
TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019

*Prepared by the Town of Kill Devil Hills Finance Department
Beverly B. Kissinger, Finance Director
Charlene S. Allen, Assistant Finance Director*

Comprehensive Annual Financial Report

Year Ending June 30, 2019



Town of Kill Devil Hills

North Carolina

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2019**

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TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Mayor
SHEILA F. DAVIES
Mayor Pro Tem
MIKE HOGAN
Commissioners
TERRY L. GRAY
BRANDI RHEUBOTTOM
JOHN L. WINDLEY



Town Manager
DEBORA P. DIAZ
Assistant Town Manager
SHAWN R. MURPHY
Town Clerk
MARY E. QUIDLEY, CMC/AAE

The Town of
KILL DEVIL HILLS
NORTH CAROLINA

November 22, 2019

To the Honorable Mayor, Board of Commissioners,
And Citizens of the Town of Kill Devil Hills:

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

The report consists of management’s representations concerning the finances of the Town of Kill Devil Hills. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Kill Devil Hills 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 Kill Devil Hills’ financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Kill Devil Hills’ comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements contained herein have been audited by Dowdy & Osborne, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Kill Devil Hills for the fiscal year ended June 30, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made 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 Kill Devil Hills’ financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

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

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TOWN OF KILL DEVIL HILLS

Profile of the Town

The Town of Kill Devil Hills 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 host to such attractions as the Cape Hatteras National Seashore and the North Carolina Aquarium. Kill Devil Hills is proud to have included among its distinguishing features the Wright Brothers Memorial National Park commemorating man's first flight.

Kill Devil Hills received its municipal charter from the North Carolina General Assembly on March 6, 1953. 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. Board members, including the mayor pro tem, are elected to four-year staggered terms and the mayor is elected for a two-year term, all on a non-partisan basis.

The Town provides a full range of services. These services include planning and inspections, police, animal control, fire and beach rescue protection, sanitation, and the construction and maintenance of streets and infrastructure. In addition to general government activities, the Town provides water and wastewater 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 Kill Devil Hills financial planning and control. An annual budget is adopted for the General and Enterprise Funds. Multi-year project budgets are adopted for all Capital Project Funds. Appropriations in the General and Enterprise Funds are made at the department level and at the project level for all Capital Project Funds. The Town Manager may transfer resources within a department as she sees fit. Transfers between departments, however, need special approval from the Board.

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



TOWN OF KILL DEVIL HILLS

Long-term financial planning and major initiatives. Funding the Capital Reserve fund for Streets, in the amount \$639,000 and Powell Bill funds in the amount \$218,000 \$ in the FY 2020 budget will provide funds for annual street projects. Shoreline Access and Recreation Facilities Capital Reserve Funds will receive funding in the amount \$30,000 each for future capital projects. The Sidewalk and Multi-Use Paths Capital Reserve fund will receive funding in the amount \$100,000 for future projects and \$30,000 for maintenance and repair of existing sidewalks and multi-use paths is budgeted. Tower lease space for equipment owned by private cellular companies is currently located on the Town's elevated water tank. This equipment will be removed for planned water tank demolition. A new telecommunications monopole for housing the existing and potential future cellular antennas and equipment is planned that will facilitate the continuation of lease income and service to the citizens and guests. This improvement will be funded by accumulated revenues from the tower rental that was transferred to the General Fund for this purpose in the prior year. Pay as you go funding will repair and improve the parking lot located at the elevated water tank and monopole construction site. The Final Phase of the Public Works Complex master plan construction is underway and includes the renovation and conversion of the former Fleet Maintenance garage into a storage area for sanitation trucks. Construction and renovation of the Animal Control facility, and other improvements will be completed at an estimated cost of \$4,564,956 *with* long term installment financing. Direct borrowing installment financing will include purchase of three pickup trucks, five police vehicles, firearms replacement, and two residential garbage trucks.

In fiscal year 2012, a ten year Water System Master Plan update considered more than \$9 million in infrastructural improvements, replacements, and upgrades. A town-wide replacement of water meters has improved the amount of water consumption recorded and billed to our customers. This program has enabled Town staff to detect and notify customers of leaks on a monthly basis which has proven to save on costly consumer bills. The establishment and implementation of a Capital Reserve Fund for Water and Wastewater System Development fees will account for system development fee proceeds in order to provide funds for capital projects related to the Water System. System development fees are expected to pay for \$35,000 in SCADA upgrades, \$30,500 in Water Plant improvements, \$35,000 for a water system interconnection with Dare County, \$90,000 for a 500,000 gallon ground storage tank inspection and rehabilitation, \$155,000 in waterline improvements associated with street improvements, and \$130,000 for a water system master plan update. Various other water line and system maintenance is funded on a pay as you go basis form of operations.

Currently pay as you go funding for the demolition of the existing and construction of a new elevated water tank is underway at an estimated cost of \$3,973,226. For these and future capital improvements, the Town will continue to fund as much of the necessary capital improvements as possible using the pay as you go method of funding.

Operation and maintenance of the wastewater collections system for the Southern Sanitary District (Ocean Acres) as well as the disposal of the effluent continues to be a contracted service. The results and implementation of a rate and CIP study has allowed for sustained reliable operations and fund needed capital improvements. System development fees will aid in the repayment of a long-term loan issued by the Water Fund.



TOWN OF KILL DEVIL HILLS

A collaborative effort and cost sharing plan was developed with other municipalities as well as Dare County for costs associated with a beach nourishment project. The project in Kill Devil Hills began in the summer of 2017 and nourished approximately 2.6 miles of northern Kill Devil Hills' beaches. The cost incurred totaled \$8,807,166. Funding for the Kill Devil Hills portion of the project came from a combination of a \$3,563,772 grant paid by Dare County, an estimated \$206,703 from Town Capital Reserve Funds and the remaining \$5,036,691 from a special obligation bond, with mainly tourism driven revenues being pledged as collateral. A Municipal Service District was created to include those properties that receive a direct benefit from the beach nourishment project with MSD tax assessment sufficient to cover approximately one half of the annual debt payment. The General Fund's tax equivalent to .03 cents was appropriated to pay the remaining portion of annual debt service. A five year amortization of the special obligation bond began in December 2017 with interest payments occurring semiannually and one annual principal payment starting in December 2018, through December 2022. A beach maintenance plan will continue to measure the beach profile in order to establish future re-nourishment needs.

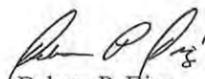
Awards and Acknowledgements. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Kill Devil Hills for its comprehensive annual financial report (CAFR) for the fiscal year ended June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

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

A Certificate of Achievement is valid for a period of one year only. Kill Devil Hills has received a Certificate of Achievement for the last thirty-one consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

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

Respectfully submitted,


Debora P. Diaz
Town Manager


Beverly B. Kissinger, CPA
Director of Tax and Finance

Land Where Flight Began

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

LIST OF ELECTED AND APPOINTED OFFICIALS

June 30, 2019

Elected Officials

Mayor
Mayor Pro Tempore
Commissioner
Commissioner
Commissioner

Sheila F. Davies
Mike Hogan
Terry L. Gray
John L. Windley
Nelson "Skip" Jones, Jr.

Appointed

Town Attorney
Town Manager

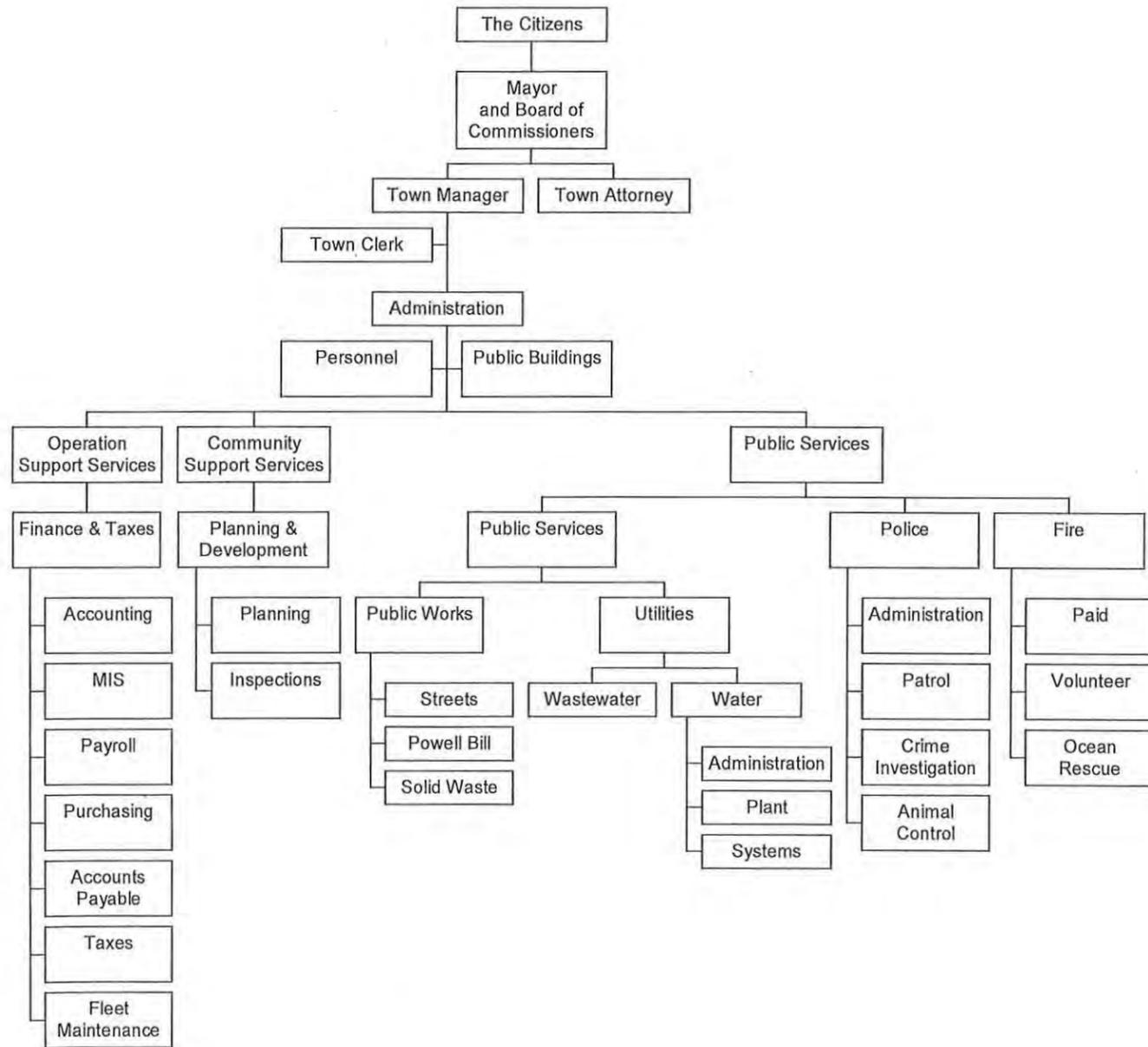
Casey C. Varnell
Debora P. Diaz

Town Administration

Town Clerk
Assistant Town Manager
Finance Director
Planning Director
Public Services Director
Fire Chief
Police Chief

Mary E. Quidley
Shawn R. Murphy
Beverly B. Kissinger
Meredith B. Guns
Stephen F. Albright
Troy N. Tilley
Gary L. Britt

Town of Kill Devil Hills, North Carolina
 ORGANIZATIONAL CHART
 June 30, 2019



Government Finance Officers Association

Certificate of
 Achievement
 for Excellence
 in Financial
 Reporting

Presented to

**Town of Kill Devil Hills
 North Carolina**

For its Comprehensive Annual
 Financial Report
 for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

Dowdy & Osborne LLP

CERTIFIED PUBLIC ACCOUNTANTS

Jeff Dowdy, CPA • Teresa Osborne, CPA

INDEPENDENT AUDITOR'S REPORT

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To the Mayor and Members of the Board of Commissioners
Kill Devil Hills, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

103 W. Woodhill Dr., Suite B • P.O. Box 9 • Nags Head, North Carolina 27959
Telephone 252.449.4404 • Facsimile 252.449.6976

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-16, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Contributions, on pages 76-79, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 80-81 and the Schedule of Changes in Total OPEB Liability and Related Ratios on page 82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Kill Devil Hills, North Carolina. The individual fund statements, budgetary schedules and other schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

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

Dowdy & Osborne, LLP

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

November 22, 2019

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2019

As management of the Town of Kill Devil Hills, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Kill Devil Hills for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in our letter of transmittal which can be found on pages v – viii of this report.

Financial Highlights

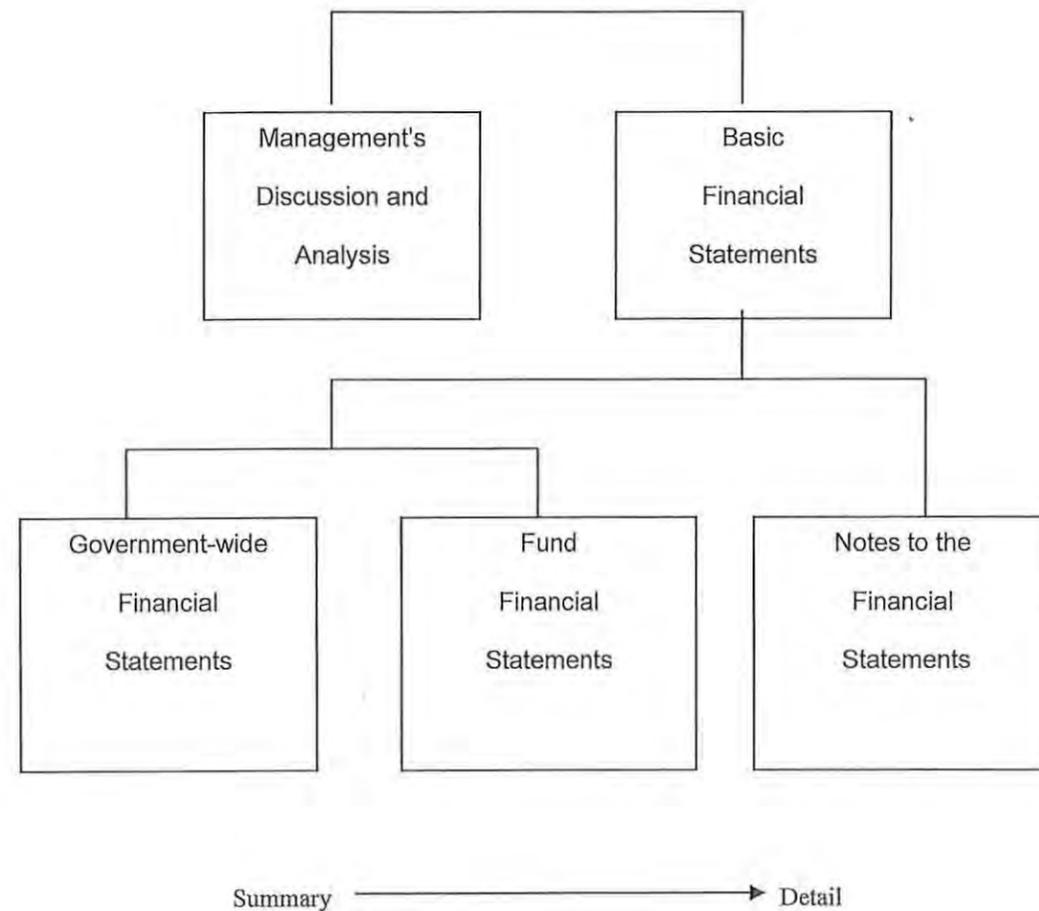
- The assets and deferred outflows of the Town of Kill Devil Hills exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$55,613,343 (*net position*). Of this amount, \$12,549,336 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,231,432 primarily because revenues exceeded expenses in both governmental and business type activities.
- At the end of the current fiscal year, the Town of Kill Devil Hills governmental funds reported combined ending fund balances of \$23,885,257 an increase of \$5,371,831 in comparison with the prior year. The increase resulted from:
 - Positive variances in both revenues and cost savings and delayed expenditures resulted in a General Fund increase of \$978,289 due to excess of revenues over expenditures.
 - A Public Works Final Phase Capital Project Fund increase of \$ 4,475,224 primarily from unspent installment financing proceeds.
 - A net decrease of \$137,425 from the construction expenditures in the Beach Nourishment Capital Project Fund
 - After restrictions and assignments, approximately 52.26% of the total fund balances or \$12,483,453 is available for spending at the government's discretion (unassigned fund balance.)
- At the end of the current fiscal year, unassigned fund balance for the *General* Fund was \$12,483,453 or 66.80% of total general fund expenditures for the fiscal year.
- The Town of Kill Devil Hills' total debt for direct borrowing installment notes, and direct placement increased by \$2,589,648 due to new direct borrowing net of existing debt payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Kill Devil Hills' 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 Kill Devil Hills.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) 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 four parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, 3) the proprietary fund statements and 4) the fiduciary fund statements.

The last section of the basic financial statements are the **Notes to the Financial Statements**. The notes to the financial statements explain in detail some of the data contained in the statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by North Carolina 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 and are 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 during the most recent year. Net Position is the difference between the Town's total assets 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, transportation, environmental protection and general administration. Property taxes, intergovernmental revenues (governmental activities) 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 and wastewater services offered by the Town of Kill Devil Hills.

Fund Financial Statements

The fund financial statements 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 of Kill Devil Hills, 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 North Carolina General Statutes or the Town's Budget Ordinance. All of the funds of the Town of Kill Devil Hills can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2019

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town'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 the *modified accrual accounting method*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Kill Devil Hills maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Public Works Final Phase Capital Project Fund, both of which are considered major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Kill Devil Hills adopts an annual budget for its General Fund, as required by North Carolina 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. The basic governmental fund financial statements can be found on pages 18-27 of this report.

Proprietary Fund. The Town of Kill Devil Hills has one type of proprietary fund, *Enterprise Funds*, which are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Kill Devil Hills uses enterprise funds to account for its water and wastewater activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. Proprietary fund financial statements can be found on pages 28-33 of this report.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary Funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The basic fiduciary fund financial statement can be found on page 34 of this report.

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 can be found on pages 35-74 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 of Kill Devil Hills' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on pages 76-82 of this report.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2019

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

Government-Wide Financial Analysis

Town of Kill Devil Hills Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 24,454,566	\$ 19,337,035	\$ 9,674,887	\$ 8,790,538	\$ 34,129,453	\$ 28,127,573
Capital assets	31,789,419	32,356,196	13,250,089	12,502,471	45,039,508	44,858,667
Total assets	56,243,985	51,693,231	22,924,976	21,293,009	79,168,961	72,986,240
Deferred outflows of resources	2,174,865	1,512,469	298,043	213,394	2,472,908	1,725,863
Long-term liabilities outstanding	19,169,079	16,061,677	1,201,212	1,102,455	20,370,291	17,164,132
Other liabilities	3,912,714	3,803,686	1,083,010	855,974	4,995,724	4,659,660
Total liabilities	23,081,793	19,865,363	2,284,222	1,958,429	25,366,015	21,823,792
Deferred inflows of resources	596,851	455,889	65,660	50,511	662,511	506,400
Net position:						
Net investment in capital assets	24,623,812	22,873,133	13,219,145	12,468,714	37,842,957	35,341,847
Restricted	5,221,050	5,400,659	-	-	5,221,050	5,400,659
Unrestricted	4,895,344	4,610,656	7,653,992	7,028,749	12,549,336	11,639,405
Total net position	\$ 34,740,206	\$ 32,884,448	\$ 20,873,137	\$ 19,497,463	\$ 55,613,343	\$ 52,381,911

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Kill Devil Hills exceeded liabilities and deferred inflows by \$55,613,343 as of June 30, 2019. The Town's net position increased by \$3,231,432 for the fiscal year ended June 30, 2019.

The larger portion of net position \$37,842,957 (68.05%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery and equipment). The Town of Kill Devil Hills uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Kill Devil Hills net investment in 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.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2019

An additional portion of the Town of Kill Devil Hills' net position, \$5,221,050 (9.39%), represents resources that are subject to external restrictions on how they may be used. The remaining portion, which is the remaining balance of \$12,549,336 (22.57%) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

As of June 30, 2019, the Town of Kill Devil Hills is able to report positive balances in all three categories of net position, for the government as a whole, as well its governmental activities and net effect of its business-type activities. The same situation held true for the prior fiscal year.

**Town of Kill Devil Hills Changes in Net Position
Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for Services	\$ 619,788	\$ 527,412	\$ 4,198,715	\$ 3,977,723	\$ 4,818,503	\$ 4,505,135
Operating grants and contributions	39,995	30,812	-	-	39,995	30,812
Capital grants and contributions	919,424	3,126,898	586,486	657,640	1,505,910	3,784,538
General revenues:						
Property taxes	8,859,629	8,662,987	-	-	8,859,629	8,662,987
Other taxes	6,368,629	6,412,404	-	-	6,368,629	6,412,404
Other	2,089,781	2,052,340	293,421	30,792	2,383,202	2,083,132
Total Revenues	18,897,246	20,812,853	5,078,622	4,666,155	23,975,868	25,479,008
Expenses:						
General government	6,487,420	5,084,613	-	-	6,487,420	5,084,613
Public safety	6,020,479	5,750,230	-	-	6,020,479	5,750,230
Transportation	1,557,859	1,317,258	-	-	1,557,859	1,317,258
Environmental protection	2,372,400	2,167,078	-	-	2,372,400	2,167,078
Public works	345,423	362,927	-	-	345,423	362,927
Interest on long-term debt	257,907	190,857	-	-	257,907	190,857
Water	-	-	3,437,230	3,332,754	3,437,230	3,332,754
Wastewater	-	-	265,718	272,205	265,718	272,205
Total Expenses	17,041,488	14,872,963	3,702,948	3,604,959	20,744,436	18,477,922
Increase in net position	1,855,758	5,939,890	1,375,674	1,061,196	3,231,432	7,001,086
Net position, July 1	32,884,448	31,115,414	19,497,463	18,993,200	52,381,911	50,108,614
Restatement	-	(4,170,856)	-	(556,933)	-	(4,727,789)
Net position, July 1 (as restated)	32,884,448	26,944,558	19,497,463	18,436,267	52,381,911	45,380,825
Net position, June 30	\$ 34,740,206	\$ 32,884,448	\$ 20,873,137	\$ 19,497,463	\$ 55,613,343	\$ 52,381,911

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

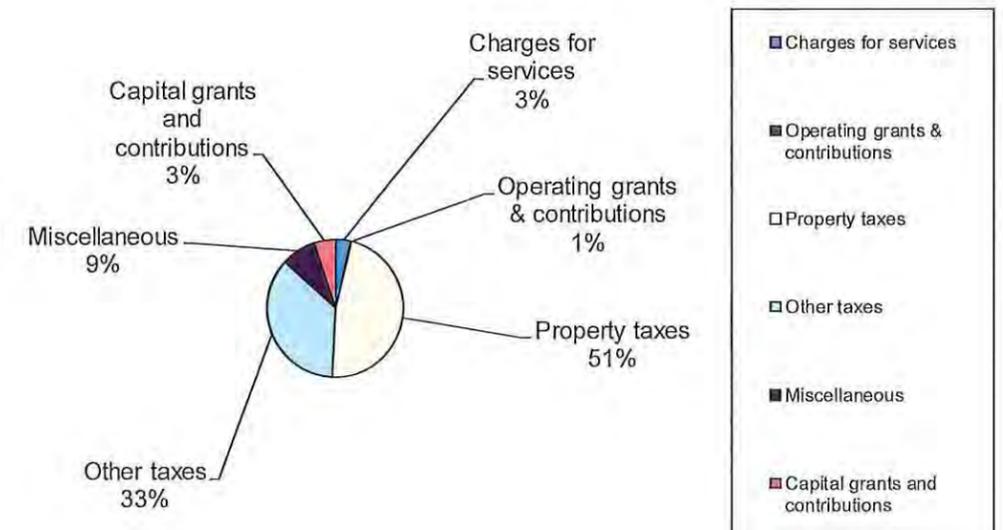
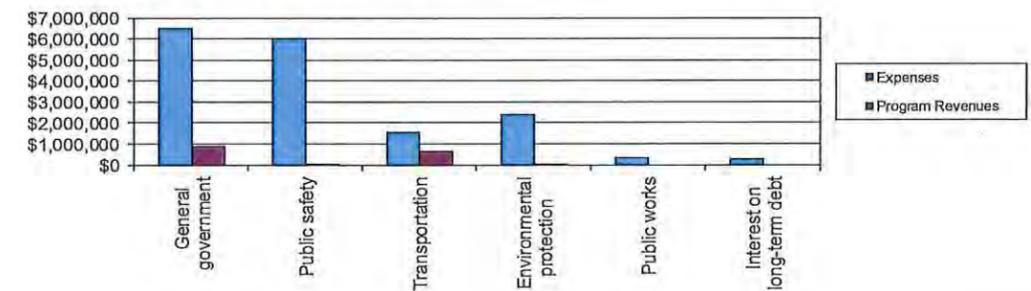
Management's Discussion and Analysis June 30, 2019

Governmental activities. Governmental activities increased the Town's net position by \$1,855,758 accounting for 57.43% of the increase in total net position.

