**  
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*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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.

**Town of Nags Head, North Carolina**  
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*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. 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 liability to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 4,965,258	\$ 2,091,986	\$ (307,985)

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

The Town of Nags Head administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The 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, 2015 the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	25
Total	27

**Town of Nags Head, North Carolina**  
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**For the Fiscal Year Ended June 30, 2017**

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*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.

*3. Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate used to measure the Total Pension Liability (TPL) is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

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

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

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

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

*4. Contributions*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. The Town contributed \$41,650 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.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
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*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2017, the Town reported a total pension liability of \$772,627. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$62,103.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions and other inputs	-	16,706
Benefit payments and administrative expenses subsequent to the measurement date	21,508	-
Total	\$ 21,508	\$ 16,706

\$21,508 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, 2018. Other amounts reported as deferred inflows of resources to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$ (3,005)
2019	(3,005)
2020	(3,005)
2021	(3,005)
2022	(3,005)
Thereafter	(1,681)
	\$ (16,706)

\$21,311 paid as benefits came due and \$197 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

**Town of Nags Head, North Carolina**  
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**For the Fiscal Year Ended June 30, 2017**

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.86 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	<b>1% Decrease (2.86%)</b>	<b>Discount Rate (3.86%)</b>	<b>1% Increase (4.86%)</b>
Total pension liability	\$ 843,058	\$ 772,627	\$ 708,922

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

	<b>2017</b>
Total Pension Liability	
Beginning balance	\$ 769,077
Service Cost at end of year	38,198
Interest on the total pension liability	26,713
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(19,711)
Benefit payments	(41,650)
Other changes	-
Net change in Total Pension Liability	3,550
Ending balance of the total pension liability	\$ 772,627

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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c. Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description*

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

*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, 2017 were \$82,893 which consisted of \$64,445 from the Town and \$18,448 from the law enforcement officers. No amounts were forfeited.

d. Supplemental Retirement Income Plan for Non-Law Enforcement Officers

*Plan Description*

The Town adopted a Supplemental Retirement Income Plan, a defined contribution plan, for regular employees beginning January 31, 1991.

*Funding Policy*

The Town contributes a matching amount up to two percent of each employee's salary (excluding law enforcement officers), and all amounts contributed are vested immediately. Employees may also make voluntary contributions to the plan. Total contributions for the year ended June 30, 2017 were \$273,101 which consisted of \$85,031 from the Town and \$188,070 from employees. No amounts were forfeited.

e. 457 Deferred Compensation

*Plan Description*

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

**Town of Nags Head, North Carolina  
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*Funding Policy*

The Town does not match contributions to the 457 deferred compensation plan. Total contributions for the year ended June 30, 2017 were \$67,271, which consisted of \$61,978 from regular employees and \$5,293 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. Membership of the health care plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

Retired members	9
Active members:	
General Employees	63
Firefighters	25
Law Enforcement	23
Total	120

Funding Policy. 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 and a percentage of the premium cost based on years of service for employees hired after that date, as noted above. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. The Town's members pay \$508 to \$2,032 per month, for dependent coverage. The Town has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 5.09% of annual covered payroll. For the current year, the Town contributed \$109,742 or 1.83% of annual covered payroll. The Town obtains healthcare coverage through private insurers. The Town has purchased specific stop-loss coverage for any claim that exceeds \$100,000. There were no contributions made by employees, except for dependent coverage of \$6,157 for the year ended June 30, 2017.

Summary of Significant Accounting Policies. Post-employment expenditures are made from the fund the employee was assigned to prior to retirement. These respective funds are maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**Town of Nags Head, North Carolina**  
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Annual OPEB Cost and Net OPEB Obligation. The Town's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 305,300
Interest on net OPEB obligation	46,063
Adjustment to annual required contribution	<u>(44,004)</u>
Annual OPEB cost (expense)	307,359
Contributions made	<u>(109,742)</u>
Increase (decrease) in net OPEB obligation	197,617
Net OPEB obligation, beginning of year	<u>1,151,562</u>
Net OPEB obligation, end of year	<u><u>\$ 1,349,179</u></u>

<u>For Year</u> <u>Ended June 30</u>	<u>OPEB</u> <u>Cost</u>	<u>Annual OPEB</u> <u>Cost Contributed</u>	<u>OPEB</u> <u>Obligation</u>
2015	\$ 274,173	39.18%	\$ 967,859
2016	\$ 298,138	38.38%	\$ 1,151,562
2017	\$ 307,359	35.70%	\$ 1,349,179

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$3,030,826. The covered payroll (annual payroll of active employees covered by the plan) was \$5,987,088, and the ratio of the UAAL to the covered payroll was 50.6%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

**Town of Nags Head, North Carolina**  
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In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.50 to 5.00 percent annually. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014, was 30 years.

**2. Other Employment Benefit**

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2017 the Town made contributions to the State for death benefits of \$ 5,080. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .070% and .140% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

**3. Payables**

Payables at Exhibit 1 at June 30, 2017 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Unearned Revenue	Customer Deposits	Total
<b>Governmental Activities</b>						
General	\$ 183,543	\$ 240,720	\$ 13,638	\$ 3,636	\$ 6,350	\$ 447,887
Beach Renourishment Fund	60,828	-	-	-	-	60,828
Total Governmental activities	\$ 244,371	\$ 240,720	\$ 13,638	\$ 3,636	\$ 6,350	\$ 508,715
<b>Business-type Activities</b>						
Water	\$ 122,876	\$ 14,575	\$ 1,086	\$ -	\$ 417,258	\$ 555,795
Total Business-type activities	\$ 122,876	\$ 14,575	\$ 1,086	\$ -	\$ 417,258	\$ 555,795

**Town of Nags Head, North Carolina**  
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4. Deferred Outflows and Inflows of Resources

Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year-LEOSSA	\$ 21,508
Contributions to pension plan in current fiscal year-LGERS	448,317
Pension deferrals-LGERS	1,339,191

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

Prepaid taxes (General Fund)	\$ 50
Taxes receivable (General Fund)	375
Business licenses and special assessments receivable (General Fund)	10,723
Prepaid impact fees (Water Fund)	126,000
Pension deferrals-LGERS (General Fund)	175,486
Pension deferrals-LGERS (Water Fund)	16,659
Changes of assumptions/administrative expenses (General Fund)-LEOSSA	16,706

5. Risk Management

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

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town owns property in an area of the State that has been mapped and designated as an "VE, AE, A, and X" area (an area with a 1% annual chance of flooding and a 26% chance of flooding over 30 years) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town is also eligible to purchase excess commercial flood insurance and has in the amount of \$2,500,000 for its Town Hall structure and \$955,000 for its newest fire station.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more of the Town's funds at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance director and tax collector are each individually bonded for \$125,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

**Town of Nags Head, North Carolina**  
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6. Claims and Judgments

Pending or Threatened Litigation, Claims and Assessments: As part of the Town's 2011 Beach Nourishment Project, the Town sought to obtain easements on all oceanfront properties within the 11 mile project area. The majority of owners either provided the Town an easement without requiring payment or accepted \$50 per lot as full compensation for the easement rights sought by the Town. However, a group of owners resisted the 2011 project and refused to voluntarily give the Town an easement. The Town filed condemnation actions to obtain the necessary easement rights. As of June 30, 2017, the owners of 11 properties contended that they were entitled to more than \$50 per lot for the Town's condemnation of the easement rights. These cases remain in litigation and are represented by a single law firm. All of the cases have been assigned to the same special superior court judge, Gary E. Trawick. Of those 11 cases, the property owners have not provided precise discovery as to the request to compensation in 9 cases. In 2 cases, the owners have sought compensation ranging between \$135,000 and \$233,000 for the easement rights. One of these cases, *Town of Nags Head v. Richardson*, was tried earlier in the year. Although the jury awarded a verdict for approximately \$60,000 as just compensation for the easement rights taken, the trial court set that judgment aside and entered judgment in the amount of \$0. The trial court's decision is currently on appeal to the North Carolina Court of Appeals. Until the appeal has been resolved, it is impossible to say within a certainty whether any compensation will be due to these owners or not, and the potential amounts recoverable range between \$0 and as much as \$200,000 apiece. The Town anticipates that the legal issues in at least the *Richardson* case will be resolved by a decision from the Court of Appeals during fiscal year 2018.

Unasserted Claims and Assessments: As a result of the recent decision in *Quality Built Homes v. Town of Carthage*, the Town, like other municipalities across the state, faces potential litigation over utility impact fees collected over the last several years. The Court of Appeals in *Town of Carthage* held that impact fees collected without express, local legislation permitting the same were unauthorized. Over the last three years, the Town has collected several hundred thousand dollars in impact fees. If a claim for recovery of fees paid succeeds, the payer would also be entitled to recover interest at the rate of 6% annually from when the fee was actually paid. The Town would also have various and numerous defenses to any such claim, including the Statute of Limitations. In light of the complexity of the issues involved, the potential for defenses, and unknown timing of any future claim, an opinion cannot be provided as to the Town's potential exposure, if any, for such a claim at this time.

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

7. Long-Term Debt

a. Capital Leases and Installment Finance Contracts

The Town entered into a fifteen year installment financing contract in 2005 with RBC Centura for the construction of the fire facility in south Nags Head. The amount borrowed was \$1,600,000 at an interest rate of 3.82% and is secured by the property. Originally, payments were due in annual installments of \$106,667 plus accrued interest with final payment due on May 30, 2019. The Town prepaid \$125,068 during the fiscal year ending June 30, 2006 from unused escrow funds and the remaining principal was re-amortized with payments due in annual installments of \$97,046 plus accrued interest through May 17, 2019. On May 17, 2016, the Town negotiated a rate reduction with PNC to 2.25% with annual installments of \$96,667 plus accrued interest through May 17, 2019. The outstanding balance at June 30, 2017 is \$193,333.

**Town of Nags Head, North Carolina  
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The Town entered into a fifteen year installment financing contract in 2005 with RBC Centura for the construction of an above ground water storage tank and waterline extension located adjacent to the Public Works facility. The amount borrowed was \$1,200,000 at an interest rate of 3.85% and is secured by the property. Originally payments were due in annual installments of \$102,841 including accrued interest with final payment due on May 30, 2019. The Town prepaid \$85,871 during the fiscal year ending June 30, 2006 from unused escrow funds and the remaining principal was re-amortized with payments due in annual installments of \$93,875 including accrued interest through May 17, 2019. On May 17, 2016, the Town negotiated a rate reduction with PNC to 2.25% with annual installments of \$86,667 plus accrued interest through May 17, 2019. The outstanding balance at June 30, 2017 is \$173,333.

The town entered into a ten year installment financing contract in 2008 with BB&T for the acquisition of real property. The amount borrowed was \$500,000 at an interest rate of 3.77% and is secured by the property. Payments are due annually in the amount of \$50,000 in principal plus accrued interest through November 15, 2017. The outstanding balance at June 30, 2017 is \$50,000.

The town entered into a five year installment financing contract in 2014 with Southern Bank for the acquisition of real property. The amount borrowed was \$500,000 at an interest rate of 1.18% and is secured by the property. Payments are due annually in the amount of \$100,000 in principal plus accrued interest through May 1, 2018. The outstanding balance at June 30, 2017 is \$100,000.

In May 2013, the Town entered into a 10 year lease agreement with SunTrust borrowing \$722,158. The interest rate is 1.60% per annum fixed. The money was placed in an interest-bearing account until related assets were acquired. The lease requires annual payments of \$77,482. The outstanding balance at June 30, 2017 is \$369,488.

<b>Leased Item</b>	<b>Function</b>	<b>Fixed Asset Value</b>
Quint Apparatus Fire Truck	Public Safety	\$ 723,158

In March 2014, the Town entered into a 5 year lease agreement with Southern Bank borrowing \$311,241. The interest rate is 1.18% per annum fixed. The money was placed in an interest-bearing account until related assets were acquired. The lease requires annual payments of \$64,451. The outstanding balance at June 30, 2017 is \$62,248.

<b>Leased Item</b>	<b>Function</b>	<b>Fixed Asset Value</b>
Semi-tractor	Environmental Protection	\$ 101,313
Loader	Public Works	140,700
Backhoe	Water	71,939

In February 2015, the Town entered into a 5 year lease agreement with BB&T borrowing \$480,605. The interest rate is 1.41% per annum fixed. The money was placed in an interest-bearing account until related assets were acquired. The lease requires annual payments of \$98,831. The outstanding balance at June 30, 2016 is \$181,738.

<b>Leased Item</b>	<b>Function</b>	<b>Fixed Asset Value</b>
Dumpster Truck	Environmental Protection	\$ 185,855
Residential Truck	Environmental Protection	287,512

**Town of Nags Head, North Carolina**  
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In November 2015, the Town entered into a 3 year lease agreement with Southern Bank borrowing \$516,580. The interest rate is 1.24% per annum fixed. The money was placed in an interest-bearing account until related assets were acquired. The lease requires annual payments of \$174,330. The outstanding balance at June 30, 2017 is \$169,457.

<b>Leased Item</b>	<b>Function</b>	<b>Fixed Asset Value</b>
Sanitation Carts- not capitalized	Environmental Protection	\$ 207,600
Chevy Silverado	General Government	24,726
3 Police Vehicles	Public Safety	122,214
Chevy Silverado	Public Safety	35,438
Chevy Silverado	Public Safety	35,777
Ford F150	Public Works	24,611
Dingo	Public Works	21,330
Chevy Silverado	Water	27,854
Ford F150	Water	\$ 25,100

In November 2015, the Town entered into a 5 year lease agreement with Southern Bank borrowing \$305,231. The interest rate is 1.59% per annum fixed. The money was placed in an interest-bearing account until related assets were acquired. The lease requires annual payments of \$62,992. The outstanding balance at June 30, 2017 is \$183,156.

<b>Leased Item</b>	<b>Function</b>	<b>Fixed Asset Value</b>
Sanitation Heil	Environmental Protection	\$ 307,231

In May 2016, the Town entered into a 4 year lease agreement with PNC borrowing \$245,420. The interest rate is 2.25% per annum fixed. The money was placed in an interest-bearing account until related assets were acquired. The lease requires annual payments of \$63,363. The outstanding balance at June 30, 2017 is \$122,579.

<b>Leased Item</b>	<b>Function</b>	<b>Fixed Asset Value</b>
Side Loading Dumpster Truck	Environmental Protection	\$ 245,420

In December 2016, the Town entered into a 5 year lease agreement with BB&T borrowing \$309,200. The interest rate is 1.69% per annum fixed. The money was placed in an interest-bearing account until related assets were acquired. The lease requires annual payments of \$65,010. The outstanding balance at June 30, 2017 is \$309,200.

