
TOWN OF NAGS HEAD, NORTH CAROLINA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019

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

**Town of Nags Head
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30 2019**

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INTRODUCTORY SECTION

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Ben Cahoon
Mayor

Susie Walters
Mayor Pro Tem

Cliff Ogburn
Town Manager

Town of Nags Head

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M. Renée Cahoon
Commissioner

J. Webb Fuller
Commissioner

Michael Siers
Commissioner

November 22, 2019

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

The Local Government Commission of the North Carolina State Treasurer's Office requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principals (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Town of Nags Head for the fiscal year ended June 30, 2019.

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

The financial statements contained herein have been audited by Dowdy & Osborne, LLP, 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, 2019, 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, 2019, 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



Town of Nags Head

conjunction with it. The Town of Nags Head's MD&A can be found immediately following the report of the independent auditors.

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

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

The Town provides a full range of services. These services include tax collection, planning and inspections, police, animal control, fire and ocean rescue protection, sanitation and recycling, and the construction and maintenance of streets and infrastructure as well as 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, and Water Fund. Multi-year project budgets are adopted for Capital Project Funds. Appropriations in the General and Water Fund are made at the department level and at the project level for all Capital Project Funds. The Town Manager may transfer resources within a department as he sees fit. Transfers between departments, however, need special approval from the Board.

Local Economy. The Town's economy is based on travel, tourism and related service industries and is directly tied to national and local economies especially those in the mid-Atlantic region. Nags Head remains one of the most desirable destinations in the country. The result is that tourists and vacationers not only come to our area during the busy summer season, but are also visiting the Outer Banks during the non-peak months of March through May and September through November. The longer tourist season has extended and increased rental income and other economic benefits to local businesses. The Town's travel and tourism industry not only encompasses those revenues that have a direct relationship, such as sales and occupancy taxes, but also revenues related to property transactions and construction, such as land transfer tax, as the majority of those activities come from non-residents and residential construction for rental



Town of Nags Head

purposes. This steady stream of income has helped to maintain a healthy balance in the tax base that has enabled the Town to keep property tax rates at moderate levels while providing the infrastructure and high level of services demanded by citizens. In planning for the future, the Town continues to maintain a high priority on both the delivery of quality services and financial stability.

Long-term financial planning

To allow for strategic planning and provide a basis for future fiscal policy decision making, the Board of Commissioners annually adopts a five-year Capital Improvements Plan (CIP) for General Fund projects and a ten-year CIP for Water Fund projects. The CIP addresses all major capital improvements including new capital asset acquisition requests, replacement items, and studies for future requests. The first year of the adopted CIP is a basis of formal fiscal year appropriations during the annual budget process.

The Town has a legally adopted capital reserve fund for specific priorities, which sets aside revenue sources designated for future capital projects. Funding includes a penny of the ad valorem tax designated for parks and paths, two pennies of the ad valorem tax designated for stormwater management projects, facility fees, town-wide and municipal service district tax net of debt service, and sales tax revenues derived from the municipal service district (MSD).

The water fund owns real property which is more appropriately owned by the general fund. Therefore the Town has formalized an agreement whereby the general fund will purchase the land from the water fund over a 15-year period. The water fund holds land valued at \$949,418 from an original purchase amount of \$1,623,174. The remaining \$673,756 was purchased by the general fund. The fiscal year 2020 budget contains the second purchase installment of \$76,886.

Minimum and commodity water rates have been set as recommended by the North Carolina Rural Water Association's rate study in order to fund and plan for future capital needs identified in the water master plan, sustain reliable operations, and provide positive cash flow from operations. A system development fee has been adopted in accordance with North Carolina General Statutes. In order to assist with funding future capital improvements and debt payments, these fees accumulate in the Water Capital Reserve Fund.

Major Initiatives

In August 2019, the Town completed construction of a 4 million cubic yard beach nourishment maintenance collaborative cost sharing project to add sand along 10 miles of its 11-mile shoreline. The construction came in on time and budget at \$36,644,500. To provide funding for 2.3 million cubic yards of sand, up to \$12,773,356 will come from a combination of an up-front payment of \$9,773,356, as well as five annual (5) debt payment supplements of \$600,000 from Dare County in accordance with an inter-local agreement, and a special revenue bond of \$11,380,000 at 3.08% (Series 2019A) with mainly tourism driven occupancy tax revenue being pledged as collateral. Fiscal year 2020 debt payments are budgeted at \$2,591,454, with annual principal and semiannual interest only payments until final maturity in fiscal year 2024. Excess beach nourishment capital reserves of \$5,525,058 will defray debt borrowing as well as fund pay as you go projects including a \$750,000 30-year beach study, \$500,000 for annual profile monitoring in order to establish future maintenance projects, \$725,000 towards vegetative sprigging and sand fencing, and \$375,000 for



Town of Nags Head

additional ocean outfall capacity. Levied proportionate to their level of direct benefit, the Municipal Service District (MSD) tax rate of 17.5 cents and the town wide tax equivalent of 2.7 cents remain unchanged and appropriated in order to pay debt service.

Additional cost sharing is with the Federal Emergency Management Agency (FEMA) to replace an additional 1.7 million cubic yards of sand from its original beach nourishment project as a result of Hurricane Matthew occurring in October 2016. FEMA has agreed to provide \$16,233,837 in grant funding as a 75%/25% split with the North Carolina Division of Emergency Management (NCDEM). The grant was calculated using a pro-rata distribution of certain project costs, proportionate to the total amount of sand being placed. In doing so, this combined effort will provide savings by sharing engineering, mobilization and demobilization costs. The FEMA funds have been released to the NCDEM for administration and are a pledged revenue source for an additional special obligation bond (Series 2019B) in the same amount. The Town has received 75% of this grant, or \$12,175,376. The grant revenue will be used to offset the debt payments of the Series 2019B special obligation bond at 2.82% issued in January 2019. These reimbursed grant funds are placed in a sinking account which is swept down to a zero balance quarterly. At a minimum, interest only payments are required semi-annually until balloon principal is made July 2020. The Town has made principal payments of \$11,859,440 and interest payments of \$336,920 to coordinate loan payoff with grant funding repayments.

The Board continues to enhance community services. The fiscal year 2019-2020 budget includes construction of a pedestrian pathway budgeted at \$1,610,250, funded from an Outer Banks Visitors Bureau grant at \$487,632, and the remainder financed over six years using parks and paths capital reserves, averaging \$210,000 a year in debt service. Pedestrian path financing will be combined with and collateralized by pathway lighting, an observation deck, and a west side path connection at Dowdy Park totaling \$140,000. A twelve-inch watermain extension from Deering Street to Soundside Road is being constructed in conjunction with this pedestrian path project at \$216,576. In order to provide an economy of scale with this extension, a further extension will be constructed from Soundside Road to Hollowell Street at \$460,727.

The Town is contracted with WithersRavenel for Phase Five of the stormwater master plan implementation, consisting of construction drawing development, permitting, bidding and construction contract administration using stormwater capital reserve funds. The master plan identifies chronic drainage issues and develops effective long term, environmentally sensitive solutions to improve the Town's drainage infrastructure. The current scope of work includes the Nags Head Cove subdivision in conjunction with the pedestrian path, and South Old Oregon Inlet Road in the proximity of mile post 18 and 19.5. The conceptual construction costs for these projects are estimated at \$445,000.

A grant from the North Carolina Division of Coastal Management will provide funding towards construction of an ADA accessible public beach access at Jacob Street including a parking area, ADA accessible dune crossover, shower, and bike rack. The grant award of \$122,225 requires local cash and in-kind contributions of \$60,426 for a \$182,651 project total.

The second phase of the FOCUS Nags Head Comprehensive Plan, the Unified Development Ordinance (UDO), became effective October 2019. These plans incorporate studies and planning efforts based on citizen feedback and Board of Commissioner visions. The UDO includes updates to administrative procedures, environmental regulations, floodplain development, subdivision



Town of Nags Head

regulations, and zoning. The UDO modernizes the Town code, provides clarification and consistency in the Town's ordinance, and streamlines permitting and administrative procedures.

Awards and Acknowledgements. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Nags Head for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Cliff Ogburn".

Cliff Ogburn
Town Manager

A handwritten signature in black ink, appearing to read "Amy Miller".

Amy Miller
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Town of Nags Head
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

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, 2019

Elected Officials

Mayor
Mayor Pro Tempore
Commissioner
Commissioner
Commissioner

Ben Cahoon
Susie Walters
M. Renee Cahoon
J. Webb Fuller
Michael Siers

Appointed

Town Attorney
Town Manager

John Leidy
Cliff Ogburn

Town Administration

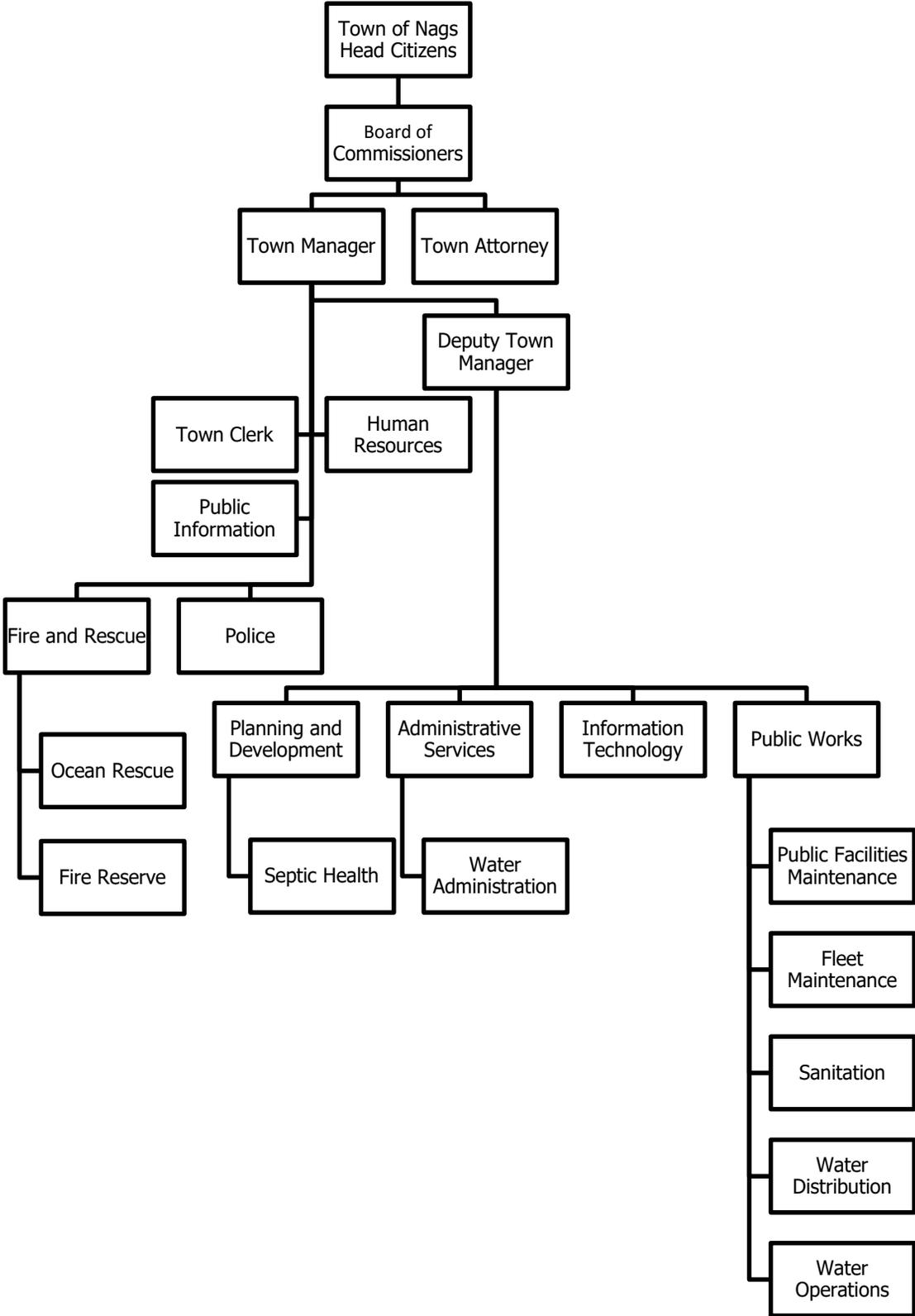
Town Clerk
Deputy Town Manager
Finance Director
Planning Director
Public Works Director
Interim Fire Chief
Police Chief

Carolyn Morris
Andy Garman
Amy Miller
Michael Zehner
Ralph Barile
Shane Hite
J. Phillip Webster

Town of Nags Head, North Carolina

Organizational Chart

June 30, 2019



FINANCIAL SECTION

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Dowdy & Osborne LLP

CERTIFIED PUBLIC ACCOUNTANTS

Jeff Dowdy, CPA • Teresa Osborne, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nags Head, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Telephone 252.449.4404 • Facsimile 252.449.6976

Dowdy & Osborne ^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS

Jeff Dowdy, CPA • Teresa Osborne, CPA

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nags Head, North Carolina as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-15, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Contributions, on pages 70-71, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 72-73 and the Schedule of Changes in Total OPEB Liability and Related Ratios on page 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Nags Head, North Carolina. The introductory information, combining and individual fund financial statements, budgetary schedules, supplemental ad valorem tax schedules, statistical section 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 Requirement for Federal Awards* and the State Single Audit Implementation Act are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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Jeff Dowdy, CPA • Teresa Osborne, CPA

The combining and individual fund statements, budgetary schedules, supplemental ad valorem tax schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, and supplemental ad valorem tax schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019 on our consideration of the Town of Nags Head's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Nags Head's internal control over financial reporting and compliance.

Dowdy & Osborne, LLP

Dowdy & Osborne, LLP
Certified Public Accountants
Nags Head, North Carolina

November 22, 2019

Management Discussion and Analysis
Town of Nags Head
June 30, 2019

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, 2019. 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

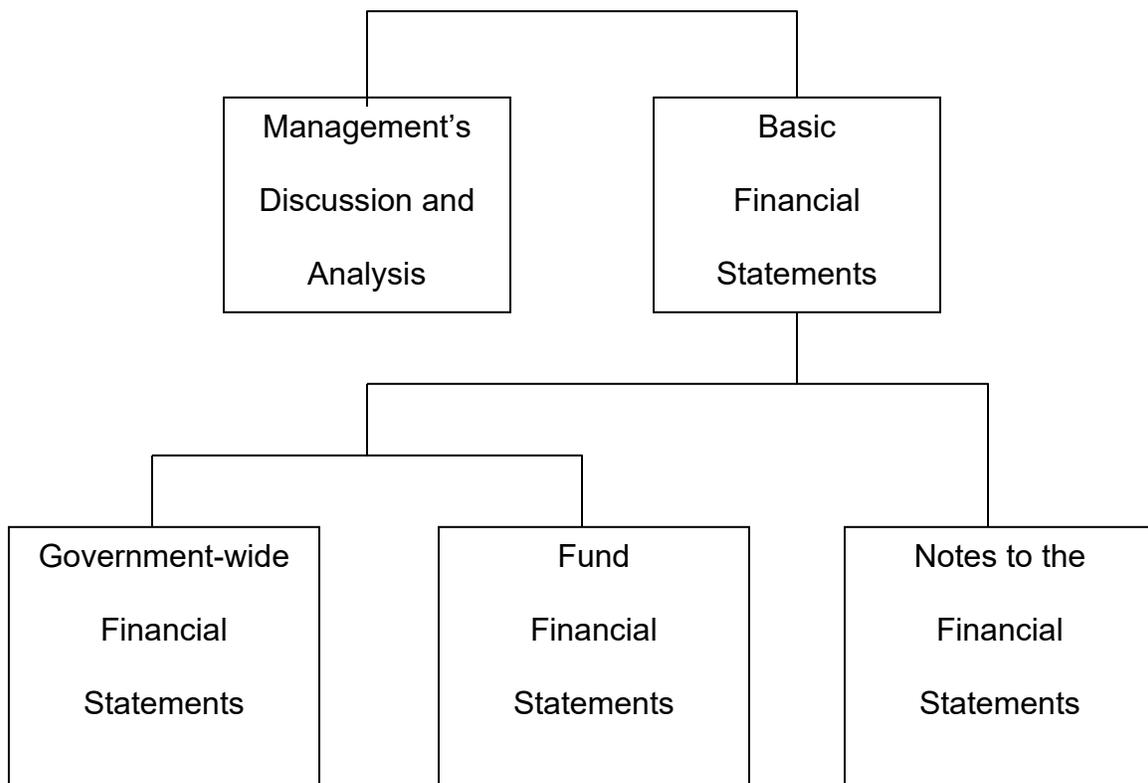
- The assets and deferred outflows of resources of the Town of Nags Head exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$ 61,384,708 (*net position*).
- The Town's total net position increased by \$ 16,924,639. This includes an increase in the governmental activities of \$ 17,076,944 and a decrease in the business-type activities of \$ 152,305.
- As of the close of the current fiscal year, the Town of Nags Head's governmental funds reported combined ending fund balances of \$ 46,305,944, an increase of \$ 27,019,254 over the prior year. Approximately 45% of this total amount, or \$ 20,834,690, is non-spendable or restricted. The fund balance increase is attributed to revenue recognized of \$7,676,761 from the Federal Emergency Management Agency (FEMA) and the North Carolina Department of Emergency Management (NCDEM) towards a beach nourishment maintenance project. The actual reimbursement of this amount occurred after June 30, 2019 towards expenses incurred in June 2019. These funds will be used to pay down debt acquired for this project. The remaining increase in total fund balance is attributable to unspent debt proceeds totaling \$23,052,730 included in restricted assets from a direct placement installment financing for beach nourishment maintenance.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 6,981,462, or 39% of total general fund expenditures for the fiscal year. This is a \$602,774 increase over the prior year of \$ 6,378,688, which results from the increases in revenues recognized from FEMA and the NCDEM, decreases in committed fund balances for health insurance and subsequent year's expenditures, and decreases in accounts payable.
- The Town's total governmental debt for installment financing purchase contracts increased by \$ 28,537,990 due to direct placement financing for beach nourishment special obligation bonds at \$27,613,837.
- The General Fund budget for the fiscal year June 30, 2019, was adopted with a tax rate of 30.7 cents per \$ 100 of assessed valuation, increasing one cent over the prior year. Of this town-wide tax rate, 2.7 cents are restricted by the Board for beach nourishment, 1.0 cent is restricted by the Board for parks and paths, and 2.0 cents are restricted by the Board for stormwater management.
- The Municipal Service District (MSD) tax restricted for beach nourishment remains at 17.5 cents in fiscal year 2019.
- The Beach Renourishment Capital Project Fund is funded through the restricted town-wide and MSD beach nourishment taxes and sales tax revenues derived from the MSD held in the Capital Reserve Fund, special obligation bonds, and a contribution from Dare County for a beach nourishment maintenance project with construction commencing May 2019.
- The total overall assessed property valuation, including property and registered motor vehicles, increased by \$ 22,259,044, from \$ 2,403,107,381 in fiscal year 2018 to \$ 2,425,366,425 in the current fiscal year. There was an increase in both the property valuation and motor vehicle valuation.

**Management Discussion and Analysis
Town of Nags Head
June 30, 2019**

Overview of the Financial Statements

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

Required Components of Annual Financial Report (Figure 1)



Summary → Detail

Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial

Management Discussion and Analysis
Town of Nags Head
June 30, 2019

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27-70 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the town's progress in funding its obligation to provide pension benefits and retiree health benefits to its employees. Required supplementary information can be found on 71-75 of this report.

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

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**Government-Wide Financial Analysis
Town of Nags Head Net Position
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	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 57,706,882	\$ 19,873,207	\$ 4,136,140	\$ 4,100,113	\$ 61,843,022	\$ 23,973,320
Capital assets	43,178,856	23,857,144	6,116,094	6,337,658	49,294,950	30,194,802
Total assets	<u>100,885,738</u>	<u>43,730,351</u>	<u>10,252,234</u>	<u>10,437,771</u>	<u>111,137,972</u>	<u>54,168,122</u>
Deferred outflows of resources	1,884,274	1,211,821	179,418	124,922	2,063,692	1,336,743
Long-term liabilities	34,574,162	7,556,450	619,322	535,416	35,193,484	8,091,866
Other liabilities	15,405,172	1,751,826	613,408	715,384	16,036,580	2,467,210
Total liabilities	<u>49,979,334</u>	<u>9,308,276</u>	<u>1,250,730</u>	<u>1,250,800</u>	<u>51,230,064</u>	<u>10,559,076</u>
Deferred inflows of resources	415,523	335,685	171,369	150,035	586,892	485,720
Net position:						
Net investment in capital assets	25,110,090	21,952,386	6,084,121	6,220,850	31,194,211	28,173,236
Restricted	20,760,822	11,467,485	20,747	-	20,781,569	11,467,485
Unrestricted	6,504,243	1,878,340	2,904,685	2,941,008	9,408,928	4,819,348
Total net position	<u>\$ 52,375,155</u>	<u>\$35,298,211</u>	<u>\$9,009,553</u>	<u>\$9,161,858</u>	<u>\$ 61,384,708</u>	<u>\$ 44,460,069</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Nags Head exceeded liabilities by \$ 61,384,708 as of June 30, 2019. The largest portion of net position, \$ 31,194,211 (51%) reflects the town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less liabilities restricted from debt proceeds and any related debt still outstanding that was issued to acquire those items, net of unexpended debt proceeds. The Town of Nags Head uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Nags Head's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$ 20,781,569 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 9,408,928 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

As of June 30, 2019, 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.