Key highlights of the changes in revenues and expenses are:

- General government expenditures increased by \$1,402,807 due to a full year of beach nourishment depreciation and increased depreciation for the multi-use path.
- Public safety expenditures increased by \$270,249 due to personnel and career development.
- Transportation expenditures increased by \$240,601 due to increased street and sidewalk maintenance and repair projects.
- Environmental protection expenditures increased by \$205,322 due to an increase in contracted services and tipping fees.
- Change in fair market value and investment yields increased by \$804,766 in net investment income over the prior year.
- Favorable expenditure variance in the general fund of \$1,429,163 directly related to delay of various projects.
- Management's proactive stance on monitoring spending across departments to ensure budget compliance.

Expense and Program Revenues - Governmental Activities



TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

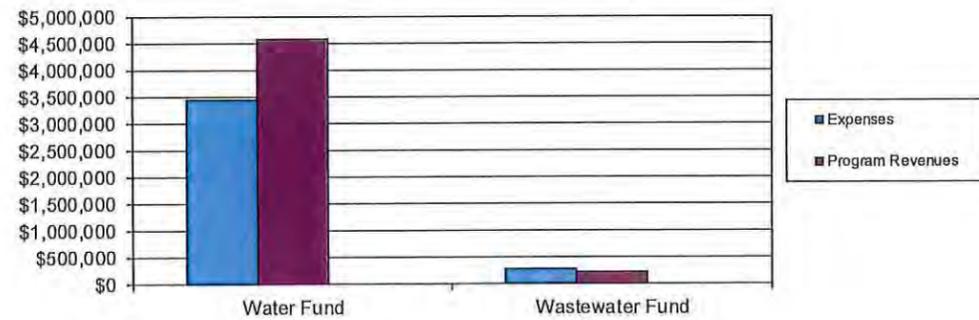
**Management’s Discussion and Analysis
June 30, 2019**

Business-type activities. The Town of Kill Devil Hills’ net position for Business-type activities increased by \$1,375,674 contributing 42.57% to the Town’s total increase in net position.

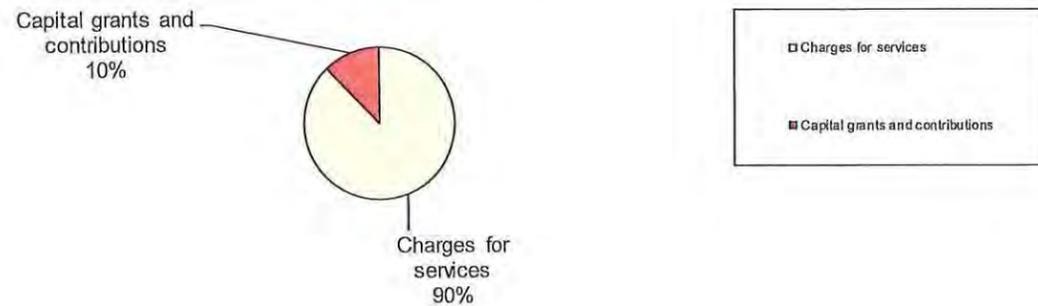
Key highlights of the effects of business type activities on the change in net position include:

- System development fees totaled \$579,100 and \$7,386 in the Water Fund and Wastewater Fund respectively.
- Operating Revenues exceeded expenses in the Water Fund resulting in an increase in net position.
- While water rates increased 4%, leak detection program was fully implemented and functional resulting in quickly detecting water leaks and improved conservation.

Expense and Program Revenues - Business-type Activities



Revenue by Source - Business-type Activities



TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

**Management’s Discussion and Analysis
June 30, 2019**

Financial Analysis of the Town’s Funds

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

Governmental Funds. The focus of the Town of Kill Devil Hills’ 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 Kill Devil Hills’ financing requirements. Specifically, unassigned fund balance can be a useful measure of the Town’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 Kill Devil Hills. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$12,483,453 while total fund balance increased to \$19,045,759. The Governing Body of the Town of Kill Devil Hills has determined that the Town should maintain an available fund balance of 35% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 66.80% of total General Fund expenditures, while total fund balance represents 101.92% of that same amount.

At June 30, 2019, the governmental funds of the Town of Kill Devil Hills reported a combined fund balance of \$23,885,257 a \$5,371,831 (29.02%) increase over last year. The primary reasons are:

- An increase of \$4,475,224 in the Public Works Final Phase Capital Project Fund due to unexpended direct borrowing proceeds
- A decrease of \$137,425 in the Beach Nourishment Capital Reserve Fund due to capital expenditures in the beach nourishment capital project fund.
- The general fund revenues and other financing sources exceeded expenditures.

Proprietary Funds. The Town of Kill Devil Hills’ proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water Fund and Wastewater Fund at the end of the fiscal year amounted to \$7,653,992, a \$625,243 (8.90 %) increase over last year. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town of Kill Devil Hills business-type activities.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2019

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. Total amendments to the General Fund increased revenues and expenditures by \$2,346,601. The following are the main components of the increase:

- \$ 11,750 local grant funding for fireworks
- \$ 274,468 appropriated for FY 18-19 additional street drainage.
- \$ 93,000 FY 19-20 additional street project costs.
- \$ 51,870 appropriated to replace the fire department generator.
- \$ 433,800 appropriated for the Dare Center sidewalk project.
- \$ 29,604 funding for firefighter grant.
- \$ 828,481 lease proceeds for vehicle and equipment purchases.
- \$ 25,075 FEMA – Hurricane Florence funding.
- \$ 10,982 appropriated for maintenance and repair of a street main culvert.
- \$ 133,863 FEMA – Hurricane Michael funding.
- \$ 24,000 local funding for sand fencing.
- \$ 26,893 PEG Channel support funding.
- \$ 10,000 government channel funding.

The increases were possible because of local grant funding (\$35,750), lease purchase financing (\$828,481), appropriations from the restricted Sidewalks and Streets Capital Reserve fund balance (\$108,100), appropriations from FEMA federal funding (\$158,938), appropriations from Firefighter grant funding (\$29,604), appropriations for PEG Channel/Government Channel support funding (\$36,893), appropriations for sidewalk project from contributions (\$125,000), and additional fund balance appropriations of (\$631,020).

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2019

Capital Asset and Debt Administration

Capital assets. The Town of Kill Devil Hills' investment in capital assets for its governmental and business-type activities as of June 30, 2019, total \$45,039,508 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, water rights, buildings, plant, improvements, vehicles, furniture, equipment, animals, streets and meters. The total increase for the current fiscal year was .0403% (1.75% decrease for governmental activities and 5.98% increase for business-type activities).

Major capital asset transactions during the year include the following:

- Activity for construction in progress for Governmental activities include \$70,854 for the FY 19-20 Hayman Street project engineering, \$89,941 for Public Works Complex Final Phase, \$60,162 for the FY 18-19 Engineering Whispering Pines Street project, and \$21,510 for monopole communications tower design. Business activities include \$88,627 for water tank elevation engineering, \$752,949 for elevated storage tank replacement and \$19,350 for waterline improvements design of the Colington Road water main replacement.
- Vehicles purchased for Governmental activities included five Ford Explorers totaling \$188,210, two garbage trucks and rebuilding boom totaling \$493,592, and three Ford pick-up trucks totaling \$101,766. There were no vehicles purchased for the Water Fund.
- Street projects included \$218,000 spent from Powell Bill funds for the Whispering Pines street projects, \$971,766 towards Whispering Pines street project, \$82,786 for multi-use path, \$25,600 towards storm drainage engineering, \$408,220 for U.S. Highway 158 phase three project and \$9,298 towards other street projects.
- Business type activities in improvements included \$30,969 for waterline improvements.
- Equipment for governmental type activities included dump trailer for \$9,942, sign/banner printer for \$6,500, Walker mower for \$17,347, portable security camera dome for \$5,180, heavy lifting rescue bag for \$5,950, John Deere utility tractor for \$69,039, and John Deere boom tractor for \$46,475. Business activities include fuel tank replacement of generator for \$13,173.
- Beach nourishment included in other improvements for \$157,320, improvements to Ocean Bay Boulevard Beach Access for \$44,238, lighting improvements to Aviation Park for \$102,461, and generator for the fire department for \$52,396 for Governmental activities.
- Building improvement for a generator at the town hall administration offices for \$66,314 and window improvements to town hall for \$20,550 in governmental activities. Water plant improvements included \$564,504 for 8th street water tank improvements and drainage improvements.
- In Governmental activities, \$1,191,746 from fiscal year 2018 construction in progress projects were closed and were transferred into Streets for completion of FY 17-18 construction oversight for Multi-Use Path project (\$52,702), Streets for completion of FY 17-18 Multi-Use Path projection construction (\$1,088,350), and Streets for completion of FY 18-19 Whispering Pines project design(\$50,695). In Business-type activities, \$4,000 from fiscal year 2018 construction in progress projects were closed and transferred into vehicles.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management’s Discussion and Analysis
June 30, 2019

Town of Kill Devil Hills Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 2,963,222	\$ 2,963,222	\$ 224,814	\$ 224,814	\$ 3,188,036	\$ 3,188,036
Construction in progress	390,157	1,340,248	1,117,209	260,283	1,507,366	1,600,531
Plant	-	-	1,476,091	948,253	1,476,091	948,253
Water rights	-	-	984,682	1,074,948	984,682	1,074,948
Building	6,767,595	6,923,245	24,634	27,022	6,792,229	6,950,267
Other improvements	9,566,541	11,280,637	8,117,735	8,510,332	17,684,276	19,790,969
Equipment	530,822	577,415	80,067	111,660	610,889	689,075
Vehicles	3,203,396	3,343,268	71,064	118,099	3,274,460	3,461,367
Office equipment	65,571	95,836	-	-	65,571	95,836
Animals	15,955	20,210	-	-	15,955	20,210
Meters	-	-	1,153,793	1,227,060	1,153,793	1,227,060
Streets	8,286,160	5,812,115	-	-	8,286,160	5,812,115
Total	\$ 31,789,419	\$ 32,356,196	\$ 13,250,089	\$ 12,502,471	\$ 45,039,508	\$ 44,858,667

Additional information on the Town’s capital assets can be found in the notes of the Basic Financial Statements on pages 50-52.

Long-term Debt. The Town of Kill Devil Hills’ total debt increased by \$3,478,040 during the fiscal year ended June 30, 2019 primarily due to an increase in Net Pension Liability (LGERS) and the net of new direct installment financing over principal payments made during the year.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the Town’s boundaries. The legal debt margin for the Town of Kill Devil Hills is \$163,331,894. The Town had no outstanding bonded debt subject to the limitation.

Additional information can be found in the notes of the Basic Financial Statements located on pages 67 through 70.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management’s Discussion and Analysis
June 30, 2019

Economic Factors and Next Year’s Budgets and Rates

The following key economic indicators reflect the economic condition of the Town:

- Average unemployment rate of 5.06% is higher than the State of North Carolina’s 2019 average of 3.94%. Dare County experiences significant seasonality in the rates with a high of 9.0% in February and a low of 3.7% in July 2019.
- While the County share of State and local taxes grew at a rate of 4.26%, a decrease in the Town’s revenue sharing formula decreased the net proceeds of sales tax to the Town by \$38,302 or 1.38% over the prior year.
- Net proceeds of occupancy taxes also tied to the Town’s municipal revenue sharing formula decreased 33,511 or 1.15%. Land transfer tax also tied to this formula increased \$2,568 or .36%, the increase is a result of the increased growth in land transfers is larger than the decrease.
- Building permits and related revenues have increased 15.9%. Steady growth is expected in building related fee income.
- A Municipal Service District (MSD) for the purpose of erosion control, flood and hurricane protection works was created. The tax in this district remains \$.33 and will fund approximately one half of the debt service for the beach nourishment project.
- Water rates will increase 4% to cover operating cost.
- On the expenditure side, increases are expected in capital outlay, primarily for the final phase of construction and renovation project at the Public Works Complex, annual street projects, and the demolition and construction of an elevated water tank.
- Beach nourishment construction project is complete and ongoing monitoring and maintenance is planned.
- The Town of Kill Devil Hills’ year round population is 7,266 while the summer season population exceeds 35,000 persons a day, requiring twenty four hour services for residents and non-residents alike.

Governmental Activities. The General Fund property tax rate will be increased by \$.0191 to \$.40 per \$100 of valuation. State and local sales tax and local taxes are distributed based on the percentage the government’s levy is in relation to other municipalities in the county. The Town’s distribution percentage is not expected to change and a projected increase in sales, travel and tourism revenues are expected to increase approximately 2.5% county wide, resulting in a projected increase of net proceeds to the Town. Permits, fees, sales, and service revenues are expected to grow due to an increase in building and construction related activity. Budgeted expenditures are anticipated to be \$19,477,879 which is a 11.44% decrease over the prior year budget. Capital improvement items including Public Works Complex final renovation and construction, and the construction of a communications monopole were budgeted for in the 2019 fiscal year and were deferred to the fiscal year 2020. The budget includes annual street projects, parking lot improvements, and replacing the interior and exterior building lighting. Equipment and vehicle replacements include five police vehicles, police weapons, a jet ski, four pickup trucks, two residential refuse trucks and one commercial refuse collection truck.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2019

Business-type Activities. The retail water rates in the Town will increase by 4%, primarily to cover increased operating costs and waterline and system improvements that are associated with the Water System Master Plan. Water tap fees are also in accordance with the recommendation of the plan. Water Fund operating expenses are budgeted to increase 6.41% over the prior year budget. Pay as you go funding includes construction and funding of a 300,000 gallon elevated tank at 1634 N. Croatan Highway which began in fiscal year 2019 with a commitment of \$4,139,040. Of that amount, \$2,732,960 remains for completion during fiscal year 2020. A Capital Reserve Fund to account for system development fees is projected to accumulate and fund a total of \$475,500 in SCADA upgrades, exterior plant improvements, an interconnection with the county's water system, ground storage tank inspections and rehabilitation, waterline improvements associated with street projects, and an updated water system master plan. The Wastewater fund is guided by a capital improvements program developed in 2010 and includes a schedule of rates and fees to provide for sustained reliable operation and enable repayment of the long-term loan that was provided by the Water Fund. The Adopted Budget maintains the base quantity, current rate structure of base charge, and commodity charge as outlined in the capital improvements program.

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 Director of Finance, Town of Kill Devil Hills, P.O. Box 1719, Kill Devil Hills, NC 27948. You can also call (252) 449-5338, visit our web site www.kdhnc.com or send an email to Beverly@kdhnc.com for more information.

BASIC FINANCIAL STATEMENTS

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2019

EXHIBIT 1
Page 1 of 2

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 14,160,948	\$ 7,838,144	\$ 21,999,092
Taxes receivables (net)	85,825	-	85,825
Accrued interest receivable (net)	67,994	33,113	101,107
Accounts receivable (net)	22,680	973,712	996,392
Due from other governments	1,686,472	-	1,686,472
Inventories	161,746	144,678	306,424
Restricted cash and cash equivalents	8,267,864	685,240	8,953,104
Prepaid items	1,037	-	1,037
Total current assets	<u>24,454,566</u>	<u>9,674,887</u>	<u>34,129,453</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	3,353,379	1,342,023	4,695,402
Water rights, net of accumulated amortization	-	984,682	984,682
Other capital assets, net of accumulated depreciation	28,436,040	10,923,384	39,359,424
Total capital assets	<u>31,789,419</u>	<u>13,250,089</u>	<u>45,039,508</u>
Total non-current assets	<u>31,789,419</u>	<u>13,250,089</u>	<u>45,039,508</u>
Total assets	<u>\$ 56,243,985</u>	<u>\$ 22,924,976</u>	<u>\$ 79,168,961</u>
DEFERRED OUTFLOWS OR RESOURCES			
Pension deferrals	\$ 1,736,989	\$ 223,004	\$ 1,959,993
OPEB deferrals	437,876	75,039	512,915
Total deferred outflows of resources	<u>2,174,865</u>	<u>298,043</u>	<u>2,472,908</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other accrued liabilities	\$ 475,935	\$ 344,970	\$ 820,905
Accrued interest payable	114,965	-	114,965
Unearned revenue	7,549	-	7,549
Customer deposits	-	685,227	685,227
Current portion of long-term liabilities:	<u>3,314,265</u>	<u>52,813</u>	<u>3,367,078</u>
Total current liabilities	<u>3,912,714</u>	<u>1,083,010</u>	<u>4,995,724</u>
Long-term liabilities:			
Net pension liability LGERS	2,093,298	279,518	2,372,816
Total pension liability (LEO)	930,836	-	930,836
Total OPEB liability	6,519,643	870,567	7,390,210
Due in more than one year	9,625,302	51,127	9,676,429
Total liabilities	<u>\$ 23,081,793</u>	<u>\$ 2,284,222</u>	<u>\$ 25,366,015</u>

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2019

EXHIBIT 1
Page 2 of 2

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	115,955	1,446	117,401
OPEB deferrals	480,896	64,214	545,110
Total deferred inflows of resources	<u>\$ 596,851</u>	<u>\$ 65,660</u>	<u>\$ 662,511</u>
NET POSITION			
Net investment in capital assets	\$ 24,623,812	\$ 13,219,145	\$ 37,842,957
Restricted for:			
Streets - Powell Bill	38,153	-	38,153
Public safety	29,276	-	29,276
Stabilization by State Statute	1,960,686	-	1,960,686
Capital Reserve Fund	3,192,935	-	3,192,935
Unrestricted	4,895,344	7,653,992	12,549,336
Total net position	<u>\$ 34,740,206</u>	<u>\$ 20,873,137</u>	<u>\$ 55,613,343</u>

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary Government:							
Governmental activities:							
General government	\$ 6,487,420	\$ 542,280	\$ 38,601	\$ 312,454	\$ (5,594,085)	\$ -	\$ (5,594,085)
Public safety	6,020,479	18,084	1,394	-	(6,001,001)	-	(6,001,001)
Transportation	1,557,859	-	-	606,970	(950,889)	-	(950,889)
Environmental protection	2,372,400	59,424	-	-	(2,312,976)	-	(2,312,976)
Public works	345,423	-	-	-	(345,423)	-	(345,423)
Interest on long-term debt	257,907	-	-	-	(257,907)	-	(257,907)
Total governmental activities	17,041,488	619,788	39,995	919,424	(15,462,281)	-	(15,462,281)
Business-type activities:							
Water fund	3,437,230	4,003,745	-	579,100	-	1,145,615	1,145,615
Wastewater fund	265,718	194,970	-	7,386	-	(63,362)	(63,362)
Total business-type activities	3,702,948	4,198,715	-	586,486	-	1,082,253	1,082,253
Total primary government	\$ 20,744,436	\$ 4,818,503	\$ 39,995	\$ 1,505,910	\$ (15,462,281)	\$ 1,082,253	\$ (14,380,028)
General revenues:							
Taxes and Licenses:							
Property taxes levied for general purpose					\$ 8,347,316	\$ -	\$ 8,347,316
Municipal service district taxes					512,313	-	512,313
Sales taxes					2,742,660	-	2,742,660
Occupancy taxes					2,901,475	-	2,901,475
Other taxes and licenses					724,494	-	724,494
Grants and contributions not restricted to specific programs					1,099,660	-	1,099,660
Net unrestricted investment earnings					643,345	293,421	936,766
Miscellaneous					346,776	-	346,776
Total general revenues					17,318,039	293,421	17,611,460
Change in net position					1,855,758	1,375,674	3,231,432
Net position, previously reported					32,884,448	19,497,463	52,381,911
Net position-ending					\$ 34,740,206	\$ 20,873,137	\$ 55,613,343

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2019

EXHIBIT 3
Page 1 of 2

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Public Works Final Phase CPF		
ASSETS				
Cash and cash equivalents	\$ 13,793,300	\$ 5,109	\$ 362,539	\$ 14,160,948
Restricted cash and cash equivalents	3,770,384	4,497,480	-	8,267,864
Receivables (net)				
Taxes	85,825	-	-	85,825
Accounts	22,680	-	-	22,680
Interest on investments	66,259	-	1,735	67,994
Due from other governments	1,686,472	-	-	1,686,472
Inventories and prepaid items	162,783	-	-	162,783
Total assets	\$ 19,587,703	\$ 4,502,589	\$ 364,274	\$ 24,454,566
LIABILITIES				
Accounts payable	\$ 119,595	\$ 27,365	\$ -	\$ 146,960
Accrued liabilities	328,974	-	-	328,974
Unearned revenue	295	-	-	295
Total liabilities	448,864	27,365	-	476,229
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	85,825	-	-	85,825
License receivable	7,255	-	-	7,255
Total deferred inflows of resources	93,080	-	-	93,080
FUND BALANCES				
Non-Spendable:				
Inventories and prepaids	162,783	-	-	162,783
Restricted:				
Stabilization by State Statute	1,960,686	-	-	1,960,686
Public Safety	29,276	-	-	29,276
Streets - Powell Bill	38,153	-	-	38,153
Capital reserve fund	3,192,935	-	-	3,192,935
Public Works Complex	-	27,365	-	27,365
Assigned:				
Beach Nourishment	-	-	364,274	364,274
Public Works Final Phase Capital Project	-	4,447,859	-	4,447,859
Subsequent year's expenditures	1,178,473	-	-	1,178,473
Unassigned	12,483,453	-	-	12,483,453
Total fund balances	19,045,759	4,475,224	364,274	23,885,257
Total liabilities, deferred inflows of resources and fund balances	\$ 19,587,703	\$ 4,502,589	\$ 364,274	\$ 24,454,566

