
TOWN OF NAGS HEAD, NORTH CAROLINA

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2025

Draft

Prepared by the Town of Nags Head Administrative Services Department

Amy M. Miller, Finance Officer

Stephen W. Panaro, Deputy Finance Director

Town of Nags Head Annual Comprehensive Financial Report For the Fiscal Year Ended June 30 2025

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INTRODUCTORY SECTION

Benjamin Cahoon
Mayor

Megan Lambert
Mayor Pro Tem

Andy Garman
Town Manager



Town of Nags Head
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Nags Head, NC 27959
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Bob Sanders
Commissioner

Megan Vaughan
Commissioner

Molly Harrison
Commissioner

January 28, 2026

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

The Local Government Commission of the North Carolina State Treasurer's Office requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the Town of Nags Head for the fiscal year ending June 30, 2025.

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

The financial statements contained herein have been audited by DMJPS PLLC, 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 ending June 30, 2025, 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, 2025, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

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

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

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

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

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

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

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

The Town's Issuer Rating of Aa1 from Moody's Investors Service was affirmed in September 2025.

Relevant financial policies. The Board has a comprehensive set of financial policies in place that were most recently updated in fiscal year 2025. They cover the operating budget, fund balances, capital improvements and planning, debt, accounting, financial planning, cash management, and investments. The Town's fund balance policy maintains unassigned fund balance between 25-35% of general of general fund expenditures, less bond debt. Fund balance above 35% will be transferred to the Capital Investment Fund (CIF). This policy allows us to monetize our fund balance and assists with covering years with greater expenditures, unanticipated capital needs, and filling in gaps in grant funding. This year fund balance was within policy at 27.39%, but below the maximum 35%, therefore no excess funds will be transferred to the CIF.

Major Initiatives. Dare County recently completed a property revaluation over the past year. This is a process that must be performed at least once every eight years, in which property values are examined and reassessed to reflect current market conditions. The last revaluation was completed effective January 1, 2020. The current valuation saw property values increase in Nags Head by 60%. Nags Head's total property value increased from \$3 billion to \$5 billion. This brought our revenue neutral rate, or the tax rate that would generate the same amount of revenue prior to the revaluation, to 20.87 cents per \$100 of assessed value compared to the current rate of 33 cents.

The Town is conducting a position Classification and Compensation study as a part of our total rewards philosophy that emphasizes fairness, market competitiveness, and alignment with Town values. The objective is to maintain a competitive compensation and benefits position with comparable employers in conjunction with reviewing or compensation practices and policies and evaluating our total rewards offerings. We anticipate implementation in fiscal year 2026/2027.

We continue to focus on implementation of the adopted Strategic Plan, with prioritized initiatives. These include developing strategies for implementing the Town's Estuarine Shoreline, Beach Nourishment, Stormwater, Water System, Septic Health, and Town Hall Campus Master Plans. These Plans serve as a basis of integration with our Capital Improvement Program (CIP). Our budget also includes a five-year CIP for pedestrian improvements and public beach access replacements we continue to follow.

The Town was awarded a grant from NC State Parks to design the missing links in our multi-use path along US 158. There are three areas where connectivity is needed to establish a continuous path, and these funds will assist with engineering to do so. This will enable us to establish connections around Jockey's Ridge State Park, which our Pedestrian Project Advisory Committee ranked as the highest priority pedestrian project. We were awarded a \$750,000 grant from the Outer Banks Visitors Bureau towards constructing that segment, tentatively scheduled for fiscal year 2026-2027.

Through Nags Head's Septic Health Initiative, The Town received a 0% interest loan from the NC Department of Environmental Quality. This allows us to pass on interest-free loans to homeowners, incentivizing them to repair or replace systems that are malfunctioning. Climactic vulnerabilities impacting the effectiveness of these systems include rising groundwater tables, decreasing the vertical separation distance between the drain filed and the seasonal high-water table. Over time, the loss of this required separation causes these systems to lose their ability to adequately treat wastewater, decreasing water quality. As part of the Town's adopted Decentralized Wastewater Management Plan, with over 80% of Nags Head properties using an on-site sewage system, enhancing affordability will allow us to target systems in low-lying conditions that create additional risk for ground and surface water contamination.

Our adopted multi-year beach nourishment master plan provides guidance on project scales and frequency. In accordance, our next project is scheduled for the summer of 2026 and will cost close to \$38 million. This encompasses placing 2.436 million cubic yards of sand along 10 miles of shoreline.

Nags Head has been programmatically planning for infrastructure improvements and replacements by working through the final phases of a comprehensive water system master plan update. This project is funded by an NC Division of Environmental Quality Asset Inventory and Assessment Grant, which has enabled us to develop a GIS mapping system for our water infrastructure, including valuable data on the age and condition of these critical assets. This will allow us to be proactive in managing our system. An enhanced benefit is financial management. Our master plan update integrates developing plans to meet goals for long-term system management and financial sustainability to fund our CIP. The CIP prioritizes the necessary upgrades and replacements and will include timelines and cost estimates. For improved safety and easier handling, this year, we are converting from gas to a liquid chlorine water treatment system at our water plant and pumping station. We will also be doing engineering for improvements, including installation of pump control valves, upgrades to the electrical system, and installation of an additional pump at these locations as well. For water distribution infrastructure, we will be developing a looped water main connection which will allow for ways to back feed shutoff areas in the norther part of town.

Our infrastructure improvements are not only limited to construction. We are taking a comprehensive approach in assessing our Information Technology needs now and for the future. With our current on-premises servers going out of warranty this year, we are migrating to cloud-based storage. Our enterprise resource planning financial software will also be moved to Software as a Service, a cloud-based model where our provider will manage hosting, maintenance, updates, and security.

Awards and Acknowledgements. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Nags Head for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2024. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

Respectfully submitted,



Andy Garman
Town Manager

Amy Miller
Finance Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Nags Head
North Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

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, 2025

Elected Officials

Mayor
Mayor Pro Tempore
Commissioner
Commissioner
Commissioner

Benjamin Cahoon
Michael Siers
Bob Sanders
Megan Lambert
Vacant

Appointed

Town Attorney
Town Manager

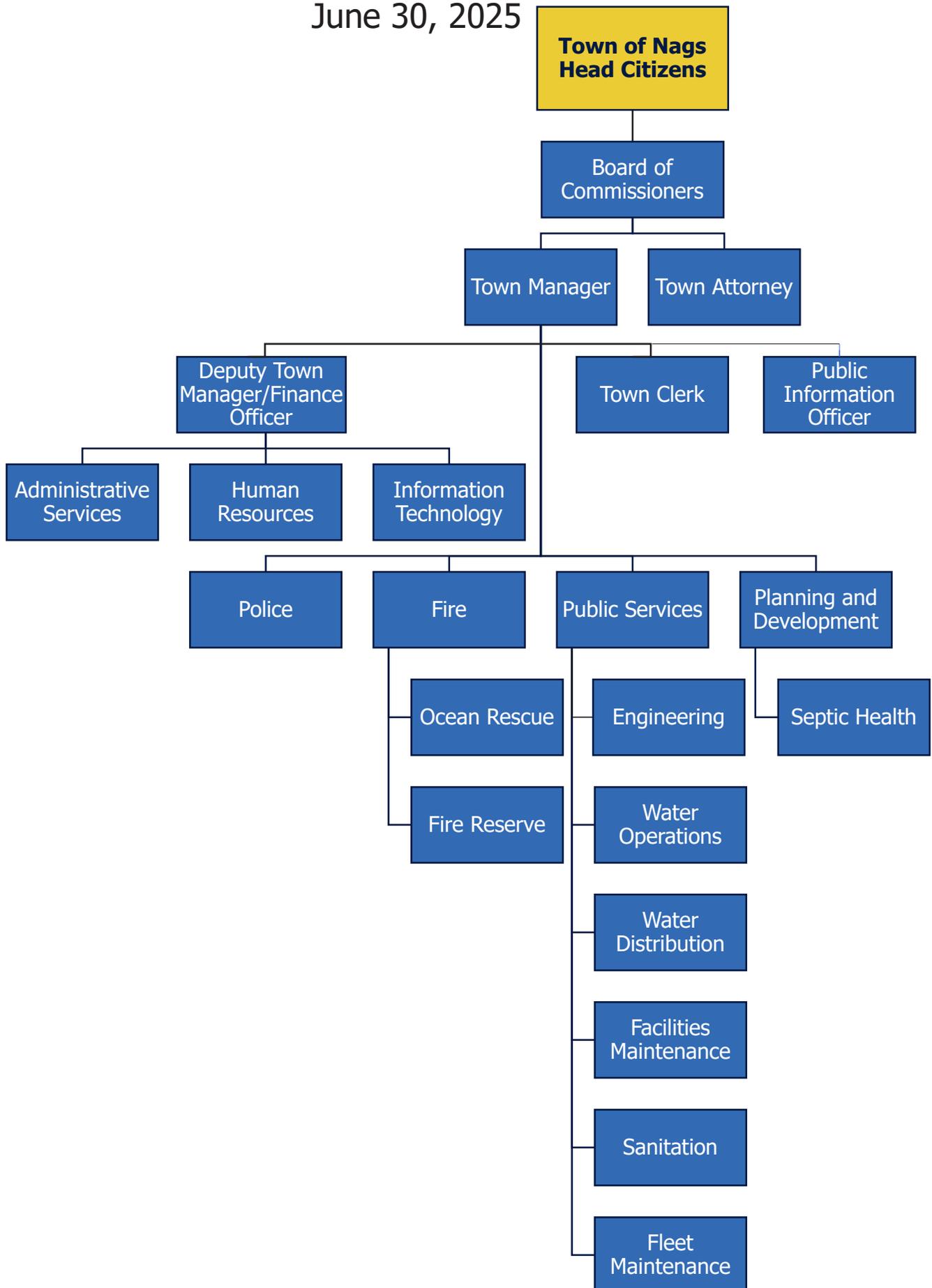
John Leidy
Andy Garman

Town Administration

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

Amy Miller
Randy Wells
Kelly Wyatt
Perry Hale
Nancy Carawan
Brittany Phillips

Town of Nags Head, North Carolina Organization Chart June 30, 2025



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Nags Head, North Carolina**, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the **Town of Nags Head's** basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Nags Head**, as of June 30, 2025, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and major, annually budgeted special revenue funds, if applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Prior Period Comparative Information

The financial statements as of June 30, 2025 were audited by Potter & Company, P.A., who merged with DMJPS PLLC as of July 1, 2025, and whose report dated November 22, 2024 expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 17, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 73 through 76, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Employee Payroll on pages 77 through 80, and the Other Post Employment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on pages 81 through 82, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting

for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2026, on our consideration of **Town of Nags Head's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **Town of Nags Head's** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Town of Nags Head's** internal control over financial reporting and compliance.

DMSPS PLLC

January 28, 2026
Monroe, North Carolina

Management Discussion and Analysis

Town of Nags Head

June 30, 2025

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, 2025. 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 \$82,740,231 (*net position*).
- The Town's total net position increased by \$6,655,682. This includes an increase in the governmental activities of \$6,219,350 and an increase in the business-type activities of \$436,332. The increase in net position for both governmental and business-type activities can be attributed to ongoing capital projects which include the Public Services Complex (80%/20% split between governmental and business-type) and Advanced Metering Infrastructure for business-type activities. Principal and interest debt service payments were made in fiscal year 2025 totaling \$1,276,200 for 2023 limited obligation bonds issued on these projects. The Town maintains its Aa1 issuer rating from Moody's Investors Service.
- This was the first year since fiscal year 2020 there was no beach nourishment debt service. Prior to this fiscal year, there were five annual principal payments of \$2,276,000.
- Regarding leases, there was a change of circumstances due to two cell phone provider contract extensions. There was an increase of \$1,164,488 in the beginning balance of leases receivable and an increase of \$1,105,050 in the beginning balance of deferred inflows of resources for leases compared to the prior fiscal year.
- The town jointly owns vacant properties with the Outer Banks Visitors Bureau. The Town's book value of the land is \$3,213,487. Both parties entered into an agreement that the Town would incrementally sell its remaining interest in the properties to the Visitors Bureau over ten years for a purchase price of \$2,336,107. In fiscal year 2025, the Visitors Bureau purchased a \$600,000 interest in the land, or 25.6837% of the purchase price from the Town. Therefore, the Town recorded an extraordinary loss of \$225,342 on the transaction.
- The Town sold property for \$1.7 million to Dare County. The parcel includes a building. The book value of the building and land totaled \$1,632,789. This resulted in an extraordinary gain of \$67,211. This transaction, combined with the sale of vacant property to the Visitors Bureau, resulted in the extraordinary loss on sale of assets totaling \$158,131.
- The Town utilized the sale proceeds to offset borrowing on the purchase of vacant land for \$3,000,000.
- In governmental activities, the capital reserve funds restricted fund balances increased by \$2,080,288. There were no changes in beach nourishment tax rates that fund the capital reserve fund, even though there was no beach nourishment debt service. This increase in fund balance will be used to offset costs and debt service associated with the next nourishment project scheduled for the summer of 2026.
- Part of the capital investment fund's (CIF) philosophy is to carry a fund balance that can be used to smooth out capital and debt spending over time. It is designed to allow the Town to pay cash for most capital items including rolling stock and infrastructure projects. The CIF has its own fund balance policy minimum of 20% of CIF expenditures. This year the CIF carried a 27% fund balance.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,798,162, or a \$197,541 decrease over the prior fiscal year balance of \$7,995,703.

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- Net unrestricted investment earnings totaled \$1,682,504. Investment earnings totaled \$798,662 and the fair value change of investments totaled \$883,842.
- Non depreciated construction in progress totaling \$9,955,859 was transferred to their respective depreciable asset classes, most notably Public Services buildings.
- The Town has met the spending requirements of the Two-Year Spending Exception for the 2023 limited obligation bonds. No arbitrage rebate liability has been accrued as remaining proceeds will be spent within three years of the issue date.
- The unassigned fund balance for the general fund represents 26.22% of total general fund expenditures and transfers for the fiscal year, or 27.39% excluding bond debt. This is within our fund balance policy range of between 25% and 35% of general fund expenditures and transfers excluding bond debt. Per our policy, any fund balance above 35% gets transferred to the capital investment fund.
- As of the close of the current fiscal year, the Town of Nags Head's governmental funds reported combined ending fund balances of \$ 31,230,479, of which 68%, or \$21,154,288 is non-spendable or restricted. The increase in restricted capital reserve fund balances for beach nourishment account for this increase. Funding for beach nourishment debt service comes from the capital reserve fund through beach nourishment taxes. The beach nourishment tax rates stayed the same in fiscal year 2025 and the last year of the beach nourishment principal payment of \$2,276,000 was paid in fiscal year 2024 as the beach nourishment. This also reflects why the general fund's restricted cash increased by \$2,106,882. Additionally, the stabilization by state statute restricted portion of fund balance increased by \$2,708,702. This is primarily due to an increase in encumbrances and accounts payable due to several capital projects the Town is under contract for, including the workforce housing project. The combined ending fund balance is an increase of \$931,882 compared to the prior fiscal year. The unspent portion of debt issuances for the Public Services Complex accounted for in committed fund balance decreased by \$2,866,830 due to debt issuance being spent and the escrow being drawn down. However, the increases in the general fund described above, including leases receivable and increases in the capital reserve fund balances offset this. Additionally, there was a \$894,782 increase in due from other governments as the Town was reimbursed grant funds
- The Town's total governmental debt increased by \$855,832. New direct borrowing of \$2,943,796 included workforce housing construction and the purchase of vacant land. The Town made its first debt service principal payment of \$656,000 towards the 2023 limited obligation bonds.
- The adopted ad valorem tax rate for the June 30, 2025, fiscal year maintained the ad valorem tax rate of \$.33 per \$100 valuation. One cent generates approximately \$310,000. Of the ad valorem rate, \$.025 is restricted by the Board for beach nourishment. The total property valuation increased by approximately .5%.
- The six Municipal Service Districts (MSD's) 1-6 tax rates for the purpose of beach nourishment remained unchanged. Tax rates for MSD 1-2 are \$.143 per \$100 of assessed valuation, one half cent (\$.005) for MSD 3 and 6, and one cent (\$.01) for MSD 4 (currently there remains no tax rate for MSD 5). MSD's 1, 2, and 5 are in two districts. To include a property in an MSD, the project must be within the MSD boundaries. The tax revenues these districts generate support for future beach nourishment maintenance and planning projects and provide more stability for future tax rates.
- The minimum base water rates and volumetric charges remained unchanged. Principal and interest payments towards the public services complex and advanced metering infrastructure limited obligation bonds totaled \$449,300. System development fees remain unchanged.
- Business-type net position increased by \$436,332 largely due to interest earnings. An intergovernmental grant, a capital contribution, was received as reimbursement for engineering costs in development the Town's water system master plan.

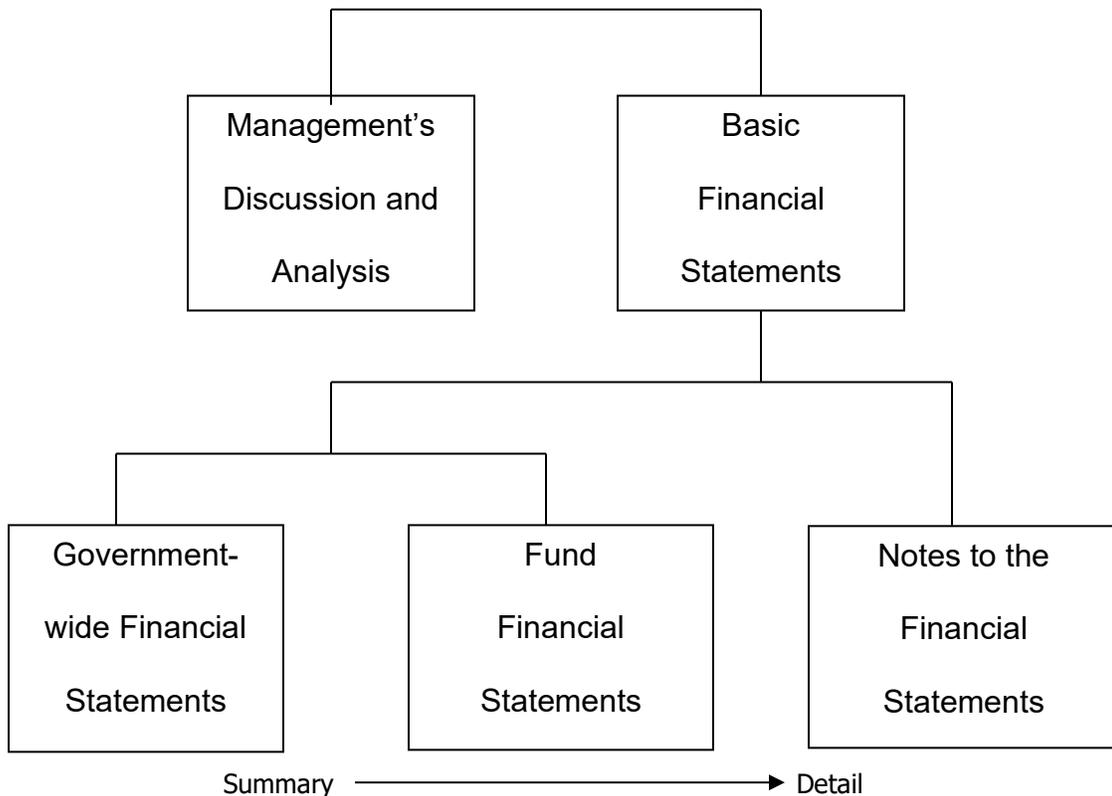
Management Discussion and Analysis
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- For business-type activities, no new direct borrowing or placement debt was incurred. Long-term liabilities decreased by \$225,967 primarily because of the \$214,000 principal payment on the limited obligation bonds as well as amortization on the issuance premiums.
- The Water Capital Project Fund, which includes the Advanced Metering Infrastructure (AMI) and the water fund's portion (20%) of the Public Services Complex, for reporting purposes is consolidated in the water fund exhibits. This primarily represents restricted cash's decrease of \$1,364,850 over the prior fiscal year as escrowed funds have been drawn down with the project closing out. As a result, the water capital project fund's expenditures exceeded its revenues by \$1,025,194.

Overview of the Financial Statements

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

Required Components of Annual Financial Report (Figure 1)



Basic Financial Statements

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

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

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the town's finances, similar in format to a financial statement of a private-sector 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, a blended component unit enterprise fund, is used for financing purposes and has no account balance at the end of the fiscal year.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 28-72 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the town's progress in funding its obligation to provide pension and retiree health benefits (OPEB) to its employees. Required supplementary information can be found on 73-82 of this report.

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

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**Government-Wide Financial Analysis
Town of Nags Head Net Position
June 30, 2025**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 33,649,087	\$ 32,658,337	\$6,077,272	\$ 7,120,159	\$ 39,726,359	\$ 39,778,496
Non-current assets	1,859,219	882,096	-	-	1,859,219	882,096
Capital assets	67,964,488	61,699,024	11,823,123	10,717,841	79,787,611	72,416,865
Total assets	103,472,794	95,239,457	17,900,395	17,838,000	121,373,189	113,077,457
Deferred outflows of resources	4,055,581	4,568,282	337,587	383,417	4,393,168	4,951,699
Long-term liabilities	28,421,748	27,034,838	5,695,910	5,913,381	33,937,658	32,948,219
Other liabilities	4,243,416	4,533,315	1,136,114	1,309,477	5,379,530	5,842,792
Total liabilities	32,485,164	31,568,153	6,832,024	7,222,858	39,317,188	38,791,011
Deferred inflows of resources	3,489,766	2,905,491	219,172	248,105	3,708,938	3,153,596
Net position:						
Net investment in capital assets	50,132,298	46,973,270	6,906,025	6,621,123	57,038,323	53,594,393
Restricted	20,924,569	16,064,073	63,002	58,813	20,987,571	16,122,886
Unrestricted	496,578	2,296,752	4,217,795	4,070,518	4,714,337	6,367,270
Total net position	\$ 71,553,445	\$ 65,334,095	\$ 11,186,786	\$ 10,750,454	82,740,231	\$ 76,084,549

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Nags Head exceeded liabilities and deferred inflows of resources by \$82,740,231 as of June 30, 2025. The largest portion of net position, \$57,038,323 (69%) reflects the town's investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less liabilities restricted from debt issuances and any related debt still outstanding that was issued to acquire those items, net of unexpended debt issuances. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Nags Head's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

The net investment in capital assets portion of net position increased for governmental and business-type activities. For both activities, the increases relate to the neared completion of the public services complex. The capital assets have increased because of the construction activity completed during this fiscal year. As a result, the capital asset balances increased and liabilities from restricted debt proceeds have decreased.

An additional portion of the Town's net position, \$20,987,571, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,714,337 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

As of June 30, 2025, 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
June 30, 2025

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Revenues:						
Program revenues:						
Charges for services	\$ 980,577	\$ 1,058,803	\$4,214,969	\$ 4,246,441	\$ 5,195,546	\$ 5,305,244
Operating grants and contributions	131,666	860,976	70,132	-	201,798	860,976
Capital grants and contributions	2,097,708	2,021,028	226,631	115,255	2,324,339	2,136,283
General revenues:						
Property taxes	12,110,658	12,037,886	-	-	12,110,658	12,037,886
Other taxes and licenses	10,757,506	10,230,491	-	-	10,757,506	10,230,491
Other unrestricted intergovernmental	1,200,490	1,085,828	-	-	1,200,490	1,085,828
Investment income	1,682,504	1,665,387	312,534	286,488	1,995,038	1,951,875
Other	231,962	102,058	9,359	2,592	241,321	104,650
Extraordinary Item: loss on sale of assets	(158,131)	-	-	-	(158,131)	-
Total Revenues	29,034,940	29,062,457	4,833,625	4,650,776	33,868,565	33,713,233
Expenses:						
General Government	5,020,486	4,702,243	-	-	5,020,486	4,702,243
Public Safety	9,724,266	9,190,519	-	-	9,724,266	9,190,519
Public Services	4,187,602	3,544,884	-	-	4,187,602	3,544,884
Environment Protection	2,766,070	2,511,647	-	-	2,766,070	2,511,647
Streets and Drainage	498,430	496,075	-	-	498,430	496,075
Interest on long-term debt	618,736	852,789	-	-	618,736	852,789
Water Utility	-	-	4,397,293	4,403,278	4,397,293	4,403,278
Total Expenses	22,815,590	21,298,157	436,332	4,403,278	27,212,883	25,701,435
Increase (decrease) in Net Position	6,219,350	7,764,300	436,322	247,498	6,655,682	8,011,798
Net position – July 1	65,334,095	57,569,795	10,750,454	10,502,956	76,084,549	68,072,751
Net position – June 30	\$ 71,553,445	\$ 65,334,095	\$ 11,186,786	\$ 10,750,454	\$ 82,740,231	\$ 76,084,549

The Town of Nags Head’s overall net position increased \$6,655,682 from the prior year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental activities. Governmental activities increased the Town’s net position by \$6,219,350, accounting for 93% of the total growth in net position of the Town of Nags Head. Management believes healthy investments in the Town will result in additional revenues, adding to the Town’s net position by investing in capital assets. Both fiscal years, the Town was able to fund some items in its capital spending plan with grant revenues. The total town wide levy collection percentage for fiscal year 2025 was 99.965%, due to continued diligence in the collection of property taxes. Sales tax is included in other taxes and licenses and came in at 8%, or \$363,052, over the prior fiscal year. Information regarding the extraordinary loss can be found in the financial highlights.