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Town of Nags Head Changes in Net Position
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	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$366,320	\$ 560,781	\$ 3,088,432	\$ 2,696,650	\$ 3,454,752	\$ 3,257,431
Operating grants and contributions	176,074	200,950	-	-	176,074	200,950
Capital grants and contributions	18,441,547	1,281,243	22,461	145,000	18,464,008	1,426,243
General revenues:						
Property taxes	8,870,772	8,559,673	-	-	8,870,772	8,559,673
Other taxes and licenses	6,357,488	5,412,038	-	-	6,357,488	5,412,038
Other unrestricted intergovernmental	960,846	880,000	-	-	960,846	880,000
Investment income	894,881	98,515	116,854	22,186	1,011,735	120,701
Other	188,465	59,916	1,982	2,951	190,447	62,867
Total Revenues	<u>36,256,393</u>	<u>17,053,116</u>	<u>3,229,729</u>	<u>2,866,787</u>	<u>39,486,122</u>	<u>19,919,903</u>
Expenses:						
General government	8,197,403	3,548,805	-	-	8,197,403	3,548,805
Public safety	5,922,340	5,791,918	-	-	5,922,340	5,791,918
Public Works	2,390,713	2,146,924	-	-	2,390,713	2,146,924
Environment Protection	1,920,037	1,857,765	-	-	1,920,037	1,857,765
Streets and Drainage	318,282	310,542	-	-	318,282	310,542
Interest on long-term debt	430,674	41,470	-	-	430,674	41,470
Water Utility	-	-	3,382,034	3,082,644	3,382,034	3,082,644
Total Expenses	<u>19,179,449</u>	<u>13,697,424</u>	<u>3,382,034</u>	<u>3,082,644</u>	<u>22,561,483</u>	<u>16,780,068</u>
Increase (decrease) in Net Position	<u>17,076,944</u>	<u>3,355,692</u>	<u>(152,305)</u>	<u>(215,857)</u>	<u>16,924,639</u>	<u>3,139,835</u>
Net position – July 1 (previously reported)	35,298,211	34,186,796	9,161,858	9,609,389	44,460,069	43,796,185
Restatement due to GASB 75 implementation	-	(2,244,277)	-	(231,674)	-	(2,475,951)
Net position – July 1 (restated)	<u>35,298,211</u>	<u>31,942,519</u>	<u>9,161,858</u>	<u>9,377,715</u>	<u>44,460,069</u>	<u>41,320,234</u>
Net position – June 30	<u>\$ 52,375,155</u>	<u>\$ 35,298,211</u>	<u>\$9,009,553</u>	<u>\$9,161,858</u>	<u>\$ 61,384,708</u>	<u>\$ 44,460,069</u>

Governmental activities. Governmental activities increased the Town's net position by \$ 17,076,944. In capital grants and contributions, The FEMA and NCDDEM reimbursement towards the beach nourishment maintenance project totaled \$8,593,715. These grant funds will be used to offset future debt payments on beach nourishment special obligation bonds. An additional capital grant revenue from Dare County towards that project totaled \$9,127,577. Capital grants from the North Carolina Parks and Recreation Trust Fund and Outer Banks Visitor Bureau totaled \$476,750 towards Dowdy Park improvements. Other taxes and licenses increased by \$945,450. In addition to growth in land transfer tax of 4.86%, occupancy tax of 3.27%, and the locally collected portion of sales tax at 2.16%, the Town's proportionate share of these taxes increased in fiscal year 2019 due to the re-initiation of the MSD tax in fiscal year 2018 (17.5 cents up from zero cents in fiscal year 2017), which increased the Town's total levy in proportion to the other towns located in Dare County. Because the proportionate share of these revenues for the current fiscal year is calculated based on each town's levy from the prior fiscal year, there is a one-year delay before the new formula change takes effect. The Town's portion of land transfer and occupancy tax revenues increased to 27.49% compared to fiscal year 2018 at 23.99%. The Town's portion of sales tax distribution increased to 8.41% in fiscal year 2019, up from 7.52% in fiscal year 2018. Investment income increased by \$796,366 due to an unrealized fair market value gain of \$320,680, \$230,149 earned on special obligation bond proceeds placed in an escrow account, and higher interest rates. General fund total expenditures increased by \$4,648,598 due to depreciation expense of \$4,826,276 on the beach nourishment maintenance project. Interest on long term debt increased by \$389,204 due to accrued interest payable of \$369,824 on the series 2019 special obligation bonds issued for beach nourishment maintenance in January 2019, with the first semiannual interest payments due July 2019.

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Business-type activities. Business-type activities in the water fund decreased the town's net position by \$ 152,305. The decrease in net position of \$ 152,305 in the water fund compares to a decrease in the prior year of \$ 215,857. Operating revenues increased by approximately 14%, or \$390,813, due to a 15% increase in the minimum water rates and gallons used beyond the minimum for usage. This increase was used to offset a water tower rehabilitation maintenance project costing \$260,613. Investment income increased by \$94,668 due to an unrealized fair market value gain of \$64,001 and higher interest rates. The wholesale water rate increased from \$1.891 to \$1.989 per million gallons purchased, or 5.18%. The rate is set per an interlocal agreement with Dare County and was driven by higher eligible capital costs and a decrease in gallons delivered. Gallons purchased from Dare County decreased by 29.511 million gallons, resulting in a decrease in cost of wholesale water purchased by \$19,746 or approximately 2%.

Financial Analysis of the Town of Nags Head's Funds

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

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

The general fund is the chief operating fund of the Town of Nags Head. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 6,981,462 while total fund balance reached \$28,416,589. The total fund balance increase, compared to the prior fiscal year's total fund balance of \$17,178,816, is attributed to revenue recognized from FEMA and the NCDEM for a combined amount of \$7,676,761 towards the beach nourishment maintenance project. The actual reimbursement of this amount occurred after June 30, 2019 towards expenses incurred in June 2019. These grant funds will be used to offset future debt payments on beach nourishment special obligation bonds. The Governing Body of the Town of Nags Head has determined that the Town should maintain an available fund balance of 50% of expenditures less bond debt, but not less than \$5 million as per audited financial statements at the end of each fiscal year in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 39% of total general fund budgeted expenditures for the fiscal year.

At June 30, 2019, the governmental funds of the Town of Nags Head reported a combined fund balance of \$ 46,305,944, a 140% increase over last year. Included in this change in fund balance is an increase in the general fund, as discussed above, as well as unspent debt proceeds totaling \$23,052,730 included in restricted assets in the beach renourishment fund from a direct placement installment financing towards the beach nourishment maintenance project.

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 \$2,904,685, a 1.24% decrease over last year. Operating revenues increased by \$390,813 due to a 15% increase in the minimum water rates and gallons used beyond the minimum for usage. This increase was used to offset a water tower rehabilitation maintenance project costing \$260,613. 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.

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General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. The primary changes to the adopted budget were in other financing sources (uses) and the various capital outlay functions to appropriate \$2,217,383 of direct borrowing installment financing and associated capital outlay expenditures for budgeted capital purchases, including stormwater drainage infrastructure improvements budgeted at \$620,000 in streets and drainage and a Fire pumper truck in public safety at \$697,620. Amendments made to recognize new funding amounts from grants in restricted intergovernmental revenues included \$5,000,000 from FEMA and the NCDEM towards beach nourishment maintenance reimbursements for sand lost during Hurricane Matthew in October 2016, \$62,868 in reimbursements from FFEMA and the NCDEM for Hurricane Florence and Michael which occurred in September and October 2018, respectively, and \$90,000 from the North Carolina Department of Transportation (NCDOT) towards stormwater drainage and infrastructure improvements the Town performed in the NCDOT right-of-way. Additionally the Town amended the budget to reflect two grant awards from the North Carolina Coastal Management Program (CAMA) towards Jacob Street beach access improvements at \$41,226 (in additional to \$81,000 adopted in the original budget reflecting a total funding award of \$122,226), and \$20,000 towards the stormwater master plan update.

General fund balance appropriations totaling \$1,212,510 were made for fiscal year 2018 open encumbrances, which included Public Works capital outlay at \$534,313 for Dowdy Park improvements. To offset the cost of these improvements, a budget amendment to increase restricted intergovernmental revenues and decrease fund balance appropriations was adopted for \$476,750, which reflected grant revenues of \$250,000 and \$226,750 from the North Carolina Parks and Recreation Trust Fund and the Outer Banks Visitors Bureau, respectively. Additional encumbrances carried over from fiscal year 2018 include financial software conversion of \$223,599, professional engineering services towards a pavement condition survey at \$50,000 and stormwater design at \$39,500, and a replacement diesel generator at \$60,240.

In the general fund, the main factor considered for actual revenues being \$4,074,145 (15.35%) over budget is the revenue from FEMA and the NCDEM for \$8,593,715 due to Hurricane Matthew beach nourishment maintenance reimbursement, a positive budget variance of \$3,593,715 in restricted intergovernmental revenues. Of the \$8,593,715 in revenues received from FEMA and the NCDEM, the portion recognized for funds received after June 30, 2019 for expenses incurred in June 2019 accounted for \$7,676,761, when the estimated budget for these funds totaled \$5,000,000. The Town estimated the amount of grant reimbursement for these funds due to not having exact information available as to what the June sand pumping costs would be, as the invoice was received in July and recorded as accounts payable in the beach renourishment capital project fund. The grant reimbursements will be used to offset future debt payments on the special obligation bond issued for this portion of the project, paid out of the general fund. There is an additional positive budget variance of \$4,047,202 in other financing sources (uses) as a transfer to the capital reserve fund. Once the FEMA and NCDEM funds are received, they are transferred to the capital reserve fund as they are restricted for that purpose. Again, due to not having that exact information available, an estimate was made as to the timing and amount of grant funds received. Because most of the actual grant fund reimbursements occurred after June 30, 2019, those funds were not transferred to the capital reserve fund in fiscal year 2019.

Other factors of note include ad valorem tax collection was \$106,646 (1.22%) over budget due to better than anticipated collections of current year's town wide taxes for property excluding motor vehicles at 99.977% and registered motor vehicles at 100% compared to the 99.75% collection

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rate budgeted for each. Additionally, total town wide property valuation was \$2,425,366,425 compared to \$2,400,311,947 budgeted (1.04% increase) due to additional property discoveries. Other taxes and licenses were over budget by \$250,523 (4.10%) due to growth in gross Dare County collections of 3.27% in occupancy tax and 4.86% in land transfer tax. Growth for these items was budgeted at 2.50% and 1.01%, respectively.

Investment income was over budget \$226,976 due to an unrealized fair market value gain of \$177,215 and higher interest rates.

General Fund expenditures were generally in line with the revised budget, with some exceptions that are noted for capital outlay encumbrances being carried forward to fiscal year 2020. Public safety capital outlay is under budget due to an outstanding encumbrance for \$700,537 for a fire pumper apparatus truck that has not yet been received. Streets and drainage capital outlay has outstanding encumbrances of \$395,461 towards stormwater master plan Phase Five planning and Phase Four construction implementation projects using stormwater capital reserve funds. Capital outlay expenditures for both Public Works and General Government are under budget due to open encumbrances as well. Funds are encumbered in Public Works for the Jacob Street beach access improvements at \$143,286 and Barnes Street Park equipment replacement at \$50,000. General Government departments are in the process of software conversion, and open encumbrances towards that project total \$119,753. The pedestrian pathway design is budgeted in general government as well, and an encumbrance of \$42,500 will be carried forward to fiscal year 2020.

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, 2019, totals \$ 40,294,949 (net of accumulated depreciation). These assets include land, art, construction in process, buildings, other improvements, equipment, vehicles, infrastructure and intangible assets in the water fund.

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

- Beach nourishment maintenance related costs \$22,987,357
- Dowdy Park improvements including a restroom and multi-use courts totaling \$882,798
- Stormwater infrastructure drainage improvements costing \$711,822

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

	<u>Governmental</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 10,731,874	\$ 10,511,321	\$ 1,779,717	\$ 1,853,473	\$ 12,511,591	\$ 12,364,794
Art	107,553	107,553	-	-	107,553	107,533
Construction in progress	3,040	1,142,747	-	-	3,040	1,142,747
Buildings	3,978,746	4,093,456	959,058	1,001,186	4,937,804	5,094,642
Other improvements	164,170	21,971	29,062	50,065	193,232	72,036
Improvements	19,874,770	686,562	290,312	308,248	20,165,082	994,810
Equipment	983,487	701,193	182,379	188,912	1,165,866	890,105
Vehicles	2,728,711	2,825,563	36,805	60,264	2,765,516	2,885,827
Intangibles	-	-	1,124,671	1,233,074	1,124,671	1,233,074
Infrastructure	4,606,504	3,766,778	1,714,090	1,642,437	6,320,594	5,409,215
Total	\$ 43,178,855	\$ 23,857,144	\$ 6,116,094	\$ 6,337,659	\$49,294,949	\$ 30,194,803

Additional information on the town’s capital assets can be found on pages 43-44 in the notes to the financial statements.

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Long-term Debt. The Town of Nags Head’s total debt increased by \$29,462,018 due to the issuance of direct placement special obligation bonds totaling of \$27,613,837 for the purpose of beach nourishment maintenance. The Town’s proportionate share of the Local Government Employees’ Retirement System (LGERS) net pension liability increased by \$765,814, or approximately 50% from the prior fiscal year. The Town also entered into a direct borrowing installment purchase contract for \$705,000 to finance stormwater drainage improvements and an HVAC system. An additional direct borrowing installment purchase contract was entered into for \$1,512,383 to finance various vehicles and equipment. As of June 30, 2019, the Town had long-term debt totaling \$ 38,845,532. Of this amount, \$38,179,950 is reported in the governmental activities and \$ 665,582 is reported in the business-type activities.

Town of Nags Head Outstanding Debt

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Direct borrowing installment finance purchases	\$ 3,028,149	\$ 2,103,996	\$ 34,371	\$ 146,783	\$ 3,062,520	\$ 2,250,779
Direct placement installment finance purchases	27,613,837	-	-	-	27,613,837	-
Total OPEB liability	3,919,774	3,744,290	398,904	345,595	4,318,678	4,089,885
Total pension liability (LEOSSA)	910,087	823,639	-	-	910,087	823,639
Net pension liability (LGERS)	2,104,768	1,403,666	194,269	129,557	2,299,037	1,533,223
Compensated absences	603,335	640,095	38,038	45,893	641,373	685,988
Total	\$ 38,179,950	\$ 8,715,686	\$ 665,582	\$ 667,828	\$ 38,845,532	\$ 9,383,514

Additional information in the Town’s debt can be found on pages 60-62 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 \$ 163,352,957.

Economic Factors and Next Year’s Budgets and Rates

- The average seasonally unadjusted unemployment rate in Dare County of 5.1% is higher than the State of North Carolina’s 2019 average of 4.1%. These rates have decreased from the prior year of 5.9% and 4.43%, respectively. Dare County does experience significant seasonality in rates with a high of 9% in February 2019 and a low of 3.2% in September of 2019, which again are decreases compared to the same 2018 figures of 10.7% and 3.9%
- Projected growth factors for shared revenues in fiscal year 2020 include occupancy tax increasing 2.50%, land transfer tax increasing 1.01%, and sales tax increasing 2.67% (Article 39), 5.00% (Article 40), and 2.96% (Article 42).
- Travel and tourism have increased within Dare County with gross occupancy tax collections increasing by 3.27% and the locally collected portion of sales tax increasing by 2.16%.
- Gross land transfer tax collections within Dare County have increased by 4.86%

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- For fiscal year 2020, real and personal property valuations have increased .9% for ad valorem taxes, .4% for MSD taxes, and 7.5% for motor vehicle taxes, compared to fiscal year 2019

Budget Highlights for the Fiscal Year Ending June 30, 2020

- The adopted budget for the June 30, 2020, fiscal year includes a tax rate of \$.317 per \$ 100 of assessed valuation. This includes an increase of \$.01 from the prior fiscal year. Of this total, \$.027 is restricted by the Board for beach nourishment; \$.01 is restricted for parks and paths, and \$.02 for storm water management. The Municipal Service District (MSD) tax for the purpose of beach nourishment has been maintained at \$.175 per \$100 of assessed valuation for the fiscal year 2020.
- An additional one cent tax increase in fiscal year 2019, restricted by the Board for stormwater management, resulted in an increase in the Town's tax levy and a proportionate increase in shared revenues in fiscal year 2020. The Town's portion of land transfer and occupancy tax revenues increased to 27.66% compared to fiscal year 2019 at 27.49%. The Town's portion of sales tax distribution increased to 8.54% in fiscal year 2020, up from 8.41% in fiscal year 2019. The Town's proportionate share is based on its ad valorem tax levy as a percentage of the other municipalities within Dare County.
- Due to changes in development and new responsibilities to permitting functions, permit fees have increased to allow for a greater percentage of costs directly associated with permitting and inspections to be captured by associated fees, allowing for a greater percentage of taxpayer funds subsidizing the permitting and inspection services to be allocated elsewhere. These fees are anticipated to bring in up to an additional \$50,000.
- The General Fund budget totals \$23,684,335, an increase of \$4,997,022, or 26.74% from the fiscal year 2019 adopted budget. Of this increase, 73% is attributed to the beach nourishment maintenance project. The remainder of the increase can be attributed to Board goals to continue efforts to address stormwater and flooding issues in the Town, enhance our parks and paths, and provide a solid pay plan to employees.
- Fiscal year 2020 will begin the first debt payments towards beach nourishment special obligation bonds Series 2019A and Series 2019B. Series 2019A is a direct placement installment financing contract issued at \$11,380,000 and interest of 3.08%, with tourism driven occupancy tax revenue pledged as collateral. The debt payments are funded through the town-wide beach nourishment tax, the MSD tax, excess sales tax revenues derived from the MSD tax, as well as a debt supplement from Dare County at \$600,000. Fiscal year 2020 debt payments are budgeted at \$2,591,454, with annual principal and semiannual interest only payments until final maturity in fiscal year 2024. The Series 2019B special obligation bond is a direct placement installment financing contract issued at \$16,233,837 and interest of \$2.82%, with FEMA and NCDEM committed grant revenues from Hurricane Matthew occurring in October 2016 pledged as collateral and used to offset the debt payments. At a minimum, interest only payments are required semi-annually until balloon principal is made July 2020. The fiscal year 2020 budget includes Series 2019B interest payments of \$457,794. However, as the Town receives the grant reimbursement funds, they are placed in a sinking fund and swept quarterly to coordinate loan payoff with grant funding repayments, with no prepayment penalty.

Management Discussion and Analysis
Town of Nags Head
June 30, 2019

- In order to implement a more aggressive stormwater drainage system maintenance plan, one new full-time position, a stormwater technician, is included in the budget. Along with an additional dedicated employee, a stormwater and streets division within Public Works will perform proactive maintenance to the Town's drainage system which will increase the Town's capacity to perform reactive work during storm and flooding events.
- Continuing implementation of the stormwater master plan, Phase Five includes construction drawing, development permitting, bidding, and construction contract administration using stormwater capital reserve funds. The scope of work budgeted in fiscal year 2020 includes the Nags head Cove subdivision and South Old Oregon Inlet Road. The conceptual construction costs for these projects are estimated at \$445,000.
- Construction of a pedestrian pathway is budgeted at \$1,610,250, funded from an Outer banks Visitors Bureau grant at \$487,632, and the remainder financed over six years using parks and paths capital reserves, averaging \$210,000 a year in debt service.
- The Town has been invited to apply for a grant through the North Carolina Coastal Management Program (CAMA) for Islington Street public beach access parking improvements. The project totals \$86,500 and includes grant funding of \$47,232 and local cash (\$31,489) and in-kind (\$7,779) contributions.
- A multi-pronged approach is implemented for an employee pay plan, including a cost of living adjustment, within grade increases for employees meeting performance expectations, recommendations to address compression and career progression, and performance-based merit bonuses.
- Additional capital improvements include an above ground fuel tank conversion budgeted at \$200,000 and Dowdy Park lighting, decking, and path connection at \$140,000 both financed through debt service over six years.
- The water fund budget totals \$4,189,961 which is approximately a 14.09% increase over the prior year budget. This includes a 15% water rate increase to the minimum and gallons used beyond the minimum in order to sustain reliable operations and provide positive cash flows from operations, as well as to address water sales in volume on a decreasing trend. Pay as you go capital improvement projects include a twelve-inch watermain extension from Deering Street to Hollowell Street at \$677,303 and asbestos cement pipe replacement at Barnes Street budgeted at \$235,000.
- A system development fee and Water Capital Reserve Fund have been adopted in accordance with North Carolina General Statutes [N.C.G.S. 162A, Article 8]. Through direct appropriation from the Water Fund, the system development capital contributions budgeted at \$50,000 will accumulate in the Water Capital Reserve Fund. Direct transfers to the Water Fund will be made from the Water Capital Reserve Fund to assist with future capital improvements and debt service for projects related to the Town's water system as part of a 10-year Capital Improvement Plan.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

Town of Nags Head, North Carolina
Statement of Net Position
June 30, 2019

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 11,398,944	\$ 2,948,777	\$ 14,347,721
Taxes receivable (net)	1,130	-	1,130
Accounts receivable (net)	3,893	656,898	660,791
Accrued interest receivable	106,401	17,496	123,897
Due from other governments	11,745,678	-	11,745,678
Inventories	52,605	55,935	108,540
Prepaid items	21,263	-	21,263
Restricted cash and cash equivalents	34,376,968	457,034	34,834,002
Total current assets	57,706,882	4,136,140	61,843,022
Capital Assets:			
Land, non-depreciable improvements and construction in progress	10,842,467	1,779,717	12,622,184
Other capital assets, net of depreciation	32,336,389	4,336,377	36,672,766
Total capital assets	43,178,856	6,116,094	49,294,950
Total assets	100,885,738	10,252,234	111,137,972
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals OPEB	94,661	28,758	123,419
Pension deferrals LEOSSA	157,316	-	157,316
Pension deferrals LGERS	1,632,297	150,660	1,782,957
Total deferred outflows of resources	1,884,274	179,418	2,063,692
LIABILITIES			
Current liabilities:			
Accounts payable	1,965,483	139,320	2,104,803
Salaries and benefits	257,561	11,542	269,103
Accrued interest payable	407,044	293	407,337
Unearned revenue	200	-	200
Due to other governments	3,023	-	3,023
Current portion of long-term liabilities	3,605,788	46,260	3,652,048
Liabilities to be paid from restricted assets	9,166,073	433,993	9,600,066
Total current liabilities	15,405,172	631,408	16,036,580
Long-term liabilities:			
Due in more than one year	34,574,162	619,322	35,193,484
Total liabilities	49,979,334	1,250,730	51,230,064
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	4,713	-	4,713
Pension deferrals LGERS	74,175	6,846	81,021
Pension deferrals LEOSSA	60,625	-	60,625
Pension deferrals OPEB	276,010	44,523	320,533
Prepaid water impact fees	-	120,000	120,000
Total deferred inflows of resources	415,523	171,369	586,892
NET POSITION			
Net investment in capital assets	25,110,090	6,084,121	31,194,211
Restricted for:			
Stabilization by state statute	11,990,789	-	11,990,789
Streets	109,954	-	109,954
Public safety	30,493	-	30,493
Capital reserve fund	8,629,586	20,747	8,650,333
Unrestricted	6,504,243	2,904,685	9,408,928
Total net position	\$ 52,375,155	\$ 9,009,553	\$ 61,384,708

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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities				
General Government	\$ 8,197,403	\$ 251,901	\$ 37,696	\$ 17,726,292
Public Safety	5,922,340	33,147	100,179	-
Public Works	2,390,713	73,813	15,812	512,450
Environmental Protection	1,920,037	7,459	17,222	-
Streets and Drainage	318,282	-	5,165	202,805
Interest on long-term debt	430,674	-	-	-
Total governmental activities	19,179,449	366,320	176,074	18,441,547
Business-type activities:				
Water	3,382,034	3,088,432	-	22,461
Total business-type activities	3,382,034	3,088,432	-	22,461
Total primary government	\$ 22,561,483	\$ 3,454,752	\$ 176,074	\$ 18,464,008

General revenues:

Taxes:

Property taxes levied for general purpose

Municipal service district taxes

Occupancy tax

Land transfer taxes

Sales taxes

Other taxes and licenses

Other unrestricted intergovernmental revenues

Unrestricted investment earnings

Miscellaneous

Total general revenues

Total general revenues

Total change in net position

Net position - beginning

Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ 9,818,486	\$ -	\$ 9,818,486
(5,789,014)	-	(5,789,014)
(1,788,638)	-	(1,788,638)
(1,895,356)	-	(1,895,356)
(110,312)	-	(110,312)
(430,674)	-	(430,674)
(195,508)	-	(195,508)
-	(271,141)	(271,141)
-	(271,141)	(271,141)
(195,508)	(271,141)	(466,649)
7,456,247	-	7,456,247
1,414,525	-	1,414,525
2,870,519	-	2,870,519
711,883	-	711,883
2,721,543	-	2,721,543
53,543	-	53,543
960,846	-	960,846
894,881	116,854	1,011,735
188,465	1,982	190,447
17,272,452	118,836	17,391,288
17,272,452	118,836	17,391,288
17,076,944	(152,305)	16,924,639
35,298,211	9,161,858	44,460,069
<u>\$ 52,375,155</u>	<u>\$ 9,009,553</u>	<u>\$ 61,384,708</u>