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2019

EXHIBIT 3
Page 2 of 2

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balances-governmental funds (page 22)	\$ 23,885,257
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	31,789,419
Deferred outflows of resources related to pensions are not reported in the funds	1,736,989
Deferred outflows of resources related to OPEB are not reported in the funds	437,876
Liabilities for earned revenues considered deferred inflows on resources in fund statements	85,825
Long-term liabilities, including Pension and OPEB obligations and accrued compensation, are not due and payable in the current period and, therefore, are not reported in the funds.	(22,483,344)
Deferred inflows of resources related to pensions are not reported in the funds	(115,955)
Deferred inflows of resources related to OPEB are not reported in the funds	(480,896)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	(114,965)
Net position of governmental activities.	<u>\$ 34,740,206</u>

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2019

EXHIBIT 4
Page 1 of 2

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Public Works Final Phase CPF		
REVENUES				
Ad valorem taxes	\$ 8,870,753	\$ -	\$ -	\$ 8,870,753
Other taxes and licenses	6,377,054	-	-	6,377,054
Unrestricted intergovernmental	1,099,660	-	-	1,099,660
Restricted intergovernmental	959,419	-	-	959,419
Permits and fees	542,200	-	-	542,200
Sales and services	69,164	-	-	69,164
Net investment earnings (loss)	624,431	209	18,705	643,345
Miscellaneous	305,191	-	-	305,191
Total revenues	18,847,872	209	18,705	18,866,786
EXPENDITURES				
Current:				
General government	4,289,596	89,941	157,320	4,536,857
Public safety	5,806,354	-	-	5,806,354
Transportation	2,824,235	-	-	2,824,235
Environmental protection	2,437,587	-	-	2,437,587
Public works	350,104	-	-	350,104
Debt service:				
Principal	2,800,976	-	-	2,800,976
Interest and other charges	177,586	-	-	177,586
Total expenditures	18,686,438	89,941	157,320	18,933,699
Excess revenues over (under) expenditures	161,434	(89,732)	(138,615)	(66,913)
OTHER FINANCING SOURCES				
Direct borrowing	828,481	4,564,956	-	5,393,437
Sale of capital assets	45,307	-	-	45,307
Total other financing sources	873,788	4,564,956	-	5,438,744
Net change in fund balance	1,035,222	4,475,224	(138,615)	5,371,831
Fund balances - beginning	18,010,537	-	502,889	18,513,426
Fund balances - ending	\$ 19,045,759	\$ 4,475,224	\$ 364,274	\$ 23,885,257

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

EXHIBIT 4
Page 2 of 2

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds (page 24)	\$	5,371,831
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	\$	3,345,418
Depreciation expense for governmental assets	(3,908,470)	(563,052)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(3,723)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		
LGERS		478,982
LEOSSA	46,738	525,720
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		344,271
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in tax revenue	(11,125)	(11,125)
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.		
New long-term debt issued	(5,393,437)	
Principal payments on long-term debt	2,800,976	
Accrued interest payable	(80,321)	(2,672,782)
Some expenses reported in the statement of activities do not require expenditures in governmental funds.		
Compensated absences	(37,893)	
Pension expense - LEOSSA	(65,184)	
Pension expense - LGERS	(594,294)	
OPEB plan expense	(438,011)	(1,135,382)
Total changes in net position of governmental activities	\$	1,855,758

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	General Fund			
	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 8,751,775	\$ 8,751,775	\$ 8,870,753	\$ 118,978
Other taxes and licenses	6,001,425	6,001,425	6,377,054	375,629
Unrestricted intergovernmental revenues	1,014,700	1,041,593	1,099,660	58,067
Restricted intergovernmental revenues	335,000	569,292	959,419	390,127
Permits and fees	223,400	223,400	542,200	318,800
Sales and services	69,540	69,540	69,164	(376)
Net investment earnings	140,000	140,000	512,480	372,480
Other revenues	112,800	245,500	305,191	59,691
Total revenues	<u>16,648,640</u>	<u>17,042,525</u>	<u>18,735,921</u>	<u>1,693,396</u>
EXPENDITURES				
Current:				
General government	6,395,955	6,659,832	4,289,596	2,370,236
Public safety	5,962,633	6,213,655	5,806,354	407,301
Transportation	1,901,059	3,003,605	2,824,235	179,370
Environmental protection	2,002,566	2,596,077	2,437,587	158,490
Public works	362,136	362,136	350,104	12,032
Debt service:				
Principal retirement	2,744,456	2,880,102	2,800,976	79,126
Interest and other charges	115,198	115,198	177,586	(62,388)
Total expenditures	<u>19,484,003</u>	<u>21,830,605</u>	<u>18,686,438</u>	<u>3,144,167</u>
Revenues over (under) expenditures	\$ <u>(2,835,363)</u>	\$ <u>(4,788,080)</u>	\$ <u>49,483</u>	\$ <u>4,837,563</u>

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019

	General Fund			
	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
OTHER FINANCING SOURCES				
Direct borrowing	\$ -	\$ 828,481	\$ 828,481	\$ -
Transfer from Capital Reserve Fund	-	108,100	55,018	(53,082)
Sale of capital assets	15,000	15,000	45,307	30,307
Appropriated fund balance - undesignated	2,820,363	3,457,852	-	(3,457,852)
Appropriated fund balance - encumbrances	-	378,647	-	(378,647)
Total other financing sources (uses)	<u>2,835,363</u>	<u>4,788,080</u>	<u>928,806</u>	<u>(3,859,274)</u>
Revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	<u>978,289</u>	\$ <u>978,289</u>
Fund balance, beginning			14,874,535	
Fund balance, end of year			<u>\$ 15,852,824</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Net investment earnings (loss)			111,952	
Transfer to/from general fund			(55,018)	
Fund balance, beginning of year			<u>3,136,001</u>	
Fund balance, end of year			<u>\$ 19,045,759</u>	

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
June 30, 2019

EXHIBIT 6
Page 1 of 2

	Business-type Activities		Total
	Water	Wastewater	Enterprise Funds June 30, 2019
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,838,144	\$ -	\$ 7,838,144
Accrued interest receivable	33,012	101	33,113
Customer accounts receivable (net)	924,476	49,236	973,712
Inventories	144,678	-	144,678
Restricted cash and cash equivalents	659,163	26,077	685,240
Total current assets	<u>9,599,473</u>	<u>75,414</u>	<u>9,674,887</u>
Non-current assets:			
Due from other funds	503,087	(503,087)	-
Capital assets:			
Land and other non-depreciable assets	1,294,678	47,345	1,342,023
Water rights (net of accumulated amortization)	984,682	-	984,682
Other capital assets (net of accumulated depreciation)	10,646,241	277,143	10,923,384
Total capital assets	<u>12,925,601</u>	<u>324,488</u>	<u>13,250,089</u>
Total non-current assets	<u>13,428,688</u>	<u>(178,599)</u>	<u>13,250,089</u>
Total assets	<u>\$ 23,028,161</u>	<u>\$ (103,185)</u>	<u>\$ 22,924,976</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	\$ 223,004	\$ -	\$ 223,004
OPEB deferrals	75,039	-	75,039
Total deferred outflows of resources	<u>298,043</u>	<u>-</u>	<u>298,043</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 313,003	\$ 3,270	\$ 316,273
Salaries payable	27,196	-	27,196
Other liabilities	1,501	-	1,501
Customer deposits	659,163	26,064	685,227
Current portion of long-term liabilities:			
Compensated absences	50,000	-	50,000
Note payable	2,813	-	2,813
Total current liabilities	<u>1,053,676</u>	<u>29,334</u>	<u>1,083,010</u>
Non-current liabilities:			
Compensated absences, net of current portion	22,996	-	22,996
Net Pension Liability	279,518	-	279,518
Total OPEB Liability	870,567	-	870,567
Note payable, net of current portion	28,131	-	28,131
Total non-current liabilities	<u>1,201,212</u>	<u>-</u>	<u>1,201,212</u>
Total liabilities	<u>\$ 2,254,888</u>	<u>\$ 29,334</u>	<u>\$ 2,284,222</u>

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
June 30, 2019

EXHIBIT 6
Page 2 of 2

	Business-type Activities		Total
	Water	Wastewater	Enterprise Funds June 30, 2019
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	\$ 1,446	\$ -	\$ 1,446
OPEB deferrals	64,214	-	64,214
NET POSITION			
Net investment in capital assets	12,894,657	324,488	13,219,145
Unrestricted	<u>8,110,999</u>	<u>(457,007)</u>	<u>7,653,992</u>
Total net position	<u>\$ 21,005,656</u>	<u>\$ (132,519)</u>	<u>\$ 20,873,137</u>

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
For the Fiscal Year Ended June 30, 2019

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	Business-type Activities		Total
	Water	Wastewater	Enterprise Funds June 30, 2019
<u>OPERATING REVENUES</u>			
Water sales	\$ 3,839,960	\$ -	\$ 3,839,960
Wastewater sales	-	190,587	190,587
Connection fees	88,645	2,320	90,965
Late payment penalties and interest	35,633	2,063	37,696
Other operating revenues	39,507	-	39,507
Total operating revenues	<u>4,003,745</u>	<u>194,970</u>	<u>4,198,715</u>
<u>OPERATING EXPENSES</u>			
Water administration	1,117,357	-	1,117,357
Water treatment plant	1,216,260	-	1,216,260
Water systems	491,280	-	491,280
Wastewater	-	156,095	156,095
Depreciation and amortization	612,333	109,623	721,956
Total operating expenses	<u>3,437,230</u>	<u>265,718</u>	<u>3,702,948</u>
<u>OPERATING INCOME (LOSS)</u>	<u>566,515</u>	<u>(70,748)</u>	<u>495,767</u>
<u>NON-OPERATING REVENUES</u>			
Net investment earnings (loss)	292,691	730	293,421
Total non-operating revenues	<u>292,691</u>	<u>730</u>	<u>293,421</u>
<u>OPERATING INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</u>			
	859,206	(70,018)	789,188
Capital contributions	579,100	7,386	586,486
Transfers from (to) other funds	18,750	(18,750)	-
Changes in net position	1,457,056	(81,382)	1,375,674
Total net position previously reported	<u>19,548,600</u>	<u>(51,137)</u>	<u>19,497,463</u>
Total net position, ending	<u>\$ 21,005,656</u>	<u>\$ (132,519)</u>	<u>\$ 20,873,137</u>

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019

EXHIBIT 8
Page 1 of 2

	Business-type Activities		Total
	Water	Wastewater	Enterprise Funds June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 3,808,764	\$ 197,950	\$ 4,006,714
Cash paid for goods and services	(1,476,435)	(155,825)	(1,632,260)
Cash paid to employees	(1,079,123)	-	(1,079,123)
Customer deposits received	56,332	2,304	58,636
Customer deposits returned	(41,859)	(1,872)	(43,731)
Other operating revenues	88,645		88,645
Net cash provided by operating activities	1,356,324	42,557	1,398,881
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Cash received from other funds	50,241	-	50,241
Cash paid to other funds	-	(50,241)	(50,241)
Net cash provided (used) by non-capital financing activities	50,241	(50,241)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,469,572)	-	(1,469,572)
Capital contributions	579,100	7,386	586,486
Principal paid on capital debt	(2,813)	-	(2,813)
Net cash provided (used) by capital related financing activities	(893,285)	7,386	(885,899)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment earnings (loss)	294,421	743	295,164
Net cash provided by investing activities	294,421	743	295,164
Net increase in cash and cash equivalents	807,701	445	808,146
Cash and cash equivalents at beginning of year	7,689,609	25,632	7,715,241
Cash and cash equivalents at end of year	\$ 8,497,310	\$ 26,077	\$ 8,523,387

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019

EXHIBIT 8
Page 2 of 2

	Business-type Activities		Total
	Water	Wastewater	Enterprise Funds June 30, 2019
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 566,515	\$ (70,748)	\$ 495,767
Adjustments to reconcile operating income loss to net cash provided by operating activities:			
Depreciation and amortization	612,333	109,623	721,956
<i>Changes in Assets and Liabilities:</i>			
(Increase) decrease in accounts receivable	(106,001)	2,980	(103,021)
Decrease in inventories	25,072	-	25,072
Increase in deferred outflows of resources - pensions	(81,618)	-	(81,618)
Increase in deferred outflows of resources - OPEB	(3,031)	-	(3,031)
Increase in net pension liability	100,632	-	100,632
Decrease in deferred inflows of resources - pensions	(3,617)	-	(3,617)
Decrease in salaries payable	(3,682)	-	(3,682)
Decrease in other liabilities	(336)	-	(336)
Increase in accounts payable	215,880	270	216,150
Increase in customer deposits	14,473	432	14,905
Increase in accrued vacation pay	306	-	306
Increase in deferred inflows of resources - OPEB	18,766	-	18,766
Increase in OPEB liability	632	-	632
Net cash provided by operating activities	\$ 1,356,324	\$ 42,557	\$ 1,398,881
Schedule of non-capital financing activities:			
Wastewater Fund debt payments to Water Fund	\$ 50,241	\$ (50,241)	\$ -

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
 FIDUCIARY FUND
 STATEMENT OF FIDUCIARY NET POSITION
 June 30, 2019

	Agency Fund
	Firemen's Relief
<u>ASSETS</u>	
Cash and cash equivalents	\$ 267,168
Accrued interest receivable	1,038
Due from other governments	<u>11,343</u>
Total assets	<u>\$ 279,549</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Due to Firemen's Relief Fund	279,549
Total Liabilities	<u>\$ 279,549</u>

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 For The Fiscal Year Ended June 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Kill Devil Hills have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The more significant of the Town's accounting policies are described below.

A. Reporting Entity

The Town of Kill Devil Hills, North Carolina, is a municipal corporation that is governed by an elected mayor and a four member council. As required by generally accepted accounting principles, these financial statements present the Town of Kill Devil Hills (primary government). Component units are organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town has determined that no entities met the required GASB-39 criteria of component units.

B. Basis of Presentation – Government-Wide and Fund Financial Statements and Financial Statement Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government of the Town. These statements include the financial activities of the overall government. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Direct expenses are not eliminated in the process of consolidation from the various functional categories, whereas indirect expenses are, so direct costs and program revenues are not distorted. 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 including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All remaining governmental 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions/non-operating or ancillary activities.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

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, sales taxes, state-shared revenues, occupancy tax and various other taxes and licenses. The primary expenditures are for general government services, public safety, transportation, public works and environmental protection. Additionally, the Town has legally adopted a Capital Reserve Fund, a fund that is designated for future capital projects, and is consolidated in the General Fund.

Public Works Final Phase Capital Project Fund. This fund is used to account for the Public Works Complex additions of the new solid waste building and renovation of the animal control facility.

The Town reports the following non-major governmental funds:

Beach Nourishment Capital Project Fund. This fund is used to account for beach nourishment.

Public Works Capital Project Fund. This fund is used to account for the second phase of the Public Works Complex additions and improvements to police storage, public works administration, and fleet maintenance buildings

The Town reports the following major enterprise funds:

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

Wastewater Fund. This fund is used to account for the Town's wastewater operations.

The Town reports the following fund type:

Agency Fund. Agency funds are custodial in nature and do not involve the measurement of operating results. This fund is used to account for the assets the Town holds on behalf of the Firemen's Relief 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, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency fund which has no measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange 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 and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

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 program revenues. Likewise, general revenues include all taxes.

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

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

The Town considers all revenues available if they are collected within ninety days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a 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, North Carolina state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in the state. 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, including the Town of Kill Devil Hills. 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 during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, 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 Kill Devil Hills because the tax is levied by Dare County 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

D. Budgetary Information

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year end. Capital Reserve ordinances have been adopted for the Capital Reserve Fund, and a revised budget is amended as reserve funds have been used. Project ordinances have been adopted for the Public Works Complex Capital Project, Beach Nourishment, and Public Works Final Phase in the Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 for the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

The Town Manager by law is the budget officer in the council-manager form of government. On or before April 30 of each year, department heads must submit proposed budget requests to the Town Manager for budget preparation. The budget is presented by fund and department. As specified in the budget ordinance, the budget is adopted on a departmental level with line items or object of expenditures being presented for detail purposes only. The budget includes information for the past year, estimates for the current year, and requested appropriations for the next fiscal year.

The budget officer is authorized to transfer amounts between objects of expenditures within a department without limitation and without a report being requested. The budget officer may not transfer any amounts between departments of the same fund, with the exception of those departments presided over by the same department head; for example, amounts may be transferred from the Police department to the Animal Control department because they are presided over by the same department head. Any transfers such as these shall be reported to the governing board at its next meeting and shall be entered into the minutes. The budget officer may not transfer any amount between funds or from any contingency appropriation within any fund.

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. During the year several amendments to the original budget were necessary.

Expenditures may not legally exceed budgeted appropriations at the departmental level. The budget as presented in the General Fund is at the departmental level. Several departmental budgets may exist within each function of the General Fund. Debt service expenditures are budgeted annually within each department.

As required by G.S.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 open purchase orders and unperformed contracts in progress at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

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

1. Deposits and Investments

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

North Carolina state law [N.C.G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain prime quality issues of commercial paper and the North Carolina Capital Management Trust (NCCMT).

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 NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average of maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. The Town's cash and cash equivalents are considered to be cash on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Certificates of deposit are deemed cash equivalents regardless of their maturity because they are convertible to known amounts of cash and present no significant risk of changes in value.

3. Restricted Assets

The unexpended installment financing proceeds of the General Fund are classified as restricted assets for the General Fund. Their use is completely restricted to the purpose for which the installment financing was obtained. Money in the Capital Reserve Fund is also classified as restricted assets because its use is restricted to the Capital Reserve Fund per NC G.S. Chapter 159, Article 3, Part 2. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Federal Forfeiture Funds are classified as restricted cash because they can be expended only for the purposes of Police criminal matters. Finally, North Carolina unauthorized controlled substance excise taxes are classified as restricted assets for the General Fund. Their use is completely restricted for Police drug related training. The unexpended installment financing proceeds of the Public Works Final Phase Capital Project Fund - are classified as restricted assets to be used for construction of the Public Works Final Phase Capital Project Fund. In Business-type activities, Water Fund and Wastewater Fund customer deposits held by the Town (before any services are supplied) are restricted to the service for which the deposit was collected.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

Restricted Cash

Governmental Activities

General Fund

Unexpended lease proceeds	\$	510,017
Capital Reserve Fund		3,192,938
Powell Bill		38,153
Unauthorized controlled substance excise tax		24,988
Federal forfeiture funds		4,288
		<u>3,770,384</u>

Public Works Final Phase Capital Project Fund - Unexpended Lease Proceeds 4,497,480

Total Governmental Activities \$ 8,267,864

Business-type Activities

Water Fund

Customer deposits \$ 659,163

Wastewater Fund

Customer deposits 26,077

Total Business-type Activities \$ 685,240

Total Restricted Cash \$ 8,953,104

4. Ad Valorem Taxes Receivable

In accordance with State law [N.C.G.S. 105-347 and N.C.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 7. These taxes are based on the assessed values as of January 1, 2018. The taxes were collected throughout the fiscal year, from August through June.

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. Inventories and Prepaid Items

The inventories of the Town are valued at weighted average cost, which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the Town's Enterprise Funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when the inventory is consumed.

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.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

7. Capital Assets

Capital assets are defined as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of three years. Minimum capitalization costs are as follows: land, \$1; office furniture and equipment, \$5,000; vehicles, \$5,000; machinery and equipment (non-computer), \$5,000; computer equipment and software, \$5,000; buildings and improvements, \$5,000; animals, \$5,000; meters, \$5,000; and infrastructure, \$100,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 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.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and Plant	20 – 40 years
Improvements	10 – 40 years
Machinery and Equipment (non-computer)	5 – 10 years
Vehicles	5 – 7 years
Office furniture and equipment	5 – 10 years
Computer equipment	3 – 5 years
Animals	5 years
Streets	15 - 25 years
Meters	20 - 40 years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, pension and OPEB deferrals in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category-prepaid taxes, property taxes receivable, and deferrals of pension and OPEB expense.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

9. Long-Term Obligations

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

In fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

10. Compensated Absences

The overtime compensation policies of the Town allow for overtime compensation to be provided in the form of compensatory time off earned at time and one half (for hours worked over 40 hours per week) which can be accumulated up to a total of 240 hours. Accumulated overtime compensation in excess of 240 hours is paid (certain exceptions allow for 480 hours).

The vacation policies of the Town allow regular employees to earn vacation leave from the beginning of employment at the rate of one day per month (12 days per year). Regular employees with five or more years but less than 10 years of service earn vacation leave at the rate of one and one quarter days per month (15 days per year); with 10 or more years but less than 15 years of service at the rate of one and one half days per month (18 days per year); with 15 or more years but less than 20 years of service at the rate of 1 and three quarters days per month (21 days per year); with 20 years or more of service at the rate of 2 days per month (24 days per year). The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

11. Net Position/Fund Balances

Net Position

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

Fund Balances

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:

Non-spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in 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.

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

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

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

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

Committed Fund Balance – portion of fund balance that can only be used for specific purposes as imposed by a resolution adopted by a majority vote of the Town of Kill Devil Hills’ governing board. Any changes or removal of specific purposes requires a resolution adopted by a majority action by 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.

Assigned fund balance – portion of fund balance that the Town of Kill Devil Hills intends to use for specific purposes as determined by the Town of Kill Devil Hills’ Board of Commissioners.

Beach Nourishment Capital Project Fund – portion of fund balance that has been budgeted by the Board of Commissioners for Beach Nourishment.

Public Works Final Phase Capital Project Fund – portion of fund balance that has been budgeted by the Board of Commissioners for the Public Works Complex additions.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The Board of Commissioners approves the appropriation.

Unassigned fund balance – the residual classification for the Town’s General Fund includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes or other funds. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Town of Kill Devil Hills has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: lease purchase proceeds, federal funds, state funds, local non-town 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 the best interest of the Town.

Each year during budget preparation the Board of Commissioners provides verbal guidance on the Town’s minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 35% of budgeted expenditures. The minimum fund balance amount may change each year at the discretion of the Board depending on budget projections.

