

TOWN OF
NAGS HEAD, NC



POPULAR ANNUAL FINANCIAL REPORT 2019
FISCAL YEAR ENDED JUNE 30, 2019

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Purpose of this report

This Popular Annual Financial Report (PAFR) is a summary of the financial activities of the Town’s funds as reported in the 2019 Comprehensive Annual Financial Report (CAFR). The CAFR is an audited document and is prepared in conformance with generally accepted accounting principles (GAAP). To conform with GAAP, the CAFR must present the Town’s individual funds in much more detail and fully disclose all material financial and non-financial events.

Unlike the CAFR, the PAFR is not an audited document and it does not include details by fund nor does it include the other disclosures required by GAAP. Therefore, the PAFR is not intended to present a complete financial picture of the Town in accordance with GAAP. This report contains financial information for the Town’s fiscal year ended June 30, 2019. The Town’s fiscal year starts July 1, and ends the following June 30. Information is presented in this report on the basis of generally accepted accounting principles (GAAP). This report is a reflection about how your tax dollars are being spent in a simple, non-technical format.

For more in-depth information, you can review this PAFR and our recent CAFRs online at www.nagsheadnc.gov. You may request a print copy or e-mail your comments concerning this report, or any other aspect of the operations of the Town of Nags Head to Cliff.Ogburn@nagsheadnc.gov.

2019 Quick Facts

Town of Nags Head full time equivalent year-round employees

119.75; additional 25 seasonal

Population

year-round – 3,008; seasonal – 30,000 persons a day

Median age

43.5 years old

Per capita personal income

\$53,415

Average unemployment rate

5.1%, higher than the State of North Carolina’s 2019 average of 4.1% (significant seasonality in rates with

a high of 9% in February 2019 and a low of 3.2% in September of 2019)

Average household size of owner-occupied houses

2.12

Median property value for owner-occupied houses

\$327,700

Total assessed property valuation

\$2,425,366,425

Net taxes levied

\$8,865,152

Tax collection rate

99.976%

Total outstanding debt obligation

\$30,676,357

Principal employers (in order of ranking)

- Dare County Schools
- County of Dare
- Vidant Medical
- NC Department of Transportation
- Food Lion
- Village Realty & Management Services
- Wyndham Vacation Rentals
- Harris Teeter Inc.
- National Park Service
- Town of Nags Head

Principal Property Taxpayers (in order of ranking)

- Dominion NC Power
- Ocean Carolina, LLC
- Nags Head Company, LLC
- Stanford M. White
- Tanger Properties LTD
- Clubcorp Golf of North Carolina
- Mildred Roughton
- Brian K. Newman
- The Lacour Group, LLC
- Outer Banks Hospital, Inc.



NAGS HEAD, NC 

Board of Commissioners

The mayor and four board members make policy decisions in accordance with procedures and responsibilities set out in North Carolina law. The town manager carries out policies and directives of the mayor and board of commissioners.

The Board of Commissioners primary responsibilities are setting the Town’s policies, adopting ordinances, and adopting the budget.

The annual budget serves as the foundation for the Town of Nags Head’s financial planning and control, and is a legal basis and standard by which proposed expenditures are measured.

Annual balanced budgets are adopted in accordance with the provisions of the Local Government Budget and Fiscal Control Act for the General, Capital Reserve, and Water Funds and are subject to public hearing prior to adoption no later than June 30, the close of the fiscal year.

A capital improvement plan has been incorporated into the budget process for the General and Water Funds to provide long term planning for purchasing and improving major assets such as structures, equipment, and infrastructure planning.

A multi-year project budget has been adopted for the Beach Renourishment Capital Project Fund.

A transparent decision making process is directed by the Town’s goals in order to maintain a consistent focus with the community’s vision of protecting a sustainable local economy, providing excellent public services and well-maintained recreational amenities, and ensuring access to a well-protected natural coastal environment.

Mayor and Board of Commissioners

Mayor	Ben Cahoon
Mayor Pro Tem	Michael Siers
Commissioner	M. Renée Cahoon
Commissioner	J. Webb Fuller
Commissioner	Kevin Brinkley

Also thank you to former Commissioner Susie Walters who served on the Board of Commissioners from December 2011 through December 2019.

Town of Nags Head Mission, Vision, and Goals

- I. Preserve our community’s distinctive heritage and unique lifestyle
- II. Protect our critical natural resources and coastal ecosystem
- III. Build and promote a sustainable economy that supports residents and visitors
- IV. Plan for orderly and sustainable growth and redevelopment
- V. Maintain a well-run and efficient government that provides high quality and cost effective services

Working hand in hand with the town manager, the Board of Commissioners plays a key role in the financial well being of the Town of Nags Head, with a focused mission to serve the citizens, property owners, businesses, and visitors of the Town of Nags Head through open governance.

Message from the Manager

By Town Manager Cliff Ogburn

We're a town made up of a diverse community of people that share a common bond: a love of the Outer Banks. Whether you like catching our world-famous waves or gathering shells on the beach after a storm, our barrier islands have something for nearly everyone.

