

# Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2024



TOWN OF  
**NAGS HEAD**

---

---

**TOWN OF NAGS HEAD, NORTH CAROLINA**

*Annual Comprehensive Financial Report*

**Fiscal Year Ended June 30, 2024**

---

---

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

# Town of Nags Head Annual Comprehensive Financial Report For the Fiscal Year Ended June 30 2024

---

## Table of Contents

INTRODUCTORY SECTION	PAGE
Letter of Transmittal.....	i-iv
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	v
List of Elected and Appointed Officials.....	vi
Organizational Chart.....	vii
FINANCIAL SECTION	EXHIBIT      PAGE
Independent Auditor's Report.....	1-3
Management's Discussion and Analysis.....	4-17
Basic Financial Statements - Overview:	
Government-wide Financial Statements:	
Government-wide Statement of Net Position.....	1      18
Government-wide Statement of Activities.....	2      19
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	3      20
Reconciliation of the Balance Sheet - Governmental Funds to the Government-wide Statement of Net Position.....	3      21
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.....	4      22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Government-wide Statement of Activities.....	4      23
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund.....	5      24
Statement of Fund Net Position- Proprietary Funds.....	6      25
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	7      26
Statement of Cash Flows - Proprietary Funds.....	8      27
Notes to the Basic Financial Statements.....	28-73

# Town of Nags Head Annual Comprehensive Financial Report For the Fiscal Year Ended June 30 2024

## Table of Contents

(Continued)

	<b>EXHIBIT</b>	<b>PAGE</b>
Required Supplemental Information:		
Local Government Employees' Retirement System:		
Schedule of the Proportionate share of Net Pension Liability (Asset).....	A-1	74-75
Schedule of Contributions.....	A-2	76-77
Law Enforcement Officers' Special Separation Allowance:		
Schedule of Changes in Total Pension Liability.....	A-3	78-79
Schedule of Total Pension Liability as a Percentage of Covered Payroll.....	A-4	80-81
Other Post Employment Health Care Benefits Plan:		
Schedule of Changes in the Total OPEB Liability and Related Ratios.....	A-5	82-83
Combining and Individual Fund Financial Statements and Schedules Section:		
Governmental Funds:		
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance -		
Budget and Actual.....	1	84-94
Capital Reserve Fund - Schedule of Revenues, Expenditures, and Changes in		
Fund Balance - Budget and Actual.....	2	95
Capital Investment Fund - Schedule of Revenues, Expenditures, and Changes in		
Fund Balance - Budget and Actual.....	3	96
Beach Renourishment Maintenance Capital Project Fund - Schedule of Revenues,		
Expenditures, and Changes in Fund Balance - Budget and Actual.....	4	97
Capital Projects Fund - Schedule of Revenues, Expenditures, and Changes in		
Fund Balance - Budget and Actual.....	5	98
Beach Nourishment Master Plan Capital Project Fund - Schedule of Revenues,		
Expenditures, and Changes in Fund Balance - Budget and Actual - From Inception.....	6	99

# Town of Nags Head Annual Comprehensive Financial Report For the Fiscal Year Ended June 30 2024

## Table of Contents

(Continued)

	<b>SCHEDULE</b>	<b>PAGE</b>
Enterprise Fund:		
Major Fund:		
Water Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP).....	7	100-103
Water Capital Reserve Fund - Schedule of Revenues and Expenditures -		
Budget and Actual (Non-GAAP).....	8	104
Water Capital Project Fund - Schedule of Revenues and Expenditures -		
Budget and Actual (Non-GAAP).....	9	105
Supplementary Schedules:		
Schedule of Ad Valorem Taxes Receivable.....	10	106
Analysis of Current Tax Levy.....	11	107
 STATISTICAL SECTION (Not Covered by Auditor's Report)		
	<b>TABLE</b>	<b>PAGE</b>
Financial Trends:		
Net Position by Component.....	1	108-109
Changes in Net Position.....	2	110-113
Fund Balances of Governmental Funds.....	3	114-115
Changes in Fund Balances of Governmental Funds.....	4	116-117
Revenue Capacity:		
Property Tax Levies and Collections - Last Ten Fiscal Years.....	5	118
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years.....	6	119
Property Tax Rates of Direct and Overlapping Governmental Jurisdictions - Last Ten Fiscal Years	7	120
Principal Property Taxpayers.....	8	121
Debt Capacity:		
Ratios of Outstanding Debt by Type.....	9	122-123
Legal Debt Margin Information.....	10	124-125
Direct and Overlapping Governmental Activities Debt.....	11	126

# Town of Nags Head Annual Comprehensive Financial Report For the Fiscal Year Ended June 30 2024

---

## Table of Contents

(Continued)

	<b>TABLE</b>	<b>PAGE</b>
Demographic & Economic Information:		
Demographic and Economic Statistics.....	12	127
Principal Employers.....	13	128
Operating Information:		
Full-time Equivalent Town Government Employees by Function.....	14	129
Operating Indicators by Function/Program.....	15	130-135
Capital Asset Statistics by Function/Program.....	16	136-137
<b>COMPLIANCE SECTION</b>	<b>SCHEDULE</b>	<b>PAGE</b>
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i> .....		138-139
Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance With OMB Uniform Guidance and the State Single Audit Implementation Act.....		140-142
Schedule of Findings, Responses, and Questioned Costs.....		143-144
Summary Schedule of Schedule of Prior Year Audit Findings.....		145
Schedule of Expenditures of Federal and State Awards.....	12	146

## **INTRODUCTORY SECTION**

**Benjamin Cahoon**  
Mayor

**Michael Siers**  
Mayor Pro Tem

**Andy Garman**  
Town Manager



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

**Bob Sanders**  
Commissioner

**Megan Lambert**  
Commissioner

**Vacant**  
Commissioner

November 22, 2024

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

The Local Government Commission of the North Carolina State Treasurer's Office requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the Town of Nags Head for the fiscal year ended June 30, 2024.

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

The financial statements contained herein have been audited by Potter & Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Nags Head for the fiscal year ended June 30, 2024, 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, 2024, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

landmarks on the Outer Banks, as well as Nags Head Woods Preserve, a designated National Natural Landmark owned in part by the Town of Nags Head and managed by The Nature Conservancy.

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

The Town provides a full range of services. These services include tax collection, planning and inspections, police, animal control, fire and ocean rescue protection, sanitation, and the construction and maintenance of streets and infrastructure as well as stormwater management. In addition to general government activities, the Town provides water and septic health services.

The Board is required to hold at least one public hearing on the proposed budget and must adopt a final budget by no later than June 30, the close of the fiscal year. This annual budget serves as the foundation for the Town of Nags Head's financial planning and control. An annual budget is adopted for the General, Capital Reserve, Water, and Water Capital Reserve Funds. Multi-year project budgets are adopted for Capital Project Funds. Appropriations in the General and Water Fund are made at the department level and at the project level for all Capital Project Funds. The Town Manager may transfer resources within a department as he sees fit. Transfers between departments, however, need special approval from the Board.

**Local Economy.** The Town's economy is based on travel, tourism and related service industries and is directly tied to national and local economies, notably those of North Carolina, Virginia, and the mid-Atlantic region. Nags Head remains one of the most desirable destinations in the country. The result is that tourists and vacationers not only come to our area during the busy summer season but are also visiting the Outer Banks during the non-peak months of March through May and September through November. The longer tourist season has extended and increased rental income and other economic benefits to local businesses. The Town's travel and tourism industry not only encompasses those revenues that have a direct relationship, such as sales and occupancy taxes, but also revenues related to property transactions and construction, such as land transfer tax, as many of those activities come from non-residents and residential construction for rental purposes. This steady stream of income has helped to maintain a healthy balance in the tax base that has enabled the Town to keep property tax rates at moderate levels while providing the infrastructure and high level of services demanded by citizens. In planning for the future, the Town continues to maintain a high priority on optimizing the planning and delivery of quality services and financial stability.

**Long-term financial planning.** The Town has three legally adopted capital reserve funds for specific priorities, which set aside revenue sources restricted for future capital projects and debt service. Funding includes appropriations for facility fees, town-wide and municipal service district taxes, and sales tax revenues derived from the municipal service districts (MSDs). The capital investment fund (CIF) allows the Town to strategically plan for debt and capital expenditures. This provides a dedicated funding source for long-term capital planning and maintenance of assets and infrastructure. The CIF is designed to allow the Town to pay cash for capital items, including all equipment and rolling stock, as well as most infrastructure projects. The water capital reserve fund has been consolidated with the water fund. All system development fee capital contributions are accounted for in the water capital reserve fund and are used for funding capital improvements and debt payments related to the Town's water system.

To allow for strategic planning and provide a basis for future fiscal policy decision making, the Board of Commissioners annually adopts a five-year Capital Improvements Plan (CIP). The CIP addresses all major capital improvements including new capital asset acquisition requests, replacement items, and studies for future requests. The CIP focuses on improving processes and capacity for project delivery as well as planning and forecasting our needs for different categories of infrastructure. We now have master plans for streets, water, and stormwater infrastructure as part of a connected CIP to combine infrastructure improvement projects under a single project work scope. Multi-use path improvements and public beach access rehabilitations will also be integrated with

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

The Town's Issuer Rating of Aa1 from Moody's Investors Service was affirmed in September 2024.

**Relevant financial policies.** The Board has a comprehensive set of financial policies in place that were most recently updated in fiscal year 2023. They cover the operating budget, fund balances, capital improvements and planning, debt, accounting, financial planning, cash management, and investments. Particularly relevant is the revised fund balance policy. The fiscal year 2024 unassigned fund balance exceeding 35% of general fund expenditures, less bond debt, will be transferred to the Capital Investment Fund (CIF). In fiscal year 2025 the general fund will transfer over \$270,000 to the CIF. This policy allows us to monetize our fund balance and assists with covering years with greater expenditures, unanticipated capital needs, and filling in gaps in grant funding.

**Major Initiatives.** As part of our Strategic Plan update, the Board has prioritized action items that staff will work to refine and implement. These include completing our grant funded Stormwater Management, Watershed Management, and Water System Master Plans. These plans will identify projects and develop preliminary budgets that integrate into our Capital Improvement Program (CIP). These plans will address achieving the financial capacity to employ adaptive management strategies. As part of this we are reviewing our water rates and how our new Advanced Metering Infrastructure (AMI) impacts water utility revenues. We will utilize this information to recommend implementing a water conservation incentive rate structure.

Nags Head continues an aggressive approach to maintaining infrastructure. A \$650,000 grant will supplement local funding towards improvements to the South Virginia Dare Trail portion of the multi-use path (MUP). The length of the MUP is 6.51 miles, and rehabilitation will be phased in over several years to improve its safety, condition, and accessibility. We will also be leveraging \$478,850 from a state grant to provide drainage system upgrades in the northern portion of town, followed up with asbestos cement waterline replacements and street paving. Our budget includes a five-year CIP for sidewalk improvements and public beach access replacements we continue to follow.

We have received over \$5 million in grants for stormwater improvements to address frequent flooding caused by insufficient infrastructure, increased rainfall, poor infiltration, and shallow groundwater. The projects replace underperforming stormwater infrastructure and construct new drainage infrastructure and innovative nature-based control measures that address water quantity and quality issues. The projects improve wet weather accessibility that help ensure safe walking, biking, and driving conditions and are designed to reduce the frequency, depth, and duration of flooding along South Old Oregon Inlet Road and Wrightsville Avenue.

We take an integrated approach in considering how future needs will be planned for on Town properties. A Town Hall Campus Master Plan is being developed that will establish overall goals, objectives, and design principles that serve as a framework for prospective building construction. The Plan is essential for ensuring that the Town will continue to not only meet our community's current needs but adapt to demands and growth. The first phase being designed is a fitness facility which includes a second-floor space to accommodate the operational needs of the Town. Other potential recommendations will likely be phased in over a five-to-ten-year horizon and include replacing Fire Station 16, the Board of Commissioners meeting room, and the Police Department. Additionally, we have identified a location to build workforce housing for a portion of our staff. It has become more difficult to recruit Ocean Rescue team members due to the lack of available housing. This development will likely be occupied for the 2026 summer season and will significantly improve our ability to retain seasonal staff.

The State awarded the Town a \$4,000,000 grant to place conservation easements on three Town-owned tracts of mature maritime forest inside the Nags Head Woods Ecological Preserve, protecting 260 acres. The grant is for the value of the development rights to provide perpetual protection of the properties. For many years, the Town and The Nature Conservancy (TNC) have worked jointly to preserve Nags Head Woods from the imminent threat of development by acquiring properties separately or jointly and placing them under management control of TNC. This keystone area of unprotected land is a fragmented piece that lies in the middle of conserved parcels and will provide connectivity as a gateway to a larger area of conservation.

We adopted a Multi-Decadal Beach Nourishment Master Plan and a Beach Monitoring and Maintenance Plan which both establish sustainable, long-term shoreline management and maintenance strategies to include periodic renourishment. Our monitoring and maintenance program identifies volumetric triggers to determine when to initiate subsequent nourishment events. An analysis of our most recent beach condition survey indicates localized beach nourishment project segments that have fallen below the trigger volumes in conjunction with localized erosion. Given the results, the board has accelerated the planning for the next beach nourishment project in anticipation of a 2026 or 2027 nourishment project. The current scope of work includes final plans, specifications, and bidding documents and is funded in part by a \$301,000 grant received from the State.

We were awarded two grants totaling \$1 million that assist with the design and construction of the three pilot sites identified in our adopted Estuarine Shoreline Management Plan. This valuable funding allows us to move these projects from concept to completion and will restore marsh habitat, improve water quality, protect critical infrastructure, and safeguard against wind and wave energy that contribute to shoreline erosion and subsequent land loss.

**Awards and Acknowledgements.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Nags Head for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2023. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. Nags Head has received a Certificate of Achievement for the last eight consecutive years. We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

We wish to express our appreciation to each member of the Finance Department who has assisted in the preparation of this report. We also thank the Mayor and the Board of Commissioners for their continued support in maintaining the highest standards of professionalism in the management of the Town of Nags Head's finances.

Respectfully submitted,

The image shows two handwritten signatures in blue ink. The first signature is for Andy Garman, and the second is for Amy Miller. The signatures are written in a cursive style and are connected by a horizontal line.

Andy Garman  
Town Manager

Amy Miller  
Finance Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Nags Head  
North Carolina**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2023

*Christopher P. Morill*

Executive Director/CEO

**Town of Nags Head, North Carolina**  
**List of Elected and Appointed Officials**  
**For the Fiscal Year Ended June 30, 2024**

---

Elected Officials

Mayor  
Mayor Pro Tempore  
Commissioner  
Commissioner  
Commissioner

Benjamin Cahoon  
Michael Siers  
Kevin Brinkley  
Bob Sanders  
Megan Lambert

Appointed

Town Attorney  
Town Manager

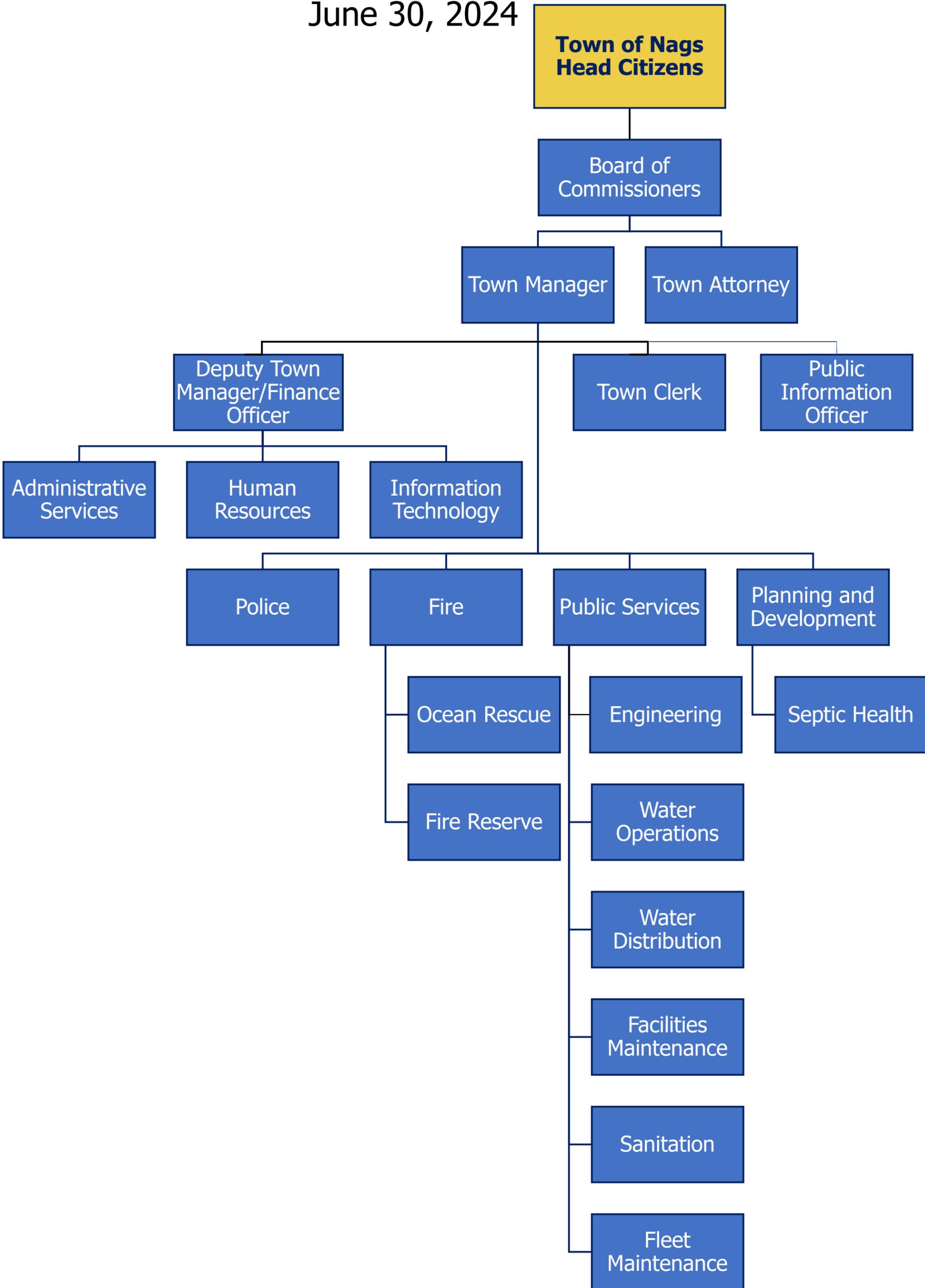
John Leidy  
Andy Garman

Town Administration

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

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

# Town of Nags Head, North Carolina Organization Chart June 30, 2024



## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Nags Head, North Carolina**, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the **Town of Nags Head's** basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Nags Head**, as of June 30, 2024, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and major, annually budgeted special revenue funds, if applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

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

#### Responsibilities of Management for the Audit of the Financial Statements

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

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

## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the **Town of Nags Head's** internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Town of Nags Head's** ability to continue as a going concern for a reasonable period of time.

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

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 17, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 74 through 77, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Employee Payroll on pages 78 through 81, and the Other Post Employment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on pages 82 through 83, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Town of Nags Head's** basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Information**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2024, on our consideration of **Town of Nags Head's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **Town of Nags Head's** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Town of Nags Head's** internal control over financial reporting and compliance.

***Potter & Company, P.A.***

November 22, 2024  
Monroe, North Carolina

# Management Discussion and Analysis

## Town of Nags Head

### June 30, 2024

---

#### 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, 2024. 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 \$76,084,549 (*net position*).
- The Town's total net position increased by \$8,011,798. This includes an increase in the governmental activities of \$7,764,300 and an increase in the business-type activities of \$247,498. The increase in net position for both governmental and business-type activities can be attributed to ongoing capital projects which include the Public Services Complex (80%/20% split between governmental and business-type) and Advanced Metering Infrastructure for business-type activities. Interest only debt service payments were made in fiscal year 2024 totaling \$1,069,375 for 2023 limited obligation bonds issued on these projects. The Town maintains its Aa1 issuer rating from Moody's Investors Service.
- In governmental activities, the capital reserve funds increased fund balance by \$2,371,140. This is due to a decrease of \$70,101, compared to the prior fiscal year, in the Town's debt service interest from a 2019 beach nourishment maintenance project. There were no changes in tax rates that fund the capital reserve fund although total transfers to the general fund decreased by \$355,362. Additionally, in fiscal year 2023 the Town exceeded its fund balance policy of 35% of general fund expenditures excluding bond debt. Any fund balance above 35% gets transferred into the Capital Investment Fund (CIF), a capital reserve fund, the subsequent fiscal year. In fiscal year 2024, \$1,378,672 was transferred into the CIF. This was in addition to the budgeted general fund transfer of \$4,120,000.
- Unrestricted net position decreased for governmental activities even though total net position increased in governmental activities. This is because of the increase in the restricted fund balance for the two capital reserve funds and the increase in net investment in capital assets, explained above. The CIF has a separate minimum fund balance policy requiring a balance of 25% of CIF expenditures. This year the fund balance was 57.45%.
- Part of the capital investment fund's (CIF) philosophy is to carry a fund balance that can be used to smooth out capital and debt spending over time. It is designed to allow the Town to pay cash for most capital items including rolling stock and infrastructure projects. Therefore, no debt financing occurred in fiscal year 2024.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,995,703, or a \$566,311 decrease over the prior fiscal year balance of \$8,562,014. There was an ad valorem tax rate increase of \$.0425 cents primarily for the debt service on the Public Services Complex capital project. One cent generates approximately \$310,000.
- The unassigned fund balance for the general fund represents 31.78% of total general fund expenditures for the fiscal year, or 36.22% excluding bond debt. This is above our fund balance policy minimum of 25%-35% of general fund expenditures excluding bond debt. Per our policy, any fund balance above 35% gets transferred to the CIF. This means in fiscal year 2025, \$270,279 will be transferred. This is in addition to the general fund budgeted transfer of \$4,137,500.
- As of the close of the current fiscal year, the Town of Nags Head's governmental funds reported combined ending fund balances of \$ 30,298,597, of which 53%, or \$16,182,663 is non-spendable or restricted. The increase in restricted capital reserve fund balances

**Management Discussion and Analysis**  
**Town of Nags Head**  
**June 30, 2024**

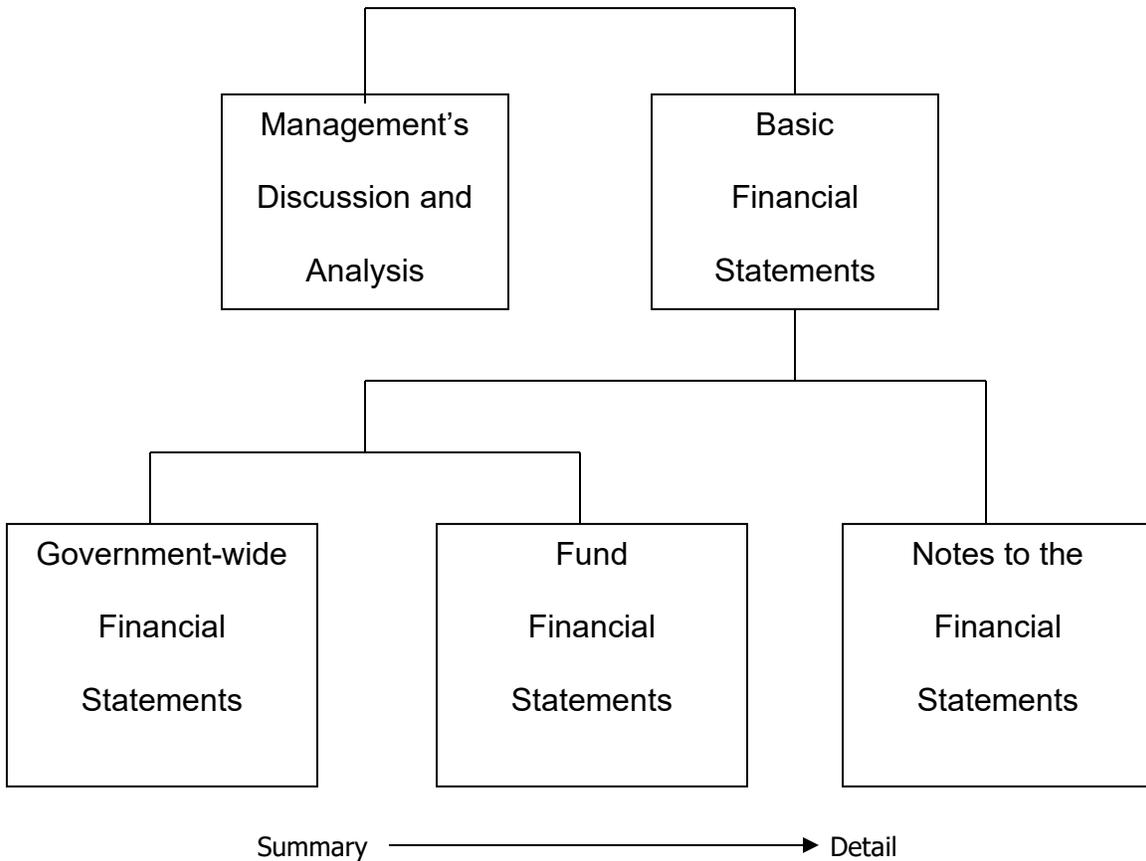
---

- account for this increase. The combined ending fund balance is a decrease of \$6,444,492 compared to the prior fiscal year. The unspent portion of debt issuance for the Public Services Complex accounted for in committed fund balance, \$3,067,290, has decreased by \$9,005,039 due to issuance being spent and the escrow being drawn down. This is the main reason for the \$6,228,486 decrease in restricted cash, with the offset being the increase in the consolidated capital reserve fund balances. This Public Services Complex project has been actively under construction for the entire fiscal year, and bond issuances were not received until March 2023.
- The Town's total governmental debt decreased by \$2,771,861. The Town is not required to make a principal payment on the 2023 limited obligation bond issuance for the Public Services Complex until fiscal year 2025. This was the final payment of \$2,276,000 made on our fiscal year 2020 beach nourishment special obligation bond as well as other regularly scheduled debt payments. No new direct borrowing or placement debt was incurred. The net pension liability for the Local Governmental Employees' Retirement System (LGERS) increased by \$548,675.
  - The adopted ad valorem tax rate for the June 30, 2024, fiscal year increased by \$.0425 to \$.33 per \$100 valuation. Of the ad valorem rate, \$.025 is restricted by the Board for beach nourishment. The total property valuation increased by .6% and the tax increase caused the ad valorem net levy to increase 15% over the prior fiscal year.
  - The six Municipal Service Districts (MSD's) 1-6 tax rates for the purpose of beach nourishment remained unchanged. Tax rates for MSD 1-2 are \$.143 per \$100 of assessed valuation, one half cent (\$.005) for MSD 3 and 6, and one cent (\$.01) for MSD 4 (currently there remains no tax rate for MSD 5). MSD's 1, 2, and 5 are in two districts. To include a property in an MSD, the project must be within the MSD boundaries. The tax revenues these districts generate support future beach nourishment maintenance and planning projects and provide more stability for future tax rates.
  - The minimum base water rates and volumetric charges increased by 12.3% to pay for the water fund portion of the Public Services Complex and Advanced Metering Infrastructure debt service. Interest payments totaled \$294,126, and the first principal payment is due in fiscal year 2025. Because of this, water sale revenues increased by 11%, \$417,053. System development fees remain unchanged.
  - Business-type net position increased by \$247,498 largely due to the water rate increase.
  - For business-type activities, no new direct borrowing or placement debt was incurred. Long-term liabilities increased by \$8,925 primarily because the net pension liability for LGERS increased by \$50,642.
  - The Water Capital Project Fund, which includes the Advanced Metering Infrastructure (AMI) and the water fund's portion (20%) of the Public Services Complex, for reporting purposes is consolidated in the water fund exhibits. This primarily represents restricted cash's decrease of \$3,246,284 over the prior fiscal year. This year, the water capital project fund's expenditures exceeded its revenues by \$3,459,538 because of the Public Services Complex construction as discussed for governmental activities. The Advanced Metering Infrastructure project has also been under construction the entire fiscal year and is nearing completion.

**Overview of the Financial Statements**

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

**Required Components of Annual Financial Report (Figure 1)**



**Basic Financial Statements**

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

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

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

# Management Discussion and Analysis

## Town of Nags Head

### June 30, 2024

---

#### Government-wide Financial Statements

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

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

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

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

#### Fund Financial Statements

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

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

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

**Management Discussion and Analysis**  
**Town of Nags Head**  
**June 30, 2024**

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 28-73 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the town’s progress in funding its obligation to provide pension and retiree health benefits (OPEB) to its employees. Required supplementary information can be found on 74-83 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, 2024**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 32,658,337	\$ 39,227,060	\$ 7,120,159	\$ 9,932,944	\$ 39,778,496	\$ 49,160,004
Non-current assets	882,096	1,200,594	-	-	882,096	1,200,594
Capital assets	61,699,024	50,220,721	10,717,841	7,504,737	72,416,865	57,725,458
Total assets	95,239,457	90,648,375	17,838,000	17,437,681	113,077,457	108,086,056
Deferred outflows of resources	4,568,282	4,523,726	383,417	379,063	4,951,699	4,902,789
Long-term liabilities	27,034,838	28,158,505	5,913,381	6,149,435	32,948,219	34,307,940
Other liabilities	4,533,315	6,292,529	1,309,477	933,960	5,842,792	7,226,489
Total liabilities	31,568,153	34,451,034	7,222,858	7,083,395	38,791,011	41,534,429
Deferred inflows of resources	2,905,491	3,151,272	248,105	230,393	3,153,596	3,381,665
Net position:						
Net investment in capital assets	46,973,270	41,411,411	6,621,123	6,815,447	53,594,393	48,226,858
Restricted	16,064,073	12,950,862	58,813	34,492	16,122,886	12,985,354
Unrestricted	2,296,752	3,207,522	4,070,518	3,653,017	6,367,270	6,860,539
Total net position	\$ 65,334,095	\$ 57,569,795	\$ 10,750,454	\$ 10,502,956	\$ 76,084,549	\$ 68,072,751

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of resources of the Town of Nags Head exceeded liabilities and deferred inflows of resources by \$76,084,549 as of June 30, 2024. The

**Management Discussion and Analysis**  
**Town of Nags Head**  
**June 30, 2024**

largest portion of net position, \$53,594,393 (70%) reflects the town’s investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less liabilities restricted from debt issuances and any related debt still outstanding that was issued to acquire those items, net of unexpended debt issuances. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Nags Head’s investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

The net investment in capital assets portion of net position increased for governmental and decreased for business-type activities. In governmental activities, the increase relates to the \$2,276,000 decrease in long-term debt on the fiscal year 2020 beach nourishment special obligation bonds. Additionally, construction in progress, which is not being depreciated, increased by \$6,926,954. This can be attributed to the public services complex. For business-type activities, the decrease relates to depreciation and amortization increasing by \$277,097 over the prior fiscal year. Construction in progress decreased by \$848,866 related to the water portion of the public services complex and Advanced Metering Infrastructure (AMI), which is now being depreciated. This portion of the project has been completed and is in use.