12. Pensions

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 Governmental 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 Kill Devil Hills’ employer contributions are recognized when due and the Town of Kill Devil Hills 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.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

F. 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 \$10,854,950 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
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)	\$ 50,308,030
Less accumulated depreciation	<u>(18,518,611)</u>
Net capital assets	\$ 31,789,419
Deferred outflows of resources related to pensions/OPEB are not reported in the funds	2,174,865
Liabilities for earned revenues considered deferred inflows on resources in fund statements	85,825
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:	
Installment financings payable	\$ (12,173,107)
Compensated absences	(766,460)
Net Pension Liability	(2,093,299)
Net other post-employment benefits obligation	(6,519,642)
Pension Liability (LEO)	<u>(930,836)</u>
	(22,483,344)
Deferred inflows of resources related to pension/OPEB are not reported in the funds	(596,851)
Other long-term liabilities (accrued interest) are not due and payable in current period and, are deferred in the funds.	<u>(114,965)</u>
Net adjustment	<u>\$ 10,854,950</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

1. 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 \$3,516,073 as follows:

<u>Description</u>	<u>Amount</u>
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital outlay expenditures recorded in the fund statements capitalized as assets in the statement of activities	\$ 3,345,418
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	<u>(3,908,470)</u>
	(\$ 563,052)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	
LGERS	478,982
LEOSSA	<u>46,738</u>
	525,720
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	344,271
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Net effect of transactions involving sales of capital assets	(3,723)
Change in tax revenue	<u>(11,125)</u>

The issuance of long-term debt (e.g., direct borrowing, direct placement) 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, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

Debt issued or incurred:		
Direct borrowing	\$ (5,393,437)	
Accrued interest payable	<u>(80,321)</u>	
		\$ (5,473,758)
Principal payments		<u>2,800,976</u>
		(2,672,782)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(37,893)
Pension expense - LEOSSA		(65,184)
Pension expense – LGERS		(594,294)
OPEB expense		<u>(438,011)</u>
		(1,135,382)
Net adjustment		<u>\$ (3,516,073)</u>

G. Comparative Data

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

NOTE 2. DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the Federal Depository Insurance Coverage (FDIC) level are collateralized with securities held by the Town's agent in the Town's name. 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 as a fiduciary for the Town, these deposits are considered to be held by the Town's agent in the Town's 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 formal policy regarding custodial credit 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 N.C.G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

At June 30, 2019, the Town's deposits had a carrying amount of \$5,353,639 and a bank balance of \$6,177,379. Of the bank balance, \$782,799 was covered by Federal Depository Insurance and \$5,394,580 was covered by collateral held under the pooling method. The Town had petty cash on hand at June 30, 2019, totaling \$1,900.

2. Investments

At June 30, 2019, the Town had the following investments and maturities. This schedule assumes that callable investments will not be called.

Investment Type	Fair Value	Investment Maturities in Years				
		<=.75	>.75 to 3	>3 to 5	>5 to 10	>10 to 15
U.S. Government Agencies	\$ 17,794,387	\$ 2,244,249	\$ 4,483,313	\$ 7,247,494	\$ 2,847,548	\$ 971,783
Commercial Paper	2,477,884	2,477,884				
US Treasury Note	995,781	995,781	-			
NC Capital Management Trust Term Portfolio	2,344	2,344				
NC Capital Management Trust Government Portfolio	4,593,430	4,593,430				
Investment Totals	\$ 25,863,826	\$ 10,313,688	\$ 4,483,313	\$ 7,247,494	\$ 2,847,548	\$ 971,783
Actual % of portfolio		39.88%	17.33%	28.02%	11.01%	3.76%
Actual cumulative % of portfolio		57.21%	85.23%	96.24%	100.00%	
Minimum cumulative per policy		50.00%	70%	90%	100%	

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 prices.

¹ The NC Capital Management Trust Term Portfolio had a duration of .11 years and is therefore presented as an investment with a maturity of less than 6 months.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's Investment Policy states that 40% should mature in 9 months but requires maturities of at least 50% or less in 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 portfolios (17.77%), Commercial Paper (9.58%), and U.S. Government Agencies (12.53%) matured in less than 9 months, 17.33% of U.S. Government Agencies matured in less than 3 years, 28.02% of U.S. Government Agencies matured in less than 5 years, 11.01% of U.S. Government Agencies in less than 10 years, 3.769% of U.S. Government Agencies in less than 15 years, based on the \$25,863,826 investment total. Deviations from the investment maturity percentages on June 30 occurred due to cash flow and fair market value fluctuations during the year. Also, the Town's Internal Management Policy requires purchases of securities to be laddered with staggered maturity dates. Investment income of \$534,138 was realized during fiscal year 2019. During the year no investments were sold for a realized gain or loss; however, because of the fair market value on June 30, the unrealized loss on investments held on June 30 was \$412,124. When combined, total investment income for fiscal year 2019 was a net gain of \$936,766.

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 statistical rating organizations. The Town's investments in US agencies, Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Banks, and Federal Home Loan Mortgage Corporation were rated AA+ by Standard and Poor's and Aaa by Moody's Investors Services. The Town's investment in the NC Capital Management Trust Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The Town's investment in the NC Capital Management Trust Term Portfolio, a bond fund, has no rating and is measured 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, all of which are to be a trust department authorized to do trust work in North Carolina and has an account with the Federal Reserve. Certified securities are to be in the custody of the Finance Director.

Concentration of Credit Risk. The Town's investment policy limits the amount that the Town may invest in any one issuer, except for U.S. Treasury securities and the North Carolina Capital Management Trust, to 30% of total investments. Investments which are restricted further are commercial paper, limited to no more than 25% of total investments and no more than \$3,000,000 in a single issuer. More than 75% of the Town's investments are in Federal Home Loan Mortgage Corporation (19.32%), Federal National Mortgage Association (14.45%), Federal Home Loan Bank (16.3%), and Federal Farm Credit Banks (18.72%).

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

3. Capital Assets

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

Primary Government

	June 30, 2018	Increases	Decreases	June 30, 2019
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,963,222	\$ -	\$ -	\$ 2,963,222
Construction in progress	1,339,437	242,467	1,191,746	390,157
Total capital assets, not being depreciated	<u>4,302,659</u>	<u>242,467</u>	<u>1,191,746</u>	<u>3,353,379</u>
Capital assets, being depreciated:				
Buildings	10,321,489	86,864	-	10,408,353
Other improvements	13,743,414	356,414	-	14,099,828
Machinery and equipment	2,452,334	160,433	99,889	2,512,878
Vehicles	8,027,324	783,568	183,700	8,627,192
Office furniture and equipment	481,552	-	-	481,552
Animals	21,274	-	-	21,274
Streets	7,896,159	2,907,416	-	10,803,575
Total capital assets, being depreciated	<u>42,943,546</u>	<u>4,294,695</u>	<u>283,589</u>	<u>46,954,652</u>
Less accumulated depreciation for:				
Buildings	3,397,432	243,326	-	3,640,758
Other improvements	2,462,777	2,070,510	-	4,533,287
Machinery and equipment	1,903,979	177,966	99,889	1,982,056
Vehicles	4,654,996	948,777	179,977	5,423,796
Office furniture and equipment	385,716	30,265	-	415,981
Animals	1,064	4,255	-	5,319
Streets	2,084,044	433,371	-	2,517,415
Total accumulated depreciation	<u>14,890,008</u>	<u>3,908,470</u>	<u>279,866</u>	<u>18,518,612</u>
Total capital assets, being depreciated, net	<u>28,053,538</u>	<u>386,225</u>	<u>3,723</u>	<u>28,436,040</u>
Governmental activities capital assets, net	<u>\$ 32,356,196</u>	<u>\$ 628,692</u>	<u>\$ 1,195,469</u>	<u>\$ 31,789,419</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

	June 30, 2018	Increases	Decreases	June 30, 2019
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 224,814	\$ -	\$ -	224,814
Construction in progress	260,283	860,926	4,000	1,117,209
Water rights	1,074,948	-	90,266	984,682
Total capital assets, not being depreciated	<u>1,560,045</u>	<u>860,926</u>	<u>94,266</u>	<u>2,326,705</u>
Capital assets, being depreciated:				
Buildings	412,781	-	-	412,781
Plant	2,714,034	564,504	-	3,278,538
Other improvements	16,482,931	34,969	-	16,517,900
Machinery and equipment	783,802	13,173	-	796,975
Vehicles	314,895	-	23,925	290,970
Office furniture and equipment	91,879	-	-	91,879
Meters	1,830,590	-	-	1,830,590
Total capital assets, being depreciated	<u>22,630,912</u>	<u>612,646</u>	<u>23,925</u>	<u>23,219,633</u>
Less accumulated depreciation for:				
Buildings	385,759	2,388	-	388,147
Plant	1,765,780	36,667	-	1,802,447
Other improvements	7,972,598	427,566	-	8,400,164
Machinery and equipment	672,142	44,766	-	716,908
Vehicles	196,796	47,035	23,925	219,906
Office furniture and equipment	91,879	-	-	91,879
Meters	603,529	73,268	-	676,797
Total accumulated depreciation	<u>11,688,483</u>	<u>631,690</u>	<u>23,925</u>	<u>12,296,248</u>
Total capital assets, being depreciated, net	<u>10,942,429</u>	<u>(19,044)</u>	<u>-</u>	<u>10,923,385</u>
Business-type activities capital assets, net	<u>\$ 12,502,474</u>	<u>\$ 841,882</u>	<u>\$ 94,266</u>	<u>\$ 13,250,089</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

Depreciation and amortization expenses were charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 2,355,630
Public safety	377,595
Transportation	749,287
Environmental protection	425,958
Total depreciation expense - governmental activities	<u>\$ 3,908,470</u>
Business-type activities:	
Water	\$ 522,067
Wastewater	109,623
Total depreciation expense - business-type activities	<u>\$ 631,690</u>
Business-type activities:	
Water	\$ 90,266
Total amortization expense - business-type activities	<u>\$ 90,266</u>
Total depreciation and amortization expenses - business-type activities	<u>\$ 721,956</u>
Breakdown of capital outlay increases for Governmental activities:	
Capital outlay expenditures	\$ 3,345,416
CIP completed projects	1,191,746
Total increases in capital assets being depreciated and not being depreciated	4,537,162
Depreciation	3,908,470
Total increases in Governmental activity capital assets, net	<u>\$ 628,692</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

4. Construction commitments

The Town has active construction projects as of June 30, 2019. At year-end, the Town's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Water Tank Elevation & Engineering	\$ 1,037,659	\$ 2,439,828
Colington Road Water Main Design	51,000	6,000
2019/20 Street Projects Engineering	70,854	22,146
2018/19 Streets Project Engineering	60,162	3,838
Public Works Complex Final Phase	89,941	3,886,169
	<u>\$ 1,309,616</u>	<u>\$ 6,357,981</u>

B. Liabilities

1. Accrued liabilities

Accrued liabilities reported by governmental funds at June 30, 2019, were as follows:

	General Fund
Salary and employee benefits	\$ 172,173
Other	156,801
Total accrued liabilities	<u>\$ 328,974</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

1. Pension Plan and Post-Employment Obligations

a. North Carolina Local Governmental Employees' Retirement System.

Plan Description. The Town of Kill Devil Hills 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 governmental entities. Article 3 of N.C.G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Kill Devil Hills 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 Kill Devil Hills' contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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 Kill Devil Hills were \$542,940 for the year ended June 30, 2019.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 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, 2019, the Town reported a liability of \$2,372,816 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.10002%, which is an increase of 0.00062% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$673,650. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 366,069	\$ 12,283
Changes of assumptions	629,654	-
Net difference between projected and actual earnings on pension plan investments	325,717	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	28,694	-
Town contributions subsequent to the measurement date	542,940	-
Total	\$ 1,893,074	\$ 12,283

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

\$542,940 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 643,980
2021	420,781
2022	80,404
2023	192,687
2024	-
Thereafter	-
	\$ 1,337,852

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 5,699,711	\$ 2,372,816	\$ (407,188)

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

b. Law Enforcement Officers Special Separation Allowance.

1. Plan Description:

The Town of Kill Devil Hills 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.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017 (the valuation date), the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>27</u>
Total	<u>29</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 terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

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

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is the S & P Municipal Bond 20-year High Grade Rate Index.

Mortality rates are based on the RP-2014 Mortality table base rates projected to the valuation date using the MP-2015.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

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 in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The Town paid \$47,456 as benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$ 930,836. The total pension liability was measured as of December 31, 2018 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, The Town recognized pension expense of \$65,184

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 58,000
Changes of assumptions	41,668	47,118
Town benefit payments subsequent to the measurement date	25,251	-
Total	<u>\$ 66,919</u>	<u>\$ 105,118</u>

\$25,251 reported as deferred inflows of resources related to pension resulting from benefits 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 14,090
2021	14,090
2022	14,090
2023	11,550
2024	8,872
Thereafter	758

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's 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 (2.86 percent) or one percentage point higher (4.86 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Town's pension liability	\$1,018,338	\$930,836	\$851,246

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

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

Total pension liability December 31, 2017	\$ 940,269
Changes for the year:	
Service cost at end of year	49,739
Interest	29,130
Change in benefit terms	-
Differences between expected and actuarial experience	(10,444)
Changes of assumptions and other inputs	(40,984)
Benefit payments	(36,874)
Other changes	-
Net changes	<u>\$ (9,433)</u>
Total Pension liability December 31, 2018	<u>\$ 930,836</u>

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 673,650	\$ 65,184	\$ 738,834
Pension Liability	2,372,816	930,836	3,303,652
Proportionate share of the net pension liability	0.10002%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	366,069	-	366,069
Changes of assumptions	629,654	41,668	671,322
Net difference between projected and actual earnings on plan investments	325,717	-	325,717
Changes in proportion and differences between contributions and proportionate share of contributions	28,694	-	28,694
Benefit payments and administrative costs paid subsequent to the measurement date	542,940	25,251	568,191
Deferred of Inflows of Resources			
Differences between expected and actual experience	12,283	58,000	70,283
Changes of assumptions	-	47,118	47,118
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

c. Supplemental Retirement Income Plan (457-B) for Law Enforcement and Non-Law Enforcement Officers.

The Town adopted a Supplemental Retirement Income Plan, a defined contribution plan, for all employees beginning May 13, 2013. The Town does not, and has no requirement or obligation under North Carolina General Statutes to, contribute to the Plan. All contributions are voluntarily made by employees. Total contributions for the year ended June 30, 2019, were \$21,160 that consisted of \$21,010 from the non-law enforcement officers and \$150 from law enforcement officers.

d. Other Post - Employment Benefits – Health Benefits

Cobra Benefits. Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Town provides health care benefits to eligible former employees and eligible dependents. The federal government outlines certain requirements for this coverage. The premium plus a 2% administration fee is paid in full by the insured. This program is offered for a duration of up to three years depending on specific circumstances.

e. Supplemental Retirement Income Plan (401-K) 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 N.C.G.S. Chapter 135 assigns the authority to establish and amend benefit provision to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Funding Policy. Article 12E of N.C.G. S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2019 were \$127,542 which consisted of \$83,246 from the Town and \$44,296 from law enforcement officers. The contributions made by the Town equaled the required contributions for each year.

f. Supplemental Retirement Income Plan (401-K) for Non-Law Enforcement Officers.

The Town adopted a Supplemental Retirement Income Plan, a defined contribution plan, for employees, other than law enforcement, beginning January 31, 1991. The Town contributes an amount equal to 3% of each employee's salary plus an additional 2% matching contribution (excluding law enforcement officers), and all amounts contributed are vested immediately. The Town has no requirement or obligation under North Carolina General Statutes to contribute to the Plan. Employees may also make voluntary contributions to the plan. Total contributions for the year ended June 30, 2019, were \$491,087 that consisted of \$250,860 from the Town and \$240,227 from employees.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

g. Health Care Benefits.

Plan Description: Under the terms of a Town resolution as of July 1, 2007, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of July 1, 2007 this plan provides post-retirement health care benefits to those retired under the Local Government Employee's Retirement System (LGERS) and have at least twenty years of creditable service to the Town. Prior to July 1, 2007, employees qualified for similar level benefits after at least five years of creditable service with the Town. The same benefits are provided for eligible dependents and spouses. This insurance terminates when the retired employee becomes eligible for Medicare; however, supplemental non-group insurance is made available. The governing board may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2018 the date of the latest actuarial valuation:

Inactive Members or Beneficiaries Currently Receiving Benefits	42
Inactive Members Entitled To, But Not Yet Receiving Benefits	-
Active Members	111
Total Membership	<u>153</u>

Total OPEB Liability

The Town's total OPEB liability of \$7,390,209 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 percent, average, including inflation
Discount rate	3.89 percent
Healthcare cost trend rates	Medical – 7.5% Prescription – 7.5% Admin Expenses – 3.00%

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

Changes in the Total OPEB Liability

Total OPEB liability June 30, 2017	\$ 7,384,841
Changes for the year	
Service cost at the end of the year	343,907
Interest on TOL and Cash Flows	255,861
Changes in benefit terms	-
Differences between expected and actual experience	66,206
Changes of assumptions or other inputs	(261,625)
Benefit payments	(398,981)
Net changes	<u>\$ 5,368</u>
Total OPEB Liability as of June 30, 2018	<u>\$ 7,390,209</u>

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by LGERS.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the Town's total OPEB liability calculated using the discount rate of 3.89 percent, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.89 percent) or one percentage point higher (4.89 percent) than the current rate:

	<u>1% Decrease</u>	<u>Discount Rate (3.89%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 8,227,547	\$ 7,390,209	\$ 6,674,696

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:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	\$ 6,555,322	\$ 7,390,209	\$ 8,405,842

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$516,919. At June 30, 2019, the City 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	\$ 106,103	\$ -
Changes of assumptions	-	545,110
Benefit payments and administrative costs subsequent to the measurement date	406,812	
Total	\$ 512,915	\$ 545,110

\$406,812 reported as deferred inflows 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2019	\$ (82,849)
2020	(82,849)
2021	(82,849)
2022	(82,849)
2023	(80,660)
Thereafter	(26,951)

3. Other Employment Benefits

The Town has 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 his/her 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. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and other benefit amount. The Town considers these contributions to be immaterial. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2019, the Town made contributions to the State for death benefits of \$5,998. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .07% and .14% of covered payroll respectively.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

The Town has also elected to provide additional death benefits to all active employees through a commercial carrier. Benefits are equal to one times an employee's salary, based on their annual salary at July 1. Retirees are covered for a benefit amount of \$25,000 until they reach Medicare age.

4. Deferred Outflows and Inflows of Resources

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

	Statement of Net Position
Contributions to pension plan in the current fiscal year LGERS	\$ 542,940
Benefit payments made for LEOSSA subsequent to measurement date	25,251
Benefit payments made for OPEB subsequent to measurement date	406,812
Differences between expected and actual experience	472,172
Changes of assumptions	671,322
Net difference between projected and actual earnings on plan investments	325,717
Changes in proportion and difference between contributions and proportionate share of contributions	28,694
Total	\$ 2,472,908

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 85,825
Privilege licenses receivable (General Fund)	-	7,254
Differences between expected and actual experience	70,283	-
Changes in assumptions	592,228	-
Net difference between projected and actual earning on plan investments	-	-
Changes in proportion and difference between contributions and proportionate share of contributions	-	-
Total	\$ 662,511	\$ 93,079

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

5. Commitments

As disclosed under lease agreements, the Town has subordinated financial claims for the Outer Banks Chamber of Commerce lease from the Town. Under the lease agreement, the Town has the right to cure should the Chamber of Commerce default on its obligation relating to improvements on the leased property. The Town has the right to assume the obligation and has full recourse against the Chamber of Commerce.

The Town was committed under various open purchase orders and contracts as of June 30, 2019. Those amounts which relate to the General Fund and are included in the stabilization by state statute in the fund balance section of the Combined Balance Sheet (Exhibit 3) of \$192,529 are primarily for software upgrades, FY 19-20 street projects engineering and completion of the 2018/19 street projects.

The Public Works Final Phase Capital Project Fund at June 30, 2019 the Town was committed under several contracts related to the public works final phase construction in the amount of \$3,886,169.

The outstanding contracts that relate to the Water Fund total \$2,451,251 and are primarily for the elevated tank replacement project, 8th Street tank project, and the Colington Road water main project.

There are no outstanding contracts that relate to the Wastewater Fund.

6. 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 \$3 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 up to a \$2 million lifetime limit. 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 reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Town carries flood insurance through the National Flood Insurance Program (NFIP). Because the Town is in or near an area designated as a Flood Hazard Zone due to ocean or sound waters by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP.

The Town carries a bond on its finance officer in the amount of \$150,000, and on its tax collector in the amount of \$50,000. Blanket coverage for all other employees is equivalent to \$50,000 per occurrence.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

7. Claims, Judgments and Contingent Liabilities

At June 30, 2019, in the opinion of the Town's management and the Town Attorney, the Town was not involved in any claims, judgments or contingent liabilities.

8. Long-Term Obligations

a. Direct Borrowing and Direct Placement Installment Purchase Contracts

In April 2014, the Town entered into a \$1,048,175 direct borrowing installment purchase contract to finance a fire truck. The interest rate is 2.12% per annum fixed. The financing contract requires twenty semi-annual payments of \$57,824 each. In January 2018, due to the corporate tax yield maintenance provision, the interest rate increased to 2.58%. A UCC security agreement in the acquired equipment serves as collateral to secure the required payment. Effective October 2018, the remaining eleven semi-annual payments are \$58,659 each.

In February 2016, the Town entered into a \$1,126,438 direct borrowing installment purchase contract to finance a variety of vehicles and equipment including two garbage trucks and police software. A UCC security agreement in the acquired equipment serves as collateral to secure the required payment. The interest rate is 1.42% per annum fixed. The money was placed in an interest-bearing account until related assets were acquired. Unexpended proceeds at June 30, 2019, equaled \$32,634. The financing contract requires eight semi-annual payments of \$144,315 each.

In February 2016, the Town entered into a \$511,617 direct borrowing installment purchase contract to finance a fire pumper. A UCC security agreement in the acquired equipment serves as collateral to secure the required payment. The interest rate is 1.87% per annum fixed. The financing contract requires fourteen semi-annual payments of \$38,769 each.

In March 2017, the Town entered into a \$1,279,031 direct borrowing installment purchase contract to finance office equipment, public safety equipment and vehicles, a tractor and front end loader for streets, solid waste vehicles and a Mack roll off truck. A UCC security agreement in the acquired equipment serves as collateral to secure the required payment. The interest rate is 1.63% per annum fixed. The financing contract requires eight semi-annual payments of \$164,277 each.

In March 2018, the Town entered into a \$1,083,447 direct borrowing installment purchase contract to finance various public safety vehicles, equipment, boat, streets vehicle, roller, and solid waste backhoe, vehicle, and two garbage trucks. A UCC security agreement in the acquired equipment serves as collateral to secure the required payment. The interest rate is 2.64% per annum fixed. The money was placed in an interest-bearing account until related assets were acquired. The financing contract requires eight semi-annual payments of \$141,728 each.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

In February 2019, the Town entered into a \$828,481 direct borrowing installment purchase contract to finance various vehicles for general government, public safety, streets, a Mack roll off and garbage truck for solid waste. A UCC security agreement in the acquired equipment serves as collateral to secure the required payment. The interest rate is 2.71% per annum fixed. The money was placed in an interest-bearing account until related assets were acquired. Unexpended proceeds at June 30, 2019 equaled \$476,757. The financing contract requires eight semi-annual payments of \$108,504 each.

In November 2005, the Town entered into a direct borrowing installment purchase contract with a financial institution for \$3,583,350 over fifteen years at a fixed rate of 3.39%. This agreement provided financing for the construction and improvements of the Town's Public Works Complex. In February 2013, the town negotiated an interest rate reduction to 2.45% on the remaining \$1,783,296 principal balance with the same institution for the remaining 7 years. In October 2015, the Town refinanced this installment financing contract with a different financial institution. The interest rate was reduced to 2.0% on the remaining \$1,185,983 principal balance for the remaining 5 years. This property is pledged as collateral for the debt while the debt is outstanding.

