

Comprehensive Annual Financial Report

Year Ending June 30, 2020



Town of Kill Devil Hills

North Carolina

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2020

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended June 30, 2020

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Mayor
BENJAMIN A. SPROUL
Mayor Pro Tem
IVY RAY INGRAM
Commissioners
TERRY L. GRAY
BERNARD B. McAYOY JR.
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 25, 2020

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, 2020.

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 Potter & Company, P.A., 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, 2020 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, 2020, 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.



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. Access to Kill Devil Hills in Dare County was restricted during the COVID19 pandemic from March 17 – May 3, 2020 to residents only, and from May 4 – May 15, 2020 to resident and non-resident property owners only. On May 16, 2020 all other visitors and guests were allowed to enter Dare County. Even with further restrictions on the opening of various businesses, 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. 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.

Land Where Flight Began



TOWN OF KILL DEVIL HILLS

Long-term financial planning and major initiatives. Funding the Capital Reserve fund for Streets, in the amount \$700,000 and Powell Bill funds in the amount \$218,000 in the FY 2020 budget will provide funds for annual street 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 \$95,000 for existing multi-use paths is budgeted. Tower lease space for equipment owned by private cellular companies was formerly located on the Town's elevated water tank and has been relocated to the newly constructed telecommunications monopole. The monopole will provide housing of the existing and potential future cellular antennas and equipment and is planned to facilitate the continuation of lease income and service to the citizens and guests. This improvement was funded by accumulated revenues 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 one pickup truck, five police vehicles, a skid steer loader, a boom truck and trailer.

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 \$324,000 in water system expansion and replacements. Various other water line and system maintenance is funded on a pay as you go basis form of operations.

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 initial 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, \$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 remaining portion of annual debt service is funded by the town-wide ad valorem tax. The 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. Project design and permitting are currently underway for re-nourishment construction to begin in 2022.

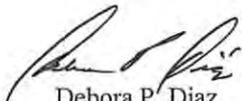
Awards and Acknowledgements. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Kill Devil Hills for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. 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.

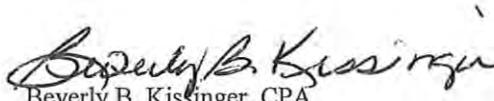
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

LIST OF ELECTED AND APPOINTED OFFICIALS

June 30, 2020

Elected Officials

Mayor
Mayor Pro Tempore
Commissioner
Commissioner
Commissioner

Benjamin A. Sproul
Ivy Ray Ingram
Terry L. Gray
Bernard B McAvoy Jr.
John L. Windley

Appointed

Town Attorney
Town Manager

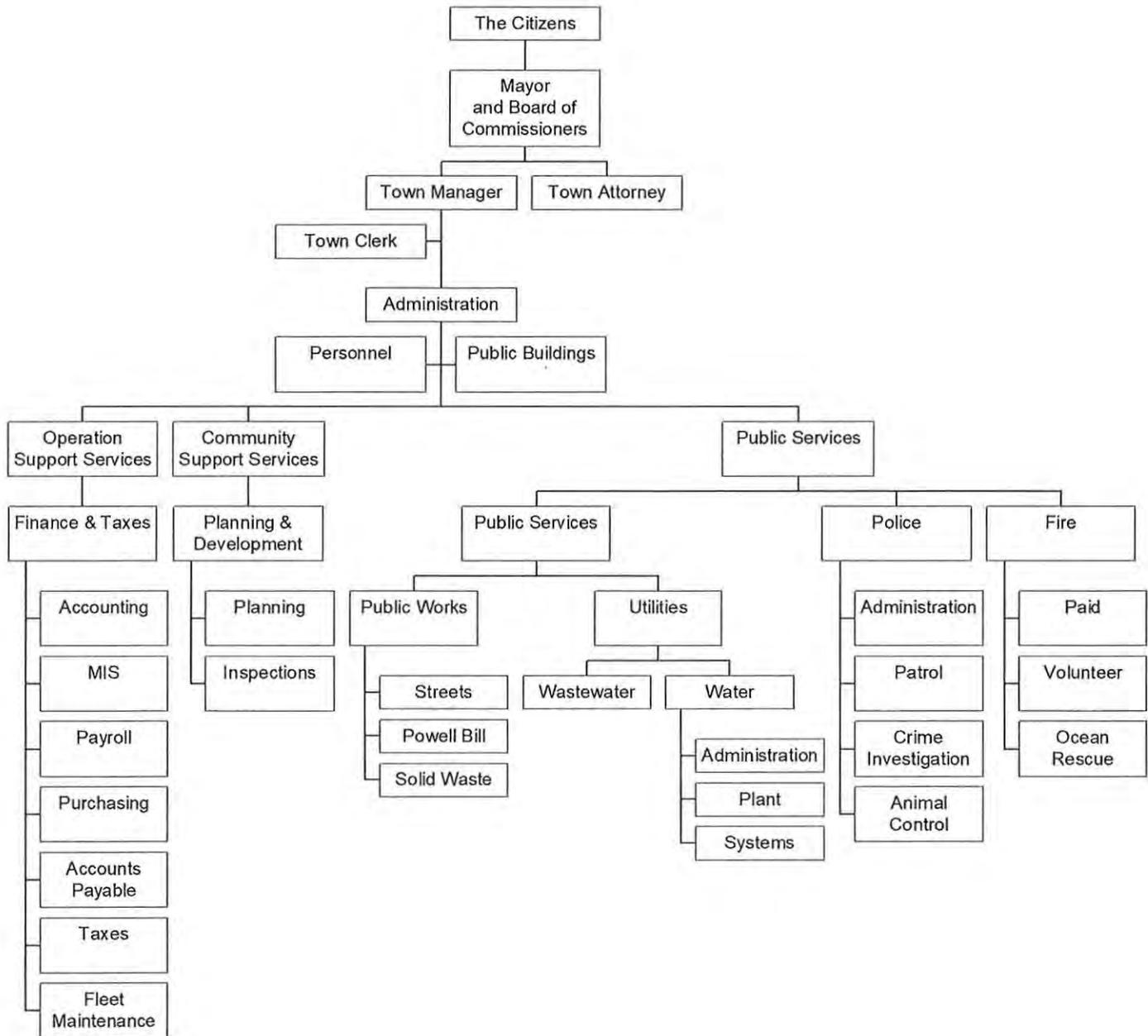
Casey C. Varnell
Debora P. Diaz

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, 2020





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, 2019

Christopher P. Morrill

Executive Director/CEO

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
And Members of the Town Council
Town of Kill Devil Hills, North Carolina

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 Town of Kill Devil Hills, North Carolina, as of and for the year ended June 30, 2020, 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 *Governmental Auditing Standards*, issued by the Comptroller 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 from 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 audit opinions.

Opinions

In our opinion, based upon our audit and the report of the other auditors, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-17, the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 80-83, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as Percentage of Covered Payroll on pages 84 and 85, and the Post-Employment Benefits Schedule of Changes in the Total OPEB Liability and related Ratios on page 86, 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 Town of Kill Devil Hills, North Carolina's basic financial statements. The introductory section, combining and individual fund financial statements, budgetary schedules, other schedules, statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, 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 and other auditors. In our opinion, based on our audit, the procedures performed as described above and the report of other auditors the combining and individual fund financial 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 information 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 25, 2020 on our consideration of the Town of Kill Devil Hills's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that 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's internal control over financial reporting and compliance.

Potter and Company, P.A.

Mooresville, North Carolina
November 25, 2020

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2020

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, 2020. 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 \$55,623,061 (*net position*). Of this amount, \$9,766,220 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$943,927 primarily because revenues exceeded expenses in business type activities. A restatement due to a change in accounting principal decreased net position by \$934,209 resulting in an overall net increase in net position of \$9,718.
- At the end of the current fiscal year, the Town of Kill Devil Hills governmental funds reported combined ending fund balances of \$21,157,455 a decrease of \$2,727,802 in comparison with the prior year. The decrease resulted from:
 - General Fund increase of \$717,508 primarily from unspent installment financing proceeds and delayed expenditures.
 - A net decrease of \$3,453,107 from the construction expenditures in the Public Works Final Phase Capital Project Fund
- After restrictions and assignments, approximately 57.43% of the total fund balances or \$11,350,839 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 \$11,350,839 or 60.16% 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 debt decreased by \$1,739,609. Principal payments for the fiscal year were \$2,975,336. New debt issuances consisted of a direct placement installment financing of \$1,235,727.