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

**Town of Nags Head, North Carolina
Governmental Funds
Balance Sheet
June 30, 2019**

Exhibit 3

	Major Funds		
	General	Beach Renourishment	Total
ASSETS			
Cash and cash equivalents	\$ 7,400,797	\$ 3,998,147	\$ 11,398,944
Restricted cash and cash equivalents	11,324,238	23,052,730	34,376,968
Taxes receivable (net)	1,130	-	1,130
Accounts receivable (net)	3,893	-	3,893
Accrued interest receivable	106,401	-	106,401
Due from other governments	9,964,340	1,781,338	11,745,678
Inventories	52,605	-	52,605
Prepaid items	21,263	-	21,263
Total assets	<u>28,874,667</u>	<u>28,832,215</u>	<u>57,706,882</u>
LIABILITIES			
Accounts payable	184,146	1,781,337	1,965,483
Salaries and benefits	257,561	-	257,561
Due to other governments	3,023	-	3,023
Unearned revenue	200	-	200
Liabilities payable from restricted assets:			
Bonds and deposits	4,550	-	4,550
Accounts payable	-	9,161,523	9,161,523
Total liabilities	<u>449,480</u>	<u>10,942,860</u>	<u>11,392,340</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	4,713	-	4,713
Property taxes receivable	1,130	-	1,130
Privilege licenses receivable	2,755	-	2,755
Total deferred inflows of resources	<u>8,598</u>	<u>-</u>	<u>8,598</u>
FUND BALANCES:			
Nonspendable:			
Inventories	52,605	-	52,605
Prepays	21,263	-	21,263
Restricted:			
Restricted for Stabilization by State statute	11,990,789	-	11,990,789
Restricted for Streets	109,954	-	109,954
Restricted for Public Safety	30,493	-	30,493
Restricted for Capital Reserve Fund	8,629,586	-	8,629,586
Committed:			
LEO Special Separation Allowance	189,105	-	189,105
Assigned:			
Subsequent year's expenditures	411,332	-	411,332
Beach Nourishment capital projects	-	17,889,355	17,889,355
Unassigned	6,981,462	-	6,981,462
Total fund balances	<u>28,416,589</u>	<u>17,889,355</u>	<u>46,305,944</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 28,874,667</u>	<u>\$ 28,832,215</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, 2019

Exhibit 3
(Continued)

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

Total fund balances-governmental fund (previous page)	\$ 46,305,944
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	43,178,856
Deferred outflows of resources related to pensions are not reported in the funds	
Pension deferrals - LEOSSA	157,316
Pension deferrals - OPEB	94,661
Pension deferrals - LGERS	1,632,297
	<u>1,884,274</u>
Deferred inflows of resources related to pensions are not reported in the funds	
Pension related deferrals-LGERS	(74,175)
Pension related deferrals-LEOSSA	(60,625)
Pension related deferrals-OPEB	(276,010)
	<u>(410,810)</u>
Liabilities for earned revenues considered deferred inflows of resources in fund statements:	
Deferred taxes receivable	1,130
Deferred miscellaneous receivable	2,755
	<u>3,885</u>
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	(31,245,321)
Net pension liability	(2,104,768)
Total pension liability	(910,087)
Total OPEB liability	(3,919,774)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	(407,044)
Net position of governmental activities (Exhibit 1)	<u><u>\$ 52,375,155</u></u>

Town of Nags Head, North Carolina
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2019

Exhibit 4

	Major Funds		Total Governmental Funds
	General Fund	Beach Renourishment	
REVENUES			
Ad valorem taxes	\$ 8,869,938	\$ -	\$ 8,869,938
Other taxes and licenses	6,366,165	-	6,366,165
Unrestricted intergovernmental	960,846	-	960,846
Restricted intergovernmental	9,436,546	9,127,577	18,564,123
Permits and fees	300,228	-	300,228
Sales and services	66,091	-	66,091
Net investment earnings	616,182	278,699	894,881
Miscellaneous	185,920	-	185,920
Total revenues	<u>26,801,916</u>	<u>9,406,276</u>	<u>36,208,192</u>
EXPENDITURES			
Current:			
General Government	2,996,329	-	2,996,329
Public Safety	5,418,519	-	5,418,519
Environmental Protection	1,653,298	-	1,653,298
Public Works	1,626,009	-	1,626,009
Streets and Drainage	50,875	-	50,875
Debt service:			
Principal	1,293,230	-	1,293,230
Interest and other charges	41,431	-	41,431
Capital outlay:			
General Government	117,303	22,988,632	23,105,935
Public Safety	267,680	-	267,680
Environmental Protection	175,718	-	175,718
Public Works	1,549,631	-	1,549,631
Streets and Drainage	861,849	-	861,849
Total expenditures	<u>16,051,872</u>	<u>22,988,632</u>	<u>39,040,504</u>
Revenues over (under) expenditures	10,750,045	(13,582,356)	(2,832,312)
OTHER FINANCING SOURCES (USES)			
Installment financing	2,217,383	27,613,837	29,831,220
Transfers from:			
General Fund	-	1,750,000	1,750,000
Transfers to:			
Beach Renourishment Fund	(1,750,000)	-	(1,750,000)
Sale of Capital Assets	20,345	-	20,345
Total other financing sources	<u>487,728</u>	<u>29,363,837</u>	<u>29,851,565</u>
Net change in fund balance	11,237,773	15,781,481	27,019,254
Fund balances - beginning	17,178,816	2,107,874	19,286,690
Fund balances - ending	<u>\$ 28,416,589</u>	<u>\$ 17,889,355</u>	<u>\$ 46,305,944</u>

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, 2019

Exhibit 4
(Continued)

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

Net changes in fund balances - total governmental funds		\$ 27,019,254
<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	25,960,814	
Depreciation	<u>(6,674,803)</u>	19,286,011
LGERS pension plan deferrals in the current fiscal year are not included on the Statement of Activities		460,135
OPEB plan deferrals in the current fiscal year are not included on the Statement of Activities		94,661
LEOSSA plan deferrals are not included on the Statement of Activities		61,645
<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	(7,843)	
Donated capital asset	<u>35,700</u>	27,857
<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	(29,831,220)	
Increase in accrued interest payable	(389,243)	
Principal repayments	<u>1,293,230</u>	<u>(28,927,233)</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	(546,941)	
LEOSSA pension expense	(82,696)	
Decrease in compensated absences	36,760	
OPEB plan expense	<u>(352,509)</u>	(945,386)
Total change in net position of governmental activities		<u>\$ 17,076,944</u>

**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, 2019**

	Budgeted Amounts			Variance Positive (Negative)
	Original Budget	Revised Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 8,763,292	\$ 8,763,292	\$ 8,869,938	\$ 106,646
Other taxes and licenses	6,115,642	6,115,642	6,366,165	250,523
Unrestricted intergovernmental	910,000	910,000	960,846	50,846
Restricted intergovernmental	288,468	5,996,681	9,436,546	3,439,865
Permits and fees	344,150	345,150	300,228	(44,922)
Sales and services	75,000	75,000	66,091	(8,909)
Net investment earnings	135,000	135,000	361,976	226,976
Miscellaneous	131,000	132,800	185,920	53,120
Total revenues	<u>16,762,552</u>	<u>22,473,565</u>	<u>26,547,710</u>	<u>4,074,145</u>
Expenditure:				
Current:				
General Government	3,155,894	3,227,203	2,996,329	230,874
Public Safety	5,544,080	5,577,878	5,418,519	159,359
Environmental Protection	1,754,066	1,812,427	1,653,298	159,129
Public Works	1,726,920	1,884,572	1,626,009	258,564
Streets and Drainage	209,976	82,889	50,875	32,014
Debt service:				
Principal	1,409,317	1,324,556	1,293,230	31,326
Interest and other charges	41,115	41,115	41,431	(316)
Capital outlay:				
General Government	70,823	305,207	117,303	187,904
Public Safety	42,500	995,555	267,680	727,875
Environmental Protection	4,000	305,442	175,718	129,724
Public Works	586,398	1,815,414	1,549,631	265,783
Streets and Drainage	132,500	1,339,202	861,849	477,353
Contingency	125,000	11,346	-	11,346
Total expenditures	<u>14,802,589</u>	<u>18,722,806</u>	<u>16,051,872</u>	<u>2,670,935</u>
Revenues over expenditures	<u>1,959,963</u>	<u>3,750,759</u>	<u>10,495,839</u>	<u>6,745,080</u>
Other financing sources (uses):				
Transfers from Capital Reserve Fund	768,339	888,839	811,429	(77,410)
Transfers to Capital Reserve Fund	(3,239,302)	(8,329,302)	(4,282,100)	4,047,202
Installment financing	-	2,217,383	2,217,383	-
Sale of Capital Assets	21,000	21,000	20,345	(655)
Committed Fund Balance	40,000	40,000	-	(40,000)
Appropriated Fund Balance	450,000	1,411,321	-	(1,411,321)
Total other financing sources (uses)	<u>(1,959,963)</u>	<u>(3,750,759)</u>	<u>(1,232,943)</u>	<u>2,517,816</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>9,262,896</u>	<u>\$ 9,262,896</u>
Fund balances, beginning as previously reported			10,439,077	
Prior period adjustment			85,029	
Fund balances, beginning as restated			<u>10,524,106</u>	
Fund balances, end of year			<u>\$ 19,787,002</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Interest Income			\$ 254,206	
Transfers to General Fund			(811,429)	
Transfers from General Fund			4,282,100	
Transfers to Beach Renourishment Fund			(1,750,000)	
Fund balance, beginning as previously reported			6,739,739	
Prior period adjustment			(85,029)	
Fund balances, beginning as restated			<u>6,654,710</u>	
Fund balance, end of year			<u>\$ 28,416,589</u>	

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

Town of Nags Head, North Carolina
Proprietary Funds
Statement of Fund Net Position
June 30, 2019

Exhibit 6

	Business-type Activities		
	Major Fund Water Fund	Non-Major Fund Nags Head Leasing	Total Enterprise Funds June 30, 2018
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,948,672	\$ 105	\$ 2,948,777
Accounts receivable trade (net)	603,914	-	603,914
Accounts receivable other (net)	70,480	-	70,480
Inventories	55,935	-	55,935
Restricted cash and cash equivalents	457,034	-	457,034
Total current assets	4,136,035	105	4,136,140
Capital assets:			
Land, non-depreciable improvements and construction in progress	1,779,717	-	1,779,717
Other capital assets, net of depreciation	4,336,377	-	4,336,377
Total capital assets (net)	6,116,094	-	6,116,094
Total noncurrent assets	6,116,094	-	6,116,094
Total assets	10,252,129	105	10,252,234
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals OPEB	28,758	-	28,758
Pension deferrals LGERS	150,660	-	150,660
Total deferred outflows of resources	179,418	-	179,418
LIABILITIES			
Current liabilities:			
Accounts payable	139,320	-	139,320
Salaries and benefits	11,542	-	11,542
Accrued interest payable	293	-	293
Compensated absences - current	20,000	-	20,000
Capital leases payable - current	26,260	-	26,260
Liabilities payable from restricted assets:			
Customer bonds and deposits	433,993	-	433,993
Total current liabilities	631,408	-	631,408
Noncurrent liabilities:			
Net pension liability	194,269	-	194,269
Compensated absences	18,038	-	18,038
Total OPEB liability	398,904	-	398,904
Direct placement installment purchases	8,111	-	8,111
Total noncurrent liabilities	619,322	-	619,322
Total liabilities	1,250,730	-	1,250,730
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals LGERS	6,846	-	6,846
Pension deferrals OPEB	44,523	-	44,523
Prepaid water consumption units	120,000	-	120,000
Total deferred inflows of resources	171,369	-	171,369
NET POSITION			
Net investment in capital assets	6,084,121	-	6,084,121
Restricted for capital reserve fund	20,747	-	20,747
Unrestricted	2,904,580	105	2,904,685
Net Position	\$ 9,009,448	\$ 105	\$ 9,009,553

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

**Town of Nags Head, North Carolina
Proprietary Funds**

Exhibit 7

**Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2019**

	Business-type Activities		
	Major Fund Water Fund	Non-Major Fund Nags Head Leasing	Total Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 3,028,910	\$ -	\$ 3,028,910
Tap and connection fees	25,895	-	25,895
Late payment penalties	29,527	-	29,527
Water tag fees	4,100	-	4,100
Miscellaneous	1,982	-	1,982
Total operating revenues	3,090,414	-	3,090,414
OPERATING EXPENSES			
Administration	279,289	-	279,289
Septic Health	194,592	-	194,592
Operations	2,039,894	-	2,039,894
Distribution	512,524	-	512,524
Depreciation and amortization	353,073	-	353,073
Total operating expenses	3,379,372	-	3,379,372
Total operating (loss)	(288,958)	-	(288,958)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	52,851	2	52,853
Change in fair market value of investments	64,000	1	64,001
Interest expense	(2,662)	-	(2,662)
Total nonoperating revenues	114,189	3	114,192
Income (Loss) Before Contributions and Transfers	(174,769)	3	(174,766)
Capital contributions	22,461	-	22,461
Change in net position	(152,308)	3	(152,305)
Total net position - beginning	9,161,756	102	9,161,858
Total net position - ending	\$ 9,009,448	\$ 105	\$ 9,009,553

Town of Nags Head, North Carolina
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2019

Exhibit 8

	Business-Type Activities		
	Major Fund Water Fund	Non-Major Fund Nags Head Leasing	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,938,439	\$ -	\$ 2,938,439
Cash paid for goods and services	(2,115,145)	-	(2,115,145)
Cash paid to or on behalf of employees for services	(822,856)	-	(822,856)
Customer deposits received	25,576	-	25,576
Customer deposits returned	(25,999)	-	(25,999)
Other operating revenues	1,981	-	1,981
Net cash provided by operating activities	1,996	-	1,996
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Initial impact fees received	20,461	-	20,461
Interest paid on debt financing	(3,120)	-	(3,120)
Septic Loans issued	(25,035)	-	(25,035)
Repayment of septic loans	40,368	-	40,368
Special assessments collected	158	-	158
Principal paid on debt financing	(112,412)	-	(112,412)
Sale of capital asset	73,756	-	73,756
Acquisition of capital assets	(205,265)	-	(205,265)
Net cash (used) by capital and related financing activities	(211,089)	-	(211,089)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment earnings	113,177	3	113,180
Net increase (decrease) in cash and cash equivalents	(95,916)	3	(95,913)
Cash balances - beginning of the year	3,501,622	102	3,501,724
Cash balances - end of the year	\$ 3,405,706	\$ 105	\$ 3,405,811
Reconciliation of operating income to net cash provided by operating activities			
Operating (loss)	\$ (288,958)	\$ -	\$ (288,958)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	353,073	-	353,073
Changes in assets, deferred outflows of resources, and liabilities:			
(Increase) in accounts receivable	(149,993)	-	(149,993)
Decrease in inventories	6,237	-	6,237
(Increase) in deferred outflows of resources-pension	(52,673)	-	(52,673)
(Increase) in deferred outflows of resources-OPEB	(1,823)	-	(1,823)
Increase in net pension liability	64,711	-	64,711
(Decrease) in deferred inflows of resources-pension	(4,027)	-	(4,027)
Increase in accounts payable	5,808	-	5,808
(Decrease) in accrued liabilities	(10,606)	-	(10,606)
(Decrease) in customer deposits	(423)	-	(423)
Increase in deferred inflows of resources-OPEB	27,361	-	27,361
Increase in OPEB liability	53,309	-	53,309
Total adjustments	290,954	-	290,954
Net cash provided by operating activities	\$ 1,996	\$ -	\$ 1,996

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, 2019

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. 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 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.

The Town reports the following major governmental funds:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

The Town reports the following major enterprise fund:

Water Fund. This fund is used to account for the Town's water operations. Additionally, the Town has legally adopted a **Water Capital Reserve Fund**, a fund that is restricted for future capital projects, and is consolidated in the Water Fund.

The Town reports the following non-major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

D. Budgetary Data

1. Budget

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

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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. Budgetary control is exercised in all funds, and appropriations are made at the departmental level and amended as necessary by the governing board. The Town Manager, by law, is the budget officer in the council-manager form of government and is authorized to transfer amounts between objects of expenditures within a department without limitation and without a report being requested; however, any revisions that alter total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary.

2. Encumbrances

As required by North Carolina State Statute 159-26 (d), the Town maintains encumbrance accounts that are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in process at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

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

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

The Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, are measured at fair value. The NCCMT Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are 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, 2019

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of Nags Head Restricted Cash:

Governmental Activities:		
General Fund	Streets	\$ 109,954
	Public safety	30,493
	Capital reserve fund	8,577,455
	Bonds and deposits	4,550
	Unexpended debt proceeds	<u>2,601,786</u>
Total General Fund		<u>\$11,324,238</u>
Beach Renourishment Capital Project Fund	Unexpended debt proceeds	<u>\$23,052,730</u>
Total Governmental Activities		<u>\$34,376,968</u>
Business-type Activities:		
Water Fund	Customer deposits	\$ 433,493
	Capital reserve fund	20,643
	Cash bonds	500
	Unexpended debt proceeds	<u>2,398</u>
Total business-type activities		<u>457,034</u>
Total Restricted Cash		<u>\$ 34,834,002</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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, 2018.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

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

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

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

7. Capital Assets

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

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

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:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has several items that meet this criterion, contributions made to the pension plan in the 2019 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 for the 2019 fiscal year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources* represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – prepaid taxes, prepaid water impact fees, receivables for property taxes, business licenses, special assessments, and OPEB and pension deferrals.

9. Long-Term Obligations

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

10. Compensated Absences

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

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

11. Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Stabilization by State Statute – 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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

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

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

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

Assigned for beach nourishment capital projects – portion of fund balance that has been budgeted by the Board of Commissioners for beach nourishment maintenance that is not classified in restricted or committed. The governing body approved the budget ordinance. The budget ordinance requires Board of Commissioner approval to modify monies allocated between object levels for multi-year funds.

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 net position as follows:

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

12. Defined Benefit Cost-Sharing Plans

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

F. Use of Estimates

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

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 \$6,069,211 consists of several elements as follows:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Description	Amount
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)	\$ 99,163,921
Less accumulated depreciation	<u>(55,985,065)</u>
Net capital assets	43,178,856
Deferred outflows of resources related to pensions are not reported in the funds:	
Pension related deferrals-LGERS	1,632,297
Pension related deferrals-LEOSSA	157,316
Pension related deferrals-OPEB	<u>94,661</u>
	1,884,274
Liabilities for earned revenues considered deferred inflows of resources in fund statements:	
Deferred taxes receivable	1,130
Deferred miscellaneous receivable	<u>2,755</u>
	3,885
Deferred inflows of resources related to pensions are not reported in the funds:	
Pension related deferrals-LGERS	(74,175)
Pension related deferrals -LEOSSA	(60,625)
Pension related deferrals -OPEB	<u>(276,010)</u>
	(410,810)
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	(30,461,986)
Compensated absences	(603,335)
Net pension liability-LGERS	(2,104,768)
Total pension liability-LEOSSA	(910,087)
Total OPEB liability	<u>(3,919,774)</u>
	(38,179,950)
Other long-term liabilities (accrued interest) are not available to pay for current period expenditures and, are deferred in the funds.	<u>(407,044)</u>
Net adjustment	<u>\$ 6,069,211</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 (\$9,942,310) as follows:

Town of Nags Head, North Carolina
Notes to the Financial Statements
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Description	Amount
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital outlay expenditures recorded in the fund statements capitalized as assets in the statement of activities	\$ 25,960,814
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	<u>(6,674,803)</u>
	19,286,011
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	460,135
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	94,661
Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities.	61,645
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax and misc. revenues	(7,843)
Donated assets	<u>35,700</u>
	27,857
<p>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:</p>	
Debt issued or incurred:	
Direct borrowing and placement installment financings	(29,831,220)
Accrued interest payable	<u>(389,243)</u>
	(30,220,463)
Principal payments	<u>1,293,230</u>
	(28,927,233)
<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>	
Compensated absences	36,760
Pension expense-LGERS	(546,941)
Pension expense-LEOSSA	(82,696)
Pension expense-OPEB	<u>(352,509)</u>
	(945,386)
Net adjustment	<u>\$ (9,942,310)</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

G. Comparative Data

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

II. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2019, the Town's deposits had a carrying amount of \$27,257,833 and a bank balance of \$27,473,174. Of the bank balance, \$1,000,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$1,000.

2. Investments

At June 30, 2019, the Town's investments were as follows:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Investment Type	Valuation Measurement Method	Book Value at 6/30/19	< 9 months	9 months-3 Years	3-5 Years	5-10 Years	10-15 Years
Government Agency: FNMA	Fair Value Level 2	\$ 3,905,375	\$ 912,220	\$2,493,015	\$ -	\$ -	\$500,140
Government Agency :FHLMC	Fair Value Level 2	6,329,411	249,395	4,843,364	500,315	736,337	-
Government Agency:FHL Bank	Fair Value Level 2	5,501,919	1,497,010	2,519,607	500,275	498,835	486,192
Government Agency:FFC Bank	Fair Value Level 2	1,496,130	-	1,246,123	-	250,007	-
Wake County GO Bonds	Fair Value Level 2	103,004	-	-	-	103,004	-
Commercial Paper-JP Morgan	Amortized Cost	2,602,089	2,602,089	-	-	-	-
Commercial Paper-MUFG Bank	Amortized Cost	1,230,017	1,230,017	-	-	-	-
NC Capital Management Trust-Term Portfolio*	Fair Value Level 1	584,349	584,349	-	-	-	-
NC Capital Management Trust-Government Portfolio*	Amortized Cost	170,596	N/A	-	-	-	-
Total		\$21,922,890	\$7,075,080	\$11,102,109	\$1,000,590	\$1,588,183	\$986,332

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.

* Because the NC Capital Management Trust Term Portfolio had duration of 0.11 years, it was presented as an investment with a maturity of less than one year.

Interest Rate As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's Investment Policy limits at least 40% of the Town's investment portfolio to maturities of less than 9 months. Per Town policy, investment maturities are required to be limited to at least 40% less than 9 months, at least 50% less than 3 years, at least 70% less than 5 years, at least 90% less than 10 years, and 100% less than fifteen years. As of June 30, 5.41% of U.S. Government Agencies, the NC Capital Management Trust portfolios at 1.54% and Commercial Paper at 7.79% matured in less than 9 months, 22.57% of U.S. Government Agencies matured in less than 3 years, 2.03% of U.S Government Agencies matured in less

Town of Nags Head, North Carolina
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For the Fiscal Year Ended June 30, 2019

than 5 years, 3.23% of U.S. Government Agencies and general obligation bonds in less than 10 years, and 2.01% of U.S. Government Agencies in less than 15 years based on the \$49,181,723 cash and investment

total. Also, the Town's Internal Management Policy requires purchases of securities to be laddered with staggered maturity dates. Investment income of \$689,864 was realized during fiscal year 2019. During the year two investments were sold for a realized loss of (\$62,811). Because of the fair market value on June 30, unrealized gain on investments held on June 30 was \$384,682. When combined, total investment income for fiscal year 2019 was a net gain of \$1,011,735.

Credit Risk The Town limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law and the Town's Investment Policy require that commercial paper bear the highest rating of at least one nationally recognized rating service. The Town's investments in JP Morgan, and MUFG Bank commercial paper are rated A-1 by Standard and Poor's and P-1 by Moody's Investors Service. The Town's investments in US agencies, Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation were rated AA+ by Standard and Poor's and Aaa by Moody's Investors Services. The Town's investment in Wake County general obligation bonds carried a credit rating of Aaa by Moody's Investors Service and AAA by Standard and Poor's and Fitch Ratings. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's as of June 30, 2019. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US Government agencies, and in high grade money market instruments as permitted under G.S. 159-30 as amended.