In October 2015, the Town entered into a direct borrowing installment purchase contract with a financial institution for \$2,337,660 over 15 years at a fixed rate of 2.68%. The agreement provided financing for Phase II improvements of the Town's Public Works Complex. This property is pledged as collateral for the debt while the debt is outstanding.

In June 2016, the Town issued direct placement special obligation bonds in the amount of \$5,036,691 under a five year installment financing agreement with PNC Bank to fund a portion of beach nourishment costs. The financing contract requires semi-annual interest payments beginning in December 2016, and annual principal payments beginning in December 2017 with fixed interest rate of 1.64% for 5 years. The debt is secured by occupancy tax revenues and amounts distributed from Dare County to the Town under an inter-local agreement dated April 22, 2015 and updated on June 6, 2016.

In January 2019, the Town entered into a direct borrowing installment purchase contract with a financial institution for \$4,564,956 over 15 years at a fixed rate of 4.070%. The agreement provided financing for Phase III improvements of the Town's Public Works Complex. Unexpended proceeds at June 30, 2019 equal \$4,497,479. This property is pledged as collateral for the debt while the debt is outstanding.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

Annual debt service payments on these installment purchases of June 30, 2019 including principal and interest are as follows (Governmental Activities):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 2,814,265	\$ 324,950
2021	2,291,490	265,392
2022	2,003,780	213,915
2023	719,284	177,221
2024	518,087	155,898
2025-2029	2,300,870	527,313
2030-2034	1,525,329	142,478
	<u>\$ 12,173,105</u>	<u>\$ 1,807,167</u>

In March 2010, the Town entered into a direct borrowing installment purchase contract with The North Carolina Department of Environment and Natural Resources for a water project in the principal sum of \$112,522. As part of the American Recovery and Reinvestment Act of 2009 (ARRA), the unpaid principal sum was immediately reduced by one half of the loan amount as principal forgiveness. Interest on the balance of \$56,261 accrues at 0% over a period of twenty years.

Annual debt service requirements for Purchase Contracts as of June 30, 2019, are as follows (Business-type Activities):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 2,813	\$ -
2021	2,813	-
2022	2,813	-
2023	2,813	-
2024	2,813	-
2025-2029	14,066	-
2030	2,813	-
	<u>\$30,944</u>	<u>\$ -</u>

b. Legal Debt Margin

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the Town's boundaries. The legal debt margin for the Town of Kill Devil Hills is \$163,331,894. The Town had no outstanding bonded debt subject to the limitation at June 30, 2019.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2019**

c. Changes in General Long-Term Debt

The following is a summary of changes in general long-term debt for the year ended June 30, 2019:

	July 1, 2018	Increases	Decreases	June 30, 2019	Current Portion of Balance
Government activities:					
Direct Borrowing Installment Purchase	\$ 5,551,291	\$ 5,393,437	\$ 1,793,638	\$ 9,151,090	\$ 2,814,265
Direct Placement Installment Purchase	4,029,353	-	1,007,338	3,022,015	-
Compensated absences-net	728,568	665,971	628,079	766,460	500,000
Net Pension Liability (LGERS)	1,339,671	753,627	-	2,093,298	-
Total Pension Liability (LEO)	940,269	-	9,433	930,836	-
Total OPEB Liability	6,514,907	4,735	-	6,519,642	-
Total	\$ 19,104,059	\$ 6,817,770	\$ 3,438,488	\$ 22,483,341	\$ 3,314,265
Business-type activities:					
Direct Borrowing Installment Purchase	\$ 33,757	\$ -	\$ 2,813	\$ 30,944	\$ 2,813
Compensated absences-net	72,690	75,864	75,558	72,996	50,000
Net Pension Liability (LGERS)	178,886	100,632	-	279,518	-
Total OPEB Liability	869,934	633	-	870,567	-
Total	\$ 1,155,267	\$ 177,129	\$ 78,371	\$ 1,254,025	\$ 52,813

Compensated absences for governmental and business-type activities have typically been liquidated in the General Fund and Water Fund respectively, and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned. For governmental activities, the net pension obligation is liquidated by the General Fund. Also, for governmental and business-type activities, net other post-employment benefit obligation are generally liquidated by the General Fund and Water Fund respectively.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2019**

9. Interfund Receivables, Payables, and Transfers

Interfund		
Receivable/Payable:		Amount
Receivable Fund	Payable Fund	
Water Fund	Wastewater Fund	\$ 503,087

The Town was forced into receivership of the Ocean Acres Wastewater Treatment System (OAWWTS) in 1985 as it was severely out of compliance with its permit and company finances were in arrears. Following was a long and complicated history that in 2005 finally resulted in the Town's ability to eliminate the OAWWTS in favor of connecting all customers to the privately-owned Kill Devil Hills Wastewater Treatment Plant, LLC, thus increasing the customer base which will eventually allow for repayment of this loan.

Transfers to/from other funds at June 30, 2019, consist of the following:

From capital reserve fund to general fund (for capital projects) \$55,018
From wastewater fund to water fund (to repay wastewater debt) \$18,750

10. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2019, the Town has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$20,676 for the 24 volunteer firefighters and the 19 employed firefighters who perform firefighting duties for the Town's Fire Department. The volunteers and employees elected to be members of the Firemen's and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Pension Fund is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

11. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 31,789,419	\$ 13,250,089
(less): long-term debt net of unexpended debt proceeds	(7,165,607)	(30,944)
Net investment in capital asset	\$ 24,623,812	\$ 13,219,145

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

12. 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	\$ 19,045,759
Less:	
Inventories	161,746
Prepaid items	1,037
Stabilization by State statute	1,960,684
Public Safety	29,276
Streets-Powell Bill	38,153
Capital Reserve Fund	3,192,938
Appropriated Fund Balance in 2020 budget	1,178,472
Working Capital/Fund Balance Policy	<u>6,817,258</u>
Remaining Fund Balance	<u>\$ 5,666,195</u>

Each year during budget preparation the Board of Commissioners provides verbal guidance on the Town's minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 35% of budgeted expenditures. The minimum fund balance amount may change each year at the discretion of the Board depending on budget projections.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

Encumbrances	General Fund	Other Major Fund	Water Fund
	\$ 192,529	\$ 3,886,169	\$ 2,451,251

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

NOTE 3. LEASE AGREEMENT

The Town entered into a lease agreement to rent land on the Baum Tract to the Outer Banks Chamber of Commerce (lessee) in April 1986. The term of the lease was for ten consecutive years and the Town received rent from the lessee of \$100 per month for the term of the lease. The lease has a renewal option of ten additional years that can be exercised for five successive terms. This lease was renewed in April 1996 for an additional ten years, renewed again in March 2006 for a second renewal of ten years, and renewed in February 2016 for the third renewal of ten years. The lessee has constructed real property on the land, and the Town will subordinate financial claims to the mortgage holder for an amount not to exceed 80 % of the value of such real property. At the termination of the lease the property and improvements thereon shall become the sole property of the Town. This lease was amended in March 1995 and provided that in addition to the cash rent, the lessee shall provide to the Town of Kill Devil Hills the highest type of benefit membership to the Outer Banks Chamber of Commerce without costs.

NOTE 4. WATER PURCHASE CONTRACT

A revised water agreement with Dare County and the Town of Nags Head was signed on October 4, 1996. Water is purchased from Dare County based on the Dare County wholesale water rate. The wholesale water rate paid during the June 30, 2019 fiscal year was \$1.891 and \$1.989 per thousand gallons.

NOTE 5. INTANGIBLE WATER RIGHTS

On October 4, 1996, the Town approved a revised water agreement with Dare County and the Town of Nags Head which allocates 3 million gallons per day of water from the system capacity, inclusive of expansions. The Town of Kill Devil Hills will bear all costs and expenses associated with expansions requested or required by the Town. Prior to this agreement, the Town had paid \$3,610,620 towards the construction of the reverse osmosis water desalination plant.

The intangible water rights are being amortized over 40 years. This time period corresponds to the estimated useful life of the reverse osmosis water desalination plant. On June 30, 2019, accumulated amortization was \$2,625,937.

NOTE 6. JOINTLY GOVERNED ENTITY

The Local Government Community Access Channel continues to be administered by Dare County, with guidance and input by the participating municipalities including, but not necessarily limited to, establishing an annual budget for operation of the channel and adoption of policies on channel programming.

NOTE 7. BEACH NOURISHMENT

The Town began the planning phase of a beach nourishment project in fiscal year June 30, 2014 in conjunction with Dare County and the Towns of Kitty Hawk and Duck. The Town's portion of the project totaled \$8,807,166. The project was financed with the issuance of special obligation bonds which occurred in June 2016 in the amount of \$5,036,691, grant proceeds from Dare County in the amount \$3,563,772, with the remaining cost of \$206,703 coming from beach nourishment capital reserve funds. The debt on the special obligation bonds will be repaid with funds from Dare County along with a budget appropriation of town-wide tax equivalent to approximately three cents and a municipal service district tax. The beach nourishment project in Kill Devil Hills began in the Summer of 2017 and was completed on June 30, 2018. Funds accumulated in the beach nourishment capital reserve fund at June 30, 2019 total \$2,708,379.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2019

NOTE 8. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

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

NOTE 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 22, 2019, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employee's Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

Schedule of Changes in Total Pension Liability

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Schedule of Changes in Total OPEB Liability and Related Ratios

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS*

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Kill Devil Hills' proportion of the net pension liability (asset) (%)	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Kill Devil Hills' proportion of the net pension liability (asset) (\$)	\$ 2,372,816	\$ 1,518,557	\$ 2,152,048	\$ 439,863	\$ (584,202)	\$ 1,209,000
Kill Devil Hills' covered payroll*	\$ 6,563,627	\$ 6,510,677	\$ 6,109,672	\$ 5,954,373	\$ 5,833,247	\$ 5,351,780
Kill Devil Hills' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	36.15%	23.32%	35.22%	7.39%	(10.02%)	22.59%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

These schedules are 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.

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS**

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 542,940	\$ 502,297
Contributions in relation to the contractually required contribution	542,940	502,297
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Kill Devil Hills' covered payroll	\$ 6,874,637	\$ 6,563,627
Contributions as a percentage of covered payroll	7.90%	7.65%

These schedules are 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.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	\$ 481,666	\$ 418,284	\$ 426,043	\$ 415,347
	481,666	418,284	426,043	415,347
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	\$ 6,510,677	\$ 6,109,672	\$ 5,954,373	\$ 5,833,247
	7.40%	6.85%	7.16%	7.12%

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
June 30, 2019

	2019	2018	2017
Beginning Balance	\$ 940,269	\$ 902,881	\$ 895,538
Service Cost	49,739	42,525	45,544
Interest on the total pension liability	29,130	34,306	31,168
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(10,444)	(72,513)	-
Changes of assumptions or other inputs	(40,984)	61,322	(24,417)
Benefit payments	(36,874)	(28,252)	(44,952)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 930,836</u>	<u>\$ 940,269</u>	<u>\$ 902,881</u>

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

These schedules are 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.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST THREE FISCAL YEARS

	2019	2018	2017
Total pension liability	\$ 930,836	\$ 940,269	\$ 902,881
Covered payroll	1,613,845	1,591,980	1,690,181
Total pension liability as a percentage of covered payroll	57.68%	59.06%	53.42%

Notes to the schedules:

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

These schedules are 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.

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

June 30, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Beginning Balance	\$ 7,384,841	\$ 7,549,376
Service Cost	343,907	374,355
Interest	255,861	221,571
Changes of benefit terms	-	-
Differences between expected and actual experience	66,206	69,333
Changes of assumptions	(261,625)	(450,541)
Benefit payments	(398,981)	(379,253)
Net Change in total OPEB liability	5,368	(164,535)
Ending balance of the total pension liability	<u>\$ 7,390,209</u>	<u>\$ 7,384,841</u>
Covered payroll	\$ 5,824,231	\$ 5,824,231
Total OPEB liability as a percentage of covered payroll	126.89%	126.80%

Notes of 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>
<u>2019</u>	<u>3.89%</u>
<u>2018</u>	<u>3.18%</u>

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

These schedules are 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.

MAJOR GOVERNMENTAL FUNDS

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

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

The **Public Works Final Phase Capital Project Fund** is used to account for the final construction of Public Works Complex additions to include a new solid waste building and renovation of the existing animal control facility.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
REVENUES				
Ad Valorem Taxes:				
Current year	\$	\$ 8,323,859	\$	\$ 8,095,090
Municipal service district		510,865		503,230
Prior years		20,954		48,158
Less payments to other governments		(6,620)		(3,490)
Penalties and interest		21,695		19,999
		<u>8,751,775</u>		<u>8,662,987</u>
Other Taxes and Licenses:				
Privilege licenses:				
Current		8,375		8,756
Penalties		49		26
Local option sales tax		2,571,576		2,619,666
Local option sales tax MSD		171,083		161,296
Occupancy tax		2,901,475		2,924,648
Land transfer tax		719,137		716,569
Solid waste disposal tax		5,358		4,780
		<u>6,001,425</u>		<u>6,435,741</u>
Unrestricted Intergovernmental Revenues:				
Utilities sales tax		762,412		729,888
Piped natural gas sales tax		4,776		3,910
Sales tax - telecom services		59,209		63,546
Sales tax - video programming		156,261		163,151
PEG channel support		26,893		27,031
Wine and beer tax		31,162		31,163
ABC revenue		19,324		18,664
Mixed beverage tax		39,623		39,053
		<u>1,041,593</u>		<u>1,076,406</u>
Restricted Intergovernmental Revenues:				
Federal and State:				
FEMA Firefighters Wellness		29,604		-
FEMA Florence		37,122		-
FEMA Michael		126,728		-
FEMA Matthew		-		270,446
Asset forfeiture funds		-		1,839
Grant - Body Armor USDOJ		-		3,083
Powell Bill allocation		241,845		243,872
Drug enforcement reimbursement		1,394		4,577
Grant - NC Parks & Rec Trust		25,000		225,000
Grant - NCDEQ DCM		-		84,000

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Restricted Intergovernmental Revenues (continued):				
Local:				
Grant - Gov't Access Channels		24,352		8,321
Grant - DCTB - Fireworks		11,750		10,000
Grant - DCTB - Sidewalk Grant		340,125		-
Grant - NCLM EAP		2,500		1,127
Grant - NCLM Wellness		-		1,865
Beach nourishment reimbursement		119,000		304,947
		<u>569,292</u>		<u>1,159,077</u>
Permits and Fees:				
Building permits	\$	\$ 451,452	\$	\$ 416,713
Occupancy permit fees		3,450		3,800
Site plan review fees		78,714		31,199
Other planning fees		5,388		13,176
CAMA implement and enforcement payments		2,880		2,365
Homeowner recovery fees		66		82
Taxi ordinance fees		250		305
		<u>223,400</u>		<u>542,200</u>
Sales and Services:				
Animal Control fees:				
Boarding and adoption		4,000		3,100
Dog licenses		828		790
Rabies vaccination		259		179
Court costs and fees		3,201		2,415
Finger print fees		1,230		1,190
Buy gold application fee		142		142
Rollout container sales		26,955		22,889
Dumpster sales		32,469		20,165
Cookbook sales		80		120
		<u>69,540</u>		<u>69,164</u>
Investment Earnings:				
Investment earnings		289,612		229,034
Change in fair market value of investments		222,868		(146,629)
Net investment earnings (loss)		<u>140,000</u>		<u>512,480</u>
Other revenues:				
Miscellaneous		37,722		27,999
Discounts on purchases		2,220		2,101
Rental of government owned property		106,681		105,043
Contributions		132,700		2,334
Insurance Proceeds		25,868		-
		<u>245,500</u>		<u>305,191</u>
TOTAL REVENUES		<u>17,042,525</u>		<u>18,735,921</u>
				<u>1,693,396</u>
				<u>18,072,723</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
EXPENDITURES				
General Government:				
Administration:				
<i>Administrative costs:</i>				
Board of commissioner fees	\$	\$ 43,326	\$	\$ 45,025
Video taping		3,594		2,912
Legal services		37,709		43,221
Travel and training-board		1,025		1,812
Election costs				5,170
		<u>85,654</u>		<u>98,140</u>
<i>Salaries and benefits:</i>				
Salaries		528,690		486,659
FICA expense		41,814		39,110
Funding for health plan		78,838		73,514
Retirement		41,709		37,115
401K retirement		26,574		24,479
		<u>717,624</u>		<u>660,877</u>
<i>Operating expenditures:</i>				
Professional services		6,071		5,814
Engineering services		7,575		12,155
Telephone		22,041		20,469
Travel and training		6,565		2,522
Outside maintenance		150		5
Fleet maintenance		-		122
Printing		5,451		6,725
Equipment rental		4,053		3,040
Copier lease		4,826		4,535
Partnerships		30,000		30,000
Tuition reimbursement		750		1,000
Advertising		12,900		9,487
Vehicle fuel		276		231
Supplies and materials		13,337		7,654
Contracted services		36,750		42,718
Dues and subscriptions		11,982		14,304
Worker's compensation		2,156		2,558
Miscellaneous		2,087		267
Miscellaneous-special events		50,472		35,182
Miscellaneous-wellness program		83		2,130
Miscellaneous-Board of Commissioners		98		548
		<u>217,621</u>		<u>201,466</u>

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Administration (continued):				
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund	\$	\$ (102,692)	\$	\$ (92,966)
		<u>(102,692)</u>		<u>(92,966)</u>
Total	<u>1,023,727</u>	<u>918,208</u>	<u>105,519</u>	<u>867,517</u>
Finance and Tax:				
<i>Salaries and benefits:</i>				
Salaries		469,323		445,111
FICA expense		35,050		33,158
Funding for health plan		68,934		67,570
Retirement		36,803		33,716
401K retirement		23,425		22,255
		<u>633,535</u>		<u>601,810</u>
<i>Operating expenditures:</i>				
Audit		18,590		16,590
Tax collection fee		132,749		128,882
Postage		3,005		7,066
Travel and training		8,738		11,416
Communications		85		84
Printing		1,460		380
Copier lease		5,891		5,560
Supplies and materials		6,351		4,188
Contracted services		15,821		9,361
Departmental supplies		2,406		3,615
Departmental charges		(3,896)		(3,615)
Dues and subscriptions		1,067		1,137
General insurance		174,938		181,076
Retiree health insurance		344,271		333,967
Worker's compensation		702		1,168
Unemployment insurance		215		2,965
Miscellaneous		140		200
		<u>712,534</u>		<u>704,040</u>
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund		(86,695)		(78,718)
		<u>(86,695)</u>		<u>(78,718)</u>
Total	<u>1,659,847</u>	<u>1,259,374</u>	<u>400,473</u>	<u>1,227,132</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Management Information Services				
<i>Salaries and benefits:</i>				
Salaries	\$	\$ 92,400	\$	\$ 86,654
FICA expense		6,809		6,402
Funding for health plan		18,688		17,389
Retirement		7,247		6,564
401K retirement		4,620		4,333
		<u>129,764</u>		<u>121,342</u>
<i>Operating expenditures:</i>				
Travel and training		2,503		2,544
Outside maintenance and repairs		5,589		16,121
Maintenance contracts		99,325		128,042
Supplies and materials		28,528		46,403
Contracted services		14,776		14,692
Worker's compensation		124		235
Dues and subscriptions		11,795		200
Installment note payments		69,630		69,630
		<u>232,271</u>		<u>277,867</u>
<i>Capital outlay:</i>				
Office furniture and equipment		-		12,403
		<u>-</u>		<u>12,403</u>
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund		(43,150)		(39,264)
		<u>(43,150)</u>		<u>(39,264)</u>
Total	380,248	318,885	61,363	372,348
Planning and Development:				
<i>Salaries and benefits:</i>				
Salaries		464,142		465,542
FICA expense		34,396		34,565
Funding for health plan		81,182		85,646
Retirement		36,403		35,264
401K retirement		22,015		22,305
		<u>638,138</u>		<u>643,322</u>
<i>Operating expenditures:</i>				
Planning and zoning board fees		9,800		9,490
Professional services		-		583
Travel and training		12,181		8,561
Outside maintenance and repairs		346		28
Fleet maintenance		1,415		979
Communications		1,713		996

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Planning and Development (continued):				
<i>Operating expenditures (continued):</i>				
Printing	\$	\$ -	\$	\$ 177
Equipment rental		1,070		-
Copier lease		3,714		3,230
Advertising		129		274
Vehicle fuel		3,368		2,573
Supplies and materials		3,999		5,012
Land Use plan		7,660		39,818
Recordation Fees		-		55
Dues and subscriptions		1,654		2,275
Worker's compensation		6,559		4,663
Miscellaneous		138		139
Installment note payments		6,451		12,902
		<u>60,198</u>		<u>91,755</u>
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund		(65,031)		(69,220)
		<u>(65,031)</u>		<u>(69,220)</u>
Total	786,980	633,305	153,675	665,857
Buildings and Grounds:				
<i>Salaries and benefits:</i>				
Salaries		234,027		197,293
FICA expense		16,682		13,972
Funding for health plan		78,630		68,755
Retirement		18,018		13,986
401K Retirement		10,507		8,337
		<u>357,864</u>		<u>302,343</u>
<i>Operating expenditures:</i>				
Professional Services		20,659		117,101
Utilities		63,909		63,677
Buildings and grounds		58,346		66,559
HVAC		44,459		40,667
Shoreline accesses		80,271		14,274
Recreational facilities		9,756		15,976
Landscaping		3,436		4,091
Sign maintenance		-		550
Christmas displays		5,743		13,454

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Buildings and Grounds (continued):				
<i>Operating expenditures (continued):</i>				
Outside maintenance and repairs	\$	\$ 834	\$	\$ 1,241
Fleet maintenance		5,871		4,070
Equipment maintenance		1,475		2,538
Equipment rental		15,123		25
Communications		1,214		1,191
Copier Lease		149		86
Vehicle fuel		5,121		4,147
Supplies and materials		44,237		35,902
Uniforms		1,408		821
Contracted services		19,191		24,421
Worker's compensation		5,200		5,832
Installment note payments		611,571		498,265
		<u>997,971</u>		<u>914,888</u>
<i>Capital outlay:</i>				
Buildings		86,864		25,049
Other improvements		283,767		494,240
Machinery & equipment		77,530		-
		<u>448,161</u>		<u>519,289</u>
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund		(50,463)		(47,289)
		<u>(50,463)</u>		<u>(47,289)</u>
Total	3,269,280	1,753,534	1,515,746	1,689,231
Beach Nourishment:				
<i>Operating expenditures:</i>				
Legal Services		825		727
Tax collection fee		7,729		7,595
Audit		1,750		1,750
Beach Nourishment		83,640		568,921
Installment note payment		1,065,159		1,081,679
		<u>1,159,104</u>		<u>1,660,672</u>
Total	1,295,672	1,159,104	136,568	1,660,672
Total General Government	8,415,754	6,042,409	2,373,345	6,482,757