An additional portion of the Town’s net position, \$16,122,886, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,367,270 is unrestricted and may be used to meet the Town’s ongoing obligations to citizens and creditors.

As of June 30, 2024, 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, 2024**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,058,803	\$ 991,893	\$ 4,246,441	\$ 3,810,628	\$ 5,305,244	\$ 4,802,521
Operating grants and contributions	860,976	735,269	-	32,556	860,976	767,825
Capital grants and contributions	2,021,028	12,876,104	115,255	506,837	2,136,283	13,382,941
General revenues:						
Property taxes	12,037,886	10,645,011	-	-	12,037,886	10,645,011
Other taxes and licenses	10,230,491	10,205,134	-	-	10,230,491	10,205,134
Other unrestricted intergovernmental	1,085,828	1,007,408	-	-	1,085,828	1,007,408
Investment income	1,665,387	56,014	286,488	42,798	1,951,875	98,812
Other	102,058	196,495	2,592	1,500	104,650	197,995
Total Revenues	<u>29,062,457</u>	<u>36,713,328</u>	<u>4,650,776</u>	<u>4,394,319</u>	<u>33,713,233</u>	<u>41,107,647</u>
Expenses:						
General Government	4,702,243	13,554,409	-	-	4,702,243	13,554,409
Public Safety	9,190,519	8,229,791	-	-	9,190,519	8,229,791
Public Services	3,544,884	3,252,736	-	-	3,544,884	3,252,736
Environment Protection	2,511,647	2,531,073	-	-	2,511,647	2,531,073
Streets and Drainage	496,075	339,067	-	-	496,075	339,067
Interest on long-term debt	852,789	329,881	-	-	852,789	329,881
Water Utility	-	-	4,403,278	3,621,457	4,403,278	3,621,457
Total Expenses	<u>21,298,157</u>	<u>28,236,957</u>	<u>4,403,278</u>	<u>3,621,457</u>	<u>25,701,435</u>	<u>31,858,414</u>
Increase (decrease) in Net Position	<u>7,764,300</u>	<u>8,476,371</u>	<u>247,498</u>	<u>772,862</u>	<u>8,011,798</u>	<u>9,249,233</u>
Net position – July 1	<u>57,569,795</u>	<u>49,093,424</u>	<u>10,502,956</u>	<u>9,730,094</u>	<u>68,072,751</u>	<u>58,823,518</u>
Net position – June 30	<u>\$ 65,334,095</u>	<u>\$ 57,569,795</u>	<u>\$ 10,750,454</u>	<u>\$ 10,502,956</u>	<u>\$ 76,084,549</u>	<u>\$ 68,072,751</u>

## Management Discussion and Analysis

### Town of Nags Head

### June 30, 2024

---

The Town of Nags Head's overall net position increased \$8,011,798 from the prior year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**Governmental activities.** Governmental activities increased the Town's net position by \$7,764,300, accounting for 96.9% of the total growth in net position of the Town of Nags Head. Management believes healthy investments in the Town will result in additional revenues, adding to the Town's net position by investing in capital assets. The Town was able to fund some items in its capital spending plan with grant revenues. In the prior fiscal year, in capital grants and contributions, grant reimbursement towards fiscal year 2023's beach nourishment maintenance project totaled \$12,611,151. For the same year, in General Government, expenses were \$8,852,166 more compared to the current fiscal year due to this project's depreciation. Because the useful life of the project over the years was lowered, depreciation is occurring at a more rapid rate. The Town did receive \$2,882,004 total in operating and capital grants and contributions in the current fiscal year. This includes capital grants for beach nourishment, infrastructure improvements and additions, and a new bath house building. Noteworthy revenue variances include an increase of 13% in property taxes due to the \$.0425 cent tax increase discussed in the financial highlights. The total town wide levy collection percentage for fiscal year 2024 was 99.99%, due to continued diligence in the collection of property taxes. Tourism driven revenues including sales and occupancy, are included in other taxes and licenses and came in at 2% and 1%, respectively, over the prior fiscal year. Land transfer taxes, also included in other taxes, saw a decline of 9% from the prior fiscal year due to slowing real estate sales. Combined, these revenues balanced each other out compared to the prior fiscal year with only a .002% total increase. Investment income increased by \$1,609,373 due to the prior year's unrealized fair market value loss of (\$443,428) on investments compared to the current year's gain of \$584,145. Realized investment income was bolstered this year by earning \$483,597 in interest on the Town's limited obligation bond funds in escrow as well as higher interest rates. Currently the Town is tracking for no arbitrage liability owed.

Management continually evaluates ways to minimize expenses without sacrificing the high level of service our citizens deserve. These efforts allow us to maintain a healthy net position and led to some of the functional expenditure categories of governmental activities not experiencing significant increases. The Town invests in its employees, therefore salary and benefit increases were seen across all functions. A 6.5% Cost of Living Adjustment (COLA) was given to all employees and the non-matching 401k contribution was increased by 1% for all non-sworn Law Enforcement Officers (LEO). In January, the Town's portion of employee dependent health insurance increased to 80% for all employees. Previously it was 75% for those hired prior to 2010 or 60% for those hired after. The Town's contribution rate to the Local Government Employees' Retirement System increased by .75% for non-LEO and 1% for LEO. A career progression program with associated salary increases was newly implemented in fiscal year 2024 for all departments. Public Safety's increase of \$960,728 is mainly attributed to these personnel costs and others including an increase in the seasonal lifeguard pay scale and two new positions added in our Police Department. In the fire department, a part-time firefighter pool was established which was new in fiscal year 2024.

In total, interest expense increased by \$522,908 due to the first year of the 2023 limited obligation bond interest only payments totaling \$775,250. Because the last payment was made in June 2024, accrued interest payable decreased in fiscal year 2024 by \$106,196.

Town management recognized that 2024 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

**Management Discussion and Analysis**  
**Town of Nags Head**  
**June 30, 2024**

---

**Business-type activities.** Business-type activities in the water fund increased the town's net position by \$247,498, or 3.1%. The net investment in capital asset portion of net position decreased by \$194,324 due to an increase in depreciation and amortization expense because of the decrease in non-depreciable construction in progress related to the Public Services Complex and Advanced Metering Infrastructure (AMI) as previously discussed. The unrestricted portion of net position increased by \$417,501. As previously discussed, both base and volumetric water rates were increased by 12.3% which accounted for utility sales to increase by 11.1% or \$417,053. The unrealized fair market value gain on investments of \$84,493 was \$152,936 more than the prior year's loss of (\$68,443). The investment earnings were also \$90,754 more compared to fiscal year 2023, due to the interest earnings on the 2023 limited obligation bond escrow and higher interest rates. This accounts for the \$243,690 increase in investment income. The decrease in capital grants and contributions is because the Town's last Coronavirus State and Local Fiscal Recovery Funds distribution of \$474,062 was received in fiscal year 2023. The wholesale water rate increased from \$1.838 to \$2.202 per million gallons purchased, or 19.8%. The rate is set per an interlocal agreement with Dare County and was driven by an increase of 21% in eligible costs. This was primarily due to increased operating and maintenance costs of Dare County's water plants. Gallons purchased from Dare County increased by over 19 million gallons, or 5%. Due to both a wholesale water rate increase and an increase in usage (gallons purchased), the cost of wholesale water purchased increased by \$295,788 or approximately 43%. In order to offset inflationary costs, Town management will continue to implement cost savings strategies across departments.

The water fund reimburses the general fund for costs of services provided to the fund. Due to rising operating costs, the reimbursement this year was \$844,331, over a 6% increase of \$47,558. The reimbursement calculation is directly tied to the fiscal year 2022 audited financials statements, the most current year for which complete data was available.

Interest expense on long-term debt increased by \$225,119 due to the initial interest-only payments totaling \$294,126, made towards the 2023 limited obligation bonds. The last payment was made in June 2024, therefore accrued interest payable decreased by \$13,287.

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

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

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

The general fund is the chief operating fund of the Town of Nags Head. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$7,995,703 while total fund balance reached \$24,578,366. As previously discussed, the decrease in unassigned fund balance can be attributed to the general fund transfer of \$1,378,672 to the capital investment fund (CIF) as our 2023 audited fund balance exceeded our fund balance policy of 35% of general fund expenditures excluding bond debt. This is also the reason for the increases in restricted fund balance for the capital reserve funds and the general fund's restricted cash. The increase in total fund balance is largely because of the \$1,406,245 increase in net investment earnings, due to the fair market value gain in the current fiscal year. The CIF fund balance at the end of the fiscal year was \$3,169,899. The cash balance increased by \$1,155,620 in the capital reserve fund. This also contributes to the increase in both restricted cash and fund balance. The increase is because tax revenues restricted to this fund did not change, however, expenditures decreased for items

## Management Discussion and Analysis

### Town of Nags Head

### June 30, 2024

---

including interest on fiscal year 2020's beach nourishment special obligation bonds. Interest income increased by \$401,742 because of the fair market value gain. Some of the factors for the various increases in current expenditures have previously been discussed. A notable capital outlay increase in the Public Services function was due to the Epstein Street bathhouse building construction totaling \$934,436, with funding supplemented by \$450,000 in grants. Infrastructure improvements included sidewalks, multi-use path paving, beach access improvements, and a new estuarine pier and walkway. To achieve an economy of scale and leverage \$478,850 of grant funding awarded, the fiscal year 2024 street paving, drainage, and water line improvements will be combined with the fiscal year 2025 project. Due to significant delays and lead times, there are multiple vehicles throughout the functions of government including environmental protection and public safety where vehicle purchase orders remain outstanding. This contributes to the reason some functions of government are lower compared to the prior fiscal year. Total general fund balance increased by \$2,562,490, or 11.6%. This fiscal year, total revenues were higher primarily due to the \$.0425 cent ad valorem tax increase, the net investment earnings (fair market value gain), and restricted grant revenues, as previously discussed. In the general fund, the Town must maintain unassigned fund balance equal to no less than 25% of general fund expenditures, less bond debt. Any unassigned fund balance over 35% will be transferred to the capital investment fund. The unassigned fund balance of \$7,995,703, 36.22% of general fund expenditures excluding bond debt, compared to 41.72% for the prior fiscal year. As previously discussed, as the prior fiscal year's fund balance was able about the fund balance policy, \$1,378,672 was transferred to the CIF. As this year's unassigned fund balance is also over the 35% maximum, excess funds of \$270,279 will be transferred to the capital investment fund (CIF) in fiscal year 2025. 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 31.78% of total general fund expenditures for the fiscal year compared to 37.78% for the prior year. This calculation includes bond debt of \$3,086,300. Prior year's bond debt was \$2,381,151, as it only included beach nourishment debt. The additional bond debt this year includes interest payments on the 2023 limited obligation bonds.

On June 30, 2024, the governmental funds of the Town of Nags Head reported a combined fund balance of \$30,298,597 a 17.5% decrease from last year, because of the \$9,005,039 fund balance decrease in the capital project fund due to the Public Services Complex construction activity. A more detailed accounting of this increase is discussed in the financial highlights.

**Proprietary Fund.** The Town of Nags Heads' proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$4,070,518, a \$417,501 or 11% increase compared to last fiscal year, while total net position amounted to \$10,750,454, a \$247,498 or 2% increase compared to last fiscal year. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town of Nags Head's business-type activities.

**General Fund Budgetary Highlights:** During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

There were several reasons the Town revised its General Fund budget throughout the year. In restricted governmental, reductions were made to budgeted grant revenues and corresponding functions, most notably in the streets and drainage function. The Town received a \$400,000 stormwater planning grant and a \$1.3 million drainage infrastructure construction grant. Both of these projects were budgeted, however the projects were delayed until fiscal year 2025, which is within the timing of the grant contract. An additional \$220,565 was budgeted from the Capital

**Management Discussion and Analysis**  
**Town of Nags Head**  
**June 30, 2024**

---

Investment Fund (CIF) to make up a budgetary shortfall for the Epstein Street bath house construction. As capital projects are funded with CIF money, and the grant funds reimburse the CIF as well, both transfers to and from the capital investment fund are likewise reflected.

Fund balance was appropriated for \$1,378,672 to make a transfer to the CIF per the Town's fund balance policy, as previously discussed.

An amendment was done to account for the increase in the Town's portion of dependent health insurance, as discussed. Savings in lapse salaries and benefits between departments were able to make up this increase.

Debt Service and IT subscription agreements in other financing sources were adjusted in accordance with GASB 96, subscription-based IT arrangements for license plate readers in Public Safety.

General fund balance appropriations totaling \$1,246,981 were made for fiscal year 2023 open encumbrances. These purchase orders that are carried over increase the adopted budget's appropriated fund balance and corresponding expenditure categories. Many of these encumbrances were carried over due to lead times in the supply chain. Most notably, the adopted budget for capital expenditures increased by \$271,132 in Public Safety, \$50,822 in Public Services, and \$192,818 in Environmental Protection for vehicles that have not been received. A fire apparatus in Public Safety has been backordered with an outstanding purchase order for \$297,254.

Fiscal year 2024 encumbrances that will be carried forward to fiscal year 2025 total \$1,090,541. The open purchase orders explain variances below the final budget amounts. Due to the lead time in receiving vehicles (capital outlay), purchase orders that were carried forward for vehicles include \$242,686 in environmental protection and the fire apparatus mentioned above. A purchase order of \$106,250 was carried over in Public Services capital outlay to avoid construction during peak summer months. Additionally, the scope of the fiscal year 2024 streets and drainage project was paired down to combine the project with the fiscal year 2025 project to capitalize on efficiencies and economies of scale. The result was a variance below budget in the Streets and Drainage capital outlay function.

Savings occurred naturally throughout all expenditure functions, and the Town complied with budgetary requirements. Town management and the Board will continue to closely review budget reports to ensure compliance in future years.

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Nags Head's investment in capital assets for its governmental and business-type activities as of June 30, 2024, totals \$72,416,865 (net of accumulated depreciation) an increase of 25.45% over the prior year. These assets include land, art, construction in process, buildings, other improvements, equipment, vehicles, infrastructure, right to use assets for leases and IT subscriptions, and intangible assets in the water fund.

Major capital asset transactions occurred during the year including:

- Public Services Master Plan \$14,864,782 (includes Prior Year Construction in Progress)
  - \$9,575,863 Construction in Progress, governmental activities
  - \$2,412,682 Buildings, governmental activities
  - \$2,876,237 Buildings, business-type activities
- 2024 Peterbilt 520 LH Sanitation Truck \$198,392 and a 2024 Peterbilt 548 PX-9 Truck \$157,219 (both Construction in Progress), governmental activities

**Management Discussion and Analysis**  
**Town of Nags Head**  
**June 30, 2024**

- Epstein Street Bathhouse \$934,436 (includes \$58,104 prior year Construction in Progress), governmental activities
- South Virginia Dare Trail Multi-use Path \$250,065 (includes \$16,900 prior year Construction in Progress), governmental activities
- Beach Nourishment maintenance \$905,325, governmental activities
- Estuarine Access Walkway, Pier and Gazebo \$173,313, governmental activities
- South Virginia Dare Trail Sidewalk at Seachase, Loggerhead and Epstein, \$157,515, governmental activities
- Street Resurfacing Project \$297,118, governmental activities
- Old Nags Head Place Drainage Restoration \$702,407, governmental activities
- Advanced Metering Infrastructure (AMI) water meters \$,1523,314 (includes prior year Construction in Progress), business-type activities

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Land	\$ 13,192,398	\$ 13,187,898	\$ 204,205	\$ 204,205	\$ 13,396,603	\$ 13,392,103
Art	107,553	107,553	-	-	107,553	107,553
Construction in progress	11,252,305	4,325,352	55,383	848,866	11,307,688	5,174,218
Buildings	7,377,596	4,239,865	3,565,679	790,947	10,943,275	5,030,812
Other improvements	247,656	284,384	124,286	140,026	371,942	424,411
Improvements	16,183,395	15,405,292	236,283	254,900	16,419,678	15,660,192
Equipment	1,361,974	1,426,055	1,852,977	187,283	3,214,951	1,613,338
Vehicles	4,622,316	4,117,418	97,417	47,900	4,719,733	4,165,318
Intangibles	-	-	582,655	691,058	582,655	691,058
Infrastructure	7,005,294	6,717,140	3,998,955	4,339,551	11,004,249	11,056,691
Lease equipment	16,471	57,592	-	-	16,471	57,592
IT subscriptions	332,064	352,172	-	-	332,064	352,172
<b>Total</b>	<b>\$ 61,699,022</b>	<b>\$ 50,220,721</b>	<b>\$ 10,717,840</b>	<b>\$ 7,504,737</b>	<b>\$ 72,416,862</b>	<b>\$ 57,725,458</b>

Additional information on the town’s capital assets can be found on pages 46-48 in the notes to the financial statements.

**Long-term Debt.** The Town of Nags Head’s total debt decreased by \$2,762,935. As described earlier, this is attributed to the Town’s final payment of \$2,276,000 made towards the fiscal year 2020 beach nourishment project. Other direct installment finance purchase debt payments were made as well. Interest only payments, made both by the general fund and the water fund, on the limited obligation bonds will be made until fiscal year 2025. Therefore, the only decrease toward the bonds was issuance premium amortization. No other direct installment finance purchase debt was issued. The Town’s proportionate share of the Local Government Employees’ Retirement System (LERS) net pension liability increased by approximately 11%. Of the increase in the liability to LERS \$548,675 relates to governmental activities and \$50,642 relates to business-type activities. The increase was offset by a decrease of Total Other post-employment benefits (OPEB) totaling \$224,430. As of June 30, 2024, the Town had long-term debt totaling \$35,407,439. Of this amount, \$29,208,077 is reported in the governmental activities and \$6,199,362 is reported in the business-type activities.

**Management Discussion and Analysis**  
**Town of Nags Head**  
**June 30, 2024**

**Town of Nags Head Outstanding Debt**

	<u>Governmental</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>Activities</u>					
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Limited obligation bonds	\$12,404,000	\$12,404,000	\$ 4,706,000	\$ 4,706,000	\$ 17,110,000	\$ 17,110,000
Deferred amounts: Issuance premiums	1,869,841	1,968,254	580,084	610,615	2,449,925	2,578,869
Direct borrowing installment finance purchases	2,897,703	3,850,098	6,291	12,582	2,903,994	3,862,680
Direct placement installment finance purchases	-	2,276,000	-	-	-	2,276,000
Lease liabilities	6,646	59,446	-	-	6,646	59,446
IT Subscription liabilities	211,098	238,355	-	-	211,098	238,355
Total OPEB liability	3,925,835	4,132,277	342,072	360,060	4,267,907	4,492,337
Total pension liability (LEOSSA)	1,440,295	1,243,592	-	-	1,440,295	1,243,592
Net pension liability (LGERs)	5,535,736	4,987,061	510,944	460,302	6,046,680	5,447,363
Compensated absences	916,923	820,855	53,971	40,877	970,894	861,732
<b>Total</b>	<b>\$ 29,208,077</b>	<b>\$ 31,979,938</b>	<b>\$ 6,199,362</b>	<b>\$ 6,190,436</b>	<b>\$ 35,407,439</b>	<b>\$ 38,170,374</b>

Additional information on the Town’s debt can be found on pages 62-67 in the notes to the financial statements.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Nags Head is \$228,858,690.

**Economic Factors and Next Year’s Budgets and Rates**

The Town’s economy is reliant on travel, tourism, and related service industries. The 2023 seasonally unadjusted average annual unemployment rate in Dare County of 4.0% is higher than the State of North Carolina’s 2023 average of 3.5%, which is the latest average annual information available. Dare County experiences significant seasonality in rates as visitor spending has a direct impact on employment. For example, the seasonally unadjusted unemployment rate was 6.9% in February 2024 compared to 3.7% for the State of North Carolina. Dare County’s seasonally unadjusted unemployment rate hit a low of 2.5% in September 2024 compared to 3.2% for the State of North Carolina.

Visitor spending fuels our economy by sustaining local businesses, supporting thousands of jobs, and bringing in tax revenue. Calculating and understanding the holistic economic impact of travel and tourism shapes strategic decisions about the long-term health and sustainability of tourism in assessing capital investment funding and prioritization in order to support future needs. Visitor spending supports businesses across the economic spectrum and generates substantial tax receipts. By aligning tourism expenditures with related sectors, the inter-relationships of visitor spending and economic impact measurements were quantified through “The Economic Impact of Travel on North Carolina’s Counties prepared for Visit North Carolina by Tourism Economics” in terms of visitor spending, employment, personal income, employment, and taxes:

**Management Discussion and Analysis  
Town of Nags Head  
June 30, 2024**

Dare County Visitor Spending (millions)	Lodging	Food & Beverage	Recreation	Retail	Transportation	Total Spending (Millions)	Share of State	Spending Growth Rate	Employment	Share of State	Labor Income (Millions)	State taxes (Millions)	Local Taxes (Millions)	State/Local Tax Savings per resident
2023	\$584	\$637	\$318	\$185	\$424	\$2,147	6.0%	8.8%	12,564	5.5%	\$472	\$70	\$78	\$3,891
2022	\$553	\$583	\$260	\$176	\$402	\$1,974	5.9%	8.0%	12,030	5.5%	\$444	\$66	\$74	\$3,697

The economic impact analysis provides valuable insight into the powerful benefit of visitor spending as it flows to households in Dare County being #1 in the state for state and local tax savings per resident, \$3,891 compared to the State at \$239. Dare County is the fourth highest county in the state for total visitor spending. With Dare County's rich variety of unique and distinctive experiences, visitor demand continues to drive our growing economy.

Compared to fiscal year 2023 for the same time period (July through September), occupancy tax revenue has come in -3% lower and sales tax revenue has come in 9% higher for the Town of Nags Head. As a point of reference, compared to fiscal year 2023, fiscal year 2024 occupancy tax revenues came in 1% higher and sales tax revenues came in 2% higher.

**Budget Highlights for the Fiscal Year Ending June 30, 2025**

The adopted budget for June 30, 2025, maintained the ad valorem tax rate of \$.33 cents. With a tax base of \$3,141,409,955, this results in a net levy of \$10,341,247. One cent of tax is equal to \$313,371. Of the ad valorem rate, \$.025 is restricted by the Board for beach nourishment.

The Municipal Service Districts (MSD's) taxes for the purpose of beach nourishment are also maintained. With a total tax base of \$3,168,624,313, this results in a total levy of \$1,645,988 for all six districts. The tax rates in the MSD's remained unchanged at \$.143 per \$100 valuation in Districts 1 and 2, \$.005 in Districts 3 and 6, \$.01 in District 4, and no tax in District 5.

Tax funds are restricted in the capital investment fund (CIF), a separate fund part of the general fund, to dedicate capital expenditures and debt service payments. This year, a \$4,137,500 transfer from the general fund was budgeted. Grant revenues of \$4,878,135 are additionally budgeted for the general fund to reimburse the CIF for capital grant expenditures primarily related to infrastructure improvements. Our fund balance policy transfers any unassigned fund balance above 35% from the general fund to the CIF, which held true the prior fiscal year. The CIF fund balance policy did decrease in fiscal year 2025 from 25% of CIF expenditures to 20% of CIF expenditures.

The General Fund adopted budget totals \$41,165,256, an increase of \$3,462,000, or 9% from the fiscal year 2024 adopted budget. This is attributed to a 38% increase in the transfers from the capital investment fund to the general fund, primarily from grant revenues received for capital projects, as described above. As debt service and capital outlay are accounted for in the CIF, debt service for the Public Services Complex totals \$1,276,200, increasing by \$500,950. Fiscal year 2025 is the first year of a principal and interest payment. The fiscal year 2020 beach nourishment special obligation bond debt balance of \$2,276,000 was paid off in fiscal year 2024. This debt is

**Management Discussion and Analysis**  
**Town of Nags Head**  
**June 30, 2024**

---

funded from the capital reserve fund. Because of this, revenue from the capital reserve fund to the general fund is reduced by \$2,396,333 in fiscal year 2025.

Dare County distributes sales, occupancy, and land transfer tax revenues using a formula based on our percentage of the total county-wide tax levy from the prior fiscal year. Occupancy and sales tax revenues are good indicators of our tourism-driven economy and are budgeted to reflect a continued healthy, growing economy. Land transfer taxes are also budgeted higher than the previous fiscal year. Overall, these tax sources account for over \$11,000,000 in revenues and are budgeted 12% higher than fiscal year 2024 due to fiscal year 2024's \$.0425 cent tax increase, which increases our proportionate share of these revenues.

Our Board has prioritized the Town's employees by using a comprehensive total rewards model. This approach ensures Nags Head is a great place to work through compensation, benefits, training, and an engaging work environment. The budget includes an additional full-time and seasonal position as well as an increase in the Fire Department's part-time pool budget.

We use a connected five-year Capital Improvement Program (CIP) to combine infrastructure improvement projects, when feasible, under a single project work scope. To leverage a \$478,850 grant and achieve an economy of scale, we are combining the FY 24 and FY 25 street infrastructure, waterline, and drainage improvement projects. We will continue to implement our sidewalk and public beach access replacement plans as well. Other items adopted in the CIP include construction of the first phase of a Town Hall Campus Master Plan, a fitness facility, and ocean rescue housing to improve our long-term ability to recruit and retain seasonal staff.

We are opportunistic in supplementing our local funds with grants to provide the greatest value to our taxpayers by coordinating project timelines with funding opportunities. For example, to address beach erosion, we received a \$301,000 grant towards engineering and design for our next project in 2026 or 2027. Other grants received include \$2.3 million for stormwater infrastructure improvements, \$1.1 million towards implementation of our Estuarine Shoreline Master Plan, \$4 million to put a conservation easement on Town-owned property in Nags Head Woods, and various infrastructure projects for flood mitigation, sidewalks, and beach access improvements.

The water fund adopted budget totals \$4,915,408 which is a 10%, or \$466,266, increase from the prior year. The increase can primarily be attributed to the water line upgrades budgeted at \$501,500 as part of the integrated streets and stormwater project. Other increases include the first principal and interest payments totaling \$449,300 made towards the Public Services Complex and Advanced Metering Infrastructure (AMI). This is an increase of \$155,175 over the fiscal year 2024's interest-only payment.

Both the water base rate and volumetric rates and structures remained unchanged. The completion of the AMI project will be one catalyst in reviewing our water rates to fund the Capital Improvement Program recommended in our Water Master Plan, currently being updated. Once we gain a better understating of how this upgrade impacts revenues, we will review rates as another component of our strategic plan. Any future rate recommendations will be made to sustain reliable operations and support growth and capital renewal while incentivizing water conservation and stewardship.

**Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

**Town of Nags Head, North Carolina**  
**Statement of Net Position**  
**June 30, 2024**

**Exhibit 1**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 13,478,448	\$ 4,085,060	\$ 17,563,508
Taxes receivable (net)	397	-	397
Accounts receivable (net)	4,322	848,635	852,957
Leases receivable	197,635	-	197,635
Accrued interest receivable	116,366	22,097	138,463
Due from other governments	3,426,220	46,083	3,472,303
Inventories	52,093	73,420	125,513
Prepaid items	16,139	-	16,139
Restricted cash and cash equivalents	15,366,717	2,044,864	17,411,581
Total current assets	<u>32,658,337</u>	<u>7,120,159</u>	<u>39,778,496</u>
Non-current assets:			
Leases receivable, non-current	882,096	-	882,096
Capital Assets:			
Right to use lease assets, net of amortization	348,535	-	348,535
Land, non-depreciable			
improvements and construction in progress	24,552,257	259,588	24,811,845
Other capital assets, net of depreciation	36,798,232	10,458,253	47,256,485
Total capital assets	<u>61,699,024</u>	<u>10,717,841</u>	<u>72,416,865</u>
Total non-current assets	<u>62,581,120</u>	<u>10,717,841</u>	<u>73,298,961</u>
Total assets	<u>95,239,457</u>	<u>17,838,000</u>	<u>113,077,457</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals OPEB	146,452	12,761	159,213
Changes of assumptions or other inputs OPEB	616,024	53,676	669,700
Pension deferrals LEOSSA	371,543	-	371,543
Pension deferrals LGERS	3,434,263	316,980	3,751,243
Total deferred outflows of resources	<u>4,568,282</u>	<u>383,417</u>	<u>4,951,699</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	403,092	155,195	558,287
Salaries and benefits	472,644	35,528	508,172
Accrued interest payable	152,819	42,109	194,928
Unearned revenue	13,510	-	13,510
Due to other governments	1,584	-	1,584
Current portion of long-term liabilities	2,173,239	285,981	2,459,220
Liabilities to be paid from restricted assets	1,316,427	790,664	2,107,091
Total current liabilities	<u>4,533,315</u>	<u>1,309,477</u>	<u>5,842,792</u>
Long-term liabilities:			
Due in more than one year	27,034,838	5,913,381	32,948,219
Total liabilities	<u>31,568,153</u>	<u>7,222,858</u>	<u>38,791,011</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid taxes	3,009	-	3,009
Prepaid privilege licenses	325	-	325
Leases	1,029,373	-	1,029,373
Pension deferrals LGERS	119,571	11,036	130,607
Pension deferrals LEOSSA	180,125	-	180,125
Pension deferrals OPEB	1,573,088	137,069	1,710,157
Prepaid water impact fees	-	100,000	100,000
Total deferred inflows of resources	<u>2,905,491</u>	<u>248,105</u>	<u>3,153,596</u>
<b>NET POSITION</b>			
Net investment in capital assets	46,973,270	6,621,123	53,594,393
Restricted for:			
Stabilization by state statute	4,623,369	-	4,623,369
Streets	78,330	-	78,330
Public safety	143,279	-	143,279
Capital reserve fund	11,219,095	58,813	11,277,908
Unrestricted	2,296,752	4,070,518	6,367,270
Total net position	<u>\$ 65,334,095</u>	<u>\$ 10,750,454</u>	<u>\$ 76,084,549</u>

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

**Town of Nags Head, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2024**

**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	\$ 4,702,243	\$ 618,968	\$ 638,939	\$ 790,292	\$ (2,654,044)	\$ -	\$ (2,654,044)
Public Safety	9,190,519	125,503	159,037	-	(8,905,979)	-	(8,905,979)
Public Services	3,544,884	86,670	48,000	636,850	(2,773,364)	-	(2,773,364)
Environmental Protection	2,511,647	227,662	15,000	-	(2,268,985)	-	(2,268,985)
Streets and Drainage	496,075	-	-	593,886	97,811	-	97,811
Interest on long-term debt	852,789	-	-	-	(852,789)	-	(852,789)
Total governmental activities	21,298,157	1,058,803	860,976	2,021,028	(17,357,350)	-	(17,357,350)
Business-type activities:							
Water	4,403,278	4,246,441	-	115,255	-	(41,582)	(41,582)
Total business-type activities	4,403,278	4,246,441	-	115,255	-	(41,582)	(41,582)
Total primary government	\$ 25,701,435	\$ 5,305,244	\$ 860,976	\$ 2,136,283	(17,357,350)	(41,582)	(17,398,932)
General revenues:							
Taxes:							
Property taxes levied for general purpose					10,387,674	-	10,387,674
Municipal service district taxes					1,650,212	-	1,650,212
Occupancy tax					4,673,981	-	4,673,981
Land transfer taxes					1,009,498	-	1,009,498
Sales taxes					4,468,229	-	4,468,229
Other taxes and licenses					78,783	-	78,783
Other unrestricted intergovernmental revenues					1,085,828	-	1,085,828
Net unrestricted investment earnings					1,665,387	286,488	1,951,875
Miscellaneous					102,058	2,592	104,650
Total general revenues					25,121,650	289,080	25,410,730
Total change in net position					7,764,300	247,498	8,011,798
Net position - beginning					57,569,795	10,502,956	68,072,751
Net position - ending					\$ 65,334,095	\$ 10,750,454	\$ 76,084,549

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

**Town of Nags Head, North Carolina**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2024**

**Exhibit 3**

	Major Funds			Total Nonmajor Fund	Total Governmental Funds
	General	Beach Nourishment Maintenance	Capital Projects		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 10,395,564	\$ 1,746,442	\$ 403,756	\$ 932,686	\$ 13,478,448
Restricted cash and cash equivalents	11,437,031	-	3,929,686	-	15,366,717
Taxes receivable (net)	397	-	-	-	397
Accounts receivable (net)	4,322	-	-	-	4,322
Accrued interest receivable	103,762	8,299	-	4,305	116,366
Due from other governments	3,426,220	-	-	-	3,426,220
Inventories	52,093	-	-	-	52,093
Leases Receivable	1,079,731	-	-	-	1,079,731
Prepaid items	16,139	-	-	-	16,139
Total assets	<u>26,515,259</u>	<u>1,754,741</u>	<u>4,333,442</u>	<u>936,991</u>	<u>33,540,433</u>
<b>LIABILITIES</b>					
Accounts payable	365,597	37,495	-	-	403,092
Salaries and benefits	472,644	-	-	-	472,644
Due to other governments	1,584	-	-	-	1,584
Unearned revenue	12,214	1,296	-	-	13,510
Liabilities payable from restricted assets:					
Bonds and deposits	50,275	-	-	-	50,275
Accounts payable	-	-	1,266,152	-	1,266,152
Total liabilities	<u>902,314</u>	<u>38,791</u>	<u>1,266,152</u>	<u>-</u>	<u>2,207,257</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid taxes	3,009	-	-	-	3,009
Prepaid privilege licenses	325	-	-	-	325
Leases	1,029,373	-	-	-	1,029,373
Property taxes receivable	397	-	-	-	397
Privilege licenses receivable	1,475	-	-	-	1,475
Total deferred inflows of resources	<u>1,034,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,034,579</u>
<b>FUND BALANCES:</b>					
Nonspendable:					
Inventories	52,093	-	-	-	52,093
Leases Receivable, net	50,358	-	-	-	50,358
Prepays	16,139	-	-	-	16,139
Restricted:					
Restricted for Stabilization by State Statute	4,623,369	-	-	-	4,623,369
Restricted for Streets	78,330	-	-	-	78,330
Restricted for Public Safety	143,279	-	-	-	143,279
Restricted for Capital Reserve Funds	11,219,095	-	-	-	11,219,095
Committed:					
Public Services Complex	-	-	3,067,290	-	3,067,290
Beach Nourishment capital projects	-	1,715,950	-	936,991	2,652,941
Assigned:					
Subsequent year's expenditures	400,000	-	-	-	400,000
Unassigned	7,995,703	-	-	-	7,995,703
Total fund balances	<u>24,578,366</u>	<u>1,715,950</u>	<u>3,067,290</u>	<u>936,991</u>	<u>30,298,597</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 26,515,259</u>	<u>\$ 1,754,741</u>	<u>\$ 4,333,442</u>	<u>\$ 936,991</u>	

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

**Town of Nags Head, North Carolina**  
**Governmental Funds**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To The Statement of Net Position**  
**June 30, 2024**

**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>	\$ 30,298,597
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	61,350,489
Right to use lease assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Right to use assets at historical cost	651,380
Accumulated amortization	<u>(302,845)</u>
	348,535
Deferred outflows of resources related to pensions are not reported in the funds.	
Pension deferrals - LEOSSA	371,543
Pension deferrals - OPEB	146,452
Changes of assumptions or other inputs - OPEB	616,024
Pension deferrals - LGERS	<u>3,434,263</u>
	4,568,282
Deferred inflows of resources related to pensions are not reported in the funds.	
Pension related deferrals-LGERS	(119,571)
Pension related deferrals-LEOSSA	(180,125)
Pension related deferrals-OPEB	<u>(1,573,088)</u>
	(1,872,784)
Liabilities for earned revenues considered deferred inflows of resources in fund statements:	
Deferred taxes receivable	397
Deferred miscellaneous receivable	<u>1,475</u>
	1,872
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	(18,306,211)
Net pension liability	(5,535,736)
Total pension liability	(1,440,295)
Total OPEB liability	(3,925,835)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(152,819)
Net position of governmental activities (Exhibit 1)	<u><u>\$ 65,334,095</u></u>

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

**Town of Nags Head, North Carolina**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2024**

**Exhibit 4**

	Major Funds				Total Governmental Funds
	General Fund	Beach Nourishment Maintenance	Capital Projects	Total Nonmajor Fund	
<b>REVENUES</b>					
Ad valorem taxes	\$ 12,037,602	\$ -	\$ -	\$ -	\$ 12,037,602
Other taxes and licenses	10,230,266	-	-	-	10,230,266
Unrestricted intergovernmental	1,085,828	-	-	-	1,085,828
Restricted intergovernmental	1,992,712	785,292	4,000	-	2,782,004
Permits and fees	712,950	-	-	-	712,950
Sales and services	345,853	-	-	-	345,853
Net investment earnings	1,043,365	96,415	483,597	42,010	1,665,387
Miscellaneous	158,080	-	-	-	158,080
Total revenues	27,606,656	881,707	487,597	42,010	29,017,970
<b>EXPENDITURES</b>					
Current:					
General Government	3,854,008	-	-	-	3,854,008
Public Safety	8,013,026	-	-	-	8,013,026
Environmental Protection	2,119,891	-	-	-	2,119,891
Public Services	2,595,402	-	-	-	2,595,402
Streets and Drainage	66,500	-	-	-	66,500
Debt service:					
Principal	3,357,482	-	-	-	3,357,482
Interest and other charges	907,256	-	-	-	907,256
Capital outlay:					
General Government	98,312	906,049	-	19,611	1,023,972
Public Safety	517,574	-	-	-	517,574
Environmental Protection	617,209	-	-	-	617,209
Public Services	1,866,009	-	9,492,636	-	11,358,645
Streets and Drainage	1,146,270	-	-	-	1,146,270
Total expenditures	25,158,939	906,049	9,492,636	19,611	35,577,235
Revenues over (under) expenditures	2,447,717	(24,342)	(9,005,039)	22,399	(6,559,265)
<b>OTHER FINANCING SOURCES</b>					
Insurance recovery	21,632	-	-	-	21,632
IT subscription agreement	70,795	-	-	-	70,795
Sale of Capital Assets	22,346	-	-	-	22,346
Total other financing sources	114,773	-	-	-	114,773
Net change in fund balance	2,562,490	(24,342)	(9,005,039)	22,399	(6,444,492)
Fund balances - beginning	22,015,876	1,740,292	12,072,329	914,592	36,743,089
Fund balances - ending	\$ 24,578,366	\$ 1,715,950	\$ 3,067,290	\$ 936,991	\$ 30,298,597

**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, 2024**

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

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

Net changes in fund balances - total governmental funds		\$ (6,444,492)
<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	14,558,077	
Loss on disposal of capital asset	(923)	
Depreciation	<u>(3,022,122)</u>	11,535,032
<p>Right to use lease asset capital outlay expenditures which were capitalized</p>		
Lease adjustment	105,595	
Amortization expense for intangible assets	21,765	
	<u>(166,825)</u>	(39,465)
<p>LGERS pension plan deferrals in the current fiscal year are not included on the Statement of Activities</p>		
		1,064,573
<p>OPEB plan deferrals in the current fiscal year are not included on the Statement of Activities</p>		
		146,452
<p>LEOSSA plan deferrals in the fiscal year are not included on the Statement of Activities</p>		
		43,237
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues/expenditures in the funds.</p>		
Changes in tax revenues	509	
Donated capital asset	4,500	
	<u>5,009</u>	5,009
<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	(70,795)	
Decrease in accrued interest payable	54,467	
Principal repayments	<u>3,455,895</u>	<u>3,439,567</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	(1,576,177)	
LEOSSA pension expense	(180,788)	
Increase in compensated absences	(96,069)	
OPEB plan expense	<u>(132,579)</u>	<u>(1,985,613)</u>
Total change in net position of governmental activities		<u>\$ 7,764,300</u>

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

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

**Exhibit 5**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2024**

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 11,929,890	\$ 11,929,890	\$ 12,037,602	\$ 107,712
Other taxes and licenses	10,158,589	10,158,589	10,230,266	71,677
Unrestricted intergovernmental	932,200	932,200	1,085,828	153,628
Restricted intergovernmental	3,588,738	2,117,044	1,992,712	(124,332)
Permits and fees	592,750	682,750	712,950	30,200
Sales and services	356,942	356,942	345,853	(11,089)
Net investment earnings	133,840	133,840	725,384	591,544
Miscellaneous	122,500	126,100	158,080	31,980
Total revenues	<u>27,815,449</u>	<u>26,437,355</u>	<u>27,288,675</u>	<u>851,320</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	3,946,908	4,161,749	3,854,008	307,741
Public Safety	8,096,445	8,215,833	8,013,026	202,807
Environmental Protection	2,446,614	2,367,139	2,119,891	247,248
Public Services	2,776,615	2,884,761	2,595,402	289,359
Streets and Drainage	501,800	90,325	66,500	23,825
<b>Debt service:</b>				
Principal	3,276,380	3,374,434	3,357,482	16,952
Interest and other charges	903,353	909,080	907,256	1,824
<b>Capital outlay:</b>				
General Government	176,000	136,323	98,312	38,011
Public Safety	202,232	887,734	517,574	370,160
Environmental Protection	659,350	877,175	617,209	259,966
Public Services	1,585,519	2,075,812	1,866,009	209,803
Streets and Drainage	2,612,369	1,613,158	1,146,270	466,888
Contingency	150,000	-	-	-
Total expenditures	<u>27,333,585</u>	<u>27,593,523</u>	<u>25,158,939</u>	<u>2,434,584</u>
Revenues over (under) expenditures	<u>481,864</u>	<u>(1,156,168)</u>	<u>2,129,736</u>	<u>3,285,904</u>
<b>Other financing sources (uses):</b>				
Transfers from Capital Reserve Fund	2,780,713	2,811,089	2,790,923	(20,166)
Transfers from Capital Investment Fund	6,727,094	7,142,769	5,517,446	(1,625,323)
Transfers to Capital Reserve Fund	(3,856,197)	(3,856,197)	(3,747,009)	109,188
Transfers to Capital Investment Fund	(6,513,474)	(7,953,866)	(6,614,519)	1,339,347
Sale of Capital Assets	30,000	30,000	22,346	(7,654)
Insurance recovery	-	15,532	21,632	6,100
IT subscription agreement	-	70,796	70,795	(1)
Appropriated Fund Balance	350,000	2,896,045	-	(2,896,045)
Total other financing sources (uses)	<u>(481,864)</u>	<u>1,156,168</u>	<u>(1,938,386)</u>	<u>(3,094,554)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>191,350</u>	<u>\$ 191,350</u>
Fund balances, beginning of the year			<u>13,167,921</u>	
Fund balances, end of year			<u>\$ 13,359,271</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Interest Income			\$ 202,331	
Transfers to General Fund			(2,790,923)	
Transfers from General Fund			3,747,009	
Fund balance, beginning Capital Reserve Fund			<u>6,890,779</u>	
A legally budgeted Capital Investment Fund is consolidated into the General Fund for reporting purposes:				
Interest Income			\$ 115,650	
Transfers to General Fund			(5,517,446)	
Transfers from General Fund			6,614,519	
Fund balance, beginning Capital Investment Fund			<u>1,957,176</u>	
Fund balance, end of year consolidated General Fund			<u>\$ 24,578,366</u>	

The accompanying notes an integral part of the financial statements.

**Town of Nags Head, North Carolina**  
**Proprietary Funds**  
**Statement of Fund Net Position**  
**June 30, 2024**

**Exhibit 6**

	<u>Business-type Activities</u>	
	<u>Total Water Enterprise Fund</u>	
	<u>June 30, 2024</u>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$	4,085,060
Accounts receivable trade (net)		770,881
Accounts receivable other (net)		145,934
Inventories		73,420
Restricted cash and cash equivalents		2,044,864
Total current assets		<u>7,120,159</u>
Noncurrent assets:		
Capital assets:		
Land and construction in progress		259,588
Other capital assets, net of depreciation		10,458,253
Total capital assets (net)		<u>10,717,841</u>
Total noncurrent assets		<u>10,717,841</u>
Total assets	-	<u><u>17,838,000</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension deferrals OPEB		12,761
Changes of assumptions or other inputs OPEB		53,676
Pension deferrals LGERS		316,980
Total deferred outflows of resources		<u><u>383,417</u></u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable		155,195
Salaries and benefits		35,528
Accrued interest payable		42,109
Compensated absences - current		20,000
Total OPEB liability-current		15,159
Limited obligation bonds-current		244,531
Direct placement installment purchases-current		6,291
Liabilities payable from restricted assets:		
Accounts payable		316,538
Customer bonds and deposits		474,126
Total current liabilities		<u>1,309,477</u>
Noncurrent liabilities:		
Net pension liability		510,944
Compensated absences		33,971
Total OPEB liability		326,913
Limited obligation bonds		5,041,553
Total noncurrent liabilities		<u>5,913,381</u>
Total liabilities		<u><u>7,222,858</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals LGERS		11,036
Pension deferrals OPEB		137,069
Prepaid water consumption units		100,000
Total deferred inflows of resources		<u>248,105</u>
<b>NET POSITION</b>		
Net investment in capital assets		6,621,123
Restricted for capital reserve fund		58,813
Unrestricted		4,070,518
Total net position	\$	<u><u>10,750,454</u></u>

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

**Town of Nags Head, North Carolina** **Exhibit 7**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund**  
**For the Year Ended June 30, 2024**

	Business-type Activities
	Major Fund Water Fund
<b>OPERATING REVENUES</b>	
Charges for services	\$ 4,175,187
Tap and connection fees	40,585
Late payment penalties	27,219
Non-payment fees	3,450
Miscellaneous	2,592
<b>Total operating revenues</b>	<b>4,249,033</b>
<b>OPERATING EXPENSES</b>	
Administration	333,437
Septic Health	137,269
Operations	1,867,194
Distribution	1,149,744
Depreciation and amortization	665,022
<b>Total operating expenses</b>	<b>4,152,666</b>
<b>Total operating income</b>	<b>96,367</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	201,995
Change in fair market value of investments	84,493
Interest expense	(281,143)
Amortization on bond issuance premiums	30,531
<b>Total nonoperating revenues (expenses)</b>	<b>35,876</b>
<b>Income Before</b>	
<b>Contributions</b>	132,243
Capital contributions	115,255
<b>Change in net position</b>	<b>247,498</b>
<b>Total net position - beginning</b>	10,502,956
<b>Total net position - ending</b>	<b>\$ 10,750,454</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, 2024**

**Exhibit 8**

	Business-Type Activities
	Major Fund Water Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 4,085,549
Cash paid for goods and services	(2,168,487)
Cash paid to or on behalf of employees for services	(1,116,247)
Customer deposits received	38,133
Customer deposits returned	(31,558)
Other operating revenues	2,591
Net cash provided by operating activities	<u>809,981</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contribution	44,397
System development fees received	24,775
Interest paid on debt financing	(294,430)
Septic Loans issued	(50,480)
Repayment of septic loans	38,526
Principal paid on debt financing	(6,291)
Acquisition of capital assets	(3,878,126)
Net cash provided by capital and related financing activities	<u>(4,121,629)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net investment earnings	<u>286,510</u>
Net increase in cash and cash equivalents	(3,025,138)
Cash balances - beginning of the year	<u>9,155,062</u>
Cash balances - end of the year	<u>\$ 6,129,924</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 96,367
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	665,022
Changes in assets, deferred outflows of resources, and liabilities:	
(Increase) in accounts receivable	(160,892)
Decrease in inventories	6,554
(Increase) in deferred outflows of resources-pension	(9,353)
Increase in deferred outflows of resources-OPEB	11,812
Increase in net pension liability	5,931
Increase in deferred inflows of resources-pension	50,642
Increase in accounts payable	136,782
Increase in accrued liabilities	13,561
Increase in customer deposits	6,575
Increase in deferred inflows of resources-OPEB	4,968
(Decrease) in OPEB liability	(17,988)
Total adjustments	<u>713,614</u>
Net cash provided by operating activities	<u>\$ 809,981</u>

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, 2024**

---

**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The Town of Nags Head is a municipal corporation, which is governed by an elected mayor and four commissioners. As required by generally accepted accounting principles, these financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The component unit of the Town has no financial transactions or account balances at the end of the fiscal year; therefore, it does not appear in the basic financial statements.

Component Unit – Nags Head Leasing Corporation (Corporation) is a not-for-profit corporation formed and operated for the purpose of providing financial assistance to the Town of Nags Head and to enable the Town to acquire water system improvements or other capital items and is governed by a board comprised of the Town of Nags Head’s governing board. The Corporation has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Corporation does not issue separate financial statements.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

The Town reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, grants, and various other taxes and licenses. The primary expenditures are for general government services, public safety, public works, streets and drainage, and environmental protection services. Additionally, the Town has legally adopted a **Capital Reserve Fund** and a **Capital Investment Fund**, funds that are restricted for future capital projects, and are consolidated in the General Fund.

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

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

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

The Town reports the following major enterprise fund:

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in 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

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

## **D. Budgetary Data**

### 1. Budget

As required by the North Carolina General Statutes, the governing board must adopt, by July 1, an annual balanced budget ordinance for all funds except for those funds that operate under project ordinances. All annual appropriations lapse at fiscal year-end. The annual budget is prepared on the modified accrual basis of accounting to be compatible with the accounting system used in recording transactions. Multi-year capital project ordinances have been adopted for the Beach Nourishment Maintenance, Beach Nourishment Master Plan, and Capital Project Funds which are general governmental fund capital projects. The Water Capital Project Fund is an enterprise fund and is consolidated with the Water Fund for reporting purposes. Capital Reserve ordinances have been adopted for the Capital Reserve Fund, Capital Investment Fund, and Water Capital Reserve Fund, and a revised budget is amended as reserve funds have been used.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

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 Balance**

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

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

The Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

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

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

2. Cash and Cash Equivalents

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

3. Restricted Assets

The unexpended bond issuances of General and Water fund limited obligation bonds issued by the Town are classified as restricted assets for the General and Enterprise Funds because their use is completely restricted to the purpose for which the bonds were originally issued. Money in the Capital Reserve Funds are classified as restricted as their use is restricted to the Capital Reserve Funds per NC G. S. Chapter 159, Article 3, Part 2. NC G. S. Chapter 162A, Article 8 requires that all system development fee capital contributions for future capital projects and debt service payments related to the Town's water system be accounted for in a capital reserve fund. North Carolina controlled substance excise taxes and federally forfeited funds that are shared with the Town of Nags Head are classified as restricted assets since they may only be used for law enforcement purposes. Any proceeds obtained through the sale of property acquired through the Federal Excess Property Program must be allocated to the law enforcement budget. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.1. Customer deposits in the Water Fund are held by the Town for the duration of the customer's water service until such time as water service is discontinued at which point they are returned to the customer in part or in full after satisfying any outstanding balance are reported as restricted assets. Bonds and deposits held in both the General and Water Funds are held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Nags Head Restricted Cash:

Governmental Activities:

General Fund	Unexpended bond issuance	\$ 3,929,686
	Streets	78,330
	Public safety	143,279
	Capital Reserve Fund	8,011,620
	Capital Investment Fund	3,153,527
	Bonds and deposits	<u>50,275</u>
Total General Fund		<u>\$ 15,366,717</u>

Business-type Activities:

Water Fund	Unexpended bond issuance	\$ 1,512,195
	Customer deposits	465,346
	Capital Reserve Fund	58,543
	Cash bonds	<u>8,780</u>
Total Business-type activities		<u>\$ 2,044,864</u>
Total Restricted Cash		<u>\$ 17,441,581</u>

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

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, 2023.

5. Allowances for Doubtful Accounts

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

6. Lease Receivable

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

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

7. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recognized as expenditures when purchased. If significant, the amount of inventory on hand at year end is reported on the balance sheet in the governmental funds. However, in the Government-wide Statement of Activities the cost of these inventories is expensed as the items are used.

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

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

8. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of five years. Minimum capitalization costs are as follows: land \$1; artwork \$5,000; buildings \$20,000; improvements \$5,000; infrastructure \$100,000; equipment \$5,000; vehicles \$5,000; and other capital assets \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

In conjunction with implementing GASB 34, "The New Reporting Model", the Town began capitalizing public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, water lines, and lighting systems as of July 1, 2003. Infrastructure assets exceeding the Town's capitalization threshold will be reported as capital assets in the Statement of Net Assets.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

Infrastructure assets acquired prior to July 1, 2003, were not retroactively reported; therefore, the infrastructure capital assets in the Statement of Net Assets only include assets purchased after July 1, 2003.

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

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

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

Land, construction in progress, and artwork are not depreciated. The remaining capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	5 to 40
Buildings	10 to 40
Improvements	5 to 40
Vehicles and motorized equipment	5 to 10
Equipment	5 to 20
Other capital assets	5 to 20

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represent a consumption of net assets that applies to future periods and so will not be recognized as an expense or expenditure until then. The Town has several items that meet this criterion, contributions made to the pension plan in the 2024 fiscal year for the Law Enforcement Officers’ Special Separation Allowance (LEOSSA), the OPEB plan, and the Local Government Employees’ Retirement System (LGERS), as well as other pension and OPEB deferrals and changes of assumptions for the 2024 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

resources. This separate financial statement element, *Deferred Inflows of Resources* represent an acquisition of net assets that applies to future periods and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – prepaid taxes, prepaid privilege licenses, leases, prepaid water impact fees, receivables for property taxes and privilege licenses unavailable revenues (reported only on the Balance Sheet of the Governmental Funds), and OPEB and pension deferrals.

#### 10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums. Bond issuance costs are expensed in the reporting period in which they are incurred.

#### 11. Compensated Absences

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

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made. With the implementation of GASB No. 101 for the fiscal year ended June 30, 2025, the Town will estimate what sick leave is "more likely than not to be paid or used" and recognize that portion as a liability for compensated absence and salary-related payments.

In accordance with the Fair Labor Standards Act, the Town allows nonexempt employees to accrue compensatory time up to the specified limits of 240 hours and 480 hours for nonexempt employees who work in public safety, emergency response, or seasonal activities. The Town uses a first-in, first-out method for the use of this compensatory time.

#### 13. Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

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

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

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

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

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

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

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

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

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

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Nags Head's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires a majority action of the governing body. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The governing body approved these capital

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

project budget ordinances. The budget ordinances require Board of Commissioner approval to modify monies allocated between object levels for multi-year funds.

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

Committed for beach nourishment capital projects – portion of fund balance that has been budgeted by the Board of Commissioners for beach nourishment maintenance and planning that is not classified in restricted.

Assigned fund balance - portion of fund balance that the Town of Nags Head intends to use for specific purposes as determined by the Town of Nags Head Board of Commissioners.

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

Unassigned fund balance - the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than General Fund, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

In the proprietary fund financial statements, net position is composed of three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The proprietary fund types of net position are as follows:

Net investment in capital assets – portion of net position representing total net capital assets and unexpended bond issuances, less long-term debt and liabilities from restricted debt issuances.

Restricted net position - portion of net position that is restricted by State Statute [N.C.G.S.159-18] for a legally adopted capital reserve fund which has been consolidated with the Water Fund due to GASB 54. This amount represents capital reserve funds for use for funding capital improvements and debt payments related to the Town's water system. State Statute [N.C.G.S. 162A, Article 8] requires that all system development fee capital contributions be accounted for in a capital reserve fund.

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

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

#### 14. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government Employees' Retirement System (LGERS) and additions to/deductions from<sub>37</sub> LGERS' fiduciary net

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Nags Head's employer contributions are recognized when due and the Town of Nags Head has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

**F. Use of Estimates**

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

**G. Reconciliation of Government-wide and Fund Financial Statements**

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$35,035,498 consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore, not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 162,138,121	
Less accumulated depreciation	<u>(100,787,632)</u>	
Net capital assets		61,350,489

Right to use lease assets used in governmental activities are not financial resource and therefore are not reported in the funds:		
Right to use assets at historical cost	651,380	
Accumulated amortization	<u>(302,845)</u>	
		348,535

Deferred outflows of resources related to pensions are not reported in the funds:		
Pension related deferrals-LGERS	3,434,263	
Pension related deferrals-LEOSSA	371,543	
Changes of assumptions or other inputs-OPEB	616,024	
Pension related deferrals-OPEB	<u>146,452</u>	
		4,568,282

Liabilities for earned revenues considered deferred inflows of resources in fund statements:		
Deferred taxes receivable	397	
Deferred miscellaneous receivable	<u>1,475</u>	
		1,872

Deferred inflows of resources related to pensions are not reported in the funds:		
Pension related deferrals-LGERS	(119,571)	
Pension related deferrals -LEOSSA	(180,125)	

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

Pension related deferrals -OPEB	(1,573,088)	
		(1,872,784)

Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:

Direct placement installment financings payable	(2,897,703)	
Compensated absences	(916,923)	
Limited obligation bond issuances	(14,273,841)	
Subscription liabilities	(211,098)	
Lease liabilities	(6,646)	
Net pension liability-LGERS	(5,535,736)	
Total pension liability-LEOSSA	(1,440,295)	
Total OPEB liability	(3,925,835)	
		(29,208,077)

Other long-term liabilities (accrued interest) are not available to pay for current period expenditures and are deferred in the funds.		(152,819)
Net adjustment		<u>\$ 35,035,498</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$14,208,792 as follows:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures recorded in the fund statements capitalized as assets in the statement of activities	14,558,077	
Loss on disposal of capital asset that is recorded on the statement of activities but not in the fund statements	(923)	
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	(3,022,122)	
		11,535,032
Right to use lease asset capital outlay expenditures which were capitalized	105,595	
Lease adjustment	21,765	
Amortization expense for intangible assets	(166,825)	
		(39,465)

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	1,064,573
---	-----------

Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities.	146,452
--	---------

Benefit payments paid and administrative expenses for the LEOSSA plan are not included on the Statement of Activities	43,237
---	--------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues/expenditures in the funds.