<b>Leased Item</b>	<b>Function</b>	<b>Fixed Asset Value</b>
2017 Sanitation Front Loader	Environmental Protection	310,100

In December 2016, the Town entered into a 5 year lease agreement with BB&T borrowing \$342,109. The interest rate is 1.6% per annum fixed. The money was placed in an interest-bearing account until related assets were acquired. The lease requires annual payments of \$70,611. The outstanding balance at June 30, 2017 is \$271,498.

<b>Leased Item</b>	<b>Function</b>	<b>Fixed Asset Value</b>
Financial Software	General Government	138,493.86
Financial Software	Water Operations	9,950.00

**Town of Nags Head, North Carolina**  
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In December 2016, the Town entered into a 4 year lease agreement with BB&T borrowing \$410,314. The interest rate is 1.5% per annum fixed. The money was placed in an interest-bearing account until related assets were acquired. The lease requires annual payments of \$101,881. The outstanding balance at June 30, 2017 is \$305,435.

Leased Item	Function	Fixed Asset Value
3 Police Vehicles	Public Safety	109,339
Fire Air Compressor	Public Safety	26,821
2017 Chevy Truck Ocean Rescue	Public Safety	39,129
2017 F-150 PW Admin	Public Works	32,609
2017 F-150 PW Facilities Maint	Public Works	27,877
2017 PW Garage Service Truck	Public Works	73,527
Storm Water Culvert Cleaner	Public Works	52,079
Excavator	Public Works	33,174

The gross value of all assets recorded under capital leases and installment finance contracts is \$8,974,618. The following is an analysis of the assets recorded under capital leases and installment finance contracts in the Town's governmental and water funds at June 30, 2017:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
<b>Governmental Fund:</b>			
Land	\$ 2,833,804		\$ 2,833,804
Buildings	1,699,316	432,345	1,266,971
Vehicles	2,585,803	332,705	2,253,098
Equipment	480,737	80,344	400,393
<b>Water Fund:</b>			
Building	1,206,941	253,168	953,773
Vehicles	52,954	13,376	39,578
Equipment	115,063	22,577	92,486
<b>Total</b>	<b>\$ 8,974,618</b>	<b>\$ 1,134,515</b>	<b>\$ 7,840,103</b>

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Finance contract	\$590,000	\$ -	\$ 246,667	\$ 343,333	\$ 246,667
Capital leases	1,705,663	988,525	807,290	1,886,898	699,120
Post-employment benefits	1,087,595	244,898	84,487	1,248,006	-
Total pension liability (LEOSSA)	15,543	757,084	-	772,627	-
Net pension liability (LGERS)	476,072	1,434,539	-	1,910,611	-
Compensated absences	578,894	368,324	349,359	597,859	310,000
Governmental activities long-term liabilities	<u>\$ 4,453,767</u>	<u>\$ 3,793,370</u>	<u>\$ 1,487,803</u>	<u>\$ 6,759,334</u>	<u>\$ 1,255,787</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Finance contract	\$ 260,000	\$ -	\$ 86,667	\$ 173,333	\$ 86,667
Capital leases	62,838	73,099	48,036	87,901	47,365
Post-employment benefits	63,967	62,461	25,255	101,173	-
Net pension liability (LGERS)	35,778	145,597	-	181,375	-
Compensated absences	46,365	31,552	31,846	46,071	20,000
Business-type activities long-term liabilities	<u>\$ 468,948</u>	<u>\$ 312,709</u>	<u>\$ 191,804</u>	<u>\$ 589,853</u>	<u>\$ 154,032</u>

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

Year Ending June 30	Principal	Interest
2018	\$ 945,787	\$ 37,415
2019	591,796	21,573
2020	353,139	11,150
2021	199,317	5,546
2022	140,192	2,301
Total	<u>\$ 2,230,231</u>	<u>\$ 77,985</u>

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

Year Ending June 30	Principal	Interest
2018	\$ 134,031	\$ 5,159
2019	102,755	2,582
2020	16,337	383
2021	8,111	130
2022	-	-
Total	<u>\$ 261,234</u>	<u>\$ 8,254</u>

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

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

At June 30, 2017, the Town had a legal debt margin of \$187,616,799.

**Town of Nags Head, North Carolina**  
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**For the Fiscal Year Ended June 30, 2017**

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8. Operating Leases

The Town entered into a lease on June 6, 2013 for one copier for a period of 60 months in the amount of \$242 per month plus monthly copy charges based on actual usage.

Total minimum lease payments for the remaining term of the contract at June 30, 2017, are as follows:

2018	<u>\$2,662</u>
Total	<u>\$2,662</u>

During the year ended June 30, 2017, the total amount expended by the Town under the above operating lease was \$3,913, including both minimum monthly rentals and overage per copy charges.

The Town leased clinic space to Outer Banks Community Care Clinic. The amount earned as of June 30, 2017 was \$10,300.

The Town leases space on the cell tower at Town Hall. Under a construction services and structure license agreement with AT&T dated February 6, 2008, AT&T agreed to construct a cell tower at their cost to be transferred to the Town of Nags Head upon completion in exchange for reduced monthly rentals for leased space on the tower for the length of time needed to abate the full cost of construction. The costs to construct the tower, to which the Town took ownership in the year ended June 30, 2009, were \$279,577. The amount earned for the year ended June 30, 2017 was \$8,456, with rent abatement in the amount of \$23,274. The total amount of rental abatement to date is \$256,279 and the current lease goes through February 2018. Additional space was rented on this cell tower to Verizon in the amount of \$ 45,323.45 and Sprint in the amount of \$ 13,420.

The Town also leased space on the water tower in South Nags Head to AT&T in the amount of \$ 32,335 for the year ended June 30, 2017.

During the year ending June 30, 2012 the Town entered into a lease agreement with Tar River LTC Group for Colony Ridge nursing home effective October 1, 2011, for a period of ten years which may be extended for two additional periods of fifteen years each subject to legislative authority to do so. Under the terms of the lease, the lessee agrees to pay rent in the amount of \$10 per month in exchange for operating the facility and to make \$1.5 million dollars of capital improvements to the property. On July 30, 2015, Peak Resources assumed the lease from Tar River. On October 7, 2015, the Nags Head Board approved Peak's plans for capital improvements which met the terms of the lease. The terms remained the same. On January 5, 2017, the Town of Nags Head sold its nursing home property to Peak Realty Nags Head LLC via unanimous resolution under the terms that PEAK shall complete \$2,609,591 of capital improvements to the Property and that the Property will remain in operation as a long-term skilled care nursing facility within Dare County, North Carolina.

9. Water Impact Fees

The Town entered into a letter of understanding with the Ammons-Dare Corporation (its successors and assigns) for the provision of water to the Village of Nags Head Development. The Town guarantees 1,000 water consumption units (WCU) will be available for the development. Ammons-Dare Corporation has agreed to pay an impact fee of \$2,000 per WCU in advance in the form of an irrevocable letter of credit in the amount of \$2,000,000. As of June 30, 2017, 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 720 WCU's which are guaranteed by the Town and are valued at \$1,440,000.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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

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

The remaining 63 WCU's in the amount of \$126,000 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 \$85,029 and a corresponding receivable in the Capital Reserve Fund. The original advance amount of \$438,481 represents reimbursement of funds collected in the Capital Reserve Fund originally intended to offset the cost of the municipal complex. Instead, these funds were used to pay off the higher interest rate Fire Station debt. This amount is to be paid back from the General Fund to the Capital Reserve Fund with fire facility fee revenues. The amounts and timing of the repayments will be determined by availability of collected fees and decided by the Board of Commissioners. During the current year, no repayment was made.

Transfers and Capital Contributions to/from other funds for the year ended June 30, 2017 consisted of the following:

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

Beach nourishment taxes designated for future beach nourishment	\$ 641,644
Restricted sales tax designated for future beach nourishment	573,058
Prior year Municipal Service District (MSD) taxes collected	832
Facility fees	32,340
Sand fencing reimbursement from Dare County	24,000
Penny of tax rate designated for Storm Water	233,691
Penny of tax rate designated for parks and paths	233,691
	\$ 1,739,256

Transfers from Capital Reserve Fund to Beach Renourishment Fund for the purpose of opening a new fund for beach nourishment maintenance	\$ 2,674,211
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Transfers from Storm Water Enterprise Fund to Capital Reserve Fund for the purpose of closing the Storm Water Fund into a capital reserve	\$ 69,670
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**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

Transfers from Beach Nourishment Capital Project Fund to Capital Reserve Fund for the purpose of closing the fund and transferring unspent funds back into the capital reserve	\$ 71
Transfers from Capital Reserve Fund to General Fund for the following purposes:	
Parks and paths	\$ 317,773
Storm Water	145,904
Administration facility fees	5,800
Police facility fees	76,014
	<u>\$ 545,491</u>
Contribute capital assets from Storm Water Enterprise Fund to General Fund for the purpose of closing the fund and becoming a capital reserve	\$ <u>875,662</u>

**D. Net Investment in Capital Assets**

	<b>Governmental</b>	<b>Business-type</b>
Capital assets	\$ 23,031,136	\$ 6,526,182
Less: long term debt	(2,230,231)	(261,234)
Add: unexpended debt proceeds	165,782	29,975
Net investment in capital assets	\$ 20,966,687	\$ 6,294,923

**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	\$	14,157,333
Less:		
Nonspendable		(55,000)
Stabilization by State Statute		(2,476,592)
Restricted for General Government		(165,783)
Restricted for Public Safety		(20,743)
Restricted for State Street Aid		(32,594)
Restricted for capital reserve fund		(4,288,703)
Committed for health insurance		(80,000)
Committed for LEO separation		(182,520)
Assigned for 2017-2018 budget		(275,503)
Fund Balance Policy		(\$ 6,579,895)
Fund Balance Remaining	\$	-

The Town of Nags Head has adopted a minimum fund balance policy for the general fund which instructs management to strive to maintain an unassigned general fund balance of 50% of expenditures less bond debt, but not less than \$ 5 million as per audited financial statements at the end of each fiscal year. The \$ 6,579,895 reported above is less than the 50% of expenditures calculation of \$18,303,503 but more than the \$ 5,000,000 minimum required.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

At June 30, 2017, the following amounts represent open purchase orders and contracts outstanding at June 30, 2017. These encumbrances outstanding will be re-appropriated in the subsequent year's budget.

General Fund	\$ 916,335
Capital Project Fund (beach nourishment)	1,505,975
Water Fund	210,209
Total	\$ 2,632,519

**F. Facility Fees**

The Town enacted a Facility Fee ordinance on July 3, 1989. Facility fees are imposed on new development or construction requiring a building permit. These fees will be used to fund capital expenditures associated with increased Police, Fire, Administration, and Solid Waste Collection Services necessitated by new development. A fee for Recreation Facilities was added effective January 1, 2000. Interest earned on facility fee monies shall be used solely for those purposes.

Facility fees are to be spent for capital expenditures within ten years of collection of the fees. In the event that the funds are unexpended, the Town is obligated to refund the fees to the eligible property owner after the ten-year period expires.

At June 30, 2017, 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:

	<b>Admin.</b>	<b>Fire</b>	<b>Police</b>	<b>Sanitation</b>	<b>Recreation</b>	<b>Total</b>
Beginning of year balance	\$ 58,539	\$ 21,689	\$ 89,404	\$ 11,563	\$ 16,000	\$ 197,195
Current year additions (including interest)	10,752	5,061	6,415	3,507	7,849	33,584
Current year expenses	(5,800)	-	(76,013)	-	-	(81,813)
End of year balance	\$ 63,491	\$ 26,750	\$ 19,806	\$ 15,070	\$ 23,849	\$ 148,966

**G. Beach Nourishment and Renourishment**

The Town originally adopted a capital project ordinance on November 2, 2005, which has been amended several times and closed in Fiscal Year 2017 resulting in a final project cost of \$ 37,215,770. The total project cost was financed with \$ 18 million in special obligation bonds secured by the Town's occupancy tax and \$ 18 million from Dare County pursuant to an inter-local agreement. One million in project savings was transferred to the General Fund to be used for debt principal repayment during fiscal year 2014.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

Repayment of the bond proceeds and interest was provided by both a town wide tax and additional taxes on the properties located in the municipal service districts. Because the final debt payment was made in Fiscal year 2016, there was no municipal service district tax in Fiscal Year 2017. However, the town-wide tax remained unchanged at 2.7 cents. Funds received from the town wide tax and prior year MSD tax in the amounts of \$ 641,644 and \$832, respectively, were transferred from the General Fund to the Capital Reserve Fund and are restricted for future beach nourishment. Additionally, sales tax revenues derived from the municipal service district Fiscal Year 2016 levy during the year totaling \$ 573,058 were transferred to the Capital Reserve Fund to be used in the future for beach nourishment. The amount in the capital reserve fund restricted for future beach nourishment at June 30, 2017 total \$ 3,844,022 as shown below:

	<b>Beach nourishment taxes (MSD and town-wide) received in excess of debt repayment</b>	<b>Restricted sales taxes from municipal service district tax</b>	<b>Total</b>
Beginning of year balance	\$ 3,067,450	\$ 2,190,366	\$ 5,257,816
Current year additions	642,476	573,058	1,215,534
Transfer Beach Nourishment Fund	71	-	71
Current year net interest	5,751	15,061	20,812
Sand Fencing Contribution	24,000	-	24,000
Current year uses	(2,674,211)	-	(2,674,211)
End of year balance	<u>\$ 1,065,537</u>	<u>\$ 2,778,485</u>	<u>\$ 3,844,022</u>

In fiscal year 2018, beach nourishment excess capital reserve funds of \$4,400,000, generated from town-wide and MSD taxes, will be used towards an estimated \$25.5 million, 2.3 million cubic yard beach re-nourishment project with up to almost half the funding, or \$12,573,356, coming from a combination of an up-front payment of \$9,573,356 as well as five (5) debt payment supplements of \$600,000 from Dare County pursuant to an inter-local agreement and approximately \$11.5 million in special obligation bonds secured by the Town's occupancy tax. Engineering and permitting have begun in fiscal year 2017 with special obligation bonds estimated to be issued in Fiscal Year 2018, with the first of five debt payments of approximately \$2.6 million to be made in Fiscal Year 2019. Additionally, \$1,550,000 from the beach nourishment capital reserve will be used for pay-as-you-go projects including a 30-year beach study at \$750,000 and \$800,000 towards annual maintenance for profile monitoring, sprigging, and sand fencing.