Management continually evaluates ways to minimize expenses without sacrificing the high level of service our citizens deserve. These efforts allow us to maintain a healthy net position and led to some of the functional expenditure categories of governmental activities not experiencing significant increases. The Town invests in its employees; therefore, salary and benefit increases were seen across all functions. A 4% Cost of Living Adjustment was given to all employees, and a new performance-based merit program was established. Public Safety’s increase of \$533,747 is mainly attributed to these personnel costs and others including increased funding allocated to seasonal lifeguard pay and the part time firefighter pool. An additional position in environmental protection was added, and depreciation expense increased due to the Public Service Complex, accounting for the majority of the increase in Public Services.

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In total, interest expense decreased by \$234,053 due a decrease on the 2023 limited obligation bond debt payment.

Town management recognized that 2025 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Business-type activities. Business-type activities in the water fund increased the town's net position by \$436,332, or 7%. The net investment in capital asset portion of net position increased by \$284,902 due to non-depreciable construction in progress asset additions including water drainage improvements and the grant funded water system management plan currently being developed. There was also an increase of \$619,474 in depreciable assets because of increases in buildings and equipment from the public services complex building and the Advanced Metering Infrastructure. This also accounts for the decrease in restricted cash as escrow funds for these projects continue to be drawn down. The unrestricted portion of net position increased by \$147,241. Because there were no changes to the water rates, there was not a significant change in operating revenues or expenses. There was an increase in capital contributions because of granting funding of \$167,167 received towards the water system management plan update. The unrealized fair value gain on investments of \$193,072 was \$108,579 more than the prior year. The investment earnings were \$82,533 less than the prior year because the 2023 limited obligation bond escrow was drawn down during the year, which was earning interest. A non-capital contribution was made towards extending the Town's water distribution infrastructure.

The wholesale water rate decreased from \$2.202 to \$2.109 per thousand gallons purchased. The rate is set by an interlocal agreement with Dare County and was driven by an increase in total gallons delivered by Dare County, incrementally lowering their overall production costs. Gallons purchased from Dare County decreased by over 11 million gallons, or 3%. This is evidence of water conservation due to early leak detection from the smart meters, helping to reduce non-revenue water. Due to both a wholesale water rate decrease and a decrease in usage (gallons purchased), the cost of wholesale water purchased decreased by 3%. Town management will continue to implement cost savings strategies across departments in order to offset costs.

The water fund reimbursed the general fund \$763,173 for costs of services provided to the fund. a 9% decrease. The reimbursement calculation is directly tied to the fiscal year 2023 audited financial statements, the most current year for which complete data was available.

Interest expense on long-term debt decreased by \$75,136 due to a decrease on the principal balance of the 2023 limited obligation bonds. Fiscal year 2025 was the first-year principal payments were made, with the prior fiscal year having interest only payments.

Financial Analysis of the Town of Nags Head's Funds

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

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

The general fund is the chief operating fund of the Town of Nags Head. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$7,798,162, a \$197,541 decrease. There was an increase of \$997,651 in liabilities due to capital projects that have been financed,

Management Discussion and Analysis

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grant funded, or are pay-go projects funded through the capital investment fund. This includes workforce housing, street resurfacing, and drainage infrastructure construction. Additionally, the general fund transferred \$270,279 to the capital investment fund (CIF) as our 2024 audited fund balance exceeded our fund balance policy of 35% of general fund expenditures excluding bond debt. The increase in the capital reserve fund restricted fund balance has previously been discussed, which also accounts for the general fund's restricted cash increase. Total fund balance reached \$29,002,278, a \$4,423,912, or 18%, increase. The increase in total fund balance is largely because of the \$1,665,387 increase in net unrestricted investment earnings, due to the fair value gain in the current fiscal year. The sale of capital assets of \$2,318,564 includes the land sale of \$600,000 and the land and building sale of \$1,700,000. In the general fund, the Town must maintain unassigned fund balance equal to no less than 25% of general fund expenditures, less bond debt. Any unassigned fund balance over 35% will be transferred to the capital investment fund. The unassigned fund balance of \$7,798,162, 27.39% of general fund expenditures excluding bond debt, compared to 36.22% for the prior fiscal year. The main reason for this is because the restricted portion of fund balance has increased due to open purchase orders totaling close to \$3 million for capital projects being accounted for in stabilization by North Carolina state statute. Although this year's unassigned fund balance is within our fund balance policy range, it is below the 35% maximum, and no excess funds will be transferred to the capital investment fund (CIF) in fiscal year 2026. 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 26.22% of total general fund expenditures for the fiscal year compared to 31.78% for the prior year. This calculation includes bond debt of \$1,276,200. Prior year's bond debt was \$3,086,300, as it included beach nourishment debt. The bond debt this year is only on the 2023 limited obligation bonds.

The beach nourishment maintenance capital project fund activity includes dune stabilization such as vegetative sprigging. We have also begun the surveying and design for the next maintenance project which will occur in the summer of 2026. The general fund transfer to this fund was to pay for the engineering work we are currently contracting for on this project.

The capital project fund is accounting for the public services construction. As we have met our arbitrage spending requirements, we have drawn down over 95% of our 2023 limited obligation funds on this project. As funds have been drawn down, capital asset balances have been increased by close to \$3 million.

On June 30, 2025, the governmental funds of the Town of Nags Head reported a combined fund balance of \$31,230,479 a 3% increase from last year, because of the increase in capital reserve fund balances and grants receivable. A more detailed accounting of this increase is discussed in the financial highlights.

Proprietary Fund. The Town of Nags Heads' proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund at the end of the fiscal year amounted to \$4,217,759, a \$147,241 or 4% increase compared to last fiscal year, while total net position amounted to \$11,186,786, a \$436,322 or 4% increase compared to last fiscal year. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town of Nags Head's business-type activities.

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

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There were several reasons the Town revised its General Fund budget throughout the year. In restricted governmental, reductions were made to budgeted grant revenues. A budget amendment was done to record installment financing proceeds for the purchase of land and construction of workforce housing. Capital outlay was also increased for these items in the general government and public safety functions. In addition to installment financing, the Town sold land to offset additional financing for the land purchase. This would include reducing its ownership percentage in the land jointly owned with the Outer Banks Visitors Bureau. Since the Town still had debt on a parcel of property that was sold, debt service principal was increased to account for the payoff made at closing.

Fund balance was appropriated for \$270,279 to make a transfer to the capital investment fund (CIF). Per the Town's balance policy, any unassigned fund balance over 35% of general fund expenditures, excluding bond debt, gets transferred to the CIF. In fiscal year 2025, \$270,279 was transferred after the fiscal year 2024 audit was completed.

General fund balance appropriations totaling \$1,090,541 were made for fiscal year 2024 open encumbrances. These purchase orders that are carried over increase the adopted budget's appropriated fund balance and corresponding expenditure categories. Many of these encumbrances were carried over due to lead times in the supply chain. Capital outlay purchase orders that were carried forward for vehicles include \$242,686 in environmental protection and a fire apparatus in Public Safety that has been backordered with an outstanding purchase order for \$297,254. Additionally, a purchase order of \$106,250 for beach access construction in the public services function was carried over to avoid construction during the summer.

Fiscal year 2025 encumbrances that will be carried forward to fiscal year 2026 total \$2,832,642. The Town has grant funded streets and drainage capital projects open because of putting construction on hold during the summer. This directly correlates to the budget variance in restricted intergovernmental and transfers to and from the capital investment fund (CIF) since capital activity flows through the CIF. In the capital outlay general government function, \$638,850 is being carried over for final construction completion of workforce housing. This project was funding through installment financing, and all the proceeds have been received and are not restricted by the bank. Regarding public services capital outlay, purchase orders have been carried over for sidewalk improvements. A grant has also been received for a portion of this project that has been deferred to constructing in the off season. In this function as well, grant funded capital projects were budgeted and have been started but, like many of our construction projects, construction has been put on hold for the summer and will be completed in the off season. These projects include beach access and multi-use path improvements. Due to the lead time in receiving vehicles (capital outlay), the purchase order is still being carried forward for the fire apparatus mentioned above.

A negative budget variance of \$643,194 in other taxes and licenses was offset by positive variance of \$596,542 in net investment earnings. Tourism driven revenues including occupancy and sales taxes are accounted for here, and most notably occupancy tax came in \$445,769, or 9%, under budget. The volatility of visitation was not anticipated based on several years of trending growth. Recent reports note there is less revenue because of discounts being offered in rental rates. Because of higher interest rates and a fair value gain, interest income had a positive budget variance.

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

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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, 2025, totals \$79,787,611 (net of accumulated depreciation) an increase of 10% over the prior year. These assets include land, art, construction in process (CIP), buildings, other improvements, equipment, vehicles, infrastructure, right to use assets for leases and IT subscriptions, and intangible assets in the water fund.

Major capital asset transactions occurred during the year including:

- Public Services Construction \$3,665,281
 - \$2,939,768 buildings, governmental activities, total increases include transferring prior year balance of \$9,575,863 from CIP
 - \$725,513 buildings, business-type activities
- Street resurfacing, drainage and water infrastructure improvements \$1,098,157, CIP
 - \$612,349 governmental activities,
 - \$485,808 business-type activities
- Stormwater infrastructure construction \$998,071, CIP, governmental activities
- Land acquisition \$3,000,000, governmental activities
- Beach nourishment maintenance \$1,182,130, improvements, governmental activities
- Workforce housing \$1,008,389, construction in progress, governmental activities
- South Virginia Dare Trail Multi-use Path \$449,186, improvements, governmental activities
- Sale of land \$1,698,123 decrease/book value loss, governmental activities
- Sale of building \$827,220 decrease, book value loss \$760,008, governmental activities

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Land	\$ 14,494,276	\$ 13,192,398	\$ 204,205	\$ 204,205	\$14,698,481	\$ 13,396,603
Art	107,553	107,553	-	-	107,553	107,553
Construction in progress	4,695,554	11,252,305	541,191	55,383	5,236,745	11,307,688
Buildings	18,503,729	7,377,596	4,159,947	3,565,679	22,663,675	10,943,275
Other improvements	213,885	247,656	108,546	124,286	322,430	371,942
Improvements	17,109,465	16,183,395	217,665	236,283	17,327,131	16,419,678
Equipment	1,154,771	1,361,974	2,184,665	1,852,977	3,339,435	3,214,951
Vehicles	5,171,295	4,622,316	108,714	97,417	5,280,010	4,719,733
Intangibles	-	-	474,252	582,655	474,252	582,655
Infrastructure	6,316,775	7,005,294	3,823,939	3,998,955	10,140,714	11,004,249
Lease equipment	-	16,471	-	-	-	16,471
IT subscriptions	197,184	332,064	-	-	197,184	332,064
Total	\$ 67,964,488	\$ 61,699,022	\$11,823,123	\$ 10,717,840	\$79,787,611	\$ 72,416,862

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

Long-term Debt. The Town of Nags Head’s total debt increased by \$629,865. Direct installment finance purchase debt payments totaled \$1,654,995. The Town sold a piece of property, and the remaining principal of \$840,000 was paid off from the sale proceeds. This was the first year principal payments were made, \$656,000 from the general fund and \$214,000 from the water fund, on the limited obligation bonds. Additionally, there was amortization on the bond issuance premium. Direct installment finance purchase debt was issued totaling \$2,943,796 to purchase a parcel of land and for the construction of workforce housing. The Town saw increases in its

Management Discussion and Analysis
Town of Nags Head
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proportionate share of the Local Government Employees’ Retirement System (LGERs), other post-employment benefits (OPEB), and law enforcement officers’ special separation allowance (LEOSSA) totaling \$413,897. As of June 30, 2025, the Town had long-term debt totaling \$36,037,304. Of this amount, \$30,063,909 is reported in the governmental activities and \$5,973,395 is reported in the business-type activities.

Town of Nags Head Outstanding Debt

	<u>Governmental</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>Activities</u>					
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Limited obligation bonds	\$ 11,748,000	\$12,404,000	\$4,492,000	\$ 4,706,000	\$16,240,000	\$ 17,110,000
Deferred amounts: Issuance premiums	1,771,429	1,869,841	549,553	580,084	2,320,982	2,449,925
Direct borrowing installment finance purchases	4,192,795	2,897,703	-	6,291	4,192,795	2,903,994
Lease liabilities	-	6,646	-	-	-	6,646
IT Subscription liabilities	112,064	211,098	-	-	112,064	211,098
Total OPEB liability	4,028,561	3,925,835	351,023	342,072	4,379,584	4,267,907
Total pension liability (LEOSSA)	1,622,704	1,440,295	-	-	1,622,704	1,440,295
Net pension liability (LGERs)	5,645,423	5,535,736	521,068	510,944	6,166,491	6,046,680
Compensated absences	942,934	916,923	59,751	53,971	1,002,685	970,894
Total	\$ 30,063,909	\$ 29,208,077	\$ 5,973,395	\$ 6,199,362	\$ 36,037,304	\$ 35,407,439

Additional information on the Town’s debt can be found on pages 62-66 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 \$229,989,365.

Economic Factors and Next Year’s Budgets and Rates

The Town’s economy is reliant on travel, tourism, and related service industries. The 2024 seasonally unadjusted average annual unemployment rate in Dare County of 4.1% is higher than the State of North Carolina’s average of 3.6%, which is the latest average annual information available. Dare County experiences significant seasonality in rates as visitor spending has a direct impact on employment. For example, the seasonally unadjusted unemployment rate was 7.2% in February 2025 compared to 3.7% for the State of North Carolina. Dare County’s seasonally unadjusted unemployment rate hit a low of 3% in July 2025 compared to 3.8% for the State of North Carolina.

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

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Dare County Visitor Spending (millions)	Lodging	Food & Beverage	Recreation	Retail	Transportation	Total Spending (Millions)	Share of State	Spending Growth Rate	Employment	Share of State	Labor Income (Millions)	State taxes (Millions)	Local Taxes (Millions)	State/Local Tax Savings per resident
2024	\$566	\$630	\$308	\$185	\$410	\$2,099	5.7%	-2.3%	12,260	5.3%	\$463	\$68	\$79	\$3,860
2023	\$584	\$637	\$318	\$185	\$424	\$2,147	6.0%	8.8%	12,564	5.5%	\$472	\$70	\$78	\$3,891

The economic impact analysis provides valuable insight into the powerful benefit of visitor spending as it flows to households in Dare County being #1 in the state for state and local tax savings per resident, \$3,860 compared to the State at \$242. Dare County is the fourth highest county in the state for total visitor spending. With Dare County's rich variety of unique and distinctive experiences, visitor demand continues to drive our growing economy.

Compared to fiscal year 2025 for the same time period (July through October), occupancy tax revenue has come in -3% lower and sales tax revenue has come in -1% lower for the Town of Nags Head. This aligns with the negative visitor spending growth rate experienced in Dare County. As a point of reference, fiscal year 2025 occupancy tax experienced no growth compared to fiscal year 2024.

Budget Highlights for the Fiscal Year Ending June 30, 2026

The Dare County property revaluation, which included Nags Head, is reflected in the adopted budget for June 30, 2026. The revenue neutral rate, or the ad valorem rate that would generate the same amount of revenue prior to the revaluation, was 20.87 cents per \$100 of assessed value. The prior tax rate was 33 cents. The revaluation saw property values increase in Nags Head by 60%. Nags Head's total property value increased from \$3 billion to \$5 billion, as the previous revaluation was completed effective January 1, 2020. The Board adopted a 23.2 cent tax rate, resulting in a net levy of \$11,605,321. One cent of tax is approximately \$500,000. Of the ad valorem rate, \$.02 is restricted by the Board for beach nourishment.

The Municipal Service Districts (MSD's) taxes for the purpose of beach nourishment are also maintained. The revaluation for the MSDs resulted in a tax base of \$4,452,860,661, this resulted in a total levy of \$1,702,194.

Tax funds are restricted in the capital investment fund (CIF), a separate fund part of the general fund, to dedicate capital expenditures and debt service payments. This year, a \$3,135,000 transfer from the general fund was budgeted.

The General Fund adopted budget totals \$32,080,672, a \$9,084,584 decrease, or 22% from the fiscal year 2025 adopted budget. Last year \$5,377,230 was budgeted in capital projects that were funded through a combination of grants, and the capital reserve funds, compared to \$393,398 in FY 25/26. Overall, there was a \$5,587,230, or 58% decrease in the transfers from the CIF to the general fund. Because capital projects and any grant assistance flow between the general fund and capital reserve funds, the prior year budget was larger. By statute, capital reserve funds can only be used to set aside funds and not record financial activity. Activity is accounted for as the

Management Discussion and Analysis
Town of Nags Head
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general fund interfund department to record inflows of money into the funds. Outflows of money, which consist of capital expenditures and debt, are recorded as interfund transfers to the general fund. As debt service and capital outlay are accounted for in the CIF, debt service for the Public Services Complex totals \$1,243,400.

Dare County distributes sales, occupancy, and land transfer tax revenues using a formula based on our percentage of the total county-wide tax levy from the prior fiscal year. The budget projects a \$807,450, or 7% decrease in other taxes and licenses compared to the prior fiscal year. Recent reports indicate a mix of positive and challenging indicators. Because of this uncertainty, a more conservative approach to budgeting these revenues was taken.

Our Board has prioritized the Town's employees by using a comprehensive total rewards model. This approach ensures Nags Head is a great place to work through compensation, benefits, training, and an engaging work environment. The budget includes funding for a pay-and-class study to help ensure we are offering competitive and fair salaries to attract and retain top talent.

This budget continues the implementation of our prioritized infrastructure improvements, including various projects for flood mitigation. We are currently implementing the design and construction of three pilot sites identified in our Estuarine Shoreline Management Plan. Project results include marsh habitat restoration, improved water quality, protection of critical infrastructure, and safeguarding against wind and wave energy that contribute to shoreline erosion and subsequent land loss. We have several grant funded stormwater infrastructure capital projects under way, including replacing underperforming stormwater infrastructure and constructing innovative nature-based control measures that address water quality and quantity issues. These two projects, located in the northern end southern end of town, will improve wet weather accessibility to ensure safer walking, biking, and driving conditions. We will continue to implement our pedestrian improvement and public beach access replacement plans as well. Other items adopted in the CIP include an employee fitness facility, workforce housing, and server migration to the cloud in addition to adhering to our regular vehicle and equipment replacement schedule to minimize downtime and disruptions.

The water fund adopted budget totals \$4,981,178 which is a 1%, or \$65,770, increase from the prior year. The water base rate and volumetric rates and structures were increased by 5%. This is necessary to ensure the continued reliability, safety, and sustainability of our water system and supports ongoing efforts to maintain high-quality service. The budget includes purchasing 427.5 million gallons of water from Dare County. With our Advanced Metering Infrastructure (AMI), we expect to see increased benefits of smart technology including enhanced leak detection and water conservation resulting in lower non-revenue water and unbilled metered consumption. The debt service budget for the AMI's as well as our Public Services Complex totals \$443,600.

The rate increases also allow us to continue our regular maintenance schedule, fund capital improvements, and support emergency repairs. In alignment with our water master plan, capital projects in include converting the gas chlorine feed to liquid at both our water plant and pump station. This budget includes engineering work for upgrades at these locations as well. We will also be constructing a looped distribution water main connection in the northern part of town to assist with system operation.

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, Amy.Miller@nagsheadnc.gov or visit our web site www.nagsheadnc.gov for more information.

BASIC FINANCIAL STATEMENTS

Town of Nags Head, North Carolina
Statement of Net Position
June 30, 2025

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 15,205,140	\$ 4,369,163	\$ 19,574,303
Taxes receivable (net)	3,861	-	3,861
Accounts receivable (net)	2,612	911,783	914,395
Leases receivable	196,286	-	196,286
Accrued interest receivable	190,369	31,777	222,146
Due from other governments	4,321,002	-	4,321,002
Inventories	65,942	84,535	150,477
Prepaid items	30,321	-	30,321
Restricted cash and cash equivalents	13,633,554	680,014	14,313,568
Total current assets	33,649,087	6,077,272	39,726,359
Non-current assets:			
Leases receivable, non-current	1,859,219	-	1,859,219
Capital Assets:			
Right to use lease assets, net of amortization Land, non-depreciable	197,186	-	197,186
improvements and construction in progress	19,297,383	745,396	20,042,779
Other capital assets, net of depreciation	48,469,919	11,077,727	59,547,646
Total capital assets	67,964,488	11,823,123	79,787,611
Total non-current assets	69,823,707	11,823,123	81,646,830
Total assets	103,472,794	17,900,395	121,373,189
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals OPEB	153,288	13,357	166,645
Changes of assumptions or other inputs OPEB	498,278	43,417	541,695
Pension deferrals LEOSSA	361,599	-	361,599
Pension deferrals LGERS	3,042,416	280,813	3,323,229
Total deferred outflows of resources	4,055,581	337,587	4,393,168
LIABILITIES			
Current liabilities:			
Accounts payable	1,386,785	310,624	1,697,409
Salaries and benefits	569,240	42,342	611,582
Accrued interest payable	74,194	12,664	86,858
Unearned revenue	239,208	-	239,208
Due to other governments	3,759	-	3,759
Current portion of long-term liabilities	1,822,161	277,486	2,099,647
Liabilities to be paid from restricted assets	148,069	492,998	641,067
Total current liabilities	4,243,416	1,136,114	5,379,530
Long-term liabilities:			
Due in more than one year	28,241,748	5,695,910	33,937,658
Total liabilities	32,485,164	6,832,024	39,317,188
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	2,481	-	2,481
Leases	1,922,049	-	1,922,049
Pension deferrals LGERS	79,791	7,364	87,155
Pension deferrals LEOSSA	156,361	-	156,361
Pension deferrals OPEB	1,329,084	115,808	1,444,892
Prepaid water impact fees	-	96,000	96,000
Total deferred inflows of resources	3,489,766	219,172	3,708,938
NET POSITION			
Net investment in capital assets	50,132,298	6,906,025	57,038,323
Restricted for:			
Stabilization by state statute	7,332,071	-	7,332,071
Streets	172,956	-	172,956
Public safety	120,159	-	120,159
Capital reserve funds	13,299,383	63,002	13,362,385
Unrestricted	496,578	4,217,759	4,714,337
Total net position	\$ 71,553,445	\$ 11,186,786	\$ 82,740,231

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, 2025

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities							
General Government	\$ 5,020,486	\$ 619,694	\$ 40,080	\$ 183,316	\$ (4,177,396)	\$ -	\$ (4,177,396)
Public Safety	9,724,266	49,991	52,586	5,000	(9,616,689)	-	(9,616,689)
Public Services	4,187,602	72,450	39,000	541,772	(3,534,380)	-	(3,534,380)
Environmental Protection	2,766,070	238,442	-	-	(2,527,628)	-	(2,527,628)
Streets and Drainage	498,430	-	-	1,367,620	869,190	-	869,190
Interest on long-term debt	618,736	-	-	-	(618,736)	-	(618,736)
Total governmental activities	22,815,590	980,577	131,666	2,097,708	(19,605,639)	-	(19,605,639)
Business-type activities:							
Water	4,397,293	4,214,969	70,132	226,631	-	114,439	114,439
Total business-type activities	4,397,293	4,214,969	70,132	226,631	-	114,439	114,439
Total primary government	\$ 27,212,883	\$ 5,195,546	\$ 201,798	\$ 2,324,339	(19,605,639)	114,439	(19,491,200)
General revenues:							
Taxes:							
Property taxes levied for general purpose					10,454,026	-	10,454,026
Municipal service district taxes					1,656,632	-	1,656,632
Occupancy tax					4,694,231	-	4,694,231
Land transfer taxes					1,158,115	-	1,158,115
Sales taxes					4,831,280	-	4,831,280
Other taxes and licenses					73,880	-	73,880
Other unrestricted intergovernmental revenues					1,200,490	-	1,200,490
Net unrestricted investment earnings					1,682,504	312,534	1,995,038
Miscellaneous					231,962	9,359	241,321
Extraordinary Item: Loss on sale of assets					(158,131)	-	(158,131)
Total general revenues					25,824,989	321,893	26,146,882
Total change in net position					6,219,350	436,332	6,655,682
Net position - beginning					65,334,095	10,750,454	76,084,549
Net position - ending					\$ 71,553,445	\$ 11,186,786	\$ 82,740,231