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Public Safety:				
Police:				
<i>Salaries and benefits:</i>				
Salaries	\$	\$ 1,847,099	\$	\$ 1,814,862
FICA expense		139,745		136,010
Funding for health plan		386,414		376,866
Retirement		156,214		148,668
5% 401K retirement		88,671		87,868
3% 401K retirement		2,210		1,726
Seperation Allowance		47,456		28,252
		<u>2,667,809</u>		<u>2,594,252</u>
<i>Operating expenditures:</i>				
Professional services		107		30
Travel and training		13,489		20,904
Firing range		2,600		2,600
Outside maintenance and repairs		6,233		7,221
Fleet maintenance		14,378		13,058
Communications		28,053		27,092
Maintenance contracts		-		713
Printing		295		238
Copier lease		5,240		5,085
Vehicle fuel		54,621		42,914
<i>Supplies and materials:</i>				
General		33,390		28,608
Drug enforcement		-		5,680
Criminal		1,154		1,404
In-car		21,963		23,063
Radar		-		11,737
Car Radios		24,260		-
Uniforms		17,649		14,353
Crime prevention		3,226		1,612
Controlled substances		2,000		-
Contracted Services		99		396
Dues and subscriptions		233		307
Worker's compensation		35,996		47,253
Installment note payments		197,064		180,013
Misc		24		-
		<u>462,073</u>		<u>434,281</u>
<i>Capital outlay:</i>				
Machinery and equipment		5,180		11,676
Vehicles		188,210		215,121
Animals		-		8,693
		<u>193,390</u>		<u>235,490</u>
Total	3,580,796	3,323,272	257,524	3,264,023

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Animal Control:				
<i>Salaries and benefits:</i>				
Salaries	\$	\$ 91,546	\$	\$ 88,549
FICA expense		6,995		6,747
Funding for health plan		16,433		14,520
Retirement		7,182		6,707
401K retirement		4,577		4,069
		<u>126,735</u>		<u>120,592</u>
<i>Operating expenditures:</i>				
Professional services		-		80
Outside maintenance and repairs		26		90
Fleet maintenance		1,240		311
Communications		480		480
Printing		165		-
Vehicle fuel		2,743		2,428
Supplies and materials		2,557		1,988
Uniforms		1,057		1,625
Worker's compensation		992		1,312
Installment note payments		17,644		13,122
		<u>26,903</u>		<u>21,436</u>
<i>Capital outlay:</i>				
Vehicles		-		35,548
		-		35,548
Total	155,866	153,638	2,228	177,576
Fire:				
<i>Salaries and benefits:</i>				
Salaries		1,260,786		1,181,900
FICA expense		92,399		87,147
Funding for health plan		296,463		261,536
Retirement		97,081		88,589
401K retirement		60,466		56,168
		<u>1,807,194</u>		<u>1,675,340</u>
<i>Operating expenditures:</i>				
Professional services		12,091		8,807
Travel and training		15,642		15,139
Outside maintenance and repairs		27,169		14,588
Fleet maintenance		8,802		12,606
Communications		5,572		5,448
Printing		-		250
Copier lease		2,385		2,995

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Fire (continued):				
<i>Operating expenditures (continued):</i>				
Vehicle fuel	\$	\$ 14,163	\$	\$ 12,227
Supplies and materials		26,398		38,674
USDHS Firefighters		29,585		-
SCBA equipment		4,950		-
Uniforms		30,407		27,739
Dues and subscriptions		4,584		4,369
Worker's compensation		30,196		39,095
Firemen's pension		4,220		4,530
Installment note payments		287,239		291,732
		<u>503,403</u>		<u>478,199</u>
<i>Capital outlay:</i>				
Machinery and equipment		5,950		-
Vehicle		-		29,060
		<u>5,950</u>		<u>29,060</u>
Total	2,384,304	2,316,547	67,757	2,182,599
Ocean Rescue:				
<i>Salaries and benefits:</i>				
Salaries		409,357		392,055
FICA expense		31,312		29,988
Funding for health plan		10,989		10,972
Retirement		7,451		6,799
401K retirement		3,369		3,179
		<u>462,478</u>		<u>442,993</u>
<i>Operating expenditures:</i>				
Professional services		1,475		1,550
Travel and training		357		157
Outside maintenance and repairs		4,835		5,142
Fleet maintenance		566		2,702
Printing		762		612
Equipment rental		6,800		6,827
Copier lease		370		126
Vehicle fuel		3,912		3,466
Supplies and materials		14,690		13,793
Uniforms		10,238		10,364
Dues and subscriptions		560		30
Worker's compensation		7,801		7,889

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Ocean Rescue (continued):				
Installment note payments	\$	\$ 10,182	\$	\$ 10,182
		62,548		62,840
Total	604,325	525,026	79,299	505,833
Total Public Safety	6,725,291	6,318,483	406,808	6,130,031
Transportation				
Streets:				
<i>Salaries and benefits:</i>				
Salaries		301,966		285,916
FICA expense		21,854		20,872
Funding for health plan		84,422		68,232
Retirement		23,678		21,658
401K retirement		15,099		13,617
		447,018		410,295
<i>Operating expenditures:</i>				
Professional services		-		800
Utilities		94,125		103,956
Travel and training		93		521
Street maintenance		101,307		50,046
Sidewalks		74,870		-
Outside maintenance and repairs		1,245		4,892
Fleet maintenance		14,515		16,916
Communications		1,909		1,887
Equipment rental		3,836		-
Copier lease		431		383
Vehicle fuel		14,311		11,693
Supplies and materials		13,360		13,220
Uniforms		2,547		2,879
Contracted services		7,350		9,800
Worker's compensation		7,903		11,465
Installment note payments		154,585		142,599
		492,387		371,057

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Streets (continued):				
<i>Capital outlay</i>				
Street construction	\$	\$ 1,189,386	\$	\$ 408,325
Sidewalks		439,300		808,323
Vehicle		58,025		42,030
Machinery & Equipment		115,514		28,710
		1,802,225		1,287,388
Total	2,926,590	2,741,630	184,960	2,068,740
Powell Bill:				
<i>Operating expenditures:</i>				
Professional services		668		675
Supplies and materials		18,521		18,745
		19,188		19,420
<i>Capital outlay:</i>				
Street construction		218,000		218,000
		218,000		218,000
Total	240,000	237,188	2,812	237,420
Total Transportation	3,166,590	2,978,818	187,772	2,306,160
Public Works:				
Fleet Maintenance:				
<i>Salaries and benefits:</i>				
Salaries		261,682		249,883
FICA expense		19,529		18,625
Funding for health plan		51,300		48,132
Retirement		20,521		18,928
401K retirement		13,045		12,494
		366,077		348,062
<i>Operating expenditures:</i>				
Travel and training		-		392
Outside maintenance and repairs		5,833		3,615
Fleet maintenance		795		995
Communications		480		480
Maintenance contracts		1,175		1,175
Printing		1,285		454
Copier lease		153		174
Vehicle fuel		1,067		943
Supplies and materials		6,536		12,302
Uniforms		1,665		1,285

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Fleet Maintenance (continued):				
<i>Operating expenditures (continued):</i>				
Fleet maintenance supplies	\$	\$ 129,746	\$	\$ 164,774
Fuel		180,390		150,447
Dues and subscriptions		840		2,421
Worker's compensation		6,984		6,636
Installment note payments		7,015		7,015
Departmental charges		(307,817)		(291,860)
		<u>36,148</u>		<u>61,248</u>
Reimbursement - Proprietary fund		(45,106)		(41,531)
		<u>(45,106)</u>		<u>(41,531)</u>
Total Public Works	369,158	357,119	12,039	367,779
Environmental Protection:				
Solid Waste:				
<i>Salaries and benefits:</i>				
Salaries		507,484		496,728
FICA expense		36,883		36,320
Funding for health plan		137,819		121,879
Retirement		39,819		37,626
401K retirement		25,374		24,819
		<u>747,379</u>		<u>717,372</u>
<i>Operating expenditures:</i>				
Outside maintenance and repairs		33,701		24,107
Fleet maintenance		81,745		87,060
Communications		2,894		2,782
Printing		533		560
Copier lease		431		383
Vehicle fuel		74,419		61,209
Supplies and materials		27,558		21,651
Uniforms		4,532		4,911
Contracted services		142,086		19,346
Contracted services - tipping fees		777,386		768,041
Purchases for resale:				
Dumpsters		16,567		30,780
Rollout carts		16,545		19,807
Household hazardous waste		2,941		1,112
Dues and subscriptions		75		-

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Solid Waste (continued):				
<i>Operating expenditures (continued):</i>				
Worker's compensation	\$	\$ 15,205	\$	\$ 21,115
Installment note payments		552,023		532,969
		<u>1,748,639</u>		<u>1,595,833</u>
<i>Capital outlay:</i>				
Machinery and equipment		-		104,448
Vehicles		493,592		831,371
		<u>493,592</u>		<u>935,819</u>
Total Environmental Protection	3,153,812	2,989,610	164,202	3,249,024
TOTAL EXPENDITURES	21,830,605	18,686,438	3,144,167	18,535,751
REVENUES (UNDER) OVER				
EXPENDITURES	(4,788,080)	49,483	4,837,563	(463,028)
OTHER FINANCING SOURCES (USES)				
Direct borrowing	828,481	828,481	-	1,083,447
Sale of capital assets	15,000	45,307	30,307	174,667
Transfer from capital reserve fund	108,100	55,018	(53,082)	553,375
Transfer from special revenue fund	-	-	-	817,011
Appropriated fund balance	3,457,852	-	(3,457,852)	-
Appropriated fund balance - encumbrances	378,647	-	(378,647)	-
	<u>4,788,080</u>	<u>928,806</u>	<u>(3,859,274)</u>	<u>2,628,500</u>
REVENUES AND OTHER SOURCES				
OVER EXPENDITURES AND				
OTHER USES	\$ -	978,289	\$ 978,289	2,165,472
FUND BALANCE				
Fund balance, beginning		14,874,535		12,709,063
Fund balance, end of year		<u>\$ 15,852,824</u>		<u>\$ 14,874,535</u>

SCHEDULE 2

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
 CAPITAL RESERVE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2019
 With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
REVENUES				
Investment earnings:				
Investment earnings	\$ -	\$ 70,884	\$ 70,884	\$ 54,166
Change in fair market value of investments	-	41,068	41,068	(28,273)
Net investment earnings (loss)	-	111,952	111,952	25,893
TOTAL REVENUES	-	111,952	111,952	25,893
REVENUES OVER (UNDER)				
EXPENDITURES	-	111,952	111,952	25,893
OTHER FINANCING SOURCES(USES)				
Transfer to general fund	(108,100)	(55,018)	53,082	(553,375)
Future Reserves	108,100	-	(108,100)	-
	-	(55,018)	(55,018)	(553,375)
REVENUES AND OTHER SOURCES OVER (UNDER) OTHER USES	\$ -	56,934	\$ 56,934	(527,482)
FUND BALANCE				
Beginning of Year - July 1		3,136,001		3,663,483
End of Year - June 30		\$ 3,192,935		\$ 3,136,001

SCHEDULE 3

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
 PUBLIC WORKS FINAL PHASE CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2019

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Investment earnings:					
Interest earnings	-	-	209	209	-
TOTAL REVENUES	-	-	209	209	209
EXPENDITURES:					
Capital outlay:					
Public Works	4,564,956	-	89,941	89,941	-
TOTAL EXPENDITURES	4,564,956	-	89,941	89,941	10,168,059
REVENUES OVER (UNDER)					
EXPENDITURES	(4,564,956)	-	(89,732)	(89,732)	10,168,268
OTHER FINANCING SOURCES					
Direct borrowing	4,564,956	-	4,564,956	4,564,956	-
TOTAL OTHER FINANCING SOURCES	4,564,956	-	4,564,956	4,564,956	-
NET CHANGE IN FUND BALANCE					
	\$ -	\$ -	4,475,224	\$ 4,475,224	\$ 4,475,224
FUND BALANCE					
Beginning of Year - July 1			-	-	
End of Year - June 30			\$ 4,475,224	\$ 4,475,224	

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NON-MAJOR GOVERNMENTAL FUNDS

Beach Nourishment Capital Project Fund. This fund is used to account for beach nourishment.

Public Works Capital Project Fund. This fund is used to account for the second phase of the Public Works Complex additions and improvements to police storage, public works administration, and fleet maintenance buildings.

SCHEDULE 4

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
 NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 June 30, 2019

	Beach Nourishment Capital Project Fund	PW Capital Project Fund	Total Non-Major Governmental Fund:
<u>ASSETS</u>			
Cash and cash equivalents	\$ 362,539	\$ -	\$ 362,539
Restricted cash and cash equivalents	-	-	-
Accrued Interest Receivable	1,735	-	1,735
Total assets	<u>\$ 364,274</u>	<u>\$ -</u>	<u>\$ 364,274</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Assigned			
Beach Nourishment	364,274	-	364,274
Total fund balances	<u>364,274</u>	<u>-</u>	<u>364,274</u>
Total liabilities and fund balances	<u>\$ 364,274</u>	<u>\$ -</u>	<u>\$ 364,274</u>

SCHEDULE 5

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
 NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 For the Fiscal Year Ended June 30, 2019

	Beach Nourishment Capital Project Fund	PW Capital Project Fund	Total Non-Major Governmental Funds
<u>REVENUES</u>			
Investment earnings:			
Interest earnings	\$ 10,385	\$ 8	\$ 10,393
Change in fair market value of investments	8,312	-	8,312
Net investment earnings (loss)	<u>18,697</u>	<u>8</u>	<u>18,705</u>
<u>TOTAL REVENUES</u>	<u>18,697</u>	<u>8</u>	<u>18,705</u>
<u>EXPENDITURES</u>			
Operating expenditures:			
General government	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay:			
General government	157,320	-	157,320
<u>TOTAL EXPENDITURES</u>	<u>157,320</u>	<u>-</u>	<u>157,320</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(138,623)</u>	<u>8</u>	<u>(138,615)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfer to Beach Nourishment	1,198	(1,198)	-
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>1,198</u>	<u>(1,198)</u>	<u>-</u>
Net change in fund balance	(137,425)	(1,190)	(138,615)
Fund balances-beginning	501,699	1,190	502,889
Fund balances-ending	<u>\$ 364,274</u>	<u>\$ -</u>	<u>\$ 364,274</u>

SCHEDULE 6

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
 BEACH NOURISHMENT CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Restricted Intergovernmental Revenues:					
Grant - Shoreline Management	\$ 3,909,119	\$ 3,563,772	\$ -	\$ 3,563,772	\$ -
Investment earnings:					
Interest earnings	-	10,595	10,385	20,980	-
Change in fair market value of investments	-	(9,513)	8,312	(1,201)	-
	<u>3,909,119</u>	<u>3,564,854</u>	<u>18,697</u>	<u>3,583,551</u>	<u>(325,568)</u>
TOTAL REVENUES	<u>3,909,119</u>	<u>3,564,854</u>	<u>18,697</u>	<u>3,583,551</u>	<u>(325,568)</u>
EXPENDITURES:					
Capital outlay:					
Beach nourishment	9,645,810	8,649,846	157,320	8,807,166	-
TOTAL EXPENDITURES	<u>9,645,810</u>	<u>8,649,846</u>	<u>157,320</u>	<u>8,807,166</u>	<u>1,450,834</u>
REVENUES OVER (UNDER) EXPENDITURES					
	(5,736,691)	(5,084,992)	(138,623)	(5,223,615)	1,125,266
OTHER FINANCING SOURCES					
Direct placement	5,036,691	5,036,691	-	5,036,691	-
Contribution from Dare Co - Project	-	-	-	-	-
Transfer from Capital Project Fund	-	-	1,198	1,198	1,198
Contribution from Capital Reserve Fund	700,000	550,000	-	550,000	(150,000)
TOTAL OTHER FINANCING SOURCES	<u>5,736,691</u>	<u>5,586,691</u>	<u>1,198</u>	<u>5,587,889</u>	<u>(148,802)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 501,699</u>	<u>(137,425)</u>	<u>\$ 364,274</u>	<u>\$ 364,274</u>
FUND BALANCE					
Beginning of Year - July 1			501,699		
End of Year - June 30			<u>\$ 364,274</u>		

SCHEDULE 7

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
 PUBLIC WORKS CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Investment earnings:					
Interest Income	\$ -	\$ 863	\$ 8	\$ 871	\$ -
Change in fair market value of investments	-	(336)	-	(336)	-
	<u>-</u>	<u>527</u>	<u>8</u>	<u>535</u>	<u>535</u>
TOTAL REVENUES	<u>-</u>	<u>527</u>	<u>8</u>	<u>535</u>	<u>535</u>
EXPENDITURES:					
Capital outlay:					
Building	1,932,860	1,914,697	-	1,914,697	-
Other Improvements	404,800	422,300	-	422,300	-
	<u>2,337,660</u>	<u>2,336,997</u>	<u>-</u>	<u>2,336,997</u>	<u>663</u>
TOTAL EXPENDITURES	<u>2,337,660</u>	<u>2,336,997</u>	<u>-</u>	<u>2,336,997</u>	<u>663</u>
REVENUES OVER (UNDER) EXPENDITURES					
	(2,337,660)	(2,336,470)	8	(2,336,462)	1,198
OTHER FINANCING SOURCES					
Direct borrowing	2,337,660	2,337,660	-	2,337,660	-
Transfer to Beach Nourishment	-	-	(1,198)	(1,198)	-
TOTAL OTHER FINANCING SOURCES	<u>2,337,660</u>	<u>2,337,660</u>	<u>(1,198)</u>	<u>2,336,462</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 1,190</u>	<u>(1,190)</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE					
Beginning of Year - July 1			1,190		
End of Year - June 30			<u>\$ -</u>		

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ENTERPRISE FUNDS

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

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

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
REVENUES				
Operating revenues:				
Water sales	\$	\$ 3,839,960	\$	\$ 3,609,162
Water connection fees		88,645		82,590
Late payment penalties		35,633		33,876
Miscellaneous		39,507		47,708
Total operating revenues		<u>3,764,989</u>		<u>3,773,336</u>
Non-operating revenues:				
Investment earnings		157,875		129,593
Change in fair market value on investments		134,816		(98,692)
Net investment earnings (loss)		<u>292,691</u>		<u>30,901</u>
Total non-operating revenues		<u>90,000</u>		<u>30,901</u>
TOTAL REVENUES		<u>3,854,989</u>		<u>3,804,237</u>
EXPENDITURES				
Water Administration:				
<i>Administrative costs:</i>				
Legal services		8,175		8,438
		<u>8,175</u>		<u>8,438</u>
<i>Salaries and benefits:</i>				
Salaries		341,669		320,015
FICA expense		25,209		23,533
Funding for health plan		77,191		76,467
Retirement		26,799		24,241
401K retirement		15,483		14,265
		<u>486,351</u>		<u>458,521</u>
<i>Operating expenditures:</i>				
Engineering services		150		5,663
Audit		5,145		5,145
Postage		14,652		15,933
Telephone		7,226		6,944
Utilities		3,871		3,705
Travel and training		3,416		1,579
Maintenance and repairs:				
Buildings and grounds		12,995		30,066
Outside		102		162
Fleet maintenance		882		1,799
Communications		833		821
Maintenance contracts		-		1,248
Printing		3,854		3,115
Copier lease		1,522		1,500

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Water Administration (continued):				
<i>Operating expenditures (continued):</i>				
Advertising	\$	\$ 747	\$	\$ 595
Vehicle fuel		4,089		4,028
Supplies and materials		4,003		3,387
Uniforms		1,061		1,420
Contracted services		4,916		4,736
Contracted services:				
Water billing		5,074		4,910
Dues and subscriptions		3,339		3,113
General insurance		60,638		59,804
Retiree health insurance		62,540		65,014
Worker's compensation		3,407		3,723
Miscellaneous - special events		671		671
Reimbursement to General Fund		393,138		368,988
		<u>598,271</u>		<u>598,069</u>
Total	1,169,024	1,092,797	76,227	1,065,028
Water Treatment Plant:				
<i>Salaries and benefits:</i>				
Salaries		190,672		180,836
FICA expense		14,360		13,675
Funding for health plan		28,485		24,526
Retirement		14,955		13,698
401K retirement		9,533		9,042
		<u>258,005</u>		<u>241,777</u>
<i>Operating expenditures:</i>				
Professional services		209		6,175
Utilities		39,816		37,947
Travel and training		1,953		1,096
Plant repairs and maintenance		14,337		11,281
Outside repairs and maintenance		3,546		3,353
Fleet maintenance		700		426
Communications		498		498
Maintenance contracts		3,589		-
Equipment Rental		750		415
Copier lease		111		124
Vehicle fuel		1,806		2,083
Supplies and materials		12,040		6,750
Chemicals		6,861		5,261