**H. Tax Funds Designated**

Beginning in the June 30, 2014, fiscal year the Town designated one penny of its tax rate for parks and paths. Beginning in the June 30, 2017, fiscal year the Town designated one penny of its tax rate for Storm Water in lieu of a Storm Water fee. The June 30, 2016, ending Fund Balance in the Storm Water Enterprise Fund was transferred into the Storm Water Capital Reserve. Any amounts not spent during the fiscal year are transferred to the capital reserve fund for use in a subsequent year. During the current fiscal year ending June 30, 2017, \$ 233,691 was the amount designated each for parks and paths and Storm Water and the balance at June 30, 2017 included in the capital reserve fund for this purpose is:

	<b>Parks and Paths</b>	<b>Storm Water</b>
Beginning of year balance	\$ 97,145	\$ 69,614
Current year additions	233,691	233,691
Current year interest	8,972	1,064
Current year uses	(317,773)	(145,904)
End of year balance	<u>\$ 22,035</u>	<u>\$ 158,465</u>

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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**I. Volunteer Incentive Pay Agreement**

The Board of Commissioners maintains an agreement for volunteer firefighter pay that calls for incentive pay based on an individual members qualifications, training, and call response. The method of calculation of incentive pay was amended administratively by the Board of Commissioners during the fiscal year ending June 30, 2006 as was the twelve month period for calculation to coincide with the Town's fiscal year from July through June. Beginning in FY 08-09 incentive pay was changed from annual payments to monthly. The amount expended under this agreement for the full year ending June 30, 2017 was \$2,690 plus an additional \$206 in related FICA.

**III. Joint Ventures**

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firefighter's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firefighter's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firefighter's Relief Fund. The funds are used to assist fire fighters in various ways. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2017. 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 acquiring the remaining 65.217% interest. The total cost for the Town's share was \$1,623,174. The Town's share of the amount donated by the seller was an additional \$626,094. The funding for this purchase came from the Town's Water Fund. Transfer and payment for the purchase by the General Fund began in the year ending June 30, 2013, in the amount of \$300,000, and will continue each year as determined by the Board of Commissioners until the Water Fund has been fully reimbursed and the property fully transferred to the Towns General Fund. The General Fund purchased an additional \$300,000 in the June 30, 2014 fiscal year for a total transferred of \$600,000 as of June 30, 2017. On November 14, 2008, the Town acquired a 17.949% interest in property owned jointly with the Outer Banks Visitors Bureau acquiring the remaining 82.051% interest. The total cost for the Town's share was \$712,933. The Town's share of the amount donated by the seller was an additional \$251,286.

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

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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**IV. Summary Disclosure of Significant Contingencies**

**A. Federal and State Assisted Programs**

The Town has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

**B. Municipal Waste Management Agreement**

On December 3, 2008, the Town approved a Municipal Waste Management Agreement with Dare County, a member of the Albemarle Regional Solid Waste Authority, for disposal of solid waste as contracted through Republic Services. The contract extends for 26 years and became effective when signed by all parties to the agreement as of May 1, 2009. Charges are based on the Town's actual tonnage of solid waste; the rate in effect in the 2016-17 year was \$73.15 per ton.

**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, 2017, accumulated amortization totaled \$2,862,143.

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.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

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**V. Subsequent Events**

A North Carolina Supreme Court ruling requires local governmental units to refund certain impact fees collected by units. The Town is continuing its collections of ongoing system development fees subsequent to the fiscal year end audited. The Town has consulted with its legal counsel in which they have indicated that the affects to the Town is unknown at the time of report issuance. Pending interpretation of the current court ruling could indicate a liability to the Town to refund impact fees collected during the last three fiscal years plus interest and other fees incurred. Furthermore, pending subsequent court rulings, a refund period extending up to the prior ten years collected may also occur.

The Town and the Federal Emergency Management Agency (FEMA) have agreed to an approximate \$16 million, 1.4 million cubic yard beach restoration project for sand lost a result of Hurricane Matthew occurring in October of 2016. This project is anticipated to be in conjunction with the beach renourishment project. The Town is in the process of obtaining the permits required in advance of the funds being fully committed through a congressional oversight committee. Once committed, the funds will be released to the North Carolina Division of Emergency Management (NCDDEM) through which the Town will request reimbursement. The \$16 million funding is a 75%/25% Federal/State split with no local funding required.

**VI. Change in Accounting Principles/Restatement**

The Town implemented Governmental Accounting Standards Board (GASB) Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased by \$ 711,687.

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## **REQUIRED SUPPLEMENTAL INFORMATION**

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

- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- 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

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**Town of Nags Head, North Carolina**  
**Other Postemployment Benefits**  
**Required Supplementary Information**  
**Schedule of Funding Progress**

A-1

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
12/31/2008	\$ -	\$ 1,737,866	\$ 1,737,866	0.00%	\$ 5,725,487	30.40%
12/31/2011	-	2,362,760	2,362,760	0.00%	5,262,661	44.90%
12/31/2014	-	3,030,826	3,030,826	0.00%	5,987,088	50.60%

**Town of Nags Head, North Carolina  
 Other Postemployment Benefits  
 Required Supplementary Information  
 Schedule of Employer Contributions**

A-2

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2015	\$ 272,741	39.39%
2016	296,408	38.61%
2017	305,300	35.95%

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	December 31, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return *	4.00%
Medical cost trend rate	7.50 - 5.00%
Year of Ultimate trend rate	2020
* Includes inflation at	3.00%

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

A-3

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town of Nags Head's proportion of the net pension liability (asset) (%)	0.09857%	0.11405%	0.10721%	0.10930%
Town of Nags Head's proportion of the net pension liability (asset) (\$)	\$ 2,091,986	\$ 511,850	\$ (632,268)	\$ 1,317,485
Town of Nags Head's covered-employee payroll	\$ 5,807,371	\$ 5,376,833	\$ 5,585,383	\$ 5,159,503
Town of Nags Head's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.02%	9.52%	-11.32%	25.54%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

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

A-4

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 448,317	\$ 396,478	\$ 384,097	\$ 397,372
Contributions in relation to the contractually required contribution	448,317	396,478	384,097	397,372
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Town of Nags Head's covered-employee payroll	\$ 6,008,611	\$ 5,807,371	\$ 5,376,833	\$ 5,585,383
Contributions as a percentage of covered-employee payroll	7.46%	6.83%	7.14%	7.11%

**Town of Nags Head, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2017**

A-5

	<u>2017</u>
Total Pension Liability	
Beginning balance	\$ 769,077
Service Cost at end of year	38,198
Interest on the total pension liability	26,713
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(19,711)
Benefit payments	(41,650)
Other changes	-
Net change in Total Pension Liability	<u>3,550</u>
Ending balance of the total pension liability	<u><u>\$ 772,627</u></u>

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

**Town of Nags Head, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2017**

	<u>2017</u>
Total pension liability	\$ 772,627
Covered-employee payroll	1,386,134
Total Pension Liability as a percentage of of covered-employee payroll	55.74%

Notes to the schedules:

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

## **MAJOR GOVERNMENTAL FUNDS**

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

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

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

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Town of Nags Head, North Carolina

Schedule 1

General Fund

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

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Over (Under)	2016
	Budget	Actual		Actual
<b>REVENUES</b>				
Ad Valorem Taxes:				
Current year		\$ 6,940,373		\$ 6,182,422
Municipal service district		-		1,826,761
Prior year		1,439		11,681
DMV current year		116,317		103,067
DMV prior year		883		243
Penalties and interest		8,284		14,513
<b>Total</b>	<b>\$ 6,951,016</b>	<b>7,067,296</b>	<b>\$ 116,280</b>	<b>8,138,686</b>
Other Taxes and Licenses:				
Occupancy tax		2,572,622		2,637,733
Land Transfer tax		617,313		658,595
Local governmental sales tax		1,425,940		1,393,610
1/2% sales tax revenue		1,107,060		1,092,799
Special assessments		18,478		22,864
Special assessment interest		477		3,552
Privilege licenses and Business registrations		19,508		18,794
Mixed beverage tax		37,229		37,961
Privilege license penalties		541		748
<b>Total</b>	<b>5,575,588</b>	<b>5,799,168</b>	<b>223,580</b>	<b>5,866,657</b>
Intergovernmental Revenues:				
Unrestricted:				
Utility sales tax		740,116		796,156
Telecommunications tax		45,782		46,965
Natural Gas sales tax		3,863		5,869
Solid Waste Disposal fees		1,984		2,320
Video programming tax		139,522		138,628
Cable Franchise - PEG fund fees		55,365		56,142
Beer and wine		13,370		12,827
ABC revenue		18,342		21,214
<b>Total</b>	<b>998,250</b>	<b>1,018,345</b>	<b>20,095</b>	<b>1,080,122</b>
Restricted:				
Federal:				
Drug Enforcement Overtime Grant		-		1,701
Controlled substance excise tax		-		5,195
FEMA reimbursement		95,127		450
State:				
State Street Aid allocation-Powell Bill		119,516		120,333
NC Department of Commerce		366,734		133,266
State DPI Grant		41,087		41,718
Governor's Crime Commission		22,676		-
CAMA Reimbursement		5,930		4,915
Controlled substance excise tax		6,930		4,508
DEHNR Grant		-		30,000
NCEM Reimbursement		31,709		-
Miscellaneous		9,450		3,000

General Fund

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

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Over (Under)	2016
	Budget	Actual		Actual
Local:				
Contributions from Dare County		24,000		2,024,000
Government Access Channel Grant		9,955		9,000
Outer Banks Visitor Bureau grant		260,000		10,000
Outer Banks Community Foundation		-		5,000
Trillium Grant		739,257		10,743
Dominion Community Grant		10,000		-
Contributions for PEAK		-		25,000
Total	2,174,659	1,742,369	(432,290)	2,428,829
Total Intergovernmental Revenues	3,172,909	2,760,714	(412,195)	3,508,950
Permits and Fees:				
Building permits		199,232		201,576
Facility fees		32,339		31,078
Inspection and review fees		38,652		13,615
Beach driving permits		27,631		25,279
CAMA permits		5,300		8,600
Court costs and fees		5,661		3,913
Cart rollback		14,756		31,034
Civil penalties		1,050		1,365
Automobile town tags		885		852
Total	311,850	325,505	13,655	317,312
Sales and Services:				
Sale of materials		92,226		41,628
Total	86,156	92,226	6,070	41,628
Investment Earnings:				
Investment Earnings		112,753		75,336
Change in fair market value of investments		(53,880)		2,702
Net investment earnings	110,000	58,873	(51,127)	78,038
Other Revenues:				
Other rents		109,904		94,377
Cable franchise fees		48,627		45,532
Miscellaneous		38,975		39,402
Damage recovery		-		11,042
Contributions to Police, Fire & Rescue Benevolent Fund		16,952		17,056
Total	191,500	214,458	22,958	207,409
Total Revenues	16,399,019	16,318,240	(80,779)	18,158,680

## General Fund

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

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Over (Under)	2016
	Budget	Actual		Actual
<b>EXPENDITURES</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Fees paid to elected officials		34,114		34,114
FICA expense		2,610		2,610
Contracted services		40,358		45,475
Department supplies and materials		3,985		4,559
Special events		308		856
Dues and subscriptions		8,873		7,906
Printing		1,787		3,032
Travel and Training		3,751		7,282
Equipment rental		21		17
Employee incentive		-		250
Contribution to Nags Head Woods		-		10,000
Contribution to Government Access Channel		56,365		57,142
Contributions, miscellaneous		14,000		4,550
Reimbursement from Water Fund		(13,922)		(13,175)
<b>Total</b>	<b>178,048</b>	<b>152,251</b>	<b>(25,797)</b>	<b>164,616</b>
<b>Special Obligation Bonds:</b>				
Debt service, bond principal		-		3,600,000
Debt service, interest		-		88,040
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,688,040</b>
<b>Administration:</b>				
Salaries and wages		565,842		501,862
FICA expense		40,501		35,867
Group insurance		98,992		86,917
Group insurance - retiree		12,627		19,938
Retirement		40,950		33,379
401(k) account		11,180		8,916
Contracted services		19,231		41,399
Travel and Training		19,592		24,608
Advertising		6,512		2,894
Departmental supplies		7,672		4,020
Dues and subscriptions		4,934		4,628
Equipment rental		4,454		4,884
Telephone		6,226		5,562
Postage		1,858		1,081
Automotive Supplies		927		200
Reimbursement from Water Fund		(105,686)		(82,961)
<b>Total</b>	<b>778,834</b>	<b>735,813</b>	<b>(43,021)</b>	<b>693,196</b>

## General Fund

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

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Over (Under)	2016
	Budget	Actual		Actual
<b>Administrative Services:</b>				
Salaries and wages		318,015		292,679
FICA expense		23,305		20,944
Group insurance expense		55,891		49,338
Retirement		22,191		18,775
401(k) account		5,680		4,549
Unemployment expense		10,213		8,599
Insurance		338,594		339,601
Contracted services		25,684		19,206
Professional services		20,952		33,080
Fines and forfeitures		4,708		4,370
Departmental supplies and materials		8,162		9,359
Postage		5,525		6,954
Telephone		3,389		3,078
Travel and Training		3,112		6,985
Equipment rental		4,905		6,663
Repairs and maintenance, equipment		125		125
Wellness program		8,675		8,216
Personnel Committee		-		230
Special contracted services		4,597		3,761
Dues and subscriptions		1,148		709
Purchases for resale		211		2,600
Bad Debt Expense		-		1,875
Advertising		260		396
Repairs and maintenance, vehicles		495		794
Automotive supplies		360		585
Contributions to PEAK		366,734		158,266
Capital outlay, equipment		138,494		-
Reimbursement from Water Fund		(65,527)		(66,486)
Debt service, capital lease		62,371		7,331
Debt service, interest		-		76
Total	1,563,186	1,368,270	(194,916)	942,657
<b>Information Technology:</b>				
Salaries and wages		124,847		121,586
FICA expense		9,521		9,293
Group insurance		15,819		15,328
Retirement		9,130		8,189
401(k) account		1,624		1,572
Contracted services		4,944		3,300
Contracted services, GIS		-		1,356
Contracted services, website		2,282		1,370
Contracted services, annual contracts		21,248		15,749
Travel and Training		-		1,268
Professional services		200		-
Departmental supplies		271		606
Telephone		6,112		6,349
Postage		16		95
Repairs and maintenance, equipment		9,789		10,275
Other supplies		24,080		30,886
Internet costs		7,620		7,620

## General Fund

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

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Over (Under)	2016
	Budget	Actual		Actual
<b>Information Technology (continued):</b>				
Equipment rental		9,079		10,429
Dues and subscriptions		-		150
Reimbursement from Water Fund		(31,019)		(32,207)
Total	230,765	215,563	(15,202)	213,213
<b>Planning and Development:</b>				
Salaries and wages		507,723		496,071
FICA expense		37,489		36,341
Group insurance		91,067		90,069
Group insurance - retiree		8,790		942
Retirement		36,814		33,035
401(k) account		9,507		9,000
Planning board, board of adjustment		9,230		7,940
Professional services		525		2,266
Departmental supplies		8,514		5,977
Travel and Training		4,485		5,718
Advertising		785		749
Telephone		4,985		5,165
Postage		956		1,883
Repairs and maintenance, vehicles		964		2,106
Printing		937		3,207
Contracted services		33,446		30,102
Other supplies		1,874		1,191
Automotive supplies		3,490		2,134
Equipment rental		5,214		3,668
Dues and subscriptions		2,445		2,606
Capital outlay, other		13,255		26,751
Debt service, capital lease		7,904		8,101
Debt service, interest		197		-
Reimbursement from Water Fund		(99,218)		(79,871)
Total	858,330	691,380	(166,950)	695,152
<b>Legal Services:</b>				
Professional services		113,864		91,591
Reimbursement from Water Fund		(12,557)		(25,755)
Total	102,254	101,307	(947)	65,836
Total General Government	3,711,417	3,264,585	(446,832)	6,462,710