Overview of the Financial Statements

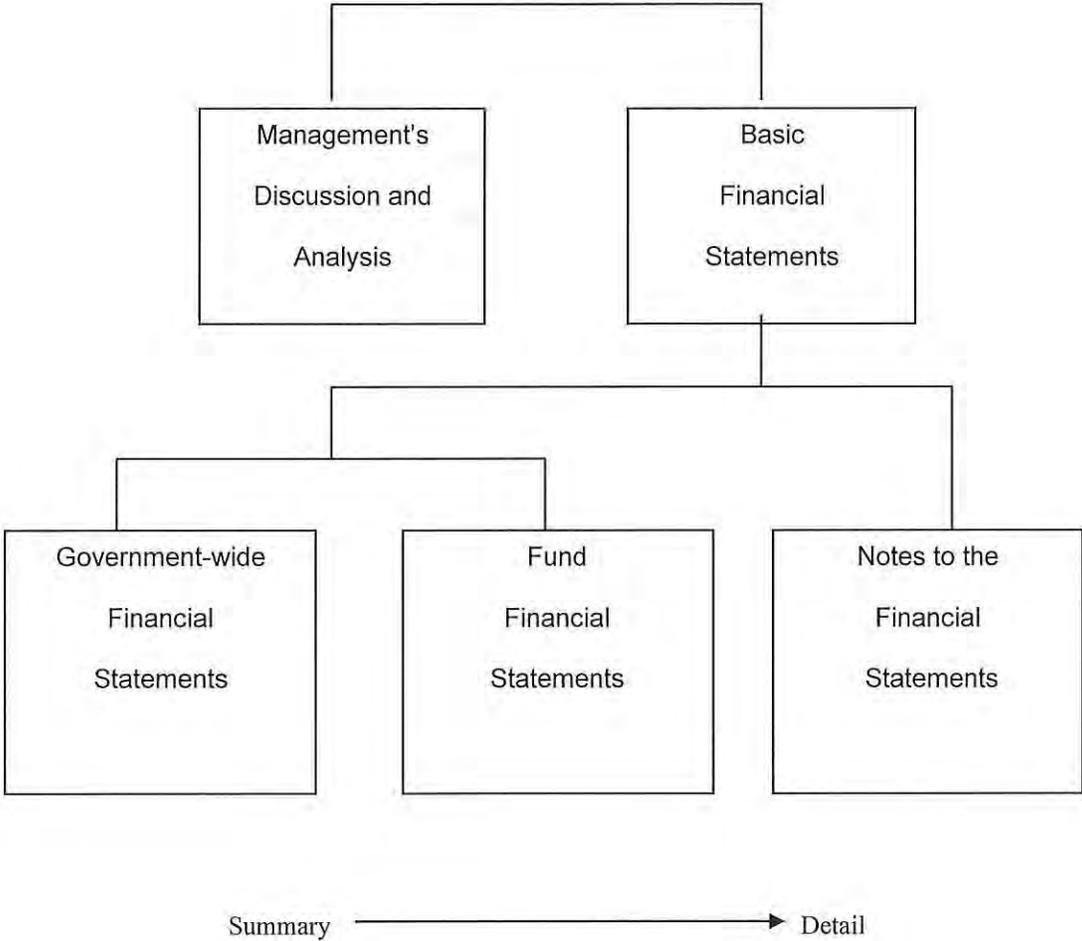
This discussion and analysis is intended to serve as an introduction to the Town of Kill Devil Hills' basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements (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.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

**Management's Discussion and Analysis
June 30, 2020**

Required Components of Annual Financial Report

Figure 1



TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2020

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 10) 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, 2020

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 three 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 non-major governmental fund is also presented separately.

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 20-29 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 30-34 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 statements can be found on pages 35-36 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 37-77 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 80-86 of this report.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2020

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		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 22,046,835	\$ 24,454,566	\$ 9,475,606	\$ 9,674,887	\$ 31,522,441	\$ 34,129,453
Capital assets	33,228,469	31,789,419	14,622,021	13,250,089	47,850,490	45,039,508
Total assets	55,275,304	56,243,985	24,097,627	22,924,976	79,372,931	79,168,961
Deferred outflows of resources	3,014,763	2,174,865	370,947	298,043	3,385,710	2,472,908
Long-term liabilities outstanding	20,142,358	19,169,079	1,496,045	1,201,212	21,638,403	20,370,291
Other liabilities	4,076,306	3,912,714	999,206	1,083,010	5,075,512	4,995,724
Total liabilities	24,218,664	23,081,793	2,495,251	2,284,222	26,713,915	25,366,015
Deferred inflows of resources	381,558	596,851	40,107	65,660	421,665	662,511
Net position:						
Net investment in capital assets	24,985,284	24,623,812	14,593,891	13,219,145	39,579,175	37,842,957
Restricted	6,277,666	5,221,050	-	-	6,277,666	5,221,050
Unrestricted	2,426,895	4,895,344	7,339,325	7,653,992	9,766,220	12,549,336
Total net position	\$ 33,689,845	\$ 34,740,206	\$ 21,933,216	\$ 20,873,137	\$ 55,623,061	\$ 55,613,343

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 \$55,623,061 as of June 30, 2020. The Town's net position increased by \$9,718 for the fiscal year ended June 30, 2020.

The larger portion of net position \$39,579,175 (71.16%) 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, 2020

An additional portion of the Town of Kill Devil Hills' net position, \$6,277,666 (11.29%), represents resources that are subject to external restrictions on how they may be used. The remaining portion, which is the remaining balance of \$9,766,220 (17.55%) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

As of June 30, 2020, 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	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for Services	\$ 455,511	\$ 619,788	\$ 4,903,060	\$ 4,198,715	\$ 5,358,571	\$ 4,818,503
Operating grants and contributions	62,841	39,995	-	-	62,841	39,995
Capital grants and contributions	467,571	919,424	-	586,486	467,571	1,505,910
General revenues:						
Property taxes	9,372,751	8,859,629	-	-	9,372,751	8,859,629
Other taxes	6,230,872	6,368,629	-	-	6,230,872	6,368,629
Other	1,760,840	2,089,781	182,118	293,421	1,942,958	2,383,202
Total Revenues	18,350,386	18,897,246	5,085,178	5,078,622	23,435,564	23,975,868
Expenses:						
General government	7,483,506	6,487,420	-	-	7,483,506	6,487,420
Public safety	6,398,627	6,020,479	-	-	6,398,627	6,020,479
Transportation	1,594,774	1,557,859	-	-	1,594,774	1,557,859
Environmental protection	2,438,992	2,372,400	-	-	2,438,992	2,372,400
Public works	360,238	345,423	-	-	360,238	345,423
Interest on long-term debt	315,068	257,907	-	-	315,068	257,907
Water	-	-	3,632,777	3,437,230	3,632,777	3,437,230
Wastewater	-	-	267,655	265,718	267,655	265,718
Total Expenses	18,591,205	17,041,488	3,900,432	3,702,948	22,491,637	20,744,436
Increase (decrease) in net position	(240,819)	1,855,758	1,184,746	1,375,674	943,927	3,231,432
Net position, July 1	34,740,206	32,884,448	20,873,137	19,497,463	55,613,343	52,381,911
Restatement	(809,542)	-	(124,667)	-	(934,209)	-
Net position, July 1 (as restated)	33,930,664	32,884,448	20,748,470	19,497,463	54,679,134	52,381,911
Net position, June 30	\$ 33,689,845	\$ 34,740,206	\$ 21,933,216	\$ 20,873,137	\$ 55,623,061	\$ 55,613,343