With that in mind, protecting our environment and the area's character remains the driving factors behind our projects at the Town of Nags Head.

Nags Headers are independent, resilient, and creative. As a result, we are visionaries when it comes to addressing complex coastal issues, such as shoreline erosion, drainage, water quality, and threats posed by seismic testing and offshore oil exploration.

In the summer of 2011, we were the first town in Dare County to conduct a large-scale beach nourishment project, restoring 10 miles of our 11-mile-long beach. Despite concerns about whether or not beach nourishment would work, we forged ahead. Based on the success of this project, multiple Outer Banks communities are using beach nourishment as a climate change adaptation. This past summer, we led the way again by conducting our first scheduled beach maintenance project.

Frequent flooding can curtail investment and tourism in a town where tourism is a critical part of the economy. We believe that good environmental stewardship includes providing a safe and healthy place for residents and visitors to live, work, and play. The Town also believes that this can be done in an environmentally sensitive manner.

Improving our drainage network has become more critical as we are impacted by climate change. We are in our fifth phase of implementing a stormwater master plan identifying chronic drainage issues and developing effective long-term solutions

to improve the Town's drainage infrastructure. The North Carolina Department of Environmental Quality-Division of Coastal Management awarded the Town a Local Planning and Management Grant to assist in the advancement of conceptual development of prioritized drainage improvements. Because of our proximity to sound and ocean waters, our drainage work must balance the desire to limit flooding with the need to reduce

pollution from entering the adjoining surface waters. Degraded or polluted waterways can lead to beach and shellfishing closures, which would clearly be harmful to our tourism-based economy.

We are leading the path in addressing threats from possible seismic testing and offshore oil exploration off our coast. Our Board of Commissioners has remained steadfast in their opposition to these threats, testifying at the state and federal level about the possible impacts to our way of life.

We are a community of people who derive energy from enjoying the outdoors. Since outdoor events encourage a healthy relationship with our environment, as well as a way to bring our community together, we packed the spring, summer, and fall seasons with numerous fun events such as farmer's markets, concerts, and fitness classes.

Conserving natural resources and protecting natural ecosystems aren't just local issues for Nags Head. We also believe that offering a curbside recycling collection for all residences is a powerful way to prevent increased greenhouse emissions and water pollutants, in addition to reducing material in the waste stream.

As we look to the future, I believe actively protecting our environment will continue to be a focus for our town. We encourage feedback, so please contact us with any questions, concerns, or recommendations you may have.



Cliff Ogburn



Accomplishments



AWARDED GRANT
\$16,233,837

Beach nourishment maintenance construction completed on time in August 2019 and on budget at \$36,644,500 for 4 million cubic yards (10 miles) of sand pumping. We worked with FEMA and the state of North Carolina to receive grant funding of \$16,233,837 towards this project in order to combine Hurricane Matthew (2016) disaster assistance beach restoration with our maintenance restoration project, saving millions of taxpayer dollars.



AWARDED GRANTS TOTTALLING
\$486,750

The Board continues to enhance community services. The most recent improvements to Dowdy park include **newly constructed restroom facilities, sport courts, a multi-use playing field, additional trails, and garden spaces**. Funding for these enhancements was generously assisted by grants from The North Carolina Parks and Recreation Trust Fund (\$250,000), the Dare County Tourism Board (\$226,750), and Dominion Energy (\$10,000).

To improve connectivity between Nags Head's neighborhoods, **we are designing a pedestrian path**, with construction projected at \$1,610,250, and partially paid for through a generous \$487,632 grant from the Outer Banks Visitors Bureau. To address the public's interest in moving more aggressively to link key destinations in Nags Head, **this project will more than double** the linear feet of west side path that was construction previously over a seven-year span. In addition, water lines and fire hydrants will be installed during this project to improve water service to surrounding areas.

AWARDED GRANT
\$487,632

Our Planning Department was focused on **streamlining internal processes and communications** to improve efficiencies over the past year, evidenced through reduced permit review times.

We continue to make great strides in **improving and maintaining our drainage network**. Three large-scale drainage infrastructure improvements were recently completed, including the installation of a truly innovative groundwater lowering system in a neighborhood that experiences frequent flooding and the installation of an infiltration trench network along South Virginia Dare Trail. **The North Carolina Department of Transportation contributed \$90,000** towards the construction of the improvement areas along South Virginia Dare Trail.

The final version of a **unified development ordinance (UDO)** was adopted after many years of community outreach and hard work. The UDO incorporates studies and planning efforts based on citizen feedback and Board of Commissioner visions. The UDO includes updates to administrative procedures, environmental regulation, floodplain development, subdivision regulations, and zoning. The UDO modernizes the Town code, provides clarification and consistency in the Town's ordinance, and streamlines permitting and administrative procedures.

We **redesigned the Town's web site**, which is the first connection we have with our stakeholders, **to optimize the customer's online experience**.

Four members of the fire and ocean rescue department **provided mutual aid to neighbors to the south** as they recovered from Hurricane Florence in September 2018.