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

Town of Nags Head, North Carolina
Governmental Funds
Balance Sheet
June 30, 2025

Exhibit 3

	Major Funds			Total Nonmajor Fund	Total Governmental Funds
	General	Beach Nourishment Maintenance	Capital Projects		
ASSETS					
Cash and cash equivalents	\$ 12,740,821	\$ 1,452,802	\$ 208,363	\$ 803,154	\$ 15,205,140
Restricted cash and cash equivalents	13,543,913	-	89,641	-	13,633,554
Taxes receivable (net)	3,861	-	-	-	3,861
Accounts receivable (net)	2,612	-	-	-	2,612
Accrued interest receivable	178,190	7,099	-	5,080	190,369
Due from other governments	4,321,002	-	-	-	4,321,002
Inventories	65,942	-	-	-	65,942
Leases Receivable	2,055,505	-	-	-	2,055,505
Prepaid items	30,321	-	-	-	30,321
Total assets	<u>32,942,167</u>	<u>1,459,901</u>	<u>298,004</u>	<u>808,234</u>	<u>35,508,306</u>
LIABILITIES					
Accounts payable	1,363,248	23,537	-	-	1,386,785
Salaries and benefits	569,240	-	-	-	569,240
Due to other governments	3,759	-	-	-	3,759
Unearned revenue	22,351	216,857	-	-	239,208
Liabilities payable from restricted assets:					
Bonds and deposits	50,525	-	-	-	50,525
Accounts payable	-	-	97,544	-	97,544
Total liabilities	<u>2,009,123</u>	<u>240,394</u>	<u>97,544</u>	<u>-</u>	<u>2,347,061</u>
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes	2,481	-	-	-	2,481
Leases	1,922,049	-	-	-	1,922,049
Property taxes receivable	3,861	-	-	-	3,861
Privilege licenses receivable	2,375	-	-	-	2,375
Total deferred inflows of resources	<u>1,930,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,930,766</u>
FUND BALANCES:					
Nonspendable:					
Inventories	65,942	-	-	-	65,942
Leases Receivable, net	133,456	-	-	-	133,456
Prepays	30,321	-	-	-	30,321
Restricted:					
Restricted for Stabilization by State Statute	7,332,071	-	-	-	7,332,071
Restricted for Streets	172,956	-	-	-	172,956
Restricted for Public Safety	120,159	-	-	-	120,159
Restricted for Capital Reserve Funds	13,299,383	-	-	-	13,299,383
Committed:					
Public Services Complex	-	-	200,460	-	200,460
Beach Nourishment capital projects	-	1,219,507	-	808,234	2,027,741
Assigned:					
Subsequent year's expenditures	49,828	-	-	-	49,828
Unassigned	7,798,162	-	-	-	7,798,162
Total fund balances	<u>29,002,278</u>	<u>1,219,507</u>	<u>200,460</u>	<u>808,234</u>	<u>31,230,479</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 32,942,167</u>	<u>\$ 1,459,901</u>	<u>\$ 298,004</u>	<u>\$ 808,234</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, 2025

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)	\$ 31,230,479
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	67,767,302
Right to use lease assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Right to use assets at historical cost	513,422
Accumulated amortization	<u>(316,236)</u>
	197,186
Deferred outflows of resources related to pensions are not reported in the funds.	
Pension deferrals - LEOSSA	361,599
Pension deferrals - OPEB	153,288
Changes of assumptions or other inputs - OPEB	498,278
Pension deferrals - LGERS	<u>3,042,416</u>
	4,055,581
Deferred inflows of resources related to pensions are not reported in the funds.	
Pension related deferrals-LGERS	(79,791)
Pension related deferrals-LEOSSA	(156,361)
Pension related deferrals-OPEB	<u>(1,329,084)</u>
	(1,565,236)
Liabilities for earned revenues considered deferred inflows of resources in fund statements:	
Deferred taxes receivable	3,861
Deferred miscellaneous receivable	<u>2,375</u>
	6,236
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	(18,767,221)
Net pension liability	(5,645,423)
Total pension liability	(1,622,704)
Total OPEB liability	(4,028,561)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(74,194)
Net position of governmental activities (Exhibit 1)	<u><u>\$ 71,553,445</u></u>

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

Town of Nags Head, North Carolina
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2025

Exhibit 4

	Major Funds				Total Governmental Funds
	General Fund	Beach Nourishment Maintenance	Capital Projects	Total Nonmajor Fund	
REVENUES					
Ad valorem taxes	\$ 12,107,194	\$ -	\$ -	\$ -	\$ 12,107,194
Other taxes and licenses	10,756,606	-	-	-	10,756,606
Unrestricted intergovernmental	1,200,490	-	-	-	1,200,490
Restricted intergovernmental	2,219,184	10,189	-	-	2,229,373
Permits and fees	719,414	-	-	-	719,414
Sales and services	261,163	-	-	-	261,163
Net investment earnings	1,428,935	121,780	72,938	58,851	1,682,504
Miscellaneous	204,438	-	-	-	204,438
Total revenues	28,897,424	131,969	72,938	58,851	29,161,182
EXPENDITURES					
Current:					
General Government	4,153,865	-	-	-	4,153,865
Public Safety	8,575,331	-	-	-	8,575,331
Environmental Protection	2,337,047	-	-	-	2,337,047
Public Services	2,918,038	-	-	-	2,918,038
Streets and Drainage	52,060	-	-	-	52,060
Debt service:					
Principal	2,410,384	-	-	-	2,410,384
Interest and other charges	697,361	-	-	-	697,361
Capital outlay:					
General Government	1,532,095	994,522	-	187,608	2,714,225
Public Safety	3,469,381	-	-	-	3,469,381
Environmental Protection	614,705	-	-	-	614,705
Public Services	780,889	-	2,939,768	-	3,720,657
Streets and Drainage	1,837,566	-	-	-	1,837,566
Total expenditures	29,378,722	994,522	2,939,768	187,608	33,500,620
Revenues over (under) expenditures	(481,298)	(862,553)	(2,866,830)	(128,757)	(4,339,438)
OTHER FINANCING SOURCES					
Installment financing	2,943,796	-	-	-	2,943,796
Transfers from Capital Reserve Fund	-	366,110	-	-	366,110
Transfers to Capital Project Fund	(366,110)	-	-	-	(366,110)
Insurance recovery	8,960	-	-	-	8,960
Sale of Capital Assets	2,318,564	-	-	-	2,318,564
Total other financing sources	4,905,210	366,110	-	-	5,271,320
Net change in fund balance	4,423,912	(496,443)	(2,866,830)	(128,757)	931,882
Fund balances - beginning	24,578,366	1,715,950	3,067,290	936,991	30,298,597
Fund balances - ending	\$ 29,002,278	\$ 1,219,507	\$ 200,460	\$ 808,234	\$ 31,230,479

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

Town of Nags Head, North Carolina
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

Exhibit 4
(Continued)

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

Net changes in fund balances - total governmental funds		\$ 931,882
<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	12,356,534	
Loss on disposal of capital assets	(1,332)	
Depreciation	<u>(3,480,258)</u>	8,874,944
<p>Certain proceeds from the sale of assets that affect Governmental Funds do not constitute a gain of the Statement of Activities certain book losses that are not included in the Governmental Funds should be reported on the Statement of Activities.</p>		
		(2,458,131)
<p>Amortization expense for intangible assets</p>		
		(151,349)
<p>LGERS pension plan deferrals in the current fiscal year are not included on the Statement of Activities</p>		
		1,214,950
<p>OPEB plan deferrals in the current fiscal year are not included on the Statement of Activities</p>		
		153,288
<p>LEOSSA plan deferrals in the fiscal year are not included on the Statement of Activities</p>		
		43,225
<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		4,364
<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	(2,943,796)	
Decrease in accrued interest payable	78,625	
Principal repayments	<u>2,508,796</u>	<u>(356,375)</u>
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
LGERS pension expense	(1,676,703)	
LEOSSA pension expense	(211,815)	
Increase in compensated absences	(26,010)	
OPEB plan expense	<u>(122,920)</u>	<u>(2,037,448)</u>
Total change in net position of governmental activities		<u>\$ 6,219,350</u>

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

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

Exhibit 5

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original Budget	Final Budget		
Revenues:				
Ad valorem taxes	\$ 11,995,235	\$ 11,995,235	\$ 12,107,194	\$ 111,959
Other taxes and licenses	11,399,800	11,399,800	10,756,606	(643,194)
Unrestricted intergovernmental	961,000	964,000	1,200,490	236,490
Restricted intergovernmental	5,060,515	5,877,236	2,219,184	(3,658,052)
Permits and fees	617,225	697,183	719,414	22,231
Sales and services	280,595	280,595	261,163	(19,432)
Net investment earnings	200,000	200,000	796,542	596,542
Miscellaneous	174,100	180,600	204,438	23,838
Total revenues	<u>30,688,470</u>	<u>31,594,649</u>	<u>28,265,031</u>	<u>(3,329,618)</u>
Expenditures:				
Current:				
General Government	4,283,574	4,415,158	4,153,865	261,293
Public Safety	8,799,131	8,900,583	8,575,331	325,252
Environmental Protection	2,568,010	2,584,543	2,337,047	247,496
Public Services	3,079,970	3,226,112	2,918,038	308,074
Streets and Drainage	104,300	104,300	52,060	52,240
Debt service:				
Principal	1,823,355	2,425,730	2,410,384	15,346
Interest and other charges	695,799	697,403	697,361	42
Capital outlay:				
General Government	95,275	2,629,471	1,532,095	1,097,376
Public Safety	574,900	3,946,090	3,469,381	476,709
Environmental Protection	379,000	621,686	614,705	6,981
Public Services	1,419,480	1,603,193	780,889	822,304
Streets and Drainage	4,897,663	5,091,832	1,837,566	3,254,266
Contingency	150,000	-	-	-
Total expenditures	<u>28,870,457</u>	<u>36,246,101</u>	<u>29,378,722</u>	<u>6,867,379</u>
Revenues over (under) expenditures	<u>1,818,013</u>	<u>(4,651,452)</u>	<u>(1,113,691)</u>	<u>3,537,761</u>
Other financing sources (uses):				
Installment financing	-	2,943,796	2,943,796	-
Transfers from Capital Reserve Fund	384,380	384,380	141,392	(242,988)
Transfers from Capital Investment Fund	9,662,406	9,899,861	7,440,570	(2,459,291)
Transfers to Capital Reserve Fund	(3,279,164)	(3,359,122)	(3,373,540)	(14,418)
Transfers to Capital Investment Fund	(9,015,635)	(9,285,914)	(6,022,427)	3,263,487
Sale of Capital Assets	30,000	2,330,000	2,318,564	(11,436)
Insurance recovery	-	8,960	8,960	-
Appropriated Fund Balance	400,000	1,729,491	-	(1,729,491)
Total other financing sources (uses)	<u>(1,818,013)</u>	<u>4,651,452</u>	<u>3,457,315</u>	<u>(1,194,137)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,343,624</u>	<u>\$ 2,343,624</u>
Fund balances, beginning of the year			<u>13,359,271</u>	
Fund balances, end of year			<u><u>\$ 15,702,895</u></u>	

A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:

Interest Income	\$ 409,240
Transfers to General Fund	(141,392)
Transfers to Capital Project Fund	(366,110)
Transfers from General Fund	3,373,540
Fund balance, beginning Capital Reserve Fund	<u>8,049,196</u>

A legally budgeted Capital Investment Fund is consolidated into the General Fund for reporting purposes:

Interest Income	\$ 223,153
Transfers to General Fund	(7,440,570)
Transfers from General Fund	6,022,427
Fund balance, beginning Capital Investment Fund	<u>3,169,899</u>
Fund balance, end of year consolidated General Fund	<u><u>\$ 29,002,278</u></u>

Town of Nags Head, North Carolina
Proprietary Funds
Statement of Fund Net Position
June 30, 2025

Exhibit 6

	Business-type Activities
	Water Enterprise Fund
	June 30, 2025
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,369,163
Accounts receivable trade (net)	802,679
Accounts receivable other (net)	140,881
Inventories	84,535
Restricted cash and cash equivalents	680,014
Total current assets	<u>6,077,272</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	745,396
Other capital assets, net of depreciation	11,077,727
Total capital assets (net)	<u>11,823,123</u>
Total noncurrent assets	<u>11,823,123</u>
Total assets	<u><u>17,900,395</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals OPEB	13,357
Changes of assumptions or other inputs OPEB	43,417
Pension deferrals LGERS	280,813
Total deferred outflows of resources	<u><u>337,587</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	310,624
Salaries and benefits	42,342
Accrued interest payable	12,664
Compensated absences - current	20,000
Total OPEB liability-current	7,955
Limited obligation bonds-current	249,531
Liabilities payable from restricted assets:	
Accounts payable	21,697
Customer bonds and deposits	471,301
Total current liabilities	<u>1,136,114</u>
Noncurrent liabilities:	
Net pension liability	521,068
Compensated absences	39,751
Total OPEB liability	343,068
Limited obligation bonds	4,792,023
Total noncurrent liabilities	<u>5,695,910</u>
Total liabilities	<u><u>6,832,024</u></u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals LGERS	7,364
Pension deferrals OPEB	115,808
Prepaid water consumption units	96,000
Total deferred inflows of resources	<u>219,172</u>
NET POSITION	
Net investment in capital assets	6,906,025
Restricted for capital reserve fund	63,002
Unrestricted	4,217,759
Total net position	<u><u>\$ 11,186,786</u></u>

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

Town of Nags Head, North Carolina **Exhibit 7**
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund
For the Year Ended June 30, 2025

	Business-type Activities
	Major Fund Water Fund
OPERATING REVENUES	
Charges for services	\$ 4,143,997
Tap and connection fees	37,743
Late payment penalties	26,679
Non-payment fees	6,550
Miscellaneous	9,359
Total operating revenues	4,224,328
OPERATING EXPENSES	
Administration	397,823
Septic Health	140,779
Operations	1,946,459
Distribution	1,026,183
Depreciation and amortization	710,573
Total operating expenses	4,221,817
Total operating income	2,511
NONOPERATING REVENUES (EXPENSES)	
Non-capital contribution	70,132
Investment earnings	119,462
Change in fair market value of investments	193,072
Interest expense	(206,007)
Amortization on bond issuance premiums	30,531
Total nonoperating revenues (expenses)	207,190
Income Before Contributions	209,701
Capital contributions	226,631
Change in net position	436,332
Total net position - beginning	10,750,454
Total net position - ending	\$ 11,186,786

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

Town of Nags Head, North Carolina
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2025

Exhibit 8

	Business-Type Activities
	Major Fund Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,178,150
Cash paid for goods and services	(2,419,959)
Cash paid to or on behalf of employees for services	(1,189,245)
Customer deposits received	32,951
Customer deposits returned	(35,776)
Other operating revenues	9,359
Net cash provided by operating activities	<u>575,480</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Non-capital contribution	<u>37,495</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contribution	245,887
System development fees received	55,464
Interest paid on debt financing	(235,452)
Septic Loans issued	(73,162)
Repayment of septic loans	46,833
Principal paid on debt financing	(220,291)
Acquisition of capital assets	(1,815,855)
Net cash provided by capital and related financing activities	<u>(1,996,576)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net investment earnings	<u>302,854</u>
Net increase in cash and cash equivalents	(1,080,747)
Cash balances - beginning of the year	<u>6,129,924</u>
Cash balances - end of the year	<u>\$ 5,049,177</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 2,511
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	710,573
Changes in assets, deferred outflows of resources, and liabilities:	
(Increase) in accounts receivable	(36,819)
(Increase) in inventories	(11,114)
Decrease in deferred outflows of resources-pension	36,167
Increase in deferred outflows of resources-OPEB	9,663
Increase in net pension liability	10,124
(Decrease) in deferred inflows of resources-pension	(3,672)
(Decrease) in accounts payable	(139,412)
Increase in accrued liabilities	12,594
(Decrease) in customer deposits	(2,825)
(Decrease) in deferred inflows of resources-OPEB	(21,261)
Increase in OPEB liability	8,951
Total adjustments	<u>572,969</u>
Net cash provided by operating activities	<u>\$ 575,480</u>
Schedule of non-cash capital and related financing activities:	
Liabilities from restricted debt proceeds	\$ 21,697

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, 2025

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

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

B. Basis of Presentation

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

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

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

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, grants, and various other taxes and licenses. The primary expenditures are for general government services, public safety, public works, streets and drainage, and environmental protection services. Additionally, the Town has legally adopted a **Capital Reserve Fund** and a **Capital Investment Fund**, funds that are restricted for future capital projects, and are consolidated in the General Fund in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54.

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

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

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

D. Budgetary Data

1. Budget

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

Reserve ordinances have been adopted for the Capital Reserve Fund, Capital Investment Fund, and Water Capital Reserve Fund, and a revised budget is amended as reserve funds have been used. Revenues may be amended during the year for unforeseen revenues such as grant monies. These amendments must meet board approval. Revenues from taxes levied may not be amended once the tax rate is set.

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

2. Encumbrances

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

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

1. Deposits and Investments

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

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

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

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of Nags Head Restricted Cash:

Governmental Activities:

General Fund	Unexpended bond issuances	\$ 89,641
	Streets	172,956
	Public safety	120,159
	Capital Reserve Fund	11,248,771
	Capital Investment Fund	1,951,501
	Bonds and deposits	<u>50,526</u>
Total General Fund		<u>\$ 13,633,554</u>

Business-type Activities:

Water Fund	Unexpended bond issuances	\$ 146,153
	Customer deposits	468,801
	Capital Reserve Fund	62,560
	Cash bonds	<u>2,500</u>
Total Business-type activities		<u>\$ 680,014</u>

Total Restricted Cash		<u>\$ 14,313,568</u>
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Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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, 2024.

5. Allowances for Doubtful Accounts

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

6. Lease Receivable

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

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

7. Inventory and Prepaid Items

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

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

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

8. Capital Assets

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

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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

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

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

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

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

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represent a consumption of net assets that applies to future periods and so will not be recognized as an expense or expenditure until then. The Town has several items that meet this criterion, contributions made to the pension plan in the 2025 fiscal year for the Law Enforcement Officers’ Special Separation Allowance (LEOSSA), the OPEB plan, and the Local Government Employees’ Retirement System (LGERS), as well as other pension and OPEB deferrals and changes of assumptions for the 2025 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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

10. Long-Term Obligations

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

11. Compensated Absences

The Town recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria above, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is recorded as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits where applicable.

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. Vacation leave over thirty-six days is transferred to an employee's sick leave balance at the end of each calendar year. 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 last-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. Any unused sick leave accumulated for employees who leave the Town before retirement is forfeited. With the implementation of GASB No. 101 for the fiscal year ended June 30, 2025, the Town estimated what sick leave is "more likely than not to be paid or used". Since the Town has calculated that overall, more sick leave is accruing each year than is being used, no liability for compensated absences and salary-related payment for sick leave has been recorded. No restatement was made due to a change in accounting principle.

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 last-in, first-out method for the use of this compensatory time.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

13. Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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

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

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

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

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

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

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

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

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

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

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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

14. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government Employees' Retirement System (LGERS) and additions to/deductions from 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 \$40,322,966 consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore, not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 171,689,356	
Less accumulated depreciation	<u>(103,922,054)</u>	
Net capital assets		67,767,302
Right to use lease assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Right to use assets at historical cost	513,422	
Accumulated amortization	<u>(316,236)</u>	
		197,186
Deferred outflows of resources related to pensions are not reported in the funds:		
Pension related deferrals-LGERS	3,042,416	
Pension related deferrals-LEOSSA	361,599	

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

Changes of assumptions or other inputs-OPEB	498,278	
Pension related deferrals-OPEB	<u>153,288</u>	4,055,581
Liabilities for earned revenues considered deferred inflows of resources in fund statements:		
Deferred taxes receivable	3,861	
Deferred miscellaneous receivable	<u>2,375</u>	6,236
Deferred inflows of resources related to pensions are not reported in the funds:		
Pension related deferrals-LGERS	(79,791)	
Pension related deferrals -LEOSSA	(156,361)	
Pension related deferrals -OPEB	<u>(1,329,084)</u>	(1,565,236)
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	(4,192,794)	
Compensated absences	(942,934)	
Limited obligation bond issuances	(13,519,429)	
Subscription liabilities	(112,064)	
Lease liabilities	(0)	
Net pension liability-LGERS	(5,645,423)	
Total pension liability-LEOSSA	(1,622,704)	
Total OPEB liability	<u>(4,028,561)</u>	(30,063,909)
Other long-term liabilities (accrued interest) are not available to pay for current period expenditures and are deferred in the funds.		
Net adjustment		<u>(74,194)</u>
		<u>\$40,322,966</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 \$5,287,468 as follows:

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

Capital outlay expenditures recorded in the fund statements capitalized as assets in the statement of activities	12,356,534
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Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

Loss on disposal of capital asset that is recorded on the statement of activities but not in the fund statements	(1,332)	
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(3,480,258)	8,874,944
Certain proceeds from the sale of assets that affect Governmental Funds do not constitute a gain on the Statement of Activities and certain book losses that are not included in the Governmental Funds should be reported on the Statement of Activities		(2,458,131)
Amortization expense for intangible assets		(151,349)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		1,214,950
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities.		153,288
Benefit payments paid and administrative expenses for the LEOSSA plan are not included on the Statement of Activities		43,225
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues/expenditures in the funds.		
Changes in tax revenues		4,364

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 the net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Debt issued or incurred:		
Right to use lease capital asset	(2,943,796)	
Decrease in accrued interest payable	78,625	
	(2,865,171)	
Principal repayments	2,508,796	(356,375)

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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

Increase in compensated absences	(26,010)	
Pension expense - LGERS	(1,676,703)	
Pension expense - LEOSSA	(211,815)	
Plan expense - OPEB	(122,920)	
	(2,037,448)	(2,037,448)

Net adjustment		\$ 5,287,468
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H. Comparative Data

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

II. 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, 2025, the Town's deposits had a carrying amount of \$2,442,322 and a bank balance of \$2,515,898. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2025, the Town's petty cash fund totaled \$250.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

2. Investments

At June 30, 2025, the Town's investments were as follows:

Investment Type	Valuation Measurement Method	Fair Value at 6/30/25	< 9 months	9 months-3 Years	3-5 Years	5-10 Years
Government Agency: FHLMC	Fair Value Level 2	2,768,330	-		1,903,880	864,450
Government Agency: FHL Bank	Fair Value Level 2	12,087,551	1,474,890	6,468,666	4,143,995	-
Government Agency: FFC Bank	Fair Value Level 2	11,575,000	2,956,540	3,892,640	4,725,820	-
Government Agency: FNMA	Fair Value Level 2	1,912,155	493,020		1,419,135	-
Commercial Paper – MUFG Bank	Amortized Cost	968,138	968,138	-	-	-
NC Capital Management Trust- Government Portfolio*	Fair Value Level 1	2,134,124	2,134,124	-	-	-
Total		31,445,298	8,026,712	10,361,305	12,192,830	864,450

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

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

Interest Rate Risk As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's Investment Policy limits at least 40% of the Town's investment portfolio to maturities of less than 9 months. Per Town policy, investment maturities are required to be limited to at least 40% less than 9 months, at least 50% less than 3 years, at least 70% less than 5 years, at least 90% less than 10 years, and 100% less than fifteen years. As of June 30, the NC Capital Management Trust portfolio at 6.30% and Commercial Paper at 2.86% matured in less than 9 months, 14.53% of US Government Agencies matured in less than 9 months, 30.58% of U.S. Government Agencies matured in less than 3 years, 35.98% of U.S Government Agencies matured in less than 5 years, and 2.55% of U.S. Government Agencies matured in less than 10 years based on the \$33,887,620 cash and investments total.

Also, the Town's Internal Management Policy requires purchases of securities to be laddered with staggered maturity dates. Investment income of \$918,123 was realized during fiscal year 2025. Because of the fair value on June 30, unrealized gain on investments held on June 30 was \$1,076,915. When combined, total investment income for fiscal year 2025 was \$1,995,038.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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

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

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

3. Receivables – Allowances for Doubtful Accounts

The amounts presented in Exhibit 1 at June 30, 2025, are net of the allowances for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

	Accounts	Taxes	Due from other Governments	Interest Receivable	Total
Governmental					
General	\$ 2,612	\$ 8,861	\$ 4,321,002	\$ 190,369	\$ 4,522,844
Allowance for doubtful accounts	-	(5,000)	-	-	(5,000)
Total governmental activities	<u>\$ 2,612</u>	<u>\$ 3,861</u>	<u>\$ 4,321,002</u>	<u>\$ 190,369</u>	<u>\$ 4,517,844</u>
Business-type					
Water	\$ 930,552	\$ -	\$ -	\$ 31,777	\$ 962,329
Allowance for doubtful accounts	(18,769)	-	-	-	(18,769)
Total business type activities	<u>\$ 911,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,777</u>	<u>\$ 943,560</u>

Due from other governments consisted of the following:

Occupancy tax	\$ 1,275,387
Land transfer tax	324,083
Sales taxes	801,057
Sales tax reimbursement	260,572
Utilities sales tax	231,889
Grants-Governmental	1,404,201
Grants-Business-type	-
N.C. Division of Motor Vehicles	22,472
Other	1,341
Total	<u>\$ 4,321,002</u>

4. Leases Receivable

The Town has previously adopted GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. As of June 30, 2025, the total combined value of the lease receivable is \$2,055,505, the total combined value of the short-term lease receivable is \$196,286, and the combined value of the deferred inflow of resources is \$1,922,049. The leases had \$0 of Variable Receipts and \$0 of Other Receipts, not included in the Lease Receivable, within the Fiscal Year. For additional information, refer to the disclosures below.