## General Fund

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

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Over (Under)	2016
	Budget	Actual		Actual
<b>Public Safety:</b>				
Police Department:				
Salaries and wages		1,367,879		1,346,857
FICA expense		99,425		97,971
Group insurance		307,669		289,204
Group insurance - retiree		37,815		32,256
Retirement		108,164		95,750
401(k) account		64,696		64,089
Separation Allowance		44,261		55,940
Automotive supplies		47,898		44,709
Departmental supplies		40,485		37,913
Repairs and maintenance, vehicles		22,836		16,285
Repairs and maintenance, equipment		35,161		25,651
Telephone		22,330		19,586
Other supplies		6,955		5,963
Uniforms		11,043		22,234
Equipment rental		8,624		8,708
Travel and Training		20,967		18,973
Professional services		12,064		13,263
Postage		959		969
Dues and subscriptions		1,022		1,309
Advertising		49		-
Printing		425		479
Contracted services		1,405		962
Capital outlay, equipment		134,405		122,214
Capital outlay, equipment Governor's grant		24,500		-
Debt service, capital lease		130,446		149,224
Debt service, interest		1,602		1,772
<b>Total</b>	<b>2,611,959</b>	<b>2,553,085</b>	<b>(58,874)</b>	<b>2,472,280</b>
Drug Forfeiture:				
Training		-		1,200
Department supplies		380		11,887
Capital Outlay		-		10,888
<b>Total</b>	<b>1,000</b>	<b>380</b>	<b>(620)</b>	<b>23,975</b>
<b>Fire Department:</b>				
Salaries and wages		1,473,895		1,432,618
FICA expense		104,944		100,903
Group insurance		357,393		356,046
Group insurance, retiree		12,627		12,260
Retirement expense		110,624		99,253
401(k) account		26,736		25,663
Incentive pay		2,690		3,640
Departmental supplies		51,117		65,496
Repairs and maintenance, buildings		13,020		-

## General Fund

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

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Over (Under)	2016
	Budget	Actual		Actual
<b>Fire Department (continued):</b>				
Repairs and maintenance, vehicles		24,284		21,820
Uniforms		14,921		17,361
Repairs and maintenance, equipment		6,247		8,830
Automotive supplies		13,850		13,482
Telephone		8,855		8,857
OSHA Compliance		6,106		1,812
Travel and Training		15,039		18,028
Safety training		5,590		4,779
Other supplies		7,596		4,411
Equipment rental		3,109		2,903
Dues and subscriptions		2,184		2,323
Professional services		13,280		15,141
Advertising		2		-
Postage		473		408
Contracted Services		17,635		12,081
Printing		1,058		824
Capital outlay, equipment		45,528		58,104
Capital outlay, other		41,214		-
Debt service, capital lease		199,833		193,515
Debt service, interest		13,994		23,216
Total	2,625,295	2,593,845	(31,450)	2,503,771
<b>Ocean Rescue:</b>				
Salaries and wages		423,579		437,377
FICA expense		28,890		29,584
Group insurance		7,567		8,745
Retirement expense		2,672		2,747
401(k) account		729		815
Departmental supplies		18,077		15,162
Uniforms		12,830		13,213
Automotive supplies		8,438		9,806
Repairs and maintenance, equipment		3,274		4,106
Travel and Training		3,819		6,688
Repairs and maintenance, vehicles		3,019		2,464
Professional fees		2,347		4,444
Contracted Services		1,492		18
Telephone		919		714
Printing		1,323		224
Dues and subscriptions		1,480		1,270
Postage		72		26
Capital outlay, equipment		49,129		59,657
Debt service, capital lease		21,107		11,632
Debt service, interest		283		-
Total	640,841	591,047	(49,794)	608,691
Total Public Safety	5,879,095	5,738,357	(140,738)	5,608,718

## General Fund

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

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Over (Under)	2016
	Budget	Actual		Actual
<b>Environmental Protection:</b>				
<b>Sanitation:</b>				
Salaries and wages		380,569		363,693
FICA expense		27,396		25,882
Group insurance		95,458		92,942
Group insurance - retiree		-		8,916
Retirement		26,143		22,849
401(k) account		2,986		2,249
Repairs and maintenance, vehicles		107,611		100,951
Automotive supplies		66,288		63,192
Department supplies		11,159		19,510
Uniforms		4,071		3,928
Contracted services		14,287		15,090
Recycling		101,727		74,625
Recycling carts		5,591		194,310
Purchases for resale		(3,250)		13,932
Repairs and maintenance, equipment		630		694
Telephone		2,888		2,695
Advertising		453		1,121
Capital outlay, equipment		566,225		493,086
Debt service, capital lease		344,625		363,798
Debt service, interest		14,384		7,107
Total	1,840,466	1,769,239	(71,227)	1,870,571
<b>Solid Waste:</b>				
Tipping fees		683,858		631,228
Total	702,095	683,858	(18,236)	631,228
Total Environmental Protection	2,542,561	2,453,098	(89,464)	2,501,799
<b>Public Works:</b>				
<b>Administration:</b>				
Salaries and wages		186,605		290,536
FICA expense		13,412		20,926
Group insurance		39,933		52,843
Group insurance - retiree		-		1,115
Retirement		13,640		19,525
401(k) account		3,184		5,288
Contracted services		3,077		5,031
Purchase for resale		107,651		38,228
Telephone		2,272		3,291
Departmental supplies		4,722		5,228
Advertising		-		393
Equipment rental		1,311		1,282
Automotive supplies		2,302		2,690
Travel and Training		-		1,836

General Fund

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

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Over (Under)	2016
	Budget	Actual		Actual
<b>Public Works:</b>				
<b>Administration (continued):</b>				
Dues and subscriptions		2,691		1,709
Postage		56		287
Repairs and maintenance, vehicles		2,887		925
Repairs and maintenance, equipment		-		76
Uniforms		795		215
Professional fees		-		764
Capital outlay, equipment		32,609		-
Debt service, capital lease		8,092		-
Reimbursement from Water Fund		(55,493)		(55,280)
<b>Total</b>	<b>388,032</b>	<b>369,744</b>	<b>(18,288)</b>	<b>396,907</b>
<b>Public Facilities Maintenance:</b>				
Salaries and wages		436,054		414,294
FICA expense		32,354		30,601
Group insurance		105,074		102,747
Group insurance, retiree		12,627		12,260
Retirement		31,068		27,341
401(k) account		7,604		7,255
Repairs and maintenance, facilities		92,148		63,371
Utilities		178,177		183,668
Contracted services		36,175		102,689
Department supplies		20,739		23,136
Repairs and maintenance, equipment		33,140		36,174
Signs		14,983		6,618
Automotive supplies		15,833		16,002
Repairs and maintenance, other		39,077		38,550
Other supplies		15,591		15,476
Professional services		240		10,387
Uniforms		2,638		3,986
Repairs and maintenance, vehicles		10,074		8,533
Travel and Training		1,565		683
Telephone		2,903		2,753
Special Projects, sand fencing		48,000		24,000
Dues and subscriptions		50		50
Reimbursement from Water Fund		(136,864)		(152,731)
Capital outlay, Multi Use Path grant		-		3,115
Capital outlay, Dowdy Park grant		1,610,776		97,801
Capital outlay, Whalebone Park		-		-
Capital outlay, other		166,328		43,100
Capital outlay, equipment		27,877		57,565
Capital outlay, land		2,022		52,949
Capital outlay, building		99,488		7,675
Debt service, capital lease		248,408		248,363
Debt service, interest		7,690		11,421
<b>Total</b>	<b>3,785,015</b>	<b>3,161,839</b>	<b>(623,176)</b>	<b>1,499,831</b>

## General Fund

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

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Over (Under)	2016
	Budget	Actual		Actual
<b>Maintenance Garage:</b>				
Salaries and wages		191,673		183,861
FICA account		13,920		13,252
Group insurance		49,011		47,663
Group insurance, retiree		-		2,229
Retirement		14,001		12,378
401(k) account		3,381		2,633
Other supplies		8,152		10,122
Departmental supplies		12,984		13,658
Uniforms		1,614		1,503
Contracted services		2,047		1,741
Professional services		-		120
Automotive supplies		1,851		653
Repairs and maintenance, vehicles		2,223		291
Travel and Training		70		339
Repairs and maintenance, equipment		1,824		822
Capital outlay, equipment		73,527		-
Reimbursement from Water Fund		(36,544)		(34,152)
Debt service, capital lease		18,247		-
Total	361,809	357,981	(3,828)	257,114
Total Public Works	4,534,856	3,889,565	(645,291)	2,153,853
<b>Streets and Drainage:</b>				
<b>Public Works State Street Aid:</b>				
Street supplies, Powell Bill		10,396		12,603
Capital outlay, other Powell Bill		76,825		152,356
Total	121,142	87,221	(33,921)	164,959
<b>Storm Water Maintenance:</b>				
Utilities		1,110		-
Fuel costs		1,395		-
Department Supplies		5,223		-
Maintenance and repairs equipment		2,275		-
Professional services		1,000		-
Professional fees/Water quality testing		460		-
Contracted services		120,000		-
Capital outlay, equipment		52,079		-
Debt Service, capital lease		12,924		-
Total	281,466	196,466	(85,000)	-
Total Streets and Drainage	402,608	283,687	(118,921)	164,959
Contingency	92,928	-	(92,928)	-
Total Expenditures	17,163,465	15,629,290	(1,534,175)	16,892,038
Revenues Over (Under) Expenditures	(764,446)	688,949	1,453,395	1,266,642

General Fund

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

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Over (Under)	2016
	Budget	Actual		Actual
Other Financing Sources (Uses):				
Capital lease issued	988,525	988,525	-	1,015,819
Transfers to Capital Reserve Funds	(1,723,118)	(1,739,256)	(16,138)	(1,598,510)
Transfers from Capital Reserve Funds	543,264	545,491	2,227	258,360
Sale of capital assets	20,000	22,747	2,747	50,140
Appropriated Fund Balance	935,775	-	(935,775)	-
Other financing sources (uses), net	764,446	(182,493)	(946,939)	(274,191)
Net change in fund balance	<u>\$ -</u>	506,456	<u>\$ 506,456</u>	992,450
FUND BALANCE, beginning		9,277,144		8,091,876
RESTATEMENT		-		192,818
FUND BALANCE, ending		<u>\$ 9,783,600</u>		<u>\$ 9,277,144</u>

Town of Nags Head, North Carolina  
 Capital Reserve Fund

Schedule 2

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2017  
 With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017		Variance Over (Under)	2016
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 41,752	41,752	\$ 29,110
Change in fair market value of investments		(23,293)	(23,293)	4,723
Total revenues	-	18,459	18,459	33,833
Other financing sources (uses):				
Transfers from:				
General Fund	1,723,118	1,739,256	16,138	1,598,510
Storm Water Enterprise Fund	69,670	69,670	-	-
Beach Nourishment Fund	71	71	-	-
Transfers to:				
Beach Renourishment Capital Project Fund	(2,674,211)	(2,674,211)	-	(139,373)
General Fund	(543,264)	(545,491)	(2,227)	(258,360)
Appropriated Fund Balance	1,424,616	-	(1,424,616)	-
Total other financing sources (uses)	-	(1,410,705)	(1,410,705)	1,200,777
Net change in fund balance	\$ -	(1,392,246)	\$ (1,392,246)	1,234,610
Fund balances, beginning of year		5,765,979		4,531,369
Fund balances, end of year		\$ 4,373,733		\$ 5,765,979

**Town of Nags Head, North Carolina**  
**Beach Renourishment Capital Project Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2017**

Schedule 3

	Project Authorization	Actual		Total to Date	Variance Over (Under)
		Prior Years	Current Year		
<b>Revenues</b>					
Investment Earnings	\$ -	\$ -	\$ 28,336	\$ 28,336	\$ 28,336
Change in fair market value of investments	-	-	(18,860)	(18,860)	(18,860)
Restricted intergovernmental	9,573,356	-	-	-	(9,573,356)
<b>Total revenues</b>	<b>9,573,356</b>	<b>-</b>	<b>9,476</b>	<b>9,476</b>	<b>(9,563,880)</b>
<b>Expenditures</b>					
Professional Fees	587,500	-	86,044	86,044	(501,456)
Capital Construction Oversight	1,684,211	-	294,650	294,650	(1,389,561)
Pumping Costs	17,250,000	-	-	-	(17,250,000)
Mobilization	5,000,000	-	-	-	(5,000,000)
Contingency	250,000	-	-	-	(250,000)
Monitoring	500,000	-	-	-	(500,000)
Thirty Year Beach Study	750,000	-	-	-	(750,000)
Sprigging	450,000	-	-	-	(450,000)
Turtle Monitoring	50,000	-	-	-	(50,000)
Ocean Outfall	300,000	-	-	-	(300,000)
Other Costs	275,000	-	4,640	4,640	(270,360)
<b>Total Expenditures</b>	<b>27,096,711</b>	<b>-</b>	<b>385,334</b>	<b>385,334</b>	<b>(26,711,377)</b>
<b>Revenues over (under) expenditures</b>	<b>(17,523,355)</b>	<b>-</b>	<b>(375,858)</b>	<b>(375,858)</b>	<b>17,147,497</b>
<b>Other financing sources (uses):</b>					
Bonds issued	11,573,355	-	-	-	(11,573,355)
Transfers from Capital Reserve Fund	5,950,000	-	2,674,211	2,674,211	(3,275,789)
<b>Total other financing sources (uses)</b>	<b>17,523,355</b>	<b>-</b>	<b>2,674,211</b>	<b>2,674,211</b>	<b>(14,849,144)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,298,353</b>	<b>\$ 2,298,353</b>	<b>\$ 2,298,353</b>
Fund balance, beginning of year			-		
Fund balance, end of year			<u>\$ 2,298,353</u>		

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## **NON-MAJOR GOVERNMENTAL FUND**

The **Beach Nourishment Capital Projects Fund** is used to account for beach nourishment.