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

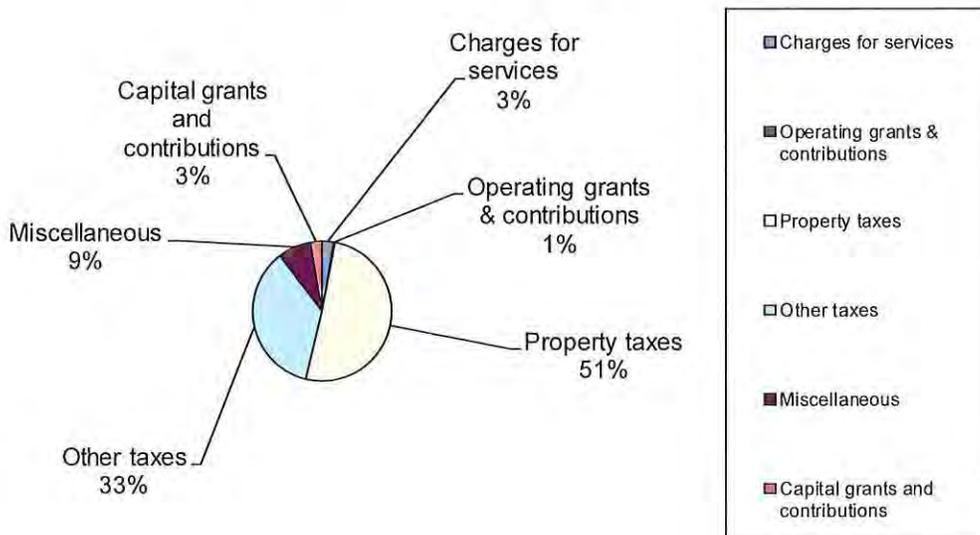
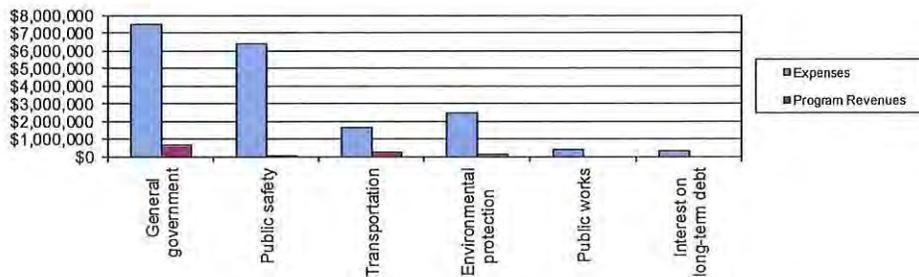
Management's Discussion and Analysis June 30, 2020

Governmental activities. Governmental activities decreased the Town's net position by \$1,050,361.

Key highlights of the changes in net position are:

- General government expenses increased by \$996,086 due to a full year of construction to the Public Works Final Phase, Prospect Beach Access Bath house project, and the LED lighting project.
- Public safety expenses increased by \$378,148 primarily due to health insurance premiums, personnel and career development.
- Transportation expenses increased by \$36,915 due to increased street and sidewalk maintenance and repair projects.
- Environmental protection expenses increased by \$66,592 due to an increase in contracted services and tipping fees.
- Reduction in occupancy tax revenue by \$160,595 due to temporary COVID shut down of travel to the county.
- Change in fair value and investment yields decreased by \$348,131 in net investment income over the prior year.
- During the year, capital acquisitions exceeded current year depreciation resulting in increase in net position.
- Restatement of OPEB liability resulted in a decrease of \$809,542 or 77.1% of the decrease in net position.
- 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

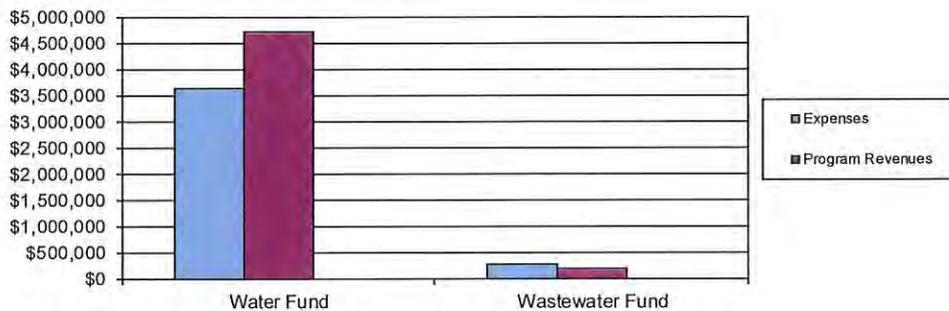
Management's Discussion and Analysis June 30, 2020

Business-type activities. The Town of Kill Devil Hills' net position for Business-type activities increased by \$1,060,079.

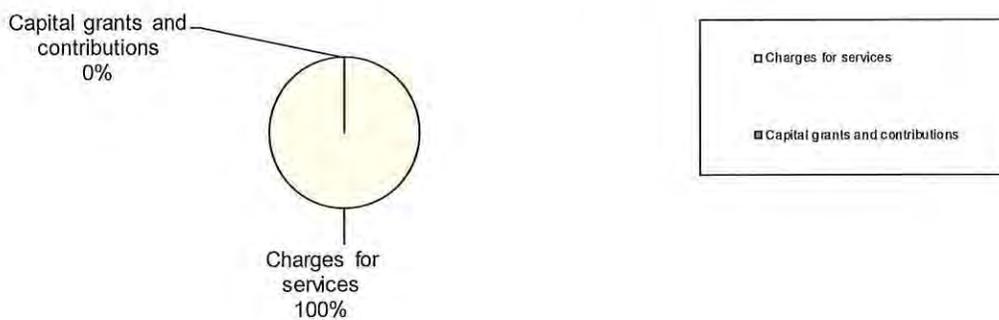
Key highlights of the effects of business type activities on the change in net position include:

- System development fees totaled \$308,200 in the Water Fund.
- Operating revenues exceeded operating expenses in the Water Fund resulting in an increase in net position.
- Restatement of OPEB liability resulted in a decrease of \$124,667 in net position
- While water rates increased 4%, the 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, 2020

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 \$11,350,839 while total fund balance increased to \$19,763,267. 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 60.16% of total General Fund expenditures, while total fund balance represents 104.74% of that same amount.

At June 30, 2020, the governmental funds of the Town of Kill Devil Hills reported a combined fund balance of \$21,157,455 a \$2,727,802 (11.42%) decrease over last year. The primary reasons are:

- A decrease of \$3,453,107 in the Public Works Final Phase Capital Project Fund due to capital expenditures in the Public Works Final Phase Capital Project Fund.
- The general fund revenue 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 \$7,339,325, a \$314,667 (4.11 %) decrease 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, 2020

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 \$3,073,703. The following are the main components of the increase:

- \$ 200,000 re-appropriate OPEB Trust funding.
- \$ 1,100 contributions for police department, fire department, animal control and disc golf.
- \$ 55,230 street capital reserve fund project costs.
- \$ 192,529 appropriated FY '19 encumbrances.
- \$ 499,929 appropriated for the monopole communications tower construction.
- \$ 50,000 appropriated for Prospect Avenue beach access bath building.
- \$1,235,727 lease proceeds for vehicle and equipment purchases.
- \$ 50,185 FEMA – Hurricane Dorian funding.
- \$ 26,878 appropriated LED lighting project.
- \$ 11,423 appropriated for salary promotion increases.
- \$ 20,000 appropriated for paving improvements.
- \$ 27,307 PEG Channel support funding.
- \$ 10,000 government channel funding.
- \$ 11,087 appropriated for shoreline access construction.
- \$ 131,182 police vehicle replacements.
- \$ 113,900 FY 20-21 street project engineering costs.
- \$ 1,136 wellness grant funding.
- \$ 8,500 sale of excavator funding.
- \$ 4,567 lease payments for Bobcat.
- \$ 17,621 drug forfeiture funding.
- \$ 35,903 FEMA – Hurricane Florence funding.
- \$ 47,068 insurance proceeds funding.
- \$ 290,734 appropriated for FY 2022 beach nourishment project design.
- \$ 7,698 CARES Act funding.
- \$ 24,000 local funding for sand fencing.

The increases were possible because of local grant funding (\$61,614), lease purchase financing (\$1,240,294), appropriations from the restricted Shoreline Access and Streets Capital Reserve fund balance (\$116,317), appropriations from FEMA federal funding (\$86,088), appropriations from CARES grant funding (\$7,698), appropriations for PEG Channel/Government Channel support funding (\$37,307), drug forfeiture funding (\$17,621), insurance proceeds funding (\$94,477), and additional fund balance appropriations of (\$1,412,288).

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2020

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, 2020, total \$47,850,494 (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 .0624% (4.53% increase for governmental activities and 10.35% increase for business-type activities).