On July 1, 2021, the Town of Nags Head recorded a 107-month lease (original lease date of May 22, 2015) as Lessor for the use of Water Tower - 123 West Westside Court. An initial lease receivable was recorded in the amount of \$362,953. Because the Town entered into a fourth amendment for the lease, there was a change in circumstance that the Town was reasonably certain the remaining lease extension options would be renewed. The Town did not consider this an error; therefore this financial statement is not restated. The change in circumstance caused the roll forward lease receivable balance to increase by \$810,132 from the

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

previous year. This also caused the beginning balance of deferred inflow of resources to increase by \$768,483. This resulted in a \$41,649 increase made to other rent revenues. As of June 30, 2025, the value of the lease receivable is \$1,032,159. The lease has an interest rate of 0.8140%. The value of the deferred inflow of resources as of June 30, 2025, was \$961,067, and the town recognized lease revenue of \$32,415 during the fiscal year. The lease extension options expire in fiscal year 2045, and the Town is reasonably certain the lease will be extended through this period.

On July 1, 2021, the Town of Nags Head recorded an 80-month lease (original lease date April 26, 2018) as Lessor for the use of Century Link Gull St Building. An initial lease receivable was recorded in the amount of \$91,473. As of June 30, 2025, the value of the lease receivable is \$33,779. The lease has an interest rate of 0.4350%. The value of the deferred inflow of resources as of June 30, 2025, was \$37,043, and the town recognized lease revenue of \$15,582.

On July 1, 2021, the Town of Nags Head recorded a 107-month (original lease date May 18, 2020) lease as Lessor for the use of Town Hall Monopole - 5401 South Croatan Highway. An initial lease receivable was recorded in the amount of \$299,916. As of June 30, 2025, the value of the lease receivable is \$178,013. The lease has an interest rate of 0.8140%. The value of the deferred inflow of resources as of June 30, 2025, was \$165,374, and the town recognized lease revenue of \$32,258 during the fiscal year. The lease has 4 extension options, each for 60 months. The lessee had a termination period of 3 months as of the lease commencement.

On July 1, 2021, the Town of Nags Head recorded a 79-month lease (original lease date February 6, 2009) as Lessor for the use of Wireless Tower - 5401 South Croatan Highway. An initial lease receivable was recorded in the amount of \$279,970. As of June 30, 2025, the value of the lease receivable is \$119,601. The lease has an interest rate of 0.4350%. The value of the deferred inflow of resources as of June 30, 2025, was \$110,220 and the town recognized lease revenue of \$42,168 during the fiscal year. The lease has 1 extension option for 60 months.

On July 1, 2021, the Town of Nags Head recorded a 97-month lease (original lease date September 6, 2017) as Lessor for the use of Communications Water Tower. An initial lease receivable was recorded in the amount of \$483,862. Because the Town entered into a seventh amendment for the lease, there was a change in circumstances that the Town was reasonably certain the Lessee's extension option periods would be renewed. The Town did not consider this an error; therefore, the financial statement is not restated. The change in circumstance caused the roll forward lease receivable balance to increase by \$354,356 from the previous year. This also caused the beginning balance of deferred inflow of resources to increase by \$336,567. This resulted in a \$17,789 increase made to other rent revenues. As of June 30, 2025, the value of the lease receivable is \$618,827. The lease has an interest rate of 0.6480%. The value of the deferred inflow of resources as of June 30, 2025, was \$577,442, and the town recognized lease revenue of \$56,156 during the fiscal year. The Town is reasonably certain the lease extension options will be extended through fiscal year 2030.

On January 1, 2023, the Town of Nags Heads entered into a 108-month lease as Lessor for the use of a health care clinic at 425 Health Center Drive. An initial lease receivable was recorded in the amount of \$98,173. As of June 30, 2025, the value of the lease receivable is \$73,126. The lease has an interest rate of 2.7540%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2025, was \$70,903, and the town recognized lease revenue of \$10,134 during the fiscal year. The Town is reasonably certain the lease extension option through fiscal year 2032 will be exercised.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

Principal and Interest Expected to Maturity

Fiscal Year	Governmental Activities			Total Payments
	Principal Payments	Interest Payments		
2026	\$196,285	\$15,902		\$212,187
2027	204,113	14,402		218,515
2028	178,015	12,854		190,870
2029	152,965	11,474		164,439
2030	155,548	10,095		165,644
2031 - 2035	551,623	34,615		586,238
2036 - 2040	281,357	19,666		301,023
2041 - 2045	335,599	7,035		342,634
Total Remaining Receivable	\$2,055,505			

5. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2025, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 13,192,398	3,000,000	\$ 1,698,122	\$ 14,494,276
Art	107,553	-	-	107,553
Construction in progress	11,252,305	3,399,112	9,955,864	4,695,554
Total capital assets not being depreciated	24,552,257	6,399,112	11,653,986	19,297,383
Capital assets being depreciated:				
Buildings	12,694,615	12,515,632	827,220	24,383,027
Other improvements	433,878	-	-	433,878
Improvements	60,587,880	1,754,042	-	62,341,921
Equipment	5,160,862	190,436	52,970	5,298,327
Vehicles and motorized equipment	11,170,025	1,385,594	226,981	12,328,637
Infrastructure	47,538,604	67,579	-	47,606,183
Total capital assets being depreciated	137,585,864	15,913,281	1,107,172	152,391,973
Less accumulated depreciation for:				
Buildings	5,317,019	629,491	67,212	5,879,298
Other improvements	186,222	33,772	-	219,993
Improvements	44,404,484	827,971	-	45,232,456
Equipment	3,798,888	396,307	51,638	4,143,557
Vehicles and motorized equipment	6,547,709	836,619	226,986	7,157,342
Infrastructure	40,533,310	756,098	-	41,289,408
Total accumulated depreciation	100,787,632	3,480,258	345,836	103,922,053
Total capital assets being depreciated, net	36,798,233	12,433,023	761,335	48,469,920
Capital assets being amortized:				
Right to use assets:				
Lease equipment	112,111	-	112,111	-
IT subscriptions	539,269	-	25,847	513,422
Total capital assets being amortized	651,380	-	137,958	513,422
Less accumulated amortization for:				
Right to use assets:				
Lease equipment	95,640	16,471	112,111	-
IT subscriptions	207,205	134,878	25,847	316,238
Total accumulated amortization	302,845	151,349	137,958	316,238

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

Total capital assets being amortized, net	348,535	(151,349)	-	197,184
Governmental activity capital assets, net	<u>\$61,699,024</u>	<u>18,680,786</u>	<u>12,415,322</u>	<u>\$ 67,964,488</u>

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

General Government	\$ 845,205
Public Safety	608,688
Public Works	1,191,374
Environmental Protection	388,621
Streets and Drainage	446,370
Total Depreciation Expense	<u><u>\$ 3,480,258</u></u>

In Governmental activity, capital outlay totaled \$12,356,534. The reclassification (decrease) in construction in progress that is now being capitalized and shown as an increase in the respective asset classifications accounts for the total capital asset increases. There was a \$1,332 loss on disposal of one capital asset in the general government function. The Town sold two pieces of property, one that was only land and one that included land and a building. The book value loss on the building totaled \$760,008

Capital asset activities for the Business-type activities for the year ended June 30, 2025, are as follows:

	Beginning Balances	Increases	Decreases (Transfers)	Ending Balances
Business-Type Activities:				
Water Fund				
Capital assets not being depreciated:				
Land	\$ 204,205	\$ -	\$ -	\$ 204,205
Construction in progress	55,383	485,808	-	541,191
Total capital assets not being depreciated	<u>259,588</u>	<u>485,808</u>	<u>-</u>	<u>745,396</u>
Capital assets being depreciated:				
Building	6,159,930	725,313	-	6,885,443
Other	328,232	-	-	328,232
Improvements	704,641	-	-	704,641
Equipment	2,917,322	391,394	-	3,308,716
Vehicles and motorized equipment	314,362	46,298	32,609	328,051
Intangibles	4,203,619	-	-	4,203,619
Infrastructure	5,698,626	166,842	-	5,865,468
Total capital assets being depreciated	<u>20,326,731</u>	<u>1,330,047</u>	<u>32,609</u>	<u>21,624,170</u>
Less accumulated depreciation for:				
Building	2,594,250	131,246	-	2,725,497
Other	203,946	15,740	-	219,686
Improvements	468,358	18,617	-	486,976
Equipment	1,064,345	59,707	-	1,124,052
Vehicles and motorized equipment	216,944	35,001	32,609	219,337
Intangibles	3,620,964	108,403	-	3,729,367
Infrastructure	1,669,671	341,858	-	2,041,529
Total accumulated depreciation	<u>9,868,478</u>	<u>\$ 710,573</u>	<u>\$ 32,609</u>	<u>10,546,442</u>
Total capital assets being depreciated, net	<u>10,458,253</u>			<u>11,077,727</u>
Water Fund capital assets, net	<u><u>\$ 10,717,841</u></u>			<u><u>\$ 11,823,123</u></u>

Depreciation and amortization expense of \$710,573 was charged to business-type activities. As used in this section, the term depreciation includes amortization of intangible assets.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

The government has active construction projects as of June 30, 2025. At year-end, the government's estimated commitments to projects ongoing are as follows:

Project	Spent-to-date	Remaining Commitment
Workforce Housing	\$ 1,008,389	\$459,887
Streets/stormwater/water	872,155	911,525
Living shoreline engineering	163,127	375,891
Fire Apparatus	1,133,752	295,254
S. Old Oregon Inlet Road Drainage	1,155,760	2,256,358
Water System Management Plan	42,615	281,385
Stormwater master plan	149,014	251,290
S Wrightsville Ave. drainage	<u>35,377</u>	<u>233,623</u>
Total	<u>\$ 4,560,189</u>	<u>\$5,065,213</u>

B. Liabilities

1. Pension Plan and Post-Employment Obligations

a. Local Governmental Employees' Retirement System

Plan Description

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

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Nags Head's employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Nags Head's contractually required contribution rate for the year ended June 30, 2025, was 15.04% of compensation for law enforcement officers and 13.64% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Nags Head were \$1,329,508 for the year ended June 30, 2025.

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

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

At June 30, 2025, the Town reported a liability of \$6,166,491 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2023, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2024 (measurement date), the Town's proportion was 0.09147%, which was an increase of 0.00017% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Town recognized pension expense of \$1,831,462. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,080,603	\$ 7,266
Changes of assumptions and other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	838,331	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	77,206	79,889
Town contributions subsequent to the measurement date	1,327,089	-
Total	<u>\$ 3,323,229</u>	<u>\$ 87,155</u>

The \$1,327,089 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. 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:

2026	\$ 593,909
2027	1,195,882
2028	213,985
2029	(94,791)
2030	-
Thereafter	-
	<u>\$ 1,908,985</u>

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation performed as of December 31, 2023. The total pension liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2024. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal actuarial cost method was utilized.

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e., general, law enforcement officer) and health status (i.e., disabled and healthy). The current mortality rates are based on 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, 2023, valuations were based on the results of an actuarial experience study for the period January 1, 2015, through December 31, 2019.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

Future ad hoc cost-of-living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Sensitive	6.0%	4.3%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with an investment consulting firm's 2025 long term capital market assumptions. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. All rates of return and inflation are annualized figures. Source data provided in the 2024 Annual Comprehensive Financial Report (ACFR) published on the [NC Office of State Controller](#) website.

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

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability	\$ 10,927,203	\$ 6,166,491	\$ 2,250,151

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2023 (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	<u>25</u>
Total	<u>27</u>

2. *Summary of Significant Accounting Policies*

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

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

3. *Actuarial Assumptions*

The entry age normal actuarial cost method was used in the December 31, 2023, valuation. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.28 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, 2023 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2019.

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

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

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

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

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

4. Contributions

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

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

At June 30, 2025, the Town reported a total pension liability of \$1,622,704. The total pension liability was measured as of December 31, 2024, based on a December 31, 2023, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024, utilizing updated procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the Town recognized pension expense of \$211,815.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 254,596	\$ 223
Changes of assumptions and other inputs	85,187	156,138
Benefit payments and administrative expenses subsequent to the measurement date	21,816	-
Total	<u>\$ 361,599</u>	<u>\$ 156,361</u>

\$21,816 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2025.

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

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2026	\$ 136,546	\$ 54,904	\$ 81,642
2027	79,797	54,681	25,116
2028	58,244	35,098	23,146
2029	45,441	6,418	39,023
2030	19,755	5,260	14,495
Thereafter	-	-	-
	<u>\$ 339,783</u>	<u>\$ 156,361</u>	<u>\$ 183,422</u>

\$21,417 paid as benefits came due and \$399 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 4.28 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.28 percent) or 1-percentage-point higher (5.28 percent) than the current rate:

	1% Decrease (3.28%)	Current Discount Rate (4.28%)	1% Increase (5.28%)
Total pension liability	\$ 1,760,746	\$ 1,622,704	\$ 1,497,185

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

Schedule of Changes in Total Pension Liability

Law Enforcement Officers' Special Separation Allowance

	2025
Total Pension Liability	
Beginning balance	\$ 1,440,295
Service Cost at end of year	65,628
Interest on the total pension liability	56,755
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	140,210
Changes of assumptions or other inputs	(37,350)
Benefit payments	(42,834)
Other changes	-
Net changes in Total Pension Liability	182,409
Ending balance of the total pension liability	\$ 1,622,704

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Relation to Pensions

The Town's proportion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contribution of all participating entities. The following is information related to the proportionate share and pension expense:

	LGERS	LEOSSA	Total
Pension Expense	\$ 1,831,462	\$ 211,815	\$ 2,043,277
Pension Liability (asset)	n/a	1,622,704	1,622,704
Proportionate share of the net pension liability (asset)	6,166,491	n/a	6,116,491
Proportion of the net pension liability (asset)	0.09147%	n/a	n/a

At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Differences between expected and actual experience	1,080,603	254,596	1,335,199
Changes of assumptions	-	85,187	85,187
Net difference between projected and actual earnings on plan investments	838,331	-	838,331
Changes in proportion and differences between contributions and proportionate share of	77,206	-	77,206

**Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025**

contributions

Benefit payments and administrative costs paid subsequent to the measurement date	1,327,089	21,816	1,348,905
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Deferred of Inflows of Resources

Differences between expected and actual experience	7,266	223	7,489
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Changes of assumptions	-	156,138	156,138
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Changes in proportion and differences between contributions and proportionate share of contributions	79,889	-	79,889
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c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

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

Funding Policy

Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2025, were \$159,057 which consisted of \$109,017 from the Town and \$50,040 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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

The Town contributes four percent of each employee’s salary (excluding law enforcement officers), and all amounts contributed are vested immediately. Employees may also make voluntary contributions to the plan. Total contributions for the year ended June 30, 2025, were \$740,151 which consisted of \$369,393 from the Town and \$370,758 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, 2025, were \$143,261 which consisted of \$136,885 from regular employees and \$6,376 from law enforcement employees.

f. Other Post-employment Benefits

Healthcare Benefits:

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

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

Total OPEB Liability

The Town’s total OPEB liability of \$4,379,584 was measured as of June 30, 2024 and was determined by an actuarial valuation as of that date.

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

Inflation	2.50 %
Real wage growth	0.75 %
Wage inflation	3.25 %
Salary increases, including wage inflation	
General Employees	3.25% – 8.41%
Firefighters	3.25% – 8.15%
Law Enforcement Officers	3.25% – 7.90%
Municipal Bond Index Rate	
Prior Measurement Date	3.65%
Measurement Date	3.93 %
Health Care Cost Trends	
Pre-Medicare	7.00% for 2023 decreasing to an ultimate rate of 4.50% by 2033
Dental	3.50%
Vision	2.00%

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

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

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

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2023	\$ 4,267,907
Changes for the year	
Service cost at end of year (includes interest for the year)	193,433
Interest on total OPEB liability and Cash Flows	159,959
Changes in benefit terms	-
Differences between expected and actual experience	45,296
Changes of assumptions or other inputs	(127,798)
Benefit payments	(159,213)
Other changes	-
Net changes	<u>\$ 111,677</u>
Balance at June 30, 2024	<u>\$ 4,379,584</u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.93 percent) or 1-percentage-point higher (4.65 percent) than the current discount rate:

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
Total OPEB liability	\$ 4,856,177	\$ 4,379,584	\$ 3,956,625

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	\$ 3,827,956	\$ 4,379,584	\$ 5,037,624

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

For the year ended June 30, 2025, the Town recognized OPEB expense of \$139,936. At June 30, 2025, 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	\$ 39,074	\$ 828,754
Changes of assumptions or other inputs	502,621	616,138
Benefit payments and administrative costs subsequent to the measurement date	166,645	-
Total	\$ 708,340	\$ 1,444,892

\$166,645 reported as deferred outflows of resources related to OPEB resulted from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2025. \$(903,197) reported as Deferred Inflows of Resources related to OPEB benefits will be recognized in OPEB Expense as follows:

Year ended June 30:

2026	\$ (219,762)
2027	(206,668)
2028	(178,030)
2029	(191,302)
2030	(76,876)
Thereafter	(30,559)
Total	\$ (903,197)

\$166,465 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

2. Other Employment Benefit – Death Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death 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, 2025, the Town made contributions to the State for death benefits of \$ 3,578. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .040% and .140% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

3. Payables and Current Liabilities

Payables on Exhibit 1 at June 30, 2025, were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Unearned Revenue	Customer Deposits	Total
Governmental Activities	\$ 1,488,088	\$ 569,240	\$ 74,194	\$ 3,759	\$ 50,525	\$ 2,185,805
Business-type activities (Water)	\$ 310,624	\$ 42,342	\$ 12,664	\$ -	\$ 471,300	\$ 836,930

4. Deferred Outflows and Inflows of Resources

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

	Statement of Net Position
Benefit payments and admin. costs made for LEOSSA subsequent to measurement date	\$ 21,816
Contributions to pension plan in current fiscal year-LGERS	1,327,089
Benefit payments made for OPEB subsequent to measurement date	166,645
Differences between expected and actual experience-LGERS	1,080,603
Changes in proportion and differences between employer contributions and proportionate share of contributions-LGERS	77,206
Differences between projected and actual investment earnings on plan investments - LGERS	838,331

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

Differences between expected and actual experience-LEOSSA	254,596
Changes of assumptions and other inputs-OPEB	541,695
Changes of assumptions and other inputs-LEOSSA	85,187
Total	\$ 4,393,168

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

	Statement of Net Position	Government Funds Balance Sheet
Prepaid taxes (General Fund)	\$ 2,481	\$ 2,481
Property taxes receivable, less penalties (General Fund)	-	3,861
Privilege licenses receivable, less penalties (General Fund)	-	2,375
Prepaid water consumption units (Water Fund)	96,000	-
Lease Receivable (General Fund)	1,922,049	1,922,049
Differences between expected and actual experience- LGERS	7,266	-
Differences between expected and actual experience- LEOSSA (General Fund)	223	-
Differences between expected and actual experience- OPEB	828,754	-
Changes in proportion and difference between contributions and proportionate share of contributions-LGERS	79,889	-
Changes of assumptions/other inputs-LEOSSA General Fund	156,138	-
Changes of assumptions and other inputs-OPEB	616,138	-
Total	\$ 3,708,938	\$ 1,930,766

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.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town owns property in an area of the State that has been mapped and designated as an "VE, AE, A, and X" area (an area with a 1% annual chance of flooding and a 26% chance of flooding over 30 years) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town is also eligible to purchase excess commercial flood insurance and has in the amount of \$4,140,900 for its Town Hall structure and \$1,500,000 for its newest fire station.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more of the Town's funds at any given time of the Town's funds are performance bonded through a commercial surety bond. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000. In accordance with G.S. 159-29, the finance officer's fidelity bond was renewed on July 1, 2024, for \$1,000,000. The tax collector's bond was renewed for \$250,000.

6. Claims, Judgments and Contingent Liabilities

Pending or Threatened Litigation, Claims and Assessments:

As part of the Town's 2022 Beach Nourishment Project, the Town sought to obtain easements on an oceanfront property. This property includes a beach cottage that has been storm damaged and unusable since before the Town's 2011 Beach Nourishment Project. Although the Town had clear authority to acquire the Beach Nourishment Easement needed for the 2022 Project, the owner of this property has filed a counterclaim asserting that the Town has inversely condemned the entire property. A new action has been filed seeking damages for the demolition of the structure. There are numerous legal defenses to these counterclaims, and we expect to defend those claims aggressively. We obtained a summary judgement dismissing that claim as of August 8, 2025, and that dismissal is now on appeal to the NC Court of Appeals. We expect the dismissal to be affirmed. If not, we do not have an estimate of any potential damages to which the Town might be exposed, except that the value of the property is probably less than \$200,000.

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

7. Long-Term Obligations

a. Installment Financing

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

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

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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

In April 2025 the Town entered into two direct borrowing contracts, a 10-year and a 9-year contract for a parcel of land and construction of a building. The 10-year contract is to finance the purchase of the land in the amount of \$1,541,604 at an interest rate of 4.32% per annum fixed. The 9-year contract for building construction in the amount of \$1,402,192 at an interest rate of 4.32% per annum.

b. Subscriptions

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

On 07/29/2022, Town of Nags Head entered into a 60-month SBITA for the use of Motorola Flex Software. An initial subscription liability was recorded in the amount of \$49,766. As of 06/30/2025, the value of the subscription liability is \$20,131. The Town of Nags Head is required to make annual fixed payments of \$10,424. The subscription has an interest rate of 2.3657%. The value of the right to use asset as of 06/30/2024 of \$174,317 with accumulated amortization of \$101,879 is included with Software on the Subscription Class activities table found below.

On 08/17/2022, Town of Nags Head entered into a 60-month SBITA for the use of Motorola Video Software. An initial subscription liability was recorded in the amount of \$227,270. As of 06/30/2025, the value of the subscription liability is \$91,933. The Town of Nags Head is required to make annual fixed payments of \$47,604. The subscription has an interest rate of 2.3657%. The value of the right to use asset as of 06/30/2025 of \$233,510 with accumulated amortization of \$134,139 is included with Software on the Subscription Class activities table found below.

On 09/12/2023, Town of Nags Head entered into a 24-month SBITA for the use of Flock Safety License Plate Reader Cameras. The value of the right to use asset as of 06/30/2025 of \$78,595 with accumulated amortization of \$70,845 is included with Software on the Subscription Class activities table found below.

On 10/6/2023, Town of Nags Head entered into a 60-month SBITA for the use of Motorola Video Software. Because the Town paid \$27,000 up front for the subscription, no liability was recorded and the value of the subscription liability is \$0.00. The value of the right to use asset as of 06/30/2025 of \$27,000 with accumulated amortization of \$9,375 is included with Software on the Subscription Class activities table found below.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

Amount of Subscription Assets by Major Classes of Underlying Asset

Asset Class	As of Fiscal Year-end	
	Subscription Asset Value	Accumulated Amortization
Software	\$ 513,422	\$ 316,238
Total Subscriptions	\$ 513,422	\$ 316,238

Principal and Interest Requirements to Maturity

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2026	55,377	2,651	58,028
2027	56,687	1,341	58,028
Total	\$ 112,064	\$ 3,992	\$ 116,056

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Limited obligation bonds	\$ 12,404,000	\$ -	\$ 656,000	\$ 11,748,000	\$ 656,000
Deferred amounts:	1,869,841				
Issuance premiums		-	98,413	1,771,429	98,413
Direct borrowing installment finance purchases	2,897,703	2,943,796	1,648,704	4,192,795	551,818
Lease liabilities	6,646	-	6,646	-	-
IT subscription liabilities	211,098	-	99,033	112,064	55,377
Total OPEB liability	3,925,835	102,726	-	4,028,561	113,105
Total pension liability (LEOSSA)	1,440,295	182,409	-	1,622,704	37,448
Net pension liability (LGERS)	5,535,736	109,687	207,279	5,645,423	-
Compensated absences	916,923	1,504,877	1,478,867	942,934	310,000
Governmental activities long-term liabilities	\$ 29,208,077	\$ 4,843,495	\$ 3,987,663	\$ 30,063,909	\$ 1,822,161

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Limited obligation bonds	\$ 4,706,000	\$ -	\$214,000	\$ 4,492,000	\$ 219,000
Deferred amounts:					
Issuance premiums	580,084	-	30,531	549,553	30,531
Direct placement installment finance purchases	6,291	-	6,291	-	-
Total OPEB liability	342,072	8,951	-	351,023	7,955
Net pension liability (LIGERS)	510,944	10,124	-	521,068	-
Compensated absences	53,971	95,761	89,981	59,751	20,000
Business-type activities long-term liabilities	<u>\$ 6,199,362</u>	<u>\$ 114,836</u>	<u>\$ 340,803</u>	<u>\$5,973,395</u>	<u>\$ 277,486</u>

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

Limited Obligation Bonds – Publicly Sold

Year Ending June 30	Principal	Interest
2026	656,000	587,400
2027	656,000	554,600
2028	656,000	521,800
2029	652,000	489,000
2030	652,000	456,400
2031-2035	3,260,000	1,793,000
2036-2040	3,260,000	978,000
2041-2043	1,956,000	195,600
Total	<u>\$ 11,748,000</u>	<u>\$ 5,575,800</u>

Installment Financing Contracts – Direct Borrowings & Placements

Year Ending June 30	Principal	Interest
2026	\$ 551,818	\$ 159,723
2027	516,865	140,403
2028	521,935	121,943
2029	451,032	103,355
2030	454,954	86,043
2031-2035	1,696,191	179,860
Total	<u>\$ 4,192,795</u>	<u>\$ 791,327</u>

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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

Limited Obligation Bonds – Publicly Sold

Year Ending June 30	Principal	Interest
2026	219,000	224,600
2027	224,000	213,650
2028	224,000	202,450
2029	228,000	191,250
2030-2034	1,185,000	782,750
2035-2039	1,290,000	476,500
2040-2043	1,122,000	141,500
Total	\$ 4,492,000	\$ 2,232,700

d. Changes in Long-Term Liabilities

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

At June 30, 2025, the Town had a legal debt margin of \$229,989,365.