Changes in tax revenues	509	
Donated capital asset	4,500	
		5,009

The issuance of long-term debt (e.g., installment financing contracts from direct borrowings and direct placements) provides current financial resources premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Debt issued or incurred:

Right to use lease capital asset	(70,795)	
Decrease in accrued interest payable	54,467	
	(16,328)	

Principal repayments	3,455,895	
		3,439,567

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

Increase in compensated absences	(96,069)	
Pension expense - LGERS	(1,576,177)	
Pension expense - LEOSSA	(180,788)	
Plan expense - OPEB	(132,579)	
		(1,985,613)

Net adjustment	\$ 14,208,792
----------------	---------------

**H. Comparative Data**

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

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

**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, 2024, the Town's deposits had a carrying amount of \$1,944,999 and a bank balance of \$2,022,228. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2024, the Town's petty cash fund totaled \$250.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

2. Investments

At June 30, 2024, the Town's investments were as follows:

<b>Investment Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/24</b>	<b>&lt; 9 months</b>	<b>9 months-3 Years</b>	<b>3-5 Years</b>	<b>5-10 Years</b>
Government Agency: FHLMC	Fair Value Level 2	2,763,686	-	499,375	1,451,731	812,580
Government Agency: FHL Bank	Fair Value Level 2	10,625,147	948,371	3,842,881	3,187,825	2,646,070
Government Agency: FFC Bank	Fair Value Level 2	11,102,685	485,225	7,145,630	2,630,950	840,880
Government Agency: FNMA	Fair Value Level 2	1,339,195	-	470,305	868,890	-
Commercial Paper – MUFG Bank	Amortized Cost	962,373	962,373	-	-	-
NC Capital Management Trust- Government Portfolio*	Fair Value Level 1	6,236,754	6,236,754	-	-	-
<b>Total</b>		<b>\$33,029,840</b>	<b>\$8,632,723</b>	<b>\$11,958,191</b>	<b>\$8,139,396</b>	<b>\$ 4,299,530</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.

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

*Interest Rate Risk* As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's Investment Policy limits at least 40% of the Town's investment portfolio to maturities of less than 9 months. Per Town policy, investment maturities are required to be limited to at least 40% less than 9 months, at least 50% less than 3 years, at least 70% less than 5 years, at least 90% less than 10 years, and 100% less than fifteen years. As of June 30, the NC Capital Management Trust portfolio at 17.83% and Commercial Paper at 2.75% matured in less than 9 months, 4.10% of US Government Agencies matured in less than 9 months, 34.19% of U.S. Government Agencies matured in less than 3 years, 23.27% of U.S Government Agencies matured in less than 5 years, and 12.29% of U.S. Government Agencies matured in less than 10 years based on the \$34,974,839 cash and investments total.

Also, the Town's Internal Management Policy requires purchases of securities to be laddered with staggered maturity dates. Investment income of \$1,283,237 was realized during fiscal year 2024. Because of the fair market value on June 30, unrealized gain on investments held on June 30 was \$668,638. When combined, total investment income for fiscal year 2024 was \$1,951,875.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

*Credit Risk* The Town limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law and the Town's Investment Policy require that commercial paper bear the highest rating of at least one nationally recognized rating service. The Town's investment in Credit Suisse and ING US Funding commercial paper is rated A-1 by Standard and Poor's and P-1 by Moody's Investors Service. The Town's investments in US agencies, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association were rated AAA by Standard and Poor's and AAA by Moody's Investors Services. The Town's investment in the NC Capital Management Trust Government Portfolio, which consists of an SEC-registered mutual fund, is authorized by N.C.G.S. 159-309(c) (8). The Government Portfolio, which invests in treasuries and government agencies, is a money market fund (2a7) and maintains an AAAM rating from Standard and Poor's and AAAMf by Moody's Investors Service as of June 30, 2024. It is reported at fair value.

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

*Concentration of Credit Risk* The Town's investment policy limits the amount that the Town may invest in any one issuer, except for U.S. Treasury securities and the North Carolina Capital Management Trust, to 30% of total investments. Investments which are restricted further are commercial paper, limited to no more than 25% of total investments and no more than \$3,000,000 in a single issuer. More than 5% of the Town's investments are in Federal Home Loan Bank at 30.40%, Federal Farm Credit Bank at 31.77% and Federal Home Loan Mortgage at 7.91%.

### 3. Receivables – Allowances for Doubtful Accounts

The amounts presented in Exhibit 1 at June 30, 2024, are net of the allowances for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

	<b>Accounts</b>	<b>Taxes</b>	<b>Due from other Governments</b>	<b>Interest Receivable</b>	<b>Total</b>
<b>Governmental</b>					
General	\$ 4,322	\$ 5,397	\$ 3,426,220	\$ 116,366	\$ 3,552,305
Allowance for doubtful accounts	-	(5,000)	-	-	(5,000)
Total governmental activities	<u>\$ 4,322</u>	<u>\$ 397</u>	<u>\$ 3,426,220</u>	<u>\$ 116,366</u>	<u>\$ 3,547,305</u>
<b>Business-type</b>					
Water	\$ 867,404	\$ -	\$ 46,083	\$ 22,097	\$ 935,584
Allowance for doubtful accounts	(18,769)	-	-	-	(18,769)
Total business type activities	<u>\$ 848,635</u>	<u>\$ -</u>	<u>\$ 46,083</u>	<u>\$ 22,097</u>	<u>\$ 916,815</u>

Due from other governments consisted of the following:

Occupancy tax	\$ 1,257,611
Land transfer tax	264,683
Sales taxes	725,104
Sales tax reimbursement	329,806
Utilities sales tax	223,628
Grants-Governmental	602,585
Grants-Business-type	46,083
N.C. Division of Motor Vehicles	20,826
Other	1,977
Total	<u>\$ 3,472,303</u>

### 3. Leases Receivable

For the year ended 6/30/2024, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. As of June 30, 2024, the total combined value of the lease receivable is \$1,079,731, the total combined value of the short-term lease receivable is \$197,635, and the combined value of the deferred inflow of resources is \$1,029,374. The leases had \$0 of Variable Receipts and \$0 of Other Receipts, not included in the Lease Receivable, within the Fiscal Year. For additional information, refer to the disclosures below.

On July 1, 2021, the Town of Nags Head recorded a 107-month lease (original lease date of May 22, 2015) as Lessor for the use of Water Tower - 123 West Westside Court. An initial lease receivable was recorded in the amount of \$362,953. As of June 30, 2024, the value of the lease receivable is \$254,443. The lease has an interest rate of 0.8140%. The value of the deferred inflow of resources as of June 30, 2024, was \$240,838, and the town recognized lease revenue of \$37,530 during the fiscal year. The lease has 4 extension options, each for 60 months. The town has 1 extension option for 60 months.

On July 1, 2021, the Town of Nags Head recorded an 80-month lease (original lease date April 26, 2018) as Lessor for the use of Century Link Gull St Building. An initial lease receivable was recorded in the amount

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

On July 1, 2021, the Town of Nags Head recorded an 80-month lease (original lease date April 26, 2018) as Lessor for the use of Century Link Gull St Building. An initial lease receivable was recorded in the amount of \$91,473. As of June 30, 2024, the value of the lease receivable is \$49,361. The lease has an interest rate of 0.4350%. The value of the deferred inflow of resources as of June 30, 2024, was \$50,650, and the town recognized lease revenue of \$14,765 during the fiscal year. The lease has 2 extension options, each for 60 months.

On December 15, 2021, the Town of Nags Head entered into a 50-month lease as Lessor for the use of 105 West Seachase Drive. An initial lease receivable was recorded in the amount of \$285,021. As of June 30, 2024, the value of the lease receivable is \$0. The lease has an interest rate of 0.6480%. The value of the deferred inflow of resources as of June 30, 2024, was \$0, and the town recognized lease revenue of \$68,944 during the fiscal year. During fiscal year 2024, the lease was agreed to be terminated by both parties. The lessee agreed to pay rent through June 30, 2024. The termination of the lease caused the roll forward lease receivable balance to reduce by \$120,083 from the previous fiscal year. This also caused the beginning balance of deferred inflow of resources to decrease by \$115,221. This resulted in a \$4,862 reduction made to lease revenue and fund balance reserved for leases.

On July 1, 2021, the Town of Nags Head recorded a 107-month (original lease date May 18, 2020) lease as Lessor for the use of Town Hall Monopole - 5401 South Croatan Highway. An initial lease receivable was recorded in the amount of \$299,916. As of June 30, 2024, the value of the lease receivable is \$210,271. The lease has an interest rate of 0.8140%. The value of the deferred inflow of resources as of June 30, 2024, was \$199,010, and the town recognized lease revenue of \$31,015 during the fiscal year. The lease has 4 extension options, each for 60 months. The lessee had a termination period of 3 months as of the lease commencement.

On July 1, 2021, the Town of Nags Head recorded a 79-month lease (original lease date February 6, 2009) as Lessor for the use of Wireless Tower - 5401 South Croatan Highway. An initial lease receivable was recorded in the amount of \$279,970. As of June 30, 2024, the value of the lease receivable is \$161,769. The lease has an interest rate of 0.4350%. The value of the deferred inflow of resources as of June 30, 2024, was \$152,657, and the town recognized lease revenue of \$40,741 during the fiscal year. The lease has 1 extension option for 60 months.

On July 1, 2021, the Town of Nags Head recorded a 97-month lease (original lease date September 6, 2017) as Lessor for the use of Communications Water Tower. An initial lease receivable was recorded in the amount of \$483,862. As of June 30, 2024, the value of the lease receivable is \$320,627. The lease has an interest rate of 0.6480%. The value of the deferred inflow of resources as of June 30, 2024, was \$304,407, and the town recognized lease revenue of \$56,329 during the fiscal year. The lease has 2 extension options, each for 60 months. The town had a termination period of 1 month as of the lease commencement.

On January 1, 2023, the Town of Nags Heads entered into a 108-month lease as Lessor for the use of a health care clinic at 425 Health Center Drive. An initial lease receivable was recorded in the amount of \$98,173. As of June 30, 2024, the value of the lease receivable is \$83,260. The lease has an interest rate of 2.7540%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2024 was \$81,811, and the town recognized lease revenue of \$9,859 during the fiscal year. The lessee has 1 extension option for 12 months.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

Principal and Interest Expected to Maturity			
Governmental Activities			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2025	197,635	8,423	206,058
2026	205,277	6,910	212,187
2027	213,174	5,341	218,515
2028	187,146	3,723	190,869
2029	162,166	2,273	164,439
2030 - 2032	114,333	1,392	115,725
<b>Total Remaining Receivable</b>	<b>1,079,731</b>		

**5. Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2024, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 13,187,898	\$ 4,500	\$ -	\$ 13,192,398
Art	107,553	-	-	107,553
Construction in progress	4,325,352	7,472,128	545,174	11,252,306
Total capital assets not being depreciated	17,620,803	7,476,628	545,174	24,552,257
<b>Capital assets being depreciated:</b>				
Buildings	9,243,987	3,450,629	-	12,694,616
Other improvements	449,378	-	15,500	433,878
Improvements	59,022,825	1,565,054	-	60,587,879
Equipment	4,837,130	331,990	8,258	5,160,862
Vehicles and motorized equipment	10,176,219	1,266,112	272,306	11,170,025
Infrastructure	46,521,266	1,017,339	-	47,538,605
Total capital assets being depreciated	130,250,805	7,631,123	296,064	137,585,864
<b>Less accumulated depreciation for:</b>				
Buildings	5,004,122	312,897	-	5,317,019
Other improvements	164,994	35,806	14,577	186,223
Improvements	43,617,534	786,951	-	44,404,485
Equipment	3,411,075	396,071	8,258	3,798,888
Vehicles and motorized equipment	6,058,801	761,213	272,306	6,547,708
Infrastructure	39,804,126	729,184	-	40,533,310
Total accumulated depreciation	98,060,652	3,022,122	295,141	100,787,632
Total capital assets being depreciated, net	32,190,154	4,609,001	923	36,798,232
<b>Capital assets being amortized:</b>				
Right to use assets:				
Lease equipment	133,540	-	21,429	112,111
IT subscriptions	433,674	105,595	-	539,269
Total capital assets being amortized	567,214	105,595	21,429	651,380
<b>Less accumulated amortization for:</b>				
Right to use assets:				
Lease equipment	75,947	19,693	-	95,640
IT subscriptions	81,502	125,703	-	207,205
Total accumulated amortization	157,449	145,396	-	302,845
Total capital assets being amortized, net	409,765	(39,801)	21,429	348,535
<b>Governmental activity capital assets, net</b>	<b>\$50,220,721</b>	<b>12,045,828</b>	<b>567,526</b>	<b>\$ 61,699,023</b>

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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

General Government	\$ 794,290
Public Safety	582,486
Public Works	859,861
Environmental Protection	355,910
Streets and Drainage	429,575
<b>Total Depreciation Expense</b>	<b>\$ 3,022,122</b>

In Governmental activity, a capital asset land donation totaled \$4,500, vehicles increased from the reclassification of construction in progress of \$442,938, buildings increased from the reclassification of construction in progress of \$85,336, infrastructure increased from the reclassification of construction in progress of \$16,900, and capital outlay purchases were \$14,558,077 for a total increase of \$15,107,751. Decreases resulted from construction in progress being reclassified in the amount of \$545,174 and capital asset disposals totaling \$296,064 for a total decrease of \$841,238. There was a loss on disposal of one capital asset in the public safety function of \$923. Accumulated depreciation on disposals totaled \$295,141. Accumulated depreciation increased by \$3,022,122.

A lease adjustment of \$21,765 was made on right to use lease equipment. Some of the computer equipment was returned and the monthly lease payments were reduced, which reduced the lease liability balance on July 1, 2023, compared to the previously recorded June 30, 2023, ending balance. This also reduced the beginning balance of the lease asset by \$21,429 reduced the accumulated amortization beginning balance by \$12,187.

Capital asset activities for the Business-type activities for the year ended June 30, 2024, are as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases (Transfers)</b>	<b>Ending Balances</b>
<b>Business-Type Activities:</b>				
<b>Water Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 204,205	\$ -	\$ -	\$ 204,205
Construction in progress	848,866	55,383	848,866	55,383
Total capital assets not being depreciated	1,053,071	55,383	848,866	259,588
<b>Capital assets being depreciated:</b>				
Building	3,283,693	2,876,237	-	6,159,930
Other	328,232	-	-	328,232
Improvements	704,641	-	-	704,641
Equipment	1,192,145	1,725,177	-	2,917,322
Vehicles and motorized equipment	257,081	70,195	12,915	314,361
Intangibles	4,203,619	-	-	4,203,619
Infrastructure	5,698,626	-	-	5,698,626
Total capital assets being depreciated	15,668,037	4,671,609	12,915	20,326,731
<b>Less accumulated depreciation for:</b>				
Building	2,492,746	101,504	-	2,594,250
Other	188,206	15,740	-	203,946
Improvements	449,741	18,617	-	468,358
Equipment	1,004,862	59,483	-	1,064,345
Vehicles and motorized equipment	209,181	20,678	12,915	216,944
Intangibles	3,512,561	108,403	-	3,620,964
Infrastructure	1,359,075	340,596	-	1,699,671
Total accumulated depreciation	9,216,372	\$ 665,021	\$ 12,915	9,868,478
Total capital assets being depreciated, net	6,451,666			10,458,256
<b>Water Fund capital assets, net</b>	<b>\$ 7,504,737</b>			<b>\$ 10,717,841</b>

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

Depreciation expense of \$665,021 was charged to business-type activities. As used in this section, the term depreciation includes amortization of intangible assets.

The government has active construction projects as of June 30, 2024. 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>
Public Services Complex	\$ 9,575,863	\$3,378,050
S Memorial Ave/Linda Lane Survey	19,300	-
Dune Infiltration Design Project	46,000	-
Fire Apparatus	1,133,752	295,254
Whalebone Park	24,000	14,839
Governor Street Dune Walkover	5,085	106,250
Project Area 13 – SOOIR	42,000	44,000
Project Area 12 – SOOIR	50,690	54,610
2024 Peterbilt 548 PX-9	157,219	65,202
2024 Peterbilt 520 LH Sanitation Truck	198,392	173,484
Water System Management Plan	46,083	277,917
S Memorial AC Water Main Replacement	<u>9,300</u>	<u>80,000</u>
 Total	 <u>\$ 11,307,684</u>	 <u>\$4,489,606</u>

**B. Liabilities**

1. Pension Plan and Post-Employment Obligations

a. Local Governmental Employees' Retirement System

*Plan Description*

The Town of Nags Head is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at [www.OSC.nc.gov](http://www.OSC.nc.gov).

*Benefits Provided*

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

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, 2024, was 14.04% of compensation for law enforcement officers and 12.89% 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 \$1,162,832 for the year ended June 30, 2024.

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

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

At June 30, 2024, the Town reported a liability of \$6,046,680 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

determined. At June 30, 2023 (measurement date), the Town's proportion was 0.09130%, which was an decrease of 0.00526% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Town recognized pension expense of \$1,721,657. At June 30, 2024, 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	\$ 673,779	\$ 14,505
Changes of assumptions and other inputs	256,949	-
Net difference between projected and actual earnings on pension plan investments	1,618,356	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	39,327	116,102
Town contributions subsequent to the measurement date	1,162,832	-
Total	\$ 3,751,243	\$ 130,607

The \$1,162,832 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2024	\$ 893,365
2025	447,607
2026	1,048,399
2027	68,433
2028	-
Thereafter	-
	\$ 2,457,804

*Actuarial Assumptions.* The total pension liability was determined by an actuarial valuation performed as of December 31, 2022. The total pension liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2023. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal actuarial cost method was utilized.

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e., general, law enforcement officer) and health status (i.e., disabled and healthy). The current mortality rates are based on

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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, 2022, valuations were based on the results of an actuarial experience study for the period January 1, 2015, through December 31, 2019.

Future ad hoc cost-of-living adjustment 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, 2024, 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	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Sensitive	6.0%	4.3%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with an investment consulting firm's 2024 long term capital market assumptions. 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 2.38%. All rates of return and inflation are annualized figures. Source data provided in the Annual Comprehensive Financial Report (ACFR) published on the [NC Office of State Controller](#) website.

*Discount rate.* The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the Town's proportionate share of the net pension asset or net pension

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<b>1% Decrease (5.50%)</b>	<b>Current Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Town's proportionate share of the net pension liability	\$ 10,475,635	\$ 6,046,680	\$ 2,400,349

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

b. Law Enforcement Officers Special Separation Allowance

*1. Plan Description*

The Town of Nags Head administers a public employee retirement system (the "Separation Allowance"), a single employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2022 (valuation date), 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	21
Total	23

*2. Summary of Significant Accounting Policies*

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

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

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

*3. Actuarial Assumptions*

The entry age normal actuarial cost method was used in the December 31, 2021, valuation. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.00 percent

The discount rate used to measure the Total Pension Liability (TPL) is the S&P Municipal Bond 20 Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2019.

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

Deaths after retirement (healthy) are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

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

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

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

*4. Contributions*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. The Town contributed \$42,834 as benefits come due for the reporting period. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are financed through investment earnings. There were no contributions made by employees.

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

At June 30, 2024, the Town reported a total pension liability of \$1,440,295. The total pension liability was measured as of December 31, 2023, based on a December 31, 2022, actuarial valuation. The total pension

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

liability was then rolled forward to the measurement date of December 31, 2023, utilizing updated procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the Town recognized pension expense of \$180,788.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 197,434	\$ 3,006
Changes of assumptions and other inputs	152,286	177,119
Benefit payments and administrative expenses subsequent to the measurement date	21,823	-
Total	\$ 371,543	\$ 180,125

\$21,823 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, 2025.

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

<b>Year ended June 30:</b>	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2025	\$ 126,056	\$ 54,696	\$ 71,360
2026	112,455	48,486	63,969
2027	55,706	48,263	7,443
2028	34,153	28,680	5,473
2029	21,350	-	21,350
Thereafter	-	-	-
	\$ 349,720	\$ 180,125	\$ 169,595

\$21,417 paid as benefits came due and \$406 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 4.00 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current rate:

	<b>1% Decrease (3.00%)</b>	<b>Current Discount Rate (4.00%)</b>	<b>1% Increase (5.00%)</b>
Total pension liability	\$ 1,569,645	\$ 1,440,295	\$ 1,332,887

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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

	<b>2024</b>
Total Pension Liability	
Beginning balance	\$ 1,243,592
Service Cost at end of year	50,746
Interest on the total pension liability	52,676
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	100,906
Changes of assumptions or other inputs	35,209
Benefit payments	(42,834)
Other changes	-
Net changes in Total Pension Liability	196,703
Ending balance of the total pension liability	\$ 1,440,295

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 1,721,657	\$ 180,788	\$ 1,902,445
Pension Liability	6,046,680	1,440,295	7,486,975
Proportionate share of the net pension liability	0.09130%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	673,779	197,434	871,213
Changes of assumptions	256,949	152,286	409,235
Net difference between projected and actual earnings on plan investments	1,618,356	-	1,618,356
Changes in proportion and differences between contributions and proportionate share of contributions	39,327	-	39,327
Benefit payments and administrative costs paid subsequent to the measurement date	1,162,832	21,823	1,184,655

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

Deferred of Inflows of Resources

Differences between expected and actual experience	14,505	3,006	17,511
Changes of assumptions	-	177,119	177,119
Changes in proportion and differences between contributions and proportionate share of contributions	116,102	-	116,102

c. Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description*

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

*Funding Policy*

Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2024, were \$150,687 which consisted of \$104,094 from the Town and \$46,593 from the law enforcement officers. No amounts were forfeited.

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

*Plan Description*

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

*Funding Policy*

The Town contributes four percent of each employee's salary (excluding law enforcement officers), and all amounts contributed are vested immediately. Employees may also make voluntary contributions to the plan. Total contributions for the year ended June 30, 2024, were \$560,941 which consisted of \$339,923 from the Town and \$221,018 from employees. No amounts were forfeited.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

e. 457 Deferred Compensation

*Plan Description*

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

*Funding Policy*

The Town does not match contributions to the 457 deferred compensation plan. Total contributions for the year ended June 30, 2024, were \$118,001 which consisted of \$112,063 from regular employees and \$5,938 from law enforcement employees.

f. Other Post-employment Benefits

Healthcare Benefits:

*Plan Description.* According to a Town resolution, the Town administers a single employer defined benefit health care plan. This plan provides health care benefits to retirees of the Town who participate in the North Carolina Local Governmental Employees' Retirement System (System). The Town pays the full cost of coverage for these benefits for retirees who began working for the Town on or before November 3, 1997. The Town pays 25% for retiree with 10 years or more of service, 50% for retirees with 15 years or more of service, 75% with 20 years or more of service, and 100% with 25 years. Coverage ends when retirees become eligible for Medicare. Also, retirees can purchase coverage for their dependents at the Town's group rates. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. Membership of the health care plan consisted of the following at June 30, 2023, the date of the latest actuarial valuation:

Inactive members or beneficiaries currently receiving benefits	13
Inactive members entitled to but not yet receiving benefits	-
Active members	115
Total membership	128

**Total OPEB Liability**

The Town's total OPEB liability of \$4,267,907 was measured as of June 30, 2023 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 %
Real wage growth	0.75 %
Wage inflation	3.25 %
Salary increases, including wage inflation	
General Employees	3.25% – 8.41%
Firefighters	3.25% – 8.15%

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

Law Enforcement Officers	3.25% – 7.90%
Municipal Bond Index Rate	
Prior Measurement Date	3.54 %
Measurement Date	3.65 %
Health Care Cost Trends	
Pre-Medicare	7.00% for 2023 decreasing to an ultimate rate of 4.50% by 2033
Dental	3.50%
Vision	2.00%

The Town selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the Total OPEB Liability.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal and salary increases used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care costs trends, rate of plan participation, rates of plan election, etc.) used in the June 20, 2023 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2023 valuation.

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at June 30, 2022</b>	\$ 4,492,337
<b>Changes for the year</b>	
Service cost at end of year (includes interest for the year)	189,620
Interest on total OPEB liability and Cash Flows	162,941
Changes in benefit terms	-
Differences between expected and actual experience	(522,488)
Changes of assumptions or other inputs	105,095
Benefit payments	(159,598)
Other changes	-
<b>Net changes</b>	<u>\$ (224,430)</u>
<b>Balance at June 30, 2023</b>	<u>\$ 4,267,907</u>

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current discount rate:

	<b>1% Decrease (2.65%)</b>	<b>Current Discount Rate (3.65%)</b>	<b>1% Increase (4.65%)</b>
Total OPEB liability	\$ 4,743,908	\$ 4,267,907	\$ 3,845,795

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB liability	\$ 3,749,131	\$ 4,267,907	\$ 4,885,378

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

For the year ended June 30, 2024, the Town recognized OPEB expense of \$150,415. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,077,239
Changes of assumptions or other inputs	669,700	632,918
Benefit payments and administrative costs subsequent to the measurement date	159,213	-
Total	\$ 828,913	\$ 1,710,157

\$159,213 reported as deferred outflows of resources related to OPEB resulted from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2024. \$(1,040,457) reported as Deferred Inflows of Resources related to OPEB benefits will be recognized in OPEB Expense as follows:

**Year ended June 30:**

2025	\$ (208,429)
2026	(208,429)
2027	(195,335)
2028	(166,697)
2029	(179,969)
Thereafter	(81,598)
Total	\$ (1,040,457)

\$159,213 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

**2. Other Employment Benefit – Death Benefits**

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

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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, 2024, the Town made contributions to the State for death benefits of \$ 5,634. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .040% and .140% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

**3. Payables and Current Liabilities**

Payables on Exhibit 1 at June 30, 2024, were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Unearned Revenue	Customer Deposits	Total
Governmental Activities	\$ 1,670,828	\$ 472,644	\$ 152,819	\$ 13,510	\$ 50,275	\$ 2,360,076
Business-type activities (Water)	\$ 155,195	\$ 35,528	\$ 42,109	\$ -	\$ 474,126	\$ 706,958

**4. Deferred Outflows and Inflows of Resources**

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

	Statement of Net Position
Benefit payments and admin. costs made for LEOSSA subsequent to measurement date	\$ 21,823
Contributions to pension plan in current fiscal year-LGERS	1,162,832
Benefit payments made for OPEB subsequent to measurement date	159,213
Differences between expected and actual experience-LGERS	673,779
Changes of assumptions-LGERS	256,949
Changes in proportion and differences between employer contributions and proportionate share of contributions-LGERS	39,327
Differences between projected and actual investment earnings on plan investments - LGERS	1,618,356
Differences between expected and actual experience-LEOSSA	197,434
Changes of assumptions and other inputs-OPEB	669,700
Changes of assumptions and other inputs-LEOSSA	152,286
<b>Total</b>	<b>\$ 4,951,699</b>

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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

	Statement of Net Position	Government Funds Balance Sheet
Prepaid taxes (General Fund)	\$ 3,009	\$ 3,009
Property taxes receivable, less penalties (General Fund)	-	397
Privilege licenses receivable, less penalties (General Fund)	-	1,475
Prepaid privilege licenses (General Fund)	325	325
Prepaid water consumption units (Water Fund)	100,000	-
Lease Receivable (General Fund)	1,029,373	1,029,373
Differences between expected and actual experience- LGERS	14,505	-
Differences between expected and actual experience- LEOSSA (General Fund)	3,006	-
Differences between expected and actual experience-OPEB	1,077,239	-
Changes in proportion and difference between contributions and proportionate share of contributions-LGERS	116,102	-
Changes of assumptions/other inputs-LEOSSA General Fund	177,119	-
Changes of assumptions and other inputs-OPEB	632,918	-
<b>Total</b>	<b>\$ 3,153,596</b>	<b>\$ 1,034,579</b>

## 5. Risk Management

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

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

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

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

through the NFIP. The Town is also eligible to purchase excess commercial flood insurance and has in the amount of \$4,414,900 for its Town Hall structure and \$1,500,000 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 remaining employees that have access to funds are bonded under a blanket bond for \$250,000. In accordance with G.S. 159-29, the finance officer's fidelity bond was renewed on July 1, 2023, for \$1,000,000. The tax collector's bond was renewed for \$250,000.

#### 6. Claims, Judgments and Contingent Liabilities

##### Pending or Threatened Litigation, Claims and Assessments:

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

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

#### 7. Long-Term Obligations

##### a. Leases

For the year ended June 30, 2024, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

As of June 30, 2024, the Town of Nags Head had one active lease for the use of computer equipment. The lease payment was \$3,150 from July 1, 2023, to March 30, 2024. The equipment was partially returned, and the lease payment was reduced to \$952 a month from April 1, 2024, to June 30, 2024. The equipment that was being returned was previously unknown, therefore the new debt payment was not anticipated or accounted for in prior fiscal years. The decrease in the lease payment resulted in a lease adjustment of \$21,765, which was the difference between the lease liability that was recorded as the balance on June 30, 2023, compared to the new beginning balance on July 1, 2023. The debt payment of \$952 will be the monthly rate through January 31, 2025, when the lease terminates. The interest rate is .814%. As of June 30, 2024, the value of the lease liability is \$6,646. The value of the right to use asset as of June 30, 2024, is \$112,111 with accumulated amortization of \$95,640.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024, are as follows:

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

Principal and Interest Requirements to Maturity				
Fiscal Year	Governmental Activities			Total Payments
	Principal Payments	Interest Payments		
2025	\$ 6,646	\$ 18		\$ 6,664
Total Remaining Liability				
	\$ 6,646			

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

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

In March 2020, the Town entered into a 5-year direct borrowing contract for \$306,328 to finance a residential sanitation vehicle, which is pledged as collateral while the debt is outstanding. The interest rate is 1.74% per annum fixed. The contract requires annual principal and interest payments beginning March 2020.

In May 2020, the Town entered into a 6-year direct borrowing contract for \$1,401,396 to finance pedestrian path construction, park lighting improvements, and an above ground fuel tank/pump system. The interest rate is 2.42% per annum fixed. A deed of trust and security agreement were recorded to collateralize the property where the park lighting improvements are located at 3005 South Croatan Highway, Nags Head, North Carolina. The contract requires annual principal and interest payments beginning May 2020.