Custodial Credit Risk For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's formal policy requires that the Town utilize a third-party custodial agent for book entry transactions. 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 Director.

Concentration of Credit Risk The Town's investment policy limits the amount that the Town may invest in any one issuer, except for U.S. Treasury securities and the North Carolina Capital Management Trust, to 30% of total investments. Investments which are restricted further are commercial paper, limited to no more than 25% of total investments and no more than \$3,000,000 in a single issuer. More than 5% of the Town's investments are in Federal Home Loan Mortgage Corporation at 12.87%, Federal Home Loan Bank at 11.19%, Federal National Mortgage Association at 7.94%, and JP Morgan commercial paper at 5.29%.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

3. Receivables

The receivables shown in Exhibit 1 at June 30, 2019 were

	Accounts	Taxes	Due from other Governments	Interest Receivable	Total
Governmental Activities:					
General	\$ 3,893	\$ 8,630	\$ 11,745,678	\$ 106,401	\$ 11,864,602
Allowance for doubtful accounts	-	(7,500)	-	-	(7,500)
Total governmental activities	<u>\$ 3,893</u>	<u>\$ 1,130</u>	<u>\$ 11,745,678</u>	<u>\$ 106,401</u>	<u>\$ 11,857,102</u>
Business-type Activities:					
Water	\$ 676,438	\$ -	\$ -	\$ 17,496	\$ 693,934
Allowance for doubtful accounts	(19,540)	-	-	-	(19,540)
Total business type activities	<u>\$ 656,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,496</u>	<u>\$ 674,394</u>

Due from other governments consisted of the following:

Occupancy tax	\$ 776,547
Dare County-Beach Nourishment	1,781,338
FEMA	5,769,244
Land transfer tax	219,621
Sales taxes	474,644
Sales tax reimbursement	120,608
NC Emergency Management	1,923,081
NC Parks and Recreation Trust Fund	250,000
Outer Banks Visitors Bureau	226,750
Utilities sales tax	150,408
Cable sales tax	25,217
Telecommunications sales tax	8,072
Other	20,148
Total	<u>\$ 11,745,678</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 10,511,321	\$ 220,553	\$ -	\$ 10,731,874
Art	107,553	-	-	107,553
Construction in progress	1,142,747	3,040	1,142,747	3,040
Total capital assets not being depreciated	<u>11,761,621</u>	<u>223,593</u>	<u>1,142,747</u>	<u>10,842,467</u>
Capital assets being depreciated:				
Buildings	7,973,759	102,130	-	8,075,889
Other improvements	40,362	183,578	24,297	199,643
Improvements	2,028,020	24,131,379	-	26,159,399
Equipment	2,854,979	517,694	48,848	3,323,824
Vehicles and motorized equipment	8,439,685	404,355	282,677	8,561,364
Infrastructure	40,398,900	1,603,708	1,274	42,001,334
Total capital assets being depreciated	<u>61,735,705</u>	<u>26,942,844</u>	<u>357,096</u>	<u>88,321,453</u>
Less accumulated depreciation for:				
Buildings	3,880,303	216,840	-	4,097,143
Other improvements	18,391	17,825	743	35,473
Improvements	1,341,459	4,943,169	-	6,284,628
Equipment	2,153,786	233,794	47,243	2,340,337
Vehicles and motorized equipment	5,614,122	501,208	282,677	5,832,653
Infrastructure	36,632,121	762,710	-	37,394,830
Total accumulated depreciation	<u>49,640,182</u>	<u>\$ 6,675,546</u>	<u>\$ 330,663</u>	<u>55,985,065</u>
Total capital assets being depreciated, net	<u>12,095,523</u>			<u>32,336,388</u>
Governmental activity capital assets, net	<u>\$ 23,857,144</u>			<u>\$ 43,178,855</u>

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

General Government	\$ 5,127,888
Public Safety	282,559
Public Works	737,815
Environmental Protection	259,134
Streets and Drainage	267,407
Total Depreciation Expense	<u>\$ 6,674,803</u>

In Governmental activity, capital asset category reclassification totaled \$27,176, land was donated with a value of \$35,700, improvements increased from the reclassification of construction in progress of \$1,142,747, and capital outlay purchases were \$25,960,814, for a total increase of \$27,166,437. Decreases resulted from construction in progress being reclassified to improvements \$1,142,747, capital asset disposals totaled \$329,920, and capital asset category reclassification totaled \$27,176, for a total decrease of \$1,499,843. Accumulated depreciation on disposals totaled \$329,920, along with capital asset transfers between classes, which resulted in \$743 transferring within accumulated depreciation, for a total of decrease of \$330,663. Accumulated depreciation increased by \$6,674,803 of depreciation and the transfer amount of \$743, for a total increase of \$6,675,546.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Capital asset activities for the Business-type activities for the year ended June 30, 2019 are as follows:

	Beginning Balances	Increases	Decreases (Transfers)	Ending Balances
Business-Type Activities:				
Water Fund				
Capital assets not being depreciated:				
Land	\$ 1,853,473	\$ -	\$ 73,756	\$ 1,779,717
Total capital assets not being depreciated	<u>1,853,473</u>	<u>-</u>	<u>73,756</u>	<u>1,779,717</u>
Capital assets being depreciated:				
Building	3,283,693	-	-	3,283,693
Other	178,232	-	-	178,232
Improvements	666,721	-	-	666,721
Equipment	973,546	46,455	-	1,020,001
Vehicles and motorized equipment	240,033	-	22,523	217,510
Intangibles	4,203,619	-	-	4,203,619
Infrastructure	2,423,075	158,810	-	2,581,885
Total capital assets being depreciated	<u>11,968,919</u>	<u>205,265</u>	<u>22,523</u>	<u>12,151,661</u>
Less accumulated depreciation for:				
Building	2,282,508	42,127	-	2,324,635
Other	128,167	21,003	-	149,170
Improvements	358,473	17,936	-	376,409
Equipment	784,634	52,988	-	837,622
Vehicles and motorized equipment	179,769	23,459	22,523	180,705
Intangibles	2,970,545	108,403	-	3,078,948
Infrastructure	780,638	87,157	-	867,795
Total accumulated depreciation	<u>7,484,734</u>	<u>\$ 353,073</u>	<u>\$ 22,523</u>	<u>7,815,284</u>
Total capital assets being depreciated, net	<u>4,484,185</u>			<u>4,336,377</u>
Water Fund capital assets, net	<u>\$ 6,337,658</u>			<u>\$ 6,116,094</u>

Depreciation expense of \$353,073 was charged to business-type activities.

As used in this section, the term depreciation includes amortization of intangible assets. Capital asset disposals totaled \$96,279. Accumulated depreciation on disposals totaled \$22,523.

The government has active construction projects as of June 30, 2019. At year-end, the government's estimated commitments to projects ongoing are as follows:

Project	Spent-to-date	Remaining Commitment
Beach renourishment	\$ 17,889,354	\$15,624,919
Stormwater drainage improvements	430,066	177,217
Total	<u>\$18,319,420</u>	<u>\$15,802,136</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

B. Liabilities

1. Pension Plan and Post-Employment Obligations

a. Local Governmental Employees' Retirement System

Plan Description

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

Benefits Provided

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

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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, 2019, was 8.50% of compensation for law enforcement officers and 7.750% 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 \$ 502,605 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$2,299,037 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018 (measurement date), the Town's proportion was 0.09691%, which was a decrease of (0.00345%) from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$597,423. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 354,687	\$ 11,902
Changes of assumptions	610,076	-
Net difference between projected and actual earnings on pension plan investments	315,589	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	69,119
Town contributions subsequent to the measurement date	502,605	-
Total	\$ 1,782,957	\$ 81,021

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

The \$502,605 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. 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:

2020	\$ 581,378
2021	372,649
2022	67,177
2023	178,128
2024	-
Thereafter	-
	<u>\$ 1,199,332</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. 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 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 5,522,485	\$ 2,299,037	\$ (394,527)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

The Town of Nags Head administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified

Town of Nags Head, North Carolina
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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, 2017 (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	23
Total	25

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 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, 2017 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, 2014.

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.

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

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

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

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

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. The Town contributed \$48,080 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, 2019, the Town reported a total pension liability of \$910,087. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$82,696.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 88,643	\$ 14,839
Changes of assumptions and other inputs	33,784	45,786
Benefit payments and administrative expenses subsequent to the measurement date	34,889	-
Total	\$ 157,316	\$ 60,625

\$34,889 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, 2019. Other amounts reported as deferred inflows of resources to pensions will be recognized in pension expense as follows:

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Year ended June 30:

2020	\$ 10,938
2021	10,938
2022	10,938
2023	12,262
2024	11,163
Thereafter	5,563
	<u>\$ 61,802</u>

\$34,509 paid as benefits came due and \$380 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 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 998,702	\$ 910,087	\$ 830,392

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

	2019
Total Pension Liability	
Beginning balance	\$ 823,639
Service Cost at end of year	46,110
Interest on the total pension liability	25,267
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	104,529)
Changes of assumptions or other inputs	(41,378)
Benefit payments	(48,080)
Other changes	-
Net changes in Total Pension Liability	<u>86,448</u>
Ending balance of the total pension liability	<u>\$ 910,087</u>

Town of Nags Head, North Carolina
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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	\$ 597,423	\$ 82,696	\$ 680,119
Pension Liability	2,299,037	910,087	3,209,124
Proportionate share of the net pension liability	0.09691%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	354,687	88,643	443,330
Changes of assumptions	610,076	33,784	643,860
Net difference between projected and actual earnings on plan investments	315,589	-	315,589
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	502,605	34,889	537,494
Deferred of Inflows of Resources			
Differences between expected and actual experience	11,902	14,839	26,741
Changes of assumptions	-	45,786	45,786
Changes in proportion and differences between contributions and proportionate share of contributions	69,119	-	69,119

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

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

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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, 2019 were \$94,959 which consisted of \$65,440 from the Town and \$29,519 from the law enforcement officers. No amounts were forfeited.

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

Plan Description

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

Funding Policy

The Town contributes a matching amount up to two percent of each employee's salary (excluding law enforcement officers), and all amounts contributed are vested immediately. Employees may also make voluntary contributions to the plan. Total contributions for the year ended June 30, 2019 were \$293,364 which consisted of \$88,929 from the Town and \$204,435 from employees. No amounts were forfeited.

e. 457 Deferred Compensation

Plan Description

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

Funding Policy

The Town does not match contributions to the 457 deferred compensation plan. Total contributions for the year ended June 30, 2019 were \$115,515, which consisted of \$95,117 from regular employees and \$20,398 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, 2017, the date of the latest actuarial valuation:

Town of Nags Head, North Carolina
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Inactive members or beneficiaries currently receiving benefits	9	
Inactive members entitled to but not yet receiving benefits	-	
Active members	<u>108</u>	
Total membership		<u><u>117</u></u>

Total OPEB Liability

The Town's total OPEB liability of \$4,318,678 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 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	1.00 %	
Wage inflation	3.50 %	
Salary increases, including wage inflation		
General Employees	3.50% – 7.75%	
Firefighters	3.50% – 7.75%	
Law Enforcement Officers	3.50% – 7.35%	
Municipal Bond Index Rate		
Prior Measurement Date	3.56 %	
Measurement Date	3.89 %	
Health Care Cost Trends		
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023	

The discount rate used to measure the total OPEB liability was based on the June average of the Bond Buyer General 20-year Municipal Bond Index published weekly by The Bond Buyer.

Town of Nags Head, North Carolina
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Changes in the Total OPEB Liability

	Total OPEB Liability	
Balance at June 30, 2017	\$ 4,089,885	
Changes for the year		
Service cost at end of year (includes interest for the year)	348,444	
Interest on total OPEB liability and Cash Flows	143,590	
Changes in benefit terms	-	
Differences between expected and actual experience	(18,158)	
Changes of assumptions or other inputs	(131,192)	
Benefit payments	(113,891)	
Other changes	-	
Net changes	\$ 228,793	
Balance at June 30, 2018	\$ 4,318,678	

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by LGERS.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

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 (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	\$ 4,729,225	\$ 4,318,678	\$ 3,945,771

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

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 3,753,266	\$ 4,318,678	\$ 5,002,478

Town of Nags Head, North Carolina
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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Town recognized OPEB expense of \$465,744. At June 30, 2019, 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	\$ -	\$ 27,358
Changes of assumptions or other inputs	-	293,175
Benefit payments and administrative costs subsequent to the measurement date	<u>123,419</u>	<u>-</u>
Total	<u>\$ 123,419</u>	<u>\$ 320,533</u>

\$123,419 reported as deferred outflows of resources related to OPEB resulted from benefit payments made subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2019. \$320,533 reported as Deferred Inflows of Resources related to OPEB benefits will be recognized in OPEB Expense as follows:

Year ended June 30:

2019	\$	31,920
2020		31,920
2021		31,920
2022		31,920
2023		31,920
Thereafter		<u>160,933</u>
Total	\$	<u>320,533</u>

\$123,419 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

2. Other Employment Benefit

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2019 the Town made contributions to the State for death

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benefits of \$ 4,878. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .060% and .140% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

3. Payables

Payables on Exhibit 1 at June 30, 2019 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Unearned Revenue	Customer Deposits	Total
Governmental Activities						
General	\$ 187,169	\$ 257,561	\$ 407,044	\$ 200	\$ 4,550	\$ 856,524
Beach Renourishment Fund	10,942,860	-	-	-	-	10,942,860
Total Governmental activities	<u>\$11,130,029</u>	<u>\$ 257,561</u>	<u>\$ 407,044</u>	<u>\$ 200</u>	<u>\$ 4,550</u>	<u>\$11,799,384</u>
Business-type Activities						
Water	\$ 139,320	\$ 11,542	\$ 293	\$ -	\$ 433,993	\$ 585,148
Total Business-type activities	<u>\$ 139,320</u>	<u>\$ 11,542</u>	<u>\$ 293</u>	<u>\$ -</u>	<u>\$ 433,993</u>	<u>\$ 585,148</u>

4. Deferred Outflows and Inflows of Resources

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

	Statement of Net Position
Benefit payments made for LEOSSA subsequent to measurement date	\$ 34,889
Contributions to pension plan in current fiscal year-LGERS	502,605
Benefit payments made for OPEB subsequent to measurement date	123,419
Differences between expected and actual experience-LGERS	354,687
Changes of assumptions-LGERS	610,076
Net difference between projected and actual earnings on plan investments-LGERS	315,589
Changes in proportion and difference between contributions	
Differences between expected and actual experience-LEOSSA	88,643
Changes of assumptions and other inputs-LEOSSA	<u>33,784</u>
Total	<u>\$2,063,692</u>

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

	<u>Statement of Net Position</u>	<u>Government Funds Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 4,713	\$ 4,713
Property taxes receivable, less penalties (General Fund)	-	1,130
Privilege licenses receivable, less penalties (General Fund)	-	2,755
Prepaid water consumption units (Water Fund)	120,000	-
Differences between expected and actual experience-LEOSSA	14,839	-
Differences between expected and actual experience-OPEB	27,358	-
Differences between expected and actual experience-LGERS	11,902	-
Changes in proportion and difference between contributions and proportionate share of contributions-LGERS	69,119	-
Changes of assumptions and other inputs-LEOSSA	45,786	-
Changes of assumptions and other inputs-OPEB	<u>293,175</u>	<u>-</u>
Total	<u>\$ 586,892</u>	<u>\$ 8,598</u>

5. Risk Management

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

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

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

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

6. Claims and Judgments

Pending or Threatened Litigation, Claims and Assessments: As part of the Town's 2011 Beach Nourishment Project, the Town sought to obtain easements on all oceanfront properties within the 11-mile project area. The majority of owners either provided the Town an easement without requiring payment or accepted \$50 per lot as compensation for the easement rights. However, a group of owners refused to give the Town an easement. The Town filed condemnation actions to obtain the necessary easement rights. As of June 30, 2019, the owners of 10 properties contended that they were entitled to more than \$50 per lot for the Town's condemnation of the easement rights, and the owners of one property contended that the Town owes them \$32,000 for attorney fees after their case was dismissed by the Court. These cases remain in litigation and the defendants are all represented by a single law firm. All the cases were previously assigned to the same special superior court but have recently been reassigned such that they will be heard by rotating judges in the First District. Of those 10 cases, the property owners have not provided precise discovery as to the request to compensation in 8 cases. In 2 cases, the owners have sought compensation ranging between \$135,000 and \$233,000 for the easement rights. One of these cases was tried in February 2016. Although the jury awarded a verdict for \$60,000 as just compensation for the easement rights taken, the trial court set that judgment aside and entered judgment in the amount of \$0. The trial court's decision was appealed to the NC Court of Appeals. In July of 2018, the Court of Appeals reversed the trial court's decision and remanded the case back for a new trial. Both parties appealed that decision to the NC Supreme Court. One June 14, 2019, the Supreme Court affirmed the Court of Appeals' order for a new trial with a modification that the retrial only be on market value of the easement taken (rather than on the greater of the market value of the easement taken and the difference in value of the entire property before and after the taking). It is impossible to say whether any compensation will be due to these owners, and the potential amounts recoverable range between \$0 and \$200,000 each. The Town anticipates substantial litigation on these issues during the current fiscal year, but unlikely that a resolution will occur absent a settlement, which is not expected.

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

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

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7. Long-Term Debt

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

In May 2013, the Town entered into a 10-year direct borrowing contract for \$722,158 to finance a quint apparatus fire truck, which is pledged as collateral while the debt is outstanding. The interest rate is 1.60% per annum fixed. The contract requires annual principal and interest payments beginning May 2013.

In November 2015, the Town entered into a 5-year direct borrowing contract for \$305,231 to finance a sanitation truck, which is pledged as collateral while the debt is outstanding. The interest rate is 1.59% per annum fixed. The contract requires annual principal and interest payments beginning November 2015.

In December 2016, the Town entered into a 5-year direct borrowing contract for \$309,200 to finance a sanitation front loader truck, which is pledged as collateral while the debt is outstanding. The interest rate is 1.69% per annum fixed. The contract requires annual principal and interest payments beginning December 2016.

In December 2016, the Town entered into a 5-year direct borrowing contract for \$342,109 to finance financial software. A UCC filing lien was placed on the software as collateral in order to pledge the financing while the debt is outstanding. The interest rate is 1.6% per annum fixed. The contract requires annual principal and interest payments beginning December 2016.

In December 2016, the Town entered into a 4-year direct borrowing contract for \$410,314 to finance vehicles and equipment, which are pledged as collateral while the debt is outstanding. The interest rate is 1.5% per annum fixed. The contract requires annual principal and interest payments beginning December 2016.

In September 2017, the Town entered into a 5-year direct borrowing contract for \$460,000 to finance construction of the Bonnett Street bath house. The property is pledged as collateral while the debt is outstanding. The interest rate is 1.94% per annum fixed. The contract requires annual principal and interest payments beginning September 2017.

In February 2018, the Town entered into a 3-year direct borrowing contract for \$374,829 to finance vehicles and equipment, which are pledged as collateral while the debt is outstanding. The interest rate is 2.75% per annum fixed. The contract requires annual principal and interest payments beginning February 2018.

In February 2018, the Town entered into a 5-year direct borrowing contract for \$285,350 to finance equipment, which is pledged as collateral while the debt is outstanding. The interest rate is 2.91% per annum fixed. The contract requires annual principal and interest payments beginning February 2018.

In January 2019, the Town entered into a 3-year direct borrowing contract for \$373,731 to finance vehicles and equipment, which are pledged as collateral while the debt is outstanding. The interest rate is 3.111% per annum fixed. The contract requires annual principal and interest payments beginning January 2019.

In January 2019, the Town entered into a 5-year direct borrowing contract for \$441,032 to finance vehicles and equipment, which are pledged as collateral while the debt is outstanding. The interest rate is 3.224% per annum fixed. The contract requires annual principal and interest payments beginning January 2019.

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In January 2019, the Town entered into a 10-year direct borrowing contract for \$697,620 to finance a fire pumper truck, which is pledged as collateral while the debt is outstanding. The interest rate is 3.392% per annum fixed. The contract requires annual principal and interest payments beginning January 2019.

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 January 2019, the Town entered into a 1.5-year direct placement special obligation bond contract (Series 2019B) for \$16,233,837 to finance beach nourishment maintenance. The interest rate is 2.82% per annum fixed. The contract requires semi-annual interest only installments beginning July 2019 with balloon principal payment due July 2020. The Town's committed grant funds from the Federal Emergency Management Agency and the North Carolina Department of Public Safety are pledged as collateral for the debt while the debt is outstanding.

In February of 2019, the Town entered into a 5-year direct borrowing contract for \$705,000 to finance stormwater drainage improvements and an HVAC system. The interest rate is 3.11% per annum fixed. The contract requires annual principal and interest payments beginning February 2019. The Town's Fire Station 16 property located at 5314 South Croatan Highway, Nags Head, NC 27959 is pledged as collateral for the debt while the debt is outstanding.

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Direct borrowing installment finance purchases	\$ 2,103,996	\$ 2,217,383	\$ 1,293,230	\$ 3,028,149	\$ 1,019,788
Direct placement installment finance purchases	-	27,613,837	-	27,613,837	2,276,000
Total OPEB liability	3,744,290	175,484	-	3,919,774	-
Total pension liability (LEOSSA)	823,639	86,448	-	910,087	-
Net pension liability (LGERS)	1,403,666	701,102	-	2,104,768	-
Compensated absences	640,095	400,249	437,009	603,335	310,000
Governmental activities long-term liabilities	<u>\$ 8,715,686</u>	<u>\$ 31,194,503</u>	<u>\$ 1,730,239</u>	<u>\$ 38,179,950</u>	<u>\$ 3,605,788</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Direct borrowing					
installment finance					
purchases	\$ 146,783	\$ -	\$ 112,412	\$ 34,371	\$ 26,260
Total OPEB liability	345,595	53,309	-	398,904	-
Net pension liability					
(LRS)	129,557	64,712	-	194,269	-
Compensated absences	45,893	33,723	41,578	38,038	20,000
Business-type activities					
long-term liabilities	\$ 667,828	\$ 151,744	\$ 153,990	\$ 665,582	\$ 46,260

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

Year Ending June 30	Principal	Interest
2020	\$ 3,295,788	\$ 855,184
2021	19,270,871	531,187
2022	2,859,879	212,392
2023	2,574,012	127,105
2024	2,344,294	47,446
2025	70,611	10,079
2026	73,006	7,684
2027	75,482	5,208
2028	78,043	2,647
Total	\$ 30,641,986	\$ 1,798,932

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

Year Ending June 30	Principal	Interest
2020	\$ 26,260	\$ 656
2021	8,111	130
Total	\$ 34,371	\$ 786

b. Changes in Long-Term Liabilities

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

At June 30, 2019, the Town had a legal debt margin of \$163,352,957.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

8. Operating Leases

The Town entered into a lease on June 15, 2018, for one copier for a period of 60 months in the amount of \$295 per month plus monthly copy charges based on actual usage.

Total minimum lease payments for the remaining term of the contract at June 30, 2019, are as follows:

2020	\$ 3,540
2021	\$ 3,540
2022	\$ 3,540
2023	<u>\$ 3,245</u>
Total	<u>\$13,865</u>

During the year ended June 30, 2019, the total amount expended by the Town under the above operating lease was \$3,540, including both minimum monthly rentals and overage per copy charges.