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Water Treatment Plant:				
<i>Operating expenditures (continued):</i>				
Uniforms	\$	\$ 1,613	\$	\$ 2,062
Contracted services		3,665		2,759
Treated water costs		856,782		820,411
Dues and subscriptions		2,285		2,285
Worker's compensation		4,111		4,486
		<u>954,672</u>		<u>907,412</u>
Total	<u>1,268,001</u>	<u>1,212,677</u>	<u>55,324</u>	<u>1,149,189</u>
Water System:				
<i>Salaries and benefits:</i>				
Salaries		220,199		199,154
FICA expense		16,000		14,399
Funding for health plan		68,106		52,574
Retirement		17,261		15,086
401K retirement		9,518		8,546
		<u>331,084</u>		<u>289,759</u>
<i>Operating expenditures:</i>				
Travel and training		2,212		1,060
Maintenance and repairs:				
Buildings		6,196		450
Systems		109,434		118,934
Hydrants		4,590		3,722
Outside		11,647		14,329
Fleet maintenance		2,087		3,132
Communications		1,544		1,524
Copier lease		334		264
Vehicle fuel		5,792		4,749
Supplies and materials		4,546		9,472
Uniforms		1,676		2,338
Contracted services		1,363		1,723
Dues and subscriptions		150		200
Worker's compensation		4,698		5,924
		<u>156,269</u>		<u>167,821</u>
Total	<u>486,653</u>	<u>487,353</u>	<u>(700)</u>	<u>457,580</u>
<i>Debt Service:</i>				
Principal retirement	<u>2,813</u>	<u>2,813</u>	<u>-</u>	<u>2,813</u>
Total	<u>2,813</u>	<u>2,813</u>	<u>-</u>	<u>2,813</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
WATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
<i>Capital outlay:</i>				
Plant	\$ 4,139,040	\$ 1,406,080	\$ 2,732,960	\$ 523,074
Other improvements - capital	120,070	50,319	69,751	52,911
Machinery and equipment	13,173	13,173	-	-
Vehicle	-	-	-	40,250
Total	<u>4,272,283</u>	<u>1,469,572</u>	<u>2,802,711</u>	<u>616,235</u>
TOTAL EXPENDITURES	<u>7,198,774</u>	<u>4,265,212</u>	<u>2,933,562</u>	<u>3,290,845</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,343,785)</u>	<u>31,224</u>	<u>3,375,009</u>	<u>513,392</u>
OTHER FINANCING SOURCES				
Transfer from Wastewater Fund	<u>18,750</u>	<u>18,750</u>	<u>-</u>	<u>18,750</u>
TOTAL OTHER FINANCING SOURCES	<u>18,750</u>	<u>18,750</u>	<u>-</u>	<u>18,750</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (3,325,035)</u>	<u>\$ 49,974</u>	<u>\$ 3,375,009</u>	<u>\$ 532,142</u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP:				
Revenues over (under) expenditures		\$ 49,974		\$ 532,142
Principal retirement		2,813		2,813
Capitalized purchases		1,469,572		616,235
(Increase) decrease in accrued vacation payable		(306)		(3,971)
Increase in deferred outflows-pensions		81,618		(80,869)
Decrease in net pension obligation		(100,632)		74,625
Decrease in deferred inflows-pensions		3,617		3,820
Depreciation and amortization		(612,333)		(631,667)
(Increase) in deferred outflows of resources - OPEB		3,031		72,008
Increase in deferred inflows of resources - OPEB		(18,766)		(45,448)
(Increase) decrease in accrued OPEB liability		(632)		(49,455)
Capital contributions		579,100		622,000
CHANGES IN NET POSITION	<u>\$ 1,457,056</u>	<u>\$ 1,457,056</u>	<u>\$ 1,457,056</u>	<u>\$ 1,112,233</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Positive (Negative)	2018		
	Budget	Actual		Actual	Actual	
REVENUES						
Operating revenues:						
Wastewater sales	\$	\$ 190,587	\$	\$ 195,803		
Wastewater connection fees		2,320		6,960		
Late payment penalties		2,063		1,624		
Total operating revenues		<u>194,970</u>	<u>(21,100)</u>	<u>204,387</u>		
Non-operating revenues:						
Investment earnings		730		(109)		
Total non-operating revenues		<u>730</u>	<u>730</u>	<u>(109)</u>		
TOTAL REVENUES		<u>216,070</u>	<u>(20,370)</u>	<u>204,278</u>		
EXPENDITURES						
Operating expenditures:						
Engineering services		-		2,735		
Audit		515		515		
Maintenance and repair - system		20,076		23,886		
Contracted services		40,670		37,700		
Treated wastewater costs		94,834		94,737		
Total operating expenditures		<u>156,095</u>		<u>159,573</u>		
Total		<u>197,320</u>	<u>41,225</u>	<u>159,573</u>		
TOTAL EXPENDITURES		<u>197,320</u>	<u>41,225</u>	<u>159,573</u>		
REVENUES OVER (UNDER) EXPENDITURES	\$	<u>18,750</u>	\$	<u>(20,855)</u>	\$	<u>44,705</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
WASTEWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2019
With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Positive (Negative)	2018		
	Budget	Actual		Actual	Actual	
OTHER FINANCING (USES)						
Transfer to Water Fund	\$	\$ (18,750)	\$	\$ -	\$	(18,750)
TOTAL OTHER FINANCING (USES)		<u>(18,750)</u>		<u>-</u>		<u>(18,750)</u>
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES						
	\$	<u>-</u>	\$	<u>20,855</u>	\$	<u>20,855</u>
					\$	<u>25,955</u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP:						
Revenues over expenditures	\$	20,855			\$	25,955
Depreciation		(109,623)				(112,632)
Capital contribution		7,386				35,640
CHANGES IN NET POSITION	\$	<u>(81,382)</u>			\$	<u>(51,037)</u>

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FIDUCIARY FUNDS

Fiduciary Funds account for resources received and held by the Town as trustee or for which the Town acts as an agent. These funds are expended or invested in accordance with agreements or applicable prescribed procedures.

Agency Funds

Fireman's Relief Fund – accounts for the assets the Town holds on behalf of the Fireman's Relief Fund.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
AGENCY FUND - FIREMEN'S RELIEF FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2019

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
ASSETS				
Cash and short term investments	\$ 261,926	\$ 22,324	\$ 17,082	\$ 267,168
Accrued interest receivable	1,183	1,038	1,183	1,038
Due from other governments	11,200	11,343	11,200	11,343
Total revenues	<u>\$ 274,309</u>	<u>\$ 34,705</u>	<u>\$ 29,465</u>	<u>\$ 279,549</u>
LIABILITIES				
Due to Firemen's Relief Fund	<u>\$ 274,309</u>	<u>\$ 34,705</u>	<u>\$ 29,465</u>	<u>\$ 279,549</u>

SUPPLEMENTARY SCHEDULES

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

SCHEDULE 11

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 For the Fiscal Year Ended June 30, 2019

Fiscal Year	Uncollected Balance June 30, 2017	Additions	Collections and Credits	Uncollected Balance June 30, 2018
2018-2019	\$ -	8,357,981	(8,324,124)	33,857
2018-2019 MSD	-	511,693	(510,865)	828
2017-2018	36,129	-	\$ (25,255)	\$ 10,874
2017-2018 MSD	856	-	(29)	827
2016-2017	14,756	-	(9,706)	5,050
2016-2017 MSD	828	-	-	828
2015-2016	6,698	-	(2,250)	4,448
2015-2016 MSD	827	-	-	827
2014-2015	4,915	-	(765)	4,150
2013-2014	7,836	-	(1,514)	6,322
2012-2013	5,836	-	(595)	5,241
2011-2012	4,355	-	(27)	4,328
2010-2011	3,934	-	(21)	3,913
2009-2010	4,343	-	(12)	4,331
2008-2009	5,637	-	(5,637)	-
	<u>\$ 96,950</u>	<u>\$ -</u>	<u>\$ (8,880,800)</u>	<u>\$ 85,824</u>

Reconciliation with revenues:

Ad Valorem taxes - general fund	\$ 8,870,753
Reconciling items:	
Interest collected	(21,695)
Taxes written off or released	31,742
Subtotal	10,047
Total collections and credits	<u>\$ 8,880,800</u>

SCHEDULE 12

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
 ANALYSIS OF CURRENT TAX LEVY
 Town-Wide Levy
 For the Fiscal Year Ended June 30, 2019

	Town-Wide			Total Levy	
	Property Valuation	Rate per \$100 Valuation	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year rate	\$ 2,146,225,785	0.3809	\$ 8,170,455	\$ 7,838,712	\$ 331,743
Penalties	-		6,268	6,268	-
Total	<u>2,146,225,785</u>		<u>8,176,723</u>	<u>7,844,980</u>	<u>331,743</u>
Discoveries:					
Current year	48,939,092	0.3809	186,409	186,409	-
Abatements	(1,352,389)	0.3809	(5,151)	(2,057)	(3,094)
Total Property Valuation	<u>\$ 2,193,812,488</u>				
Net levy			<u>8,357,981</u>	<u>8,029,332</u>	<u>328,649</u>
Uncollected taxes at June 30, 2019			(33,857)	(33,857)	-
Current year taxes collected			<u>\$ 8,324,124</u>	<u>\$ 7,995,475</u>	<u>\$ 328,649</u>
Current levy collection percentage			<u>99.59%</u>	<u>99.58%</u>	<u>100.00%</u>

STATISTICAL SECTION

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

Contents	Page
Financial Trends	122
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	133
These tables contain information to help the reader assess the Town's most significant local revenue source: property tax.	
Debt Capacity	138
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	141
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	144
These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
NET POSITION BY COMPONENT,
LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	2010	2011	2012	2013
Governmental activities				
Net investment in capital assets	\$ 12,729,377	\$ 13,083,280	\$ 13,613,155	\$ 14,170,973
Restricted	114,225	3,592,244	3,146,667	2,815,004
Unrestricted	7,695,735	3,855,922	4,950,167	4,813,121
Total governmental activities net assets	\$ 20,539,337	\$ 20,531,446	\$ 21,709,989	\$ 21,799,098
Business-type activities				
Net investment in capital assets	\$ 13,457,672	\$ 12,723,583	\$ 12,191,326	\$ 11,935,026
Unrestricted	3,359,867	3,672,690	4,361,826	4,640,001
Total business-type activities net assets	\$ 16,817,539	\$ 16,396,273	\$ 16,553,152	\$ 16,575,027
Primary government				
Net investment in capital assets	\$ 26,187,049	\$ 25,806,863	\$ 25,804,481	\$ 26,105,999
Restricted	114,225	3,592,244	3,146,667	2,815,004
Unrestricted	11,055,602	7,528,612	9,311,993	9,453,122
Total primary government activities net position	\$ 37,356,876	\$ 36,927,719	\$ 38,263,141	\$ 38,374,125

	2014	2015	2016	2017	2018	2019
Governmental activities						
Net investment in capital assets	\$ 14,567,560	\$ 15,440,923	\$ 16,330,419	\$ 18,305,271	\$ 22,873,133	\$ 24,623,812
Restricted	3,298,044	3,226,059	4,761,304	6,803,628	5,400,659	5,221,050
Unrestricted	4,822,194	5,528,334	6,646,476	6,006,515	4,610,656	4,895,344
Total governmental activities net assets	\$ 22,687,798	\$ 24,195,316	\$ 27,738,199	\$ 31,115,414	\$ 32,884,448	\$ 34,740,206
Business-type activities						
Net investment in capital assets	\$ 11,419,215	\$ 11,512,502	\$ 12,315,193	\$ 12,593,967	\$ 12,468,714	\$ 13,219,145
Unrestricted	5,431,172	5,856,966	5,868,509	6,399,233	7,028,749	7,653,992
Total business-type activities net assets	\$ 16,850,387	\$ 17,369,468	\$ 18,183,702	\$ 18,993,200	\$ 19,497,463	\$ 20,873,137
Primary government						
Net investment in capital assets	\$ 25,986,775	\$ 26,953,425	\$ 28,645,612	\$ 30,899,238	\$ 35,341,847	\$ 37,842,957
Restricted	3,298,044	3,226,059	4,761,304	6,803,628	5,400,659	5,221,050
Unrestricted	10,253,366	11,385,300	12,514,985	12,405,748	11,639,405	12,549,336
Total primary government activities net position	\$ 39,538,185	\$ 41,564,784	\$ 45,921,901	\$ 50,108,614	\$ 52,381,911	\$ 55,613,343

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
CHANGES IN NET POSITION,
LAST TEN FISCAL YEARS
(accrual basis of accounting)

TABLE 2

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government	\$ 3,864,047	\$ 3,545,624	\$ 3,471,053	\$ 3,910,816	\$ 3,861,294	\$ 3,782,202	\$ 4,215,197	\$ 4,295,980	\$ 5,084,613	\$ 6,487,420
Public safety	4,909,854	5,256,745	5,107,389	5,093,132	5,163,045	5,025,231	5,367,196	5,563,249	5,750,230	6,020,479
Transportation	806,329	683,097	692,140	717,977	810,639	1,025,237	1,090,516	1,244,348	1,317,258	1,557,859
Public works	248,308	208,681	193,384	272,516	293,137	278,640	295,855	353,600	362,927	345,423
Environmental protection	1,771,615	1,790,929	1,903,751	1,747,391	1,843,938	1,741,871	1,944,282	2,137,778	2,167,078	2,372,400
Interest on long-term debt	101,237	95,546	86,768	60,725	56,229	67,364	112,604	196,681	190,857	257,907
Total Governmental activities expenses	<u>11,701,390</u>	<u>11,580,622</u>	<u>11,454,485</u>	<u>11,802,557</u>	<u>12,028,282</u>	<u>11,920,545</u>	<u>13,025,650</u>	<u>13,791,636</u>	<u>14,872,963</u>	<u>17,041,488</u>
Business-type activities:										
Water Fund	2,857,366	3,432,183	3,100,546	3,106,836	3,303,040	3,124,575	3,087,792	3,155,456	3,332,754	3,437,230
Wastewater Fund	314,475	293,559	249,677	278,880	264,613	271,408	268,324	261,108	272,205	265,718
Total Business-type activities expenses	<u>3,171,841</u>	<u>3,725,742</u>	<u>3,350,223</u>	<u>3,385,716</u>	<u>3,567,653</u>	<u>3,395,983</u>	<u>3,356,116</u>	<u>3,416,564</u>	<u>3,604,959</u>	<u>3,702,948</u>
Total primary government activities expenses	<u>\$ 14,873,231</u>	<u>\$ 15,306,364</u>	<u>\$ 14,804,708</u>	<u>\$ 15,188,273</u>	<u>\$ 15,595,935</u>	<u>\$ 15,316,528</u>	<u>\$ 16,381,766</u>	<u>\$ 17,208,200</u>	<u>\$ 18,477,922</u>	<u>\$ 20,744,436</u>
Program revenues										
Governmental activities:										
Charges for services										
General government	\$ 228,207	\$ 283,264	\$ 314,970	\$ 315,442	\$ 369,121	\$ 319,112	\$ 435,952	\$ 491,739	\$ 467,760	\$ 542,280
Public safety	14,224	16,222	10,596	10,592	9,090	8,061	9,736	15,311	16,598	18,084
Transportation	-	-	-	-	-	-	-	-	-	-
Environmental protection	37,544	29,706	26,667	28,119	-	-	-	-	-	-
Operating grants and contributions					36,928	36,567	53,850	61,749	43,054	59,424
General government	24,000	89,821	59,204	37,440	-	-	-	-	-	-
Public safety	211,830	214,362	202,930	35,414	50,343	48,170	110,109	187,098	21,313	38,601
Transportation	6,662	-	4,748	-	27,181	15,101	11,211	5,341	9,499	1,394
Environmental protection	-	14,984	232,989	-	148,303	-	-	-	-	-
Capital grants and contributions					-	-	-	-	-	-
General Government	-	-	39,021	-	205,288	128,916	351,292	-	659,393	312,454
Public safety	-	50,000	-	-	-	-	-	-	-	-
Transportation	227,731	230,331	631,335	258,372	-	-	-	-	-	-
Total Governmental activities program revenues	<u>750,198</u>	<u>928,690</u>	<u>1,522,460</u>	<u>685,379</u>	<u>1,089,949</u>	<u>801,938</u>	<u>1,217,167</u>	<u>1,005,210</u>	<u>1,686,489</u>	<u>1,579,207</u>
Business-type activities										
Charges for services:										
Water Fund	2,679,281	2,944,586	3,065,654	3,082,265	3,293,340	3,399,553	3,560,155	3,585,800	3,773,336	4,003,745
Wastewater Fund	159,687	160,990	189,200	201,959	204,092	202,427	194,201	191,944	204,387	194,970
Capital grants and contributions:										
Water Fund	190,261	128,000	148,000	166,000	217,000	271,000	293,000	422,000	622,000	579,100
Wastewater Fund	29,160	21,060	38,880	21,060	19,440	22,680	6,480	19,440	35,640	7,386
Total Business-type activities program revenues	<u>3,058,389</u>	<u>3,254,636</u>	<u>3,441,734</u>	<u>3,471,284</u>	<u>3,733,872</u>	<u>3,895,660</u>	<u>4,053,836</u>	<u>4,219,184</u>	<u>4,635,363</u>	<u>4,785,201</u>
Total primary government activities program revenues	<u>\$ 3,808,587</u>	<u>\$ 4,183,326</u>	<u>\$ 4,964,194</u>	<u>\$ 4,156,663</u>	<u>\$ 4,823,821</u>	<u>\$ 4,697,598</u>	<u>\$ 5,271,003</u>	<u>\$ 5,224,394</u>	<u>\$ 6,321,852</u>	<u>\$ 6,364,408</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
CHANGES IN NET POSITION,
LAST TEN FISCAL YEARS
(accrual basis of accounting)

TABLE 2

	2010	2011	2012	2013
Net (Expense)/Revenue				
Governmental activities	\$ (10,651,932)	\$ (9,932,025)	\$ (9,932,025)	\$ (11,117,178)
Business-type activities	(471,106)	91,511	91,511	85,568
Total primary government net expense	<u>\$ (11,123,038)</u>	<u>\$ (9,840,514)</u>	<u>\$ (9,840,514)</u>	<u>\$ (11,031,610)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 5,436,509	\$ 5,341,827	\$ 5,866,037	\$ 6,320,155
Sales taxes	1,641,254	1,675,213	1,656,724	1,743,941
Occupancy taxes	2,071,521	2,208,047	2,190,254	2,007,056
Other taxes	1,187,340	1,197,396	1,182,568	1,120,245
Grants and contributions not restricted	-	-	-	-
Net unrestricted investment earnings (loss)	173,304	116,265	164,897	(105,918)
Miscellaneous	127,432	105,293	50,088	120,808
Transfers	699,056	-	-	-
Total Governmental activities	<u>11,336,416</u>	<u>10,644,041</u>	<u>11,110,568</u>	<u>11,206,287</u>
Business-type activities				
Unrestricted investment earnings	72,186	49,840	65,368	(63,693)
Miscellaneous	(2,907)	-	-	-
Transfers	(699,056)	-	-	-
Total Business-type activities	<u>(629,777)</u>	<u>49,840</u>	<u>65,368</u>	<u>(63,693)</u>
Total primary government	<u>\$ 10,706,639</u>	<u>\$ 10,693,881</u>	<u>\$ 11,175,936</u>	<u>\$ 11,142,594</u>
Change in Net Position				
Governmental activities	385,224	(7,891)	1,178,543	89,109
Prior period adjustment - Governmental activities	-	-	-	-
Business-type activities	(743,229)	(421,266)	156,879	21,875
Prior period adjustment - Business-type activities	-	-	-	-
Total primary government change in net position	<u>\$ (358,005)</u>	<u>\$ (429,157)</u>	<u>\$ 1,335,422</u>	<u>\$ 110,984</u>

	2014	2015	2016	2017	2018	2019
Net (Expense)/Revenue						
Governmental activities	\$ (10,938,333)	\$ (11,118,607)	\$ (11,808,483)	\$ (13,186,474)	\$ (13,186,474)	\$ (15,462,281)
Business-type activities	166,219	499,677	697,720	1,030,404	1,030,404	1,082,253
Total primary government net expense	<u>\$ (10,772,114)</u>	<u>\$ (10,618,930)</u>	<u>\$ (11,110,763)</u>	<u>\$ (12,156,070)</u>	<u>\$ (12,156,070)</u>	<u>\$ (14,380,028)</u>
General Revenues and Other Changes in Net Position						
Governmental activities:						
Taxes						
Property taxes	\$ 6,556,573	\$ 7,199,585	\$ 8,468,389	\$ 8,545,173	\$ 8,662,987	\$ 8,859,629
Sales taxes	1,916,998	1,964,298	2,249,479	2,673,222	2,780,962	2,742,660
Occupancy taxes	2,144,664	2,197,414	2,352,908	2,682,850	2,924,648	2,901,475
Other taxes	1,174,464	558,306	592,072	1,844,516	2,705,427	724,494
Grants and contributions not restricted	-	958,530	1,081,808	1,077,009	1,076,406	1,099,660
Net unrestricted investment earnings (loss)	208,674	202,338	241,678	30,562	101,208	643,345
Miscellaneous	166,276	245,847	354,713	218,861	499,392	346,776
Transfers	-	-	-	-	375,334	-
Total Governmental activities	<u>12,167,649</u>	<u>13,326,318</u>	<u>15,341,047</u>	<u>17,072,193</u>	<u>19,126,364</u>	<u>17,318,039</u>
Business-type activities						
Unrestricted investment earnings	109,141	112,894	116,514	6,880	30,792	293,421
Miscellaneous	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Total Business-type activities	<u>109,141</u>	<u>112,894</u>	<u>116,514</u>	<u>6,880</u>	<u>30,792</u>	<u>293,421</u>
Total primary government	<u>\$ 11,142,594</u>	<u>\$ 13,439,212</u>	<u>\$ 15,457,561</u>	<u>\$ 17,079,073</u>	<u>\$ 19,376,017</u>	<u>\$ 17,611,460</u>
Change in Net Position						
Governmental activities	\$ 1,229,316	\$ 2,207,711	\$ 3,532,564	\$ 3,532,564	\$ 5,939,890	\$ 1,855,758
Prior period adjustment - Governmental activities	(340,616)	(700,193)	-	-	(4,170,856)	-
Business-type activities	275,360	612,571	814,234	814,234	1,061,196	1,375,674
Prior period adjustment - Business-type activities	-	(93,490)	-	-	(556,933)	-
Total primary government change in net position	<u>\$ 1,164,060</u>	<u>\$ 2,026,599</u>	<u>\$ 4,346,798</u>	<u>\$ 4,346,798</u>	<u>\$ 2,273,297</u>	<u>\$ 3,231,432</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
FUND BALANCES - GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2010	2011	2012	2013
General Fund				
Non-Spendable	\$ -	\$ 102,018	\$ 97,326	\$ 108,285
Restricted	-	3,592,244	3,146,667	2,805,459
Assigned	-	248,385	346,027	251,499
Unassigned	-	4,973,439	5,569,637	5,690,541
Reserved	1,766,931	-	-	-
Unreserved	5,376,593	-	-	-
Total General Fund	\$ 7,143,524	\$ 8,916,086	\$ 9,159,657	\$ 8,855,784
All Other Governmental Funds				
Restricted	\$ -	\$ -	\$ -	\$ 9,545
Assigned	-	348,242	420,003	483,190
Reserved	-	-	-	-
Unreserved, reported in:				
Capital Reserve Fund	1,616,312	-	-	-
Capital Projects Funds	86,469	-	-	-
Total all other governmental funds	\$ 1,702,781	\$ 348,242	\$ 420,003	\$ 492,735

	2014	2015	2016	2017	2018	2019
	\$ 116,275	\$ 124,969	\$ 141,784	\$ 178,190	\$ 147,216	\$ 162,783
	3,296,763	3,223,261	4,121,998	5,965,987	5,400,659	5,221,050
	320,156	44,756	159,709	415,248	2,820,363	1,178,473
	6,062,140	7,772,394	9,094,063	9,813,121	9,642,299	12,483,453
	-	-	-	-	-	-
	-	-	-	-	-	-
	\$ 9,795,334	\$ 11,165,380	\$ 13,517,554	\$ 16,372,546	\$ 18,010,537	\$ 19,045,759
	\$ 1,281	\$ 2,798	\$ 639,306	\$ 837,641	\$ 104,402	\$ 27,365
	501,564	601,583	6,031,270	2,250,918	398,487	4,812,133
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	\$ 502,845	\$ 604,381	\$ 6,670,576	\$ 3,088,559	\$ 502,889	\$ 4,839,498