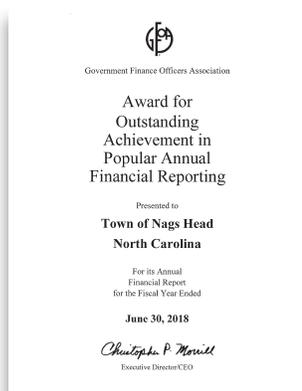
Accomplishments continued



In October 2018, The Town's Fire and Rescue department was recognized for **successfully resuscitating a 48 year old woman**, who joined her rescuers during the recognition.

In order to sustain reliable operations, we continue to fund water projects outlined in our water master plan, which identifies future capital needs. A **comprehensive rehabilitation** was performed on the south Nags Head water tower including cleaning, repairs, and painting. A **water line tie-in was installed** in order to provide an additional source of water in two neighborhoods.

The Government Finance Officers Association recognized the Administrative Services department for its fiscal year 2018 reporting. A Certificate of Achievement for Excellence in Financial Reporting was awarded for the fiscal year 2018 Comprehensive Annual Financial Report (CAFR) for the 3rd consecutive year as well as an **Outstanding Achievement in Popular Annual Financial Reporting (PAFR)** for fiscal year 2018 for the 2nd consecutive year.



Initiatives

Approximately 80% of the properties in Nags Head use an on-site sewage system also referred to as a septic system. There is no mandatory requirement to maintain these systems after they are installed. In 2000, Nags Head launched an aggressive **Septic Health program** offering free services to property owners including consultations regarding installation and maintenance, proactive inspections to detect problems, and reporting outlining system location and recommendations. The only Outer Banks community to offer this, the voluntary program continues to grow and thrive today with **over \$500,000 in low-interest financial assistance loans** given to homeowners for having their systems pumped out, repaired, or replaced, as well as credits on their water accounts for pumping their system. We wish to honor the tireless work, dedication, and memory of Todd Krafft for his efforts in establishing and sustaining this initiative.

An influx of 30,000 new visitors every week during the peak summer months can be an educational challenge for our public safety departments, yet every day, they rise to the challenge. **Our Fire, Police and Ocean rescue departments coordinate numerous popular events** to educate the community about public safety as well as to bring neighbors together.

Bringing together volunteers and Town staff, we held a **community clean-up day** to clean, repair, and improve public spaces in the south end of Nags Head. Based on the success of this event and volunteer outreach involvement, this will be held as an annual event.

The Town has been awarded two grants from the North Carolina Division of Coastal Management for Public Beach and Coastal Waterfront Access projects. Funding for public beach accesses as Jacobs Street (\$122,225) and Islington Street (\$47,232) has been awarded towards parking, ADA accessible dune crossovers, showers, and bike racks at both locations.

AWARDED GRANTS TOTALLING
\$169,457



Here the Police Department partners with local schools to provide safety training opportunities.



Nags Head hosted the annual South Atlantic Regional Lifeguard Championship. Our Ocean Rescue team not only won the small beach division but the entire event.



Volunteers helped during a community clean-up day.

General Fund Balance

The general fund is the chief operating fund of the Town of Nags Head.

The fund balance in the general fund is similar to a savings plan in that it represents monies which remain unspent after all budgeted expenditures have been made.

Fund Balance is one indicator of fiscal stability that is measured at year-end. The Town strives to use fund balance only in the event of unforeseen circumstances, emergencies, and one-time uses.

The Town's policy states a goal of keeping a minimum unassigned fund balance, or portion of fund balance with no restrictions, commitments, or assignments to specific purposes, equal to 50% of general fund expenditures and transfers out to other funds, but no less than \$5,000,000.

At the end of the current fiscal year, the Town's unassigned fund balance in the General Fund is \$6,981,462, representing 39.22% of general fund expenditures and transfers. Total fund balances in the general fund reached \$28,416,589.

The fund balance increase from fiscal year 2018 to fiscal year 2019 is attributed to grant revenue recognized of \$7,676,761 from the Federal Emergency Management Agency (FEMA) and the North Carolina Department of Emergency Management (NCDEM) towards the Hurricane Matthew (2016) disaster assistance beach restoration project. The actual reimbursement of this amount occurred after June 30, 2019, towards expenses incurred in June 2019. These funds will be used to pay down debt acquired for this project.

	2019	2018	2017
Total Fund Balances	\$28,416,589	\$17,178,816	\$14,157,333
Unassigned Fund Balance	\$6,981,462	\$6,378,688	\$6,579,895
General Fund expenditures and transfers	\$17,801,872	\$14,285,625	\$18,303,503
Unassigned Fund Balance as a percentage of expenditures and transfers	39.22%	44.65%	35.95%

- ▶ The increased FEMA and NCDEM revenues also resulted in the general fund unassigned fund balance increase of \$602,774 over the prior year of \$6,378,688.

However, the Town saw a decrease in the percentage of unassigned fund balance as a percentage of expenditures and transfers.

This is a result of an increase of \$3,516,247 in expenditures and transfer in fiscal year 2019, compared to the prior fiscal year.