The Town leased clinic space to Outer Banks Community Care Clinic. The amount earned as of June 30, 2019 was \$12,300.

The Town leases space on the cell tower at Town Hall to AT&T. The amount earned for the year ended June 30, 2019 was \$35,885. Additional space was rented on this cell tower to Verizon in the amount of \$ 50,550 and Sprint in the amount of \$ 11,623.

The Town also leased space on the water tower in South Nags Head to AT&T in the amount of \$ 34,304 for the year ended June 30, 2019.

9. 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, 2019, 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 723 WCU's which are guaranteed by the Town and are valued at \$1,446,000.

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 60 WCU's in the amount of \$120,000 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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

remaining WCU's be unused, the Town agrees to reimburse Ammons-Dare Corporation, its successors and assigns, at any time after September 4, 1991.

C. Interfund Balances and Activity

The Capital Reserve Fund is consolidated into the General Fund for financial statement purposes and does not reflect a liability in the General Fund of \$85,029 and a corresponding receivable in the Capital Reserve Fund. The original advance amount of \$438,481 represents reimbursement of funds collected in the Capital Reserve Fund originally intended to offset the cost of the municipal complex. Instead, these funds were used to pay off the higher interest rate Fire Station debt. This amount is to be paid back from the General Fund to the Capital Reserve Fund with fire facility fee revenues. The amounts and timing of the repayments will be determined by availability of collected fees and decided by the Board of Commissioners. During the current year, no repayment was made.

Transfers and Capital Contributions to/from other funds for the year ended June 30, 2019 consisted of the following:

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

Beach nourishment taxes designated for future beach nourishment	\$ 654,779
Municipal Service District (MSD) taxes collected	1,414,523
Restricted sales tax from municipal service district (MSD) taxes collected	449,153
FEMA/NCDEM grant funds receivable-Hurricane Matthew	916,954
Facility fees	41,873
Two pennies of tax rate designated for Storm Water	476,545
Penny of tax rate designated for Storm Water	238,273
State reimbursement restricted for stormwater drainage infrastructure improvements	90,000
	\$ 4,282,100

Transfer from Capital Reserve Fund to Beach Renourishment Capital Project Fund for the purpose of beach nourishment maintenance contracts	\$ 1,750,000
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Transfers from Capital Reserve Fund to General Fund for the following purposes:	\$ 253,318
Parks and paths	501,673
Storm Water	875
Administration facility fees	5,630
Police facility fees	29,934
Recreation facility fees	20,000
Sanitation facility fees	\$ 811,430

Transfers from the Water Fund to the Water Capital Reserve Fund for funding capital improvements and debt payments related to the Town's water system	\$ 20,461
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Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 43,178,856	\$ 6,116,094
Less: long term debt	(34,561,760)	(34,371)
Less: liabilities from restricted debt proceeds	(9,161,523)	-
 Add: unexpended debt proceeds	 25,654,517	 2,398
Net investment in capital assets	\$ 25,110,090	\$ 6,084,121

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	\$ 28,416,589
Less:	
Nonspendable	(73,868)
Stabilization by State Statute	(11,990,789)
Restricted for Public Safety	(30,493)
Restricted for State Street Aid	(109,954)
Restricted for capital reserve fund	(8,629,586)
Committed for LEO separation	(189,105)
Assigned for 2019-2020 budget	(411,332)
Fund Balance Policy	(\$ 6,981,462)
Fund Balance Remaining	\$ -

The Town of Nags Head has adopted a minimum fund balance policy for the general fund which instructs management to strive to maintain an unassigned general fund balance of 50% of expenditures less bond debt, but not less than \$ 5 million as per audited financial statements at the end of each fiscal year. The \$ 6,981,462 reported above is less than the 50% of expenditures calculation of \$17,801,872 but more than the \$ 5,000,000 minimum required.

At June 30, 2019, the following amounts represent open purchase orders and contracts outstanding at June 30, 2019. These encumbrances outstanding will be re-appropriated in the subsequent year's budget.

General Fund	\$ 1,918,909
Capital Project Fund (beach renourishment)	15,624,919
Water Fund	184,700
Total	\$ 17,728,528

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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, 2019, the facility fees were transferred to the Capital Reserve Fund where they will remain until funds are needed for appropriate capital expenditures.

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

	Admin.	Fire	Police	Sanitation	Recreation	Total
Beginning of year balance	\$ 33,949	\$ 10,335	\$ 13,639	\$ 24,072	\$ 38,689	\$ 120,684
Current year additions (including interest)	12,709	6,756	9,349	8,071	8,790	45,675
Current year expenses	(875)	-	(5,630)	(20,000)	(29,934)	(56,439)
End of year balance	<u>\$ 45,783</u>	<u>\$ 17,091</u>	<u>\$ 17,358</u>	<u>\$ 12,143</u>	<u>\$ 17,545</u>	<u>\$ 109,920</u>

G. Beach Nourishment and Renourishment

The Town originally adopted a capital project ordinance on June 15, 2016, which has been amended several times resulting in a budgeted project cost of \$ 43,022,251 at June 30, 2019. The project is financed with a special obligation bond secured by the Town's occupancy tax and an up-front payment from Dare County pursuant to an inter-local agreement, as well as five additional annual debt payment supplements from Dare County. The Town's beach nourishment fund balance in the Capital Reserve fund will be used to defray borrowing.

Repayment of the bond proceeds and interest will be provided by both a town wide tax and additional taxes on the properties located in the municipal service districts (MSD). The MSD tax in fiscal year 2019 is 17.5 cents, with the town-wide tax at 2.7 cents. Funds received from the town wide tax and MSD tax in the amounts of \$ 654,779 and \$1,414,523, respectively, were transferred from the General Fund to the Capital Reserve Fund and are restricted for future beach nourishment. Additionally, sales tax revenues derived from the MSD fiscal year 2018 levy during the year totaled \$449,153.

Federal Emergency Management Agency (FEMA) has agreed to provide an additional \$16,233,837 in grant funding towards the project as a 75%/25% split with North Carolina Division of Emergency Management (NCDEM) for the sand lost as a result of Hurricane Matthew in October 2016. The FEMA funds have been released to the NCDEM for administration provide a pledged revenue source for an additional special obligation in the grant amount. A receivable of \$7,676,761 has been booked for uninsured losses for eligible work incurred resulting from Hurricane Matthew as of June 30, 2019. These grant funds will be used to offset the debt payments of the special obligation bond. The amount in the capital reserve fund restricted for future beach nourishment at June 30, 2019, total \$ 8,343,599 as shown below:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

	Beach nourishment taxes (MSD and town-wide)	Restricted sales taxes from municipal service district tax	FEMA/NCDEM funds receivable	Total
Beginning of year balance	\$ 3,182,941	\$ 2,829,080	\$ 401,902	\$ 6,413,923
Current year additions	2,069,302	449,153	916,954	3,435,409
Current year net interest	135,121	97,853	11,293	244,267
Current year uses	-	(1,750,000)	-	(1,750,000)
End of year balance	\$ 5,387,364	\$ 1,626,086	1,330,149	\$ 8,343,599

As of June 30, 2019, beach nourishment construction was 60% complete in length, or 6 miles, and 65% complete in volume, or 2.6 million cubic yards.

H. Tax Funds Restricted

Beginning in the June 30, 2014, fiscal year, the Town designated one penny of its tax rate for parks and paths. Beginning in the June 30, 2017, fiscal year, the Town designated one penny of its tax rate for Storm Water in lieu of a Storm Water fee. The June 30, 2016, ending Fund Balance in the Storm Water Enterprise Fund was transferred into the Storm Water Capital Reserve on July 1, 2016. Beginning in the June 30, 2019 fiscal year, the Town designated two pennies of its tax rate for Storm Water. Any amounts not spent during the fiscal year are transferred to the capital reserve fund for use in a subsequent year. During the current fiscal year ending June 30, 2019, \$ 238,273 was the amount designated for parks and paths and \$476,545 was designated for Storm Water. The North Carolina Department of Transportation contributed \$90,000 towards stormwater projects improving the NCDOT right-of-way. The balance at June 30, 2019 included in the capital reserve fund for this purpose is:

	Parks and Paths	Storm Water
Beginning of year balance	\$ 47,007	\$ 73,094
Current year additions	238,273	476,545
State reimbursement	-	90,000
Current year interest	1,870	4,269
Current year uses	(253,318)	(501,673)
End of year balance	\$ 33,832	\$ 142,235

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, 2019 was \$3,630 plus an additional \$278 in related FICA.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

III. Joint Ventures

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firefighter's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firefighter's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firefighter's Relief Fund. The funds are used to assist fire fighters in various ways. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2019. The Firefighter's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firefighter's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina, 27603.

On April 20, 2007, the Town acquired a 34.783% interest in property jointly owned with the Outer Banks Visitors Bureau, that acquired the remaining 65.217% interest. The total cost for the Town's share was \$1,623,174. The Town's share of the amount donated by the seller was an additional \$626,094. The funding for this purchase came from the Town's Water Fund. Transfer and payment for the purchase by the General Fund began in the year ending June 30, 2013, in the amount of \$300,000, and will continue each year as determined by the Board of Commissioners until the Water Fund has been fully reimbursed and the property fully transferred to the Towns General Fund. The General Fund transferred an additional \$300,000 in the June 30, 2014 fiscal year and \$73,756 in the fiscal year ended June 30, 2019, for a total transferred of \$673,756 as of June 30, 2019. 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.

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

IV. Summary Disclosure of Significant Contingencies

A. Federal and State Assisted Programs

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

B. 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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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 2019 was \$73.15 per ton.

C. Intangible Water Rights

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

The intangible water rights are being amortized over 40 years. This time period corresponds to the estimated useful life of the R.O. water desalination plant. At June 30, 2019, accumulated amortization totaled \$3,078,948.

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.

V. Subsequent Events

In August 2019, the Town completed construction of a 4.0 million cubic yard beach nourishment maintenance collaborative project to add sand along its shoreline. This was completed ahead of schedule and on budget at \$36,664,500. This Capital Project Ordinance has a total budget of \$43,022,251. To provide funding, up to \$12,773,356 will come from a combination of up-front and debt payment supplements from Dare County in accordance with an inter-local agreement. A receivable of \$1,781,338 has been booked in the Beach Renourishment fund to reflect the final up-front payment due from Dare County as of June 30, 2019. Additionally, a special revenue bond of \$11,380,000 has been issued, Series 2019A, with occupancy tax pledged as collateral. The first of five annual debt payments at \$2,451,252 was made in July 2019, with subsequent semiannual interest only payments until final maturity in July 2023. Excess beach nourishment capital reserves of \$5,525,058 defray debt borrowing as well as fund pay as you go projects.

The cost sharing project is with the Federal Emergency Management Agency (FEMA) and the North Carolina Division of Emergency Management (NCDEM). FEMA has agreed to provide \$16,233,837 in grant funding as a 75%/25% split with NCDEM as a result of sand lost during Hurricane Matthew in October 2016. The grant was calculated using a pro-rata distribution of certain project costs, proportionate to the total amount of sand being placed. The FEMA funds have been released to the NCDEM for administration and are a pledged revenue source for special obligation bond Series 2019B in the same amount. The Town has received 75% of this grant, or \$12,175,376. The grant revenue will be used to offset the debt

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

payments of the Series 2019B special obligation bond. These funds are placed in a sinking account which is swept down to a zero balance quarterly. At a minimum, interest only payments are required semi-annually until balloon principal is made July 2020. The Town has made principal payments of \$11,859,440 and interest payments of \$336,920 to coordinate loan pay off with grant funding repayments. A receivable of \$7,676,761 has been booked in the General Fund for uninsured losses for eligible work incurred resulting from Hurricane Matthew as of June 30, 2019.

VI. Restatement

A. Prior period Adjustment

During the fiscal year ended June 30, 2019, The Town determined that the Capital Reserve Fund liability in the General Fund and corresponding receivable in the Capital Reserve Fund of \$85,029 were not consolidated into the Fund Balance for each individual fund as of June 30, 2019. This resulted in an understatement of the General Fund Fund balance and overstatement of the Capital Reserve Fund Fund Balance as of June 30, 2018. Therefore, an adjustment to beginning fund balance for those funds has been recorded to account for these eliminations, net effect of which increased the beginning fund balance by \$85,029 in the General Fund and decreased the beginning fund balance by \$85,029 in the Capital Reserve Fund. These funds were properly consolidated in the government-wide statements; therefore beginning net position was not affected.

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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

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

A-1

	2019	2018	2017	2016	2015	2014
Town of Nags Head's proportion of the net pension liability (asset) (%)	0.09691%	0.10036%	0.09857%	0.11405%	0.10721%	0.10930%
Town of Nags Head's proportion of the net pension liability (asset) (\$)	\$ 2,299,037	\$ 1,533,223	\$ 2,091,986	\$ 511,850	\$ (632,268)	\$ 1,317,485
Town of Nags Head's covered-employee payroll	\$ 6,293,652	\$ 6,008,611	\$ 5,807,371	\$ 5,376,833	\$ 5,585,383	\$ 5,159,503
Town of Nags Head's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.53%	25.52%	36.02%	9.52%	-11.32%	25.54%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 502,605	\$ 484,882	\$ 448,317	\$ 396,478	\$ 384,097	\$ 397,372
Contributions in relation to the contractually required contribution	502,605	484,882	448,317	396,478	384,097	397,372
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Nags Head's covered-employee payroll	\$ 6,382,086	\$ 6,293,652	\$ 6,008,611	\$ 5,807,371	\$ 5,376,833	\$ 5,585,383
Contributions as a percentage of covered-employee payroll	7.88%	7.70%	7.46%	6.83%	7.14%	7.11%

Town of Nags Head, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

A-3

	2019	2018	2017
Total Pension Liability			
Beginning balance	\$ 823,639	\$ 772,627	\$ 769,077
Service Cost at end of year	46,110	33,911	38,198
Interest on the total pension liability	25,267	29,059	26,713
Differences between expected and actual experience in the measurement of the total pension liability	104,529	(21,647)	-
Changes of assumptions or other inputs	(41,378)	49,282	(19,711)
Benefit payments	(48,080)	(39,593)	(41,650)
Net change in Total Pension Liability	86,448	51,012	3,550
Ending balance of the total pension liability	\$ 910,087	\$ 823,639	\$ 772,627

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

Town of Nags Head, North Carolina

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**Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019**

	2019	2018	2017
Total pension liability	\$ 910,087	\$ 823,639	\$ 772,627
Covered-employee payroll	1,396,151	1,227,153	1,386,134
Total Pension Liability as a percentage of of covered-employee payroll	65.19%	67.12%	55.74%

Notes to the schedules:

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

Town of Nags Head, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2019

A-5

	Measurement Period Ending	
	2018	2017
Total OPEB Liability		
Service Cost at end of year (includes interest for the year)	348,444 \$	370,146
Interest on Total OPEB Liability and Cash Flows	143,590	116,800
Difference between expected and actual experience	(18,158)	(12,992)
Changes of assumptions or other inputs	(131,192)	(209,200)
Benefit payments	(113,891)	(109,742)
Net change in total OPEB liability	228,793	155,012
Total OPEB liability-beginning	4,089,885	3,934,873
Total OPEB liability-ending	<u>\$ 4,318,678</u>	<u>\$ 4,089,885</u>
Covered payroll	\$ 5,922,513	\$ 5,922,513
Total OPEB liability as a percentage of covered payroll	72.92%	69.06%

Notes to Schedule

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

Fiscal year	Rate
2019	3.89%
2018	3.56%

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MAJOR GOVERNMENTAL FUNDS

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

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

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

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

Schedule 1

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018**

	2019		Variance Over (Under)	2018
	Budget	Actual		Actual
REVENUES				
Ad Valorem Taxes:				
Current year		\$ 7,314,496		\$ 7,012,961
Municipal service district		1,414,523		1,412,472
Prior year		205		26
DMV current year		134,381		126,918
DMV prior year		1		27
Penalties and interest		6,332		7,348
Total	\$ 8,763,292	8,869,938	\$ 106,646	8,559,752
Other Taxes and Licenses:				
Occupancy tax		2,870,519		2,419,390
Land Transfer tax		711,883		592,775
Local governmental sales tax		1,646,450		1,414,213
1/2% sales tax revenue		1,075,093		925,421
Special assessments		1,155		162
Special assessment interest		52		66
Privilege licenses and Business registrations		19,365		19,395
Mixed beverage tax		39,623		39,053
Privilege license penalties		2,025		854
Total	6,115,642	6,366,165	250,523	5,411,329
Intergovernmental Revenues:				
Unrestricted:				
Utility sales tax		722,144		631,406
Telecommunications tax		33,843		36,974
Natural Gas sales tax		4,278		4,246
Solid Waste Disposal fees		2,225		1,978
Video programming tax		112,310		119,775
Cable Franchise - PEG fund fees		53,785		54,063
Beer and wine		12,937		12,894
ABC revenue		19,324		18,664
Total	910,000	960,846	50,846	880,000
Restricted:				
Federal:				
Grant - Homeland Security Investigations		10,578		-
Grant - Bulletproof Vest Partnership Program		1,973		-
Controlled substance excise tax		-		1,839
Grant - FEMA reimbursement		6,492,439		301,426
Grant - Governor's Crime Commission		-		7,631
State:				
Grant - State Street Aid - Powell Bill		117,970		119,263
Grant - State Department of Public Instruction		33,333		41,718
CAMA minor permit reimbursement		6,345		3,890
Controlled substance excise tax		7,578		16,879
Grant - NC Department of Public Safety		2,164,146		100,475
Grant - Parks and Recreation Trust Fund		250,000		-
Reimbursement - NC Department of Transportation		90,000		-

**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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018**

	2019		Variance Over (Under)	2018
	Budget	Actual		Actual
Local:				
Contributions from Dare County		-		24,500
Government Access Channel Grant		10,000		6,490
Outer Banks Visitor Bureau grant		244,311		10,000
Wellness grant		7,873		3,895
Total	5,996,681	9,436,546	3,439,865	638,006
Total Intergovernmental Revenues	6,906,681	10,397,392	3,490,711	1,518,006
Permits and Fees:				
Building permits		190,236		229,929
Facility fees		41,873		58,372
Inspection and review fees		10,897		36,193
Beach driving permits		29,052		29,289
Pit Fire fees		12,060		-
CAMA permits		5,900		7,400
Court costs and fees		3,434		4,343
Crowd gathering permit fees		3,600		-
Alarm fees		100		-
Civil penalties		2,350		1,000
Automobile town tags		726		688
Total	345,150	300,228	(44,922)	367,214
Sales and Services:				
Sale of materials		66,091		69,837
Total	75,000	66,091	(8,909)	69,837
Investment Earnings:				
Investment Earnings		184,761		166,095
Change in fair market value of investments		177,215		(96,388)
Net investment earnings	135,000	361,976	226,976	69,707
Other Revenues:				
Other rents		144,662		123,730
Miscellaneous		23,462		49,417
Contributions to Police, Fire & Rescue Benevolent Fund		17,795		13,408
Total	132,800	185,919	53,119	186,555
Total Revenues	22,473,565	26,547,709	4,074,144	16,182,400

**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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018**

	2019		Variance Over (Under)	2018
	Budget	Actual		Actual
EXPENDITURES				
General Government:				
Governing Body:				
Fees paid to elected officials		35,407		34,802
FICA expense		2,709		2,662
Contracted services		46,091		44,316
Department supplies and materials		16,371		5,049
Special events		209		832
Dues and subscriptions		8,437		8,847
Advertising		50		80
Printing		4,337		1,450
Travel and Training		2,652		6,219
Equipment rental		13		5
Contribution to Government Access Channel		54,786		55,063
Contributions, miscellaneous		10,250		10,425
Reimbursement from Water Fund		(14,671)		(16,386)
Total	187,624	166,641	(20,983)	153,364
Administration:				
Salaries and wages		642,094		600,940
FICA expense		45,700		43,110
Group insurance		128,127		110,359
Group insurance - retiree		14,379		13,467
Retirement		49,559		44,956
401(k) account		12,583		11,815
Contracted services		42,722		32,839
Travel and Training		9,101		11,660
Professional services		-		327
Advertising		7,332		6,030
Printing		265		450
Departmental supplies		11,227		8,824
Dues and subscriptions		11,868		9,063
Equipment rental		4,752		5,213
Telephone		2,729		6,300
Postage		224		236
Repairs and maintenance, vehicles		528		868
Automotive Supplies		1,295		1,141
Capital outlay, other		2,463		9,060
Capital outlay, vehicles		-		33,908
Reimbursement from Water Fund		(132,779)		(124,387)
Debt service, capital lease		10,677		11,272
Debt service, interest		595		-
Total	891,545	865,441	(26,104)	837,451

**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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018**

	2019		Variance Over (Under)	2018
	Budget	Actual		Actual
Administrative Services:				
Salaries and wages		338,766		332,721
FICA expense		24,580		24,214
Group insurance expense		61,818		59,508
Retirement		25,385		23,961
401(k) account		6,478		6,335
Unemployment expense		2,924		3,317
Insurance		337,095		313,854
Contracted services		26,129		38,006
Professional services		41,046		16,310
Fines and forfeitures		6,205		7,482
Departmental supplies and materials		7,933		10,448
Postage		4,988		5,497
Telephone		1,485		3,432
Travel and Training		7,383		8,921
Equipment rental		4,738		3,064
Repairs and maintenance, equipment		144		138
Wellness program		16,035		4,175
Special contracted services		5,026		4,680
Dues and subscriptions		1,174		1,490
Purchases for resale		337		233
Advertising		221		214
Repairs and maintenance, vehicles		211		546
Automotive supplies		443		288
Capital outlay, equipment		88,116		61,521
Reimbursement from Water Fund		(81,207)		(77,122)
Debt service, capital lease		84,077		74,256
Debt service, interest		3,731		3,837
Total	1,182,103	1,015,261	(166,842)	931,326
Information Technology:				
Salaries and wages		75,129		113,352
FICA expense		5,697		8,649
Group insurance		7,476		14,708
Group insurance - retiree		1,636		-
Retirement		5,860		8,559
401(k) account		1,403		1,667
Contracted services		96,812		15,929
Contracted services, GIS		-		630
Contracted services, website		11,473		5,035
Contracted services, annual contracts		70,298		42,841
Travel and Training		2,985		4,163
Professional services		-		150
Departmental supplies		263		497
Telephone		495		6,127
Postage		-		133
Repairs and maintenance, equipment		7,342		5,193
Other supplies		8,460		41,185
Internet costs		7,620		7,620
Equipment rental		9,375		8,840
Dues and subscriptions		-		50

**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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018**

	2019		Variance Over (Under)	2018
	Budget	Actual		Actual
Information Technology (continued):				
Capital outlay, equipment		-		7,150
Reimbursement from Water Fund		(35,593)		(36,507)
Total	360,110	276,731	(83,379)	255,971
Planning and Development:				
Salaries and wages		585,215		548,413
FICA expense		42,083		40,271
Group insurance		122,708		99,758
Group insurance - retiree		1,798		5,892
Retirement		43,842		40,688
401(k) account		10,292		10,256
Planning board, board of adjustment		7,510		6,840
Professional services		945		1,490
Departmental supplies		6,322		8,149
Special events		10,525		8,293
Uniforms		471		508
Travel and Training		8,787		6,472
Advertising		1,234		766
Telephone		4,620		5,557
Postage		1,001		3,498
Repairs and maintenance, vehicles		622		1,069
Printing		1,082		660
Contracted services		24,960		42,446
Other supplies		5,662		520
Automotive supplies		3,145		3,312
Equipment rental		4,422		7,080
Dues and subscriptions		3,959		2,723
Capital outlay, other		1,835		70,586
Capital outlay, equipment		17,389		15,266
Capital outlay, vehicles		-		35,104
Capital outlay, infrastructure		7,500		-
Debt service, capital lease		25,724		35,159
Debt service, interest		1,434		99
Reimbursement from Water Fund		(120,233)		(116,773)
Total	940,372	824,854	(115,518)	884,102
Legal Services:				
Professional services		109,136		107,908
Reimbursement from Water Fund		(18,193)		(14,779)
Total	96,287	90,943	(5,344)	93,129
Total General Government	3,658,041	3,239,871	(418,170)	3,155,343