8. Water Consumption Units

The Town entered into a letter of understanding with the Ammons-Dare Corporation (its successors and assigns) for the provision of water to the Village of Nags Head Development. The Town guarantees 1,000 water consumption units (WCU) will be available for the development. Ammons-Dare Corporation has agreed to pay a fee of \$2,000 per WCU in advance in the form of an irrevocable letter of credit in the amount of \$2,000,000. As of June 30, 2025, 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 735 WCU's which are guaranteed by the Town and are valued at \$1,470,000.

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 48 WCU's in the amount of \$96,000 represent the balance due under the letter of understanding and are included in the Water Fund balance sheet as unearned revenue. Should any of the remaining WCU's be unused, the Town agrees to reimburse Ammons-Dare Corporation, its successors and assigns, at any time after September 4, 1991.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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 \$41,356 and a corresponding receivable in the Capital Reserve Fund. The original advance amount of \$438,481 represents reimbursement of funds collected in the Capital Reserve Fund originally intended to offset the cost of the municipal complex. Instead, these funds were used to pay off the higher interest rate Fire Station debt. This amount is to be paid back from the General Fund to the Capital Reserve Fund with fire facility fee revenues. On October 2, 2019, the Board of Commissioners adopted a resolution declaring the intention to pay off this interfund balance using fire facility fee revenues. Any accumulated fire facility fees will be used to repay the interfund balance until paid in full. During the current year, \$11,643 in repayments were made.

Transfers and Capital Contributions to/from other funds for the year ended June 30, 2025, consisted of the following:

Transfers from the General Fund to the Capital Reserve Fund for the following purposes:	
Beach nourishment taxes designated for future beach nourishment	\$ 789,955
Municipal Service District (MSD) taxes collected	1,656,584
Restricted sales tax from municipal service district (MSD) taxes collected	666,694
Facility fees	110,517
Beach nourishment grants	149,790
	\$ 3,373,540

Transfers from the General Fund to the Capital Investment Fund for the purposes of capital outlay and debt service.	\$ 6,022,427
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Transfers from the Capital Reserve Fund to the Capital Project Fund for the following purposes:	
Restricted for beach nourishment	\$ 366,110

Transfers from the Capital Reserve Fund to the General Fund for the following purposes:	
Restricted for beach nourishment	\$ 141,392

Transfers from the Capital Investment Fund to the General Fund for the purposes of capital outlay and debt service.	\$ 7,440,570
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Transfers from the Water Fund to the Water Capital Reserve Fund for funding future capital improvements and debt payments related to the Town's water system.	\$ 55,465
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Transfers from the Water Capital Reserve Fund to the Water Fund for capital outlay improvements related to the Town's water system.	\$ 55,000
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D. Extraordinary Events

The Town jointly owns vacant properties with the Outer Banks Visitors Bureau. The Town's book value of the land is \$3,213,487. Both parties entered into an agreement that the Town would incrementally sell its

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

remaining interest in the properties to the Visitors Bureau over ten years for a purchase price of \$2,336,107. In fiscal year 2025, the Visitors Bureau purchased a \$600,000 interest in the land, or 25.6837% of the purchase price from the Town. Therefore, the Town recorded an extraordinary loss of \$225,342 on the transaction.

The Town sold property for \$1.7 million to Dare County. The parcel includes a building. The book value of the building and land totaled \$1,632,789. This resulted in an extraordinary gain of \$67,211.

These two transactions combined resulted in the extraordinary loss on sale of assets totaling \$158,131, and appear in the Exhibit 4 reconciliation as book losses not included in the Government Funds reported on the Statement of Activities.

E. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 67,964,448	\$ 11,823,123
Less: long term debt	(17,824,247)	(5,041,554)
Less: liabilities from restricted debt issuances	(97,544)	(21,697)
Add: unexpended debt issuances	89,641	146,153
Net investment in capital assets	<u>\$ 50,132,298</u>	<u>\$ 6,906,025</u>

F. 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	\$ 29,002,278
Less:	
Nonspendable	(229,719)
Stabilization by State Statute	(7,332,071)
Restricted for Public Safety	(120,159)
Restricted for State Street Aid	(172,956)
Restricted for Capital Reserve Fund	(13,299,383)
Assigned for subsequent year's expenditures	(49,828)
Fund Balance Policy	<u>(7,798,162)</u>
Fund Balance Remaining	<u>\$ -</u>

The Town of Nags Head has adopted a minimum fund balance policy for the general fund which instructs management to maintain an unassigned general fund balance at a minimum of 25%-35% of expenditures less bond debt as per audited financial statements at the end of each fiscal year. Any unassigned fund balance above 35% transfers to the Capital Investment Fund. The \$7,798,162 reported above is above the 25% minimum but less than 35% of expenditures, less bond debt of \$1,276,200, calculation of \$28,468,632.

The following amounts represent open purchase orders and contracts outstanding at June 30, 2025. These encumbrances outstanding will be re-appropriated in the subsequent year's budget.

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

General Fund	\$ 2,832,642
Water Fund	354,431
Total	\$ 3,187,073

G. 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, 2025, 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	\$ 15,620	\$ -	\$ 10,853	\$ 9,725	\$ 3,642	\$ 39,840
Current year additions (including interest)	54,639	11,643	17,156	7,950	30,728	122,116
Current year expenses	-	(11,643)	-	-	-	(11,643)
End of year balance	\$ 70,259	\$ -	\$ 28,009	\$ 17,675	\$ 34,370	\$ 150,313

H. Beach Nourishment

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

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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

	Beach nourishment taxes (MSD and town-wide)	Restricted sales taxes from municipal service district tax	Total
Beginning of year balance	\$5,399,888	\$ 2,609,467	\$ 8,009,355
Current year additions	2,446,539	816,485	3,263,024
Current year net interest	260,851	148,433	409,284
Current year uses	(366,110)	(141,392)	(507,502)
End of year balance	<u>\$ 7,741,168</u>	<u>\$ 3,432,993</u>	<u>\$11,174,161</u>

I. Tax Funds Restricted

The Town restricts funds in the Capital Investment Fund for capital expenditures, debt service, maintenance and repairs, and significant fiscal investments essential to ensure the Town has necessary equipment and infrastructure. The balance at June 30, 2025 is:

	Capital Investment Fund
Beginning of year balance	\$ 3,169,899
Current year additions	6,022,427
Current year interest	223,154
Current year uses	(7,440,570)
End of year balance	<u>\$ 1,974,909</u>

J. 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, 2025, was \$5,202.50 plus an additional \$398 in related FICA.

IV. Joint Ventures

The Town and the members of the Town’s fire department each appoint two members to the five-member local board of trustees for the Firefighter’s Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firefighter’s Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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, 2025. 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. 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. The combined three parcels are capital assets recorded in the general fund.

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

On February 26, 2025, the parties entered into an agreement that the Town would incrementally sell its entire interest in the properties to the Outer Banks Visitors Bureau for the original purchase price of \$2,336,107. With the initial payment in fiscal year 2025, the Town sold \$600,000 back to the Visitors Bureau. The donated property is also part of the property sale. This fiscal year, the book value loss of \$825,342 for the three parcels, recorded at 25.687% of the asset's book value, were netted against the sale proceeds and recorded as an extraordinary item on the Statement of Activities. The percentage was calculated as this year's sale amount of \$600,000 was 25.687% of the total agreed purchase price of \$2,336,107.

The agreements states that payments will be made in fiscal years 2026 through 2034 with a minimum payment amount of \$100,000, however the Visitors Bureau may pay more than the minimum. Each fiscal year the book value loss will be determined by the corresponding amount the Visitors Bureau pays, calculated as a percentage of the sale amount of the total agreed purchase price. The remaining balance of the original purchase price of \$2,336,107 will be made in fiscal year 2035. At that point, the Town will not report an asset or joint venture for any portion of the three parcels of land.

V. Summary Disclosure of Significant Contingencies

A. Federal and State Assisted Programs

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

Town of Nags Head, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

B. Municipal Waste Management Agreement

On December 3, 2008, the Town approved a Municipal Waste Management Agreement with Dare County, a member of the Albemarle Regional Solid Waste Authority, for disposal of solid waste as contracted through Republic Services. The contract extends for 26 years and became effective when signed by all parties to the agreement as of May 1, 2009. Charges are based on the Town's actual tonnage of solid waste; the rate in effect in fiscal year 2025 was \$89.97 per ton, plus an additional fuel surcharge per ton which varies each month.

C. Intangible Water Rights

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

The intangible water rights are being amortized over 40 years. This time period corresponds to the estimated useful life of the R.O. water desalination plant. At June 30, 2025, accumulated amortization totaled \$3,729,367.

On August 21, 1996, the Town approved a revised agreement with Dare County and the Town of Kill Devil Hills which allocates three million five hundred thousand gallons per day of water from the system capacity, inclusive of expansions. Nags Head will bear all costs and expenses associated with expansions requested or required by the Town. This agreement was signed on October 4, 1996.

On February 4, 2009, the Town approved a revised agreement with Dare County and the Town of Kill Devil Hills which deleted the Fresh Pond Plant as one of the mandatory production facilities under the contract agreement. The revised agreement relieves Dare County and the Town of Kill Devil Hills from any funding responsibility for the costs to continue to operate the Fresh Pond Plant and there is no longer any requirement that the regional system purchase water produced by the Fresh Pond Plant. Allocation of water to the Towns of Nags Head and Kill Devil Hills was not affected by the revised agreement.

VI. Significant Effects of Subsequent Events

Management has evaluated there are no material subsequent events through January 28, 2026, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

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

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

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

	2025	2024	2023
Town of Nags Head's proportion of the net pension liability (asset) (%)	0.09147%	0.09130%	0.09656%
Town of Nags Head's proportion of the net pension liability (asset) (\$)	\$ 6,166,491	\$ 6,046,680	\$ 5,447,363
Town of Nags Head's covered payroll	\$ 8,879,161	\$ 8,012,999	\$ 7,353,869
Town of Nags Head's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	69.45%	75.46%	74.07%
Plan fiduciary net position as a percentage of the total pension liability**	86.90%	82.49%	84.14%

* 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.

2022	2021	2020	2019	2018	2017	2016
0.09310%	0.09602%	0.09116%	0.09691%	0.10036%	0.09857%	0.11405%
\$ 1,427,778	\$ 3,431,204	\$ 2,489,508	\$ 2,299,037	\$ 1,533,223	\$ 2,091,986	\$ 511,850
\$ 6,830,772	\$ 6,664,768	\$ 6,382,086	\$ 6,293,652	\$ 6,008,611	\$ 5,807,371	\$ 5,376,833
20.90%	51.48%	39.01%	36.53%	25.52%	36.02%	9.52%
95.51%	90.86%	91.63%	94.18%	91.47%	98.09%	99.07%

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contractually required contribution	\$ 1,329,508	\$ 1,162,832	\$ 983,965
Contributions in relation to the contractually required contribution	<u>1,329,508</u>	<u>1,162,832</u>	<u>983,965</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>
Town of Nags Head's covered payroll	\$ 9,549,984	\$ 8,879,161	\$ 8,012,999
Contributions as a percentage of covered payroll	13.92%	13.10%	12.28%

2022	2021	2020	2019	2018	2017	2016
\$ 842,179	\$ 701,447	\$ 604,634	\$ 502,605	\$ 484,882	\$ 448,317	\$ 396,478
842,179	701,447	604,634	502,605	484,882	448,317	396,478
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 7,353,869	\$ 6,830,772	\$ 6,664,768	\$ 6,382,086	\$ 6,293,652	\$ 6,008,611	\$ 5,807,371
11.45%	10.27%	9.07%	7.88%	7.70%	7.46%	6.83%

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

	2025	2024	2023
Total Pension Liability			
Beginning balance	\$ 1,440,295	\$ 1,243,592	\$ 1,363,416
Service Cost at end of year	65,628	50,746	65,061
Interest on the total pension liability	56,755	52,676	29,974
Differences between expected and actual experience in the measurement of the total pension liability	140,210	100,906	85,545
Changes of assumptions or other inputs	(37,350)	35,209	(237,928)
Benefit payments	(42,834)	(42,834)	(62,476)
Net change in Total Pension Liability	182,409	196,703	(119,824)
Ending balance of the total pension liability	<u>\$ 1,622,704</u>	<u>\$ 1,440,295</u>	<u>\$ 1,243,592</u>

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

Notes to Schedule:

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

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

2022	2021	2020	2019	2018	2017
\$ 1,303,038	\$ 922,305	\$ 910,087	\$ 823,639	\$ 772,627	\$ 769,077
64,728	38,543	32,304	46,110	33,911	38,198
24,530	29,022	31,960	25,267	29,059	26,713
73,600	33,839	(16,921)	104,529	(21,647)	-
(38,367)	343,442	28,988	(41,378)	49,282	(19,711)
(64,113)	(64,113)	(64,113)	(48,080)	(39,593)	(41,650)
60,378	380,733	12,218	86,448	51,012	3,550
<u>\$ 1,363,416</u>	<u>\$ 1,303,038</u>	<u>\$ 922,305</u>	<u>\$ 823,639</u>	<u>\$ 772,627</u>	<u>\$ 769,077</u>

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

	2025	2024	2023
Total pension liability	\$ 1,622,704	\$ 1,440,295	\$ 1,243,592
Covered-employee payroll	2,098,898	1,723,970	1,595,543
Total Pension Liability as a percentage of of covered-employee payroll	77.31%	83.55%	77.94%

Notes to the schedule:

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

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

2022	2021	2020	2019	2018	2017
\$ 1,363,416	\$ 1,303,038	\$ 922,305	\$ 910,087	\$ 823,639	\$ 772,627
1,507,527	1,383,788	1,168,578	1,396,151	1,227,153	1,386,134
90.44%	94.16%	78.93%	65.19%	67.12%	55.74%

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

Measurement Period Ending	2024	2023	2022
Total OPEB Liability			
Service Cost at end of year (includes interest for the year)	\$ 193,433	\$ 189,620	\$ 247,155
Interest on Total OPEB Liability and Cash Flows	159,959	162,941	111,714
Difference between expected and actual experience	45,296	(522,488)	(19,736)
Changes of assumptions or other inputs	(127,798)	105,095	(681,521)
Benefit payments	(159,213)	(159,598)	(179,144)
Net change in total OPEB liability	111,677	(224,430)	(521,532)
Total OPEB liability-beginning	4,267,907	4,492,337	5,013,869
Total OPEB liability-ending	<u>\$ 4,379,584</u>	<u>\$ 4,267,907</u>	<u>\$ 4,492,337</u>
Covered-employee payroll	\$ 7,650,759	\$ 7,650,759	\$ 6,044,153
Total OPEB liability as a percentage of covered-employee payroll	57.24%	55.78%	74.33%

Notes to Schedule:

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

<u>Fiscal year</u>	<u>Rate</u>
2025	3.93%
2024	3.65%
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

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

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

2021	2020	2019	2018	2017
\$ 280,694	\$ 208,084	\$ 340,542	\$ 348,444	\$ 370,146
115,222	153,860	165,619	143,590	116,800
(704,774)	(22,396)	(522,224)	(18,158)	(12,992)
482,032	569,014	79,662	(131,192)	(209,200)
(183,587)	(143,139)	(123,419)	(113,891)	(109,742)
(10,413)	765,423	(59,819)	228,793	155,012
5,024,282	4,258,859	4,318,678	4,089,885	3,934,873
<u>\$ 5,013,869</u>	<u>\$ 5,024,282</u>	<u>\$ 4,258,859</u>	<u>\$ 4,318,678</u>	<u>\$ 4,089,885</u>
\$ 6,044,153	\$ 5,784,194	\$ 5,784,194	\$ 5,922,513	\$ 5,922,513
82.95%	86.86%	73.63%	72.92%	69.06%

GENERAL FUND

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

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

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

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

Schedule 1

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
REVENUES				
Ad Valorem Taxes:				
Current year		\$ 10,205,264		\$ 10,169,059
Municipal service district		1,656,584		1,650,184
Prior year		551		1
DMV current year		231,621		205,617
Penalties and interest		13,174		12,741
Total	\$ 11,995,235	12,107,194	\$ 111,959	12,037,602
Other Taxes and Licenses:				
Occupancy tax		4,694,231		4,673,981
Land Transfer tax		1,158,115		1,009,498
Local governmental sales tax		2,921,984		2,700,798
1/2% sales tax revenue		1,909,296		1,767,431
Privilege licenses and business registrations		21,305		20,865
Mixed beverage tax		47,625		54,868
Privilege license penalties		4,050		2,825
Total	11,399,800	10,756,606	(643,194)	10,230,266
Intergovernmental Revenues:				
Unrestricted:				
Utility sales tax		987,218		865,982
Telecommunications tax		18,558		19,385
Natural Gas sales tax		12,103		6,004
Solid Waste Disposal fees		2,489		2,524
Video programming tax		83,917		93,341
Cable Franchise - PEG fund fees		51,871		51,530
Beer and wine		12,894		15,760
ABC revenue		31,440		31,302
Total	964,000	1,200,490	236,490	1,085,828
Restricted Federal:				
Homeland Security Investigations		14,642		9,713
Bulletproof Vest Partnership Program		999		843
Controlled substance excise tax		-		32,103
FEMA reimbursement		-		67,019
U.S. Department of Commerce		-		4,500
U.S. Department of Treasury		-		92,690
U.S. Department of the Interior		-		14,219
CAMA minor permit reimbursement		3,295		3,800
Restricted State:				
State Street Aid - Powell Bill		159,955		146,696
State Department of Public Instruction		36,666		36,666
Controlled substance excise tax		279		5,246
NC Department of Natural and Cultural Resources		10,500		-
NC Department of Public Safety		-		7,447
NC Department of Environmental Quality		1,132,009		303,200
NC Department of Commerce		745,078		250,000

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

Schedule 1

**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended June 30, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
Restricted Local:				
Contributions from Dare County		24,000		648,000
Government Access Channel grant		5,000		5,000
Outer Banks Visitor Bureau grant		74,227		358,400
North Carolina League of Municipalities grant		12,534		7,170
Miscellaneous		-		-
Total	5,877,236	2,219,184	(3,658,052)	1,992,712
Total Intergovernmental Revenues	6,841,236	3,419,674	(3,421,562)	3,078,540
Permits and Fees:				
Building permits		287,363		248,075
Cart rollback fees		230,900		226,250
Facility fees		110,517		19,928
Inspection and review fees		15,300		40,335
Beach driving permits		22,952		25,902
Pit Fire fees		12,990		17,440
Special event fee		19,985		22,375
CAMA permits		3,200		3,900
Court costs and fees		3,928		2,760
Crowd gathering permit fees		6,730		4,155
Alarm fees		50		125
Civil penalties		4,500		99,950
Automobile town tags		999		1,755
Total	697,183	719,414	22,231	712,950
Sales and Services:				
Lease revenue		188,713		259,183
Sale of materials		72,450		86,670
Total	280,595	261,163	(19,432)	345,853
Investment Earnings:				
Investment Earnings		404,270		374,889
Change in fair value of investments		392,272		350,495
Net investment earnings	200,000	796,542	596,542	725,384
Other Revenues:				
Other rents		130,458		2,391
Interest on lease revenue		17,345		10,129
Miscellaneous		33,027		26,439
Contributions		23,608		119,121
Total	180,600	204,438	23,838	158,080
Total Revenues	31,594,649	28,265,031	(3,329,618)	27,288,675

**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, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
EXPENDITURES				
General Government:				
Governing Body:				
Fees paid to elected officials		39,548		43,332
FICA expense		3,025		3,315
Contracted services		48,516		59,011
Department supplies and materials		7,432		5,604
Special events		3,105		3,853
Dues and subscriptions		9,308		8,503
Advertising		-		87
Printing		1,470		3,331
Travel and Training		1,529		1,887
Equipment rental		3		2
Contribution to Government Access Channel		52,871		52,530
Contributions, miscellaneous		10,100		25,250
Capital outlay, equipment		-		9,120
Reimbursement from Water Fund		(14,150)		(16,487)
Total	195,276	162,757	(32,519)	199,338
Special Obligation Bonds:				
Debt service, principal		656,000		2,276,000
Debt service, interest		620,200		810,300
Total	1,276,200	1,276,200	-	3,086,300
Administration:				
Salaries and wages		630,983		596,836
FICA expense		46,831		43,937
Group insurance		96,890		94,408
Group insurance - retiree		15,149		14,731
Retirement		85,138		76,174
401(k) account		31,172		29,677
Contracted services		23,369		17,640
Travel and Training		14,710		5,562
Professional services		114,404		167,989
Advertising		4,361		5,627
Departmental supplies		10,664		29,625
Dues and subscriptions		6,309		4,768
Equipment rental		937		1,799
Telephone		557		557
Postage		315		151
Automotive Supplies		136		375
Capital outlay, buildings		1,164,633		-
Capital outlay, infrastructure		-		-
Reimbursement from Water Fund		(125,164)		(123,670)
Debt service, principal		-		-
Debt service, interest		-		-
Total	2,780,726	2,121,394	(659,332)	966,186

**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, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
Administrative Services:				
Salaries and wages		482,172		452,883
FICA expense		35,859		33,414
Group insurance expense		81,854		63,778
Retirement		62,505		55,460
401(k) account		22,902		21,626
Unemployment expense		4,470		2,580
Insurance		444,226		416,088
Contracted services		45,805		40,245
Professional services		53,590		46,332
Fines and forfeitures		13,619		9,191
Departmental supplies and materials		10,895		7,100
Postage		5,887		11,167
Travel and Training		6,982		5,730
Equipment rental		9,051		7,206
Repairs and maintenance, equipment		789		385
Wellness program		18,482		12,293
Special contracted services		5,902		7,773
Dues and subscriptions		1,849		1,760
Purchases for resale		1,290		3,398
Advertising		939		370
Repairs and maintenance, vehicles		22		58
Automotive supplies		151		352
Capital outlay, equipment		499		3,065
Capital outlay, vehicles		-		43,394
Reimbursement from Water Fund		(98,873)		(126,098)
Debt service, principal		10,019		9,327
Debt service, interest		219		423
Total	1,248,456	1,221,105	(27,351)	1,129,300
Information Technology:				
Salaries and wages		85,942		80,357
FICA expense		6,388		6,096
Group insurance		14,665		9,348
Retirement		11,622		10,280
401(k) account		4,258		4,009
Contracted services		126,770		149,209
Contracted services, website		16,211		8,253
Contracted services, GIS		8,270		11,518
Contracted services, annual contracts		153,048		131,455
Travel and Training		4,616		7,094
Departmental supplies		4,360		4,732
Telephone		9,247		8,034
Repairs and maintenance, equipment		26,411		10,599
Other supplies-computer		65,969		111,120
Internet costs		10,950		10,950
Equipment rental		11,379		11,689
Capital outlay, equipment		10,285		-
Reimbursement from Water Fund		(37,258)		(30,482)
Debt service, principal		6,646		31,035
Debt service, interest		18		171
Total	594,873	539,797	(55,076)	575,467

**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, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
Planning and Development:				
Salaries and wages		867,867		775,404
FICA expense		63,678		56,137
Group insurance		165,641		147,966
Retirement		117,465		98,159
401(k) account		43,054		38,218
Planning board, board of adjustment		7,780		8,210
Contracted services		1,281		5,895
Professional services		5,081		5,646
Departmental supplies		5,053		7,462
Special events		27,956		19,152
Uniforms		1,399		969
Travel and Training		5,526		7,360
Telephone		4,000		4,227
Postage		4,295		1,849
Repairs and maintenance, vehicles		1,534		1,695
Printing		2,302		1,192
Other supplies		1,127		1,019
Other supplies-computer		1,955		1,015
Advertising		979		128
Automotive supplies		4,400		4,752
Equipment rental		4,395		2,819
Dues and subscriptions		2,253		1,270
Capital outlay, equipment		16,960		18,733
Capital outlay, vehicles		44,807		-
Capital outlay, improvements		294,911		24,000
Debt service, principal		186,845		196,365
Debt service, interest		4,522		9,255
Reimbursement from Water Fund		(160,908)		(178,965)
Total	2,315,992	1,726,158	(589,834)	1,259,932
Legal Services:				
Professional services		140,056		98,586
Reimbursement from Water Fund		(17,039)		(29,914)
Total	132,961	123,017	(9,944)	68,672
Total General Government	8,544,484	7,170,428	(1,374,056)	7,285,195