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

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

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

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

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

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

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

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

c. Subscriptions

For the year ended June 30, 2024, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (Subscriptions). The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

On 07/01/2022, Town of Nags Head entered into a 36-month subscription for the use of DebtBook Software. An initial subscription liability was recorded in the amount of \$25,847. As of 06/30/2024, the value of the subscription liability is \$10,019. The Town of Nags Head is required to make annual fixed payments of \$6,500. The subscription has an interest rate of 2.1843%. The value of the right to use asset as of 06/30/2024 of \$25,847 with accumulated amortization of \$17,231 is included with Software on the Subscription Class activities table found below.

On 07/29/2022, Town of Nags Head entered into a 60-month subscription for the use of Motorola Flex Software. An initial subscription liability was recorded in the amount of \$49,766. As of 06/30/2024, the value of the subscription liability is \$29,849. The Town of Nags Head is required to make annual fixed payments of \$10,424. The subscription has an interest rate of 2.3657%. The value of the right to use asset as of 06/30/2024 of \$174,317 with accumulated amortization of \$67,015 is included with Software on the Subscription Class activities table found below.

On 08/17/2022, Town of Nags Head entered into a 60-month subscription for the use of Motorola Video Software. An initial subscription liability was recorded in the amount of \$227,270. As of 06/30/2024, the value of the subscription liability is \$136,312. The Town of Nags Head is required to make annual fixed payments of \$47,604. The subscription has an interest rate of 2.3657%. The value of the right to use asset as of 06/30/2024 of \$233,510 with accumulated amortization of \$87,437 is included with Software on the Subscription Class activities table found below.

On 09/12/2023, Town of Nags Head, NC entered into a 24-month subscription for the use of Flock Safety License Plate Reader Cameras. An initial subscription liability was recorded in the amount of \$70,795. As of 06/30/2024, the value of the subscription liability is \$34,917. Town of Nags Head is required to make annual fixed payments of \$36,000. The subscription has an interest rate of 3.1020%. The value of the right to use asset as of 06/30/2024 of \$78,595 with accumulated amortization of \$31,547 is included with Software on the Subscription Class activities table found below.

On 10/6/2023, Town of Nags Head entered into a 60-month subscription for the use of Motorola Video Software. Because the Town paid \$27,000 up front for the subscription, there are no further annual payments, no liability was recorded, and as of 06/30/2024 the value of the subscription liability is \$0.00. The

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

value of the right to use asset as of 06/30/2024 of \$27,000 with accumulated amortization of \$3,975 is included with Software on the Subscription Class activities table found below.

Amount of Subscription Assets by Major Classes of Underlying Asset

Asset Class	As of Fiscal Year-end	
	Subscription Asset Value	Accumulated Amortization
Software	\$ 539,269	\$ 207,205
<b>Total Subscriptions</b>	<b>\$ 539,269</b>	<b>\$ 207,205</b>

Principal and Interest Requirements to Maturity

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2025	\$ 99,034	\$ 5,233	\$ 104,267
2026	55,377	2,651	58,028
2027	56,687	1,341	58,028
<b>Total</b>	<b>\$ 211,098</b>	<b>\$ 9,225</b>	<b>\$ 220,323</b>

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Limited obligation bonds	\$ 12,404,000	\$ -	\$ -	\$ 12,404,000	\$ 656,000
Deferred amounts:					
Issuance premiums	1,968,254	-	98,413	1,869,841	98,413
Direct borrowing installment finance purchases	3,850,098	-	952,395	2,897,703	808,705
Direct placement installment finance purchases	2,276,000	-	2,276,000	-	-
Lease liabilities	59,446	-	52,800	6,646	6,646
IT subscription liabilities	238,355	70,795	98,052	211,098	99,033
Total OPEB liability	4,132,277	-	206,442	3,925,835	151,590
Total pension liability (LEOSSA)	1,243,592	196,703	-	1,440,295	42,852
Net pension liability (LGERs)	4,987,061	548,675	-	5,535,736	-
Compensated absences	820,855	1,523,243	1,427,175	916,923	310,000
<b>Governmental activities long-term liabilities</b>	<b>\$ 31,979,938</b>	<b>\$ 2,339,416</b>	<b>\$ 5,111,277</b>	<b>\$ 29,208,077</b>	<b>\$ 2,173,239</b>

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Limited obligation bonds	\$ 4,706,000	\$ -	\$ -	\$ 4,706,000	\$ 214,000
Deferred amounts:					
Issuance premiums	610,615	-	30,531	580,084	30,531
Direct placement installment finance purchases	12,582	-	6,291	6,291	6,291
Total OPEB liability	360,060	-	17,988	342,072	15,159
Net pension liability (LRS)	460,302	50,642	-	510,944	-
Compensated absences	40,877	108,806	95,712	53,971	20,000
Business-type activities long-term liabilities	<u>\$ 6,190,436</u>	<u>\$ 159,448</u>	<u>\$ 150,522</u>	<u>\$6,199,362</u>	<u>\$ 285,981</u>

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

Limited Obligation Bonds – Publicly Sold

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2025	\$ 656,000	\$ 620,200
2026	656,000	587,400
2027	656,000	554,600
2028	656,000	521,800
2029	652,000	489,000
2030-2034	3,260,000	1,956,000
2035-2039	3,260,000	1,141,000
2040-2043	2,608,000	326,000
Total	<u>\$ 12,404,000</u>	<u>\$ 6,196,000</u>

Installment Financing Contracts – Direct Borrowings & Placements

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2025	\$ 808,705	\$ 70,306
2026	361,858	52,459
2027	326,906	43,685
2028	331,975	35,772
2029	261,072	27,730
2030-2032	807,187	42,155
Total	<u>\$ 2,897,703</u>	<u>\$ 272,107</u>

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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

Limited Obligation Bonds – Publicly Sold

Year Ending June 30	Principal	Interest
2025	\$ 214,000	\$ 235,300
2026	219,000	224,600
2027	224,000	213,650
2028	224,000	202,450
2029	228,000	191,250
2030-2034	1,185,000	782,750
2035-2039	1,290,000	476,500
2040-2043	1,122,000	141,500
<b>Total</b>	<b>\$ 4,706,000</b>	<b>\$ 2,468,000</b>

Installment Financing Contracts – Direct Borrowings & Placements

Year Ending June 30	Principal	Interest
2025	\$ 6,291	\$ 152

d. Changes in Long-Term Liabilities

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

At June 30, 2024, the Town had a legal debt margin of \$228,858,690.

8. Water Consumption Units

The Town entered into a letter of understanding with the Ammons-Dare Corporation (its successors and assigns) for the provision of water to the Village of Nags Head Development. The Town guarantees 1,000 water consumption units (WCU) will be available for the development. Ammons-Dare Corporation has agreed to pay a fee of \$2,000 per WCU in advance in the form of an irrevocable letter of credit in the amount of \$2,000,000. As of June 30, 2024, draws in the amount of \$2,000,000 have been made by the Town on this letter of credit, and Ammons-Dare Corporation has utilized 733 WCU's which are guaranteed by the Town and are valued at \$1,466,000.

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

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

The remaining 50 WCU's in the amount of \$100,000 represent the balance due under the letter of understanding and are included in the Water Fund balance sheet as unearned revenue. Should any of the remaining WCU's be unused, the Town agrees to reimburse Ammons-Dare Corporation, its successors and assigns, at any time after September 4, 1991.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

**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 \$52,999 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. On October 2, 2019, the Board of Commissioners adopted a resolution declaring the intention to pay off this interfund balance using fire facility fee revenues. Any accumulated fire facility fees will be used to repay the interfund balance until paid in full. During the current year, \$2,605 in repayments were made.

Transfers and Capital Contributions to/from other funds for the year ended June 30, 2024, consisted of the following:

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

Beach nourishment taxes designated for future beach nourishment	\$ 785,836
Municipal Service District (MSD) taxes collected	1,650,183
Restricted sales tax from municipal service district (MSD) taxes collected	691,062
Facility fees	19,928
Dare County contribution – beach nourishment debt payment	600,000
	\$ 3,747,009

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

\$ 6,614,519

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

Restricted for beach nourishment	\$ 2,480,885
Recreation facility fees	29,663
Streets and Storm Water	260,375
Admin. facility fees	20,000
	\$ 2,790,923

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

\$ 5,517,446

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

\$ 24,775

**D. Net Investment in Capital Assets**

	<b>Governmental</b>	<b>Business-type</b>
Capital assets	\$ 61,699,024	\$ 10,717,841
Less: long term debt	(17,389,288)	(5,292,375)
Less: liabilities from restricted debt issuance	(1,266,152)	(316,538)
Add: unexpended debt issuance	3,929,686	1,512,195
Net investment in capital assets	\$ 46,973,270	\$ 6,621,123

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

**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	\$	24,578,366
Less:		
Nonspendable		(118,590)
Stabilization by State Statute		(4,623,369)
Restricted for Public Safety		(143,279)
Restricted for State Street Aid		(78,330)
Restricted for Capital Reserve Fund		(11,219,095)
Assigned for subsequent year's expenditures		(400,000)
Fund Balance Policy		(7,995,703)
Fund Balance Remaining	\$	-

The Town of Nags Head has adopted a minimum fund balance policy for the general fund which instructs management to maintain an unassigned general fund balance at a minimum of 25%-35% of expenditures less bond debt as per audited financial statements at the end of each fiscal year. Any unassigned fund balance above 35% transfers to the Capital Investment Fund. The \$7,995,703 reported above is more than the 35% of expenditures, less bond debt of \$3,086,300, calculation of \$22,072,639.

The following amounts represent open purchase orders and contracts outstanding at June 30, 2024. These encumbrances outstanding will be re-appropriated in the subsequent year's budget.

General Fund		\$ 1,090,541
Water Fund		434,535
Total		\$ 1,525,076

**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, 2024, the facility fees were transferred to the Capital Reserve Fund where they will remain until funds are needed for appropriate capital expenditures.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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	\$ 23,137	\$ -	\$ 8,110	\$ 8,100	\$ 25,866	\$ 65,213
Current year additions (including interest)	12,483	2,605	2,743	1,625	7,439	26,895
Current year expenses	(20,000)	(2,605)	-	-	(29,663)	(52,268)
End of year balance	\$ 15,620	\$ -	\$ 10,853	\$ 9,725	\$ 3,642	\$ 39,842

**G. Beach Nourishment**

The Town currently has two legally adopted Capital Project Ordinances for the purpose of beach nourishment. In fiscal year 2021, the Town adopted the Beach Nourishment Maintenance Capital Project Fund. A restoration construction project occurred in the summer of 2022 that replaced sand lost during 2019's Hurricane Dorian. The project was primarily funded through a FEMA/North Carolina disaster assistance grant and a North Carolina Department of Environmental Quality, Division of Water Resources Coastal Storm Damage Mitigation grant. The project is engineered to provide enough healthy, protective beach until the Town's next maintenance project, tentatively planned for 2027.

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

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

	<b>Beach nourishment taxes (MSD and town-wide)</b>	<b>Restricted sales taxes from municipal service district tax</b>	<b>Total</b>
Beginning of year balance	\$ 4,543,310	\$ 2,047,705	\$ 6,591,015
Current year additions	3,036,019	691,062	3,727,081
Current year net interest	131,608	40,534	172,142
Current year uses	(2,311,049)	(169,834)	(2,480,883)
End of year balance	\$ 5,399,888	\$ 2,609,467	\$ 8,009,355

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

**H. Tax Funds Restricted**

In the fiscal year ending June 30, 2017, the Town began restricting funds in the Capital Reserve Fund for stormwater in lieu of a stormwater fee. The June 30, 2016, ending Fund Balance in the Stormwater Enterprise Fund was transferred into the stormwater capital reserve on July 1, 2016. Beginning in fiscal year June 30, 2021, the Town broadened the scope of the stormwater capital reserve to a streets and stormwater capital reserve to address maintenance and improvements to the Town’s street and drainage system on a life-cycle basis. Funds accumulated in the capital reserve fund are for use in a subsequent year for these specific purposes adopted by the Board of commissioners. The entire balance of the streets and stormwater capital reserve was used in fiscal year 2024 for a project approved by the Board. General fund transfers are instead being made to the Capital Investment Fund for capital projects. Fiscal year 2024 activity included:

<b>Streets and Stormwater</b>	
Beginning of year balance	\$ 234,550
Current year additions	-
Current year interest	25,825
Current year uses	(260,375)
End of year balance	\$ -

The Town restricts funds in the Capital Investment Fund for capital expenditures, debt service, maintenance and repairs, and significant fiscal investments essential to ensure the Town has necessary equipment and infrastructure. The balance at June 30, 2024 is:

<b>Capital Investment Fund</b>	
Beginning of year balance	\$ 1,957,176
Current year additions	6,614,519
Current year interest	115,650
Current year uses	(5,517,446)
End of year balance	\$ 3,169,899

**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, 2024, was \$3,113 plus an additional \$238 in related FICA.

**IV. Joint Ventures**

The Town and the members of the Town’s fire department each appoint two members to the five-member local board of trustees for the Firefighter’s Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firefighter’s Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firefighter’s Relief Fund. The funds are used to assist fire fighters in various ways. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2024. The Firefighter’s Relief Fund does not issue separate

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firefighter's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina, 27603.

On April 20, 2007, the Town acquired a 34.783% interest in property jointly owned with the Outer Banks Visitors Bureau, that acquired the remaining 65.217% interest. The total cost for the Town's share was \$1,623,174. The Town's share of the amount donated by the seller was an additional \$626,094. The water fund owned this property which is more appropriately owned by the general fund. Transfer and payment for the purchase by the General Fund began in the fiscal year ending June 30, 2013, in the amount of \$300,000. The General Fund transferred an additional \$300,000 in fiscal year ending June 30, 2014, \$73,756 in the fiscal year ending June 30, 2019, and \$76,886 in the fiscal year ending June 30, 2020. The Board of Commissioners formalized for the general fund to purchase the remaining land from the water fund for \$872,532 in fiscal year 2021. The donated piece of land with a book value of \$626,094 was also transferred from the water fund to the general fund upon full repayment in fiscal year ending June 30, 2021. On November 14, 2008, the Town acquired a 17.949% interest in property owned jointly with the Outer Banks Visitors Bureau, that acquired the remaining 82.051% interest. The total cost for the Town's share was \$712,933. The Town's share of the amount donated by the seller was an additional \$251,286. Both of these pieces of property are capital assets recorded in the general fund.

On April 1, 2015, the parties entered into a memorandum of understanding which designated the site as the Outer Banks Event Site so long as the Property remains designated as an event site and both the Town and Visitors Bureau remain owners of the Property. The parties agree that the Dare County Tourism Board shall make all decisions relating to the Site's management and will be responsible for collecting rental proceeds from users of the property and for paying expenses related to the property. The parties agreed that any transfers of their interests in the property can only be made to the other party based on a value determined in accordance with the memorandum of agreement.

## **V. Summary Disclosure of Significant Contingencies**

### **A. Federal and State Assisted Programs**

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

### **B. Municipal Waste Management Agreement**

On December 3, 2008, the Town approved a Municipal Waste Management Agreement with Dare County, a member of the Albemarle Regional Solid Waste Authority, for disposal of solid waste as contracted through Republic Services. The contract extends for 26 years and became effective when signed by all parties to the agreement as of May 1, 2009. Charges are based on the Town's actual tonnage of solid waste; the rate in effect in fiscal year 2024 was \$87.34 per ton, plus an additional fuel surcharge per ton which varies each month.

### **C. Intangible Water Rights**

The Town entered into an agreement with Dare County and the Town of Kill Devil Hills to construct a reverse osmosis (R.O.) water desalination plant. Under this agreement, the Town agrees to fund the capital cost of the R.O. project on a pro rata basis as related to the water capacities allocated to each of the three parties.

**Town of Nags Head, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

---

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, 2024, accumulated amortization totaled \$3,620,964.

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.

**VI. Significant Effects of Subsequent Events**

Management has evaluated there are no material subsequent events through November 22, 2024, the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTAL INFORMATION**

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

- Schedule of Proportionate Share of Net Pension Liability (Asset) for the Local Government Employees' Retirement System
- Schedule of Contributions to the Local Government Employees' Retirement System
- Schedule of Change in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in the Total OPEB liability

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

	<b>2024</b>	<b>2023</b>	<b>2022</b>
Town of Nags Head's proportion of the net pension liability (asset) (%)	0.09130%	0.09656%	0.09310%
Town of Nags Head's proportion of the net pension liability (asset) (\$)	\$ 6,046,680	\$ 5,447,363	\$ 1,427,778
Town of Nags Head's covered payroll	\$ 8,012,999	\$ 7,353,869	\$ 6,830,772
Town of Nags Head's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	75.46%	74.07%	20.90%
Plan fiduciary net position as a percentage of the total pension liability**	82.49%	84.14%	95.51%

\* 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.

<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
0.09602%	0.09116%	0.09691%	0.10036%	0.09857%	0.11405%	0.10721%
\$ 3,431,204	\$ 2,489,508	\$ 2,299,037	\$ 1,533,223	\$ 2,091,986	\$ 511,850	\$ (632,268)
\$ 6,664,768	\$ 6,382,086	\$ 6,293,652	\$ 6,008,611	\$ 5,807,371	\$ 5,376,833	\$ 5,585,383
51.48%	39.01%	36.53%	25.52%	36.02%	9.52%	-11.32%
90.86%	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contractually required contribution	\$ 1,162,832	\$ 983,965	\$ 842,179
Contributions in relation to the contractually required contribution	<u>1,162,832</u>	<u>983,965</u>	<u>842,179</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Nags Head's covered payroll	\$ 8,879,161	\$ 8,012,999	\$ 7,353,869
Contributions as a percentage of covered payroll	13.10%	12.28%	11.45%

<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
\$ 701,447	\$ 604,634	\$ 502,605	\$ 484,882	\$ 448,317	\$ 396,478	\$ 384,097
701,447	604,634	502,605	484,882	448,317	396,478	384,097
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 6,830,772	\$ 6,664,768	\$ 6,382,086	\$ 6,293,652	\$ 6,008,611	\$ 5,807,371	\$ 5,376,833
10.27%	9.07%	7.88%	7.70%	7.46%	6.83%	7.14%

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

	<b>2024</b>	<b>2023</b>	<b>2022</b>
Total Pension Liability			
Beginning balance	\$ 1,243,592	\$ 1,363,416	\$ 1,303,038
Service Cost at end of year	50,746	65,061	64,728
Interest on the total pension liability	52,676	29,974	24,530
Differences between expected and actual experience in the measurement of the total pension liability	100,906	85,545	73,600
Changes of assumptions or other inputs	35,209	(237,928)	(38,367)
Benefit payments	(42,834)	(62,476)	(64,113)
Net change in Total Pension Liability	196,703	(119,824)	60,378
Ending balance of the total pension liability	<u>\$ 1,440,295</u>	<u>\$ 1,243,592</u>	<u>\$ 1,363,416</u>

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

**Notes to Schedule:**

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

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

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
\$	922,305	\$ 910,087	\$ 823,639	\$ 772,627	\$ 769,077
	38,543	32,304	46,110	33,911	38,198
	29,022	31,960	25,267	29,059	26,713
	33,839	(16,921)	104,529	(21,647)	-
	343,442	28,988	(41,378)	49,282	(19,711)
	(64,113)	(64,113)	(48,080)	(39,593)	(41,650)
	380,733	12,218	86,448	51,012	3,550
\$	<u>1,303,038</u>	\$ <u>922,305</u>	\$ <u>910,087</u>	\$ <u>823,639</u>	\$ <u>772,627</u>

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

---

	<b>2024</b>	<b>2023</b>	<b>2022</b>
Total pension liability	\$ 1,440,295	\$ 1,243,592	\$ 1,363,416
Covered-employee payroll	1,723,970	1,595,543	1,507,527
Total Pension Liability as a percentage of of covered-employee payroll	83.55%	77.94%	90.44%

**Notes to the schedule:**

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

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

---

<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
\$ 1,303,038	\$ 922,305	\$ 910,087	\$ 823,639	\$ 772,627
1,383,788	1,168,578	1,396,151	1,227,153	1,386,134
94.16%	78.93%	65.19%	67.12%	55.74%

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

<b>Measurement Period Ending</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Total OPEB Liability</b>			
Service Cost at end of year (includes interest for the year)	\$ 189,620	\$ 247,155	\$ 280,694
Interest on Total OPEB Liability and Cash Flows	162,941	111,714	115,222
Difference between expected and actual experience	(522,488)	(19,736)	(704,774)
Changes of assumptions or other inputs	105,095	(681,521)	482,032
Benefit payments	(159,598)	(179,144)	(183,587)
<b>Net change in total OPEB liability</b>	<b>(224,430)</b>	<b>(521,532)</b>	<b>(10,413)</b>
Total OPEB liability-beginning	4,492,337	5,013,869	5,024,282
Total OPEB liability-ending	<u>\$ 4,267,907</u>	<u>\$ 4,492,337</u>	<u>\$ 5,013,869</u>
<b>Covered-employee payroll</b>	<b>\$ 7,650,759</b>	<b>\$ 6,044,153</b>	<b>\$ 6,044,153</b>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<b>55.78%</b>	<b>74.33%</b>	<b>82.95%</b>

**Notes to Schedule:**

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<b>Fiscal year</b>	<b>Rate</b>
2024	3.65%
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

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

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

<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
\$ 208,084	\$ 340,542	\$ 348,444	\$ 370,146
153,860	165,619	143,590	116,800
(22,396)	(522,224)	(18,158)	(12,992)
569,014	79,662	(131,192)	(209,200)
(143,139)	(123,419)	(113,891)	(109,742)
765,423	(59,819)	228,793	155,012
4,258,859	4,318,678	4,089,885	3,934,873
<u>\$ 5,024,282</u>	<u>\$ 4,258,859</u>	<u>\$ 4,318,678</u>	<u>\$ 4,089,885</u>
\$ 5,784,194	\$ 5,784,194	\$ 5,922,513	\$ 5,922,513
86.86%	73.63%	72.92%	69.06%

## **GENERAL FUND**

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

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

The **Capital Investment Fund** is a legally adopted Capital Reserve Fund, which has been consolidated with the General Fund in the basic financial statements, and accounts for the accumulation of funds for capital acquisitions and related debt service.

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

**Schedule 1**

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the Year Ended June 30, 2024  
With Comparative Actual Amounts for the Year Ended June 30, 2023**

	2024		Variance Over (Under)	2023
	Budget	Actual		Actual
<b>REVENUES</b>				
Ad Valorem Taxes:				
Current year		\$ 10,169,059		\$ 8,817,045
Municipal service district		1,650,184		1,644,720
Prior year		1		(151)
DMV current year		205,617		175,462
Penalties and interest		12,741		9,293
<b>Total</b>	<b>\$ 11,929,890</b>	<b>12,037,602</b>	<b>\$ 107,712</b>	<b>10,646,369</b>
Other Taxes and Licenses:				
Occupancy tax		4,673,981		4,624,217
Land Transfer tax		1,009,498		1,108,709
Local governmental sales tax		2,700,798		2,656,113
1/2% sales tax revenue		1,767,431		1,739,883
Short term rental registration fees		-		850
Privilege licenses and business registrations		20,865		20,770
Mixed beverage tax		54,868		52,732
Privilege license penalties		2,825		2,100
<b>Total</b>	<b>10,158,589</b>	<b>10,230,266</b>	<b>71,677</b>	<b>10,205,374</b>
Intergovernmental Revenues:				
Unrestricted:				
Utility sales tax		865,982		778,209
Telecommunications tax		19,385		20,528
Natural Gas sales tax		6,004		8,937
Solid Waste Disposal fees		2,524		2,590
Video programming tax		93,341		102,574
Cable Franchise - PEG fund fees		51,530		51,200
Beer and wine		15,760		14,562
ABC revenue		31,302		28,808
<b>Total</b>	<b>932,200</b>	<b>1,085,828</b>	<b>153,628</b>	<b>1,007,408</b>
Federal:				
Homeland Security Investigations		9,713		11,109
Bulletproof Vest Partnership Program		843		2,504
Controlled substance excise tax		32,103		3,618
Assistance to Firefighters		-		67,268
FEMA reimbursement		67,019		7,111
Edward Byrne Memorial Justice Assistance		-		17,895
U.S. Department of Commerce		4,500		40,500
U.S. Department of Treasury		92,690		-
U.S. Department of the Interior		14,219		-
CAMA minor permit reimbursement		3,800		3,685
State:				
State Street Aid - Powell Bill		146,696		132,185
State Department of Public Instruction		36,666		27,347
Controlled substance excise tax		5,246		9,583
NC Department of Agriculture		-		2,324
NC Department of Public Safety		7,447		2,370
NC Department of Environmental Quality		303,200		10,000
NC Department of Commerce		250,000		-

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

**Schedule 1**

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the Year Ended June 30, 2024  
With Comparative Actual Amounts for the Year Ended June 30, 2023**

	2024		Variance Over (Under)	2023
	Budget	Actual		Actual
Local:				
Contributions from Dare County		648,000		600,000
Government Access Channel grant		5,000		5,000
Outer Banks Visitor Bureau grant		358,400		12,500
North Carolina League of Municipalities grant		7,170		2,500
Miscellaneous		-		17,723
Total	2,117,044	1,992,712	(124,332)	975,222
Total Intergovernmental Revenues	3,049,244	3,078,540	29,296	1,982,630
Permits and Fees:				
Building permits		248,075		257,124
Cart rollback fees		226,250		222,925
Facility fees		19,928		23,017
Inspection and review fees		40,335		44,725
Beach driving permits		25,902		34,052
Pit Fire fees		17,440		14,581
Special event fee		22,375		23,930
CAMA permits		3,900		4,400
Court costs and fees		2,760		2,747
Crowd gathering permit fees		4,155		4,900
Alarm fees		125		75
Civil penalties		99,950		6,800
Automobile town tags		1,755		776
Total	682,750	712,950	30,200	640,052
Sales and Services:				
Lease revenue		259,183		250,553
Sale of materials		86,670		101,286
Total	356,942	345,853	(11,089)	351,839
Investment Earnings:				
Investment Earnings		374,889		193,195
Change in fair market value of investments		350,495		(69,199)
Net investment earnings	133,840	725,384	591,544	123,996
Other Revenues:				
Other rents		2,391		11,193
Interest on lease revenue		10,129		18,919
Miscellaneous		26,439		29,181
Contributions		119,121		13,536
Total	126,100	158,080	31,980	72,829
Total Revenues	26,437,355	27,288,675	851,320	24,023,089

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

**Schedule 1**

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the Year Ended June 30, 2024  
With Comparative Actual Amounts for the Year Ended June 30, 2023**

	2024		Variance Over (Under)	2023
	Budget	Actual		Actual
<b>EXPENDITURES</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Fees paid to elected officials		43,332		40,704
FICA expense		3,315		3,114
Contracted services		59,011		46,128
Department supplies and materials		5,604		2,493
Special events		3,853		1,142
Dues and subscriptions		8,503		8,159
Advertising		87		-
Printing		3,331		600
Travel and Training		1,887		1,225
Equipment rental		2		7
Contribution to Government Access Channel		52,530		52,200
Contributions, miscellaneous		25,250		10,250
Capital outlay, equipment		9,120		-
Reimbursement from Water Fund		(16,487)		(10,444)
<b>Total</b>	<b>210,271</b>	<b>199,338</b>	<b>(10,933)</b>	<b>155,578</b>
<b>Special Obligation Bonds:</b>				
Debt service, principal		2,276,000		2,276,000
Debt service, interest		810,300		105,151
<b>Total</b>	<b>3,086,300</b>	<b>3,086,300</b>	<b>-</b>	<b>2,381,151</b>
<b>Administration:</b>				
Salaries and wages		596,836		554,625
FICA expense		43,937		40,464
Group insurance		94,408		89,232
Group insurance - retiree		14,731		14,364
Retirement		76,174		66,624
401(k) account		29,677		21,707
Contracted services		17,640		15,303
Travel and Training		5,562		5,848
Professional services		167,989		68,941
Advertising		5,627		6,838
Departmental supplies		29,625		22,723
Dues and subscriptions		4,768		6,264
Equipment rental		1,799		2,283
Telephone		557		1,247
Postage		151		50
Printing		-		378
Automotive Supplies		375		325
Capital outlay, buildings		-		144,697
Capital outlay, infrastructure		-		14,149
Reimbursement from Water Fund		(123,670)		(138,395)
Debt service, principal		-		2,944
Debt service, interest		-		6
<b>Total</b>	<b>1,032,407</b>	<b>966,186</b>	<b>(66,221)</b>	<b>940,617</b>

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

**Schedule 1**

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the Year Ended June 30, 2024  
With Comparative Actual Amounts for the Year Ended June 30, 2023**

	2024		Variance Over (Under)	2023
	Budget	Actual		Actual
<b>Administrative Services:</b>				
Salaries and wages		452,883		416,981
FICA expense		33,414		30,547
Group insurance expense		63,778		59,990
Retirement		55,460		48,227
401(k) account		21,626		15,840
Unemployment expense		2,580		5,353
Insurance		416,088		371,470
Contracted services		40,245		48,182
Professional services		46,332		42,945
Fines and forfeitures		9,191		6,388
Departmental supplies and materials		7,100		7,467
Postage		11,167		5,335
Travel and Training		5,730		8,532
Equipment rental		7,206		7,645
Repairs and maintenance, equipment		385		374
Wellness program		12,293		12,870
Special contracted services		7,773		6,903
Dues and subscriptions		1,760		1,735
Purchases for resale		3,398		2,430
Advertising		370		698
Repairs and maintenance, vehicles		58		341
Automotive supplies		352		387
Capital outlay, equipment		3,065		3,790
Capital outlay, vehicles		43,394		-
Capital outlay, IT subscription agreement		-		25,846
Reimbursement from Water Fund		(126,098)		(108,288)
Debt service, principal		9,327		6,500
Debt service, interest		423		-
<b>Total</b>	<b>1,200,760</b>	<b>1,129,300</b>	<b>(71,460)</b>	<b>1,028,488</b>
<b>Information Technology:</b>				
Salaries and wages		80,357		73,224
FICA expense		6,096		5,548
Group insurance		9,348		8,305
Retirement		10,280		8,817
401(k) account		4,009		2,910
Contracted services		149,209		117,329
Contracted services, website		8,253		12,803
Contracted service, GIS		11,518		10,692
Contracted services, annual contracts		131,455		110,827
Travel and Training		7,094		3,756
Departmental supplies		4,732		9,131
Telephone		8,034		8,656
Repairs and maintenance, equipment		10,599		11,783
Other supplies-computer		111,120		-
Internet costs		10,950		13,908
Equipment rental		11,689		11,922
Reimbursement from Water Fund		(30,482)		(40,713)
Debt service, principal		31,035		37,152
Debt service, interest		171		648
<b>Total</b>	<b>617,051</b>	<b>575,467</b>	<b>(41,584)</b>	<b>406,698</b>