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**Non-Major Governmental Fund - Beach Nourishment 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, 2017**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
<b>Revenues</b>					
Interest earned on investments	\$ -	\$ 44,960	\$ 59	\$ 45,019	\$ 45,019
Change in fair market value of investments	-	1,199	-	1,199	1,199
Restricted intergovernmental Donations	18,000,000	18,000,000	-	18,000,000	-
	-	2,929	-	2,929	2,929
<b>Total revenues</b>	<b>18,000,000</b>	<b>18,049,088</b>	<b>59</b>	<b>18,049,147</b>	<b>49,147</b>
<b>Expenditures</b>					
Professional Fees	805,713	808,479	-	808,479	2,766
Capital Construction Oversight	1,762,125	1,762,122	-	1,762,122	(3)
Pumping Costs	25,528,000	25,530,000	-	25,530,000	2,000
Mobilization	4,656,000	4,654,000	-	4,654,000	(2,000)
Contingency	312,290	-	-	-	(312,290)
Monitoring	839,710	803,533	38,134	841,667	1,957
Other Costs	1,596,162	1,592,181	-	1,592,181	(3,981)
					-
<b>Total Expenditures</b>	<b>35,500,000</b>	<b>35,150,315</b>	<b>38,134</b>	<b>35,188,449</b>	<b>(311,551)</b>
<b>Revenues over (under) expenditures</b>	<b>(17,500,000)</b>	<b>(17,101,227)</b>	<b>(38,075)</b>	<b>(17,139,302)</b>	<b>360,698</b>
<b>Other financing sources (uses):</b>					
Bonds issued	18,000,000	18,000,000	-	18,000,000	-
Transfers to General Fund	(2,027,251)	(2,027,251)	-	(2,027,251)	-
Transfers to Capital Reserve Fund	-	-	(71)	(71)	(71)
Transfers from General Fund	1,027,251	1,027,251	-	1,027,251	-
Transfers from Capital Reserve Fund	500,000	139,373	-	139,373	(360,627)
<b>Total other financing sources (uses)</b>	<b>17,500,000</b>	<b>17,139,373</b>	<b>(71)</b>	<b>17,139,302</b>	<b>(360,698)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 38,146</b>	<b>(38,146)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balance, beginning of year</b>			<b>38,146</b>		
<b>Fund balance, end of year</b>			<b>\$ -</b>		

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## **PROPRIETARY FUNDS ENTERPRISE FUNDS**

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

### *Major Enterprise Fund*

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

### *Non-Major Enterprise Funds*

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

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

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**Town of Nags Head, North Carolina**  
**Enterprise Fund - Water Fund**  
**Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2017**  
**With Comparative Actual Amounts for the Year Ended June 30, 2016**

Schedule 5

	2017		Variance Over (Under)	2016
	Budget	Actual		Actual
<b>REVENUES</b>				
Operating Revenues:				
Water sales		\$ 2,485,693		\$ 2,675,279
Tap and connection fees		14,508		10,583
Late payment penalties and interest		25,706		28,859
Water cutoff tag fees		7,100		6,200
Miscellaneous		4,490		2,122
<b>Total Operating Revenues</b>	<b>2,748,500</b>	<b>2,537,497</b>	<b>(211,003)</b>	<b>2,723,043</b>
Non-operating Revenues:				
Interest earned on investments		41,630		27,300
Change in fair market value of investments		(20,361)		3,845
<b>Total Non-operating Revenues</b>	<b>31,250</b>	<b>21,269</b>	<b>(9,981)</b>	<b>31,145</b>
<b>Total Revenues</b>	<b>2,779,750</b>	<b>2,558,766</b>	<b>(220,984)</b>	<b>2,754,188</b>
<b>EXPENDITURES</b>				
Administration:				
Salaries and wages		110,676		60,725
FICA expense		7,750		4,228
Group insurance		29,980		19,281
Retirement expense		8,133		4,094
401(k) account		1,329		341
Reimburse General Fund administrative expenses		46,493		26,130
Contracted services		4,618		4,619
Postage		10,417		10,399
Travel and Training		269		416
Supplies and materials		2,114		5,265
Professional fees		12,419		-
Repairs and maintenance, equipment		1,312		797
<b>Total Administration</b>	<b>244,476</b>	<b>235,510</b>	<b>(8,966)</b>	<b>136,295</b>
Septic Health:				
Salaries and wages		28,922		28,727
FICA expense		2,001		1,984
Group insurance		9,904		9,580
Retirement		2,140		1,931
401(k) account		574		573
Reimburse General Fund administrative expenses		39,539		30,338
Inspection rebates		9,075		7,500
Pumping credits		2,220		1,710
Postage		2,136		1,057
Advertising		1,800		-

**Town of Nags Head, North Carolina**  
**Enterprise Fund - Water Fund**  
**Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2017**  
**With Comparative Actual Amounts for the Year Ended June 30, 2016**

Schedule 5

	2017		Variance Over (Under)	2016
	Budget	Actual		Actual
Septic Health (continued):				
Travel and Training		252		30
Water quality testing		43,224		46,939
Contracted services		2,145		-
Telephone		201		405
Printing		1,521		999
Automotive supplies		767		764
Repairs and maintenance, vehicles		92		403
Departmental supplies		365		820
<b>Total Septic Health</b>	<b>156,456</b>	<b>146,878</b>	<b>(9,578)</b>	<b>133,759</b>
Operations:				
Salaries and wages		200,680		196,628
FICA expense		14,225		13,958
Group insurance		50,397		48,677
Retirement		14,607		13,239
401(k) account		2,106		1,890
Purchases for resale		828,857		753,552
Reimburse General Fund administrative expenses		331,736		343,336
Insurance		48,456		49,010
Utilities		47,630		46,309
Contracted services		6,190		6,597
Departmental supplies		22,503		29,668
Professional fees		3,200		3,214
Other supplies		1,811		3,107
Repairs and maintenance, equipment		26,936		21,809
Repairs and maintenance, buildings		610		300
Postage		1,542		1,459
Telephone		3,248		3,652
Uniforms		1,333		1,563
Dues and subscriptions		2,452		2,460
Equipment rental		1,032		826
Printing		2,814		2,687
Automotive supplies		3,612		4,313
Travel and Training		3,533		2,410
Advertising		243		-
Repairs and maintenance, vehicles		471		1,134
<b>Total Operations</b>	<b>1,666,712</b>	<b>1,620,224</b>	<b>(46,488)</b>	<b>1,551,798</b>
Operations Distribution:				
Salaries and wages		186,606		155,895
FICA expense		13,257		11,106
Group insurance		53,028		42,439
Group insurance, retiree		25,254		24,520
Retirement		13,670		10,487

**Town of Nags Head, North Carolina**  
**Enterprise Fund - Water Fund**  
**Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2017**  
**With Comparative Actual Amounts for the Year Ended June 30, 2016**

Schedule 5

	2017		Variance Over (Under)	2016
	Budget	Actual		Actual
Operations Distribution (continued):				
401(k) account		3,704		3,109
Reimburse General Fund administrative expenses		139,062		142,814
Contracted services		11,079		5,355
Other supplies		17,361		14,142
Repairs and maintenance, other		38,666		15,913
Insurance		-		7,261
Automobile supplies		7,253		5,551
Departmental supplies		14,810		15,308
Postage		-		15
Professional fees		350		-
Uniforms		1,912		1,991
Repairs and maintenance, vehicles		3,131		2,093
Telephone		1,872		2,752
Dues and subscriptions		1,229		1,167
Advertising		976		1,688
Repairs and maintenance, equipment		2,782		3,882
Travel and Training		2,570		3,035
<b>Total Operations Distribution</b>	<b>717,115</b>	<b>538,572</b>	<b>(178,543)</b>	<b>470,522</b>
Contingency	25,420	-	(25,420)	-
Capital Outlay:				
Machinery and equipment	111,879	49,851		84,689
Buildings	-	205,178		94,695
Other	198,950	-		172,652
<b>Total Capital Outlay</b>	<b>310,829</b>	<b>255,029</b>	<b>(55,800)</b>	<b>352,036</b>
<b>TOTAL EXPENDITURES</b>	<b>3,121,008</b>	<b>2,796,213</b>	<b>(324,795)</b>	<b>2,644,410</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(341,258)</b>	<b>(237,447)</b>	<b>103,811</b>	<b>109,778</b>
Other Financing Sources and (Uses):				
Appropriated Net Position	443,695	-		-
Capital lease issued	73,099	73,099		51,412
Debt interest	(6,672)	(6,570)		(13,866)
Debt principal	(133,784)	(134,702)		(140,274)
Septic Health Loans provided to customers	(62,880)	(57,680)		(25,540)
Principal repayments Septic Health Loans	27,800	28,503		19,699
<b>Total Other Financing Sources and (Uses)</b>	<b>341,258</b>	<b>(97,350)</b>	<b>(438,608)</b>	<b>(108,570)</b>

**Town of Nags Head, North Carolina**  
**Enterprise Fund - Water Fund**  
**Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2017**  
**With Comparative Actual Amounts for the Year Ended June 30, 2016**

Schedule 5

	2017		Variance Over (Under)	2016
	Budget	Actual		Actual
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	\$ (334,797)	\$ (334,797)	\$ 1,209

RECONCILIATION OF MODIFIED ACCRUAL TO FULL ACCRUAL BASIS

Revenues over (under) expenditures	\$ (334,797)	\$ 1,209
Reconciling items:		
Septic Health Loans	57,680	25,540
Principal repayments Septic Health Loans	(28,503)	(19,699)
Payment of debt principal	134,702	140,274
(Increase) in accrued interest payable	(33)	(1,053)
Decrease (increase) in accrued vacation payable	294	(12,218)
(Increase) in accrued OPEB liability	(37,205)	(768)
(Decrease) in net pension asset	-	(51,467)
Increase (decrease) in deferred outflows of resources-pensions	127,263	(3,551)
(Increase) in net pension liability	(145,597)	(35,778)
Decrease in deferred inflows of resources-pensions	4,377	107,722
Capital lease issued	(73,099)	(51,412)
Capital contributions	104,500	102,500
Capital outlay	255,029	352,036
Depreciation and amortization	(327,864)	(312,758)
Change in net position	<u>\$ (263,253)</u>	<u>\$ 240,577</u>

**Town of Nags Head, North Carolina**  
**Non-Major Enterprise Funds**  
**Combining Statement of Net Position**  
**June 30, 2017**

Schedule 6

	Storm Water Fund	Nags Head Leasing Fund	Total Non-Major Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ 102	\$ 102
Total current assets	-	102	102
Total assets	-	102	102
<b>Net Position</b>			
Unrestricted	-	102	102
Total net position	\$ -	\$ 102	\$ 102

**Town of Nags Head, North Carolina  
 Non-Major Enterprise Funds  
 Combining Statement of Revenues, Expenses and  
 Changes in Fund Net Position  
 For the Year Ended June 30, 2017**

**Schedule 7**

	Storm Water Fund	Nags Head Leasing Fund	Total Non-Major Funds
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	\$ -	\$ 2	\$ 2
Loss on disposal of capital assets	(875,662)	-	(875,662)
<b>Total nonoperating revenues</b>	<u>(875,662)</u>	<u>2</u>	<u>(875,660)</u>
<b>Income (Loss) Before Transfers</b>	(875,662)	2	(875,660)
Transfer to Capital Reserve Fund	(69,670)	-	(69,670)
	<u>(69,670)</u>	<u>-</u>	<u>(69,670)</u>
<b>Change in net position</b>	<u>(945,332)</u>	<u>2</u>	<u>(945,330)</u>
<b>Total net position - beginning</b>	<u>945,332</u>	<u>100</u>	<u>945,432</u>
<b>Total net position - ending</b>	<u>\$ -</u>	<u>\$ 102</u>	<u>\$ 102</u>

**Town of Nags Head, North Carolina  
Non-Major Enterprise Funds  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2017**

**Schedule 8**

	Storm Water Fund	Nags Head Leasing Fund	Total Non-Major Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 13,632	\$ -	\$ 13,632
Net cash provided by operating activities	<u>13,632</u>	<u>-</u>	<u>13,632</u>
<b>CASH FLOWS FROM NON CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Transfers to Capital Reserve Fund	<u>(69,670)</u>	<u>-</u>	<u>(69,670)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investment earnings	<u>57</u>	<u>2</u>	<u>59</u>
Net increase (decrease) in cash and cash equivalents	(55,981)	2	(55,979)
Cash balances - beginning of the year	<u>55,981</u>	<u>100</u>	<u>56,081</u>
Cash balances - end of the year	<u>\$ -</u>	<u>\$ 102</u>	<u>\$ 102</u>
<b>Reconciliation of operating gain to net cash provided by operating activities</b>			
Operating (loss)	\$ -	\$ -	\$ -
Adjustments to reconcile operating income gain to net cash provided by operating activities:			
Changes in assets, deferred outflows of resources, and liabilities:			
Decrease in accounts receivable	<u>13,632</u>	<u>-</u>	<u>13,632</u>
Total adjustments	<u>13,632</u>	<u>-</u>	<u>13,632</u>
Net cash provided by operating activities	<u>\$ 13,632</u>	<u>\$ -</u>	<u>\$ 13,632</u>
<b>Schedule of non-cash capital and related financing activities:</b>			
Contributions of capital assets	\$ (875,662)	\$ -	\$ (875,662)

**Town of Nags Head, North Carolina**  
**Enterprise Fund - Storm Water Fund**  
**Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2017**  
**With Comparative Actual Amounts for the Year Ended June 30, 2016**

Schedule 9

	2017			2016
	Budget	Actual	Variance Over (Under)	Actual
<b>REVENUES</b>				
Operating Revenues:				
Storm Water Fees	\$ -	\$ -	\$ -	\$ 233,540
Total Operating Revenues	-	-	-	233,540
Non-operating Revenues:				
Interest earned on investments				330
Change in fair market value of investments	-	-	-	101
Total Non-operating Revenues	-	-	-	431
Total Revenues	-	-	-	233,971
<b>EXPENDITURES</b>				
Utilities		-		1,086
Automotive Supplies		-		743
Water quality testing		-		360
Department Supplies		-		431
Repairs and maintenance, equipment		-		9,068
Professional Fees		-		2,700
Capital outlay other/Contracted Services		-		218,159
Total Expenditures	-	-	-	232,547
Revenues Over Expenditures	-	-	-	1,424
Other Financing Sources (Uses)				
Appropriated Net Position	69,670	-	(69,670)	-
Transfer to Capital Reserve Fund	(69,670)	(69,670)		
Total Other Financing (Uses)	-	(69,670)	(69,670)	-
Revenues and other financing sources over (under) expenditures and other uses	\$ -	(69,670)	\$ (69,670)	1,424
<b>RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS</b>				
		<u>Actual</u>		<u>Actual</u>
Revenues over (under) expenditures	\$	(69,670)		\$ 1,424
Reconciling items:				
Loss on disposal of capital assets		(875,662)		-
Capital Outlay		-		218,159
Depreciation		-		(88,279)
Change in net position	\$	<u>(945,332)</u>		<u>\$ 131,304</u>