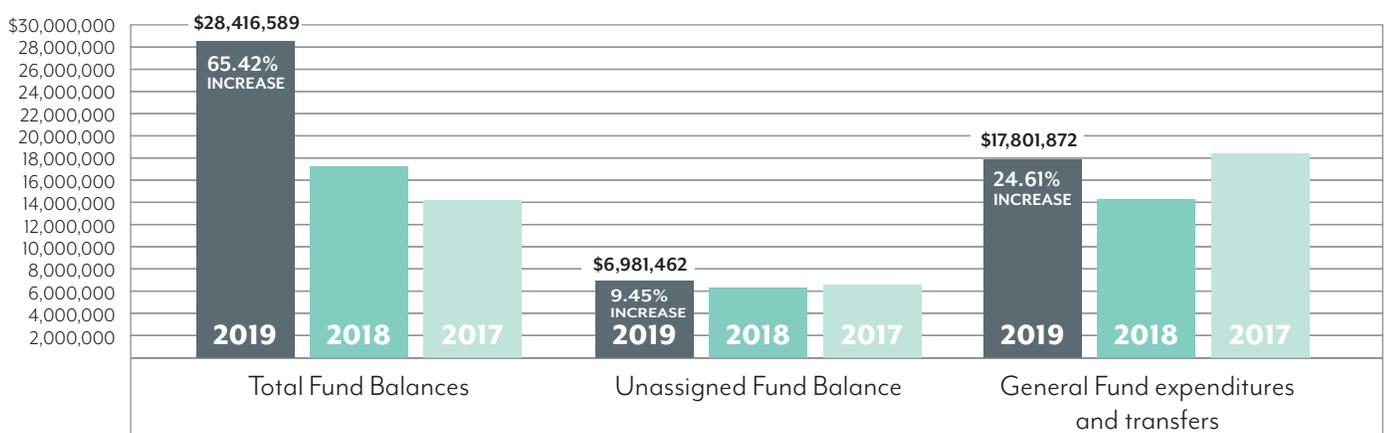
- ▶ An increase in transfers were made to the beach renourishment capital project fund towards the beach nourishment maintenance restoration project.

In fiscal year 2019 a transfer of \$1,750,000 was made towards the project completion, as compared to \$12,000 in fiscal year 2018.

- ▶ The Town saw an increases in capital outlay expenditures.

Public Works added improvements to Dowdy Park including a restroom and multi-use courts totaling \$882,798.

Three large-scale stormwater infrastructure drainage improvements were completed in Streets and Drainage in fiscal year 2019, costing \$711,822.

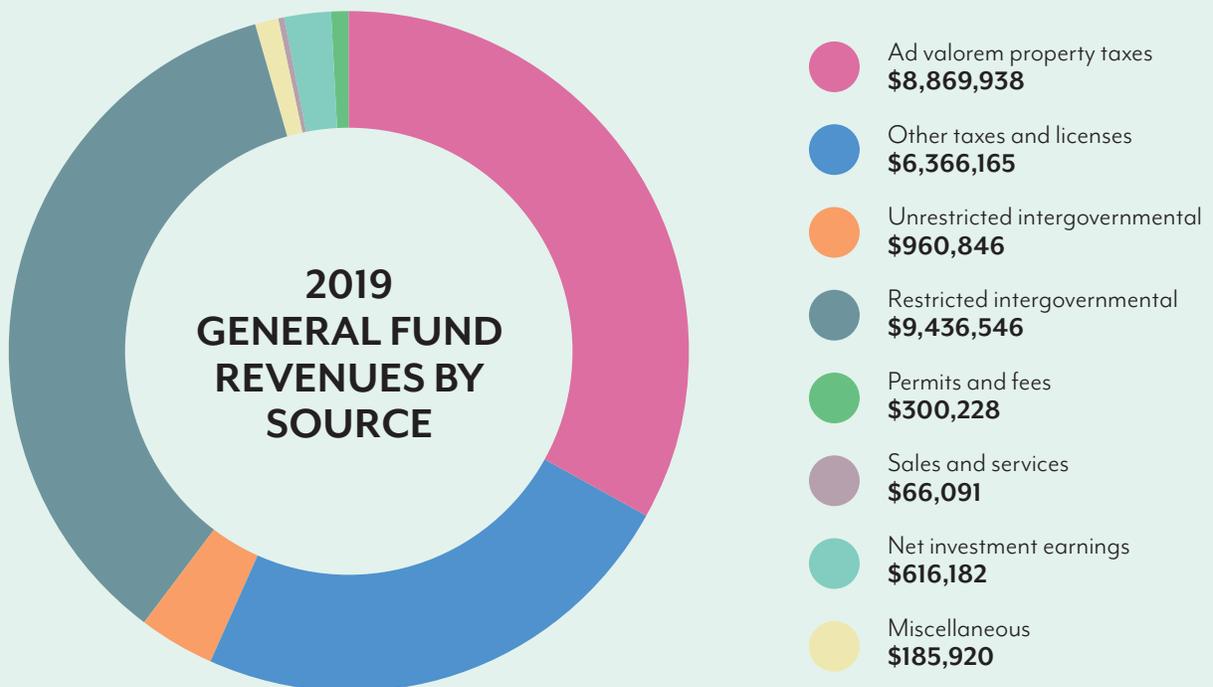


The General Fund

The General Fund accounts for a majority of Town Services and is Nags Head's primary operating fund.