General Fund

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

For the Year Ended June 30, 2025

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

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
Public Safety:				
Police Department:				
Salaries and wages		2,338,958		2,222,250
FICA expense		177,390		168,045
Group insurance		370,798		351,461
Group insurance - retiree		60,598		58,772
Retirement		347,724		309,255
401(k) account		116,109		110,385
Separation Allowance		42,834		42,834
Automotive supplies		73,533		76,880
Departmental supplies		44,411		44,321
Repairs and maintenance, vehicles		34,922		28,911
Repairs and maintenance, equipment		28,060		26,887
Repairs and maintenance, firing range		2,729		4,838
Repairs and maintenance, buildings		-		6,786
Telephone		15,055		12,858
Other supplies		11,363		6,848
Other supplies, computer		-		6,860
Uniforms		30,248		24,365
Equipment rental		7,115		8,219
Travel and Training		30,066		24,811
Professional services		8,591		9,728
Postage		558		333
Dues and subscriptions		1,705		2,870
Advertising		-		31
Printing		162		315
Contracted services		21,785		21,355
Special investigations		5,876		6,000
Capital outlay, vehicles		317,857		307,352
Capital outlay, equipment		62,631		12,781
Capital outlay, IT subscription agreement		-		105,595
Debt service, principal		137,031		136,742
Debt service, interest		5,806		6,888
Total	4,683,672	4,293,915	(389,757)	4,145,576
Drug Forfeiture:				
Special investigations		-		1,175
Capital outlay, equipment		23,400		8,434
Total	23,400	23,400	-	9,609
Fire Department:				
Salaries and wages		2,399,805		2,216,098
FICA expense		177,154		162,839
Group insurance		486,551		412,444
Group insurance, retiree		45,449		44,079
Retirement expense		320,028		282,644
401(k) account		117,282		110,279
Incentive pay		5,202		3,112
Supplemental pension fund		4,180		3,020
Departmental supplies		77,855		76,141
Repairs and maintenance, buildings		102,158		19,054
Repairs and maintenance, vehicles		40,106		36,203

**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, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
Fire Department (continued):				
Repairs and maintenance, equipment		10,278		9,181
Uniforms		14,998		17,856
Automotive supplies		16,360		19,064
Telephone		2,281		2,281
OSHA Compliance		4,332		2,332
Travel and Training		21,274		20,836
Safety training		3,704		3,461
Other supplies		5,077		5,445
Equipment rental		4,171		4,289
Dues and subscriptions		2,016		1,903
Professional services		20,772		77,148
Postage		69		394
Contracted Services		33,781		29,200
Printing		-		36
Capital outlay, equipment		-		12,510
Capital outlay, land		3,000,000		-
Debt service, principal		197,138		192,434
Debt service, interest		36,389		41,093
Total	7,507,377	7,148,410	(358,967)	3,805,376
Ocean Rescue:				
Salaries and wages		751,810		721,404
FICA expense		37,008		38,957
Group insurance		9,868		9,466
Retirement expense		8,695		7,720
401(k) account		3,176		3,019
Departmental supplies		25,056		33,059
Uniforms		15,186		16,380
Automotive supplies		9,728		13,042
Repairs and maintenance, equipment		5,097		6,085
Travel and Training		9,402		11,100
Repairs and maintenance, vehicles		4,845		4,414
Professional fees		3,120		2,820
Contracted Services		1,640		1,637
Telephone		1,416		1,488
Printing		1,689		2,520
Advertising		-		599
Dues and subscriptions		2,080		2,520
Postage		42		62
Capital outlay, equipment		12,879		24,018
Capital outlay, vehicle		52,614		46,885
Debt service, principal		19,953		35,738
Debt service, interest		329		1,009
Total	1,028,870	975,633	(53,237)	983,942
Total Public Safety	13,243,319	12,441,358	(801,961)	8,944,503

**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, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
Environmental Protection:				
Sanitation:				
Salaries and wages		619,233		492,512
FICA expense		44,916		35,218
Group insurance		149,781		122,102
Group insurance, retiree		15,150		19,591
Retirement		81,403		60,985
401(k) account		29,849		23,807
Travel and training		2,577		357
Repairs and maintenance, vehicles		151,165		112,928
Automotive supplies		102,860		123,610
Department supplies		29,983		31,993
Uniforms		8,557		8,088
Contracted services		201,600		200,530
Recycling		97,737		90,191
Repairs and maintenance, equipment		2,533		-
Advertising		504		500
Capital outlay, equipment		-		25,007
Capital outlay, vehicles		614,705		592,202
Debt service, principal		157,386		214,920
Debt service, interest		2,597		6,216
Total	2,483,555	2,312,536	(171,019)	2,160,757
Solid Waste:				
Tipping fees		799,199		797,479
Total	882,657	799,199	(83,458)	797,479
Total Environmental Protection	3,366,212	3,111,735	(254,477)	2,958,236
Public Services:				
Administration:				
Salaries and wages		339,328		311,511
FICA expense		24,743		22,467
Group insurance		57,593		56,670
Retirement		46,138		40,086
401(k) account		16,880		15,626
Contracted services		3,775		3,000
Purchase for resale		65,611		65,772
Telephone		1,472		1,289
Departmental supplies		7,468		5,744
Equipment rental		1,094		2,194
Automotive supplies		1,550		2,153
Travel and Training		8,432		1,266
Dues and subscriptions		3,953		3,174
Postage		130		235
Repairs and maintenance, vehicles		11,107		930
Uniforms		458		338
Capital outlay, improvements		5,500		157,515
Debt service, principal		27,368		27,368
Debt service, interest		662		1,325
Reimbursement from Water Fund		(59,765)		(46,660)
Total	891,654	563,497	(328,157)	672,003

**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, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
Public Facilities Maintenance:				
Salaries and wages		798,477		748,619
FICA expense		59,157		55,376
Group insurance		178,233		157,362
Group insurance, retiree		15,150		7,347
Retirement		108,107		95,988
401(k) account		39,633		37,423
Repairs and maintenance, facilities		196,814		123,094
Utilities		298,607		234,940
Contracted services		110,085		77,886
Department supplies		45,722		36,112
Equipment rental		-		259
Repairs and maintenance, equipment		36,983		19,856
Signs		9,684		36,060
Automotive supplies		30,123		34,900
Repairs and maintenance, parks and paths		28,848		71,246
Repairs and maintenance, other		47,066		89,646
Other supplies		38,029		27,739
Professional services		200		-
Uniforms		9,987		9,954
Repairs and maintenance, vehicles		21,789		11,346
Dues and subscriptions		209		252
Travel and Training		15,117		1,415
Special Projects, sand fencing		24,000		48,000
Special Projects, lighting		11,375		19,305
Reimbursement from Water Fund		(195,908)		(236,088)
Capital outlay, Dowdy Park		5,523		17,814
Capital outlay, improvements		706,084		470,063
Capital outlay, equipment		63,782		127,415
Capital outlay, building		-		952,611
Capital outlay, vehicles		-		134,897
Debt service, principal		1,011,998		237,552
Debt service, interest		26,619		30,579
Total	4,513,493	3,741,493	(772,000)	3,678,968

**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, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
Maintenance Garage:				
Salaries and wages		336,098		303,440
FICA account		25,461		22,825
Group insurance		44,827		42,597
Retirement		45,871		39,200
401(k) account		16,805		15,277
Other supplies		16,438		12,667
Departmental supplies		21,703		12,470
Uniforms		2,338		2,225
Contracted services		1,076		1,292
Automotive supplies		955		1,600
Travel and training		1,804		201
Repairs and maintenance, vehicles		769		1,329
Repairs and maintenance, equipment		548		2,412
Reimbursement from Water Fund		(54,108)		(55,966)
Capital outlay, equipment		-		5,695
Total	490,807	460,585	(30,222)	407,264
Total Public Services	5,895,954	4,765,575	(1,130,379)	4,758,235
Streets and Drainage:				
State Street Aid:				
Street supplies, Powell Bill		29,890		27,128
Capital outlay, infrastructure		42,755		93,043
Total	226,559	72,645	(153,914)	120,171
Storm Water Maintenance:				
Utilities		1,156		935
Automotive supplies		4,778		3,648
Department Supplies		8,458		6,507
Maintenance and repairs equipment		1,194		381
Professional services		-		120
Professional fees/water quality testing		1,740		1,740
Contracted services		4,844		26,041
Capital outlay, infrastructure		1,794,811		999,172
Capital outlay, vehicles		-		54,055
Debt service, principal		-		-
Debt Service, interest		-		-
Total	4,969,573	1,816,981	(3,152,592)	1,092,599
Total Streets and Drainage	5,196,132	1,889,626	(3,306,506)	1,212,770
Total Expenditures	36,246,101	29,378,722	(6,867,379)	25,158,939
Revenues Over (Under) Expenditures	(4,651,452)	(1,113,691)	3,537,761	2,129,736

**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, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
Other Financing Sources (Uses):				
Installment Financing	2,943,796	2,943,796	-	-
Transfers to Capital Reserve Fund	(3,359,122)	(3,373,540)	(14,418)	(3,747,009)
Transfers to Capital Investment Fund	(9,285,914)	(6,022,427)	3,263,487	(6,614,519)
Transfers from Capital Reserve Fund	384,380	141,392	(242,988)	2,790,923
Transfers from Capital Investment Fund	9,899,861	7,440,570	(2,459,291)	5,517,446
Sale of capital assets	2,330,000	2,318,564	(11,436)	22,346
Insurance recovery	8,960	8,960	-	21,632
IT subscription agreement	-	-	-	70,795
Appropriated Fund Balance	1,729,491	-	(1,729,491)	-
Other financing sources (uses), net	4,651,452	3,457,315	(1,194,137)	(1,938,386)
Net change in fund balance	<u>\$ -</u>	2,343,624	<u>\$ 2,343,624</u>	191,350
Fund balance, beginning		<u>13,359,271</u>		<u>13,167,921</u>
Fund balance, ending		<u>\$ 15,702,895</u>		<u>\$ 13,359,271</u>

CAPITAL RESERVE FUNDS

**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, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 205,919	205,919	\$ 117,687
Change in fair market value of investments		203,321	203,321	84,644
Total revenues	-	409,240	409,240	202,331
Other financing sources (uses):				
Transfers from:				
General Fund	3,359,122	3,373,540	14,418	3,747,009
Capital Project Fund	-	-	-	-
Transfers to:				
General Fund	(384,380)	(141,392)	242,988	(2,790,923)
Capital Project Fund	(366,110)	(366,110)	-	-
Appropriated Fund Balance	(2,608,632)	-	2,608,632	-
Total other financing sources (uses)	-	2,866,038	2,866,038	956,086
Net change in fund balance	\$ -	3,275,278	\$ 3,275,278	1,158,417
Fund balances, beginning		8,049,196		6,890,779
Fund balances, ending		\$ 11,324,474		\$ 8,049,196

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

Schedule 3

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 79,324	79,324	\$ 60,362
Change in fair market value of investments		143,829	143,829	55,288
Total revenues	-	223,153	223,153	115,650
Other financing sources (uses):				
Transfers from:				
General Fund	9,285,914	6,022,427	(3,263,487)	6,614,519
Capital Project Fund	-	-	-	-
Transfers to:				
General Fund	(9,899,861)	(7,440,570)	2,459,291	(5,517,446)
Appropriated Fund Balance	613,947	-	(613,947)	-
Total other financing sources (uses)	-	(1,418,143)	(1,418,143)	1,097,073
Net change in fund balance	\$ -	(1,194,990)	\$ (1,194,990)	1,212,723
Fund balances, beginning		3,169,899		1,957,176
Fund balances, ending		\$ 1,974,909		\$ 3,169,899

OTHER MAJOR GOVERNMENTAL FUNDS

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

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

Town of Nags Head, North Carolina

Schedule 4

Beach Nourishment Maintenance Capital Project Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2025**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ -	\$ 71,698	\$ 21,375	\$ 93,073	\$ 93,073
Change in fair market value of investments	-	(141,365)	100,405	(40,960)	(40,960)
Restricted intergovernmental	14,200,982	14,129,678	10,189	14,139,867	(61,115)
Total revenues	14,200,982	14,060,011	131,969	14,191,980	(9,002)
Expenditures					
General Government:					
Fiscal Year 2023 Project:					
Professional Fees	793,000	724,408	14,897	739,305	(53,695)
Capital Construction Oversight	1,002,636	960,917	22,296	983,213	(19,423)
Pumping Costs	6,175,419	6,175,419	-	6,175,419	-
Mobilization	5,023,000	5,023,000	-	5,023,000	-
Monitoring	652,200	294,304	206,525	500,829	(151,371)
Sprigging	616,750	354,389	221,000	575,389	(41,361)
Other Costs	1,189,859	585,446	187,546	772,992	(416,867)
Total Expenditures	15,452,864	14,117,883	652,264	14,770,147	(682,717)
General Government:					
Fiscal Year 2027 Project:					
Capital Construction Oversight	888,050	-	342,258	342,258	(545,792)
Total Expenditures	888,050	-	342,258	342,258	(545,792)
Revenues (under) expenditures	(2,139,932)	(57,872)	(862,553)	(920,425)	1,219,507
Other financing sources:					
Transfers from Capital Reserve Fund	2,139,932	1,773,822	366,110	2,139,932	-
Total other financing sources	2,139,932	1,773,822	366,110	2,139,932	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,715,950</u>	<u>(496,443)</u>	<u>\$ 1,219,507</u>	<u>\$ 1,219,507</u>
Fund balance, beginning of year			<u>1,715,950</u>		
Fund balance, end of year			<u>\$ 1,219,507</u>		

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

Schedule 5

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2025**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ 776,056	\$ 714,802	\$ 72,938	\$ 787,740	\$ 11,684
Restricted intergovernmental	604,000	4,000	-	4,000	(600,000)
Total revenues	1,380,056	718,802	72,938	791,740	(588,316)
Expenditures					
Public Services:					
Public Services Complex:					
Professional Fees	265,938	261,913	1,200	263,113	(2,825)
Buildings	12,205,807	9,810,806	2,237,370	12,048,176	(157,631)
Equipment	1,179,413	411,142	757,453	1,168,595	(10,818)
Improvements	175,000	-	172,382	172,382	(2,618)
Arbitrage liability	-	261,185	(261,185)	-	-
Capital Construction Oversight	1,326,152	1,278,720	32,548	1,311,268	(14,884)
Total Expenditures	15,152,310	12,023,766	2,939,768	14,963,534	(188,776)
General Government:					
Living Shoreline:					
Improvements	600,000	-	-	-	(600,000)
Total Expenditures	600,000	-	-	-	(600,000)
Revenues (under) expenditures	(14,372,254)	(11,304,964)	(2,866,830)	(14,171,794)	200,460
Other financing sources (uses):					
Installment purchase obligations issued	14,372,254	14,372,254	-	14,372,254	-
Transfers to the Capital Investment Fund	(489,950)	(489,950)	-	(489,950)	-
Transfers from General Fund	489,950	489,950	-	489,950	-
Total other financing sources	14,372,254	14,372,254	-	14,372,254	-
Net change in fund balance	\$ -	\$ 3,067,290	(2,866,830)	\$ 200,460	\$ 200,460
Fund balance, beginning of year			3,067,290		
Fund balance, end of year			<u>\$ 200,460</u>		

NON-MAJOR GOVERNMENTAL FUNDS

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

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

Beach Nourishment Master Plan Capital Project Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2025

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ -	\$ 42,365	\$ 14,836	\$ 57,201	\$ 57,201
Change in fair market value of investments	-	(73,328)	44,015	(29,313)	(29,313)
Restricted intergovernmental	-	25,000	-	25,000	25,000
Total revenues	-	(5,963)	58,851	52,888	52,888
Expenditures					
General Government:					
Beach Study	2,772,044	1,954,090	187,608	2,141,698	(630,346)
Contingency	125,000	-	-	-	(125,000)
Total Expenditures	2,897,044	1,954,090	187,608	2,141,698	(755,346)
Revenues (under) expenditures	(2,897,044)	(1,960,053)	(128,757)	(2,088,810)	808,234
Other financing sources:					
Transfers from Capital Reserve Fund	2,897,044	2,897,044	-	2,897,044	-
Total other financing sources	2,897,044	2,897,044	-	2,897,044	-
Net change in fund balance	\$ -	\$ 936,991	(128,757)	\$ 808,234	\$ 808,234
Fund balance, beginning of year			936,991		
Fund balance, end of year			\$ 808,234		

ENTERPRISE FUND

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

Major Enterprise Fund

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

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

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

Town of Nags Head, North Carolina
 Enterprise Fund - Water Fund
 Schedule of Revenues and Expenditures-Budget and Actual (Non-GAAP)
 For the Year Ended June 30, 2025
 With Comparative Actual Amounts for the Year Ended June 30, 2024

Schedule 7

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
REVENUES				
Operating Revenues:				
Water sales		\$ 4,143,997		\$ 4,175,187
Tap and connection fees		37,743		40,585
Late payment penalties and interest		26,679		27,219
Water non-payment fees		6,550		3,450
Miscellaneous		9,359		2,592
Total Operating Revenues	4,278,295	4,224,328	(53,967)	4,249,033
Non-operating Revenues:				
Intergovernmental grant		167,167		89,480
Non-capital contribution		70,132		-
Interest earned on investments		99,554		80,258
Change in fair market value of investments		191,021		85,784
Total Non-operating Revenues	339,742	527,874	188,132	255,522
Total Revenues	4,618,037	4,752,202	134,165	4,504,555
EXPENDITURES				
Administration:				
Salaries and wages		166,277		156,439
FICA expense		12,281		11,203
Group insurance		28,791		31,633
Retirement expense		22,625		20,142
401(k) account		8,284		7,847
Reimburse General Fund administrative expenses		121,932		56,238
Contracted services		1,951		2,568
Postage		15,273		13,868
Travel and Training		825		5,416
Supplies and materials		998		3,703
Professional fees		17,667		23,059
Repairs and maintenance, equipment		-		1,444
Total Administration	433,251	396,904	(36,347)	333,560
Septic Health:				
Salaries and wages		32,848		30,564
FICA expense		2,475		2,310
Group insurance		4,796		4,643
Retirement		4,453		3,921
401(k) account		1,632		1,529
Reimburse General Fund administrative expenses		53,293		53,668
Inspection rebates		2,788		3,300
Pumping credits		14,550		18,000

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, 2025
 With Comparative Actual Amounts for the Year Ended June 30, 2024

Schedule 7

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
Septic Health (continued):				
Postage		-		6
Travel and Training		-		1,169
Water quality testing		7,210		7,770
Contracted services		12,238		7,810
Printing		-		512
Dues and subscriptions		51		-
Automotive supplies		514		896
Repairs and maintenance, vehicles		-		375
Departmental supplies		3,931		796
Total Septic Health	190,203	140,779	(49,424)	137,269
Operations:				
Salaries and wages		288,233		265,768
FICA expense		21,463		19,734
Group insurance		48,730		49,073
Retirement		39,136		34,228
401(k) account		14,357		13,347
Purchases for resale		957,318		983,229
Reimburse General Fund administrative expenses		312,482		255,078
Insurance		74,504		70,000
Utilities		63,637		58,649
Contracted services		8,150		9,017
Departmental supplies		37,986		21,398
Professional fees		720		1,911
Other supplies		3,154		7,209
Repairs and maintenance, equipment		20,175		5,212
Postage		1,720		1,679
Telephone		1,528		1,259
Uniforms		2,283		2,121
Dues and subscriptions		3,067		3,017
Equipment rental		626		217
Printing		-		3,806
Automotive supplies		4,410		7,817
Travel and Training		259		589
Repairs and maintenance, vehicles		1,504		744
Total Operations	1,971,368	1,905,442	(65,926)	1,815,102
Operations Distribution:				
Salaries and wages		323,227		302,666
FICA expense		23,673		21,919
Group insurance		77,865		71,236
Group insurance, retiree		15,149		14,693

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, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024

Schedule 7

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
Operations Distribution (continued):				
Retirement		43,733		38,728
401(k) account		16,032		15,091
Reimburse General Fund administrative expenses		275,466		479,347
Contracted services		120,633		119,969
Other supplies		26,110		14,988
Repairs and maintenance, other		20,979		10,375
Printing		-		500
Automobile supplies		10,945		10,138
Departmental supplies		31,215		21,506
Professional fees		3,320		-
Uniforms		3,122		3,597
Repairs and maintenance, vehicles		4,591		2,333
Telephone		2,822		2,115
Dues and subscriptions		2,047		1,896
Advertising		240		160
Repairs and maintenance, equipment		15,620		7,713
Travel and Training		5,579		3,637
Total Operations Distribution	1,073,120	1,022,368	(50,752)	1,142,607
Capital Outlay:				
Machinery and equipment	75,166	73,479		171,110
Infrastructure	774,809	417,348		9,300
Vehicles	48,000	46,298		70,196
Other	277,917	235,302		46,083
Total Capital Outlay	1,175,892	772,427	(403,465)	296,689
TOTAL EXPENDITURES	4,843,834	4,237,920	(605,914)	3,725,227
REVENUES OVER EXPENDITURES	(225,797)	514,282	740,079	779,328
Other Financing Sources and (Uses):				
Appropriated Net Position	754,726	-		-
Transfer from Water Capital Reserve Fund	55,000	55,000		-
Transfer to Water Capital Reserve Fund	(55,690)	(55,464)		(24,775)
Debt interest	(235,453)	(235,452)		(294,430)
Debt principal	(220,291)	(220,291)		(6,291)
Septic Health Loans provided to customers	(97,495)	(73,162)		(50,480)
Principal repayments Septic Health Loans	25,000	46,833		38,526
Total Other Financing Sources and (Uses)	225,797	(482,536)	(708,333)	(337,450)
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ -	\$ 31,746	\$ 31,746	\$ 441,878

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, 2025
 With Comparative Actual Amounts for the Year Ended June 30, 2024

Schedule 7

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
RECONCILIATION OF MODIFIED ACCRUAL TO FULL ACCRUAL BASIS				
Revenues over expenditures		\$ 31,746		\$ 441,878
Reconciling items:				
Septic Health Loans		73,162		50,480
Principal repayments Septic Health Loans		(46,833)		(38,526)
Payment of debt principal		220,291		6,291
Decrease in accrued interest payable		29,445		13,287
(Increase) in accrued vacation payable		(5,780)		(13,094)
(Decrease) increase increase in deferred outflows of resources-pensi		(36,167)		9,353
(Decrease) in deferred outflows of resources-OPEB		(9,663)		(11,812)
(Increase) in net pension liability		(10,124)		(5,931)
Decrease (increase) in deferred inflows of resources-pensions		3,672		(50,642)
(Increase) decrease in OPEB liability		(8,951)		17,988
Decrease (increase) in deferred inflows of resources-OPEB		21,261		(4,968)
Amortization on bond issuance premiums		30,531		30,531
Capital contributions		59,464		24,775
Capital outlay		772,427		296,689
Depreciation and amortization		(710,573)		(665,022)
Water Capital Reserve Fund		4,189		24,322
Water Capital Project Fund:				
Revenues and other sources over (under) expenditures		(1,025,194)		(3,459,538)
Capital outlay		1,043,429		3,581,437
Change in net position		\$ 436,332		\$ 247,498

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, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024

Schedule 8

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
Revenues:				
Investment earnings	\$ -	\$ 1,673	1,673	\$ 838
Change in fair market value of investments		2,051	2,051	(1,291)
Total revenues	-	3,724	3,724	(453)
Other financing sources (uses):				
Transfer to Water Fund	(55,000)	(55,000)	-	-
Transfers from Water Fund	55,690	55,465	(225)	24,775
Appropriated net position	(690)	-	690	-
Total other financing sources (uses)	-	465	465	24,775
Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>4,189</u>	<u>\$ 4,189</u>	24,322
Change in net position		<u>\$ 4,189</u>		<u>\$ 24,322</u>

Town of Nags Head, North Carolina
Water Capital Projects Fund
Schedule of Revenues and Expenditures - Budget and Actual (non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2025

Schedule 9

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Over (Under)
Revenues					
Investment Earnings	\$ 193,733	\$ 178,420	\$ 18,235	\$ 196,655	\$ 2,922
Restricted capital contribution	1,000	1,000	-	1,000	-
Total revenues	<u>194,733</u>	<u>179,420</u>	<u>18,235</u>	<u>197,655</u>	<u>2,922</u>
Expenditures					
Public Services Complex:					
Professional Fees	66,484	65,478	300	65,778	(706)
Capital Construction Oversight	219,377	217,076	2,301	219,377	-
Construction	3,054,397	2,452,702	559,342	3,012,044	(42,353)
Arbitrage	-	65,297	(65,297)	-	-
Improvements	43,536	-	43,096	43,096	(440)
Equipment	286,325	96,986	185,772	282,758	(3,567)
Total Expenditures	<u>3,670,119</u>	<u>2,897,539</u>	<u>725,514</u>	<u>3,623,053</u>	<u>(47,066)</u>
Advanced Metering Infrastructure:					
Equipment	1,841,229	1,523,314	317,915	1,841,229	-
Total Expenditures	<u>1,841,229</u>	<u>1,523,314</u>	<u>317,915</u>	<u>1,841,229</u>	<u>-</u>
Revenues (under) expenditures	<u>(5,316,615)</u>	<u>(4,241,433)</u>	<u>(1,025,194)</u>	<u>(5,266,627)</u>	<u>49,988</u>
Other financing sources:					
Limited obligation bonds issued	5,316,615	5,316,615	-	5,316,615	-
Total other financing sources	<u>5,316,615</u>	<u>5,316,615</u>	<u>-</u>	<u>5,316,615</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 1,075,182</u>	<u>\$ (1,025,194)</u>	<u>\$ 49,988</u>	<u>\$ 49,988</u>