Town of Nags Head, North Carolina

Schedule 10

Enterprise Fund - Nags Head Leasing Fund

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

For the Year Ended June 30, 2017

With Comparative Actual Amounts for the Year Ended June 30, 2016

	2017			2016
	Budget	Actual	Variance Over (Under)	Actual
<b>REVENUES</b>				
Non-operating Revenues:				
Interest earned on investments	\$ -	\$ 2	\$ 2	-
Total Non-operating Revenues	-	2	2	-
Total Revenues	-	2	2	-
Revenues and other financing sources over expenditures and other uses	\$ -	2	\$ 2	-
<b>RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS</b>				
Revenues over expenditures		\$ 2		\$ -
Change in net position		\$ 2		\$ -

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## **SUPPLEMENTARY SCHEDULES**

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

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**TOWN OF NAGS HEAD, NORTH CAROLINA**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2017**

Schedule 11

Fiscal Year	Uncollected Balance June 30, 2016	Additions	Collections And Credits	Adjustments	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 6,878,118	\$ 7,056,690	\$ 178,768	\$ 196
2015-2016 MSD	-	-	-	-	-
2015-2016	880	-	804	-	76
2015-2016 MSD	2	-	832	832	2
2014-2015	741	-	635	-	106
2014-2015 MSD	-	-	-	-	-
2013-2014	1,208	-	25	-	1,183
2013-2014 MSD	37	-	-	-	37
2012-2013	1,914	-	4	-	1,910
2012-2013 MSD	2	-	-	-	2
2011-2012	1,110	-	18	-	1,092
2011-2012 MSD	19	-	-	-	19
2010-2011	1,155	-	-	-	1,155
2009-2010	922	-	-	-	922
2008-2009	711	-	-	-	711
2007-2008	964	-	-	-	964
2006-2007	834	-	834	-	-
<b>Total</b>	<b>\$ 10,499</b>	<b>\$ 6,878,118</b>	<b>\$ 7,059,842</b>	<b>\$ 179,600</b>	<b>8,375</b>

Less allowance for uncollectible  
ad valorem taxes receivable

\$ 8,000

Ad Valorem Taxes Receivable, net

\$ 375

Reconciliation with revenues:

Taxes, ad valorem , General Fund	\$ 7,066,464
Taxes, ad valorem , MSD	832
Amounts written off for tax year 2006-07	142
DMV written off for tax year 2006-07	688
Amounts written off <\$1	-
Less penalties and interest	(8,284)
	<u>\$ 7,059,842</u>

**Town of Nags Head, North Carolina**  
**Analysis of Current Tax Levy**  
**June 30, 2017**

Schedule 12

	Town - Wide		Total Levy		
			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles	
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current year's rate	\$ 2,314,789,068	\$ 0.2970	\$ 6,874,919	\$ 6,874,919	\$ -
Registered Motor Vehicles taxed at current year rates	32,366,600	0.2970	95,068	-	95,068
Registered Motor Vehicles taxed at 2015 year's rate	7,953,963	0.2670	21,237	-	21,237
Registered Motor Vehicles taxed at 2014 year's rate	4,311	0.2670	12	-	12
Penalties	-	0.2670	3,199	3,199	-
<b>Total</b>	<b>2,355,113,942</b>		<b>6,994,435</b>	<b>6,878,118</b>	<b>116,317</b>
Discoveries and Adjustments:					
Current year discoveries and adjustments	21,735,811	0.2700	58,590	58,590	-
Town wide beach nourishment			5,859	5,859	
Penalty discoveries	-	-	97	97	-
<b>Total</b>	<b>21,735,811</b>		<b>64,546</b>	<b>64,546</b>	<b>-</b>
Releases and Adjustments:					
Current year releases and adjustments	(496,458)	0.2700	(1,243)	(1,243)	-
Town wide beach nourishment			(125)	(125)	
Penalty Releases	-	-	(133)	(133)	-
<b>Total</b>	<b>(496,458)</b>		<b>(1,501)</b>	<b>(1,501)</b>	<b>-</b>
Write-offs or Adjustments:					
			(594)	(594)	-
<b>Total property valuation</b>	<b>\$ 2,376,353,295</b>				
Net levy			7,056,886	6,940,569	116,317
Uncollected taxes at June 30, 2017			(179)	(179)	-
Town Wide Beach Nourishment			(17)	(17)	-
Current year taxes collected			<b>\$ 7,056,690</b>	<b>\$ 6,940,373</b>	<b>\$ 116,317</b>
Current levy collection percentage			<b>99.997%</b>	<b>99.997%</b>	<b>100.00%</b>

## 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.

<b>Contents</b>	<b>Page</b>
Financial Trends	98
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	103
These tables contain information to help the reader assess the Town's most significant local revenue source: property tax.	
Debt Capacity	107
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	110
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	112
These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	

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

TABLE 1

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities</b>										
Net investment in capital assets	\$ 12,497,096	\$ 15,440,091	\$ 15,867,188	\$ 16,675,551	\$ 39,461,419	\$ 36,870,772	\$ 33,903,387	\$ 31,135,962	\$ 27,708,368	20,966,687
Restricted	111,075	149,282	107,450	43,920,188	2,841,491	4,215,704	5,228,502	6,624,621	9,021,585	8,329,744
Unrestricted	10,034,343	9,265,539	8,860,527	(17,756,013)	7,010,760	6,290,213	5,800,045	3,898,698	3,755,364	4,890,365
Total governmental activities net position	\$ 22,642,514	\$ 24,854,912	\$ 24,835,165	\$ 42,839,726	\$ 49,313,670	\$ 47,376,689	\$ 44,931,934	\$ 41,659,281	\$ 40,485,317	34,186,796
<b>Business-type activities</b>										
Net investment in capital assets	\$ 7,675,457	\$ 7,238,027	\$ 7,198,997	\$ 6,998,911	\$ 7,290,657	\$ 6,956,945	\$ 6,615,501	\$ 6,893,822	\$ 7,151,840	6,294,923
Unrestricted	4,197,894	3,969,233	3,595,538	3,612,184	3,435,118	3,503,486	3,714,971	3,552,268	3,666,132	3,314,466
Total business-type activities net position	\$ 11,873,351	\$ 11,207,260	\$ 10,794,535	\$ 10,611,095	\$ 10,725,775	\$ 10,460,431	\$ 10,330,472	\$ 10,446,090	\$ 10,817,972	9,609,389
<b>Primary government</b>										
Net investment in capital assets	\$ 20,172,553	\$ 22,678,118	\$ 23,066,185	\$ 23,674,462	\$ 46,752,076	\$ 43,827,717	\$ 40,518,888	\$ 38,029,784	\$ 34,860,208	27,261,610
Restricted	111,075	149,282	107,450	43,920,188	2,841,491	4,215,704	5,228,502	6,624,621	9,021,585	8,329,744
Unrestricted	14,232,237	13,234,772	12,456,065	(14,143,829)	10,445,878	9,793,699	9,515,016	7,450,966	7,421,496	8,204,831
Total primary government activities net position	\$ 34,515,865	\$ 36,062,172	\$ 35,629,700	\$ 53,450,821	\$ 60,039,445	\$ 57,837,120	\$ 55,262,406	\$ 52,105,371	\$ 51,303,289	43,796,185

TOWN OF NAGS HEAD, NORTH CAROLINA

CHANGES IN NET POSITION,  
LAST TEN FISCAL YEARS

(accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,215,258	\$ 2,367,328	\$ 2,180,840	\$ 2,312,288	\$ 2,522,896	\$ 9,253,686	\$ 9,408,905	\$ 10,812,062	\$ 9,974,716	\$ 10,328,168
Public safety	4,445,113	4,502,963	4,275,197	4,414,594	4,779,911	4,894,679	5,251,148	5,274,035	5,402,779	5,501,986
Public Works/Transportation	1,720,014	1,648,013	1,618,287	1,692,863	2,041,283	1,972,369	2,158,516	2,137,237	2,174,552	4,728,501
Environmental protection	1,687,064	1,638,552	1,662,597	1,595,804	1,725,879	1,721,611	1,744,024	1,726,901	1,886,219	1,730,249
Streets and Drainage	-	-	-	-	-	-	-	-	-	545,888
Interest on long-term debt	191,655	135,207	108,592	79,966	520,237	409,005	319,462	226,348	143,298	40,122
Total Governmental activities expenses	<u>10,259,104</u>	<u>10,292,063</u>	<u>9,845,513</u>	<u>10,095,515</u>	<u>11,590,206</u>	<u>18,251,350</u>	<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	3,021,944	2,869,842	2,735,581	2,708,563	2,470,495	2,771,846	2,634,525	2,721,655	2,616,111	2,926,519
Storm Water Fund	31,159	127,786	38,099	48,191	45,573	29,519	41,395	70,127	102,667	875,662
Total Business-type activities expenses	<u>3,053,103</u>	<u>2,997,628</u>	<u>2,773,680</u>	<u>2,756,754</u>	<u>2,516,068</u>	<u>2,801,365</u>	<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>\$ 13,312,207</u>	<u>\$ 13,289,691</u>	<u>\$ 12,619,193</u>	<u>\$ 12,852,269</u>	<u>\$ 14,106,274</u>	<u>\$ 21,052,715</u>	<u>\$ 21,557,975</u>	<u>\$ 22,968,365</u>	<u>\$ 22,300,342</u>	<u>\$ 26,677,095</u>
<b>Program revenues</b>										
Governmental activities:										
Charges for services										
General government	\$ 401,438	\$ 382,541	\$ 269,415	\$ 229,014	\$ 261,452	\$ 380,445	\$ 426,391	\$ 470,792	\$ 407,776	\$ 429,748
Public safety	68,065	27,124	4,494	5,123	3,713	3,099	2,018	3,278	3,913	5,661
Operating grants and contributions										
General government	6,760	9,350	12,955	8,020	8,275	6,915	27,570	32,057	185,181	396,069
Public safety	11,582	16,613	37,367	23,660	36,007	34,277	111,572	73,833	70,628	84,511
Public Works/Transportation	282,817	3,929	154,109	23,176	404,290	43,934	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	-	-	-	18,002,904	2,016,879	2,020,000	1,525,325	2,000,000	2,000,000	6,000
Public safety	8,399	-	-	126,402	-	-	83,843	-	7,000	22,676
Public Works/Transportation	319,747	1,331,002	211,293	117,984	225,246	309,639	209,432	253,784	136,076	999,257
Streets and Drainage	-	-	-	-	-	-	-	-	-	952,487
Total Governmental activities program revenues	<u>1,098,808</u>	<u>1,770,559</u>	<u>689,633</u>	<u>18,536,283</u>	<u>2,955,862</u>	<u>2,798,309</u>	<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	2,622,985	2,392,413	2,076,534	2,366,874	2,406,526	2,319,482	2,308,365	2,662,592	2,720,922	2,533,007
Storm Water Fund	112,378	112,368	112,612	113,252	113,988	114,572	115,364	116,184	233,540	-
Operating grants and contributions										
Water Fund	-	-	-	-	14,696	-	-	-	-	-
Storm Water Fund	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions:										
Water Fund	215,000	151,000	90,000	85,000	79,500	91,500	95,500	162,500	102,500	104,500
Storm Water Fund	-	-	63,509	-	-	-	-	-	-	-
Total Business-type activities program revenues	<u>2,950,363</u>	<u>2,655,781</u>	<u>2,342,655</u>	<u>2,565,126</u>	<u>2,614,710</u>	<u>2,525,554</u>	<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>\$ 4,049,171</u>	<u>\$ 4,426,340</u>	<u>\$ 3,032,288</u>	<u>\$ 21,101,409</u>	<u>\$ 5,570,572</u>	<u>\$ 5,323,863</u>	<u>\$ 4,929,380</u>	<u>\$ 5,799,020</u>	<u>\$ 5,921,536</u>	<u>\$ 5,707,901</u>

**CHANGES IN NET POSITION,  
LAST TEN FISCAL YEARS**  
(accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (9,160,296)	\$ (8,521,504)	\$ (9,155,880)	\$ 8,440,768	\$ (8,634,344)	\$ (15,453,041)	\$ (16,471,904)	\$ (17,318,839)	\$ (16,716,990)	\$ (19,804,520)
Business-type activities	(102,740)	(341,847)	(431,025)	(191,628)	98,642	(275,811)	(156,691)	149,494	338,184	(1,164,674)
Total primary government net expense	<u>\$ (9,263,036)</u>	<u>\$ (8,863,351)</u>	<u>\$ (9,586,905)</u>	<u>\$ 8,249,140</u>	<u>\$ (8,535,702)</u>	<u>\$ (15,728,852)</u>	<u>\$ (16,628,595)</u>	<u>\$ (17,169,345)</u>	<u>\$ (16,378,806)</u>	<u>\$ (20,969,194)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes levied for general purpose	\$ 4,513,175	\$ 4,535,007	\$ 4,550,332	\$ 4,859,827	\$ 5,493,052	\$ 5,532,574	\$ 6,007,054	\$ 6,245,990	\$ 6,302,099	\$ 7,067,172
Municipal service district taxes	-	-	-	-	1,784,860	1,800,722	1,793,280	1,826,183	1,823,812	-
Occupancy tax	1,863,955	1,814,235	1,748,369	1,852,917	1,947,935	2,549,080	2,492,045	2,637,450	2,637,733	2,572,622
Land transfer taxes	516,826	359,153	382,123	384,657	409,087	525,314	532,837	664,756	658,595	617,313
Sales taxes	1,585,496	1,465,108	1,384,626	1,412,178	1,530,336	2,197,553	2,233,617	2,343,993	2,486,409	2,533,000
Other taxes and licenses	39,043	37,775	37,848	38,163	38,324	59,393	45,939	68,143	60,313	65,435
Intergovernmental revenues not restricted	600,044	620,354	619,175	638,200	642,976	658,137	699,313	841,649	1,080,122	1,018,345
Net unrestricted investment earnings (loss)	489,672	350,256	193,513	152,000	116,372	35,785	80,246	75,122	113,379	86,867
Miscellaneous	230,619	228,986	220,147	225,851	231,266	157,502	137,618	188,115	187,746	187,262
Capital Contributions	21,000	1,043,451	-	-	2,914,080	-	5,200	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	69,670
Acquisition of cell tower in exchange for reduced rent revenue	-	279,577	-	-	-	-	-	-	-	-
Total Governmental activities	<u>9,859,830</u>	<u>10,733,902</u>	<u>9,136,133</u>	<u>9,563,793</u>	<u>15,108,288</u>	<u>13,516,060</u>	<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	186,930	58,187	11,913	5,298	2,805	7,378	24,968	21,810	31,578	21,271
Miscellaneous	5,209	5,896	6,387	2,890	13,233	3,089	1,764	19,211	2,120	4,490
Capital Contributions	25,350	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	(69,670)
Extraordinary items:										
Loss on asset impairment for Fresh Pond	-	(388,327)	-	-	-	-	-	-	-	-
Total Business-type activities	<u>217,489</u>	<u>(324,244)</u>	<u>18,300</u>	<u>8,188</u>	<u>16,038</u>	<u>10,467</u>	<u>26,732</u>	<u>41,021</u>	<u>33,698</u>	<u>(43,909)</u>
Total primary government	<u>\$ 10,077,319</u>	<u>\$ 10,409,658</u>	<u>\$ 9,154,433</u>	<u>\$ 9,571,981</u>	<u>\$ 15,124,326</u>	<u>\$ 13,526,527</u>	<u>\$ 14,053,881</u>	<u>\$ 14,932,422</u>	<u>\$ 15,383,906</u>	<u>\$ 14,173,777</u>
<b>Change in Net Position</b>										
Governmental activities	699,534	2,212,398	(19,747)	18,004,561	6,473,944	(1,936,981)	(2,444,755)	(2,427,438)	(1,366,782)	(5,586,834)
Restatement - Governmental activities	-	-	-	-	-	-	-	(845,215)	192,818	(711,687)
Business-type activities	114,749	(666,091)	(412,725)	(183,440)	114,680	(265,344)	(129,959)	190,515	371,882	(1,208,583)
Restatement - Business-type activities	-	-	-	-	-	-	-	(74,897)	-	-
Total primary government change in net position	<u>\$ 814,283</u>	<u>\$ 1,546,307</u>	<u>\$ (432,472)</u>	<u>\$ 17,821,121</u>	<u>\$ 6,588,624</u>	<u>\$ (2,202,325)</u>	<u>\$ (2,574,714)</u>	<u>\$ (3,157,035)</u>	<u>\$ (802,082)</u>	<u>\$ (7,507,104)</u>