1. In July 2015, the Town created and taxed a municipal service district. Taxes are collected and funds are held for future beach nourishment.
2. The beach nourishment project was underway in the summer of 2017 and completed in June 2018.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Ad valorem taxes	\$ 5,376,059	\$ 5,547,407	\$ 5,804,840	\$ 6,333,785	\$ 6,571,750	\$ 7,202,742	\$ 8,486,724	\$ 8,532,846	\$ 8,662,987	\$ 8,870,753
Other taxes and licenses	4,208,128	4,386,035	4,350,221	4,208,347	4,565,104	4,749,641	5,196,512	6,011,675	6,435,741	6,377,054
Unrestricted intergovernmental revenues	729,865	734,414	716,941	742,783	757,693	958,530	1,081,808	1,077,009	1,076,406	1,099,660
Restricted intergovernmental revenues	470,222	548,398	1,170,227	331,226	669,490	438,199	717,628	1,632,377	3,157,710	959,419
Permits and fees	183,436	238,890	277,115	235,394	287,690	289,289	435,792	491,719	467,640	542,200
Sales and services	54,358	46,208	37,503	38,871	46,098	44,828	61,694	70,027	50,990	69,164
Net investment earnings	173,304	116,265	164,897	(105,917)	208,673	202,338	241,678	30,561	101,209	643,345
Other revenues	89,332	88,431	98,348	107,708	157,634	128,639	184,443	142,370	137,478	305,191
Total revenues	<u>11,284,704</u>	<u>11,706,048</u>	<u>12,620,092</u>	<u>11,892,197</u>	<u>13,264,132</u>	<u>14,014,206</u>	<u>16,406,279</u>	<u>17,988,584</u>	<u>20,090,161</u>	<u>18,866,786</u>
Expenditures										
General government	3,408,869	3,227,047	3,159,504	3,111,261	3,751,197	3,851,383	5,587,853	3,502,880	4,291,354	3,904,598
Public safety	5,282,874	5,474,026	5,061,743	4,935,745	5,994,729	5,371,506	5,771,540	5,161,344	5,334,884	5,607,014
Transportation	882,134	780,016	1,327,782	1,718,457	1,418,280	1,375,385	1,451,655	660,636	658,173	804,009
Public works	238,384	202,911	207,068	262,303	288,160	295,786	302,969	352,005	360,764	350,104
Environmental protection	1,509,454	1,545,737	2,171,804	1,555,505	2,203,769	1,615,425	2,733,216	1,829,769	1,780,237	1,943,995
Capital outlay	192,002	-	-	-	-	-	-	6,856,447	7,580,433	3,345,417
Debt service										
Principal	645,959	555,505	593,685	640,984	746,993	877,883	1,245,343	1,521,823	2,650,038	2,800,976
Interest	97,404	95,047	89,382	69,115	49,620	69,461	88,330	198,993	190,071	177,586
Total expenditures	<u>12,257,080</u>	<u>11,880,289</u>	<u>12,610,968</u>	<u>12,293,370</u>	<u>14,452,748</u>	<u>13,456,829</u>	<u>17,180,906</u>	<u>20,083,897</u>	<u>22,845,954</u>	<u>18,933,699</u>
Excess (deficiency) of revenues over expenditures	(972,376)	(174,241)	9,124	(401,173)	(1,188,616)	557,377	(774,627)	(2,095,313)	(2,755,793)	(66,913)
Other financing sources										
Installment purchase obligations issued	559,212	567,696	295,721	161,933	2,129,634	836,788	9,012,406	1,279,031	1,083,447	5,393,437
Sale of capital assets	12,417	24,569	10,487	8,100	8,642	77,417	170,270	89,257	174,667	45,307
Transfers from other funds	699,056	-	-	-	-	-	-	-	550,000	-
Total other financing sources	<u>1,270,685</u>	<u>592,265</u>	<u>306,208</u>	<u>170,033</u>	<u>2,138,276</u>	<u>914,205</u>	<u>9,182,676</u>	<u>1,368,288</u>	<u>1,808,114</u>	<u>5,438,744</u>
Net change in fund balances	<u>\$ 298,309</u>	<u>\$ 418,024</u>	<u>\$ 315,332</u>	<u>\$ (231,140)</u>	<u>\$ 949,660</u>	<u>\$ 1,471,582</u>	<u>\$ 8,408,049</u>	<u>\$ (727,025)</u>	<u>\$ (947,679)</u>	<u>\$ 5,371,831</u>
Debt service as a percentage of non-capital expenditures	6.76%	6.09%	6.16%	6.54%	7.00%	7.04%	7.76%	13.01%	18.60%	19.11%

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 5,430,059	\$ 5,305,108	97.70%	\$ 120,570	\$ 5,425,678	99.92%
2011	5,479,991	5,400,314	98.55%	75,735	5,476,049	99.93%
2012	5,752,833	5,691,025	98.93%	57,368	5,748,393	99.92%
2013	6,320,909	6,265,742	99.13%	49,737	6,315,479	99.91%
2014 [1]	6,552,229	6,502,619	99.24%	40,859	6,543,478	99.87%
2015	7,209,270	7,163,911	99.37%	39,973	7,203,884	99.93%
2016	7,600,204	7,566,290	99.55%	31,360	7,597,650	99.97%
2017	7,708,863	7,656,208	99.32%	47,685	7,703,893	99.94%
2018	7,823,759	7,787,631	99.54%	25,255	7,812,886	99.86%
2019	8,030,058	7,995,088	99.56%	[2]	7,995,088	99.56%

Source: Dare County Tax Department

[1] Revaluation of taxable property occurred on January 1, 2005 and January 1, 2014.

Each year's tax levy is revised every year to reflect pick-ups and releases applicable to that year.

Subsequent year's tax collections include subsequent collections of the original levy and collections of pick-ups and releases applicable to each particular year.

[2] Not applicable.

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TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY,
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property [1]	Personal Property		Public Service Companies [2]
		Personal Property	Motor Vehicles	
2010	\$ 2,526,750,526	\$ 42,511,732	\$ 53,727,315	\$ 24,886,623
2011	2,551,923,474	42,024,794	52,922,439	25,500,877
2012	2,555,767,547	40,017,634	54,191,162	25,163,900
2013	2,564,450,614	40,111,904	57,085,957	27,464,935
2014	1,885,454,363	42,814,370	82,815,517	28,200,352
2015	1,904,314,924	44,425,564	78,866,092	27,603,170
2016	1,923,525,862	44,590,516	81,180,033	27,214,962
2017	1,948,950,823	46,719,533	79,421,174	27,283,854
2018	1,972,811,341	47,368,616	82,041,312	32,951,844
2019	2,005,846,399	52,700,325	87,344,332	47,737,572

Total Taxable Assessed Value	Total Direct Tax Rate [3]	Sales to Assessment Ratio [4]	Estimated Actual Taxable Value
\$ 2,647,876,196	0.205	98.42%	\$ 2,690,384,267
2,672,371,584	0.205	112.83%	2,368,493,826
2,675,140,243	0.215	118.73%	2,253,129,153
2,689,113,410	0.235	123.12%	2,184,140,197
2,039,284,602	0.3209	93.80%	2,174,077,401
2,055,209,750	0.3509	93.80%	2,191,055,171
2,076,511,373	0.3809	95.17%	2,181,896,998
2,102,375,384	0.3809	92.42%	2,274,805,652
2,135,173,113	0.3809	90.27%	2,365,318,614
2,188,296,919	0.3809	88.93%	2,460,695,962

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, was completed on January 1, 2005 as well as January 1, 2014. The assessed values reported are those adjusted amounts reported as of June 30 for each particular year. Subsequent year changes to the levy are not reflected in this table.

Source: Dare County Tax Department

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

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

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

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

TABLE 7

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
PROPERTY TAX RATES OF DIRECT AND OVERLAPPING
GOVERNMENTAL JURISDICTIONS [1]
Last Ten Fiscal Years**

Year Ended June 30,	Town of Kill Devil Hills [2]		County of Dare [3]
	Town Wide	MSD [4]	
2010	0.205	-	0.28
2011	0.205	-	0.28
2012	0.215	-	0.28
2013	0.235	-	0.28
2014	0.3209	-	0.43
2015	0.3509	-	0.43
2016	0.3809	0.3300	0.43
2017	0.3809	0.3300	0.43
2018	0.3809	0.3300	0.47
2019	0.3809	0.3300	0.47

[1] All tax rates are expressed in dollars of tax per \$100 of assessed valuation.
 [2] Town of Kill Devil Hills Tax and Finance Department.
 [3] Dare County Tax Assessment Office.
 [4] Municipal Service District in addition to the town wide rate

TABLE 8

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
PRINCIPAL PROPERTY TAX PAYERS
Current Year and Nine Years Ago**

Taxpayer	June 30, 2019			June 30, 2010		
	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation
Outer Banks Beach Club	24,071,600	1	1.14%	25,887,000	1	1.00%
VIEW, LLC	15,148,570	2	0.72%			
O. W. L. Neal Partnership (Ramada Inn)	9,819,100	3	0.47%	13,143,500	5	0.50%
Lowe's Home Center	9,698,560	4	0.46%			
Outerbank Hotel, LLC	8,510,425	5	0.40%			
Newman, Brian K	7,786,219	6	0.37%	11,093,306	8	0.43%
Ocean Views LLC	7,750,755	7	0.37%			
Sea Ranch Resort LLC	7,581,250	8	0.36%			
Run Hill Apartments LLC	7,580,955	9	0.36%			
Morrison Farm Assoc II, LLP	7,220,000	10	0.34%			
Dominion NC Power				17,029,718	2	0.66%
Dean, Clarence E Jr.				16,740,565	3	0.65%
First Flight Retreat				13,243,100	4	0.51%
Morrison, Emma Neal				12,017,600	6	0.46%
Wilber Wright Associates, Inc				11,651,250	7	0.45%
Sutton Street Development (Comfort Inn)				10,415,500	9	0.40%
Croatan Surf Club				10,130,400	10	0.39%
	<u>\$ 105,167,434</u>		<u>4.99%</u>	<u>\$ 141,351,939</u>		<u>5.45%</u>

Source: Dare County Tax Department

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Outstanding Debt			
	Governmental Activities		Business-type Activities	
	Installment Financings	Capital Leases	Installment Note	Total Primary Government
2010	\$ 2,388,900	\$ 657,340	\$ 56,261	\$ 3,102,501
2011	2,150,010	908,424	53,448	3,111,882
2012	1,911,120	849,350	50,635	2,811,105
2013	1,663,851	617,568	47,822	2,329,241
2014	1,424,961	2,239,099	45,009	3,709,069
2015	1,186,071	2,436,894	42,196	3,665,161
2016	8,167,293	3,222,737	39,383	11,429,413
2017	7,774,252	3,372,984	36,570	11,183,806
2018	6,373,873	3,206,773	33,757	9,614,403
2019	12,173,105	-	30,944	12,204,049

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 11 - Demographic and Economic Statistics for personal income and population data.

* Information Unavailable

Percent of Estimated Actual Taxable Property Value [1]			
Governmental Activities	Total	Per Capita [2]	Percent of Personal Income [2]
0.12%	0.12%	451	1.20%
0.12%	0.12%	466	1.21%
0.10%	0.11%	416	1.01%
0.08%	0.09%	339	0.80%
0.18%	0.18%	531	*
0.18%	0.18%	523	*
0.55%	0.55%	1,601	*
0.53%	0.53%	1,554	*
0.41%	0.41%	1,333	*
0.49%	0.50%	1,680	*

TABLE 10

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [1]	Estimated Share of Overlapping Debt
Dare County	\$ 102,168,680	41.30%	\$ 42,192,217
Town of Kill Devil Hills direct debt			12,173,105
Total direct and overlapping debt			\$ 54,365,322

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

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the Town of Kill Devil Hills. 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 County's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

TABLE 11

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	TOWN OF KILL DEVIL HILLS		DARE COUNTY		
	Population [1]	Personal Income [5]	Per Capita Personal Income [4]	School Enrolment [3]	Unemployment Percentage Rate [2]
2010	6,875	\$ 259,510,625	\$ 37,747	4,838	6.9%
2011	6,676	257,913,908	38,633	4,922	8.1%
2012	6,750	278,154,000	41,208	4,930	8.7%
2013	6,880	291,994,080	42,441	4,982	7.7%
2014	6,985	309,631,080	44,328	4,978	4.7%
2015	7,010	340,700,020	48,602	5,008	5.5%
2016	7,137	351,482,976	49,248	5,029	7.3%
2017	7,195	384,320,925	53,415	5,166	6.7%
2018	7,212	*	*	5,151	5.9%
2019	7,266	*	*	5,233	5.0%

[1] North Carolina Demographer's Office.

[2] Employment Security Commission.

[3] Dare County Board of Education, as of the end of the school term.

[4] Bureau of Economic Analysis.

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

* - Information unavailable

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
PRINCIPAL EMPLOYERS,
Current Year and Nine Years Ago**

Employers	June 30, 2019			June 30, 2010		
	Employees [1]	Rank	Percent of Total Town Employment	Employees [1]	Rank [2]	Percent of Total Town Employment
Dare County Schools	500 - 999	1	*	500 - 999	1	*
County of Dare	500 - 999	2	*	500 - 999	2	*
Food Lion	250 - 499	3	*	250-499	3	*
Harris Teeter Inc	100 - 249	4	*	100 - 249	5	*
Lowes Home Centers Inc.	100 - 249	5	*	-	-	*
Town of Kill Devil Hills	100 - 249	6	*	100 - 249	8	*
Publix	100 - 249	7	*	-	-	*
Kellogg Supply Company, Inc.	50-99	8	*	-	-	*
Sun Realty	50-99	9	*	100 - 249	7	*
McDonald's	50-99	10	*	-	-	*

[1] Employment data is only available in ranges from the North Carolina Employment Security Commission.
 [2] Employment data is only available in rank 1-8 from the North Carolina Employment Security Commission.
 * Information unavailable for the Town of Kill Devil Hills

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Function/Program										
General government										
Administration	5	5	5	5	5	5	6	6	6	6
Finance and Tax	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2
Management Information Services	1	1	1	1	1	1	1	1	1	1
Planning and Development	8 3/4	7	7	8	8	8	7	7	7	7
Building and Grounds	4 3/4	4 3/4	4 1/4	4 3/4	4 3/4	4 3/4	4 3/4	4 3/4	4 3/4	5 1/4
Public Safety										
Police	29	33	33	33	33	33	33	33	33	33
Animal Control	2	2	2	2	2	2	2	2	2	2
Fire	20	20	20	20	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2
Ocean Rescue	25	25	25	25	24 1/2	24 1/2	26 1/2	26 1/2	26 1/2	26 1/2
Year-round	2	2	2	2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Seasonal Lifeguards	23	23	23	23	23	23	25	25	25	25
Transportation										
Streets	5	4	4	5	5	5	5 3/4	5 3/4	5 3/4	5 3/4
Public Works										
Fleet Maintenance	3 1/2	3 1/2	3 1/2	4 1/2	4 1/2	4 1/2	4 1/2	4 1/2	4 1/2	4 1/2
Environmental Protection										
Solid Waste	11	11	11 3/4	11	11	11	10 3/4	10 3/4	10 3/4	10 3/4
Water										
Water Administration	6	6	6	6	6	6	6	6	6	6
Water Treatment Plant	4	4	4	4	4	4	4	4	4	4
Water System	4	4	4	4	4	4	4 1/4	4 1/4	4 1/4	4 1/4

Source: Town of Kill Devil Hills Finance 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 KILL DEVIL HILLS, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION/PROGRAM,
Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Population	6,825	6,676	6,750	6,880	6,895	7,010	7,137	7,195	7,212	7,266
Police:										
Crime Activity: Reported										
Murder (includes attempts):	3	-	-	-	1	1	2	-	-	-
Rape (includes attempts):	3	7	5	7	6	9	11	6	2	6
Robbery (includes attempts):	4	7	8	6	4	3	1	2	1	2
Assaults (felonious & misdemeanor):	108	147	150	173	141	142	168	198	147	164
Burglary (breaking/entering-structures):	264	215	169	200	170	138	186	148	318	115
Larceny:	310	313	354	249	245	228	303	285	358	268
Auto Larceny:	7	11	12	18	13	9	10	10	16	3
Arson/unlawful burnings:	1	1	7	18	13	9	10	10	16	3
All other crimes (unspecified above):	551	694	1,267	1	1	4	1	1	-	1
Total Crime:	1,251	1,395	1,972	1,302	1,009	1,103	772	849	651	763
				1,956	1,590	1,637	1,454	1,499	1,493	1,322
Traffic Activity:										
Traffic Accidents	434	419	412							
Driving while impaired arrests	102	100	109	399	405	401	434	395	476	465
General traffic violations-citation	1,786	1,993	2,130	99	63	92	66	69	47	58
General traffic violations-warning	1,114	1,151	1,239	1,196	1,217	1,621	1,172	1,215	986	1,255
Parking violations-citation issued	106	111	105	790	1,295	2,197	1,862	1,921	2,130	2,030
Total Traffic	3,542	3,774	3,995	125	92	109	112	164	160	250
				2,609	3,072	4,420	3,646	3,764	3,799	4,058
General Calls for Service:										
Police calls-emergency status, non-emergency, traffic control	12,855	14,873	15,790							
Animal control calls	2,413	1,505	660							
Total General Calls for Service	15,268	16,378	16,450	13,827	15,622	23,775	20,785	20,025	21,179	19,711
Total all Police/Animal Control Activity	20,061	21,547	22,417	13,827	15,622	23,775	20,785	20,025	21,179	19,711
Fire:				18,392	20,284	29,832	25,885	25,288	26,471	25,091
Number of volunteer firemen	44	34	35							
Number of calls answered	1,375	1,311	1,399							
Total dollar loss	248,250 \$	436,750 \$	289,500	25	21	24	19	22	24	24
				1,648	1,366	1,428	1,350	1,598	1,591	1,610
				\$ 2,457,400 \$	215,250 \$	391,106 \$	177,500 \$	404,317 \$	220,685 \$	203,515

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION/PROGRAM,
Last Ten Fiscal Years

TABLE 14
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	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Planning:										
Building permits:										
One and Two Family Dwellings	27	32	34	42	52	60	64	68	81	66
Residential multi-family	1	-	1	-	-	1	-	1	3	5
Government	1	-	-	-	-	-	2	-	7	-
Non-residential	1	3	2	-	1	1	1	3	1	2
Additions/remodel	359	326	382	372	336	338	375	348	366	372
Sign/banners	44	27	50	48	44	51	38	37	40	30
Electrical	77	97	94	68	46	66	49	44	70	103
Mechanical	202	214	269	212	230	276	294	315	342	317
Plumbing	12	14	20	18	4	9	27	4	11	17
Demolition	6	11	8	11	8	13	12	18	7	11
Fine	3	1	1	1	1	3	4	7	9	6
Re-inspection	3	1	-	-	1	-	1	1	1	-
Re-instatement fee	-	-	-	-	-	-	-	-	-	5
Number of CAMA permits issued	43	32	27	34	26	23	24	28	20	22
Number of land disturbance permits issued	1	4	6	2	9	1	3	12	12	5
Number of occupancy permits issued	35	37	37	39	56	49	70	73	76	69
Number of site plan reviews	50	67	55	81	85	81	107	101	109	113
Number of zoning amendments	2	9	5	6	2	3	2	4	3	4
Number of variance applications	4	8	1	7	8	1	2	1	2	1
Number of exempt plats issued	2	4	1	6	3	4	7	5	7	5
Field inspections:										
Number of code compliance	4,153	3,834	4,821	4,815	4,685	4,602	4,780	5,418	4,676	4,106
Number of zoning/planning	574	633	714	710	504	606	1,503	2,435	2,177	1,836
Total building permit fees	136,203 \$	129,854 \$	234,887	\$ 182,780	\$ 215,565	\$ 228,705	\$ 300,369	\$ 366,152	\$ 417,614	\$ 455,450
Total site plan review fees	11,867 \$	74,461 \$	8,365	\$ 15,088	\$ 24,086	\$ 15,442	\$ 84,738	\$ 68,757	\$ 32,139	\$ 78,714
Total occupancy permit fees	1,750 \$	1,850 \$	1,850	\$ 1,950	\$ 2,850	\$ 2,650	\$ 3,600	\$ 3,650	\$ 3,800	\$ 3,450
Total CAMA permit fees	6,350 \$	4,090 \$	4,190	\$ 4,730	\$ 4,285	\$ 3,700	\$ 3,625	\$ 3,470	\$ 2,465	\$ 2,880
Total construction valuation	14,435,686 \$	15,838,553 \$	26,245,860	\$ 22,776,186	\$ 23,978,292	\$ 28,524,349	\$ 30,600,902	\$ 41,000,479	\$ 45,136,707	\$ 51,871,265

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
OPERATING INDICATORS BY FUNCTION/PROGRAM,
Last Ten Fiscal Years

TABLE 14
Page 3 of 3

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Refuse collection:										
Refuse collection (tons)	9,229.12	8,947.98	8,957.32	8,947.44	8,929.10	8,976.00	9,436.00	9,852.00	9,693.00	9,665.00
Water:										
Number of new services	51	46	42							
Number of new customers	256	273	283	54	54	72	60	84	59	74
Daily consumption (million gallons)	1.2	1.2	1.2	290	266	437	333	363	333	357
Maximum daily capacity of plant(million gallons)	7.4	7.4	7.4	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Maximum contracted per day(million gallons)	3.0	3.0	3.0	7.4	7.4	7.4	7.4	7.4	7.4	7.4
				3.0	3.0	3.0	3.0	3.0	3.0	3.0
Wastewater:										
Number of customers	182	188	195							
Production (million gallons)	*	*	*	198	203	204	203	208	217	219
Maximum daily capacity of plant (million gallons)	*	*	*	*	*	*	*	*	*	*
				*	*	*	*	*	*	*

* Information Unavailable

Source: Budget documents and individual Town departments.

TABLE 15

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Police stations	1	1	1	1	1	1	1	1	1	1
Animal control facilities	1	1	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1	1
Ocean rescue facilities	1	1	1	1	1	1	1	1	1	1
Refuse collection										
Collection trucks	12	12	12	12	12	12	14	14	14	14
Other public works										
Paved streets (miles)	59.11	59.22	59.17	59.4	59.17	59.17	59.17	59.17	59.81	60.17
Unpaved streets (miles)	3.12	3.15	3.18	3.18	3.18	3.18	3.18	3.18	3.18	3.18
Street lights	446	446	446	447	447	447	436	436	436	436
Parks and recreation										
Number of parks	5	5	5	5	5	5	5	5	5	5
Number of tennis courts	6	6	6	6	6	6	6	6	6	6
Number of bath houses	1	1	1	1	1	1	1	1	1	1
Number of piers										
Ocean (private)	1	1	1	1	1	1	1	1	1	1
Sound (public)	1	1	1	1	1	1	1	1	1	1
Number of ocean beach accesses										
Local (public)	10	10	10	10	10	10	10	10	10	10
Neighborhood (public)	18	18	18	18	18	18	18	18	18	18
Regional (public)	1	1	1	1	1	1	1	1	1	1
Number of sound accesses (public)	4	4	4	4	4	4	4	4	4	4
Bike path mileage	8.13	8.91	8.91	9.51	9.51	9.51	9.51	9.51	10.57	10.83
Water										
Plants	1	1	1	1	1	1	1	1	1	1
Water mains (miles)	81.08	79.7	79.7	79.7	79.7	79.7	79.78	79.72	80.19	80.58
Fire hydrants	620	635	653	596	591	591	624	626	631	635
Water storage capacity:										
Ground (million gallons)	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Elevated (million gallons)	.450	.450	.450	.450	.450	.450	.450	.450	.450	.450
Wastewater										
Mains (miles)	6.6	3.11	3.11	3.11	3.11	3.11	3.11	3.11	3.13	3.13

Source: Budget documents and individual Town departments.

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

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

To the Mayor and Members of the Board of Commissioners
Town of Kill Devil Hills, North Carolina

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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Dowdy & Osborne, LLP

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

November 22, 2019