SUPPLEMENTARY SCHEDULES

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

TOWN OF NAGS HEAD, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2025

Schedule 10

Tax Year	Fiscal Year	Uncollected Balance June 30, 2023	Additions	Collections And Credits	Adjustments	Uncollected Balance June 30, 2024
2024	2024-2025	\$ -	\$ 10,145,640	\$ 10,436,885	\$ 294,895	\$ 3,650
2024	2024-2025 MSD	-	1,649,296	1,656,577	7,330	49
2023	2023-2024	1,484	-	145	-	1,339
2023	2023-2024 MSD	10	-	1	-	9
2022	2022-2023	680	-	3	-	677
2022	2022-2023 MSD	2	-	-	-	2
2021	2021-2022	800	-	3	-	797
2021	2021-2022 MSD	8	-	-	-	8
2020	2020-2021	1,064	-	3	-	1,061
2020	2020-2021 MSD	2	-	-	-	2
2019	2019-2020	689	-	-	-	689
2019	2019-2020 MSD	2	-	-	-	2
2018	2018-2019	202	-	-	-	202
2018	2018-2019 MSD	1	-	-	-	1
2017	2017-2018	176	-	-	-	176
2017	2017-2018 MSD	1	-	-	-	1
2016	2016-2017	144	-	-	-	144
2016	2015-2016	50	-	-	-	50
2015	2015-2016 MSD	2	-	-	-	2
2014	2014-2015	80	-	80	-	-
Total		\$ 5,397	\$ 11,794,936	\$ 12,093,697	\$ 302,225	\$ 8,861

Less allowance for uncollectible ad valorem taxes receivable	<u>\$ 5,000</u>
Ad Valorem Taxes Receivable, net	<u><u>\$ 3,861</u></u>

Reconciliation with revenues:

Taxes, ad valorem , General Fund	\$ 10,450,610
Taxes, ad valorem , General Fund, MSD	1,656,584
Reconciling items:	
Amounts written off for tax year 2014	40
DMV written off for tax year 2014	40
Adjustments	(412)
Prior year taxes released from Dare County	9
Penalties and interest	<u>(13,174)</u>
Subtotal	<u>(13,497)</u>
Total collections and credits	<u><u>\$ 12,093,697</u></u>

Town of Nags Head, North Carolina
Analysis of Current Tax Levy
June 30, 2025

Schedule 11

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 3,071,851,717	\$ 0.3300	\$ 10,137,253	\$ 10,137,253	\$ -
Registered Motor Vehicles taxed at current year rates	56,324,089	0.3300	184,734	-	185,187
Registered Motor Vehicles taxed at 2022 year's rate	14,354,648	0.2875	47,843	-	47,370
Registered Motor Vehicles taxed at 2021 year's rate	(11)	0.2875	-	-	-
Penalties	-	-	8,387	8,387	-
Total	3,142,530,443		10,378,217	10,145,640	232,557
Discoveries and Adjustments:					
Current year discoveries and adjustments	19,522,669	0.3300	67,890	67,890	
Releases and Adjustments:					
Current year releases and adjustments	(1,363,053)	0.3300	(5,434)	(4,498)	(936)
Penalty Releases and Adjustments			(113)	(113)	
Total	(1,363,053)		(5,547)	(4,611)	(936)
Write-offs or Adjustments:			(5)	(5)	
Total property valuation	<u>\$ 3,160,690,059</u>				
Net levy			10,440,535	10,208,914	231,621
Uncollected taxes at June 30, 2025			(3,650)	(3,650)	-
Current year taxes collected			<u>\$ 10,436,885</u>	<u>\$ 10,205,264</u>	<u>\$ 231,621</u>
Current levy collection percentage			<u>99.965%</u>	<u>99.964%</u>	<u>100.00%</u>

STATISTICAL SECTION

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

Contents	Page
Financial Trends	107
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	117
These tables contain information to help the reader assess the Town's most significant local revenue source: property tax.	
Debt Capacity	121
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	126
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	128
These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	

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

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental activities				
Net investment in capital assets	\$ 27,708,368	\$ 20,966,687	\$ 21,952,386	\$ 25,110,090
Restricted	9,021,585	8,329,744	11,467,485	20,760,822
Unrestricted	3,755,364	4,890,365	1,878,340	6,504,243
Total governmental activities net position	<u>\$ 40,485,317</u>	<u>\$ 34,186,796</u>	<u>\$ 35,298,211</u>	<u>\$ 52,375,155</u>
Business-type activities				
Net investment in capital assets	\$ 7,151,840	\$ 6,294,923	\$ 6,220,850	\$ 6,084,121
Restricted	-	-	-	20,747
Unrestricted	3,666,132	3,314,466	2,914,008	2,904,685
Total business-type activities net position	<u>\$ 10,817,972</u>	<u>\$ 9,609,389</u>	<u>\$ 9,134,858</u>	<u>\$ 9,009,553</u>
Primary government				
Net investment in capital assets	\$ 34,860,208	\$ 27,261,610	\$ 28,173,236	\$ 31,194,211
Restricted	9,021,585	8,329,744	11,467,485	20,781,569
Unrestricted	7,421,496	8,204,831	4,819,348	9,408,928
Total primary government activities net position	<u>\$ 51,303,289</u>	<u>\$ 43,796,185</u>	<u>\$ 44,460,069</u>	<u>\$ 61,384,708</u>

Note:

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

TABLE 1

2020	2021	2022	2023	2024	2025
\$ 40,161,631	\$ 36,284,111	\$ 33,233,399	\$ 41,411,411	\$ 46,973,270	\$ 50,132,298
11,135,803	11,184,939	9,405,616	12,950,862	16,064,073	20,924,569
3,379,930	4,724,498	6,454,409	3,207,522	2,296,752	496,578
<u>\$ 54,677,364</u>	<u>\$ 52,193,548</u>	<u>\$ 49,093,424</u>	<u>\$ 57,569,795</u>	<u>\$ 65,334,095</u>	<u>\$ 71,553,445</u>
\$ 6,462,459	\$ 5,008,907	\$ 6,199,951	\$ 6,815,447	\$ 6,621,123	\$ 6,906,025
29,815	45,506	7,153	34,492	58,813	63,002
2,788,642	4,039,632	3,522,990	3,653,017	4,070,518	4,217,759
<u>\$ 9,280,916</u>	<u>\$ 9,094,045</u>	<u>\$ 9,730,094</u>	<u>\$ 10,502,956</u>	<u>\$ 10,750,454</u>	<u>\$ 11,186,786</u>
\$ 46,624,090	\$ 41,293,018	\$ 39,433,350	\$ 48,226,858	\$ 53,594,393	\$ 57,038,323
11,165,618	11,230,445	9,412,769	12,985,354	16,122,886	20,987,571
6,168,572	8,764,130	9,977,399	6,860,539	6,367,270	4,714,337
<u>\$ 63,958,280</u>	<u>\$ 61,287,593</u>	<u>\$ 58,823,518</u>	<u>\$ 68,072,751</u>	<u>\$ 76,084,549</u>	<u>\$ 82,740,231</u>

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

	2016	2017	2018	2019
Expenses				
Governmental activities:				
General Government	\$ 9,974,716	\$ 10,328,168	\$ 3,548,805	\$ 8,197,403
Public Safety	5,402,779	5,501,986	5,791,918	5,922,340
Public Services	2,174,552	4,728,501	2,146,924	2,390,713
Environmental Protection	1,886,219	1,730,249	1,857,765	1,920,037
Streets and Drainage	-	545,888	310,542	318,282
Interest on long-term debt	143,298	40,122	41,470	430,674
Total Governmental activities expenses	<u>19,581,564</u>	<u>22,874,914</u>	<u>13,697,424</u>	<u>19,179,449</u>
Business-type activities:				
Water Fund	2,616,111	2,926,519	3,082,644	3,382,034
Storm Water Fund	102,667	875,662	-	-
Total Business-type activities expenses	<u>2,718,778</u>	<u>3,802,181</u>	<u>3,082,644</u>	<u>3,382,034</u>
Total primary government activities expenses	<u>\$ 22,300,342</u>	<u>\$ 26,677,095</u>	<u>\$ 16,780,068</u>	<u>\$ 22,561,483</u>
Program revenues				
Governmental activities:				
Charges for services				
General Government	\$ 407,776	\$ 429,748	\$ 556,438	\$ 251,901
Public Safety	3,913	5,661	4,343	33,147
Public Works	-	-	-	73,813
Environmental Protection	-	-	-	7,459
Operating grants and contributions				
General government	185,181	396,069	24,275	37,696
Public Safety	70,628	84,511	58,844	100,179
Public Services	24,000	38,720	24,000	15,812
Environmental Protection	30,000	92,574	-	17,222
Streets and Drainage	-	42,691	93,831	5,165
Capital grants and contributions				
General Government	2,000,000	6,000	1,047,680	17,726,292
Public Safety	7,000	22,676	23,131	-
Public Services	136,076	999,257	185,000	512,450
Streets and Drainage	-	952,487	25,432	202,805
Total Governmental activities program revenues	<u>2,864,574</u>	<u>3,070,394</u>	<u>2,042,974</u>	<u>18,983,941</u>
Business-type activities				
Charges for services:				
Water Fund	2,720,922	2,533,007	2,696,650	3,088,432
Storm Water Fund	233,540	-	-	-
Operating grants and contributions				
Water Fund	-	-	-	-
Capital grants and contributions:				
Water Fund	102,500	104,500	145,000	22,461
Total Business-type activities program revenues	<u>3,056,962</u>	<u>2,637,507</u>	<u>2,841,650</u>	<u>3,110,893</u>
Total primary government activities program revenues	<u>\$ 5,921,536</u>	<u>\$ 5,707,901</u>	<u>\$ 4,884,624</u>	<u>\$ 22,094,834</u>

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

TABLE 2

	2020	2021	2022	2023	2024	2025
\$	12,396,326	\$ 12,504,708	\$ 12,715,848	\$ 13,554,409	\$ 4,702,243	\$ 5,020,486
	6,340,300	7,036,704	7,342,949	8,229,791	9,190,519	9,724,266
	2,616,743	2,158,949	2,991,500	3,254,269	3,544,884	4,187,602
	2,017,127	2,183,166	2,214,312	2,531,073	2,511,647	2,766,070
	381,747	267,697	286,284	339,067	496,075	498,430
	581,012	294,342	233,493	329,881	852,789	618,736
	<u>24,333,255</u>	<u>24,445,566</u>	<u>25,784,386</u>	<u>28,238,490</u>	<u>21,298,157</u>	<u>22,815,590</u>
	3,186,733	3,950,579	3,401,302	3,619,924	4,403,278	4,397,293
	-	-	-	-	-	-
	<u>3,186,733</u>	<u>3,950,579</u>	<u>3,401,302</u>	<u>3,619,924</u>	<u>4,403,278</u>	<u>4,397,293</u>
\$	<u>27,519,988</u>	<u>28,396,145</u>	<u>29,185,688</u>	<u>31,858,414</u>	<u>25,701,435</u>	<u>27,212,883</u>
\$	241,799	\$ 321,514	\$ 553,362	\$ 635,277	\$ 618,968	\$ 619,694
	19,946	34,925	41,131	30,662	125,503	49,991
	109,837	99,103	103,732	101,286	86,670	72,450
	3,688	1,661	4,352	224,668	227,662	238,442
	649,033	646,167	681,383	633,166	638,939	40,080
	189,960	71,984	127,808	72,056	159,037	52,586
	52,467	24,000	23,273	20,047	48,000	39,000
	60,898	-	-	10,000	15,000	-
	4,123	110,487	126,566	-	-	-
	7,726,152	58,943	762,190	12,636,151	790,292	183,316
	227,579	282,649	17,946	67,268	-	5,000
	-	169,458	-	-	636,850	541,772
	136,387	-	6,130	172,685	593,886	1,367,620
	<u>9,421,869</u>	<u>1,820,891</u>	<u>2,447,873</u>	<u>14,603,266</u>	<u>3,940,807</u>	<u>3,209,951</u>
	3,365,591	3,713,838	3,810,398	3,810,628	4,246,441	4,214,969
	-	-	-	-	-	-
	-	2,100	-	32,556	-	70,132
	10,496	64,930	518,324	506,837	115,255	226,131
	<u>3,376,087</u>	<u>3,780,868</u>	<u>4,328,722</u>	<u>4,350,021</u>	<u>4,361,696</u>	<u>4,511,232</u>
\$	<u>12,797,956</u>	<u>5,601,759</u>	<u>6,776,595</u>	<u>18,953,287</u>	<u>8,302,503</u>	<u>7,721,183</u>

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

	2016	2017	2018	2019
Net (Expense)/Revenue				
Governmental activities	\$ (16,716,990)	\$ (19,804,520)	\$ (11,654,450)	\$ (195,508)
Business-type activities	338,184	(1,164,674)	(240,994)	(271,141)
Total primary government net expense	<u>\$ (16,378,806)</u>	<u>\$ (20,969,194)</u>	<u>\$ (11,895,444)</u>	<u>\$ (466,649)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes levied for general purpose	\$ 6,302,099	\$ 7,067,172	\$ 7,147,201	\$ 7,456,247
Municipal service district taxes	1,823,812	-	1,412,472	1,414,525
Occupancy tax	2,637,733	2,572,622	2,419,390	2,870,519
Land transfer taxes	658,595	617,313	592,775	711,883
Sales taxes	2,486,409	2,533,000	2,339,634	2,721,543
Other taxes and licenses	60,313	65,435	60,239	53,543
Intergovernmental revenues not restricted	1,080,122	1,018,345	880,000	960,846
Net unrestricted investment earnings	113,379	86,867	98,515	894,881
Miscellaneous	187,746	187,262	59,916	188,465
Capital Contributions	-	-	-	-
Transfers	-	69,670	-	-
Total Governmental activities	<u>15,350,208</u>	<u>14,217,686</u>	<u>15,010,142</u>	<u>17,272,452</u>
Business-type activities				
Unrestricted investment earnings	31,578	21,271	22,186	116,854
Miscellaneous	2,120	4,490	2,951	1,982
Transfers	-	(69,670)	-	-
Total Business-type activities	<u>33,698</u>	<u>(43,909)</u>	<u>25,137</u>	<u>118,836</u>
Total primary government	<u>\$ 15,383,906</u>	<u>\$ 14,173,777</u>	<u>\$ 15,035,279</u>	<u>\$ 17,391,288</u>
Change in Net Position				
Governmental activities	(1,366,782)	(5,586,834)	3,355,692	17,076,944
Restatement - Governmental activities	192,818	(711,687)	(2,244,277)	-
Business-type activities	371,882	(1,208,583)	(215,857)	(152,305)
Restatement - Business-type activities	-	-	(231,674)	-
Total primary government change in net position	<u>\$ (802,082)</u>	<u>\$ (7,507,104)</u>	<u>\$ 663,884</u>	<u>\$ 16,924,639</u>

Note:

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

TABLE 2

	2020	2021	2022	2023	2024	2025
\$	(14,911,386)	(22,624,675)	(23,336,513)	(13,635,224)	(17,357,350)	(19,605,639)
	189,354	(169,711)	927,420	730,097	(41,582)	114,439
\$	<u>(14,722,032)</u>	<u>(22,794,386)</u>	<u>(22,409,093)</u>	<u>(12,905,127)</u>	<u>(17,398,932)</u>	<u>(19,491,200)</u>
\$	7,785,799	8,222,813	8,938,833	9,000,291	10,387,674	10,454,026
	1,422,383	1,496,059	1,641,755	1,644,720	1,650,212	1,656,632
	2,741,871	4,152,935	4,457,313	4,624,217	4,673,981	4,694,231
	719,914	1,639,383	1,727,795	1,108,709	1,009,498	1,158,115
	2,761,461	3,546,353	3,995,689	4,395,996	4,468,229	4,831,280
	64,487	59,357	79,895	76,212	78,783	73,880
	932,135	918,654	952,365	1,007,408	1,085,828	1,200,490
	571,689	(124,386)	(1,648,548)	56,014	1,665,387	1,682,504
	213,856	229,691	91,292	196,495	102,058	73,831
	-	-	-	-	-	-
	-	-	-	1,533	-	-
	<u>17,213,595</u>	<u>20,140,859</u>	<u>20,236,389</u>	<u>22,111,595</u>	<u>25,121,650</u>	<u>25,824,989</u>
	79,816	(19,280)	(293,271)	42,798	286,488	312,534
	2,193	2,120	1,900	1,500	2,592	9,359
	-	-	-	(1,533)	-	-
	<u>82,009</u>	<u>(17,160)</u>	<u>(291,371)</u>	<u>42,765</u>	<u>289,080</u>	<u>321,893</u>
\$	<u>17,295,604</u>	<u>20,123,699</u>	<u>19,945,018</u>	<u>22,154,360</u>	<u>25,410,730</u>	<u>26,146,882</u>
	2,302,209	(2,483,816)	(3,100,124)	8,476,371	7,764,300	6,219,350
	-	-	-	-	-	-
	271,363	(186,871)	636,049	772,862	247,498	436,332
	-	-	-	-	-	-
\$	<u>2,573,572</u>	<u>(2,670,687)</u>	<u>(2,464,075)</u>	<u>9,249,233</u>	<u>8,011,798</u>	<u>6,655,682</u>

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

(modified accrual basis of accounting)

	2016	2017	2018	2019
General Fund				
Non-Spendable	\$ 78,175	\$ 55,000	\$ 66,336	\$ 73,868
Restricted	9,228,864	6,984,415	10,060,421	20,760,822
Committed	263,271	262,520	223,371	189,105
Assigned	74,169	275,503	450,000	411,332
Unassigned	5,398,644	6,579,895	6,378,688	6,981,462
Total General Fund	<u>\$ 15,043,123</u>	<u>\$ 14,157,333</u>	<u>\$ 17,178,816</u>	<u>\$ 28,416,589</u>
All Other Governmental Funds				
Restricted	\$ 38,146	\$ 1,511,112	\$ 1,407,064	\$ -
Committed	-	787,241	700,810	-
Assigned	-	-	-	17,889,355
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 38,146</u>	<u>\$ 2,298,353</u>	<u>\$ 2,107,874</u>	<u>\$ 17,889,355</u>

Note:

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

TABLE 3

2020	2021	2022	2023	2024	2025
\$ 72,625	\$ 73,819	\$ 112,860	\$ 153,000	\$ 118,590	\$ 229,719
11,135,803	11,184,939	9,405,616	12,950,862	16,064,073	20,924,569
125,744	53,702	-	-	-	-
-	316,712	3,275,000	350,000	400,000	49,828
8,634,215	8,185,984	6,294,383	8,562,014	7,995,703	7,798,162
<u>\$ 19,968,387</u>	<u>\$ 19,815,156</u>	<u>\$ 19,087,859</u>	<u>\$ 22,015,876</u>	<u>\$ 24,578,366</u>	<u>\$ 29,002,278</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	4,477,581	4,491,839	14,727,213	5,720,231	2,228,201
2,386,849	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,386,849</u>	<u>\$ 4,477,581</u>	<u>\$ 4,491,839</u>	<u>\$ 14,727,213</u>	<u>\$ 5,720,231</u>	<u>\$ 2,228,201</u>

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

	2016	2017	2018	2019
Revenues				
Ad valorem taxes	\$ 8,138,686	\$ 7,067,296	\$ 8,559,752	\$ 8,869,938
Other taxes and licenses	5,866,657	5,799,168	5,411,329	6,366,165
Unrestricted intergovernmental revenues	1,080,122	1,018,345	880,000	960,846
Restricted intergovernmental revenues	2,428,829	1,742,369	1,283,785	18,564,123
Permits and fees	281,000	325,505	367,214	300,228
Sales and services	3,913	92,226	69,837	66,091
Net investment earnings	113,380	86,867	98,515	894,881
Other revenues	281,436	214,459	186,555	185,920
Total revenues	<u>18,194,023</u>	<u>16,346,235</u>	<u>16,856,987</u>	<u>36,208,192</u>
Expenditures				
General government	2,732,414	3,042,364	2,798,124	2,996,329
Public safety	4,978,495	5,076,316	5,355,905	5,418,519
Environmental protection	1,637,808	1,527,864	1,589,536	1,653,298
Public works	1,644,467	1,594,503	1,548,039	1,626,009
Streets and Drainage	-	141,859	69,318	50,875
Debt service				
Principal	4,581,963	1,053,956	1,216,638	1,293,230
Interest	131,632	38,150	37,307	41,431
Capital Outlay	1,601,067	3,577,748	2,523,113	25,960,813
Total expenditures	<u>17,307,846</u>	<u>16,052,760</u>	<u>15,137,980</u>	<u>39,040,504</u>
Excess (deficiency) of revenues over expenditures	886,177	293,475	1,719,007	(2,832,312)
Other financing sources (uses)				
Installment financing	1,015,819	988,525	1,090,403	29,831,220
Limited obligation bond issuances	-	-	-	-
Limited obligation bond issuance premiums	-	-	-	-
Transfers from other funds	139,373	2,743,952	12,000	1,750,000
Transfers to other funds	(139,373)	(2,674,282)	(12,000)	(1,750,000)
Insurance recovery	-	-	-	-
IT subscription agreement	-	-	-	-
Sale of Capital Assets	50,140	22,747	21,594	20,345
Total other financing sources	<u>1,065,959</u>	<u>1,080,942</u>	<u>1,111,997</u>	<u>29,851,565</u>
Net change in fund balances	<u>\$ 1,952,136</u>	<u>\$ 1,374,417</u>	<u>\$ 2,831,004</u>	<u>\$ 27,019,254</u>
Debt service as a percentage of non-capital expenditures	30.01%	8.75%	9.94%	10.20%

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

TABLE 4

	2020	2021	2022	2023	2024	2025
\$	9,199,976	\$ 9,724,927	\$ 10,582,398	\$ 10,646,369	\$ 12,037,602	\$ 12,107,194
	6,288,313	9,398,513	10,260,892	10,205,374	10,230,266	10,756,606
	932,135	918,654	952,365	1,007,408	1,085,828	1,200,490
	9,036,209	1,349,356	1,729,336	13,611,373	2,782,004	2,229,373
	268,293	358,100	388,634	640,052	712,950	719,414
	106,977	99,103	313,943	351,839	345,853	261,163
	571,689	(124,386)	(1,648,548)	56,014	1,665,387	1,682,504
	191,700	207,365	82,619	72,831	158,080	204,438
	<u>26,595,292</u>	<u>21,931,632</u>	<u>22,661,639</u>	<u>36,591,260</u>	<u>29,017,970</u>	<u>29,161,182</u>
	3,170,729	3,115,138	3,342,466	3,394,010	3,854,008	4,153,865
	5,526,696	6,091,021	6,633,356	7,121,801	8,013,026	8,575,331
	1,749,846	1,820,910	1,851,026	2,110,238	2,119,891	2,337,047
	1,756,630	1,932,203	2,256,872	2,363,205	2,595,402	2,918,038
	110,240	38,979	55,498	90,138	66,500	52,060
	20,022,960	3,816,919	3,818,546	3,627,713	3,357,482	2,410,384
	826,491	340,777	247,532	223,685	907,256	697,361
	<u>19,638,796</u>	<u>4,247,851</u>	<u>8,222,328</u>	<u>19,295,880</u>	<u>14,663,670</u>	<u>12,356,534</u>
	<u>52,802,388</u>	<u>21,403,798</u>	<u>26,427,624</u>	<u>38,226,670</u>	<u>35,577,235</u>	<u>33,500,620</u>
	(26,207,096)	527,834	(3,765,985)	(1,635,410)	(6,559,265)	(4,339,438)
	2,223,843	1,373,008	3,028,313	-	-	2,943,796
	-	-	-	12,404,000	-	-
	-	-	-	1,968,254	-	-
	-	-	-	1,380,289	-	366,110
	-	-	-	(1,380,289)	-	(366,110)
	-	-	-	4,618	21,632	8,960
	-	-	-	302,881	70,795	-
	<u>32,546</u>	<u>36,658</u>	<u>24,633</u>	<u>119,048</u>	<u>22,346</u>	<u>2,318,564</u>
	<u>2,256,389</u>	<u>1,409,666</u>	<u>3,052,946</u>	<u>14,798,801</u>	<u>114,773</u>	<u>5,271,320</u>
\$	<u>(23,950,707)</u>	<u>1,937,500</u>	<u>(713,039)</u>	<u>13,163,391</u>	<u>(6,444,492)</u>	<u>931,882</u>
	62.87%	24.23%	22.33%	20.34%	20.39%	14.70%

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
2016	Town Tax	6,183,302	6,182,422	99.986%	830	6,183,252	99.999%
	MSD	1,826,763	1,826,761	100.000%	-	1,826,761	100.000%
2017	Town Tax	6,940,569	6,940,373	99.997%	52	6,940,425	99.998%
	MSD	-	-	-	-	-	-
2018	Town Tax	7,013,398	7,012,961	99.994%	261	7,013,222	99.997%
	MSD	1,408,776	1,408,775	100.000%	-	1,408,775	100.000%
2019	Town Tax	7,316,246	7,314,496	99.976%	1,548	7,316,044	99.997%
	MSD	1,410,251	1,410,249	100.000%	-	1,410,249	100.000%
2020	Town Tax	7,636,229	7,626,449	99.872%	9,095	7,635,544	99.991%
	MSD	1,417,273	1,416,659	99.957%	614	1,417,273	100.000%
2021[1]	Town Tax	8,066,495	8,062,721	99.953%	2,713	8,065,434	99.987%
	MSD	1,490,916	1,490,914	100.000%	0	1,490,914	100.000%
2022	Town Tax	8,781,194	8,780,313	99.990%	84	8,780,397	99.991%
	MSD	1,629,822	1,629,814	99.999%	0	1,629,814	99.999%
2023	Town Tax	8,817,725	8,817,045	99.992%	145	8,817,045	99.992%
	MSD	1,636,362	1,636,360	100.000%	1	1,636,360	100.000%
2024	Town Tax	10,170,543	10,169,059	99.985%	[2]	10,169,059	99.985%
	MSD	1,642,260	1,642,250	99.999%	[2]	1,642,250	99.999%
2025	Town Tax	10,208,914	10,205,264	99.964%		10,205,264	99.964%
	MSD	1,648,006	1,647,957	99.997%		1,647,957	99.997%

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

[2] Not applicable.