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

**Schedule 1**

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the Year Ended June 30, 2024  
With Comparative Actual Amounts for the Year Ended June 30, 2023**

	2024		Variance Over (Under)	2023
	Budget	Actual		Actual
<b>Planning and Development:</b>				
Salaries and wages		775,404		733,932
FICA expense		56,137		53,241
Group insurance		147,966		131,685
Retirement		98,159		88,096
401(k) account		38,218		28,936
Planning board, board of adjustment		8,210		7,510
Contracted services		5,895		56,256
Professional services		5,646		8,673
Departmental supplies		7,462		5,806
Special events		19,152		21,665
Uniforms		969		515
Travel and Training		7,360		4,241
Telephone		4,227		4,389
Postage		1,849		5,592
Repairs and maintenance, vehicles		1,695		793
Printing		1,192		3,334
Other supplies		1,019		27
Other supplies-computer		1,015		3,043
Advertising		128		959
Automotive supplies		4,752		3,805
Equipment rental		2,819		3,315
Dues and subscriptions		1,270		2,706
Capital outlay, equipment		18,733		4,200
Capital outlay, vehicles		-		857
Capital outlay, improvements		24,000		82,661
Debt service, principal		196,365		196,158
Debt service, interest		9,255		13,983
Reimbursement from Water Fund		(178,965)		(172,170)
<b>Total</b>	<b>1,377,868</b>	<b>1,259,932</b>	<b>(117,936)</b>	<b>1,294,208</b>
<b>Legal Services:</b>				
Professional services		98,586		121,716
Reimbursement from Water Fund		(29,914)		(19,704)
<b>Total</b>	<b>125,086</b>	<b>68,672</b>	<b>(56,414)</b>	<b>102,012</b>
<b>Total General Government</b>	<b>7,649,743</b>	<b>7,285,195</b>	<b>(364,548)</b>	<b>6,308,752</b>

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

**Schedule 1**

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the Year Ended June 30, 2024  
With Comparative Actual Amounts for the Year Ended June 30, 2023**

	2024		Variance Over (Under)	2023
	Budget	Actual		Actual
<b>Public Safety:</b>				
<b>Police Department:</b>				
Salaries and wages		2,222,250		1,922,005
FICA expense		168,045		145,755
Group insurance		351,461		316,169
Group insurance - retiree		58,772		57,455
Retirement		309,255		249,063
401(k) account		110,385		94,525
Separation Allowance		42,834		51,837
Automotive supplies		76,880		77,824
Departmental supplies		44,321		52,865
Repairs and maintenance, vehicles		28,911		20,172
Repairs and maintenance, equipment		26,887		34,664
Repairs and maintenance, firing range		4,838		5,376
Repairs and maintenance, buildings		6,786		7,796
Telephone		12,858		12,574
Other supplies		6,848		5,776
Other supplies, computer		6,860		21,800
Uniforms		24,365		18,088
Equipment rental		8,219		8,369
Travel and Training		24,811		24,767
Professional services		9,728		11,362
Postage		333		588
Dues and subscriptions		2,870		2,386
Advertising		31		210
Printing		315		1,164
Contracted services		21,355		22,272
Special investigations		6,000		3,484
Capital outlay, vehicles		307,352		170,932
Capital outlay, equipment		12,781		-
Capital outlay, IT subscription agreement		105,595		407,826
Debt service, principal		136,742		156,063
Debt service, interest		6,888		3,002
<b>Total</b>	<b>4,310,397</b>	<b>4,145,576</b>	<b>(164,821)</b>	<b>3,906,169</b>
<b>Drug Forfeiture:</b>				
Department supplies		-		1,970
Special investigations		1,175		5,000
Capital outlay, equipment		8,434		-
<b>Total</b>	<b>9,610</b>	<b>9,609</b>	<b>(1)</b>	<b>6,970</b>
<b>Fire Department:</b>				
Salaries and wages		2,216,098		2,027,628
FICA expense		162,839		148,400
Group insurance		412,444		367,494
Group insurance, retiree		44,079		44,688
Retirement expense		282,644		245,891
401(k) account		110,279		80,839
Incentive pay		3,112		4,132
Supplemental pension fund		3,020		2,650
Departmental supplies		76,141		69,335
Repairs and maintenance, buildings		19,054		19,919
Repairs and maintenance, vehicles		36,203		31,350

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

**Schedule 1**

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the Year Ended June 30, 2024  
With Comparative Actual Amounts for the Year Ended June 30, 2023**

	2024		Variance Over (Under)	2023
	Budget	Actual		Actual
Fire Department (continued):				
Repairs and maintenance, equipment		9,181		7,487
Uniforms		17,856		15,961
Automotive supplies		19,064		23,686
Telephone		2,281		2,282
OSHA Compliance		2,332		3,916
Travel and Training		20,836		22,162
Safety training		3,461		3,002
Other supplies		5,445		4,786
Equipment rental		4,289		3,920
Dues and subscriptions		1,903		3,929
Professional services		77,148		16,079
Postage		394		317
Contracted Services		29,200		26,843
Printing		36		178
Capital outlay, equipment		12,510		86,228
Capital outlay, vehicle		-		1,116
Debt service, principal		192,434		209,537
Debt service, interest		41,093		45,952
<b>Total</b>	<b>4,161,872</b>	<b>3,805,376</b>	<b>(356,496)</b>	<b>3,519,707</b>
<b>Ocean Rescue:</b>				
Salaries and wages		721,404		633,367
FICA expense		38,957		37,080
Group insurance		9,466		9,191
Retirement expense		7,720		6,768
401(k) account		3,019		2,222
Departmental supplies		33,059		23,382
Uniforms		16,380		18,482
Automotive supplies		13,042		13,388
Repairs and maintenance, equipment		6,085		6,560
Travel and Training		11,100		4,285
Repairs and maintenance, vehicles		4,414		4,220
Professional fees		2,820		3,600
Contracted Services		1,637		1,570
Telephone		1,488		1,539
Printing		2,520		2,085
Advertising		599		97
Dues and subscriptions		2,520		1,708
Postage		62		68
Capital outlay, equipment		24,018		24,272
Capital outlay, vehicle		46,885		47,335
Debt service, principal		35,738		35,396
Debt service, interest		1,009		1,681
<b>Total</b>	<b>1,035,594</b>	<b>983,942</b>	<b>(51,652)</b>	<b>878,296</b>
<b>Total Public Safety</b>	<b>9,517,473</b>	<b>8,944,503</b>	<b>(572,970)</b>	<b>8,311,142</b>

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

**Schedule 1**

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the Year Ended June 30, 2024  
With Comparative Actual Amounts for the Year Ended June 30, 2023**

	2024		Variance Over (Under)	2023
	Budget	Actual		Actual
<b>Environmental Protection:</b>				
<b>Sanitation:</b>				
Salaries and wages		492,512		468,814
FICA expense		35,218		33,747
Group insurance		122,102		103,363
Group insurance, retiree		19,591		28,728
Retirement		60,985		54,340
401(k) account		23,807		17,858
Travel and training		357		903
Repairs and maintenance, vehicles		112,928		115,448
Automotive supplies		123,610		146,764
Department supplies		31,993		51,506
Uniforms		8,088		5,528
Contracted services		200,530		196,080
Recycling		90,191		65,435
Repairs and maintenance, equipment		-		3,702
Advertising		500		238
Capital outlay, equipment		25,007		32,368
Capital outlay, vehicles		592,202		532,416
Debt service, principal		214,920		272,507
Debt service, interest		6,216		10,606
<b>Total</b>	<b>2,562,464</b>	<b>2,160,757</b>	<b>(401,707)</b>	<b>2,140,351</b>
<b>Solid Waste:</b>				
Tipping fees		797,479		817,785
<b>Total</b>	<b>902,950</b>	<b>797,479</b>	<b>(105,471)</b>	<b>817,785</b>
<b>Total Environmental Protection</b>	<b>3,465,414</b>	<b>2,958,236</b>	<b>(507,178)</b>	<b>2,958,136</b>
<b>Public Services:</b>				
<b>Administration:</b>				
Salaries and wages		311,511		286,527
FICA expense		22,467		20,509
Group insurance		56,670		51,997
Retirement		40,086		34,726
401(k) account		15,626		11,411
Contracted services		3,000		10,729
Purchase for resale		65,772		75,208
Telephone		1,289		1,294
Departmental supplies		5,744		5,745
Equipment rental		2,194		2,405
Automotive supplies		2,153		2,199
Travel and Training		1,266		2,767
Dues and subscriptions		3,174		4,452
Postage		235		989
Repairs and maintenance, vehicles		930		564
Uniforms		338		120
Capital outlay, improvements		157,515		-
Debt service, principal		27,368		27,368
Debt service, interest		1,325		1,987
Reimbursement from Water Fund		(46,660)		(44,749)
<b>Total</b>	<b>741,613</b>	<b>672,003</b>	<b>(69,610)</b>	<b>496,248</b>

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

**Schedule 1**

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the Year Ended June 30, 2024  
With Comparative Actual Amounts for the Year Ended June 30, 2023**

	2024		Variance Over (Under)	2023
	Budget	Actual		Actual
<b>Public Facilities Maintenance:</b>				
Salaries and wages		748,619		659,838
FICA expense		55,376		48,859
Group insurance		157,362		128,937
Group insurance, retiree		7,347		-
Retirement		95,988		79,638
401(k) account		37,423		26,155
Repairs and maintenance, facilities		123,094		95,373
Utilities		234,940		208,957
Contracted services		77,886		108,996
Department supplies		36,112		32,122
Equipment rental		259		-
Repairs and maintenance, equipment		19,856		28,525
Signs		36,060		32,670
Automotive supplies		34,900		42,293
Repairs and maintenance, parks and paths		71,246		74,994
Repairs and maintenance, other		89,646		94,700
Other supplies		27,739		24,735
Professional services		-		100
Uniforms		9,954		10,091
Repairs and maintenance, vehicles		11,346		12,834
Dues and subscriptions		252		50
Travel and Training		1,415		3,961
Special Projects, sand fencing		48,000		-
Special Projects, lighting		19,305		25,575
Reimbursement from Water Fund		(236,088)		(213,004)
Capital outlay, Dowdy Park		17,814		21,589
Capital outlay, improvements		470,063		116,920
Capital outlay, equipment		127,415		-
Capital outlay, building		952,611		93,705
Capital outlay, vehicles		134,897		184,586
Debt service, principal		237,552		298,925
Debt service, interest		30,579		37,274
<b>Total</b>	<b>4,085,804</b>	<b>3,678,968</b>	<b>(406,836)</b>	<b>2,279,398</b>

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

**Schedule 1**

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the Year Ended June 30, 2024  
With Comparative Actual Amounts for the Year Ended June 30, 2023**

	2024		Variance Over (Under)	2023
	Budget	Actual		Actual
<b>Maintenance Garage:</b>				
Salaries and wages		303,440		275,341
FICA account		22,825		20,722
Group insurance		42,597		40,735
Retirement		39,200		33,509
401(k) account		15,277		11,011
Other supplies		12,667		13,237
Departmental supplies		12,470		17,620
Uniforms		2,225		1,744
Contracted services		1,292		1,097
Automotive supplies		1,600		1,135
Travel and training		201		2,254
Repairs and maintenance, vehicles		1,329		705
Repairs and maintenance, equipment		2,412		108
Reimbursement from Water Fund		(55,966)		(49,306)
Capital outlay, equipment		5,695		3,007
<b>Total</b>	<b>429,993</b>	<b>407,264</b>	<b>(22,729)</b>	<b>372,919</b>
<b>Total Public Services</b>	<b>5,257,410</b>	<b>4,758,235</b>	<b>(499,175)</b>	<b>3,148,565</b>
<b>Streets and Drainage:</b>				
<b>State Street Aid:</b>				
Street supplies, Powell Bill		27,128		4,388
Capital outlay, infrastructure		93,043		346,131
<b>Total</b>	<b>125,000</b>	<b>120,171</b>	<b>(4,829)</b>	<b>350,519</b>
<b>Storm Water Maintenance:</b>				
Utilities		935		556
Automotive supplies		3,648		2,080
Department Supplies		6,507		10,930
Maintenance and repairs equipment		381		8,078
Professional services		120		100
Professional fees/water quality testing		1,740		2,165
Contracted services		26,041		61,841
Capital outlay, equipment		-		183,378
Capital outlay, infrastructure		999,172		1,446,185
Capital outlay, vehicles		54,055		-
Debt service, principal		-		109,162
Debt Service, interest		-		3,395
<b>Total</b>	<b>1,578,483</b>	<b>1,092,599</b>	<b>(485,884)</b>	<b>1,827,870</b>
<b>Total Streets and Drainage</b>	<b>1,703,483</b>	<b>1,212,770</b>	<b>(490,713)</b>	<b>2,178,389</b>
<b>Total Expenditures</b>	<b>27,593,523</b>	<b>25,158,939</b>	<b>(2,434,584)</b>	<b>22,904,984</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(1,156,168)</b>	<b>2,129,736</b>	<b>3,285,904</b>	<b>1,118,105</b>

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

**Schedule 1**

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual  
For the Year Ended June 30, 2024  
With Comparative Actual Amounts for the Year Ended June 30, 2023**

	2024		Variance Over (Under)	2023
	Budget	Actual		Actual
Other Financing Sources (Uses):				
Transfers to Capital Reserve Fund	(3,856,197)	(3,747,009)	109,188	(3,730,136)
Transfers to Capital Investment Fund	(7,953,866)	(6,614,519)	1,339,347	(6,058,223)
Transfers from Capital Reserve Fund	2,811,089	2,790,923	(20,166)	3,146,286
Transfers from Capital Investment Fund	7,142,769	5,517,446	(1,625,323)	4,303,533
Sale of capital assets	30,000	22,346	(7,654)	119,048
Insurance recovery	15,532	21,632	6,100	4,618
IT subscription agreement	70,796	70,795	(1)	302,881
Appropriated Fund Balance	2,896,045	-	(2,896,045)	-
Other financing sources (uses), net	1,156,168	(1,938,386)	(3,094,554)	(1,911,993)
Net change in fund balance	<u>\$ -</u>	191,350	<u>\$ 191,350</u>	(793,888)
Fund balance, beginning		13,167,921		13,961,809
Fund balance, ending		<u>\$ 13,359,271</u>		<u>\$ 13,167,921</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, 2024  
With Comparative Actual Amounts for the Year Ended June 30, 2023**

	2024		Variance Over (Under)	2023
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 117,687	117,687	\$ 72,364
Change in fair market value of investments		84,644	84,644	(271,775)
Total revenues	-	202,331	202,331	(199,411)
Other financing sources (uses):				
Transfers from:				
General Fund	3,856,197	3,747,009	(109,188)	3,730,136
Capital Project Fund	-	-	-	1,380,289
Transfers to:				
General Fund	(2,811,089)	(2,790,923)	20,166	(3,146,285)
Appropriated Fund Balance	(1,045,108)	-	1,045,108	-
Total other financing sources (uses)	-	956,086	956,086	1,964,140
Net change in fund balance	\$ -	1,158,417	\$ 1,158,417	1,764,729
Fund balances, beginning		6,890,779		5,126,050
Fund balances, ending		\$ 8,049,196		\$ 6,890,779

Capital Investment Fund

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

For the Year Ended June 30, 2024

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

	2024		Variance Over (Under)	2023
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 60,362	60,362	\$ 46,710
Change in fair market value of investments		55,288	55,288	(334,175)
Total revenues	-	115,650	115,650	(287,465)
Other financing sources (uses):				
Transfers from:				
General Fund	7,953,866	6,614,519	(1,339,347)	6,058,223
Capital Project Fund	-	-	-	489,950
Transfers to:				
General Fund	(7,142,769)	(5,517,446)	1,625,323	(4,303,532)
Appropriated Fund Balance	(811,097)	-	811,097	-
Total other financing sources (uses)	-	1,097,073	1,097,073	2,244,641
Net change in fund balance	\$ -	1,212,723	\$ 1,212,723	1,957,176
Fund balances, beginning		1,957,176		-
Fund balances, ending		\$ 3,169,899		\$ 1,957,176

## **OTHER MAJOR GOVERNMENTAL FUNDS**

The **Beach Nourishment Maintenance Capital Project Fund** is used to account for beach nourishment restoration and construction.

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

**Town of Nags Head, North Carolina**

**Schedule 4**

**Beach Nourishment Maintenance Capital Project Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
From Inception and for the Fiscal Year Ended June 30, 2024**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
<b>Revenues</b>					
Investment Earnings	\$ -	\$ 41,055	\$ 30,643	\$ 71,698	\$ 71,698
Change in fair market value of investments	-	(207,137)	65,772	(141,365)	(141,365)
Restricted intergovernmental	13,319,042	13,344,386	785,292	14,129,678	810,636
<b>Total revenues</b>	<b>13,319,042</b>	<b>13,178,304</b>	<b>881,707</b>	<b>14,060,011</b>	<b>740,969</b>
<b>Expenditures</b>					
General Government:					
Professional Fees	793,000	681,487	42,921	724,408	(68,592)
Capital Construction Oversight	1,002,636	928,558	32,359	960,917	(41,719)
Pumping Costs	6,175,419	6,175,419	-	6,175,419	-
Mobilization	5,023,000	5,023,000	-	5,023,000	-
Contingency	98,359	-	-	-	(98,359)
Monitoring	472,200	100,175	194,129	294,304	(177,896)
Sprigging	616,750	55,685	298,704	354,389	(262,361)
Turtle Monitoring	80,000	-	-	-	(80,000)
Other Costs	831,500	247,510	337,936	585,446	(246,054)
<b>Total Expenditures</b>	<b>15,092,864</b>	<b>13,211,834</b>	<b>906,049</b>	<b>14,117,883</b>	<b>(974,981)</b>
Revenues (under) expenditures	(1,773,822)	(33,530)	(24,342)	(57,872)	1,715,950
<b>Other financing sources:</b>					
Transfers from Capital Reserve Fund	1,773,822	1,773,822	-	1,773,822	-
Total other financing sources	1,773,822	1,773,822	-	1,773,822	-
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 1,740,292</b>	<b>(24,342)</b>	<b>\$ 1,715,950</b>	<b>\$ 1,715,950</b>
Fund balance, beginning of year			1,740,292		
Fund balance, end of year			<b>\$ 1,715,950</b>		

**Town of Nags Head, North Carolina  
Capital Projects Fund**

**Schedule 5**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
From Inception and for the Fiscal Year Ended June 30, 2024**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
<b>Revenues</b>					
Investment Earnings	\$ 610,000	\$ 231,205	\$ 483,597	\$ 714,802	\$ 104,802
Restricted intergovernmental	-	-	4,000	4,000	4,000
<b>Total revenues</b>	<b>610,000</b>	<b>231,205</b>	<b>487,597</b>	<b>718,802</b>	<b>108,802</b>
<b>Expenditures</b>					
Public Services:					
Public Services Complex:					
Professional Fees	265,938	261,913	-	261,913	(4,025)
Buildings	11,953,095	1,102,331	8,708,475	9,810,806	(2,142,289)
Equipment	1,119,413	16,857	394,285	411,142	(708,271)
Arbitrage liability	261,185	-	261,185	261,185	-
Capital Construction Oversight	1,382,623	1,150,029	128,691	1,278,720	(103,903)
<b>Total Expenditures</b>	<b>14,982,254</b>	<b>2,531,130</b>	<b>9,492,636</b>	<b>12,023,766</b>	<b>(2,958,488)</b>
<b>Revenues (under) expenditures</b>	<b>(14,372,254)</b>	<b>(2,299,925)</b>	<b>(9,005,039)</b>	<b>(11,304,964)</b>	<b>3,067,290</b>
<b>Other financing sources (uses):</b>					
Installment purchase obligations issued	14,372,254	14,372,254	-	14,372,254	-
Transfers to the Capital Investment Fund	(489,950)	(489,950)	-	(489,950)	-
Transfers from General Fund	489,950	489,950	-	489,950	-
<b>Total other financing sources</b>	<b>14,372,254</b>	<b>14,372,254</b>	<b>-</b>	<b>14,372,254</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 12,072,329</b>	<b>(9,005,039)</b>	<b>\$ 3,067,290</b>	<b>\$ 3,067,290</b>
Fund balance, beginning of year			<u>12,072,329</u>		
Fund balance, end of year			<u>\$ 3,067,290</u>		

## **NON-MAJOR GOVERNMENTAL FUNDS**

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

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

**Town of Nags Head, North Carolina**  
**Beach Nourishment Master Plan Capital Project Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2024**

Schedule 6

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ -	\$ 28,301	\$ 14,064	\$ 42,365	\$ 42,365
Change in fair market value of investments	-	(101,274)	27,946	(73,328)	(73,328)
Restricted intergovernmental	-	25,000	-	25,000	25,000
<b>Total revenues</b>	<b>-</b>	<b>(47,973)</b>	<b>42,010</b>	<b>(5,963)</b>	<b>(5,963)</b>
Expenditures					
General Government:					
Beach Study	2,772,044	1,934,479	19,611	1,954,090	(817,954)
Contingency	125,000	-	-	-	(125,000)
<b>Total Expenditures</b>	<b>2,897,044</b>	<b>1,934,479</b>	<b>19,611</b>	<b>1,954,090</b>	<b>(942,954)</b>
Revenues (under) expenditures	(2,897,044)	(1,982,452)	22,399	(1,960,053)	936,991
Other financing sources:					
Transfers from Capital Reserve Fund	2,897,044	2,897,044	-	2,897,044	-
Total other financing sources	2,897,044	2,897,044	-	2,897,044	-
Net change in fund balance	\$ -	\$ 914,592	22,399	\$ 936,991	\$ 936,991
Fund balance, beginning of year			914,592		
Fund balance, end of year			\$ 936,991		

## **ENTERPRISE FUND**

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

### *Major Enterprise Fund*

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

The **Water Capital Reserve Fund** is a legally adopted Capital Reserve Fund, which has been consolidated with the Water Fund in the basic financial statements, and accounts for the accumulation of funds for capital improvements and debt payments related to the Town’s water system. State Statute [N.C.G.S. 162A, Article 8] requires that all system development fee capital contributions be accounted for in a capital reserve fund.

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

**Town of Nags Head, North Carolina**  
**Enterprise Fund - Water Fund**  
**Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2024**  
**With Comparative Actual Amounts for the Year Ended June 30, 2023**

Schedule 7

	2024		Variance Over (Under)	2023
	Budget	Actual		Actual
<b>REVENUES</b>				
Operating Revenues:				
Water sales		\$ 4,175,187		\$ 3,758,134
Tap and connection fees		40,585		27,505
Late payment penalties and interest		27,219		23,289
Water non-payment fees		3,450		1,700
Miscellaneous		2,592		1,500
<b>Total Operating Revenues</b>	<b>4,258,100</b>	<b>4,249,033</b>	<b>(9,067)</b>	<b>3,812,128</b>
Non-operating Revenues:				
Intergovernmental grant		89,480		474,062
Non-capital contribution		-		32,556
Interest earned on investments		80,258		53,495
Change in fair market value of investments		85,784		(70,782)
<b>Total Non-operating Revenues</b>	<b>333,247</b>	<b>255,522</b>	<b>(77,725)</b>	<b>489,331</b>
<b>Total Revenues</b>	<b>4,591,347</b>	<b>4,504,555</b>	<b>(86,792)</b>	<b>4,301,459</b>
<b>EXPENDITURES</b>				
Administration:				
Salaries and wages		156,439		152,210
FICA expense		11,203		10,619
Group insurance		31,633		34,344
Retirement expense		20,142		18,454
401(k) account		7,847		6,065
Reimburse General Fund administrative expenses		56,238		46,046
Contracted services		2,568		2,400
Postage		13,868		12,530
Travel and Training		5,416		3,945
Supplies and materials		3,703		3,558
Professional fees		23,059		18,834
Repairs and maintenance, equipment		1,444		3,024
<b>Total Administration</b>	<b>398,837</b>	<b>333,560</b>	<b>(65,277)</b>	<b>312,029</b>
Septic Health:				
Salaries and wages		30,564		27,030
FICA expense		2,310		2,041
Group insurance		4,643		3,862
Retirement		3,921		3,265
401(k) account		1,529		1,073
Reimburse General Fund administrative expenses		53,668		25,384
Inspection rebates		3,300		7,388
Pumping credits		18,000		13,800

**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, 2024**  
**With Comparative Actual Amounts for the Year Ended June 30, 2023**

Schedule 7

	2024		Variance Over (Under)	2023
	Budget	Actual		Actual
Septic Health (continued):				
Postage		6		262
Travel and Training		1,169		712
Water quality testing		7,770		27,150
Contracted services		7,810		6,880
Printing		512		770
Advertising		-		1,020
Automotive supplies		896		756
Repairs and maintenance, vehicles		375		71
Departmental supplies		796		753
<b>Total Septic Health</b>	<b>176,936</b>	<b>137,269</b>	<b>(39,667)</b>	<b>122,217</b>
Operations:				
Salaries and wages		265,768		245,804
FICA expense		19,734		17,885
Group insurance		49,073		57,125
Retirement		34,228		29,818
401(k) account		13,347		9,801
Purchases for resale		983,229		687,441
Reimburse General Fund administrative expenses		255,078		292,597
Insurance		70,000		80,000
Utilities		58,649		40,658
Contracted services		9,017		7,800
Departmental supplies		21,398		35,859
Professional fees		1,911		3,282
Other supplies		7,209		4,972
Repairs and maintenance, equipment		5,212		9,798
Repairs and maintenance, buildings		-		79,496
Postage		1,679		62
Telephone		1,259		497
Uniforms		2,121		2,259
Dues and subscriptions		3,017		2,265
Equipment rental		217		258
Printing		3,806		-
Automotive supplies		7,817		8,119
Travel and Training		589		1,249
Repairs and maintenance, vehicles		744		232
<b>Total Operations</b>	<b>1,917,665</b>	<b>1,815,102</b>	<b>(102,563)</b>	<b>1,617,277</b>
Operations Distribution:				
Salaries and wages		302,666		256,677
FICA expense		21,919		18,086
Group insurance		71,236		59,733
Group insurance, retiree		14,693		14,364

**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, 2024**  
**With Comparative Actual Amounts for the Year Ended June 30, 2023**

Schedule 7

	2024		Variance Over (Under)	2023
	Budget	Actual		Actual
Operations Distribution (continued):				
Retirement		38,728		30,924
401(k) account		15,091		10,159
Reimburse General Fund administrative expenses		479,347		432,746
Contracted services		119,969		88,282
Other supplies		14,988		21,745
Repairs and maintenance, other		10,375		24,111
Printing		500		-
Automobile supplies		10,138		10,696
Departmental supplies		21,506		27,029
Professional fees		-		400
Uniforms		3,597		3,108
Repairs and maintenance, vehicles		2,333		2,737
Telephone		2,115		1,906
Dues and subscriptions		1,896		1,289
Advertising		160		788
Repairs and maintenance, equipment		7,713		57,785
Travel and Training		3,637		2,956
<b>Total Operations Distribution</b>	<b>1,234,985</b>	<b>1,142,607</b>	<b>(92,378)</b>	<b>1,065,521</b>
Capital Outlay:				
Machinery and equipment	246,076	171,110		95,846
Infrastructure	89,300	9,300		718,184
Vehicles	72,500	70,196		-
Other	324,000	46,083		-
<b>Total Capital Outlay</b>	<b>731,876</b>	<b>296,689</b>	<b>(435,187)</b>	<b>814,030</b>
<b>TOTAL EXPENDITURES</b>	<b>4,460,299</b>	<b>3,725,227</b>	<b>(735,072)</b>	<b>3,931,074</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>131,048</b>	<b>779,328</b>	<b>648,280</b>	<b>370,385</b>
Other Financing Sources and (Uses):				
Appropriated Net Position	200,673	-		-
Transfer from Water Capital Reserve Fund	30,000	-		-
Transfer to Water Capital Reserve Fund	(25,000)	(24,775)		(24,775)
Debt interest	(294,430)	(294,430)		(731)
Debt principal	(6,291)	(6,291)		(28,218)
Septic Health Loans provided to customers	(60,000)	(50,480)		(54,300)
Principal repayments Septic Health Loans	24,000	38,526		29,838
<b>Total Other Financing Sources and (Uses)</b>	<b>(131,048)</b>	<b>(337,450)</b>	<b>(206,402)</b>	<b>(78,186)</b>
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ -	\$ 441,878	\$ 441,878	\$ 292,199

**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, 2024**  
**With Comparative Actual Amounts for the Year Ended June 30, 2023**