GENERAL FUND REVENUE SOURCES	2019	2018	2017
Ad valorem property taxes	\$8,869,938	\$8,559,752	\$7,067,296
Occupancy tax	\$2,870,519	\$2,419,390	\$2,572,622
Sales tax	\$2,721,543	\$2,339,634	\$2,533,000
Land transfer tax	\$711,883	\$592,775	\$617,313
Other taxes and licenses	\$62,220	\$59,530	\$76,233
Utility sales tax	\$722,144	\$631,406	\$740,116
Other unrestricted intergovernmental	\$238,702	\$248,594	\$278,229
Restricted federal grants	\$6,504,990	\$303,265	\$95,127
Restricted state grants	\$2,669,372	\$293,751	\$604,032
Restricted local grants	\$262,184	\$40,990	\$1,043,212
Permits and fees	\$300,228	\$367,214	\$325,505
Sales and services	\$66,091	\$69,837	\$92,226
Net investment earnings	\$616,182	\$82,418	\$77,332
Miscellaneous	\$185,920	\$186,557	\$214,459
TOTAL REVENUES	\$26,801,916	\$16,195,111	\$16,336,700



The General Fund continued

TAXES

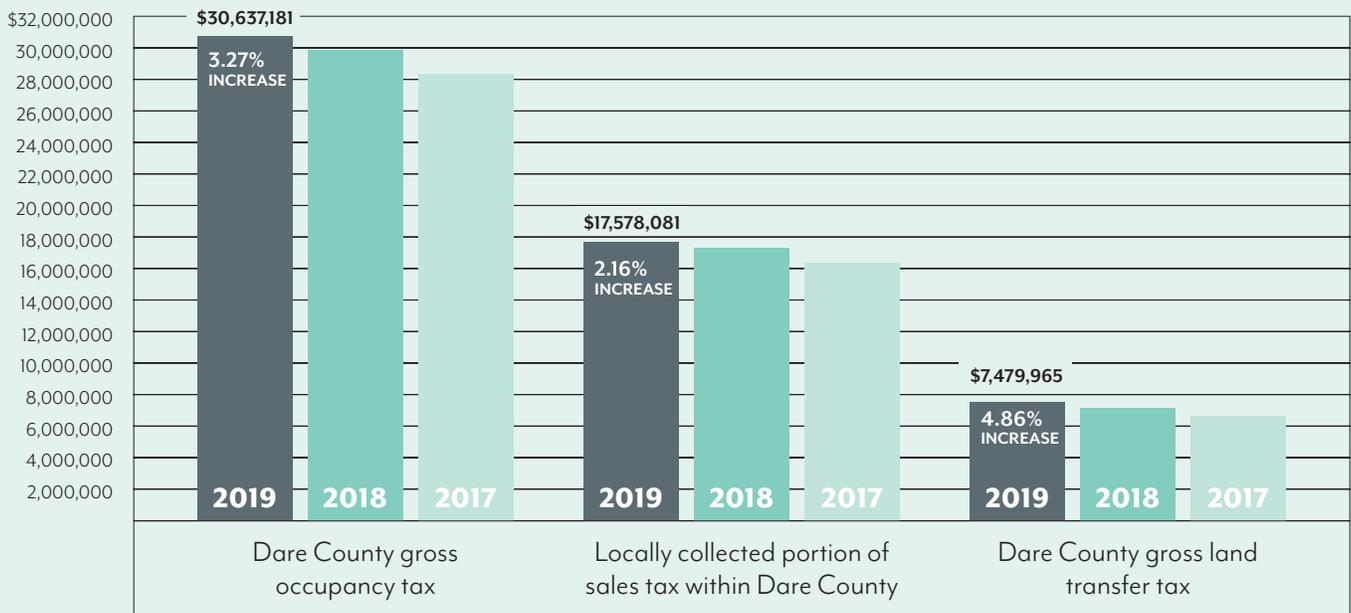
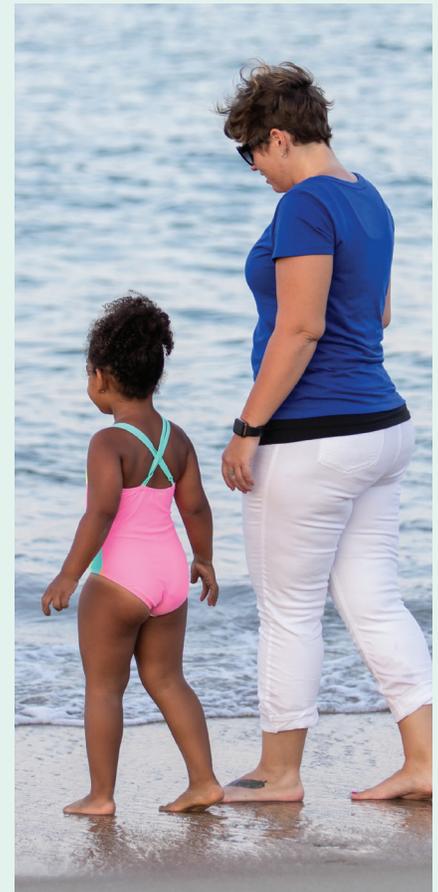
The ad valorem property tax rate was adopted with a tax rate of \$.307 cents per \$100 of assessed valuation, increasing one cent over the prior fiscal year.