Major capital asset transactions during the year include the following:

- Activity for construction in progress for Governmental activities include \$3,453,434 for Public Works Complex Final Phase, \$1,700 for Meekins Field Park Development design and engineering, project, \$41,084 for FY 20-21 fall streets projects engineering, \$25,625 for FY 20-21 spring street projects, \$3,200 for Centennial Path Phase 2 and Baum project, \$8,616 for FY 2022 beach re-nourishment design project, and \$452,727 for monopole communications tower design. Business activities include \$290,006 for water tank elevation engineering, \$1,435,248 for elevated storage tank replacement, \$11,277 for waterline adjustments, and \$238,060 for waterline improvements and design of the Colington Road water main replacement.
- Land purchased for \$1,299 at 0 W. Atlantic for Governmental activities.
- Office furniture and equipment for Dell Server totaling \$7,825 and \$1,750 to complete the Superior software project for Governmental activities.
- Vehicles purchased for Governmental activities included eight Chevy Tahoes totaling \$329,592 and one Ford F150 pick-truck totaling \$30,619. Business activities include one Dodge Ram 2500 pickup truck for \$30,444.
- Street projects included \$217,694 spent from Powell Bill funds for the W. Hayman, Plymouth, 6th Avenue and Town Hall Drive projects, \$679,201 W. Hayman, Plymouth, 6th Avenue and Town Hall Drive projects, and \$3,838 for Whispering Pines street projects.
- Business type activities in improvements included \$35,948 for waterline improvements.
- Equipment for governmental type activities included Bobcat Excavator for \$43,540, jet ski for \$8,800, and Leeboy asphalt maintainer screen replacement for \$22,735. Business activities include \$20,402 for a Gregory Poole air compressor and \$13,385 Power-Tel Utility Eazy Locator.
- Improvements to Ocean Bay Boulevard Ocean Rescue offices for \$61,230 for Governmental activities.
- Building improvements to Prospect Beach Access Bath House for \$62,387 for Governmental activities. Water plant improvements included \$23,850 for SCADA upgrades and storm drainage engineering at the water plant.
- In Governmental activities, \$278,706 from fiscal year 2019 construction in progress projects were closed and were transferred into Streets for completion of FY 19-20 Street projects for Hayman (\$70,854), Streets for completion of FY 18-19 Whispering Pines project design (\$60,162), OSSI software completion (\$134,890), and fleet maintenance software completion (\$12,800). In Business-type activities, \$51,000 from fiscal year 2019 construction in progress projects were closed and transferred into waterline improvements.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2020

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,964,521	\$ 2,963,222	\$ 224,814	\$ 224,814	\$ 3,189,335	\$ 3,188,036
Construction in progress	4,097,836	390,157	3,040,799	1,117,209	7,138,635	1,507,366
Plant	-	-	1,449,068	1,476,091	1,449,068	1,476,091
Water rights	-	-	894,417	984,682	894,417	984,682
Building	6,584,693	6,767,595	22,246	24,634	6,606,939	6,792,229
Other improvements	7,556,339	9,566,541	7,776,251	8,117,735	15,332,590	17,684,276
Equipment	437,989	530,822	70,359	80,067	508,348	610,889
Vehicles	2,588,758	3,203,396	63,541	71,064	2,652,299	3,274,460
Office equipment	197,931	65,571	-	-	197,931	65,571
Animals	11,701	15,955	-	-	11,701	15,955
Meters	-	-	1,080,526	1,153,793	1,080,526	1,153,793
Streets	8,788,701	8,286,160	-	-	8,788,701	8,286,160
Total	\$ 33,228,469	\$ 31,789,419	\$ 14,622,021	\$ 13,250,089	\$ 47,850,490	\$ 45,039,508

Additional information on the Town's capital assets can be found in the notes of the Basic Financial Statements on pages 53-55.

Long-term Debt. The Town of Kill Devil Hills' total debt increased by \$552,925 during the fiscal year ended June 30, 2020 primarily due to an increase in total OPEB liability and the net principal payments made during the year over new direct installment financing.

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 \$166,701,644. 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 70 through 73.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2020

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 8.08% is higher than the State of North Carolina's 2020 average of 5.6%. Dare County experiences significant seasonality in the rates with a high of 24.1% in April and a low of 3.2% in September 2019.
- The impact of the world wide pandemic on the Town's economic and tourism related revenues resulted in a 5.2% net decrease in occupancy tax for the year. The period of March through May resulted in a 52.3% reduction in revenue during the period the County was closed to outside tourism. Other months during the year resulted in a 2.1% increase.
- The Town's share of the State and local taxes resulted in a .81% increase for the year.
- Building permits and related revenues decreased 31.7% primarily due to the COVID related temporary shut down in the local economy. Building related fee income is expected to remain constant at the 2020 level.
- A Municipal Service District (MSD) for the purpose of erosion control, flood and hurricane protection works was created for shoreline protection. The revenue neutral tax in this district is \$.20 and will fund a portion of the debt service for the planned 2022 beach nourishment project.
- Water rates will increase 4% to cover operating cost.
- On the expenditure side, the budget includes a 2.23% and 2.14% in the general fund and water fund respectively. These increases are related to personnel and the rising cost of health insurance premiums, market performance pay, and cost of living.
- Beach nourishment construction project is complete and ongoing monitoring and maintenance is planned and a future re-nourishment is scheduled to begin in 2022.
- The Town of Kill Devil Hills' year round population is 7,378 while the summer season population exceeds 35,000 persons a day, requiring twenty four hour services for residents and non-residents alike.

Governmental Activities. Property values used to determine the tax base for the budget were revalued as of January 1, 2020 and the revenue-neutral tax rate of \$.32 per \$100 of valuation was adopted. The Town expects an increase in the share of the State and local sales tax and local taxes that are distributed based on the percentage the government's levy is in relation to other municipalities in the county. Due to the uncertainty created by a world-wide pandemic, the Town budgeted these economic driven tax revenues very conservatively with either negative or no growth. Since access and travel to the county opened up, the Town has experienced record growth in occupancies as high as 24% over the prior year. Permits, fees, and service revenues are not expected to grow in building and construction related activity.

Budgeted expenditures are anticipated to be \$19,912,652 which is a 2.2% increase over the prior year budget. Personnel cost increases will maintain the cost of living and merit based program as well as a 9% increase in health insurance premiums. Capital improvement items includes annual street and sidewalk projects, parking lot improvements, and replacing Meekins' field surface and play areas that were destroyed due to the prior year water tank and monopole construction. Equipment and vehicle replacements include five police vehicles, one pickup truck, a skid steer loader, one boom truck and trailer.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2020

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 Mater Plan. Water tap fees are also in accordance with the recommendation of the plan. Water Fund operating expenses are budgeted to increase 2.14% over the prior year budget. Pay as you go funding includes rehabilitation and maintenance of the water storage tanks. A Capital Reserve Fund to account for system development fees is projected to accumulate and fund a total of \$324,000 for system expansion and replacement. 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. \$18,750 is projected in the Wastewater Capital Reserve Fund for system expansion and repayment of debt. 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.

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BASIC FINANCIAL STATEMENTS

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2020

EXHIBIT 1
Page 1 of 2

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 14,907,792	\$ 7,113,487	\$ 22,021,279
Restricted cash and cash equivalents	5,218,501	1,005,733	6,224,234
Taxes receivables (net)	107,474	-	107,474
Accrued interest receivable (net)	57,180	25,891	83,071
Accounts receivable (net)	20,985	1,185,479	1,206,464
Due from other governments	1,568,334	-	1,568,334
Inventories	165,532	145,016	310,548
Prepaid items	1,037	-	1,037
Total current assets	<u>22,046,835</u>	<u>9,475,606</u>	<u>31,522,441</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	7,062,357	3,265,613	10,327,970
Water rights, net of accumulated amortization	-	894,416	894,416
Other capital assets, net of accumulated depreciation	26,166,112	10,461,992	36,628,104
Total capital assets	<u>33,228,469</u>	<u>14,622,021</u>	<u>47,850,490</u>
Total non-current assets	<u>33,228,469</u>	<u>14,622,021</u>	<u>47,850,490</u>
Total assets	<u>55,275,304</u>	<u>24,097,627</u>	<u>79,372,931</u>
DEFERRED OUTFLOWS OR RESOURCES			
Pension deferrals	1,690,041	194,058	1,884,099
OPEB deferrals	1,324,722	176,889	1,501,611
Total deferred outflows of resources	<u>3,014,763</u>	<u>370,947</u>	<u>3,385,710</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other accrued liabilities	774,976	228,861	1,003,837
Accrued interest payable	105,079	-	105,079
Unearned revenue	6,930	-	6,930
Customer deposits	-	697,532	697,532
Current portion of long-term liabilities:	3,414,265	72,813	3,487,078
Total current liabilities	<u>4,301,250</u>	<u>999,206</u>	<u>5,300,456</u>
Long-term liabilities:			
Net pension liability LGERS	2,370,913	316,589	2,687,502
Total pension liability (LEO)	1,175,808	-	1,175,808
Total OPEB liability	8,522,372	1,137,991	9,660,363
Due in more than one year	7,848,321	41,465	7,889,786
Total long-term liabilities	<u>19,917,414</u>	<u>2,495,251</u>	<u>26,713,915</u>
Total liabilities	<u>24,218,664</u>	<u>3,494,457</u>	<u>32,014,371</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, 2020