**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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018**

	2019		Variance	2018
	Budget	Actual	Over (Under)	Actual
Public Safety:				
Police Department:				
Salaries and wages		1,436,283		1,435,766
FICA expense		103,858		104,271
Group insurance		312,995		323,898
Group insurance - retiree		46,733		40,313
Retirement		120,608		117,222
401(k) account		67,776		68,162
Separation Allowance		64,956		42,621
Automotive supplies		52,025		54,829
Departmental supplies		56,698		58,439
Repairs and maintenance, vehicles		17,311		29,051
Repairs and maintenance, equipment		35,011		30,512
Telephone		12,961		22,964
Other supplies		8,770		6,522
Uniforms		14,857		15,520
Equipment rental		9,107		9,256
Travel and Training		18,934		25,569
Professional services		4,498		4,781
Postage		726		941
Dues and subscriptions		727		1,026
Advertising		357		-
Printing		398		189
Contracted services		3,068		2,577
Special investigations		4,480		1,000
Capital outlay, vehicles		143,477		169,631
Capital outlay, equipment Governor's grant		-		42,376
Debt service, capital lease		143,134		135,894
Debt service, interest		4,366		1,961
Total	2,815,064	2,684,114	(130,950)	2,745,291
Drug Forfeiture:				
Department supplies		3,186		4,805
Capital outlay, other		-		15,500
Total	3,186	3,186	-	20,305
Fire Department:				
Salaries and wages		1,546,905		1,530,045
FICA expense		111,195		109,367
Group insurance		371,978		360,407
Group insurance, retiree		30,116		13,438
Retirement expense		120,590		115,111
401(k) account		29,155		28,162
Incentive pay		3,630		2,120
Supplemental pension fund		2,540		2,710
Departmental supplies		61,434		59,981
Repairs and maintenance, buildings		19,900		29,260

**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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018**

	2019		Variance Over (Under)	2018
	Budget	Actual		Actual
Fire Department (continued):				
Repairs and maintenance, vehicles		42,261		27,535
Uniforms		16,299		15,826
Repairs and maintenance, equipment		5,859		4,897
Automotive supplies		15,418		14,685
Telephone		4,375		8,913
OSHA Compliance		2,922		2,041
Travel and Training		16,924		18,535
Safety training		5,829		4,862
Other supplies		4,334		4,273
Equipment rental		3,876		4,445
Dues and subscriptions		2,273		2,497
Professional services		5,828		13,977
Advertising		125		100
Postage		362		316
Contracted Services		18,412		14,407
Printing		-		388
Capital outlay, equipment		13,798		18,159
Capital outlay, vehicle		49,682		-
Debt service, capital lease		273,425		186,318
Debt service, interest		7,143		10,710
Total	3,529,687	2,786,588	(743,099)	2,603,485
Ocean Rescue:				
Salaries and wages		469,592		459,987
FICA expense		27,510		28,717
Group insurance		9,745		9,107
Retirement expense		3,270		2,867
401(k) account		833		758
Departmental supplies		22,357		22,749
Uniforms		13,802		12,782
Automotive supplies		9,935		9,041
Repairs and maintenance, buildings		-		72
Repairs and maintenance, equipment		4,441		4,532
Travel and Training		6,991		7,034
Repairs and maintenance, vehicles		2,216		1,245
Professional fees		2,115		1,894
Contracted Services		1,381		1,264
Telephone		1,994		960
Printing		1,213		1,611
Dues and subscriptions		1,510		1,980
Postage		117		97
Advertising		634		675
Capital outlay, vehicle		43,314		-
Capital outlay, equipment		17,408		9,998
Debt service, capital lease		23,968		20,819
Debt service, interest		286		569
Total	682,340	664,632	(17,708)	598,758
Total Public Safety	7,030,277	6,138,520	(891,757)	5,967,839

**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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018**

	2019		Variance Over (Under)	2018
	Budget	Actual		Actual
Environmental Protection:				
Sanitation:				
Salaries and wages		428,323		419,434
FICA expense		30,444		30,007
Group insurance		119,309		111,052
Retirement		30,879		29,763
401(k) account		2,609		2,810
Repairs and maintenance, vehicles		130,658		128,251
Automotive supplies		90,503		94,433
Department supplies		29,011		12,278
Uniforms		3,754		2,729
Contracted services		12,069		9,939
Recycling		139,534		84,457
Repairs and maintenance, equipment		742		2,747
Telephone		-		2,503
Advertising		489		501
Capital outlay, equipment		7,837		-
Capital outlay, other		-		15,309
Capital outlay, vehicles		167,881		133,288
Debt service, capital lease		360,299		390,938
Debt service, interest		11,847		14,530
Total	1,812,212	1,566,188	(246,024)	1,484,969
Solid Waste:				
Tipping fees		634,974		658,633
Total	686,906	634,974	(51,932)	658,633
Total Environmental Protection	2,499,118	2,201,162	(297,956)	2,143,602
Public Works:				
Administration:				
Salaries and wages		176,073		194,053
FICA expense		12,639		14,010
Group insurance		44,923		41,674
Retirement		13,814		14,620
401(k) account		3,526		3,484
Repairs and maintenance, equipment		13,750		-
Contracted services		1,708		3,178
Purchase for resale		113,635		52,953
Telephone		1,529		2,431
Departmental supplies		4,320		4,901
Advertising		-		91
Equipment rental		2,566		2,675
Automotive supplies		2,147		2,204
Travel and Training		498		146

**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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018**

	2019		Variance Over (Under)	2018
	Budget	Actual		Actual
Public Works:				
Administration (continued):				
Dues and subscriptions		875		850
Postage		452		64
Repairs and maintenance, vehicles		243		444
Uniforms		445		587
Capital outlay, other		46,402		-
Capital outlay, equipment		2,234		-
Debt service, capital lease		7,855		7,739
Debt service, interest		237		354
Reimbursement from Water Fund		(43,127)		(65,312)
Total	437,698	406,744	(30,954)	281,146
Public Facilities Maintenance:				
Salaries and wages		471,003		426,854
FICA expense		34,877		31,719
Group insurance		114,171		103,566
Group insurance, retiree		-		13,847
Retirement		36,496		31,597
401(k) account		7,059		6,871
Repairs and maintenance, facilities		94,208		134,032
Utilities		194,820		189,174
Contracted services		30,218		52,742
Department supplies		28,887		19,072
Repairs and maintenance, equipment		23,319		29,317
Signs		16,597		14,661
Automotive supplies		22,218		17,413
Repairs and maintenance, other		48,258		34,879
Other supplies		20,573		14,564
Professional services		175		4,675
Uniforms		4,475		3,107
Repairs and maintenance, vehicles		12,001		7,781
Travel and Training		2,143		2,564
Telephone		-		2,478
Special Projects, sand fencing		-		24,000
Dues and subscriptions		-		50
Reimbursement from Water Fund		(155,274)		(161,081)
Capital outlay, Dowdy Park		882,798		82,929
Capital outlay, equipment		328,174		160,168
Capital outlay, land		184,853		24,116
Capital outlay, building		102,130		454,489
Capital outlay, other		3,040		-
Debt service, capital lease		209,814		324,433
Debt service, interest		10,877		3,886
Total	3,201,940	2,727,910	(474,031)	2,053,903

**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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018**

	2019		Variance Over (Under)	2018
	Budget	Actual		Actual
Maintenance Garage:				
Salaries and wages		201,722		196,978
FICA account		14,813		14,342
Group insurance		51,414		51,645
Retirement		15,769		14,872
401(k) account		3,721		3,475
Other supplies		9,665		12,523
Departmental supplies		12,134		15,648
Uniforms		1,588		1,936
Contracted services		1,603		1,652
Automotive supplies		762		246
Repairs and maintenance, vehicles		798		139
Travel and Training		-		70
Repairs and maintenance, equipment		125		587
Reimbursement from Water Fund		(44,345)		(43,010)
Debt service, capital lease		17,711		17,450
Debt service, interest		535		797
Total	306,386	288,015	(18,371)	289,350
Total Public Works	3,946,024	3,422,669	(523,356)	2,624,399
Streets and Drainage:				
State Street Aid:				
Street supplies, Powell Bill		5,104		20,789
Capital outlay, infrastructure		-		15,432
Capital outlay, other		112,805		10,000
Total	191,700	117,909	(73,791)	46,221
Storm Water Maintenance:				
Utilities		1,409		972
Fuel costs		1,537		1,389
Department Supplies		3,605		4,118
Maintenance and repairs equipment		612		2,017
Professional services		5,400		3,000
Professional fees/Water quality testing		360		360
Contracted services		32,849		36,672
Capital outlay, equipment		37,221		-
Capital outlay, infrastructure		711,822		274,768
Debt Service, capital lease		136,545		12,360
Debt Service, interest		379		565
Total	1,386,300	931,739	(454,561)	336,221
Total Streets and Drainage	1,578,000	1,049,648	(528,352)	382,442
Contingency	11,346	-	(11,346)	-
Total Expenditures	18,722,806	16,051,870	(2,670,937)	14,273,625
Revenues Over Expenditures	3,750,759	10,495,840	6,745,081	1,908,775

**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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018**

	2019		Variance Over (Under)	2018
	Budget	Actual		Actual
Other Financing Sources (Uses):				
Installment financing	2,217,383	2,217,383	-	1,090,403
Transfers to Capital Reserve Fund	(8,329,302)	(4,282,100)	4,047,202	(2,993,287)
Transfers from Capital Reserve Fund	888,839	811,429	(77,410)	627,992
Sale of capital assets	21,000	20,345	(655)	21,594
Committed Fund Balance	40,000	-	(40,000)	-
Appropriated Fund Balance	1,411,321	-	(1,411,321)	-
Other financing sources (uses), net	<u>(3,750,759)</u>	<u>(1,232,943)</u>	<u>2,517,816</u>	<u>(1,253,298)</u>
Net change in fund balance	<u>\$ -</u>	<u>9,262,897</u>	<u>\$ 9,262,897</u>	<u>655,477</u>
Fund balance, beginning as previously reported		10,439,077		9,783,600
Prior period adjustment		85,029		-
Fund balance, beginning as restated		<u>10,524,106</u>		<u>9,783,600</u>
Fund balance, ending		<u>\$ 19,787,002</u>		<u>\$ 10,439,077</u>

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**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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018**

	2019		Variance Over (Under)	2018
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 137,684	137,684	\$ 91,359
Change in fair market value of investments		116,522	116,522	(78,648)
Total revenues	-	254,206	254,206	12,711
Other financing sources (uses):				
Transfers from:				
General Fund	8,329,302	4,282,100	(4,047,202)	2,993,287
Transfers to:				
Beach Renourishment Capital Project Fund	(2,766,035)	(1,750,000)	1,016,035	(12,000)
General Fund	(888,839)	(811,429)	77,410	(627,992)
Appropriated Fund Balance	(4,674,428)	-	4,674,428	-
Total other financing sources	-	1,720,671	1,720,671	2,353,295
Net change in fund balance	\$ -	1,974,877	\$ 1,974,877	2,366,006
Fund balances, beginning as previously reported		6,739,739		4,373,733
Prior period adjustment		(85,029)		-
Fund balances, beginning as restated		6,654,710		4,373,733
Fund balances, end of year		\$ 8,629,587		\$ 6,739,739

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Town of Nags Head, North Carolina
Beach Renourishment Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2019

Schedule 3

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ 110,000	\$ 52,516	\$ 251,756	\$ 304,272	\$ 194,272
Change in fair market value of investments	-	(26,943)	26,943	-	-
Restricted intergovernmental	9,773,356	645,779	9,127,577	9,773,356	-
Total revenues	9,883,356	671,352	9,406,276	10,077,628	194,272
Expenditures					
Professional Fees	686,000	185,362	201,811	387,173	(298,827)
Capital Construction Oversight	1,862,523	1,043,429	357,704	1,401,133	(461,390)
Pumping Costs	32,644,500	-	19,702,712	19,702,712	(12,941,788)
Mobilization	4,000,000	-	2,280,000	2,280,000	(1,720,000)
Contingency	1,114,779	-	-	-	(1,114,779)
Monitoring	782,949	-	15,803	15,803	(767,146)
Thirty Year Beach Study	750,000	-	-	-	(750,000)
Sprigging	450,000	-	-	-	(450,000)
Turtle Monitoring	81,500	-	37,555	37,555	(43,945)
Ocean Outfall	375,000	-	375,000	375,000	-
Other Costs	275,000	20,898	18,047	38,945	(236,055)
Total Expenditures	43,022,251	1,249,689	22,988,632	24,238,321	(18,783,930)
Revenues over (under) expenditures	(33,138,895)	(578,337)	(13,582,356)	(14,160,693)	18,978,202
Other financing sources (uses):					
Installment purchase obligations issued	27,613,837	-	27,613,837	27,613,837	-
Transfers from Capital Reserve Fund	5,525,058	2,686,211	1,750,000	4,436,211	(1,088,847)
Total other financing sources (uses)	33,138,895	2,686,211	29,363,837	32,050,048	(1,088,847)
Net change in fund balance	\$ -	\$ 2,107,874	15,781,481	\$ 17,889,355	\$ 17,889,355
Fund balance, beginning of year			2,107,874		
Fund balance, end of year			\$ 17,889,355		

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PROPRIETARY FUND ENTERPRISE FUND

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

Major Enterprise Fund

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

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

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Town of Nags Head, North Carolina
Enterprise Fund - Water Fund
Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

Schedule 4

	2019		Variance Over (Under)	2018
	Budget	Actual		Actual
REVENUES				
Operating Revenues:				
Water sales		\$ 3,028,910		\$ 2,631,286
Tap and connection fees		25,895		31,728
Late payment penalties and interest		29,527		28,536
Water cutoff tag fees		4,100		5,100
Miscellaneous		1,990		2,951
Total Operating Revenues	2,940,973	3,090,422	149,449	2,699,601
Non-operating Revenues:				
Interest earned on investments		52,574		55,577
Change in fair market value of investments		63,991		(33,391)
Total Non-operating Revenues	46,250	116,565	70,315	22,186
Total Revenues	2,987,223	3,206,987	219,764	2,721,787
EXPENDITURES				
Administration:				
Salaries and wages		132,383		119,800
FICA expense		9,183		8,363
Group insurance		35,786		32,185
Retirement expense		10,301		9,010
401(k) account		1,944		1,483
Reimburse General Fund administrative expenses		61,031		61,971
Contracted services		6,593		6,480
Postage		10,071		10,098
Travel and Training		725		62
Supplies and materials		3,673		3,501
Professional fees		10,620		9,499
Repairs and maintenance, equipment		2,040		-
Total Administration	302,102	284,350	(17,752)	262,452
Septic Health:				
Salaries and wages		30,708		29,641
FICA expense		2,202		2,125
Group insurance		7,272		6,830
Retirement		2,381		2,223
401(k) account		568		588
Reimburse General Fund administrative expenses		85,489		86,804
Inspection rebates		10,000		9,950
Pumping credits		2,010		1,770
Postage		-		1,025

Enterprise Fund - Water Fund

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

For the Year Ended June 30, 2019

With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Over (Under)	2018
	Budget	Actual		Actual
Septic Health (continued):				
Travel and Training		546		23
Water quality testing		43,224		43,539
Contracted services		7,320		8,065
Telephone		137		205
Printing		-		699
Automotive supplies		507		834
Repairs and maintenance, vehicles		4		36
Departmental supplies		596		604
Total Septic Health	206,169	192,964	(13,205)	194,961
Operations:				
Salaries and wages		213,744		207,904
FICA expense		15,462		14,842
Group insurance		53,460		53,632
Retirement		16,727		15,677
401(k) account		4,269		2,780
Purchases for resale		812,053		831,799
Reimburse General Fund administrative expenses		373,758		379,511
Insurance		53,479		50,984
Utilities		47,606		47,806
Contracted services		15,665		7,888
Departmental supplies		34,977		22,993
Professional fees		890		2,400
Other supplies		3,131		5,399
Repairs and maintenance, equipment		285,057		23,024
Repairs and maintenance, buildings		-		1,265
Postage		1,551		1,773
Telephone		3,388		4,389
Uniforms		2,497		1,099
Dues and subscriptions		2,656		2,496
Equipment rental		808		976
Printing		2,808		2,869
Automotive supplies		6,120		5,434
Travel and Training		1,031		1,669
Repairs and maintenance, vehicles		1,109		1,190
Total Operations	2,054,151	1,952,246	(101,905)	1,689,799
Operations Distribution:				
Salaries and wages		177,585		188,263
FICA expense		12,994		12,978
Group insurance		48,287		65,491
Group insurance, retiree		28,758		26,912
Retirement		13,835		14,134

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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

Schedule 4

	2019		Variance	2018
	Budget	Actual	Over (Under)	Actual
Operations Distribution (continued):				
401(k) account		2,257		3,608
Reimburse General Fund administrative expenses		125,144		127,071
Contracted services		16,889		8,554
Other supplies		28,272		19,073
Repairs and maintenance, other		22,542		24,297
Automobile supplies		6,630		7,802
Departmental supplies		22,443		16,484
Professional fees		1,545		-
Uniforms		2,488		2,576
Repairs and maintenance, vehicles		1,542		1,828
Telephone		1,550		1,636
Dues and subscriptions		1,304		1,364
Printing		310		-
Advertising		1,045		928
Repairs and maintenance, equipment		270		40,722
Travel and Training		2,051		4,074
Total Operations Distribution	587,612	517,741	(69,871)	567,795
Contingency	50,000	-	(50,000)	-
Capital Outlay:				
Machinery and equipment	97,375	46,455		-
Infrastructure	229,620	158,810		141,380
Vehicles	-	-		30,669
Other	150,000	-		-
Total Capital Outlay	476,995	205,265	(271,730)	172,049
TOTAL EXPENDITURES	3,677,029	3,152,566	(524,463)	2,887,056
REVENUES OVER (UNDER) EXPENDITURES	(689,806)	54,421	744,227	(165,269)
Other Financing Sources and (Uses):				
Appropriated Net Position	796,584	-		-
Capital lease issued	-	-		29,776
Transfer from General Fund	73,756	73,756		-
Transfer to Water Capital Reserve Fund	(50,000)	(20,461)		-
Debt interest	(3,245)	(3,120)		(5,215)
Debt principal	(112,289)	(112,412)		(144,227)
Septic Health Loans provided to customers	(50,000)	(25,035)		(43,095)
Principal repayments Septic Health Loans	35,000	40,368		44,117
Total Other Financing Sources and (Uses)	689,806	(46,904)	(736,710)	(118,644)

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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

Schedule 4

	2019		Variance Over (Under)	2018
	Budget	Actual		Actual
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	\$ 7,517	\$ 7,517	\$ (283,913)

RECONCILIATION OF MODIFIED ACCRUAL TO FULL ACCRUAL BASIS

Revenues over (under) expenditures	\$ 7,517	\$ (283,913)
Reconciling items:		
Septic Health Loans	25,035	43,095
Principal repayments Septic Health Loans	(40,368)	(44,117)
Payment of debt principal	112,412	144,227
Decrease in accrued interest payable	458	335
Decrease in accrued vacation payable	7,855	178
(Decrease) increase in deferred outflows of resources-pensions	52,673	(56,990)
Increase in deferred outflows of resources-OPEB	1,823	26,935
Decrease (increase) in net pension liability	(64,711)	51,818
Decrease in deferred inflows of resources-pensions	4,027	5,786
(Increase) in OPEB liability	(53,309)	(12,749)
(Increase) in deferred inflows of resources-OPEB	(27,361)	(17,162)
Capital lease issued	-	(29,776)
Capital contributions	22,461	145,000
Capital outlay	205,265	172,049
Loss on disposal of capital asset	(73,756)	
Depreciation and amortization	(353,073)	(360,573)
Change in net position	<u>\$ (173,052)</u>	<u>\$ (215,857)</u>

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, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

Schedule 5

	2019		Variance Over (Under)	2018
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 277	277	\$ -
Change in fair market value of investments		9	9	-
Total revenues	-	286	286	-
Other financing sources (uses):				
Transfers from:				
Water Fund	50,000	20,461	(29,539)	-
Appropriated net position	(50,000)	-	50,000	-
Total other financing sources	-	20,461	20,461	-
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>20,747</u>	<u>\$ 20,747</u>	-
Change in net position		<u>\$ 20,747</u>		<u>\$ -</u>

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SUPPLEMENTARY SCHEDULES

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

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TOWN OF NAGS HEAD, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

Schedule 6

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Collections And Credits	Adjustments	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 7,248,219	\$ 7,448,877	\$ 202,407	\$ 1,749
2018-2019 MSD	-	1,410,381	1,414,523	4,143	1
2017-2018	437	-	203	-	234
2017-2018 MSD	1	-	-	-	1
2016-2017	176	-	1	-	175
2015-2016	72	-	-	-	72
2015-2016 MSD	2	-	-	-	2
2014-2015	104	-	-	-	104
2014-2015 MSD	-	-	-	-	-
2013-2014	1,183	-	1	-	1,182
2013-2014 MSD	37	-	-	-	37
2012-2013	1,883	-	-	-	1,883
2012-2013 MSD	2	-	-	-	2
2011-2012	1,092	-	-	-	1,092
2011-2012 MSD	19	-	-	-	19
2010-2011	1,155	-	-	-	1,155
2009-2010	922	-	-	-	922
2008-2009	711	-	711	-	-
Total	\$ 7,796	\$ 8,658,600	\$ 8,864,316	\$ 206,550	8,630

Less allowance for uncollectible
ad valorem taxes receivable

\$ 7,500

Ad Valorem Taxes Receivable, net

\$ 1,130

Reconciliation with revenues:

Taxes, ad valorem , General Fund	\$ 7,455,415
Taxes, ad valorem , General Fund, MSD	1,414,523
Reconciling items:	
Amounts written off for tax year 2008-2009	76
DMV written off for tax year 2008-2009	635
Penalties and interest	(6,332)
Subtotal	<u>(5,621)</u>
Total collections and credits	<u>\$ 8,864,317</u>

Town of Nags Head, North Carolina
Analysis of Current Tax Levy
June 30, 2019

Schedule 7

	Town - Wide		Total Levy		
			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles	
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current year's rate	\$ 2,359,357,423	\$ 0.3070	\$ 7,243,229	\$ 7,243,229	\$ -
Registered Motor Vehicles taxed at current year rates	35,451,945	0.3070	108,456	-	108,456
Registered Motor Vehicles taxed at 2017 year's rate	8,733,273	0.2970	25,938	-	25,938
Registered Motor Vehicles taxed at 2015 year's rate	(4,970)	0.2670	(13)	-	(13)
Penalties	-	-	4,990	4,990	-
Total	2,403,537,671		7,382,600	7,248,219	134,381
Discoveries and Adjustments:					
Current year discoveries and adjustments	21,832,021	0.3070	67,939	67,939	
Penalty Discoveries	-	-	112	112	
Total	21,832,021		68,051	68,051	
Releases and Adjustments:					
Current year releases and adjustments	(3,267)	0.3070	(10)	(10)	
Penalty Releases and Adjustments	-	-	(15)	(15)	
Total	(3,267)		(25)	(25)	
Write-offs or Adjustments:					
Total property valuation	<u>\$ 2,425,366,425</u>				
Net levy			7,450,627	7,316,246	134,381
Uncollected taxes at June 30, 2019			(1,749)	(1,749)	-
Current year taxes collected			<u>\$ 7,448,878</u>	<u>\$ 7,314,497</u>	<u>\$ 134,381</u>
Current levy collection percentage			<u>99.977%</u>	<u>99.976%</u>	<u>100.00%</u>

STATISTICAL SECTION

This part of the Town of Nags Head's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Contents	Page
Financial Trends	96
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	106
These tables contain information to help the reader assess the Town's most significant local revenue source: property tax.	
Debt Capacity	111
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	116
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	118
These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	

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

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities				
Net investment in capital assets	\$ 15,867,188	\$ 16,675,551	\$ 39,461,419	\$ 36,870,772
Restricted	107,450	43,920,188	2,841,491	4,215,704
Unrestricted	8,860,527	(17,756,013)	7,010,760	6,290,213
Total governmental activities net position	<u>\$ 24,835,165</u>	<u>\$ 42,839,726</u>	<u>\$ 49,313,670</u>	<u>\$ 47,376,689</u>
Business-type activities				
Net investment in capital assets	\$ 7,198,997	\$ 6,998,911	\$ 7,290,657	\$ 6,956,945
Restricted	-	-	-	-
Unrestricted	3,595,538	3,612,184	3,435,118	3,503,486
Total business-type activities net position	<u>\$ 10,794,535</u>	<u>\$ 10,611,095</u>	<u>\$ 10,725,775</u>	<u>\$ 10,460,431</u>
Primary government				
Net investment in capital assets	\$ 23,066,185	\$ 23,674,462	\$ 46,752,076	\$ 43,827,717
Restricted	107,450	43,920,188	2,841,491	4,215,704
Unrestricted	12,456,065	(14,143,829)	10,445,878	9,793,699
Total primary government activities net position	<u>\$ 35,629,700</u>	<u>\$ 53,450,821</u>	<u>\$ 60,039,445</u>	<u>\$ 57,837,120</u>

Note:

The Town adopted GASB Statement No. 68 for fiscal year 2015; prior years are not restated.
The Town adopted GASB Statement No. 73 for fiscal year 2016; prior years are not restated.
The Town adopted GASB Statement No. 73 for fiscal year 2017; prior years are not restated.
The Town adopted GASB Statement No. 75 for fiscal year 2018; prior years are not restated.