Of this rate, \$.027 cents is restricted by the Board for beach nourishment, \$.01 is restricted for parks and paths, and \$.02 is restricted to fund stormwater management. The tax collection rate was 99.98%.

The increase in ad valorem property taxes is due to this one cent tax increase, which was restricted by the Board of Commissioners for stormwater management. One cent generates \$242,691 of ad valorem town-wide taxes.

The municipal service district (MSD) tax rate restricted for beach nourishment remained at \$.175 cents per \$100 of valuation. This tax generated \$1,414,423 to offset future beach nourishment debt payments and maintenance. One cent generates \$80,830 of MSD taxes.

In addition to increased gross collections of occupancy, sales, and land transfer taxes, Nags Head's proportionate share of these taxes increased in fiscal year 2019 due to the re-initiation of the MSD tax in fiscal year 2018 (\$.175 cents up from zero cents in fiscal year 2017), which increased the Town's total levy in proportion to the other towns located in Dare County. Because the proportionate share of these revenues for the current fiscal year is calculated based on each town's levy from the prior fiscal year, there is a one-year delay before the new formula change takes effect.



CONTRIBUTIONS

Nags Head received \$8,593,715 in state and federal grant contributions from FEMA and NCDDEM reimbursements towards beach nourishment maintenance. These grant funds will be used to offset future debt payments on funds borrowed for this disaster assistance (Hurricane Matthew 2016) beach restoration project. A state grant from the North Carolina Parks and Recreation Trust Fund and a local grant from the Outer Banks Visitors Bureau totaled \$476,750 towards Dowdy Park improvements, including a restroom facility and multi-use sports courts.

INVESTMENT EARNINGS

Interest income increased by \$533,764 due to an unrealized fair market value gain of \$293,738 and higher interest rates.

General Fund Transfers and Expenditures by Governmental Function

GENERAL GOVERNMENT

Governing Body

The Board of Commissioners is responsible for establishing policies initiating legislation and providing for the general welfare of Nags Head's residents and visitors. The Board's goals include providing for a transparent government, assuming the Town's fiscal responsibility, and providing opportunities for businesses and citizens to express view points and be involved in the decision-making process.

Administration (Town Manager)

Administration is responsible for implementing policies set by the governing body and ensures compliance with state and federal laws and regulations. The Town Manager's office provides employees with a platform that allows for objective discussion of innovative ideas.

Administrative Services (Finance)

Administrative Services is responsible for all accounting and financial reporting requirements, financial policies, internal controls, and ensuring budget compliance.

Information Technology

The Information Technology Department provides the administration and support of all areas of information technology in order to support the delivery of high quality, efficient, and cost-effective services. The Department provides solutions to ensure the preservation and security of Town data as well as to ensure smooth operation of government.

Planning and Development

The Planning and Development Department works to implement growth, development, and quality of life in Nags Head. The Department supports fair application of ordinances and local involvement in decision-making.

Legal services

Legal services include litigation, real estate transactions, and drafting legal documents and ordinances. The Town Attorney is paid on a monthly retainer and is appointed by the Board of Commissioners.

Total General Government

	2019	2018	2017
Governing Body	\$166,641	\$153,364	\$152,251
Administration (Town Manager)	\$854,169	\$826,179	\$735,813
Administrative Services (Finance)	\$927,453	\$853,233	\$1,305,899
Information Technology	\$276,731	\$255,971	\$215,563
Planning and Development	\$797,696	\$848,844	\$683,279
Legal services	\$90,943	\$93,129	\$101,307
Total General Government	\$3,113,632	\$3,030,720	\$3,194,112

PUBLIC SAFETY

Police

The Nags Head Police Department is a full-service law enforcement agency that proudly serves the residents and visitors of our community. The Department strives to be a contributing factor in creating a better quality of life through proactive policing, with an emphasis on community relations. The Department places its highest value on the preservation of human life, the protection of property, and service to humankind.

Fire

Ocean Rescue

Fire and Rescue ensures that emergency responses to fires, medical emergencies, technical rescues, and other natural and man-made disasters are corrected in the safest and most professional and efficient manner possible promoting the preservation of human life and protection of property. The Department continues to evolve in response to the community and proactively adjust services to meet all customer needs.