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension deferrals	81,201	-	81,201
OPEB deferrals	300,357	40,107	340,464
Total deferred inflows of resources	<u>381,558</u>	<u>40,107</u>	<u>421,665</u>
<u>NET POSITION</u>			
Net investment in capital assets	24,985,284	14,593,891	39,579,175
Restricted for:			
Streets - Powell Bill	50,547	-	50,547
Public safety	19,573	-	19,573
Stabilization by State Statute	3,246,576	-	3,246,576
Capital Reserve Fund	2,960,970	-	2,960,970
Unrestricted	2,426,895	7,339,325	9,766,220
Total net position	<u>\$ 33,689,845</u>	<u>\$ 21,933,216</u>	<u>\$ 55,623,061</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, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 7,483,506	\$ 370,167	\$ 60,726	\$ 226,184
Public safety	6,398,627	13,891	2,115	-
Transportation	1,594,774	-	-	241,387
Environmental protection	2,438,992	71,453	-	-
Public works	360,238	-	-	-
Interest on long-term debt	315,068	-	-	-
Total governmental activities	<u>18,591,205</u>	<u>455,511</u>	<u>62,841</u>	<u>467,571</u>
Business-type activities:				
Water fund	3,632,778	4,711,705	-	-
Wastewater fund	267,655	191,355	-	-
Total business-type activities	<u>3,900,433</u>	<u>4,903,060</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 22,491,638</u>	<u>\$ 5,358,571</u>	<u>\$ 62,841</u>	<u>\$ 467,571</u>

General revenues:

Taxes and Licenses:

Property taxes levied for general purpose

Municipal service district taxes

Sales taxes

Occupancy taxes

Other taxes and licenses

Grants and contributions not restricted to specific programs

Net unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position, previously reported

Restatement (see Note 10)

Total net position, restated

Net position-ending

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

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Totals
\$ (6,826,429)	\$ -	\$ (6,826,429)
(6,382,621)	-	(6,382,621)
(1,353,387)	-	(1,353,387)
(2,367,539)	-	(2,367,539)
(360,238)	-	(360,238)
(315,068)	-	(315,068)
<u>(17,605,282)</u>	<u>-</u>	<u>(17,605,282)</u>
-	1,078,928	1,078,928
-	(76,300)	(76,300)
<u>-</u>	<u>1,002,628</u>	<u>1,002,628</u>
<u>(17,605,282)</u>	<u>1,002,628</u>	<u>(16,602,654)</u>
8,856,849	-	8,856,849
515,902	-	515,902
2,764,840	-	2,764,840
2,740,880	-	2,740,880
725,152	-	725,152
1,080,755	-	1,080,755
406,517	182,118	588,635
273,568	-	273,568
<u>17,364,463</u>	<u>182,118</u>	<u>17,546,581</u>
<u>(240,819)</u>	<u>1,184,746</u>	<u>943,927</u>
34,740,206	20,873,137	55,613,343
(809,542)	(124,667)	(934,209)
<u>33,930,664</u>	<u>20,748,470</u>	<u>54,679,134</u>
<u>\$ 33,689,845</u>	<u>\$ 21,933,216</u>	<u>\$ 55,623,061</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2020

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Public Works Final Phase CPF		
ASSETS				
Cash and cash equivalents	\$ 14,536,882	\$ -	\$ 370,910	\$ 14,907,792
Restricted cash and cash equivalents	3,989,100	1,229,401	-	5,218,501
Receivables (net)				
Taxes	107,474	-	-	107,474
Accounts	20,985	-	-	20,985
Interest on investments	56,019	-	1,161	57,180
Due from other governments	1,568,334	-	-	1,568,334
Inventories and prepaid items	166,569	-	-	166,569
Total assets	<u>\$ 20,445,363</u>	<u>\$ 1,229,401</u>	<u>\$ 372,071</u>	<u>\$ 22,046,835</u>
LIABILITIES				
Accounts payable	\$ 149,791	\$ 207,284	\$ -	\$ 357,075
Accrued liabilities	417,901	-	-	417,901
Unearned revenue	340	-	-	340
Total liabilities	<u>568,032</u>	<u>207,284</u>	<u>-</u>	<u>775,316</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	107,474	-	-	107,474
License receivable	6,590	-	-	6,590
Total deferred inflows of resources	<u>114,064</u>	<u>-</u>	<u>-</u>	<u>114,064</u>
FUND BALANCES				
Non-Spendable:				
Inventories and prepaids	166,569	-	-	166,569
Restricted:				
Stabilization by State Statute	3,246,575	-	1,161	3,247,736
Public Safety	19,572	-	-	19,572
Streets - Powell Bill	50,547	-	-	50,547
Capital reserve fund	2,960,970	-	-	2,960,970
Assigned:				
Beach Nourishment	-	-	370,910	370,910
Public Works Final Phase Capital Project	-	1,022,117	-	1,022,117
Subsequent year's expenditures	1,968,195	-	-	1,968,195
Unassigned	<u>11,350,839</u>	<u>-</u>	<u>-</u>	<u>11,350,839</u>
Total fund balances	<u>19,763,267</u>	<u>1,022,117</u>	<u>372,071</u>	<u>21,157,455</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,445,363</u>	<u>\$ 1,229,401</u>	<u>\$ 372,071</u>	<u>\$ 22,046,835</u>

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, 2020

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

Total fund balances-governmental funds (page 22)	\$ 21,157,455
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	33,228,469
Deferred outflows of resources related to pensions are not reported in the funds	1,690,041
Deferred outflows of resources related to OPEB are not reported in the funds	1,324,722
Liabilities for earned revenues considered deferred inflows on resources in fund statements	107,474
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.	(23,331,679)
Deferred inflows of resources related to pensions are not reported in the funds	(81,201)
Deferred inflows of resources related to OPEB are not reported in the funds	(300,357)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	<u>(105,079)</u>
Net position of governmental activities.	<u>\$ 33,689,845</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, 2020

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Public Works Final Phase CPF		
<u>REVENUES</u>				
Ad valorem taxes	\$ 9,351,102	\$ -	\$ -	\$ 9,351,102
Other taxes and licenses	6,239,043	-	-	6,239,043
Unrestricted intergovernmental	1,080,755	-	-	1,080,755
Restricted intergovernmental	530,412	-	-	530,412
Permits and fees	370,047	-	-	370,047
Sales and services	77,293	-	-	77,293
Net investment earnings (loss)	398,393	327	7,797	406,517
Miscellaneous	276,800	-	-	276,800
Total revenues	<u>18,323,845</u>	<u>327</u>	<u>7,797</u>	<u>18,331,969</u>
<u>EXPENDITURES</u>				
Current:				
General government	5,169,454	3,453,434	-	8,622,888
Public safety	6,318,415	-	-	6,318,415
Transportation	1,746,890	-	-	1,746,890
Environmental protection	1,978,663	-	-	1,978,663
Public works	354,577	-	-	354,577
Debt service:				
Principal	2,975,336	-	-	2,975,336
Interest and other charges	324,953	-	-	324,953
Total expenditures	<u>18,868,288</u>	<u>3,453,434</u>	<u>-</u>	<u>22,321,722</u>
Excess revenues over (under) expenditures	<u>(544,443)</u>	<u>(3,453,107)</u>	<u>7,797</u>	<u>(3,989,753)</u>
<u>OTHER FINANCING SOURCES</u>				
Direct borrowing	1,235,727	-	-	1,235,727
Sale of capital assets	26,224	-	-	26,224
Total other financing sources	<u>1,261,951</u>	<u>-</u>	<u>-</u>	<u>1,261,951</u>
Net change in fund balance	717,508	(3,453,107)	7,797	(2,727,802)
Fund balances - beginning	<u>19,045,759</u>	<u>4,475,224</u>	<u>364,274</u>	<u>23,885,257</u>
Fund balances - ending	<u>\$ 19,763,267</u>	<u>\$ 1,022,117</u>	<u>\$ 372,071</u>	<u>\$ 21,157,455</u>