TOWN OF NAGS HEAD, NORTH CAROLINA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property Values [1]	Personal Property Values		Public Service Companies [2]	Total Taxable Assessed Value	Total Direct Tax Rate [3]	Sales to Assessment Ratio [4]	Estimated Actual Taxable Value
		Personal Property	Motor Vehicles					
2016	2,239,840,450	54,088,189	37,067,856	20,901,166	2,351,897,661	0.2670	92.42%	2,544,792,968
2017	2,257,250,050	57,495,138	40,324,874	21,283,233	2,376,353,295	0.2970	90.27%	2,632,495,065
2018	2,278,240,948	60,597,638	43,120,308	21,148,487	2,403,107,381	0.2970	88.93%	2,702,246,015
2019	2,295,555,798	63,861,050	44,180,248	21,769,329	2,425,366,425	0.3070	83.49%	2,904,978,351
2020	2,315,518,798	69,294,281	44,828,004	22,078,064	2,451,719,147	0.3170	102.57%	2,390,288,727
2021	2,950,695,331	69,509,322	54,412,251	22,545,724	3,097,162,628	0.2650	99.91%	3,099,952,585
2022	2,958,509,981	70,980,064	55,099,553	22,499,186	3,107,088,784	0.2875	79.11%	3,927,555,030
2023	2,971,566,181	70,306,469	61,528,673	23,392,181	3,126,793,504	0.2875	63.20%	4,947,458,076
2024	3,019,980,093	37,335,410	64,284,085	22,654,828	3,144,254,416	0.33	60.76%	5,174,875,602
2025	2,996,128,225	78,331,942	70,678,726	15,551,166	3,160,690,059	0.33	60.76%	5,201,925,706

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

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

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

Year Ended June 30,	Town of Nags Head [2]	County of Dare [3]
2016	0.2670 Town Wide Rate 0.2300 MSD Rate	0.43
2017	0.2970 Town Wide Rate 0.0000 MSD Rate	0.43
2018	0.2970 Town Wide Rate 0.1750 MSD Rate	0.47
2019	0.3070 Town Wide Rate 0.1750 MSD Rate	0.47
2020	0.3170 Town Wide Rate 0.1750 MSD Rate	0.47
2021	0.265 Town Wide Rate 0.1430 MSD Rate	0.4005
2022	0.2875 Town Wide Rate 0.143 Dist 1 MSD Rate 0.143 Dist 2 MSD Rate 0.005 Dist 3 MSD Rate 0.01 Dist 4 MSD Rate 0.000 Dist 5 MSD Rate 0.005 Dist 6 MSD Rate	0.4005
2023	0.2875 Town Wide Rate 0.143 Dist 1 MSD Rate 0.143 Dist 2 MSD Rate 0.005 Dist 3 MSD Rate 0.01 Dist 4 MSD Rate 0.000 Dist 5 MSD Rate 0.005 Dist 6 MSD Rate	0.4005
2024	0.3300 Town Wide Rate 0.143 Dist 1 MSD Rate 0.143 Dist 2 MSD Rate 0.005 Dist 3 MSD Rate 0.01 Dist 4 MSD Rate 0.000 Dist 5 MSD Rate 0.005 Dist 6 MSD Rate	0.4005
2025	0.3300 Town Wide Rate 0.143 Dist 1 MSD Rate 0.143 Dist 2 MSD Rate 0.005 Dist 3 MSD Rate 0.01 Dist 4 MSD Rate 0.000 Dist 5 MSD Rate 0.005 Dist 6 MSD Rate	0.4005

TABLE 8

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

Taxpayer	June 30, 2025			June 30, 2016		
	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation
SRE Mustang (previously Tanger)	\$ 14,936,446	1	0.48%	\$ 9,501,161	10	0.41%
Nags Head Company, LLC	14,123,976	2	0.46%	10,540,288	9	0.46%
Clubcorp Golf of North Carolina	13,415,333	3	0.43%	10,949,835	8	0.47%
Dominion NC Power	12,517,601	4	0.40%	17,217,056	1	0.74%
Golasa Holdings LLC	12,374,068	5	0.40%	-		0.00%
Ocean Carolina LLC	11,639,877	6	0.38%	-		0.00%
Brian K Newman	10,773,676	7	0.35%	13,307,842	6	0.57%
Stanford M White	10,751,604	8	0.35%	13,931,273	5	0.60%
Surf Side Realty LLC	10,614,932	9	0.34%	-		0.00%
Mildred Roughton	9,063,860	10	0.29%	14,576,003	2	0.63%
The Lacour Group, LLC	-		-	14,327,625	3	0.62%
Kenneth Simpler	-		-	14,013,363	4	0.61%
Nags Head Inn	-		-	12,890,857	7	0.56%
	<u>\$ 120,211,373</u>		<u>3.89%</u>	<u>\$ 131,255,303</u>		<u>5.67%</u>

Assessed values provided by Dare County Tax Department

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

Fiscal Year	Outstanding Debt						
	Governmental Activities				Business-type Activities		
	Installment Financing	Direct Borrowing Installment Finance Purchases	Direct Placement Installment Finance Purchases	Lease Liability	IT Subscription Liability	Installment Financing	Direct Borrowing Installment Finance Purchases
2016	-	2,295,663	-	-	-	-	322,838
2017	-	2,230,231	-	-	-	-	261,234
2018	-	2,103,996	-	-	-	-	146,783
2019	-	3,028,149	27,613,837	-	-	-	34,371
2020	-	3,738,869	9,104,000	-	-	-	59,945
2021	-	3,570,958	6,828,000	-	-	-	79,295
2022	-	5,097,186	4,552,000	99,542	-	-	40,799
2023	14,372,254	3,850,098	2,276,000	59,446	238,355	5,316,615	12,582
2024	14,273,841	2,897,703	-	6,646	211,098	5,286,084	6,291
2025	13,519,429	4,192,795	-	-	112,064	5,255,553	-

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

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

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

* Information Unavailable

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

TABLE 9

Total Primary Government	Percent of Estimated		Per Capita [2]	Percent of Personal Income [2]
	Governmental Activities	Total		
2,618,501	0.09%	0.10%	886	1.80%
2,491,465	0.08%	0.09%	837	1.57%
2,250,779	0.08%	0.08%	752	1.33%
30,676,357	1.05%	1.06%	10,198	17.68%
12,902,814	0.54%	0.54%	4,204	7.10%
10,478,253	0.34%	0.34%	3,300	4.79%
9,789,527	0.25%	0.25%	3,083	4.00%
26,125,350	0.42%	0.53%	8,061	10.16%
22,681,663	0.33%	0.44%	7,016	*
23,079,841	0.34%	0.44%	7,069	*

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Assessed Value of Property	\$ 2,351,897,661	\$ 2,376,353,295	\$ 2,403,107,381	\$ 2,425,366,425
Debt Limit, 8% of Assessed Value (Statutory Limitation)	\$ 188,151,813	\$ 190,108,264	\$ 192,248,590	\$ 194,029,314
Amount of debt applicable to limit				
Gross debt	\$ 2,618,501	\$ 2,491,465	\$ 2,250,779	\$ 30,676,357
Total net debt applicable to limit	\$ 2,618,501	\$ 2,491,465	\$ 2,250,779	\$ 30,676,357
Legal Debt Margin	<u>\$ 185,533,312</u>	<u>\$ 187,616,799</u>	<u>\$ 189,997,811</u>	<u>\$ 163,352,957</u>
Total net debt applicable to the limit as a percentage of debt limit	1.39%	1.31%	1.17%	15.81%
Total net debt applicable to the limit as a percentage of assessed value	0.11%	0.10%	0.09%	1.26%

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

2020	2021	2022	2023	2024	2025
\$ 2,451,719,147	\$ 3,097,162,628	\$ 3,107,088,784	\$ 3,126,793,504	\$ 3,144,254,416	\$ 3,160,690,059
\$ 196,137,532	\$ 247,773,010	\$ 248,567,103	\$ 250,143,480	\$ 251,540,353	\$ 252,855,205
\$ 12,902,814	\$ 10,478,253	\$ 9,689,985	\$ 26,125,350	\$ 22,681,663	\$ 22,865,840
\$ 12,902,814	\$ 10,478,253	\$ 9,689,985	\$ 26,125,350	\$ 22,681,663	\$ 22,865,840
\$ 183,234,718	\$ 237,294,757	\$ 238,877,118	\$ 224,018,130	\$ 228,858,690	\$ 229,989,365
6.58%	4.23%	3.90%	10.44%	9.02%	9.04%
0.53%	0.34%	0.31%	0.84%	0.72%	0.72%

TABLE 11

TOWN OF NAGS HEAD, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2025

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable [1]</u>	<u>Estimated Share of Overlapping Debt</u>
Dare County	\$ 128,338,076	17.85%	\$ 22,904,398
Town of Nags Head direct debt			<u>17,824,287</u>
Total direct and overlapping debt			40,728,685

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]
2016	2,954	145,478,592	49,248	4,944	6.8%
2017	2,977	159,016,455	53,415	5,117	6.8%
2018	2,994	168,604,116	56,314	5,151	5.9%
2019	3,008	173,525,504	57,688	5,233	5.1%
2020	3,069	181,807,560	59,240	5,367	8.2%
2021	3,175	218,716,225	68,887	5,131	6.9%
2022	3,213	244,509,300	76,100	5,140	4.8%
2023	3,241	257,040,469	79,309	5,109	4.3%
2024	3,233	*	*	5,022	4.0%
2025	3,265	*	*	4,907	4.2%

[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 2/20/25

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

* - Information unavailable

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

Employers	June 30, 2025			June 30, 2016		
	Employees [1]	Rank [2]	Percent of Total Town Employment	Employees [1]	Rank [3]	Percent of Total Town Employment
Dare County Schools	500 - 999	1	*	500 - 999	1	*
Pitt County Memorial Hospital	250 - 499	2	*	250 - 499	2	*
Food Lion	250 - 499	3	*	250 - 499	3	*
Village Realty	*	*	*	250 - 499	4	*
Town of Nags Head	100 - 249	4	*	100 - 249	7	*
Kitty Hawk Kites	100 - 249	5	*	100 - 249	5	*
State of NC Dept of Cultural Resources	100 - 249	6	*	100 - 249	6	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*

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

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

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

* Information unavailable for the Town of Nags Head

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

TABLE 14

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<u>Function/Program</u>										
General government										
Administration	6	6 3/4	7 1/2	7 1/2	6 3/4	5 3/4	5	5	5	5
Administrative Services	6	6	6	6	6	7	5 1/2	5 1/2	5 1/2	5 1/2
Information Technology	2	2	2	1	1	1	1	1	1	1
Planning and Development	8 1/2	8 1/2	9	9 1/2	10 3/4	10 3/4	10 1/4	10 1/4	10 1/4	10 1/4
Seasonal	-	-	-	-	-	-	-	-	1	1
Public Safety										
Police	25	25	25	25	25	25	25	27	27	27
Fire	27	27	27	27	27 1/3	27 1/3	27 1/3	27 1/3	27 1/3	27 1/3
Ocean Rescue	24	26	26	26	25 2/3	50 2/3	25 2/3	25 2/3	25 2/3	25 2/3
Year-round	1	1	1	1	2/3	2/3	2/3	2/3	2/3	2/3
Seasonal Lifeguards	23	25	25	25	25	25	25	25	25	25
Environmental Protection										
Solid Waste	10	10	11	11	11 1/2	9 1/2	9 1/2	9 1/2	10 1/2	10 1/2
Public Works										
Administration	4	3	2 3/4	2 3/4	2 3/4	2 3/4	4 1/4	3 1/2	3 1/2	3 1/2
Facilities Maintenance	10 1/2	10 1/2	11	12	12 1/2	13	12	13	13	13
Garage	4	4	4	4	4	4	4	4	4	4
Water										
Water Administration	1 1/2	1 1/2	2 1/2	2 1/2	2 1/4	2 1/4	2 1/2	2 1/4	2 1/4	2 1/4
Septic Health	1/2	1/2	1/2	1/2	1/2	1/2	1/2	1/2	1/2	1/2
Water Operations	4	4	4	5	5	5	5	4	4	4
Water Distribution	5	5	5	5	5	5	5	5	5	5

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

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

	2016	2017	2018	2019
Population	2,954	2,977	2,994	3,008
Police:				
Crime Activity: Reported				
Rape (includes attempts)	3	3	1	4
Robbery (includes attempts)	1	1	2	-
Assaults (felonious & misdemeanors)	85	98	77	74
Burglary(breaking/entering)	98	112	111	46
Larceny:	201	106	116	94
Auto Larceny:	6	8	5	2
Arson/unlawful burnings:	4	-	1	-
All other crimes (unspecified)	395	532	375	249
Total Crime:	793	860	688	469
Traffic Activity:				
Traffic Accidents	251	266	258	258
Driving while impaired or under the influence	53	50	68	47
General traffic violations-	1,406	1,746	1,714	1,067
General traffic violations-	1,938	2,190	2,408	1,891
Parking violations-citations	1	2	7	2
All other traffic-related, non-accident	46	108	45	61
Total Traffic	3,695	4,362	4,500	3,326
General Calls for Service:				
Police calls-emergency status, non-emergency, traffic citations	11,760	11,244	17,156	14,590
Animal control calls	355	265	667	661
Total General Calls for Service	12,115	11,509	17,823	15,251
Total all Police/Animal Control Activity	16,603	16,731	23,011	19,046

Source: Budget documents and individual Town departments.

TABLE 15

2020	2021	2022	2023	2024	2025
3,069	3,175	3,213	3,241	3,233	3265
2	3	2	2	1	2
1	1	-	-	-	-
73	75	88	75	51	35
17	42	31	84	39	22
96	87	50	58	97	75
3	5	10	2	1	0
1	-	-	-	-	0
198	207	177	209	513	263
391	420	358	430	702	397
229	233	229	219	221	209
37	40	77	66	64	34
2,148	1,019	565	1,643	1,765	1,494
1,384	1,103	1,493	1,822	2,262	2,672
19	129	229	191	83	118
208	245	222	1,185	456	560
4,025	2,769	2,815	5,126	4,851	5,087
11,711	14,066	14,613	13,724	16,628	16,881
635	716	635	579	696	555
12,346	14,782	15,248	14,303	17,324	14,436
16,762	17,971	18,421	19,429	22,877	22,523

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

	2016	2017	2018	2019
Fire:				
Number of volunteers	12	9	10	8
Number of calls answered	882	1,116	1,092	1,057
Total dollar loss	\$ 457,150	\$ 1,273,400	\$ 142,700	\$ 1,391,700
Total dollar property and	\$ 4,809,750	\$ 7,939,200	\$ 9,222,715	\$ 8,947,900
Planning:				
Building permits:				
One and Two Family Dw	33	31	45	25
Residential multi-family	1	-	-	-
Commercial/Governmer	-	3	4	4
Miscellaneous:	416	348	339	425
Accessory Structure	42	38	40	46
Addition	14	35	17	21
Demolition	6	6	7	6
Move	6	-	-	-
Remodel	47	66	67	92
Repair	301	203	208	260
Trade Permits:				
Electrical	533	538	571	492
Gas	31	41	31	23
Mechanical	454	468	485	434
Plumbing	112	129	135	100
Sprinkler	7	6	13	4
Number of CAMA permits	71	54	65	59
Number of land disturbar	34	19	35	21
Number of certificates of	30	38	34	40
Site plan reviews:				
Commercial	5	3	12	8
Residential	*	*	*	*
Number of zoning amend	11	10	9	5
Number of variance appli	2	6	2	1
Number of exempt plats	1	2	2	2
Number of code compliar	193	1,430	1,315	1,064

* Information Unavailable

Source: Budget documents and individual Town departments.

TABLE 15

	2020	2021	2022	2023	2024	2025
	4	3	3	4	8	10
	958	990	1,091	1,045	1,166	1118
\$	266,050	\$ 290,400	\$ 365,150	\$ 345,950	\$ 385,500	\$89,250
\$	3,945,550	\$ 7,539,800	\$ 5,556,650	\$ 9,902,450	\$ 802,100	\$8,585,450
	13	24	23	24	23	27
	-	-	-	-	-	-
	2	-	1	2	-	2
	437	431	473	550	497	517
	46	51	48	51	42	50
	17	29	24	30	29	15
	2	7	9	3	6	5
	-	-	-	-	1	1
	98	132	129	134	126	108
	274	212	263	332	293	338
	424	545	506	633	661	629
	21	37	23	34	37	22
	373	443	383	446	430	425
	92	96	69	104	129	118
	3	3	4	4	5	1
	30	31	28	37	39	21
	38	71	54	49	53	42
	23	19	21	25	23	24
	6	1	6	7	2	6
	*	*	*	*	* *	
	10	13	9	8	6	9
	5	8	4	-	4	2
	2	3	2	3	3	3
	774	883	773	813	349	372

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

	2016	2017	2018	2019
Planning continued:				
Total building permit fees	\$ 201,576	\$ 199,232	\$ 229,929	\$ 190,236
Total site plan review fee	\$ 10,290	\$ 35,727	\$ 36,193	\$ 8,442
Total CAMA permit fees	\$ 8,600	\$ 5,300	\$ 7,400	\$ 5,900
Total construction valuation	\$ 29,925,081	\$ 30,640,450	\$ 36,335,579	\$ 25,775,548
Septic Health:				
Tank Inspections	298	281	283	376
Tanks Pumped	54	59	101	78
Water Quality Sites Tested	322	299	285	299
Refuse collection:				
Refuse collection (tons)	8,253.29	8,593.27	8,568.64	8,209.21
Bulk (tons)	423.83	628.82	485.52	522.26
Water:				
Number of new services	31.0	36.0	38.0	41.0
Number of new customer	236.0	250.0	248.0	279.0
Daily consumption (million gallons)	1.1	1.2	1.2	1.3
Maximum daily capacity (million gallons)	7.9	7.9	7.9	7.9
Maximum contracted per day	3.5	3.5	3.5	3.5

* Information Unavailable

Source: Budget documents and individual Town departments.

TABLE 15

	2020	2021	2022	2023	2024	2025
	\$ 189,016	\$ 221,005	\$ 234,818	\$ 257,124	\$ 248,075	\$287,363
	\$ 10,930	\$ 15,822	\$ 15,558	\$ 41,700	\$ 36,910	\$13,200
	\$ 3,900	\$ 3,700	\$ 3,400	\$ 4,400	\$ 3,900	\$3,200
	\$ 20,393,237	\$ 26,197,676	\$ 34,023,378	\$ 55,458,266	\$ 38,807,043	\$56,649,707
	40	171	110	142	110	122
	132	94	48	118	119	85
	259	230	181	254	133	148
	7,873.47	9,924.64	9,308.65	8,448.10	8,104.47	7940.15
	567.16	887.25	748.39	791.91	709.13	689.44
	19.0	25.0	22.0	32.0	21.0	25
	351.0	619.0	499.0	380.0	335.0	345
	1.0	1.2	1.2	1.1	0.9	1.153
	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	2016	2017	2018	2019
Police stations	1	1	1	1
Fire stations	2	2	2	2
Ocean rescue facilities	1	1	1	1
Refuse collection				
Collection trucks	16	16	18	20
Other public works				
Paved streets (miles)	34.82	34.77	34.77	34.77
Unpaved streets (miles)	2.36	2.36	2.36	2.36
Street lights	427	427	427	427
Parks and recreation				
Number of parks	2	2	2	3
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)	102.02	102.15	102.20	102.20
Fire hydrants	550	550	557	559
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

2020	2021	2022	2023	2024	2025
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
17	17	19	20	22	26
34.77	34.94	34.94	35.24	35.24	35
2.36	2.37	2.37	2.37	2.37	2
427	427	427	595	609	429
3	3	3	3	3	3
1	1	1	1	1	1
4	4	4	4	4	4
2	2	2	2	2	2
1	1	1	1	1	1
44	44	44	44	44	44
5	5	5	5	5	5
15.3	15.7	15.7	15.7	15.7	
1	1	1	1	1	1
102.5	103	104.0	104	104	77
553	562	563	542	561	563
1.0	1.0	1.0	1	1	1
1.0	1.0	1.0	1	1	1

COMPLIANCE SECTION

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



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nags Head, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprises the Town of Nags Head's basic financial statements, and have issued our report thereon dated January 28, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

DMJPS PLLC

January 28, 2026
Monroe, North Carolina



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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Nags Head, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Nags Head's major federal programs for the year ended June 30, 2025. The Town of Nags Head's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Nags Head complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A deficiency *in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

DMIPS PLLC

January 28, 2026
Monroe, North Carolina



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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of Nags Head, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town of Nags Head's major State programs for the year ended June 30, 2025. The Town of Nags Head's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Nags Head complied, in all material respects, with the types compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2025.

Basis for Opinion on Each Major State Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A deficiency *in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of

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

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

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

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

DMOPS PLLC

January 28, 2026
Monroe, North Carolina

**TOWN OF NAGS HEAD, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2025**

Section I. Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted. _____ yes X no

Federal Awards

Internal control over major federal programs:

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

Noncompliance material to federal awards. _____ yes X no

Type of auditors' report issued on compliance for major federal programs: Unmodified, for all federal programs.

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

<u>Assistance Listing No.</u>	<u>Names of Federal Programs or Cluster</u>
21.027-3	State Fiscal Recovery Funds – American Recovery Plan Act (ARPA) Program

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

Auditee qualified as low-risk auditee? _____ yes X no

**TOWN OF NAGS HEAD, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2025**

State Awards

Internal control over major State Programs:

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

Noncompliance material to State awards. _____ yes X no

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

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

Identification of major State programs:

Program Name

Division of Water Resources
Rural Development Division

**TOWN OF NAGS HEAD, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2025**

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, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Fiscal Year Ended June 30, 2025**

Finding: None reported.

Status: N/A.

**Town of Nags Head, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2025**

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Department of Commerce</u>					
Passed through N.C. Department of Environmental Quality:					
Division of Coastal Management					
Minor Permit Program Administration	11.473	DEQ	\$ 3,295	\$ -	\$ -
<u>U.S. Department of Justice</u>					
Direct Program:					
Bulletproof Vest Partnership Program	16.607		999	-	999
Equitable Sharing Program	16.922		23,400	-	-
Total U.S. Department of Justice			<u>24,399</u>	<u>-</u>	<u>999</u>
<u>U.S. Department of Treasury</u>					
Passed through the N.C. Department of Environmental Quality:					
State Fiscal Recovery Funds-American Recovery Plan Act (ARPA) Program					
	21.027-3	DEQ	<u>1,735,129</u>	<u>-</u>	<u>975</u>
State Awards:					
<u>N.C. Department of Environmental Quality</u>					
Division of Environmental Assistance and Customer Service		DEQ-14		15,000	3,059
Division of Air Quality		DEQ-31		5,000	11,960
Division of Coastal Management		DEQ-22		84,228	30,871
Division of Coastal Management - Coastal Resiliency		DEQ-33		163,127	-
Division of Water Resources		DEQ-19		323,838	274,893
Division of Water Infrastructure - Stormwater Funding Program		DEQ-18		35,377	-
Total N.C. Department of Environmental Quality				<u>626,570</u>	<u>320,783</u>
<u>N.C. Department of Transportation</u>					
Powell Bill Program		DOT-4		72,645	-
<u>N.C. Department of Natural and Cultural Resources</u>					
N.C. Land and Water Fund		DNCR-5		10,500	-
<u>N.C. Department of Commerce</u>					
Rural Development Division		COM-9		353,096	302,695
Total Federal and State awards			<u>\$ 1,762,823</u>	<u>\$ 1,062,811</u>	<u>\$ 625,452</u>

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

Note 1: Basis of Presentation

Basis of presentation: The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the Federal and State grant activity of The Town of Nags Head under the programs of the federal government and the State of North Carolina for the year ended June 30, 2025. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of The Town of Nags Head, it is not intended to and does not present the financial position, changes in net position or cash flows of The Town of Nags Head.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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



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