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Fund</b>										
Non-Spendable	\$ -	\$ -	\$ -	\$ 100,296	\$ 63,066	\$ 80,712	\$ 73,383	\$ 71,433	78,175	\$ 55,000
Restricted	-	-	-	2,527,128	2,106,112	3,860,363	5,040,137	6,496,072	9,228,864	6,984,415
Committed	-	-	-	-	-	-	-	-	263,271	262,520
Assigned	-	-	-	725,000	370,939	477,850	399,000	317,500	74,169	275,503
Unassigned	-	-	-	6,059,788	8,043,077	7,906,928	6,653,787	5,738,240	5,398,644	6,579,895
Reserved	1,239,475	1,392,711	1,316,965	-	-	-	-	-	-	-
Unreserved	8,266,136	7,606,961	7,687,463	-	-	-	-	-	-	-
<b>Total General Fund</b>	<b>\$ 9,505,611</b>	<b>\$ 8,999,672</b>	<b>\$ 9,004,428</b>	<b>\$ 9,412,212</b>	<b>\$ 10,583,194</b>	<b>\$ 12,325,853</b>	<b>\$ 12,166,307</b>	<b>\$ 12,623,245</b>	<b>15,043,123</b>	<b>\$ 14,157,333</b>
<b>All Other Governmental Funds</b>										
Restricted	\$ -	\$ -	\$ -	\$ 41,393,060	\$ 735,379	\$ 355,341	\$ 188,365	\$ 301,156	38,146	\$ 1,511,112
Committed	-	-	-	280,669	1,272,338	1,376,076	343,663	11,914	-	787,241
Assigned	-	-	-	-	-	-	-	-	-	-
Reserved	1,267,127	1,105,778	805,098	-	-	-	-	-	-	-
Unassigned	-	-	-	(13,190,150)	-	-	-	-	-	-
Unreserved, reported in:										
Capital Reserve Fund	648,977	572,451	392,668	-	-	-	-	-	-	-
Capital Projects Funds	(896,272)	(883,421)	(738,213)	-	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 1,019,832</b>	<b>\$ 794,808</b>	<b>\$ 459,553</b>	<b>\$ 28,483,579</b>	<b>\$ 2,007,717</b>	<b>\$ 1,731,417</b>	<b>\$ 532,028</b>	<b>\$ 313,070</b>	<b>38,146</b>	<b>\$ 2,298,353</b>

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>											
Ad valorem taxes	\$ 4,482,387	\$ 4,512,391	\$ 4,515,775	\$ 4,549,222	\$ 4,857,519	\$ 7,259,885	\$ 7,327,126	\$ 7,804,535	\$ 8,073,532	\$ 8,138,686	\$ 7,067,296
Other taxes and licenses	4,129,003	4,043,397	3,711,933	3,582,728	3,722,052	3,964,479	5,365,819	5,360,806	5,723,727	5,866,657	5,799,168
Unrestricted intergovernmental revenues	321,950	561,967	584,692	589,413	604,063	604,179	623,658	642,945	841,649	1,080,122	1,018,345
Restricted intergovernmental revenues	302,429	682,257	1,373,983	408,404	18,291,709	2,682,367	2,406,193	1,971,466	2,366,589	2,428,829	1,742,369
Permits and fees	531,441	360,033	308,871	220,715	184,354	210,166	226,348	258,038	307,544	281,000	325,505
Sales and services	6,331	4,519	5,856	4,494	5,123	3,713	3,099	2,018	3,278	3,913	92,226
Net investment earnings	599,034	489,672	350,256	193,513	152,000	116,372	35,760	80,246	75,122	113,380	86,867
Other revenues	617,827	563,618	558,835	461,167	471,948	1,104,882	320,196	316,247	368,451	281,436	214,459
Total revenues	<u>10,990,402</u>	<u>11,217,854</u>	<u>11,410,201</u>	<u>10,009,656</u>	<u>28,288,768</u>	<u>15,946,043</u>	<u>16,308,199</u>	<u>16,436,301</u>	<u>17,759,892</u>	<u>18,194,023</u>	<u>16,346,235</u>
<b>Expenditures</b>											
General government	2,129,079	2,170,217	2,340,661	2,089,958	2,233,993	2,420,367	2,403,961	2,479,757	3,835,487	3,174,972	3,617,581
Public safety	4,041,289	4,050,636	4,167,170	3,910,242	4,019,379	4,252,516	4,462,517	4,749,036	4,951,779	5,229,358	5,371,092
Environmental protection	1,431,457	1,477,002	1,419,724	1,389,622	1,370,704	1,452,230	1,425,084	1,465,995	1,463,177	2,130,894	2,094,089
Public works	1,287,557	1,369,802	1,309,722	1,289,728	1,309,988	1,643,559	1,533,263	1,637,644	1,605,570	2,059,027	3,607,129
Streets and Drainage											270,763
Debt service											
Principal	1,247,975	1,149,420	1,073,181	936,526	909,871	5,010,660	4,267,602	4,320,700	4,454,715	4,581,963	1,053,956
Interest	217,671	191,655	135,207	108,592	79,966	520,237	409,005	319,462	226,348	131,632	38,150
Capital Outlay	716,445	1,572,526	2,366,980	721,387	8,829,262	26,220,836	1,396,226	3,761,181	1,737,968	-	-
Total expenditures	<u>11,071,473</u>	<u>11,981,258</u>	<u>12,812,645</u>	<u>10,446,055</u>	<u>18,753,163</u>	<u>41,520,405</u>	<u>15,897,658</u>	<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	(81,071)	(763,404)	(1,402,444)	(436,399)	9,535,605	(25,574,362)	410,541	(2,297,474)	(515,152)	886,177	293,475
<b>Other financing sources</b>											
Capital lease obligations issued	880,526	312,426	671,481	105,900	896,205	269,482	1,055,818	938,539	753,132	1,015,819	988,525
Transfers from other funds	273,840	240,165	230,724	402,508	348,607	1,027,251	-	1,000,000	-	139,373	2,743,952
Transfers to other funds	(315,606)	(240,165)	(230,724)	(402,508)	(348,607)	(1,027,251)	-	(1,000,000)	-	(139,373)	(2,674,282)
Bond Obligations issued	-	-	-	-	18,000,000	-	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	-	-	-	-	-	50,140	22,747
Total other financing sources	<u>838,760</u>	<u>312,426</u>	<u>671,481</u>	<u>105,900</u>	<u>18,896,205</u>	<u>269,482</u>	<u>1,055,818</u>	<u>938,539</u>	<u>753,132</u>	<u>1,065,959</u>	<u>1,080,942</u>
Net change in fund balances	\$ <u>757,689</u>	\$ <u>(450,978)</u>	\$ <u>(730,963)</u>	\$ <u>(330,499)</u>	\$ <u>28,431,810</u>	\$ <u>(25,304,880)</u>	\$ <u>1,466,359</u>	\$ <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	14.15%	12.88%	11.57%	10.75%	9.97%	36.15%	32.25%	30.99%	28.31%	30.01%	7.56%

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
2008	Town Tax	4,447,136	4,446,445	99.984%	626	4,447,071	99.999%
2009	Town Tax	4,492,374	4,479,314	99.709%	12,349	4,491,663	99.984%
2010	Town Tax	4,516,532	4,504,468	99.733%	11,142	4,515,610	99.980%
2011	Town Tax	4,824,029	4,813,955	99.791%	8,919	4,822,874	99.976%
2012	Town Tax	5,468,533	5,447,622	99.618%	19,819	5,467,441	99.980%
	MSD	1,784,860	1,783,914	99.947%	927	1,784,841	99.999%
2013	Town Tax	5,486,041	5,478,436	99.861%	5,696	5,484,132	99.965%
	MSD	1,801,064	1,796,955	99.772%	4,107	1,801,062	100.000%
2014 [1]	Town Tax	5,871,417	5,867,233	99.929%	3,001	5,870,234	99.980%
	MSD	1,796,970	1,795,913	99.941%	1,020	1,796,933	99.998%
2015	Town Tax	6,144,915	6,139,249	99.908%	5,560	6,144,809	99.998%
	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%	804	6,183,226	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%	[2]	6,940,373	99.997%
	MSD	N/A		N/A		-	N/A

[1] Revaluation of taxable property occurred on January 1, 2005 and January 1, 2014.  
Each year's tax levy is revised every year to reflect pick-ups and releases applicable to that year.  
Subsequent year's tax collections include subsequent collections of the original levy and collections of pick-ups and releases applicable to each particular year.

[2] Not applicable.

**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]	Total Taxable Assessed Value	Total Direct Tax Rate [3]	Sales to Assessment Ratio [4]	Estimated Actual Taxable Value
		Personal Property	Motor Vehicles					
2008	2,943,666,950	54,674,837	37,217,627	15,589,020	3,051,148,434	0.1475	92.46%	3,299,965,860
2009	2,968,939,520	58,945,234	35,092,881	16,719,015	3,079,696,650	0.1475	98.42%	3,129,137,015
2010	2,983,214,713	60,908,880	32,168,135	17,517,019	3,093,808,747	0.1475	112.83%	2,742,008,993
2011	2,983,561,150	61,126,796	30,427,302	18,285,774	3,093,401,022	0.1575	118.73%	2,605,408,087
2012	3,002,692,746	61,354,997	30,396,620	18,182,834	3,112,627,197	0.1775	123.12%	2,528,124,754
2013	3,012,871,394	58,506,560	43,091,357	18,740,452	3,133,209,763	0.1775	94.15%	3,327,891,411
2014	2,210,678,642	54,462,235	44,412,419	18,965,401	2,328,518,697	0.2570	93.80%	2,482,429,314
2015	2,228,360,489	52,343,680	33,300,237	18,701,795	2,332,706,201	0.2670	95.17%	2,451,094,043
2016	2,239,840,450	54,088,189	37,067,856	20,901,166	2,351,897,661	0.2670	92.42%	2,544,792,968
2017	2,257,250,050	57,495,138	40,324,874	21,283,233	2,376,353,295	0.2970	90.27%	2,632,495,065

Notes: The levy of property taxes each year is based on the assessed value of taxable property as of January 1, before the beginning of the fiscal year on July 1. Revaluation of real property in Dare Co was completed on January 1, 2005 as well as January 1, 2014. 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 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]
2008	0.1475 Town Wide Rate	0.26
2009	0.1475 Town Wide Rate	0.26
2010	0.1475 Town Wide Rate	0.26
2011	0.1575 Town Wide Rate	0.28
2012	0.1775 Town Wide Rate 0.1600 MSD Rate	0.28
2013	0.1775 Town Wide Rate 0.1600 MSD Rate	0.28
2014	0.2570 Town Wide Rate 0.2300 MSD Rate	0.43
2015	0.2670 Town Wide Rate 0.2300 MSD Rate	0.43
2016	0.2670 Town Wide Rate 0.2300 MSD Rate	0.43
2017	0.2970 Town Wide Rate 0.0000 MSD Rate	0.43

[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.