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, 2020

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

Net changes in fund balances - total governmental funds (page 24)		\$ (2,727,802)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 5,456,895	
Depreciation expense for governmental assets	<u>(3,988,385)</u>	1,468,510
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(29,457)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
LGERS	584,218	
LEOSSA	<u>49,497</u>	633,715
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in tax revenue	<u>21,649</u>	21,649
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	(1,235,727)	
Principal payments on long-term debt	2,975,336	
Accrued interest payable	<u>9,886</u>	1,749,495
<p>Some expenses reported in the statement of activities do not require expenditures in governmental funds.</p>		
Compensated absences	(62,630)	
Pension expense - LEOSSA	(100,717)	
Pension expense - LGERS	(1,067,779)	
OPEB plan expense	<u>(125,803)</u>	(1,356,929)
Total changes in net position of governmental activities		<u>\$ (240,819)</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, 2020

	General Fund			
	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 9,389,880	\$ 9,389,880	\$ 9,351,102	\$ (38,778)
Other taxes and licenses	6,293,211	6,293,211	6,239,043	(54,168)
Unrestricted intergovernmental revenues	1,065,400	1,092,707	1,080,755	(11,952)
Restricted intergovernmental revenues	348,125	477,047	530,412	53,365
Permits and fees	348,400	348,400	370,047	21,647
Sales and services	69,540	69,540	77,293	7,753
Net investment earnings	200,000	200,000	324,592	124,592
Other revenues	151,561	274,016	276,800	2,784
Total revenues	<u>17,866,117</u>	<u>18,144,801</u>	<u>18,250,044</u>	<u>105,243</u>
EXPENDITURES				
Current:				
General government	4,969,862	6,483,709	5,169,454	1,314,255
Public safety	6,399,957	6,857,785	6,318,415	539,370
Transportation	1,799,695	2,009,976	1,746,890	263,086
Environmental protection	2,177,570	3,030,327	1,978,663	1,051,664
Public works	396,989	440,213	354,577	85,636
Debt service:				
Principal retirement	3,050,078	3,045,845	2,975,336	70,509
Interest and other charges	270,438	270,438	324,953	(54,515)
Total expenditures	<u>19,064,589</u>	<u>22,138,293</u>	<u>18,868,288</u>	<u>3,270,005</u>
Revenues over (under) expenditures	\$ <u>(1,198,472)</u>	\$ <u>(3,993,492)</u>	\$ <u>(618,244)</u>	\$ <u>3,375,248</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, 2020

	General Fund			
	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
<u>OTHER FINANCING SOURCES</u>				
Direct borrowing	\$ -	\$ 1,235,727	\$ 1,235,727	\$ -
Transfer from Capital Reserve Fund	-	407,051	305,769	(101,282)
Sale of capital assets	20,000	28,500	26,224	(2,276)
Appropriated fund balance - undesignated	1,178,472	2,112,064	-	(2,112,064)
Appropriated fund balance - encumbrances	-	192,529	-	(192,529)
Appropriated fund balance - drug forfeiture	-	17,621	-	(17,621)
Total other financing sources (uses)	<u>1,198,472</u>	<u>3,993,492</u>	<u>1,567,720</u>	<u>(2,425,772)</u>
Revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	949,476	\$ <u>949,476</u>
Fund balance, beginning			15,852,824	
Fund balance, end of year			<u>\$ 16,802,300</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Net investment earnings (loss)			73,801	
Transfer to/from general fund			(305,769)	
Fund balance, beginning of year			<u>3,192,935</u>	
Fund balance, end of year			<u>\$ 19,763,267</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, 2020

	Business-type Activities		Total
	Water	Wastewater	Enterprise Funds June 30, 2020
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,113,487	\$ -	\$ 7,113,487
Restricted cash and cash equivalents	979,092	26,641	1,005,733
Accrued interest receivable	25,744	147	25,891
Customer accounts receivable (net)	1,137,041	48,438	1,185,479
Inventories	145,016	-	145,016
Total current assets	9,400,380	75,226	9,475,606
Non-current assets:			
Due from other funds	487,357	(487,357)	-
Capital assets:			
Land and other non-depreciable assets	3,218,268	47,345	3,265,613
Water rights (net of accumulated amortization)	894,416	-	894,416
Other capital assets (net of accumulated depreciation)	10,293,753	168,239	10,461,992
Total capital assets	14,406,437	215,584	14,622,021
Total non-current assets	14,893,794	(271,773)	14,622,021
Total assets	24,294,174	(196,547)	24,097,627
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	194,058	-	194,058
OPEB deferrals	176,889	-	176,889
Total deferred outflows of resources	370,947	-	370,947
LIABILITIES			
Current liabilities:			
Accounts payable	185,267	3,270	188,537
Salaries payable	38,978	-	38,978
Other liabilities	1,346	-	1,346
Customer deposits	670,892	26,640	697,532
Current portion of long-term liabilities:			
Compensated absences	70,000	-	70,000
Note payable	2,813	-	2,813
Total current liabilities	969,296	29,910	999,206
Non-current liabilities:			
Compensated absences, net of current portion	16,148	-	16,148
Net Pension Liability	316,589	-	316,589
Total OPEB Liability	1,137,991	-	1,137,991
Note payable, net of current portion	25,317	-	25,317
Total non-current liabilities	1,496,045	-	1,496,045
Total liabilities	2,465,341	29,910	2,495,251

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, 2020

	Business-type Activities		Total
	Water	Wastewater	Enterprise Funds June 30, 2020
<u>OPERATING REVENUES</u>			
Water sales	\$ 3,977,220	\$ -	\$ 3,977,220
Wastewater sales	-	189,732	189,732
Connection fees	69,599	-	69,599
System development fees	308,200	-	308,200
Late payment penalties and interest	29,200	1,623	30,823
Other operating revenues	327,486	-	327,486
Total operating revenues	<u>4,711,705</u>	<u>191,355</u>	<u>4,903,060</u>
<u>OPERATING EXPENSES</u>			
Water administration	1,255,687	-	1,255,687
Water treatment plant	1,257,319	-	1,257,319
Water systems	501,986	-	501,986
Wastewater	-	158,751	158,751
Depreciation and amortization	617,785	108,904	726,689
Total operating expenses	<u>3,632,777</u>	<u>267,655</u>	<u>3,900,432</u>
<u>OPERATING INCOME (LOSS)</u>	<u>1,078,928</u>	<u>(76,300)</u>	<u>1,002,628</u>
<u>NON-OPERATING REVENUES</u>			
Net investment earnings (loss)	181,007	1,111	182,118
Total non-operating revenues	<u>181,007</u>	<u>1,111</u>	<u>182,118</u>
<u>OPERATING INCOME (LOSS) BEFORE TRANSFERS</u>			
	1,259,935	(75,189)	1,184,746
Transfers from (to) other funds	<u>18,750</u>	<u>(18,750)</u>	<u>-</u>
Changes in net position	1,278,685	(93,939)	1,184,746
Total net position previously reported	<u>21,005,656</u>	<u>(132,519)</u>	<u>20,873,137</u>
Total net position, restated	<u>20,880,989</u>	<u>-</u>	<u>20,880,989</u>
Total net position, ending	<u>\$ 22,159,674</u>	<u>\$ (226,458)</u>	<u>\$ 21,933,216</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, 2020

	Business-type Activities		Total
	Water	Wastewater	Enterprise Funds June 30, 2020
<u>DEFERRED INFLOWS OF RESOURCES</u>			
OPEB deferrals	40,107	-	40,107
<u>NET POSITION</u>			
Net investment in capital assets	14,378,307	215,584	14,593,891
Unrestricted	7,781,366	(442,041)	7,339,325
Total net position	\$ 22,159,673	\$ (226,457)	\$ 21,933,216