Total Public Safety

Police	\$2,539,800	\$2,627,742	\$2,421,417
Fire	\$2,506,020	\$2,406,457	\$2,380,018
Ocean Rescue	\$640,378	\$577,370	\$569,657
Total Public Safety	\$5,686,199	\$5,611,569	\$5,371,092

	2019	2018	2017
ENVIRONMENTAL PROTECTION			
Sanitation			
Solid Waste Tipping Fees	\$1,194,042	\$1,079,501	\$1,410,231
Sanitation and Solid Waste collect commercial and residential refuse, including bulk, brush, vegetative debris chipping and mulching, and recycling.	\$634,974	\$658,633	\$683,858
Total Environmental Protection	\$1,829,016	\$1,738,134	\$2,094,089
PUBLIC WORKS			
Administration	\$398,652	\$273,053	\$361,652
Public Works Administration provides departmental coordination in order to carry out projects that support community needs.			
Public Facilities Maintenance	\$2,507,219	\$1,725,584	\$2,905,743
Facilities Maintenance proudly maintains the overall appearance and cleanliness of the Town's facilities and grounds and promotes maintenance and development of livable, well-maintained neighborhoods, and infrastructure.			
Maintenance Garage	\$269,769	\$271,103	\$339,734
Fleet Maintenance provides efficient cost-effective maintenance of Town vehicles and equipment in order for other departments to provide uninterrupted service to the Town.			
Total Public Works	\$3,175,640	\$2,269,740	\$3,607,129
STREETS AND DRAINAGE			
State Street Aid	\$117,909	\$46,221	\$87,221
State Street Aid funding maintains and develops infrastructure in order to increase traffic safety through improvements and expansions.			
Stormwater Management	\$794,815	\$323,296	\$183,542
The Stormwater Management program enhances flood control and water quality through the collection and transport of stormwater runoff via management controls, maintenance and infrastructure improvements. The program prioritizes a balance between individual lot, neighborhood and watershed scales. Program activities are funded through a two cent ad valorem tax.			
Total Streets and Drainage	\$912,724	\$369,517	\$270,763
DEBT SERVICE			
Principal	\$1,293,230	\$1,216,638	\$1,053,957
Interest	\$41,431	\$37,307	\$38,150
The Town's debt service represents payments on installment finance purchase agreements. Total direct installment finance purchases increased to an outstanding balance of \$30,641,986 in fiscal year 2019 from \$2,103,996 in fiscal year 2018. This fiscal year Nags Head issued debt totaling \$27,613,837 for the purpose of beach nourishment maintenance.			
Total Debt Service	\$1,334,661	\$1,253,945	\$1,092,107
OTHER FINANCING USES			
Transfers from the General Fund to the Beach Renourishment Fund:	\$1,750,000	\$12,000	\$2,674,211
MSD and town-wide beach nourishment taxes are transferred to the beach renourishment capital project fund in order to provide funding for beach nourishment maintenance.			
TOTAL EXPENDITURES AND TRANSFERS	\$17,801,872	\$14,285,625	\$18,303,503

Capital Reserve Fund

The Town has a legally adopted Capital Reserve Fund which sets aside and accounts for the accumulation of funds for designated future capital projects including recreation, street, and shoreline project uses.

The accumulation of funds set aside in the Capital Reserve Fund are restricted for those specific purposes and are generated through ad valorem taxes and various fees.

The Capital Reserve Fund is consolidated in the General Fund.

The projects that accumulate funds in the Capital Reserve include:



	2019	2018	2017
<p>Facility fees</p> <p>Facility fees are generated by construction occurring within the Town and specific purposes include Administration, Police, Fire, Sanitation, and Recreation.</p> <p>They are to be used in developing community service facilities the Town provides.</p> <p>Fiscal year 2019 uses of facility fees included building a storage facility at Dowdy Park. Permit fees and interest added \$45,675 to the facility fees funds.</p>	\$109,920	\$120,684	\$148,966
<p>Beach Nourishment</p> <p>Beach nourishment funds are generated from town-wide and municipal service district (MSD) ad valorem taxes as well as a portion of sales tax distribution. In fiscal year 2019, the town-wide beach nourishment portion of ad valorem taxes remained unchanged at \$.027 cents per hundred of valuation, generating \$654,779 in revenue.</p> <p>The MSD tax remained unchanged at \$.175 cents generating an additional \$1,414,523 in revenue.</p> <p>Funds of \$916,954 were received in fiscal year 2019 from FEMA and NCDEM towards losses incurred from Hurricane Matthew (2016) for disaster assistance beach restoration.</p> <p>All beach nourishment funds are designated by the board to be spent for future beach nourishment maintenance and collected to offset beach nourishment debt payments.</p> <p>Nags Head reinstated the MSD tax in fiscal year 2018 in order to accumulate funds to defray the amount of debt that needed to be borrowed towards the 2019 beach renourishment project. The first debt payments will be made in fiscal year 2020 towards this project.</p>	\$8,343,599	\$6,413,923	\$3,844,022
<p>Parks and paths</p> <p>One cent, or \$242,691, of the town's ad valorem tax rate goes towards the Town's parks and paths fund, which is designated by the board to be spent for future town parks, multi use paths, beach accesses, and general recreation/open space capital needs.</p> <p>Parks and paths funds were used towards the construction of Dowdy Park improvements including a restroom and multi-use courts and maintenance of the Town's multi-use path.</p>	\$33,832	\$47,007	\$22,035
<p>Stormwater Management</p> <p>Stormwater projects are implemented through a master plan, encompassing design, permitting and construction of prioritized flood prone project areas. Two cents of the Town's ad valorem tax rate goes towards the Town's stormwater capital reserve fund and is designated by the Board to be spent to improve Town drainage infrastructure through planning, repair, maintenance, or new construction.</p> <p>Stormwater funds were used for the debt payment of three large-scale drainage infrastructure improvements completed in fiscal year 2019 as well as conceptual development prioritized drainage improvements.</p>	\$142,235	\$73,094	\$158,465
Total fiscal year end balances	\$8,629,586	\$6,654,708	\$4,173,488