Schedule 7

	2024		Variance Over (Under)	2023
	Budget	Actual		Actual
RECONCILIATION OF MODIFIED ACCRUAL TO FULL ACCRUAL BASIS				
Revenues over expenditures		\$ 441,878		\$ 292,199
Reconciling items:				
Septic Health Loans		50,480		54,300
Principal repayments Septic Health Loans		(38,526)		(29,838)
Payment of debt principal		6,291		28,218
(Increase) decrease in accrued interest payable		13,287		(55,293)
(Increase) in accrued vacation payable		(13,094)		(6,727)
Increase in deferred outflows of resources-pensions		9,353		118,534
(Decrease) in deferred outflows of resources-OPEB		(11,812)		(13,801)
(Increase) decrease in net pension liability		(5,931)		(339,655)
Decrease (increase) in deferred inflows of resources-pensions		(50,642)		172,779
Decrease in OPEB liability		17,988		41,801
(Increase) in deferred inflows of resources-OPEB		(4,968)		(31,861)
Amortization on bond issuance premiums		30,531		(5,316,615)
Capital contributions		24,775		32,775
Capital outlay		296,689		814,030
Loss on disposal of capital asset		-		(1,533)
Depreciation and amortization		(665,022)		(387,926)
Water Capital Reserve Fund		24,322		27,339
Water Capital Project Fund:				
Revenues and other sources over (under) expenditures		(3,459,538)		4,534,720
Capital outlay		3,581,437		839,416
Change in net position		\$ 247,498		\$ 772,862

**Town of Nags Head, North Carolina**  
**Enterprise Fund - Water Capital Reserve Fund**  
**Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2024**  
**With Comparative Actual Amounts for the Year Ended June 30, 2023**

Schedule 8

	2024		Variance Over (Under)	2023
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 838	838	\$ 225
Change in fair market value of investments		(1,291)	(1,291)	2,339
Total revenues	-	(453)	(453)	2,564
Other financing sources (uses):				
Transfer to Water Fund	(30,000)	-	30,000	-
Transfers from Water Fund	25,000	24,775	(225)	24,775
Appropriated net position	5,000	-	(5,000)	-
Total other financing sources (uses)	-	24,775	24,775	24,775
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>24,322</u>	<u>\$ 24,322</u>	27,339
Change in net position		<u>\$ 24,322</u>		<u>\$ 27,339</u>

**Town of Nags Head, North Carolina**  
**Water Capital Projects Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2024**

**Schedule 9**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
<b>Revenues</b>					
Investment Earnings	\$ 150,000	\$ 57,521	\$ 120,899	\$ 178,420	\$ 28,420
Restricted capital contribution	-	-	1,000	1,000	1,000
Total revenues	<u>150,000</u>	<u>57,521</u>	<u>121,899</u>	<u>179,420</u>	<u>29,420</u>
<b>Expenditures</b>					
Public Services Complex:					
Professional Fees	66,484	65,478	-	65,478	(1,006)
Capital Construction Oversight	219,377	184,904	32,172	217,076	(2,301)
Construction	2,987,903	275,583	2,177,119	2,452,702	(535,201)
Arbitrage	65,297	-	65,297	65,297	-
Equipment	277,724	4,214	92,772	96,986	(180,738)
Total Expenditures	<u>3,616,785</u>	<u>530,179</u>	<u>2,367,360</u>	<u>2,897,539</u>	<u>(719,246)</u>
Advanced Metering Infrastructure:					
Equipment	<u>1,849,830</u>	<u>309,237</u>	<u>1,214,077</u>	<u>1,523,314</u>	<u>(326,516)</u>
Total Expenditures	<u>1,849,830</u>	<u>309,237</u>	<u>1,214,077</u>	<u>1,523,314</u>	<u>(326,516)</u>
Revenues (under) expenditures	<u>(5,316,615)</u>	<u>(781,895)</u>	<u>(3,459,538)</u>	<u>(4,241,433)</u>	<u>1,075,182</u>
Other financing sources:					
Limited obligation bonds issued	<u>5,316,615</u>	<u>5,316,615</u>	-	<u>5,316,615</u>	-
Total other financing sources	<u>5,316,615</u>	<u>5,316,615</u>	-	<u>5,316,615</u>	-
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 4,534,720</u>	<u>\$ (3,459,538)</u>	<u>\$ 1,075,182</u>	<u>\$ 1,075,182</u>

## **SUPPLEMENTARY SCHEDULES**

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

**TOWN OF NAGS HEAD, NORTH CAROLINA**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2024**

**Schedule 10**

Fiscal Year	Uncollected Balance June 30, 2023	Additions	Collections And Credits	Adjustments	Uncollected Balance June 30, 2024
2023-2024	\$ -	\$ 10,097,225	\$ 10,374,676	\$ 278,935	\$ 1,484
2023-2024 MSD	-	1,642,355	1,650,184	7,839	10
2022-2023	680	-	-	-	680
2022-2023 MSD	2	-	-	-	2
2021-2022	802	-	2	-	800
2021-2022 MSD	8	-	-	-	8
2020-2021	1,064	-	-	-	1,064
2020-2021 MSD	2	-	-	-	2
2019-2020	689	-	-	-	689
2019-2020 MSD	2	-	-	-	2
2018-2019	202	-	-	-	202
2018-2019 MSD	1	-	-	-	1
2017-2018	176	-	-	-	176
2017-2018 MSD	1	-	-	-	1
2016-2017	144	-	-	-	144
2015-2016	50	-	-	-	50
2015-2016 MSD	2	-	-	-	2
2014-2015	80	-	-	-	80
2013-2014	1,171	-	1,171	-	-
2013-2014 MSD	37	-	37	-	-
<b>Total</b>	<b>\$ 5,113</b>	<b>\$ 11,739,580</b>	<b>\$ 12,026,070</b>	<b>\$ 286,774</b>	<b>\$ 5,397</b>

Less allowance for uncollectible ad valorem taxes receivable	<u>\$ 5,000</u>
Ad Valorem Taxes Receivable, net	<u><u>\$ 397</u></u>

Reconciliation with revenues:

Taxes, ad valorem , General Fund	\$ 10,387,418
Taxes, ad valorem , General Fund, MSD	1,650,184
Reconciling items:	
Amounts written off for tax year 2013	52
DMV written off for tax year 2013	1,157
Prior year taxes released from Dare County	-
Penalties and interest	<u>(12,741)</u>
Subtotal	<u>(11,532)</u>
Total collections and credits	<u><u>\$ 12,026,070</u></u>

**Town of Nags Head, North Carolina**  
**Analysis of Current Tax Levy**  
**June 30, 2024**

**Schedule 11**

	<b>Town - Wide</b>		<b>Total Levy</b>		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 3,057,530,927	\$ 0.3300	\$ 10,089,869	\$ 10,089,869	\$ -
Registered Motor Vehicles taxed at current year rates	51,177,317	0.3300	168,869	-	168,869
Registered Motor Vehicles taxed at 2022 year's rate	13,004,156	0.2875	37,387	-	37,387
Registered Motor Vehicles taxed at 2021 year's rate	102,612	0.2875	295	-	295
Penalties	-	-	7,356	7,356	-
<b>Total</b>	<b>3,121,815,012</b>		<b>10,303,776</b>	<b>10,097,225</b>	<b>206,551</b>
Discoveries and Adjustments:					
Current year discoveries and adjustments	24,492,532	0.3300	82,002	82,002	-
Releases and Adjustments:					
Current year releases and adjustments	(2,053,128)	0.3300	(8,160)	(7,226)	(934)
Penalty Releases and Adjustments	-	-	(1,454)	(1,454)	-
<b>Total</b>	<b>(2,053,128)</b>		<b>(9,614)</b>	<b>(8,680)</b>	<b>(934)</b>
Write-offs or Adjustments:			(4)	(4)	-
<b>Total property valuation</b>	<b><u>\$ 3,144,254,416</u></b>				
Net levy			10,376,160	10,170,543	205,617
Uncollected taxes at June 30, 2023			(1,484)	(1,484)	-
Current year taxes collected			<u>\$ 10,374,676</u>	<u>\$ 10,169,059</u>	<u>\$ 205,617</u>
Current levy collection percentage			<u>99.986%</u>	<u>99.985%</u>	<u>100.00%</u>

## STATISTICAL SECTION

This part of the Town of Nags Head's annual comprehensive 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	108
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	118
These tables contain information to help the reader assess the Town's most significant local revenue source: property tax.	
Debt Capacity	122
These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	127
These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	
Operating Information	129
These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities				
Net investment in capital assets	\$ 31,135,962	\$ 27,708,368	\$ 20,966,687	\$ 21,952,386
Restricted	6,624,621	9,021,585	8,329,744	11,467,485
Unrestricted	3,898,698	3,755,364	4,890,365	1,878,340
Total governmental activities net position	<u>\$ 41,659,281</u>	<u>\$ 40,485,317</u>	<u>\$ 34,186,796</u>	<u>\$ 35,298,211</u>
Business-type activities				
Net investment in capital assets	\$ 6,893,822	\$ 7,151,840	\$ 6,294,923	\$ 6,220,850
Restricted	-	-	-	-
Unrestricted	3,552,268	3,666,132	3,314,466	2,914,008
Total business-type activities net position	<u>\$ 10,446,090</u>	<u>\$ 10,817,972</u>	<u>\$ 9,609,389</u>	<u>\$ 9,134,858</u>
Primary government				
Net investment in capital assets	\$ 38,029,784	\$ 34,860,208	\$ 27,261,610	\$ 28,173,236
Restricted	6,624,621	9,021,585	8,329,744	11,467,485
Unrestricted	7,450,966	7,421,496	8,204,831	4,819,348
Total primary government activities net position	<u>\$ 52,105,371</u>	<u>\$ 51,303,289</u>	<u>\$ 43,796,185</u>	<u>\$ 44,460,069</u>

Note:

The Town adopted GASB Statement No. 73 for fiscal year 2016; prior years are not restated.  
The Town adopted GASB Statement No. 73 for fiscal year 2017; prior years are not restated.  
The Town adopted GASB Statement No. 75 for fiscal year 2018; prior years are not restated.  
The Town adopted GASB Statement No. 87 for fiscal year 2022; prior years are not restated.  
The Town adopted GASB Statement No. 96 for fiscal year 2023; prior years are not restated.

**TABLE 1**

2019	2020	2021	2022	2023	2024
\$ 25,110,090	\$ 40,161,631	\$ 36,284,111	\$ 33,233,399	\$ 41,411,411	\$ 46,973,270
20,760,822	11,135,803	11,184,939	9,405,616	12,950,862	16,064,073
6,504,243	3,379,930	4,724,498	6,454,409	3,207,522	2,296,752
<u>\$ 52,375,155</u>	<u>\$ 54,677,364</u>	<u>\$ 52,193,548</u>	<u>\$ 49,093,424</u>	<u>\$ 57,569,795</u>	<u>\$ 65,334,095</u>
\$ 6,084,121	\$ 6,462,459	\$ 5,008,907	\$ 6,199,951	\$ 6,815,447	\$ 6,621,123
20,747	29,815	45,506	7,153	34,492	58,813
2,904,685	2,788,642	4,039,632	3,522,990	3,653,017	4,070,518
<u>\$ 9,009,553</u>	<u>\$ 9,280,916</u>	<u>\$ 9,094,045</u>	<u>\$ 9,730,094</u>	<u>\$ 10,502,956</u>	<u>\$ 10,750,454</u>
\$ 31,194,211	\$ 46,624,090	\$ 41,293,018	\$ 39,433,350	\$ 48,226,858	\$ 53,594,393
20,781,569	11,165,618	11,230,445	9,412,769	12,985,354	16,122,886
9,408,928	6,168,572	8,764,130	9,977,399	6,860,539	6,367,270
<u>\$ 61,384,708</u>	<u>\$ 63,958,280</u>	<u>\$ 61,287,593</u>	<u>\$ 58,823,518</u>	<u>\$ 68,072,751</u>	<u>\$ 76,084,549</u>

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

	2015	2016	2017	2018
<b>Expenses</b>				
Governmental activities:				
General Government	\$ 10,812,062	\$ 9,974,716	\$ 10,328,168	\$ 3,548,805
Public Safety	5,274,035	5,402,779	5,501,986	5,791,918
Public Services	2,137,237	2,174,552	4,728,501	2,146,924
Environmental Protection	1,726,901	1,886,219	1,730,249	1,857,765
Streets and Drainage	-	-	545,888	310,542
Interest on long-term debt	226,348	143,298	40,122	41,470
Total Governmental activities expenses	<u>20,176,583</u>	<u>19,581,564</u>	<u>22,874,914</u>	<u>13,697,424</u>
Business-type activities:				
Water Fund	2,721,655	2,616,111	2,926,519	3,082,644
Storm Water Fund	70,127	102,667	875,662	-
Total Business-type activities expenses	<u>2,791,782</u>	<u>2,718,778</u>	<u>3,802,181</u>	<u>3,082,644</u>
Total primary government activities expenses	<u>\$ 22,968,365</u>	<u>\$ 22,300,342</u>	<u>\$ 26,677,095</u>	<u>\$ 16,780,068</u>
<b>Program revenues</b>				
Governmental activities:				
Charges for services:				
General Government	\$ 470,792	\$ 407,776	\$ 429,748	\$ 556,438
Public Safety	3,278	3,913	5,661	4,343
Public Works	-	-	-	-
Environmental Protection	-	-	-	-
Operating grants and contributions:				
General government	32,057	185,181	396,069	24,275
Public Safety	73,833	70,628	84,511	58,844
Public Services	24,000	24,000	38,720	24,000
Environmental Protection	-	30,000	92,574	-
Streets and Drainage	-	-	42,691	93,831
Capital grants and contributions:				
General Government	2,000,000	2,000,000	6,000	1,047,680
Public Safety	-	7,000	22,676	23,131
Public Services	253,784	136,076	999,257	185,000
Streets and Drainage	-	-	952,487	25,432
Total Governmental activities program revenues	<u>2,857,744</u>	<u>2,864,574</u>	<u>3,070,394</u>	<u>2,042,974</u>
Business-type activities:				
Charges for services:				
Water Fund	2,662,592	2,720,922	2,533,007	2,696,650
Storm Water Fund	116,184	233,540	-	-
Operating grants and contributions:				
Water Fund	-	-	-	-
Capital grants and contributions:				
Water Fund	162,500	102,500	104,500	145,000
Total Business-type activities program revenues	<u>2,941,276</u>	<u>3,056,962</u>	<u>2,637,507</u>	<u>2,841,650</u>
Total primary government activities program revenues	<u>\$ 5,799,020</u>	<u>\$ 5,921,536</u>	<u>\$ 5,707,901</u>	<u>\$ 4,884,624</u>

The Town adopted GASB Statement No. 73 for fiscal year 2016; prior years are not restated.

The Town adopted GASB Statement No. 73 for fiscal year 2017; prior years are not restated.

The Town adopted GASB Statement No. 75 for fiscal year 2018; prior years are not restated.

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

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

**TABLE 2**

	2019	2020	2021	2022	2023	2024
\$	8,197,403	\$ 12,396,326	\$ 12,504,708	\$ 12,715,848	\$ 13,554,409	\$ 4,702,243
	5,922,340	6,340,300	7,036,704	7,342,949	8,229,791	9,190,519
	2,390,713	2,616,743	2,158,949	2,991,500	3,254,269	3,544,884
	1,920,037	2,017,127	2,183,166	2,214,312	2,531,073	2,511,647
	318,282	381,747	267,697	286,284	339,067	496,075
	430,674	581,012	294,342	233,493	329,881	852,789
	<u>19,179,449</u>	<u>24,333,255</u>	<u>24,445,566</u>	<u>25,784,386</u>	<u>28,238,490</u>	<u>21,298,157</u>
	3,382,034	3,186,733	3,950,579	3,401,302	3,619,924	4,403,278
	-	-	-	-	-	-
	<u>3,382,034</u>	<u>3,186,733</u>	<u>3,950,579</u>	<u>3,401,302</u>	<u>3,619,924</u>	<u>4,403,278</u>
\$	<u>22,561,483</u>	<u>27,519,988</u>	<u>28,396,145</u>	<u>29,185,688</u>	<u>31,858,414</u>	<u>25,701,435</u>
\$	251,901	\$ 241,799	\$ 321,514	\$ 553,362	\$ 635,277	\$ 618,968
	33,147	19,946	34,925	41,131	30,662	125,503
	73,813	109,837	99,103	103,732	101,286	86,670
	7,459	3,688	1,661	4,352	224,668	227,662
	37,696	649,033	646,167	681,383	633,166	638,939
	100,179	189,960	71,984	127,808	72,056	159,037
	15,812	52,467	24,000	23,273	20,047	48,000
	17,222	60,898	-	-	10,000	15,000
	5,165	4,123	110,487	126,566	-	-
	17,726,292	7,726,152	58,943	762,190	12,636,151	790,292
	-	227,579	282,649	17,946	67,268	-
	512,450	-	169,458	-	-	636,850
	202,805	136,387	-	6,130	172,685	593,886
	<u>18,983,941</u>	<u>9,421,869</u>	<u>1,820,891</u>	<u>2,447,873</u>	<u>14,603,266</u>	<u>3,940,807</u>
	3,088,432	3,365,591	3,713,838	3,810,398	3,810,628	4,246,441
	-	-	-	-	-	-
	-	-	2,100	-	32,556	-
	22,461	10,496	64,930	518,324	506,837	115,255
	<u>3,110,893</u>	<u>3,376,087</u>	<u>3,780,868</u>	<u>4,328,722</u>	<u>4,350,021</u>	<u>4,361,696</u>
\$	<u>22,094,834</u>	<u>12,797,956</u>	<u>5,601,759</u>	<u>6,776,595</u>	<u>18,953,287</u>	<u>8,302,503</u>

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

	2015	2016	2017	2018
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (17,318,839)	\$ (16,716,990)	\$ (19,804,520)	\$ (11,654,450)
Business-type activities	149,494	338,184	(1,164,674)	(240,994)
Total primary government net expense	<u>\$ (17,169,345)</u>	<u>\$ (16,378,806)</u>	<u>\$ (20,969,194)</u>	<u>\$ (11,895,444)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes				
Property taxes levied for general purpose	\$ 6,245,990	\$ 6,302,099	\$ 7,067,172	\$ 7,147,201
Municipal service district taxes	1,826,183	1,823,812	-	1,412,472
Occupancy tax	2,637,450	2,637,733	2,572,622	2,419,390
Land transfer taxes	664,756	658,595	617,313	592,775
Sales taxes	2,343,993	2,486,409	2,533,000	2,339,634
Other taxes and licenses	68,143	60,313	65,435	60,239
Intergovernmental revenues not restricted	841,649	1,080,122	1,018,345	880,000
Net unrestricted investment earnings	75,122	113,379	86,867	98,515
Miscellaneous	188,115	187,746	187,262	59,916
Capital Contributions	-	-	-	-
Transfers	-	-	69,670	-
Total Governmental activities	<u>14,891,401</u>	<u>15,350,208</u>	<u>14,217,686</u>	<u>15,010,142</u>
Business-type activities				
Unrestricted investment earnings	21,810	31,578	21,271	22,186
Miscellaneous	19,211	2,120	4,490	2,951
Transfers	-	-	(69,670)	-
Total Business-type activities	<u>41,021</u>	<u>33,698</u>	<u>(43,909)</u>	<u>25,137</u>
Total primary government	<u>\$ 14,932,422</u>	<u>\$ 15,383,906</u>	<u>\$ 14,173,777</u>	<u>\$ 15,035,279</u>
<b>Change in Net Position</b>				
Governmental activities	(2,427,438)	(1,366,782)	(5,586,834)	3,355,692
Restatement - Governmental activities	(845,215)	192,818	(711,687)	(2,244,277)
Business-type activities	190,515	371,882	(1,208,583)	(215,857)
Restatement - Business-type activities	(74,897)	-	-	(231,674)
Total primary government change in net position	<u>\$ (3,157,035)</u>	<u>\$ (802,082)</u>	<u>\$ (7,507,104)</u>	<u>\$ 663,884</u>

Note:

The Town adopted GASB Statement No. 73 for fiscal year 2016; prior years are not restated.  
The Town adopted GASB Statement No. 73 for fiscal year 2017; prior years are not restated.  
The Town adopted GASB Statement No. 75 for fiscal year 2018; prior years are not restated.  
The Town adopted GASB Statement No. 87 for fiscal year 2022; prior years are not restated.  
The Town adopted GASB Statement No. 96 for fiscal year 2023; prior years are not restated.

**TABLE 2**

	2019	2020	2021	2022	2023	2024
\$	(195,508)	(14,911,386)	(22,624,675)	(23,336,513)	(13,635,224)	(17,357,350)
	(271,141)	189,354	(169,711)	927,420	730,097	(41,582)
\$	<u>(466,649)</u>	<u>(14,722,032)</u>	<u>(22,794,386)</u>	<u>(22,409,093)</u>	<u>(12,905,127)</u>	<u>(17,398,932)</u>
\$	7,456,247	7,785,799	8,222,813	8,938,833	9,000,291	10,387,674
	1,414,525	1,422,383	1,496,059	1,641,755	1,644,720	1,650,212
	2,870,519	2,741,871	4,152,935	4,457,313	4,624,217	4,673,981
	711,883	719,914	1,639,383	1,727,795	1,108,709	1,009,498
	2,721,543	2,761,461	3,546,353	3,995,689	4,395,996	4,468,229
	53,543	64,487	59,357	79,895	76,212	78,783
	960,846	932,135	918,654	952,365	1,007,408	1,085,828
	894,881	571,689	(124,386)	(1,648,548)	56,014	1,665,387
	188,465	213,856	229,691	91,292	196,495	102,058
	-	-	-	-	-	-
	-	-	-	-	1,533	-
	<u>17,272,452</u>	<u>17,213,595</u>	<u>20,140,859</u>	<u>20,236,389</u>	<u>22,111,595</u>	<u>25,121,650</u>
	116,854	79,816	(19,280)	(293,271)	42,798	286,488
	1,982	2,193	2,120	1,900	1,500	2,592
	-	-	-	-	(1,533)	-
	<u>118,836</u>	<u>82,009</u>	<u>(17,160)</u>	<u>(291,371)</u>	<u>42,765</u>	<u>289,080</u>
\$	<u>17,391,288</u>	<u>17,295,604</u>	<u>20,123,699</u>	<u>19,945,018</u>	<u>22,154,360</u>	<u>25,410,730</u>
	17,076,944	2,302,209	(2,483,816)	(3,100,124)	8,476,371	7,764,300
	-	-	-	-	-	-
	(152,305)	271,363	(186,871)	636,049	772,862	247,498
	-	-	-	-	-	-
\$	<u>16,924,639</u>	<u>2,573,572</u>	<u>(2,670,687)</u>	<u>(2,464,075)</u>	<u>9,249,233</u>	<u>8,011,798</u>

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

(modified accrual basis of accounting)

	2015	2016	2017	2018
General Fund				
Non-Spendable	\$ 71,433	\$ 78,175	\$ 55,000	\$ 66,336
Restricted	6,496,072	9,228,864	6,984,415	10,060,421
Committed	-	263,271	262,520	223,371
Assigned	317,500	74,169	275,503	450,000
Unassigned	5,738,240	5,398,644	6,579,895	6,378,688
Total General Fund	<u>\$ 12,623,245</u>	<u>\$ 15,043,123</u>	<u>\$ 14,157,333</u>	<u>\$ 17,178,816</u>
All Other Governmental Funds				
Restricted	\$ 301,156	\$ 38,146	\$ 1,511,112	\$ 1,407,064
Committed	11,914	-	787,241	700,810
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 313,070</u>	<u>\$ 38,146</u>	<u>\$ 2,298,353</u>	<u>\$ 2,107,874</u>

Note:

The Town adopted GASB Statement No. 73 for fiscal year 2016; prior years are not restated.  
The Town adopted GASB Statement No. 73 for fiscal year 2017; prior years are not restated.  
The Town adopted GASB Statement No. 75 for fiscal year 2018; prior years are not restated.  
The Town adopted GASB Statement No. 87 for fiscal year 2022; prior years are not restated.  
The Town adopted GASB Statement No.96 for fiscal year 2023; prior years are not restated.

**TABLE 3**

2019	2020	2021	2022	2023	2024
\$ 73,868	\$ 72,625	\$ 73,819	\$ 112,860	\$ 153,000	\$ 118,590
20,760,822	11,135,803	11,184,939	9,405,616	12,950,862	16,064,073
189,105	125,744	53,702	-	-	-
411,332	-	316,712	3,275,000	350,000	400,000
6,981,462	8,634,215	8,185,984	6,294,383	8,562,014	7,995,703
<u>\$ 28,416,589</u>	<u>\$ 19,968,387</u>	<u>\$ 19,815,156</u>	<u>\$ 19,087,859</u>	<u>\$ 22,015,876</u>	<u>\$ 24,578,366</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	4,477,581	4,491,839	14,727,213	5,720,231
17,889,355	2,386,849	-	-	-	-
-	-	-	-	-	-
<u>\$ 17,889,355</u>	<u>\$ 2,386,849</u>	<u>\$ 4,477,581</u>	<u>\$ 4,491,839</u>	<u>\$ 14,727,213</u>	<u>\$ 5,720,231</u>

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

	2015	2016	2017	2018
<b>Revenues</b>				
Ad valorem taxes	\$ 8,073,532	\$ 8,138,686	\$ 7,067,296	\$ 8,559,752
Other taxes and licenses	5,723,727	5,866,657	5,799,168	5,411,329
Unrestricted intergovernmental revenues	841,649	1,080,122	1,018,345	880,000
Restricted intergovernmental revenues	2,366,589	2,428,829	1,742,369	1,283,785
Permits and fees	307,544	281,000	325,505	367,214
Sales and services	3,278	3,913	92,226	69,837
Net investment earnings	75,122	113,380	86,867	98,515
Other revenues	368,451	281,436	214,459	186,555
Total revenues	<u>17,759,892</u>	<u>18,194,023</u>	<u>16,346,235</u>	<u>16,856,987</u>
<b>Expenditures</b>				
General government	3,835,487	2,732,414	3,042,364	2,798,124
Public safety	4,951,779	4,978,495	5,076,316	5,355,905
Environmental protection	1,463,177	1,637,808	1,527,864	1,589,536
Public works	1,605,570	1,644,467	1,594,503	1,548,039
Streets and Drainage	-	-	141,859	69,318
Debt service				
Principal	4,454,715	4,581,963	1,053,956	1,216,638
Interest	226,348	131,632	38,150	37,307
Capital Outlay	1,737,968	1,601,067	3,577,748	2,523,113
Total expenditures	<u>18,275,044</u>	<u>17,307,846</u>	<u>16,052,760</u>	<u>15,137,980</u>
Excess (deficiency) of revenues over expenditures	(515,152)	886,177	293,475	1,719,007
<b>Other financing sources (uses)</b>				
Installment financing	753,132	1,015,819	988,525	1,090,403
Limited obligation bond issuances	-	-	-	-
Limited obligation bond issuance premiums	-	-	-	-
Transfers from other funds	-	139,373	2,743,952	12,000
Transfers to other funds	-	(139,373)	(2,674,282)	(12,000)
Insurance recovery	-	-	-	-
IT subscription agreement	-	-	-	-
Sale of Capital Assets	-	50,140	22,747	21,594
Total other financing sources	<u>753,132</u>	<u>1,065,959</u>	<u>1,080,942</u>	<u>1,111,997</u>
Net change in fund balances	<u>\$ 237,980</u>	<u>\$ 1,952,136</u>	<u>\$ 1,374,417</u>	<u>\$ 2,831,004</u>
Debt service as a percentage of non-capital expenditures	28.31%	30.01%	8.75%	9.94%

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

**TABLE 4**

	2019	2020	2021	2022	2023	2024
\$	8,869,938	\$ 9,199,976	\$ 9,724,927	\$ 10,582,398	\$ 10,646,369	\$ 12,037,602
	6,366,165	6,288,313	9,398,513	10,260,892	10,205,374	10,230,266
	960,846	932,135	918,654	952,365	1,007,408	1,085,828
	18,564,123	9,036,209	1,349,356	1,729,336	13,611,373	2,782,004
	300,228	268,293	358,100	388,634	640,052	712,950
	66,091	106,977	99,103	313,943	351,839	345,853
	894,881	571,689	(124,386)	(1,648,548)	56,014	1,665,387
	185,920	191,700	207,365	82,619	72,831	158,080
	<u>36,208,192</u>	<u>26,595,292</u>	<u>21,931,632</u>	<u>22,661,639</u>	<u>36,591,260</u>	<u>29,017,970</u>
	2,996,329	3,170,729	3,115,138	3,342,466	3,394,010	3,854,008
	5,418,519	5,526,696	6,091,021	6,633,356	7,121,801	8,013,026
	1,653,298	1,749,846	1,820,910	1,851,026	2,110,238	2,119,891
	1,626,009	1,756,630	1,932,203	2,256,872	2,363,205	2,595,402
	50,875	110,240	38,979	55,498	90,138	66,500
	1,293,230	20,022,960	3,816,919	3,818,546	3,627,713	3,357,482
	41,431	826,491	340,777	247,532	223,685	907,256
	<u>25,960,813</u>	<u>19,638,796</u>	<u>4,247,851</u>	<u>8,222,328</u>	<u>19,295,880</u>	<u>14,663,670</u>
	<u>39,040,504</u>	<u>52,802,388</u>	<u>21,403,798</u>	<u>26,427,624</u>	<u>38,226,670</u>	<u>35,577,235</u>
	(2,832,312)	(26,207,096)	527,834	(3,765,985)	(1,635,410)	(6,559,265)
	29,831,220	2,223,843	1,373,008	3,028,313	-	-
	-	-	-	-	12,404,000	-
	-	-	-	-	1,968,254	-
	1,750,000	-	-	-	1,380,289	-
	(1,750,000)	-	-	-	(1,380,289)	-
	-	-	-	-	4,618	21,632
	-	-	-	-	302,881	70,795
	<u>20,345</u>	<u>32,546</u>	<u>36,658</u>	<u>24,633</u>	<u>119,048</u>	<u>22,346</u>
	<u>29,851,565</u>	<u>2,256,389</u>	<u>1,409,666</u>	<u>3,052,946</u>	<u>14,798,801</u>	<u>114,773</u>
\$	<u>27,019,254</u>	<u>(23,950,707)</u>	<u>1,937,500</u>	<u>(713,039)</u>	<u>13,163,391</u>	<u>(6,444,492)</u>
	10.20%	62.87%	24.23%	22.33%	20.34%	20.39%

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
2015	Town Tax	6,144,915	6,139,249	99.908%	5,587	6,144,836	99.999%
	MSD	1,826,688	1,826,094	99.970%	594	1,826,688	100.000%
2016	Town Tax	6,183,302	6,182,422	99.986%	830	6,183,252	99.999%
	MSD	1,826,763	1,826,761	100.000%	-	1,826,761	100.000%
2017	Town Tax	6,940,569	6,940,373	99.997%	52	6,940,425	99.998%
	MSD	-	-	-	-	-	-
2018	Town Tax	7,013,398	7,012,961	99.994%	261	7,013,222	99.997%
	MSD	1,408,776	1,408,775	100.000%	-	1,408,775	100.000%
2019	Town Tax	7,316,246	7,314,496	99.976%	1,548	7,316,044	99.997%
	MSD	1,410,251	1,410,249	100.000%	-	1,410,249	100.000%
2020	Town Tax	7,636,229	7,626,449	99.872%	9,091	7,635,540	99.991%
	MSD	1,417,273	1,416,659	99.957%	614	1,417,273	100.000%
2021[1]	Town Tax	8,066,495	8,062,721	99.953%	2,710	8,065,431	99.987%
	MSD	1,490,916	1,490,914	100.000%	-	1,490,914	100.000%
2022	Town Tax	8,781,194	8,780,313	99.990%	81	8,780,394	99.991%
	MSD	1,629,822	1,629,814	99.999%	1	1,629,814	99.999%
2023	Town Tax	8,817,725	8,817,045	99.992%	-	8,817,045	99.992%
	MSD	1,636,362	1,636,360	100.000%	-	1,636,360	100.000%
2024	Town Tax	10,170,543	10,169,059	99.985%	[2]	10,169,059	99.985%
	MSD	1,642,260	1,642,250	99.999%	[2]	1,642,250	99.999%

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

[2] Not applicable.