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, 2020**

	Business-type Activities		Total
	Water	Wastewater	Enterprise Funds June 30, 2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from customers	\$ 4,429,383	\$ 192,153	\$ 4,621,536
Cash paid for goods and services	(1,879,427)	(158,751)	(2,038,178)
Cash paid to employees	(1,157,338)	-	(1,157,338)
Customer deposits received	48,148	1,728	49,876
Customer deposits returned	(36,419)	(1,152)	(37,571)
Other operating revenues	69,599	-	69,599
Net cash provided by operating activities	1,473,946	33,978	1,507,924
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>			
Cash received from other funds	34,480	-	34,480
Cash paid to other funds	-	(34,480)	(34,480)
Net cash provided (used) by non-capital financing activities	34,480	(34,480)	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Acquisition and construction of capital assets	(2,098,619)	-	(2,098,619)
Principal paid on capital debt	(2,813)	-	(2,813)
Net cash (used) by capital related financing activities	(2,101,432)	-	(2,101,432)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Net investment earnings (loss)	188,275	1,066	189,341
Net cash provided by investing activities	188,275	1,066	189,341
Net increase (decrease) in cash and cash equivalents	(404,731)	564	(404,167)
Cash and cash equivalents at beginning of year	8,497,310	26,077	8,523,387
Cash and cash equivalents at end of year	\$ 8,092,579	\$ 26,641	\$ 8,119,220

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, 2020

	Business-type Activities		Total
	Water	Wastewater	Enterprise Funds June 30, 2020
<u>RECONCILIATION OF OPERATING</u>			
<u>INCOME TO NET CASH USED BY</u>			
<u>OPERATING ACTIVITIES</u>			
Operating income (loss)	\$ 1,078,927	\$ (76,300)	\$ 1,002,627
Adjustments to reconcile operating income loss to net cash provided by operating activities:			
Depreciation and amortization	617,785	108,904	726,689
<i>Changes in Assets and Liabilities:</i>			
(Increase) decrease in accounts receivable	(212,565)	798	(211,767)
Increase in inventories	(338)	-	(338)
Decrease in deferred outflows of resources - pensions	28,946	-	28,946
Increase in deferred outflows of resources - OPEB	(154,631)	-	(154,631)
Increase in net pension liability	37,070	-	37,070
Decrease in deferred inflows of resources - pensions	(1,446)	-	(1,446)
Increase in salaries payable	11,780	-	11,780
Decrease in other liabilities	(155)	-	(155)
Decrease in accounts payable	(127,737)	-	(127,737)
Increase in customer deposits	11,729	576	12,305
Increase in accrued vacation pay	13,152	-	13,152
Decrease in deferred inflows of resources - OPEB	(24,107)	-	(24,107)
Increase in OPEB liability	195,537	-	195,537
Net cash provided by operating activities	\$ 1,473,947	\$ 33,978	\$ 1,507,925
Schedule of non-capital financing activities:			
Wastewater Fund debt payments to Water Fund	\$ 34,480	\$ (34,480)	\$ -

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, 2020

	Pension (and Other Employee Benefit) Trust Fund	Agency Fund Firemen's Relief
<u>ASSETS</u>		
Cash and cash equivalents	\$ 218,734	\$ 268,181
Accrued interest receivable	-	855
Due from other governments	-	11,734
	<u>218,734</u>	<u>280,770</u>
<u>LIABILITIES AND NET POSITION</u>		
Liabilities:		
Due to Firemen's Relief Fund	-	280,770
	<u>-</u>	<u>280,770</u>
<u>NET POSITION</u>		
Postemployment benefits other than pensions	<u>218,734</u>	<u>-</u>
Total Net Position	<u>\$ 218,734</u>	<u>\$ -</u>

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	Pension (and Other Employee Benefit) Trust Fund	Agency Fund Firemen's Relief
<u>ADDITIONS</u>		
Contributions:		
Employer	\$ 225,000	\$ -
Total contributions	<u>225,000</u>	<u>-</u>
Investment earnings:		
Interest	206	4,502
Net increases(decrease) in the fair value of investments	(6,472)	1,235
Total investment earnings	<u>(6,266)</u>	<u>5,737</u>
Less investment expense	-	-
Net investment earnings	<u>(6,266)</u>	<u>5,737</u>
Collections for participants or beneficiaries	-	11,734
 Total additions	 <u>218,734</u>	 <u>17,471</u>
<u>DEDUCTIONS</u>		
Benefits paid to participants or beneficiaries	-	16,250
Intergovernmental payable - Firemen's Relief Fund	-	1,221
Total deductions	<u>-</u>	<u>17,471</u>
 Net change in net position	 218,734	 -
Net position:		
Beginning of year	-	-
End of year	<u>\$ 218,734</u>	<u>\$ -</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, 2020

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, 2020

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.

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.

Pension (and Other Employee Benefit) Trust Fund. The Town maintains one Pension (and Other Employee Benefit) Trust Fund, the Other Post-employment Benefit Fund. Pension (and Other Employee Benefit) Trust Funds are used to report fiduciary activities for pension plans and OPEB plans that are administered through trusts that meet certain criteria. The Other Post-employment Benefit Fund accounts for the Town's contributions for health care coverage provided to qualified retirees (the Healthcare Benefits Plan) and for contributions made to finance future benefits, which are held in a qualifying irrevocable trust.

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, 2020

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, 2020

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. A project ordinance has been adopted for the 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, 2020

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, 2020, the Term Portfolio has a duration of .15 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.

G.S. 159-30.1 allowed the Town to establish an irrevocable Other Post Employment Benefit (OPEB) Trust Fund managed by the Department of the State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. The State Treasurer, in his discretion, may invest the proceeds in equities of certain publically held companies and long or short term fixed income investments as allowed by G.S. 147-69.2(1-6) and (8). Funds submitted are managed in three different sub-funds, the State Treasurer's Short Term Investment Funds (STIF) consisting of short to intermediate treasuries, agencies and corporate issues authorized by G.S. 147-69.1, the State Treasurer's Bond Index Fund (BIF) consisting of high quality debt securities eligible under G.S. 147-69.2(b)(1)-(6), and BlackRocks's MSCI ACWI EQ Index Non-Lendable Class B Fund authorized under G.S. 147-69.2(b)(8).

At June 30, 2020 the Town's OPEB Trust had \$218,734 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Trust pursuant to G.S. 159-30.1. The State Treasurer's OPEB Trust may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the Town's OPEB Trust was invested in BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund (EIF) 100% (the equities were split with 57.49% in domestic securities and 42.51% in international securities).

Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs, other than quoted prices, included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2020 of 1.3 years.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

The BIF is measured at fair value using Level 2 inputs and is based upon units of participation. Units of participation are calculated monthly based upon inflows and outflows as well as allocations of net earnings. BIF does not have a credit rating, was valued at \$1 per unit and had an average maturity of 7.97 years at June 30, 2020.

The BlackRock MSCI ACWI EQ Index Non-Lendable Class B fund, authorized under G.S. 147-69.2(b)(8), is a common trust fund considered to be commingled in nature. The Fund's fair value is the number of shares times the net asset value as determined by a third party. At June 30, 2020 the fair value of the funds was \$23.107392 per share. Fair value for this BlackRock fund is determined using Level 1 inputs which are directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.

2. Cash and Cash Equivalents

The Town pools money from several funds except the Post-employment Benefit (Pension and Other Employee Benefit trust) Fund 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, certain assets of the Capital Reserve Fund are classified as restricted assets as their use is restricted per Session Law 1985-716. 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. Water and Wastewater Fund System Development Fees are restricted assets for extension and replacement for the water and wastewater system.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

Restricted Cash

Governmental Activities

General Fund

Unexpended lease proceeds	\$ 958,010
Capital Reserve Fund	2,960,970
Powell Bill	50,547
Unauthorized controlled substance excise tax	15,191
Federal forfeiture funds	4,382
	<u>3,989,100</u>

Public Works Final Phase Capital Project Fund - Unexpended Lease Proceeds	<u>1,229,401</u>
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Total Governmental Activities	<u>5,218,501</u>
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Business-type Activities

Water Fund

Customer deposits	670,892
Extension and Replacement	308,200
	<u>979,092</u>

Wastewater Fund

Customer deposits	<u>26,641</u>
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Total Business-type Activities	<u>1,005,733</u>
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Total Restricted Cash	<u><u>6,224,234</u></u>
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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, 2019. 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.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

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.