TABLE 1

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 33,903,387	\$ 31,135,962	\$ 27,708,368	\$ 20,966,687	\$ 21,952,386	\$ 25,110,090
5,228,502	6,624,621	9,021,585	8,329,744	11,467,485	20,760,822
5,800,045	3,898,698	3,755,364	4,890,365	1,878,340	6,504,243
<u>\$ 44,931,934</u>	<u>\$ 41,659,281</u>	<u>\$ 40,485,317</u>	<u>\$ 34,186,796</u>	<u>\$ 35,298,211</u>	<u>\$ 52,375,155</u>
\$ 6,615,501	\$ 6,893,822	\$ 7,151,840	\$ 6,294,923	\$ 6,220,850	\$ 6,084,121
-	-	-	-	-	20,747
3,714,971	3,552,268	3,666,132	3,314,466	2,914,008	2,904,685
<u>\$ 10,330,472</u>	<u>\$ 10,446,090</u>	<u>\$ 10,817,972</u>	<u>\$ 9,609,389</u>	<u>\$ 9,161,858</u>	<u>\$ 9,009,553</u>
\$ 40,518,888	\$ 38,029,784	\$ 34,860,208	\$ 27,261,610	\$ 28,173,236	\$ 31,194,211
5,228,502	6,624,621	9,021,585	8,329,744	11,467,485	20,781,569
9,515,016	7,450,966	7,421,496	8,204,831	4,819,348	9,408,928
<u>\$ 55,262,406</u>	<u>\$ 52,105,371</u>	<u>\$ 51,303,289</u>	<u>\$ 43,796,185</u>	<u>\$ 44,460,069</u>	<u>\$ 61,384,708</u>

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

	2010	2011	2012	2013
Expenses				
Governmental activities:				
General government	\$ 2,180,840	\$ 2,312,288	\$ 2,522,896	\$ 9,253,686
Public safety	4,275,197	4,414,594	4,779,911	4,894,679
Public Works/Transportation	1,618,287	1,692,863	2,041,283	1,972,369
Environmental protection	1,662,597	1,595,804	1,725,879	1,721,611
Streets and Drainage	-	-	-	-
Interest on long-term debt	108,592	79,966	520,237	409,005
Total Governmental activities expenses	<u>9,845,513</u>	<u>10,095,515</u>	<u>11,590,206</u>	<u>18,251,350</u>
Business-type activities:				
Water Fund	2,735,581	2,708,563	2,470,495	2,771,846
Storm Water Fund	38,099	48,191	45,573	29,519
Total Business-type activities expenses	<u>2,773,680</u>	<u>2,756,754</u>	<u>2,516,068</u>	<u>2,801,365</u>
Total primary government activities expenses	<u>\$ 12,619,193</u>	<u>\$ 12,852,269</u>	<u>\$ 14,106,274</u>	<u>\$ 21,052,715</u>
Program revenues				
Governmental activities:				
Charges for services				
General government	\$ 269,415	\$ 229,014	\$ 261,452	\$ 380,445
Public safety	4,494	5,123	3,713	3,099
Public Works	-	-	-	-
Environmental Protection	-	-	-	-
Operating grants and contributions				
General government	12,955	8,020	8,275	6,915
Public safety	37,367	23,660	36,007	34,277
Public Works/Transportation	154,109	23,176	404,290	43,934
Environmental protection	-	-	-	-
Streets and Drainage	-	-	-	-
Capital grants and contributions				
General Government	-	18,002,904	2,016,879	2,020,000
Public safety	-	126,402	-	-
Public Works/Transportation	211,293	117,984	225,246	309,639
Streets and Drainage	-	-	-	-
Total Governmental activities program revenues	<u>689,633</u>	<u>18,536,283</u>	<u>2,955,862</u>	<u>2,798,309</u>
Business-type activities				
Charges for services:				
Water Fund	2,076,534	2,366,874	2,406,526	2,319,482
Storm Water Fund	112,612	113,252	113,988	114,572
Operating grants and contributions				
Water Fund	-	-	14,696	-
Capital grants and contributions:				
Water Fund	90,000	85,000	79,500	91,500
Storm Water Fund	63,509	-	-	-
Total Business-type activities program revenues	<u>2,342,655</u>	<u>2,565,126</u>	<u>2,614,710</u>	<u>2,525,554</u>
Total primary government activities program revenues	<u>\$ 3,032,288</u>	<u>\$ 21,101,409</u>	<u>\$ 5,570,572</u>	<u>\$ 5,323,863</u>

Note:

The Town adopted GASB Statement No. 68 for fiscal year 2015; prior years are not restated.
The Town adopted GASB Statement No. 73 for fiscal year 2016; prior years are not restated.
The Town adopted GASB Statement No. 73 for fiscal year 2017; prior years are not restated.
The Town adopted GASB Statement No. 75 for fiscal year 2018; prior years are not restated.

TABLE 2
Page 1 of 2

	2014	2015	2016	2017	2018	2019
\$	9,408,905	\$ 10,812,062	\$ 9,974,716	\$ 10,328,168	\$ 3,548,805	\$ 8,197,403
	5,251,148	5,274,035	5,402,779	5,501,986	5,791,918	5,922,340
	2,158,516	2,137,237	2,174,552	4,728,501	2,146,924	2,390,713
	1,744,024	1,726,901	1,886,219	1,730,249	1,857,765	1,920,037
	-	-	-	545,888	310,542	318,282
	319,462	226,348	143,298	40,122	41,470	430,674
	<u>18,882,055</u>	<u>20,176,583</u>	<u>19,581,564</u>	<u>22,874,914</u>	<u>13,697,424</u>	<u>19,179,449</u>
	2,634,525	2,721,655	2,616,111	2,926,519	3,082,644	3,382,034
	41,395	70,127	102,667	875,662	-	-
	<u>2,675,920</u>	<u>2,791,782</u>	<u>2,718,778</u>	<u>3,802,181</u>	<u>3,082,644</u>	<u>3,382,034</u>
\$	<u>21,557,975</u>	<u>22,968,365</u>	<u>22,300,342</u>	<u>26,677,095</u>	<u>16,780,068</u>	<u>22,561,483</u>
\$	426,391	\$ 470,792	\$ 407,776	\$ 429,748	\$ 556,438	\$ 251,901
	2,018	3,278	3,913	5,661	4,343	33,147
	-	-	-	-	-	73,813
	-	-	-	-	-	7,459
	27,570	32,057	185,181	396,069	24,275	37,696
	111,572	73,833	70,628	84,511	58,844	100,179
	24,000	24,000	24,000	38,720	24,000	15,812
	-	-	30,000	92,574	-	17,222
	-	-	-	42,691	93,831	5,165
	1,525,325	2,000,000	2,000,000	6,000	1,047,680	17,726,292
	83,843	-	7,000	22,676	23,131	-
	209,432	253,784	136,076	999,257	185,000	512,450
	-	-	-	952,487	25,432	202,805
	<u>2,410,151</u>	<u>2,857,744</u>	<u>2,864,574</u>	<u>3,070,394</u>	<u>2,042,974</u>	<u>18,983,941</u>
	2,308,365	2,662,592	2,720,922	2,533,007	2,696,650	3,088,432
	115,364	116,184	233,540	-	-	-
	-	-	-	-	-	-
	95,500	162,500	102,500	104,500	145,000	22,461
	-	-	-	-	-	-
	<u>2,519,229</u>	<u>2,941,276</u>	<u>3,056,962</u>	<u>2,637,507</u>	<u>2,841,650</u>	<u>3,110,893</u>
\$	<u>4,929,380</u>	<u>5,799,020</u>	<u>5,921,536</u>	<u>5,707,901</u>	<u>4,884,624</u>	<u>22,094,834</u>

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

	2010	2011	2012	2013
Net (Expense)/Revenue				
Governmental activities	\$ (9,155,880)	\$ 8,440,768	\$ (8,634,344)	\$ (15,453,041)
Business-type activities	(431,025)	(191,628)	98,642	(275,811)
Total primary government net expense	<u>\$ (9,586,905)</u>	<u>\$ 8,249,140</u>	<u>\$ (8,535,702)</u>	<u>\$ (15,728,852)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes levied for general purpose	\$ 4,550,332	\$ 4,859,827	\$ 5,493,052	\$ 5,532,574
Municipal service district taxes	-	-	1,784,860	1,800,722
Occupancy tax	1,748,369	1,852,917	1,947,935	2,549,080
Land transfer taxes	382,123	384,657	409,087	525,314
Sales taxes	1,384,626	1,412,178	1,530,336	2,197,553
Other taxes and licenses	37,848	38,163	38,324	59,393
Intergovernmental revenues not restricted	619,175	638,200	642,976	658,137
Net unrestricted investment earnings (loss)	193,513	152,000	116,372	35,785
Miscellaneous	220,147	225,851	231,266	157,502
Capital Contributions	-	-	2,914,080	-
Transfers	-	-	-	-
Total Governmental activities	<u>9,136,133</u>	<u>9,563,793</u>	<u>15,108,288</u>	<u>13,516,060</u>
Business-type activities				
Unrestricted investment earnings	11,913	5,298	2,805	7,378
Miscellaneous	6,387	2,890	13,233	3,089
Transfers	-	-	-	-
Total Business-type activities	<u>18,300</u>	<u>8,188</u>	<u>16,038</u>	<u>10,467</u>
Total primary government	<u>\$ 9,154,433</u>	<u>\$ 9,571,981</u>	<u>\$ 15,124,326</u>	<u>\$ 13,526,527</u>
Change in Net Position				
Governmental activities	(19,747)	18,004,561	6,473,944	(1,936,981)
Restatement - Governmental activities	-	-	-	-
Business-type activities	(412,725)	(183,440)	114,680	(265,344)
Restatement - Business-type activities	-	-	-	-
Total primary government change in net position	<u>\$ (432,472)</u>	<u>\$ 17,821,121</u>	<u>\$ 6,588,624</u>	<u>\$ (2,202,325)</u>

Note:

The Town adopted GASB Statement No. 68 for fiscal year 2015; prior years are not restated.
The Town adopted GASB Statement No. 73 for fiscal year 2016; prior years are not restated.
The Town adopted GASB Statement No. 73 for fiscal year 2017; prior years are not restated.
The Town adopted GASB Statement No. 75 for fiscal year 2018; prior years are not restated.

TABLE 2
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2014	2015	2016	2017	2018	2019
\$ (16,471,904)	\$ (17,318,839)	\$ (16,716,990)	\$ (19,804,520)	\$ (11,654,450)	\$ (195,508)
(156,691)	149,494	338,184	(1,164,674)	(240,994)	(271,141)
<u>\$ (16,628,595)</u>	<u>\$ (17,169,345)</u>	<u>\$ (16,378,806)</u>	<u>\$ (20,969,194)</u>	<u>\$ (11,895,444)</u>	<u>\$ (466,649)</u>
\$ 6,007,054	\$ 6,245,990	\$ 6,302,099	\$ 7,067,172	\$ 7,147,201	\$ 7,456,247
1,793,280	1,826,183	1,823,812	-	1,412,472	1,414,525
2,492,045	2,637,450	2,637,733	2,572,622	2,419,390	2,870,519
532,837	664,756	658,595	617,313	592,775	711,883
2,233,617	2,343,993	2,486,409	2,533,000	2,339,634	2,721,543
45,939	68,143	60,313	65,435	60,239	53,543
699,313	841,649	1,080,122	1,018,345	880,000	960,846
80,246	75,122	113,379	86,867	98,515	894,881
137,618	188,115	187,746	187,262	59,916	188,465
5,200	-	-	-	-	-
-	-	-	69,670	-	-
<u>14,027,149</u>	<u>14,891,401</u>	<u>15,350,208</u>	<u>14,217,686</u>	<u>15,010,142</u>	<u>17,272,452</u>
24,968	21,810	31,578	21,271	22,186	116,854
1,764	19,211	2,120	4,490	2,951	1,982
-	-	-	(69,670)	-	-
<u>26,732</u>	<u>41,021</u>	<u>33,698</u>	<u>(43,909)</u>	<u>25,137</u>	<u>118,836</u>
<u>\$ 14,053,881</u>	<u>\$ 14,932,422</u>	<u>\$ 15,383,906</u>	<u>\$ 14,173,777</u>	<u>\$ 15,035,279</u>	<u>\$ 17,391,288</u>
(2,444,755)	(2,427,438)	(1,366,782)	(5,586,834)	3,355,692	17,076,944
-	(845,215)	192,818	(711,687)	(2,244,277)	-
(129,959)	190,515	371,882	(1,208,583)	(215,857)	(152,305)
-	(74,897)	-	-	(231,674)	-
<u>\$ (2,574,714)</u>	<u>\$ (3,157,035)</u>	<u>\$ (802,082)</u>	<u>\$ (7,507,104)</u>	<u>\$ 663,884</u>	<u>\$ 16,924,639</u>

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

(modified accrual basis of accounting)

	2010	2011	2012	2013
General Fund				
Non-Spendable	\$ -	\$ 100,296	\$ 63,066	\$ 80,712
Restricted	-	2,527,128	2,106,112	3,860,363
Committed	-	-	-	-
Assigned	-	725,000	370,939	477,850
Unassigned	-	6,059,788	8,043,077	7,906,928
Reserved	1,316,965	-	-	-
Unreserved	7,687,463	-	-	-
Total General Fund	<u>\$ 9,004,428</u>	<u>\$ 9,412,212</u>	<u>\$ 10,583,194</u>	<u>\$ 12,325,853</u>
All Other Governmental Funds				
Restricted	\$ -	\$ 41,393,060	\$ 735,379	\$ 355,341
Committed	-	280,669	1,272,338	1,376,076
Assigned	-	-	-	-
Reserved	805,098	-	-	-
Unassigned	-	(13,190,150)	-	-
Unreserved, reported in:				
Capital Reserve Fund	392,668	-	-	-
Capital Projects Funds	(738,213)	-	-	-
Total all other governmental funds	<u>\$ 459,553</u>	<u>\$ 28,483,579</u>	<u>\$ 2,007,717</u>	<u>\$ 1,731,417</u>

Note:

The Town adopted GASB Statement No. 54 for fiscal year 2011; prior years are not restated.
The Town adopted GASB Statement No. 68 for fiscal year 2015; prior years are not restated.
The Town adopted GASB Statement No. 73 for fiscal year 2016; prior years are not restated.
The Town adopted GASB Statement No. 73 for fiscal year 2017; prior years are not restated.
The Town adopted GASB Statement No. 75 for fiscal year 2018; prior years are not restated.

TABLE 3

2014	2015	2016	2017	2018	2019
\$ 73,383	\$ 71,433	\$ 78,175	\$ 55,000	\$ 66,336	73,868
5,040,137	6,496,072	9,228,864	6,984,415	10,060,421	20,760,822
-	-	263,271	262,520	223,371	189,105
399,000	317,500	74,169	275,503	450,000	411,332
6,653,787	5,738,240	5,398,644	6,579,895	6,378,688	6,981,462
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 12,166,307</u>	<u>\$ 12,623,245</u>	<u>\$ 15,043,123</u>	<u>\$ 14,157,333</u>	<u>\$ 17,178,816</u>	<u>28,416,589</u>
\$ 188,365	\$ 301,156	\$ 38,146	\$ 1,511,112	\$ 1,407,064	-
343,663	11,914	-	787,241	700,810	-
-	-	-	-	-	17,889,355
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 532,028</u>	<u>\$ 313,070</u>	<u>\$ 38,146</u>	<u>\$ 2,298,353</u>	<u>\$ 2,107,874</u>	<u>17,889,355</u>

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

(modified accrual basis of accounting)

	2010	2011	2012	2013
Revenues				
Ad valorem taxes	\$ 4,549,222	\$ 4,857,519	\$ 7,259,885	\$ 7,327,126
Other taxes and licenses	3,582,728	3,722,052	3,964,479	5,365,819
Unrestricted intergovernmental revenues	589,413	604,063	604,179	623,658
Restricted intergovernmental revenues	408,404	18,291,709	2,682,367	2,406,193
Permits and fees	220,715	184,354	210,166	226,348
Sales and services	4,494	5,123	3,713	3,099
Net investment earnings	193,513	152,000	116,372	35,760
Other revenues	461,167	471,948	1,104,882	320,196
Total revenues	<u>10,009,656</u>	<u>28,288,768</u>	<u>15,946,043</u>	<u>16,308,199</u>
Expenditures				
General government	2,089,958	2,233,993	2,420,367	2,403,961
Public safety	3,910,242	4,019,379	4,252,516	4,462,517
Environmental protection	1,389,622	1,370,704	1,452,230	1,425,084
Public works	1,289,728	1,309,988	1,643,559	1,533,263
Streets and Drainage				
Debt service				
Principal	936,526	909,871	5,010,660	4,267,602
Interest	108,592	79,966	520,237	409,005
Capital Outlay	721,387	8,829,262	26,220,836	1,396,226
Total expenditures	<u>10,446,055</u>	<u>18,753,163</u>	<u>41,520,405</u>	<u>15,897,658</u>
Excess (deficiency) of revenues over expenditures	(436,399)	9,535,605	(25,574,362)	410,541
Other financing sources (uses)				
Installment financing	105,900	18,896,205	269,482	1,055,818
Transfers from other funds	402,508	348,607	1,027,251	-
Transfers to other funds	(402,508)	(348,607)	(1,027,251)	-
Sale of Capital Assets	-	-	-	-
Total other financing sources	<u>105,900</u>	<u>18,896,205</u>	<u>269,482</u>	<u>1,055,818</u>
Net change in fund balances	<u>\$ (330,499)</u>	<u>\$ 28,431,810</u>	<u>\$ (25,304,880)</u>	<u>\$ 1,466,359</u>
Debt service as a percentage of non-capital expenditures	10.75%	9.97%	36.15%	32.25%

TABLE 4

	2014	2015	2016	2017	2018	2019
\$	7,804,535	\$ 8,073,532	\$ 8,138,686	\$ 7,067,296	\$ 8,559,752	\$ 8,869,938
	5,360,806	5,723,727	5,866,657	5,799,168	5,411,329	6,366,165
	642,945	841,649	1,080,122	1,018,345	880,000	960,846
	1,971,466	2,366,589	2,428,829	1,742,369	1,283,785	18,564,123
	258,038	307,544	281,000	325,505	367,214	300,228
	2,018	3,278	3,913	92,226	69,837	66,091
	80,246	75,122	113,380	86,867	98,515	894,881
	316,247	368,451	281,436	214,459	186,555	185,920
	<u>16,436,301</u>	<u>17,759,892</u>	<u>18,194,023</u>	<u>16,346,235</u>	<u>16,856,987</u>	<u>36,208,192</u>
	2,479,757	3,835,487	2,732,414	3,042,364	2,798,124	2,996,329
	4,749,036	4,951,779	4,978,495	5,076,316	5,355,905	5,418,519
	1,465,995	1,463,177	1,637,808	1,527,864	1,589,536	1,653,298
	1,637,644	1,605,570	1,644,467	1,594,503	1,548,039	1,626,009
				141,859	69,318	50,875
	4,320,700	4,454,715	4,581,963	1,053,956	1,216,638	1,293,230
	319,462	226,348	131,632	38,150	37,307	41,431
	3,761,181	1,737,968	1,601,067	3,577,748	2,523,113	25,960,813
	<u>18,733,775</u>	<u>18,275,044</u>	<u>17,307,846</u>	<u>16,052,760</u>	<u>15,137,980</u>	<u>39,040,504</u>
	(2,297,474)	(515,152)	886,177	293,475	1,719,007	(2,832,312)
	938,539	753,132	1,015,819	988,525	1,090,403	29,831,220
	1,000,000	-	139,373	2,743,952	12,000	1,750,000
	(1,000,000)	-	(139,373)	(2,674,282)	(12,000)	(1,750,000)
	-	-	50,140	22,747	21,594	20,345
	<u>938,539</u>	<u>753,132</u>	<u>1,065,959</u>	<u>1,080,942</u>	<u>1,111,997</u>	<u>29,851,565</u>
\$	<u>(1,358,935)</u>	<u>\$ 237,980</u>	<u>\$ 1,952,136</u>	<u>\$ 1,374,417</u>	<u>\$ 2,831,004</u>	<u>\$ 27,019,254</u>
	30.99%	28.31%	30.01%	8.75%	9.94%	10.20%

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
2010	Town Tax	4,516,532	4,504,468	99.733%	11,142	4,515,610	99.980%
2011	Town Tax	4,824,029	4,813,955	99.791%	8,919	4,822,874	99.976%
2012	Town Tax	5,468,533	5,447,622	99.618%	19,819	5,467,441	99.980%
	MSD	1,784,860	1,783,914	99.947%	927	1,784,841	99.999%
2013	Town Tax	5,486,041	5,478,436	99.861%	5,723	5,484,159	99.966%
	MSD	1,801,064	1,796,955	99.772%	4,107	1,801,062	100.000%
2014 [1]	Town Tax	5,871,417	5,867,233	99.929%	3,001	5,870,234	99.980%
	MSD	1,796,970	1,795,913	99.941%	1,020	1,796,933	99.998%
2015	Town Tax	6,144,915	6,139,249	99.908%	5,562	6,144,811	99.998%
	MSD	1,826,688	1,826,094	99.970%	594	1,826,688	100.000%
2016	Town Tax	6,183,302	6,182,422	99.986%	808	6,183,230	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%	21	6,940,394	99.997%
	MSD	-	-	-	-	-	-
2018	Town Tax	7,013,398	7,012,961	99.994%	203	7,013,164	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%	[2]	7,314,496	99.976%
	MSD	1,410,251	1,410,249	100.000%	[2]	1,410,249	100.000%

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

[2] Not applicable.