**TABLE 6**

**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					
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
2018	2,278,240,948	60,597,638	43,120,308	21,148,487	2,403,107,381	0.2970	88.93%	2,702,246,015
2019	2,295,555,798	63,861,050	44,180,248	21,769,329	2,425,366,425	0.3070	83.49%	2,904,978,351
2020	2,315,518,798	69,294,281	44,828,004	22,078,064	2,451,719,147	0.3170	102.57%	2,390,288,727
2021	2,950,695,331	69,509,322	54,412,251	22,545,724	3,097,162,628	0.2650	99.91%	3,099,952,585
2022	2,958,509,981	70,980,064	55,099,553	22,499,186	3,107,088,784	0.2875	79.11%	3,927,555,030
2023	2,971,566,181	70,306,469	61,528,673	23,392,181	3,126,793,504	0.2875	63.20%	4,947,458,076
2024	3,019,980,093	37,335,410	64,284,085	22,654,828	3,144,254,416	0.33	60.76%	5,174,875,602

Notes: The levy of property taxes each year is based on the assessed value of taxable property as of January 1, before the beginning of the fiscal year on July 1. Revaluation of real property in Dare County was completed on January 1, 2020 (previous revaluation was January 1, 2013). The assessed values reported are those adjusted amounts reported as of June 30 for each particular year. Subsequent year changes to the levy are not reflected in this table.

- [1] Residential and commercial real property breakdowns are not available.
- [2] Public service companies valuations are provided to the Town by the NC Department of Revenue.
- [3] Tax rates are expressed in dollars of tax per \$100 of assessed value.
- [4] The estimated market value is calculated by dividing the assessed value by a sales-to-assessment ratio determined annually by the NC Department of Revenue. The ratio is based on samples of actual property sales which took place during the fiscal year.

**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]
2015	0.2670 Town Wide Rate 0.2300 MSD Rate	0.43
2016	0.2670 Town Wide Rate 0.2300 MSD Rate	0.43
2017	0.2970 Town Wide Rate 0.0000 MSD Rate	0.43
2018	0.2970 Town Wide Rate 0.1750 MSD Rate	0.47
2019	0.3070 Town Wide Rate 0.1750 MSD Rate	0.47
2020	0.3170 Town Wide Rate 0.1750 MSD Rate	0.47
2021	0.265 Town Wide Rate 0.1430 MSD Rate	0.4005
2022	0.2875 Town Wide Rate 0.143 Dist 1 MSD Rate 0.143 Dist 2 MSD Rate 0.005 Dist 3 MSD Rate 0.01 Dist 4 MSD Rate 0.000 Dist 5 MSD Rate 0.005 Dist 6 MSD Rate	0.4005
2023	0.2875 Town Wide Rate 0.143 Dist 1 MSD Rate 0.143 Dist 2 MSD Rate 0.005 Dist 3 MSD Rate 0.01 Dist 4 MSD Rate 0.000 Dist 5 MSD Rate 0.005 Dist 6 MSD Rate	0.4005
2024	0.3300 Town Wide Rate 0.143 Dist 1 MSD Rate 0.143 Dist 2 MSD Rate 0.005 Dist 3 MSD Rate 0.01 Dist 4 MSD Rate 0.000 Dist 5 MSD Rate 0.005 Dist 6 MSD Rate	0.4005

[1] All tax rates are expressed in dollars of tax per \$100 of assessed valuation.

[2] Town of Nags Head Tax and Finance Department.

[3] Dare County Tax Assessment Office.

**TABLE 8**

**TOWN OF NAGS HEAD, NORTH CAROLINA**  
**PRINCIPAL PROPERTY TAXPAYERS (by Assessed Value)**  
**Current Year and Nine Years Ago**

<b>Taxpayer</b>	<b>June 30, 2024</b>			<b>June 30, 2015</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percent of Total Assessed Valuation</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percent of Total Assessed Valuation</b>
Dominion NC Power	\$ 18,896,301	1	0.61%	\$ 17,011,079	1	0.74%
SRE Mustang (previously Tanger)	14,961,780	2	0.49%	9,358,198	10	0.41%
Nags Head Company, LLC	14,123,976	3	0.46%	9,512,004	9	0.41%
Golasa Holdings LLC	12,225,484	4	0.40%			
Ocean Carolina, LLC	11,741,852	5	0.38%			
Brian K. Newman	10,773,676	6	0.35%	13,305,206	4	0.58%
Stanford M. White	10,720,597	7	0.35%	13,844,397	3	0.60%
The Outer Banks Hospital, Inc.	10,678,800	8	0.35%			
Mildred Roughton	10,127,028	9	0.33%	14,536,674	2	0.63%
Clubcorp Golf of North Carolina				10,960,861	8	0.48%
Surf Side Realty LLC	9,937,126	10	0.32%			
The Lacour Group, LLC				12,769,944	5	0.56%
Kenneth Simpler				12,760,255	6	0.55%
Nags Head Inn				12,696,768	7	0.55%
	<u>\$ 124,186,620</u>		<u>4.03%</u>	<u>\$ 126,755,386</u>		<u>5.51%</u>

Assessed values provided by Dare County Tax Department

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

Fiscal Year	Outstanding Debt						
	Governmental Activities				Business-type Activities		
	Installment Financing	Direct	Direct	Lease Liability	IT Subscription Liability	Installment Financing	Direct
		Borrowing Installment Finance Purchases	Placement Installment Finance Purchases				Borrowing Installment Finance Purchases
2015	-	2,261,807	3,600,000	-	-	-	411,700
2016	-	2,295,663	-	-	-	-	322,838
2017	-	2,230,231	-	-	-	-	261,234
2018	-	2,103,996	-	-	-	-	146,783
2019	-	3,028,149	27,613,837	-	-	-	34,371
2020	-	3,738,869	9,104,000	-	-	-	59,945
2021	-	3,570,958	6,828,000	-	-	-	79,295
2022	-	5,097,186	4,552,000	99,542	-	-	40,799
2023	14,372,254	3,850,098	2,276,000	59,446	238,355	5,316,615	12,582
2024	14,273,841	2,897,703	-	6,646	211,098	5,286,084	6,291

Notes: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

[1] See Table 6 - Assessed value and estimated actual value of taxable property for estimated actual taxable property value.

[2] See Table 12 - Demographic and Economic Statistics for personal income and population data.

\* Information Unavailable

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

**TABLE 9**

Total Primary Government	Percent of Estimated		Per Capita [2]	Percent of Personal Income [2]
	Governmental Activities	Total		
6,273,507	0.24%	0.26%	2,151	4.43%
2,618,501	0.09%	0.10%	886	1.80%
2,491,465	0.08%	0.09%	837	1.57%
2,250,779	0.08%	0.08%	752	1.33%
30,676,357	1.05%	1.06%	10,198	17.68%
12,902,814	0.54%	0.54%	4,204	7.10%
10,478,253	0.34%	0.34%	3,300	4.79%
9,789,527	0.25%	0.25%	3,083	4.00%
26,125,350	0.42%	0.53%	8,061	*
22,681,663	0.33%	0.44%	7,016	*

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

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Assessed Value of Property	\$ 2,332,706,201	\$ 2,351,897,661	\$ 2,376,353,295	\$ 2,403,107,381
Debt Limit, 8% of Assessed Value (Statutory Limitation)	\$ 186,616,496	\$ 188,151,813	\$ 190,108,264	\$ 192,248,590
Amount of debt applicable to limit				
Gross debt	\$ 6,273,507	\$ 2,618,501	\$ 2,491,465	\$ 2,250,779
Total net debt applicable to limit	\$ 6,273,507	\$ 2,618,501	\$ 2,491,465	\$ 2,250,779
Legal Debt Margin	<u>\$ 180,342,989</u>	<u>\$ 185,533,312</u>	<u>\$ 187,616,799</u>	<u>\$ 189,997,811</u>
Total net debt applicable to the limit as a percentage of debt limit	3.36%	1.39%	1.31%	1.17%
Total net debt applicable to the limit as a percentage of assessed value	0.27%	0.11%	0.10%	0.09%

Note: NC General Statute 159-55 limits the Town's outstanding debt to 8% of the appraised value of property subject to taxation. The following deductions are made from gross debt to arrive at net debt applicable to limit:

Money held for payment of principal; debt incurred for water, sewer, gas, or electric power purposes; uncollected special assessments, funding and refunding bonds not yet issued; and revenue bonds.

The legal debt margin is the difference between the debt limit and the Town's net debt outstanding applicable to the limit, and represents the Town's legal borrowing authority.

NC General Statute 159-55 requires the use of par values of debt, therefore related amounts of original issue discounts and premiums and deferred amounts on refunding are excluded from this schedule.

**TABLE 10**

<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
\$ 2,425,366,425	\$ 2,451,719,147	\$ 3,097,162,628	\$ 3,107,088,784	\$ 3,126,793,504	\$ 3,144,254,416
\$ 194,029,314	\$ 196,137,532	\$ 247,773,010	\$ 248,567,103	\$ 250,143,480	\$ 251,540,353
\$ <u>30,676,357</u>	\$ <u>12,902,814</u>	\$ <u>10,478,253</u>	\$ <u>9,689,985</u>	\$ <u>26,125,350</u>	\$ <u>22,681,663</u>
\$ 30,676,357	\$ 12,902,814	\$ 10,478,253	\$ 9,689,985	\$ 26,125,350	\$ 22,681,663
\$ <u><u>163,352,957</u></u>	\$ <u><u>183,234,718</u></u>	\$ <u><u>237,294,757</u></u>	\$ <u><u>238,877,118</u></u>	\$ <u><u>224,018,130</u></u>	\$ <u><u>228,858,690</u></u>
15.81%	6.58%	4.23%	3.90%	10.44%	9.02%
1.26%	0.53%	0.34%	0.31%	0.84%	0.72%

**TABLE 11**

**TOWN OF NAGS HEAD, NORTH CAROLINA**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2024**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable [1]</u>	<u>Estimated Share of Overlapping Debt</u>
Dare County	\$ 147,509,245	18.08%	\$ 26,673,947
Town of Nags Head direct debt			17,389,288
Total direct and overlapping debt			<u>44,063,235</u>

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

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

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

TABLE 12

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

Fiscal Year	TOWN OF NAGS HEAD		DARE COUNTY		
	Population [1]	Personal Income [5]	Per Capita Personal Income [4]	School Enrollment [3]	Unemployment Percentage Rate [2]
2015	2,916	141,723,432	48,602	4,921	8.1%
2016	2,954	145,478,592	49,248	4,944	6.8%
2017	2,977	159,016,455	53,415	5,117	6.8%
2018	2,994	168,604,116	56,314	5,151	5.9%
2019	3,008	173,525,504	57,688	5,233	5.1%
2020	3,069	181,807,560	59,240	5,367	8.2%
2021	3,175	218,716,225	68,887	5,131	6.9%
2022	3,213	244,509,300	76,100	5,140	4.8%
2023	3,241	*	*	5,109	4.3%
2024	3,233	*	*	5,022	4.0%

[1] North Carolina Demographer's Office.

[2] Employment Security Commission. Unadjusted

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

[4] Bureau of Economic Analysis. Updated 11/16/2023

[5] Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.

\* - Information unavailable

**TOWN OF NAGS HEAD, NORTH CAROLINA  
PRINCIPAL EMPLOYERS,  
Current Year and Nine Years Ago**

Employers	June 30, 2024			June 30, 2015		
	Employees [1]	Rank [2]	Percent of Total Town Employment	Employees [1]	Rank [3]	Percent of Total Town Employment
Dare County Schools	500 - 999	1	*	500 - 999	1	*
Pitt County Memorial Hospital	250 - 499	2	*	250 - 499	4	*
Food Lion	250 - 499	3	*	250 - 499	2	*
Village Realty			*	250 - 499	3	*
Town of Nags Head	100 - 249	4	*	100 - 249	7	*
Kitty Hawk Kites	100 - 249	5	*	100 - 249	5	*
State of NC Dept of Cultural Resources	100 - 249	6	*	100 - 249	6	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*

[1] Employment data is only available in ranges from the North Carolina Employment Security Commission.  
 [2] Employment data is only available in rank 1-6 from the North Carolina Employment Security Commission.  
 [3] Employment data is only available in rank 1-7 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**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Function/Program</b>										
General government										
Administration	6	6	6 3/4	7 1/2	7 1/2	6 3/4	5 3/4	5	5	5
Administrative Services	6	6	6	6	6	6	7	5 1/2	5 1/2	5 1/2
Information Technology	2	2	2	2	1	1	1	1	1	1
Planning and Development	8	8 1/2	8 1/2	9	9 1/2	10 3/4	10 3/4	10 1/4	10 1/4	10 1/4
Seasonal	-	-	-	-	-	-	-	-	-	1
Public Safety										
Police	24	25	25	25	25	25	25	25	27	27
Fire	27	27	27	27	27	27 1/3	27 1/3	27 1/3	27 1/3	27 1/3
Ocean Rescue	24	24	26	26	26	25 2/3	50 2/3	25 2/3	25 2/3	25 2/3
Year-round	1	1	1	1	1	2/3	2/3	2/3	2/3	2/3
Seasonal Lifeguards	23	23	25	25	25	25	25	25	25	25
Environmental Protection										
Solid Waste	10	10	10	11	11	11 1/2	9 1/2	9 1/2	9 1/2	10 1/2
Public Works										
Administration	4	4	3	2 3/4	2 3/4	2 3/4	2 3/4	4 1/4	3 1/2	3 1/2
Facilities Maintenance	9 1/2	10 1/2	10 1/2	11	12	12 1/2	13	12	13	13
Garage	4	4	4	4	4	4	4	4	4	4
Water										
Water Administration	1 1/2	1 1/2	1 1/2	2 1/2	2 1/2	2 1/4	2 1/4	2 1/2	2 1/4	2 1/4
Septic Health	1	1/2	1/2	1/2	1/2	1/2	1/2	1/2	1/2	1/2
Water Operations	4	4	4	4	5	5	5	5	4	4
Water Distribution	5	5	5	5	5	5	5	5	5	5

Source: Town of Nags Head Administrative Services Department  
 Note: This schedule represents number of positions authorized per the budget ordinance as of July 1 of each year. Vacant positions are included in the above numbers.

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

	2015	2016	2017	2018
Population	2,916	2,954	2,977	2,994
Police:				
Crime Activity: Reported				
Rape (includes attempts):	11	3	3	1
Robbery (includes attempts):	-	1	1	2
Assaults (felonious & misdemeanor):	65	85	98	77
Burglary(breaking/entering-structures):	150	98	112	111
Larceny:	191	201	106	116
Auto Larceny:	7	6	8	5
Arson/unlawful burnings:	2	4	-	1
All other crimes (unspecified above):	493	395	532	375
Total Crime:	919	793	860	688
Traffic Activity:				
Traffic Accidents	269	251	266	258
Driving while impaired arrests	56	53	50	68
General traffic violations-citation	1,150	1,406	1,746	1,714
General traffic violations-warning	1,291	1,938	2,190	2,408
Parking violations-citation issued	1	1	2	7
All other traffic-related, non-violation	43	46	108	45
Total Traffic	2,810	3,695	4,362	4,500
General Calls for Service:				
Police calls-emergency status, non-emergency, traffic control	10,584	11,760	11,244	17,156
Animal control calls	304	355	265	667
Total General Calls for Service	10,888	12,115	11,509	17,823
Total all Police/Animal Control Activity	14,617	16,603	16,731	23,011

Source: Budget documents and individual Town departments.

**TABLE 15**

2019	2020	2021	2022	2023	2024
3,008	3,069	3,175	3,213	3,241	3,233
4	2	3	2	2	1
-	1	1	-	-	-
74	73	75	88	75	51
46	17	42	31	84	39
94	96	87	50	58	97
2	3	5	10	2	1
-	1	-	-	-	-
249	198	207	177	209	513
469	391	420	358	430	702
258	229	233	229	219	221
47	37	40	77	66	64
1,067	2,148	1,019	565	1,643	1,765
1,891	1,384	1,103	1,493	1,822	2,262
2	19	129	229	191	83
61	208	245	222	1,185	456
3,326	4,025	2,769	2,815	5,126	4,851
14,590	11,711	14,066	14,613	13,724	16,628
661	635	716	635	579	696
15,251	12,346	14,782	15,248	14,303	17,324
19,046	16,762	17,971	18,421	19,429	22,877

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

	2015	2016	2017	2018
<b>Fire:</b>				
Number of volunteers	16	12	9	10
Number of calls answered	918	882	1,116	1,092
Total dollar loss	\$ 716,650	\$ 457,150	\$ 1,273,400	\$ 142,700
Total dollar property and content saved	\$ 3,190,600	\$ 4,809,750	\$ 7,939,200	\$ 9,222,715
<b>Planning:</b>				
<b>Building permits:</b>				
One and Two Family Dwellings	48	33	31	45
Residential multi-family	-	1	-	-
Commercial/Government/Other	1	-	3	4
<b>Miscellaneous:</b>				
Accessory Structure	351	416	348	339
Addition	59	42	38	40
Demolition	22	14	35	17
Move	16	6	6	7
Remodel	6	6	-	-
Repair	58	47	66	67
Trade Permits:	190	301	203	208
Electrical	447	533	538	571
Gas	27	31	41	31
Mechanical	446	454	468	485
Plumbing	123	112	129	135
Sprinkler	7	7	6	13
Number of CAMA permits issued	45	71	54	65
Number of land disturbance permits issued	23	34	19	35
Number of certificates of occupancy issued	42	30	38	34
<b>Site plan reviews:</b>				
Commercial	4	5	3	12
Residential	*	*	*	*
Number of zoning amendments	12	11	10	9
Number of variance applications	2	2	6	2
Number of exempt plats issued	-	1	2	2
Number of code compliance inspections	198	193	1,430	1,315

\* Information Unavailable

Source: Budget documents and individual Town departments.

**TABLE 15**

	2019	2020	2021	2022	2023	2024
	8	4	3	3	4	8
	1,057	958	990	1,091	1,045	1,166
\$	\$ 1,391,700	\$ 266,050	\$ 290,400	\$ 365,150	\$ 345,950	\$ 385,500
\$	\$ 8,947,900	\$ 3,945,550	\$ 7,539,800	\$ 5,556,650	\$ 9,902,450	\$ 802,100
	25	13	24	23	24	23
	-	-	-	-	-	-
	4	2	-	1	2	-
	425	437	431	473	550	497
	46	46	51	48	51	42
	21	17	29	24	30	29
	6	2	7	9	3	6
	-	-	-	-	-	1
	92	98	132	129	134	126
	260	274	212	263	332	293
	492	424	545	506	633	661
	23	21	37	23	34	37
	434	373	443	383	446	430
	100	92	96	69	104	129
	4	3	3	4	4	5
	59	30	31	28	37	39
	21	38	71	54	49	53
	40	23	19	21	25	23
	8	6	1	6	7	2
	*	*	*	*	*	*
	5	10	13	9	8	6
	1	5	8	4	-	4
	2	2	3	2	3	3
	1,064	774	883	773	813	349

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

	2015	2016	2017	2018
Planning continued:				
Total building permit fees	\$ 221,100	\$ 201,576	\$ 199,232	\$ 229,929
Total site plan review fees	\$ 12,538	\$ 10,290	\$ 35,727	\$ 36,193
Total CAMA permit fees	\$ 5,300	\$ 8,600	\$ 5,300	\$ 7,400
Total construction valuation	\$ 36,682,703	\$ 29,925,081	\$ 30,640,450	\$ 36,335,579
Septic Health:				
Tank Inspections	324	298	281	283
Tanks Pumped	43	54	59	101
Water Quality Sites Tested	253	322	299	285
Refuse collection:				
Refuse collection (tons)	8,225.68	8,253.29	8,593.27	8,568.64
Bulk (tons)	703.52	423.83	628.82	485.52
Water:				
Number of new services	60.0	31.0	36.0	38.0
Number of new customers	248.0	236.0	250.0	248.0
Daily consumption (million gallons)	1.2	1.1	1.2	1.2
Maximum daily capacity of plant(million gallons)	7.9	7.9	7.9	7.9
Maximum contracted per day(million gallons)	3.5	3.5	3.5	3.5

\* Information Unavailable

Source: Budget documents and individual Town departments.

**TABLE 15**

	2019	2020	2021	2022	2023	2024
\$	190,236	\$ 189,016	\$ 221,005	\$ 234,818	\$ 257,124	\$ 248,075
\$	8,442	\$ 10,930	\$ 15,822	\$ 15,558	\$ 41,700	\$ 36,910
\$	5,900	\$ 3,900	\$ 3,700	\$ 3,400	\$ 4,400	\$ 3,900
\$	25,775,548	\$ 20,393,237	\$ 26,197,676	\$ 34,023,378	\$ 55,458,266	\$ 38,807,043
	376	40	171	110	142	110
	78	132	94	48	118	119
	299	259	230	181	254	133
	8,209.21	7,873.47	9,924.64	9,308.65	8,448.10	8,104.47
	522.26	567.16	887.25	748.39	791.91	709.13
	41.0	19.0	25.0	22.0	32.0	21.0
	279.0	351.0	619.0	499.0	380.0	335.0
	1.3	1.0	1.2	1.2	1.1	0.9
	7.9	7.9	7.9	7.9	7.9	7.9
	3.5	3.5	3.5	3.5	3.5	3.5

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

<b>Function/Program</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Police stations	1	1	1	1
Fire stations	2	2	2	2
Ocean rescue facilities	1	1	1	1
Refuse collection				
Collection trucks	15	16	16	18
Other public works				
Paved streets (miles)	34.82	34.82	34.77	34.77
Unpaved streets (miles)	2.36	2.36	2.36	2.36
Street lights	427	427	427	427
Parks and recreation				
Number of parks	2	2	2	2
Number of soccer fields	1	1	1	1
Number of bath houses	4	4	4	4
Number of piers				
Ocean (private)	2	2	2	2
Ocean (State)	1	1	1	1
Number of ocean beach accesses				
Local (public)	44	44	44	44
Number of sound accesses (public)	5	5	5	5
Bike path mileage	11.0	11.0	11.0	11.0
Water				
Plants	1	1	1	1
Water mains (miles)	101.64	102.02	102.15	102.20
Fire hydrants	550	550	550	557
Water storage capacity:				
Ground (million gallons)	1.0	1.0	1.0	1.0
Elevated (million gallons)	1.0	1.0	1.0	1.0

Source: Budget documents and individual Town departments.

**TABLE 16**

2019	2020	2021	2022	2023	2024
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
20	17	17	19	20	22
34.77	34.77	34.94	34.94	35.24	35.24
2.36	2.36	2.37	2.37	2.37	2.37
427	427	427	427	595	609
3	3	3	3	3	3
1	1	1	1	1	1
4	4	4	4	4	4
2	2	2	2	2	2
1	1	1	1	1	1
44	44	44	44	44	44
5	5	5	5	5	5
11.0	15.3	15.7	15.7	15.7	15.7
1	1	1	1	1	1
102.20	102.5	103	104.0	104	104
559	553	562	563	542	561
1.0	1.0	1.0	1.0	1	1
1.0	1.0	1.0	1.0	1	1

## **COMPLIANCE SECTION**

The **Compliance Section** has been prepared in accordance with the Federal Single Audit Act of 1984, the Federal Single Audit Act Amendments of 1996, U.S. Office of Management and Budget Circular A-133, the Audit Manual for Governmental Auditors in North Carolina and North Carolina General Statute 159-34 which established audit requirements for local government units that receive Federal and State financial assistance.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Independent Auditors' Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nags Head, North Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprises the Town of Nags Head's basic financial statements, and have issued our report thereon dated November 22, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

***Potter & Company, P.A.***

November 22, 2024  
Monroe, North Carolina



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

**Independent Auditors' Report**

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

**Report on Compliance for Each Major State Program**

**Opinion on Each Major State Program**

We have audited the Town of Nags Head, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town of Nags Head's major State programs for the year ended June 30, 2024. The Town of Nags Head's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Nags Head complied, in all material respects, with the types compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2024.

**Basis for Opinion on Each Major State Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Nags Head and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Town of Nags Head's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

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

## **Auditors' Responsibilities for the Audit of Compliance**

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

## **Report on Internal Control Over Compliance**

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

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

internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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

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

*Potter & Company, P.A.*

November 22, 2024  
Monroe, North Carolina

**TOWN OF NAGS HEAD, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Fiscal Year Ended June 30, 2024**

---

**Section I. Summary of Auditors' Results**

---

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted.

yes  no

State Awards

Internal control over major State Programs:

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

Noncompliance material to State awards.

yes  no

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

Any audit findings disclosed that are required to be reported in  
accordance with the State Single Audit Implementation Act.

yes  no

Identification of major State programs:

Program Name

Division of Coastal Management  
Rural Development Division

**TOWN OF NAGS HEAD, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Fiscal Year Ended June 30, 2024**

---

**Section II. Financial Statement Findings**

---

None reported.

---

**Section III. Federal Award Findings and Questioned Costs**

---

N/A

---

**Section IV. State Award Findings and Questioned Costs**

---

None reported.

**TOWN OF NAGS HEAD, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**For The Fiscal Year Ended June 30, 2024**

Finding: 2023-001  
Status: Corrected.

**Town of Nags Head, North Carolina  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2024**

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
<b>Federal Awards:</b>					
<u>U.S. Department of Commerce</u>					
Passed through N.C. Department of Environmental Quality: Division of Coastal Management					
Minor Permit Program Administration	11.473	DEQ	\$ 3,800	\$ -	\$ -
<u>U.S. Department of Homeland Security</u>					
Passed through N.C. Department of Public Safety: Hazard Mitigation Grant Program					
	97.039	DPS-DEM	56,729	6,303	-
<u>U.S. Department of Justice</u>					
Direct Program:					
Bulletproof Vest Partnership Program	16.607		843	-	780
Equitable Sharing Program	16.922		9,609	-	-
Total U.S. Department of Justice			10,452	-	780
<u>U.S. Department of Treasury</u>					
Passed through the N.C. Department of Environmental Quality: State Fiscal Recovery Funds-American Recovery Plan Act (ARPA) Program					
	21.027-3	DEQ	138,773	-	-
<b>State Awards:</b>					
<u>N.C. Department of Environmental Quality</u>					
Division of Environmental Assistance and Customer Service		DEQ-14		15,000	3,396
Division of Air Quality		DEQ-31		5,000	-
Division of Coastal Management		DEQ-22		205,085	710,160
Division of Water Resources		DEQ-19		437,317	162,683
Total N.C. Department of Environmental Quality				662,402	876,239
<u>N.C. Department of Transportation</u>					
Powell Bill Program		DOT-4		120,171	204,075
<u>N.C. Department of Commerce</u>					
Rural Development Division		COM-9		250,000	452,407
Total Federal and State awards			\$ 209,754	\$ 1,038,876	\$ 1,533,501

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

**Note 1: Basis of Presentation**

Basis of presentation: The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the Federal and State grant activity of The Town of Nags Head under the programs of the federal government and the State of North Carolina for the year ended June 30, 2024. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of The Town of Nags Head, it is not intended to and does not present the financial position, changes in net position or cash flows of The Town of Nags Head.

**Note 2: Summary of Significant Accounting Policies**

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

**Note 3: Indirect Cost Rate**

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



TOWN OF  
**NAGS HEAD**



[nagsheadnc.gov](http://nagsheadnc.gov)



[TownofNagsHead](#)



[TownofNagsHead](#)



[TownofNagsHead](#)



[company/nagshead](#)



(252) 441-5508

5401 SOUTH CROATAN HIGHWAY, NAGS HEAD, NC 27959