Water Fund

The Town uses the Water Fund to account for the Town's water system operations. This fund operates in a manner similar to private business enterprises.

The costs (including depreciation) of providing water services to customers on a continuing basis are financed primarily through user charges.

Water rates increased this fiscal year by 15% in order to fund and plan for future capital needs, sustain reliable operations, and address a trend of water usage on the decline. Water is billed every two months. The minimum water bill up to 3,000 gallons for a 3/4" meter size is \$32.90.

Water rate increases were used to offset a Water Operations tower rehabilitation maintenance project costing \$260,613.

Water Fund

Operating Revenues	2019	2018	2017
Water sales	\$3,028,910	\$2,631,286	\$2,485,693
Tap and connection fees	\$25,895	\$31,728	\$14,508
Late payments including penalties and interest	\$29,527	\$28,536	\$25,706
Water cutoff tag fees	\$4,100	\$5,100	\$7,100
Miscellaneous	\$1,982	\$2,951	\$4,490
Total Operating Revenues	\$3,090,414	\$2,699,601	\$2,537,497

Water Fund

Operating Expenses	2019	2018	2017
Water Administration	\$279,289	\$262,542	\$236,015

Water Administration bills and collects revenues generated through distribution of water resources to the citizens of Nags Head. This department provides courteous collection and timely response to customer inquiries.

Septic Health	\$194,592	\$195,380	\$147,020
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The Septic Health Program advocates the education of water quality to maintain the Town's wastewater infrastructure and improve private septic system performance in order to promote a healthy environment and protect the Town's water resources.

Water Operations	\$2,039,894	\$1,718,031	\$1,670,089
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Water Operations monitors water quality into the Town's distribution system in order to ensure that water quality is in compliance with state and federal regulations.

Water Distribution	\$512,524	\$541,238	\$538,961
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Water Distribution maintains and improves the Town's water system, including meter reading, gradual change out of old water meters, flushing lines and installing and repairing water taps and lines

Depreciation and amortization	\$353,073	\$360,573	\$327,864
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Total Operating Expenses	\$3,379,372	\$3,077,764	\$2,919,949
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Water Capital Reserve Fund

In order to assist with future water capital improvements and debt payments as identified in the water master plan, a Water Capital Reserve Fund was established in fiscal year 2019. System development fee capital contributions are accounted for here and are restricted by State Statute for the specific purpose of funding these improvements related to the Town's water system. The Water Capital Reserve Fund is consolidated in the Water Fund.

The Town received \$20,461 in capital contributions that were set aside in this fund in fiscal year 2019.

Beach Renourishment Capital Project Fund

The budget for this multi-year fund was established in fiscal year 2017 in order to plan for a 4 million cubic yard beach nourishment maintenance project, with construction beginning May 2019 and completed August 2019. Dare County has committed to funding \$9,773,356 up front and providing \$3,000,000 in debt supplement payments.

The beach nourishment capital reserve will provide \$5,525,058 through excess collections of town-wide and Municipal Service District (MSD) beach nourishment taxes, excess collections of sales tax from the Town's increase in shared revenue, and interest income earned on those funds. Those funds also will serve as the payments on \$11,380,000 of debt being issued in order to finance the remainder of the project.

FEMA and the NCDDEM have committed to fund up to \$16,233,837 towards the project.

By working together with FEMA and the state of North Carolina to combine Hurricane Matthew (2016) disaster beach restoration with our scheduled maintenance restoration project, savings were provided by sharing engineering, mobilization, and demobilization costs.

REVENUES

Dare County contribution	
2019	\$9,127,577
2018	\$645,779
2017	-

Investment earnings	
2019	\$278,699
2018	\$16,097
2017	\$9,476

EXPENDITURES

General government capital outlay	
2019	\$22,988,632
2018	\$864,355
2017	\$385,334

OTHER FINANCING SOURCES

Installment financing	
2019	\$27,613,837
2018	-
2017	-

Transfers from the general fund	
2019	\$1,750,000
2018	\$12,000
2017	\$2,674,211



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