## TOWN OF NAGS HEAD, NORTH CAROLINA

PRINCIPAL PROPERTY TAXPAYERS  
Current Year and Nine Years Ago

Taxpayer	June 30, 2017			June 30, 2008		
	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation
Dominion NC Power	\$ 17,455,284	1	0.75%	\$ 13,506,441	4	0.45%
Stanford M. White	10,694,009	2	0.46%	15,103,729	2	0.50%
Nags Head Company, LLC	10,539,704	3	0.45%	13,997,966	3	0.47%
Mildred Roughton	10,086,865	4	0.43%	17,237,966	1	0.57%
Tanger Properties LTD	9,534,766	5	0.41%	12,418,305	6	0.41%
Clubcorp Golf of North Carolina	8,543,163	6	0.37%	12,830,508	5	0.43%
Brian K. Newman	8,076,884	7	0.35%	12,159,322	7	0.41%
The Lacour Group, LLC	7,652,670	8	0.33%	11,865,763	8	0.40%
Outer Banks Hospital, Inc.	7,055,700	9	0.30%			
Ocean Carolina, LLC	6,821,000	10	0.29%			
Sarah E. Forbes				11,532,881	9	0.38%
Kenneth Simpler				10,167,458	10	0.34%
	<u>\$ 96,460,045</u>		<u>4.13%</u>	<u>\$ 130,820,339</u>		<u>4.36%</u>

Assessed values provided by Dare County Tax Department

TABLE 9

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

Fiscal Year	Outstanding Debt						Percent of Estimated Actual Taxable Property Value [1]		Per Capita [2]	Percent of Personal Income [2]
	Governmental Activities			Business-type Activities			Governmental Activities	Total		
	Finance Contract	Capital Leases	Special Obligation Bond	Finance Contract	Capital Leases	Total Primary Government				
2008	3,032,666	1,111,838	-	829,080	97,785	5,071,369	0.13%	0.15%	1,629	4.09%
2009	2,934,226	808,578	-	767,125	50,329	4,560,258	0.12%	0.15%	1,475	3.70%
2010	2,388,906	523,273	-	702,363	38,422	3,652,964	0.11%	0.13%	1,167	2.90%
2011	1,940,368	958,145	18,000,000	635,458	39,710	21,573,681	0.80%	0.83%	7,825	18.76%
2012	979,322	778,013	14,400,000	565,967	21,607	16,744,909	0.64%	0.66%	6,023	13.77%
2013	832,276	1,313,275	10,800,000	493,795	4,264	13,443,610	0.39%	0.40%	4,817	11.18%
2014	1,085,230	1,278,160	7,200,000	418,847	112,620	10,094,857	0.39%	0.41%	3,480	7.85%
2015	838,184	1,423,623	3,600,000	341,002	70,698	6,273,507	0.24%	0.26%	2,151	4.43%
2016	590,000	1,705,663	-	260,000	62,838	2,618,501	0.09%	0.10%	886	*
2017	343,333	1,886,898	-	173,333	87,901	2,491,465	0.08%	0.09%	837	*

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

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Assessed Value of Property	\$ 3,051,148,434	\$ 3,079,696,650	\$ 3,093,808,747	\$ 3,093,401,022	\$ 3,112,627,197	\$ 3,133,209,763	\$ 2,328,518,697	\$ 2,332,706,201	\$ 2,351,897,661	\$ 2,376,353,295
Debt Limit, 8% of Assessed Value (Statutory Limitation)	\$ 244,091,875	\$ 246,375,732	\$ 247,504,700	\$ 247,472,082	\$ 249,010,176	\$ 250,656,781	\$ 186,281,496	\$ 186,616,496	\$ 188,151,813	\$ 190,108,264
Amount of debt applicable to limit										
Gross debt	\$ 5,071,369	\$ 4,560,258	\$ 3,652,964	\$ 21,573,681	\$ 16,744,909	\$ 13,443,610	\$ 10,094,857	\$ 6,273,507	\$ 2,618,501	\$ 2,491,465
Total net debt applicable to limit	\$ 5,071,369	\$ 4,560,258	\$ 3,652,964	\$ 21,573,681	\$ 16,744,909	\$ 13,443,610	\$ 10,094,857	\$ 6,273,507	\$ 2,618,501	\$ 2,491,465
Legal Debt Margin	\$ 239,020,506	\$ 241,815,474	\$ 243,851,736	\$ 225,898,401	\$ 232,265,267	\$ 237,213,171	\$ 176,186,639	\$ 180,342,989	\$ 185,533,312	\$ 187,616,799
Total net debt applicable to the limit as a percentage of debt limit	2.08%	1.85%	1.48%	8.72%	6.72%	5.36%	5.42%	3.36%	1.39%	1.31%
Total net debt applicable to the limit as a percentage of assessed value	0.17%	0.15%	0.12%	0.70%	0.54%	0.43%	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 11

**TOWN OF NAGS HEAD, NORTH CAROLINA**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2017**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [1]	Estimated Share of Overlapping Debt
Dare County	\$ 125,999,449	17.98%	\$ 22,648,957
Town of Nags Head direct debt			2,230,231
Total direct and overlapping debt			24,879,188

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

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

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

TABLE 12

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

Fiscal Year	TOWN OF NAGS HEAD		DARE COUNTY		
	Population [1]	Personal Income [5]	Per Capita Personal Income [4]	School Enrollment [3]	Unemployment Percentage Rate [2]
2008	3,113	\$ 125,519,273	\$ 40,321	4,749	5.5%
2009	3,092	122,659,640	39,670	4,766	9.4%
2010	3,131	125,878,724	40,204	4,766	11.6%
2011	2,757	115,763,673	41,989	4,823	12.7%
2012	2,780	124,224,300	44,685	4,829	13.2%
2013	2,791	126,066,679	45,169	4,883	12.5%
2014	2,901	136,442,733	47,033	4,960	9.6%
2015	2,916	141,723,432	48,602	4,921	8.1%
2016	2,954	*	*	4,944	6.8%
2017	2,977	*	*	5,117	6.8%

[1] North Carolina Demographer's Office.

[2] Employment Security Commission. Unadjusted

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

[4] Bureau of Economic Analysis. Updated 11/17/2016

[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, 2017			June 30, 2008		
	Employees [1]	Rank	Percent of Total Town Employment	Employees [1]	Rank [2]	Percent of Total Town Employment
Dare County Schools	500 - 999	1	*	500 - 999	1	*
County of Dare	500 - 999	2	*	500 - 999	2	*
Vidant Medical	250 - 499	3	*	100-249	-	-
Food Lion	100 - 249	4	*	250-499	3	*
Village Realty & Management Svc	100 - 249	5	*	100-249	5	*
Harris Teeter Inc	100 - 249	6	*	-	-	-
Sun Realty	100 - 249	7	*	100-249	4	*
Town of Nags Head	100 - 249	8	*	100-249	7	*
National Park Service	100-249	9	*	100-249	6	*
YMCA of South Hampton Roads	50-99	10	*	50-99	8	*

[1] Employment data is only available in ranges from the North Carolina Employment Security Commission.  
 [2] Employment data is only available in rank 1-6 from the North Carolina Employment Security Commission.  
 \* Information unavailable for the Town of Nags Head

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

TABLE 14

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Function/Program</b>										
General government										
Administration	5	5	6	6	6	6	6	6	6	6 3/4
Administrative Services	7	7	6	6	6	6	6	6	6	6
Information Technology	2	2	2	2	2	2	2	2	2	2
Planning and Development	10	10	10	9	9	8	8	8	8 1/2	8 1/2
Public Safety										
Police	23	21	24	24	24	24	24	24	25	25
Fire	27	27	27	27	27	27	27	27	27	27
Ocean Rescue	23	21	21	21	22	23	24	24	24	26
Year-round	1	1	1	1	1	1	1	1	1	1
Seasonal Lifeguards	22	20	20	20	21	22	23	23	23	25
Environmental Protection										
Solid Waste	12	12	12	12	12	10	10	10	10	10
Public Works										
Administration	4	4	4	4	4	4	4	4	4	3
Facilities Maintenance	9 1/2	9 1/2	9 1/2	9 1/2	9 1/2	10	9 1/2	9 1/2	10 1/2	10 1/2
Garage	4	4	4	4	4	4	4	4	4	4
Water										
Water Administration	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Septic Health	1	1	1	1	1	1	1	1	1 1/2	1 1/2
Water Operations	5	5	4	4	4	4	4	4	4	4
Water Distribution	6	6	5	5	5	5	5	5	5	5

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Population	3,113	3,092	3,131	2,757	2,780	2,791	2,901	2,916	2,954	2977
Police:										
Crime Activity: Reported										
Murder (includes attempts):	-	-	-	-	-	-	-	-	-	-
Rape (includes attempts):	6	2	9	4	7	7	9	11	3	3
Robbery (includes attempts):	2	2	2	1	2	2	3	-	1	1
Assaults (felonious & misdemeanor):	44	65	93	76	80	65	90	65	85	98
Burglary (breaking/entering-structures):	96	82	166	115	92	76	65	150	98	112
Larceny:	293	276	414	356	466	258	231	191	201	106
Auto Larceny:	7	13	5	4	7	6	2	7	6	8
Arson/unlawful burnings:	1	2	2	5	-	-	-	2	4	0
All other crimes (unspecified above):	589	595	419	397	424	383	404	493	395	532
Total Crime:	1,038	1,037	1,110	958	1,078	797	804	919	793	860
Traffic Activity:										
Traffic Accidents	244	245	271	230	275	230	248	269	251	266
Driving while impaired arrests	100	128	85	71	118	62	57	56	53	50
General traffic violations-citation	1,277	1,562	1,241	1,279	1,093	663	1,010	1,150	1,406	1746
General traffic violations-warning	1,551	1,093	1,478	1,462	1,711	872	1,307	1,291	1,938	2190
Parking violations-citation issued	3	4	1	1	1	2	-	1	1	2
All other traffic-related, non-violation	166	251	195	151	162	95	61	43	46	108
Total Traffic	3,341	3,283	3,271	3,194	3,360	1,924	2,683	2,810	3,695	4362
General Calls for Service:										
Police calls-emergency status, non-emergency, traffic control	10,932	10,542	10,568	11,179	10,197	11,775	9,863	10,584	11,760	11244
Animal control calls	585	624	574	408	848	422	-	304	355	265
Total General Calls for Service	11,517	11,166	11,142	11,587	11,045	12,197	9,863	10,888	12,115	11509
Total all Police/Animal Control Activity	15,896	15,486	15,523	15,739	15,483	14,918	13,350	14,617	16,603	16,731

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fire:										
Number of volunteer firemen	13	10	10	13	14	15	13	16	12	9
Number of calls answered	759	852	810	850	943	902	877	918	882	1116
Total dollar loss	\$ 4,830	\$ 12,900	\$ 200,100	\$ 243,950	\$ 49,240	\$ 1,188,900	\$ 14,300	\$ 716,650	\$ 457,150	\$ 1,273,400
Planning:										
Building permits:										
One and Two Family Dwellings	30	16	18	23	28	32	24	48	33	31
Residential multi-family	1	-	-	-	-	-	-	-	1	0
Commercial/Government/Other	4	3	1	1	1	-	2	1	-	-
Miscellaneous:	335	368	438	312	314	275	333	351	416	348
Accessory Structure	*	40	50	59	38	46	56	59	42	38
Addition	*	25	22	24	22	16	12	22	14	35
Demolition	*	7	16	10	7	6	6	16	6	6
Move	*	7	5	3	-	-	1	6	6	0
Remodel	*	125	132	110	78	62	62	58	47	66
Repair	*	164	213	106	169	145	196	190	301	203
Trade Permits:										
Electrical	294	361	471	452	477	483	497	447	533	538
Gas	41	24	22	11	23	28	17	27	31	41
Mechanical	291	347	396	378	369	385	407	446	454	468
Plumbing	109	100	141	114	121	102	100	123	112	129
Sprinkler	7	10	9	5	5	3	9	7	7	6
Number of CAMA permits issued	144	131	232	68	37	43	42	45	71	54
Number of land disturbance permits issued	*	*	*	*	*	*	13	23	34	19
Number of certificates of occupancy issued	5	17	21	25	22	34	27	42	30	38
Site plan reviews:										
Commercial	9	8	6	4	8	2	4	4	5	3
Residential	30	16	19	*	*	*	*	*	*	*
Number of zoning amendments	23	24	21	22	21	16	12	12	11	10
Number of variance applications	3	2	5	5	3	4	2	2	2	6
Number of exempt plats issued	-	3	1	2	2	-	-	-	1	2
Number of code compliance inspections	525	675	465	425	379	306	231	198	193	1430

\* Information Unavailable

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Planning continued:										
Total building permit fees	\$ 201,371	\$ 162,949	\$ 151,172	\$ 130,980	\$ 134,166	\$ 156,813	\$ 177,594	\$ 221,100	\$ 201,576	\$ 199,232
Total site plan review fees	\$ 35,019	\$ 53,935	\$ 10,725	\$ 9,205	\$ 16,212	\$ 19,761	\$ 21,970	\$ 12,538	\$ 10,290	\$ 35,727
Total CAMA permit fees	\$ 14,600	\$ 15,600	\$ 23,200	\$ 6,800	\$ 3,800	\$ 4,500	\$ 5,100	\$ 5,300	\$ 8,600	\$ 5,300
Total construction valuation	\$ 28,381,075	\$ 18,767,638	\$ 15,774,263	\$ 14,352,769	\$ 15,343,320	\$ 20,838,802	\$ 22,017,479	\$ 36,682,703	\$ 29,925,081	\$ 30,640,450
Septic Health:										
Tank Inspections	398	257	175	309	241	212	301	324	298	281
Tanks Pumped	79	59	34	73	30	43	56	43	54	59
Water Quality Sites Tested	707	632	479	267	196	163	273	253	322	299
Refuse collection:										
Refuse collection (tons)	9112.27	8567.79	8743.16	8534.92	8580.07	8325.82	8239.19	8225.68	8253.29	8593.27
Bulk (tons)	497.86	815.72	792.72	855.22	457.78	529.93	512.64	703.52	423.83	628.82
Water:										
Number of new services	40	18	35	33	29	41	34	60	31	36
Number of new customers	*	*	*	*	155	172	171	248	236	250
Daily consumption (million gallons)	1.2	1.2	1.2	1.2	1.2	1.2	1.3	1.2	1.1	1.2
Maximum daily capacity of plant(million gallons)	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9
Maximum contracted per day(million gallons)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5

\* Information Unavailable

Source: Budget documents and individual Town departments.

TABLE 16

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

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2	2	2
Ocean rescue facilities	1	1	1	1	1	1	1	1	1	1
Refuse collection										
Collection trucks	13	13	13	13	13	14	15	15	16	16
Other public works										
Paved streets (miles)	33.8	33.8	34.06	34.62	34.62	34.7	34.82	34.82	34.82	34.77
Unpaved streets (miles)	2.81	2.81	2.81	2.81	2.25	2.25	2.36	2.36	2.36	2.36
Street lights	427	427	427	427	427	427	427	427	427	427
Parks and recreation										
Number of parks	1	1	1	1	2	2	2	2	2	2
Number of soccer fields	1	1	1	1	1	1	1	1	1	1
Number of bath houses	4	4	4	4	4	4	4	4	4	4
Number of piers										
Ocean (private)	2	2	2	2	2	2	2	2	2	2
Ocean (State)	1	1	1	1	1	1	1	1	1	1
Number of ocean beach accesses										
Local (public)	44	44	44	44	44	44	44	44	44	44
Number of sound accesses (public)	5	5	5	5	5	5	5	5	5	5
Bike path mileage	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Water										
Plants	1	1	1	1	1	1	1	1	1	1
Water mains (miles)	100.69	100.88	101.07	101.07	101.14	101.14	101.30	101.64	102.02	102.15
Fire hydrants	550	550	550	550	550	550	550	550	550	556
Water storage capacity:										
Ground (million gallons)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Elevated (million gallons)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

Source: Budget documents and individual Town departments.

## COMPLIANCE SECTION

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*

Schedule of Findings and Responses

Summary of Prior Year's Audit Findings

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

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

## **Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards**

### **Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nags Head, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 22, 2017.

### **Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
November 22, 2017

# TOWN OF NAGS HEAD, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2017

### 1. Summary of Auditor's Results

#### Financial Statements

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

Unmodified

Internal control over financial reporting:

• Material weakness (es) identified?

No

• Significant deficiency (ies) identified?

None reported

Non-compliance material to financial statements noted?

No

### 2. Financial Statement Findings

None reported.

**TOWN OF NAGS HEAD, NORTH CAROLINA**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Finding 2016-001**

**Status:** Corrected

**Finding 2016-002**

**Status:** Corrected