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TOWN OF NAGS HEAD, NORTH CAROLINA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property Values [1]	Personal Property Values		Public Service Companies [2]
		Personal Property	Motor Vehicles	
2010	2,983,214,713	60,908,880	32,168,135	17,517,019
2011	2,983,561,150	61,126,796	30,427,302	18,285,774
2012	3,002,692,746	61,354,997	30,396,620	18,182,834
2013	3,012,871,394	58,506,560	43,091,357	18,740,452
2014	2,210,678,642	54,462,235	44,412,419	18,965,401
2015	2,228,360,489	52,343,680	33,300,237	18,701,795
2016	2,239,840,450	54,088,189	37,067,856	20,901,166
2017	2,257,250,050	57,495,138	40,324,874	21,283,233
2018	2,278,240,948	60,597,638	43,120,308	21,148,487
2019	2,295,555,798	63,861,050	44,180,248	21,769,329

Notes: The levy of property taxes each year is based on the assessed value of taxable property as of January 1, before the beginning of the fiscal year on July 1. Revaluation of real property in Dare Co was completed on January 1, 2005, as well as January 1, 2014. The assessed values reported are those adjusted amounts reported as of June 30 for each particular year. Subsequent year changes to the levy are not reflected in this table.

[1] Residential and commercial real property breakdowns are not available.

[2] Public service companies valuations are provided to the Town by the NC Department of Revenue.

[3] Tax rates are expressed in dollars of tax per \$100 of assessed value.

[4] The estimated market value is calculated by dividing the assessed value by a sales-to-assessment ratio determined annually by the NC Department of Revenue. The ratio is based on samples of actual property sales which took place during the fiscal year.

TABLE 6

<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate [3]</u>	<u>Sales to Assessment Ratio [4]</u>	<u>Estimated Actual Taxable Value</u>
3,093,808,747	0.1475	112.83%	2,742,008,993
3,093,401,022	0.1575	118.73%	2,605,408,087
3,112,627,197	0.1775	123.12%	2,528,124,754
3,133,209,763	0.1775	94.15%	3,327,891,411
2,328,518,697	0.2570	93.80%	2,482,429,314
2,332,706,201	0.2670	95.17%	2,451,094,043
2,351,897,661	0.2670	92.42%	2,544,792,968
2,376,353,295	0.2970	90.27%	2,632,495,065
2,403,107,381	0.2970	88.93%	2,702,246,015
2,425,366,425	0.3070	83.49%	2,904,978,351

TABLE 7

TOWN OF NAGS HEAD, NORTH CAROLINA
PROPERTY TAX RATES OF DIRECT AND OVERLAPPING
GOVERNMENTAL JURISDICTIONS [1]
Last Ten Fiscal Years

Year Ended June 30,	Town of Nags Head [2]	County of Dare [3]
2010	0.1475 Town Wide Rate	0.26
2011	0.1575 Town Wide Rate	0.28
2012	0.1775 Town Wide Rate 0.1600 MSD Rate	0.28
2013	0.1775 Town Wide Rate 0.1600 MSD Rate	0.28
2014	0.2570 Town Wide Rate 0.2300 MSD Rate	0.43
2015	0.2670 Town Wide Rate 0.2300 MSD Rate	0.43
2016	0.2670 Town Wide Rate 0.2300 MSD Rate	0.43
2017	0.2970 Town Wide Rate 0.0000 MSD Rate	0.43
2018	0.2970 Town Wide Rate 0.1750 MSD Rate	0.47
2019	0.3070 Town Wide Rate 0.1750 MSD Rate	0.47

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

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

[3] Dare County Tax Assessment Office.

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

Taxpayer	June 30, 2019			June 30, 2010		
	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation
Dominion NC Power	\$ 18,419,399	1	0.77%	\$ 15,216,651	2	0.50%
Ocean Carolina, LLC	11,393,122	2	0.48%			
Nags Head Company, LLC	10,498,074	3	0.44%	14,033,247	4	0.46%
Stanford M. White	10,385,191	4	0.44%	14,849,064	3	0.49%
Tanger Properties LTD	9,682,185	5	0.41%	12,418,102	6	0.41%
Clubcorp Golf of North Carolina	8,589,456	6	0.36%	12,848,475	5	0.42%
Mildred Roughton	8,132,070	7	0.34%	17,679,627	1	0.58%
Brian K. Newman	8,110,216	8	0.34%	12,067,715	7	0.40%
The Lacour Group, LLC	7,652,670	9	0.32%	11,866,041	8	0.39%
Outer Banks Hospital, Inc.	7,255,000	10	0.30%			
Kenneth Simpler				11,207,912	9	0.37%
Beacon Motor Lodge Inc				8,674,027	10	0.28%
	<u>\$ 100,117,383</u>		<u>4.20%</u>	<u>\$ 130,860,861</u>		<u>4.30%</u>

Assessed values provided by Dare County Tax Department

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

Fiscal Year	Outstanding Debt			Total Primary Government
	Governmental Activities		Business-type	
	Direct	Direct	Direct	
	Borrowing Installment Finance Purchases	Placement Installment Finance Purchases	Borrowing Installment Finance Purchases	
2010	2,912,179	-	740,785	3,652,964
2011	2,898,513	18,000,000	675,168	21,573,681
2012	1,757,335	14,400,000	587,574	16,744,909
2013	2,145,551	10,800,000	498,059	13,443,610
2014	2,363,390	7,200,000	531,467	10,094,857
2015	2,261,807	3,600,000	411,700	6,273,507
2016	2,295,663	-	322,838	2,618,501
2017	2,230,231	-	261,234	2,491,465
2018	2,103,996	-	146,783	2,250,779
2019	3,028,149	27,613,837	34,371	30,676,357

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

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

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

* Information Unavailable

TABLE 9

Percent of Estimated
Actual Taxable Property

<u>Governmental Activities</u>	<u>Total</u>	<u>Per Capita [2]</u>	<u>Percent of Personal Income [2]</u>
0.11%	0.13%	1,167	2.90%
0.80%	0.83%	7,825	18.76%
0.64%	0.66%	6,023	13.77%
0.39%	0.40%	4,817	11.18%
0.39%	0.41%	3,480	7.85%
0.24%	0.26%	2,151	4.43%
0.09%	0.10%	886	1.80%
0.08%	0.09%	837	1.57%
0.08%	0.08%	752	*
1.05%	1.06%	10,198	*

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Assessed Value of Property	\$ 3,093,808,747	\$ 3,093,401,022	\$ 3,112,627,197	\$ 3,133,209,763
Debt Limit, 8% of Assessed Value (Statutory Limitation)	\$ 247,504,700	\$ 247,472,082	\$ 249,010,176	\$ 250,656,781
Amount of debt applicable to limit				
Gross debt	\$ 3,652,964	\$ 21,573,681	\$ 16,744,909	\$ 13,443,610
Total net debt applicable to limit	\$ 3,652,964	\$ 21,573,681	\$ 16,744,909	\$ 13,443,610
Legal Debt Margin	\$ <u>243,851,736</u>	\$ <u>225,898,401</u>	\$ <u>232,265,267</u>	\$ <u>237,213,171</u>
Total net debt applicable to the limit as a percentage of debt limit	1.48%	8.72%	6.72%	5.36%
Total net debt applicable to the limit as a percentage of assessed value	0.12%	0.70%	0.54%	0.43%

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

	2014	2015	2016	2017	2018	2019
\$	<u>2,328,518,697</u>	<u>2,332,706,201</u>	<u>2,351,897,661</u>	<u>2,376,353,295</u>	<u>2,403,107,381</u>	<u>2,425,366,425</u>
\$	186,281,496	186,616,496	188,151,813	190,108,264	192,248,590	194,028,314
\$	<u>10,094,857</u>	<u>6,273,507</u>	<u>2,618,501</u>	<u>2,491,465</u>	<u>2,250,779</u>	<u>30,676,357</u>
\$	10,094,857	6,273,507	2,618,501	2,491,465	2,250,779	30,676,357
\$	<u>176,186,639</u>	<u>180,342,989</u>	<u>185,533,312</u>	<u>187,616,799</u>	<u>189,997,811</u>	<u>163,352,957</u>
	5.42%	3.36%	1.39%	1.31%	1.17%	15.81%
	0.43%	0.27%	0.11%	0.10%	0.09%	1.26%

TABLE 11

TOWN OF NAGS HEAD, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable [1]</u>	<u>Estimated Share of Overlapping Debt</u>
Dare County	\$ 102,168,680	17.93%	\$ 18,321,756
Town of Nags Head direct debt			30,641,986
Total direct and overlapping debt			<u>48,963,742</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]
2010	3,131	125,878,724	40,204	4,766	11.6%
2011	2,757	115,763,673	41,989	4,823	12.7%
2012	2,780	124,224,300	44,685	4,829	13.2%
2013	2,791	126,066,679	45,169	4,883	12.5%
2014	2,901	136,442,733	47,033	4,960	9.6%
2015	2,916	141,723,432	48,602	4,921	8.1%
2016	2,954	145,478,592	49,248	4,944	6.8%
2017	2,977	159,016,455	53,415	5,117	6.8%
2018	2,994	*	*	5,151	5.9%
2019	3,008	*	*	5,233	5.1%

[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 3/6/19

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

* - Information unavailable

TABLE 13

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

Employers	June 30, 2019			June 30, 2010		
	Employees [1]	Rank	Percent of Total Town Employment	Employees [1]	Rank [2]	Percent of Total Town Employment
Dare County Schools	500 - 999	1	*	500 - 999	1	*
Food Lion	250-499	2	*	250-499	4	*
Vidant Medical Center	250 - 499	3	*	-	-	-
Village Realty	250 - 499	4	*	250 - 499	2	*
NC Dept of Cultural Resources	100-249	5	*	-	-	-
Town of Nags Head	100 - 249	6	*	100-249	5	*
Kitty Hawk Kites Inc	100 - 249	7	*	100-249	6	*
*	*	8	*	*	8	*
*	*	9	*	*	9	*
*	*	10	*	*	10	*
East Carolina Health Inc				250-499	3	*
State of NC Dept of Environment and Natural Resources				100-249	7	*

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

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

* 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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Function/Program										
General government										
Administration	6	6	6	6	6	6	6	6 3/4	7 1/2	7 1/2
Administrative Services	6	6	6	6	6	6	6	6	6	6
Information Technology	2	2	2	2	2	2	2	2	2	1
Planning and Development	10	9	9	8	8	8	8 1/2	8 1/2	9	9 1/2
Public Safety										
Police	24	24	24	24	24	24	25	25	25	25
Fire	27	27	27	27	27	27	27	27	27	27
Ocean Rescue	21	21	22	23	24	24	24	26	26	26
Year-round	1	1	1	1	1	1	1	1	1	1
Seasonal Lifeguards	20	20	21	22	23	23	23	25	25	25
Environmental Protection										
Solid Waste	12	12	12	10	10	10	10	10	11	11
Public Works										
Administration	4	4	4	4	4	4	4	3	2 3/4	2 3/4
Facilities Maintenance	9 1/2	9 1/2	9 1/2	10	9 1/2	9 1/2	10 1/2	10 1/2	11	12
Garage	4	4	4	4	4	4	4	4	4	4
Water										
Water Administration	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	2 1/2	2 1/2
Septic Health	1	1	1	1	1	1	1/2	1/2	1/2	1/2
Water Operations	4	4	4	4	4	4	4	4	4	5
Water Distribution	5	5	5	5	5	5	5	5	5	5

Source: Town of Nags Head Administrative Services Department

Note: This schedule represents number of positions authorized per the budget ordinance as of July 1 of each year. Vacant positions are included in the above numbers.

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Population	3,131	2,757	2,780	2,791
Police:				
Crime Activity: Reported				
Rape (includes attempts):	9	4	7	7
Robbery (includes attempts):	2	1	2	2
Assaults (felonious & misdemeanor):	93	76	80	65
Burglary(breaking/entering-structures):	166	115	92	76
Larceny:	414	356	466	258
Auto Larceny:	5	4	7	6
Arson/unlawful burnings:	2	5	-	-
All other crimes (unspecified above):	419	397	424	383
Total Crime:	1,110	958	1,078	797
Traffic Activity:				
Traffic Accidents	271	230	275	230
Driving while impaired arrests	85	71	118	62
General traffic violations-citation	1,241	1,279	1,093	663
General traffic violations-warning	1,478	1,462	1,711	872
Parking violations-citation issued	1	1	1	2
All other traffic-related, non-violation	195	151	162	95
Total Traffic	3,271	3,194	3,360	1,924
General Calls for Service:				
Police calls-emergency status, non-emergency, traffic control	10,568	11,179	10,197	11,775
Animal control calls	574	408	848	422
Total General Calls for Service	11,142	11,587	11,045	12,197
Total all Police/Animal Control Activity	15,523	15,739	15,483	14,918

Source: Budget documents and individual Town departments.

TABLE 15

Page 1 of 3

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
2,901	2,916	2,954	2,977	2,994	3,008
9	11	3	3	1	4
3	-	1	1	2	-
90	65	85	98	77	74
65	150	98	112	111	46
231	191	201	106	116	94
2	7	6	8	5	2
-	2	4	-	1	-
404	493	395	532	375	249
804	919	793	860	688	469
248	269	251	266	258	258
57	56	53	50	68	47
1,010	1,150	1,406	1,746	1,714	1,067
1,307	1,291	1,938	2,190	2,408	1,891
-	1	1	2	7	2
61	43	46	108	45	61
2,683	2,810	3,695	4,362	4,500	3,326
9,863	10,584	11,760	11,244	17,156	14,590
-	304	355	265	667	661
9,863	10,888	12,115	11,509	17,823	15,251
13,350	14,617	16,603	16,731	23,011	19,046

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Fire:				
Number of volunteer firemen	10	13	14	15
Number of calls answered	810	850	943	902
Total dollar loss	\$ 200,100	\$ 243,950	\$ 49,240	\$ 1,188,900
Planning:				
Building permits:				
One and Two Family Dwellings	18	23	28	32
Residential multi-family	-	-	-	-
Commercial/Government/Other	1	1	1	-
Miscellaneous:	438	312	314	275
Accessory Structure	50	59	38	46
Addition	22	24	22	16
Demolition	16	10	7	6
Move	5	3	-	-
Remodel	132	110	78	62
Repair	213	106	169	145
Trade Permits:				
Electrical	471	452	477	483
Gas	22	11	23	28
Mechanical	396	378	369	385
Plumbing	141	114	121	102
Sprinkler	9	5	5	3
Number of CAMA permits issued	232	68	37	43
Number of land disturbance permits issued	*	*	*	*
Number of certificates of occupancy issued	21	25	22	34
Site plan reviews:				
Commercial	6	4	8	2
Residential	19	*	*	*
Number of zoning amendments	21	22	21	16
Number of variance applications	5	5	3	4
Number of exempt plats issued	1	2	2	-
Number of code compliance inspections	465	425	379	306

* Information Unavailable

Source: Budget documents and individual Town departments.

TABLE 15

Page 2 of 3

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	13	16	12	9	10	8
	877	918	882	1,116	1,092	1,057
\$	14,300	\$ 716,650	\$ 457,150	\$ 1,273,400	\$ 142,700	\$ 1,391,700
	24	48	33	31	45	25
	-	-	1	-	-	-
	2	1	-	3	4	4
	333	351	416	348	339	425
	56	59	42	38	40	46
	12	22	14	35	17	21
	6	16	6	6	7	6
	1	6	6	-	-	-
	62	58	47	66	67	92
	196	190	301	203	208	260
	497	447	533	538	571	492
	17	27	31	41	31	23
	407	446	454	468	485	434
	100	123	112	129	135	100
	9	7	7	6	13	4
	42	45	71	54	65	59
	13	23	34	19	35	21
	27	42	30	38	34	40
	4	4	5	3	12	8
	*	*	*	*	*	*
	12	12	11	10	9	5
	2	2	2	6	2	1
	-	-	1	2	2	2
	231	198	193	1,430	1,315	1,064

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Planning continued:				
Total building permit fees	\$ 151,172	\$ 130,980	\$ 134,166	\$ 156,813
Total site plan review fees	\$ 10,725	\$ 9,205	\$ 16,212	\$ 19,761
Total CAMA permit fees	\$ 23,200	\$ 6,800	\$ 3,800	\$ 4,500
Total construction valuation	\$ 15,774,263	\$ 14,352,769	\$ 15,343,320	\$ 20,838,802
Septic Health:				
Tank Inspections	175	309	241	212
Tanks Pumped	34	73	30	43
Water Quality Sites Tested	479	267	196	163
Refuse collection:				
Refuse collection (tons)	8,743.16	8,534.92	8,580.07	8,325.82
Bulk (tons)	792.72	855.22	457.78	529.93
Water:				
Number of new services	35.0	33.0	29.0	41.0
Number of new customers	*	*	155.0	172.0
Daily consumption (million gallons)	1.2	1.2	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

Page 3 of 3

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 177,594	\$ 221,100	\$ 201,576	\$ 199,232	\$ 229,929	\$ 190,236
\$ 21,970	\$ 12,538	\$ 10,290	\$ 35,727	\$ 36,193	\$ 8,442
\$ 5,100	\$ 5,300	\$ 8,600	\$ 5,300	\$ 7,400	\$ 5,900
\$ 22,017,479	\$ 36,682,703	\$ 29,925,081	\$ 30,640,450	\$ 36,335,579	\$ 25,775,548
301	324	298	281	283	376
56	43	54	59	101	78
273	253	322	299	285	299
8,239.19	8,225.68	8,253.29	8,593.27	8,568.64	8,209.21
512.64	703.52	423.83	628.82	485.52	522.26
34.0	60.0	31.0	36.0	38.0	41.0
171.0	248.0	236.0	250.0	248.0	279.0
1.3	1.2	1.1	1.2	1.2	1.3
7.9	7.9	7.9	7.9	7.9	7.9
3.5	3.5	3.5	3.5	3.5	3.5

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

Function/Program	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police stations	1	1	1	1
Fire stations	2	2	2	2
Ocean rescue facilities	1	1	1	1
Refuse collection				
Collection trucks	13	13	13	14
Other public works				
Paved streets (miles)	34.06	34.62	34.62	24.7
Unpaved streets (miles)	2.81	2.81	2.25	2.25
Street lights	427	427	427	427
Parks and recreation				
Number of parks	1	1	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)	101.07	101.07	101.14	101.14
Fire hydrants	550	550	550	550
Water storage capacity:				
Ground (million gallons)	1.0	1.0	1.0	1.0
Elevated (million gallons)	1.0	1.0	1.0	1.0

Source: Budget documents and individual Town departments.

TABLE 16

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
15	15	16	16	18	20
34.82	34.82	34.82	34.77	34.77	34.77
2.36	2.36	2.36	2.36	2.36	2.36
427	427	427	427	427	427
2	2	2	2	2	3
1	1	1	1	1	1
4	4	4	4	4	4
2	2	2	2	2	2
1	1	1	1	1	1
44	44	44	44	44	44
5	5	5	5	5	5
11.0	11.0	11.0	11.0	11.0	11.0
1	1	1	1	1	1
101.30	101.64	102.02	102.15	102.2	102.5
550	550	550	556	557	559
1.0	1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0

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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.

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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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregated remaining fund information of the Town of Nags Head, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Nags Head's basic financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

Dowdy & Osborne, LLP

Dowdy & Osborne, LLP
Certified Public Accountants
Nags Head, North Carolina

November 22, 2019

Jeff Dowdy, CPA • Teresa Osborne, CPA

Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Nags Head, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Nags Head's major federal programs for the year ended June 30, 2019. The Town of Nags Head's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Nags Head's major federal programs based on our audit of the types of compliance requirements referred to above. 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 applicable sections 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. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Nags Head's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Nags Head's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Nags Head complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Town of Nags Head is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Nags Head's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in *internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or

detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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.

Dowdy & Osborne, LLP

Dowdy & Osborne, LLP
Certified Public Accountants

Nags Head, North Carolina

November 22, 2019

TOWN OF NAGS HEAD
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? YES NO
- Significant deficiency (s) identified YES none reported

Noncompliance material to financial statements noted? YES NO

Federal Awards

Internal control over major Federal programs:

- Material weakness(es) identified? YES NO
- Significant deficiency (s) identified YES none reported

Noncompliance material to federal awards YES NO

Type of auditor's report issued on compliance for major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? YES NO

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Programs or Cluster</u>
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold to distinguish between Type A and Type B Programs: \$ 750,000

Auditee qualified a low-risk auditee? YES NO

State Awards

The only major State program for the Town of Nags Head is the Disaster Grants – Public Assistance, which is a State match on a federal program. Therefore, this program has been included in the list of major federal programs above.

Section II – Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

Section IV – State Award Findings and Questioned Costs

None reported

**Town of Nags Head
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2019**

None reported.

Town of Nags Head, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

Grantor Agency/Major Subdivision Pass-through Grantor(s) Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Department of Homeland Security</u>					
Direct Program:					
Homeland Security Grant Program (HSGP)	97.067		\$ 10,578	\$ -	\$ -
Passed through N.C. Department of Public Safety:					
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4285-DR-NC	6,445,287	2,148,429	14,394,917
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4393-DR-NC	22,564	7,521	3,039
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4412-DR-NC	24,588	8,196	-
Total U.S. Department of Homeland Security			<u>6,503,017</u>	<u>2,164,146</u>	<u>14,397,956</u>
<u>U.S. Department of Justice</u>					
Office of Justice programs					
Direct Program:					
Bulletproof Vest Partnership Program	16.607		1,973	-	1,973
Total U.S. Department of Justice			<u>1,973</u>	<u>-</u>	<u>1,973</u>
State Awards:					
<u>N.C. Department of Natural and Cultural Resources</u>					
Division of Parks and Recreation		DNCR-6		250,000	632,798
Total N.C. Department of Natural and Cultural Resources				<u>250,000</u>	<u>632,798</u>
<u>N.C. Department of Transportation</u>					
Powell Bill Program		DOT-4		117,909	-
Total N.C. Department of Transportation				<u>117,909</u>	<u>-</u>
<u>N.C. Department of Public Instruction</u>					
School Resource Officer Grant		N/A		33,333	44,514
Total N.C. Department of Public Instruction				<u>33,333</u>	<u>44,514</u>
Total Federal and State awards			<u>\$ 6,504,990</u>	<u>\$ 2,565,388</u>	<u>\$ 15,077,241</u>

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

Note 1: Basis of Presentation

- (1) Basis of presentation: The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the Federal and State grant activity of The Town of Nags Head under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of The Town of Nags Head, it is not intended to and does not present the financial position, changes in net position or cash flows of The Town of Nags Head.

Note 2: Summary of Significant Accounting Policies

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