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
Water Rights	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 meets this criterion, pension and OPEB deferrals in the 2020 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, 2020

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.

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:

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

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.

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.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

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.

13. Estimates

The Town of Kill Devil Hills’ management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

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 \$12,532,390 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)	\$ 55,547,779
Less accumulated depreciation	<u>(22,319,310)</u>
Net capital assets	\$ 33,228,469
Deferred outflows of resources related to pensions/OPEB are not reported in the funds	3,014,763
Liabilities for earned revenues considered deferred inflows on resources in fund statements	107,474
<p>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:</p>	
Installment financings payable	\$ (10,433,496)
Compensated absences	(829,090)
Net Pension Liability	(2,370,913)
Net other post-employment benefits obligation	(8,522,372)
Pension Liability (LEO)	<u>(1,175,808)</u>
	(23,331,679)
Deferred inflows of resources related to pension/OPEB are not reported in the funds	(381,558)
Other long-term liabilities (accrued interest) are not due and payable in current period and, are deferred in the funds.	<u>(105,081)</u>
Net adjustment	<u>\$ 12,532,390</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$2,486,983 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	\$ 5,456,895
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>(3,988,385)</u>
	\$ 1,468,510
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	
LGERS	584,218
LEOSSA	<u>49,497</u>
	633,715
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	(29,457)
Change in tax revenue	21,649

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, 2020

Debt issued or incurred:			
Direct borrowing	\$	(1,235,727)	
Accrued interest payable		<u>9,885</u>	
		(1,225,842)	
Principal payments		<u>2,975,336</u>	1,749,495
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		(62,630)	
Pension expense - LEOSSA		(100,717)	
Pension expense - LGERS		(1,067,779)	
OPEB expense		<u>(125,803)</u>	
			<u>(1,356,929)</u>
Net adjustment			<u>\$ 2,486,983</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, 2020

At June 30, 2020, the Town's deposits had a carrying amount of \$3,653,162 and a bank balance of \$4,311,090. Of the bank balance, \$750,000 was covered by Federal Depository Insurance and \$3,561,090 was covered by collateral held under the pooling method. The Town had petty cash on hand at June 30, 2020, totaling \$2,000.

2. Investments

At June 30, 2020, 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	\$ 9,798,126	\$ 1,012,101	\$ 1,017,652	\$ 5,758,137	\$ 2,010,236	\$ -
Commercial Paper	4,408,203	4,408,203				
NC Capital Management Trust						
Term Portfolio	2,381	2,381				
NC Capital Management Trust						
Government Portfolio	10,649,819	10,649,819				
Investment Totals	\$ 24,858,529	\$ 16,072,504	\$ 1,017,652	\$ 5,758,137	\$ 2,010,236	\$ -
Actual % of portfolio		64.66%	4.09%	23.16%	8.09%	0.00%
Actual cumulative % of portfolio		68.75%	91.91%	100.00%	100.00%	100.00%
Minimum cumulative per policy		50.00%	70%	90%	100%	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 .15 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, 2020

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 (42.85%), Commercial Paper (17.73%), and U.S. Government Agencies (4.07%) matured in less than 9 months, 4.09% of U.S. Government Agencies matured in less than 3 years, 23.16% of U.S. Government Agencies matured in less than 5 years, 8.09% of U.S. Government Agencies in less than 10 years, 0% of U.S. Government Agencies in less than 15 years, based on the \$24,858,529 investment total. Deviations from the investment maturity percentages on June 30 occurred due to cash flow and fair value fluctuations during the year. The Town's Internal Management Policy requires purchases of securities to be laddered with staggered maturity dates. Investment income of \$473,100 was realized during fiscal year 2020. During the year no investments were sold for a realized gain or loss; however, because of the fair value on June 30, the unrealized gain on investments held on June 30 was \$114,800. When combined, total investment income for fiscal year 2020 was a net gain of \$587,900.

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 5% of the Town's investments are in Federal Home Loan Mortgage Corporation (9.05%), Federal Home Loan Bank (7.07%), and Federal Farm Credit Banks (19.20%).

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

3. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

Primary Government

	June 30, 2019	Increases	Decreases	June 30, 2020
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,963,222	\$ 1,299	\$ -	\$ 2,964,521
Construction in progress	390,157	3,986,385	278,706	4,097,836
Total capital assets, not being depreciated	3,353,379	3,987,684	278,706	7,062,357
Capital assets, being depreciated:				
Buildings	10,408,353	62,387	-	10,470,740
Other improvements	14,099,828	61,230	-	14,161,058
Machinery and equipment	2,512,878	75,074	39,916	2,548,036
Vehicles	8,627,192	360,211	177,230	8,810,173
Office furniture and equipment	481,552	157,265	-	638,817
Animals	21,274	-	-	21,274
Streets	10,803,575	1,031,749	-	11,835,324
Total capital assets, being depreciated	46,954,652	1,747,916	217,146	48,485,422
Less accumulated depreciation for:				
Buildings	3,640,758	245,289	-	3,886,047
Other improvements	4,533,287	2,071,432	-	6,604,719
Machinery and equipment	1,982,056	167,907	39,916	2,110,047
Vehicles	5,423,796	945,391	147,772	6,221,415
Office furniture and equipment	415,981	24,905	-	440,886
Animals	5,319	4,254	-	9,573
Streets	2,517,415	529,209	-	3,046,623
Total accumulated depreciation	18,518,612	3,988,387	187,688	22,319,310
Total capital assets, being depreciated, net	28,436,040	(2,240,471)	29,458	26,166,112
Governmental activities capital assets, net	\$ 31,789,419	\$ 1,747,213	\$ 308,164	\$ 33,228,469

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

	June 30, 2019	Increases	Decreases	June 30, 2020
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 224,814	\$ -	\$ -	\$ 224,814
Construction in progress	1,117,209	1,974,590	51,000	3,040,799
Total capital assets, not being depreciated	1,342,023	1,974,590	51,000	3,265,613
Capital assets, being depreciated/amortized:				
Water rights	3,610,620	-	-	3,610,620
Buildings	412,781	-	-	412,781
Plant	3,278,538	23,850	-	3,302,389
Other improvements	16,517,900	86,948	-	16,604,849
Machinery and equipment	796,975	33,787	-	830,762
Vehicles	290,970	30,444	-	321,415
Office furniture and equipment	91,879	-	-	91,879
Meters	1,830,590	-	-	1,830,590
Total capital assets, being depreciated/amortiz	26,830,253	175,029	-	27,005,285
Less accumulated depreciation/amortization for:				
Water rights	2,625,937	90,266	-	2,716,203
Buildings	388,147	2,388	-	390,535
Plant	1,802,447	50,874	-	1,853,321
Other improvements	8,400,164	428,433	-	8,828,597
Machinery and equipment	716,908	43,495	-	760,403
Vehicles	219,906	37,968	-	257,874
Office furniture and equipment	91,879	-	-	91,879
Meters	676,797	73,267	-	750,064
Total accumulated depreciation/amortization	14,922,185	726,691	-	15,648,876
Total capital assets, being depreciated/amortiz	11,908,068	(551,662)	-	11,356,409
Business-type activities capital assets, net	\$ 13,250,091	\$ 1,422,928	\$ 51,000	\$ 14,622,021

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

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

Governmental activities:

General government	\$ 2,356,319
Public safety	341,699
Transportation	837,252
Environmental protection	453,115
Total depreciation expense - governmental activities	<u>\$ 3,988,385</u>

Business-type activities:

Water	\$ 527,519
Wastewater	108,904
Total depreciation expense - business-type activities	<u>636,423</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 \$ 726,689

Breakdown of capital outlay increases for Governmental activities:

Capital outlay expenditures	\$ 5,456,894
CIP completed projects	278,706
Total increases in capital assets being depreciated and not being depreciated	5,735,600
Depreciation	3,988,385
Total increases in Governmental activity capital assets, net	<u>\$ 1,747,215</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

4. Construction commitments

The Town has active construction projects as of June 30, 2020. At year-end, the Town's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Water Tank Elevation & Engineering	\$ 2,353,180	\$ 86,648
Monopole Communications Tower	474,237	25,692
Colington Water Main Construction	218,860	319,140
Public Works Complex Final Phase	3,543,375	342,794
	<u>\$ 6,589,652</u>	<u>\$ 774,274</u>

B. Liabilities

1. Accrued liabilities

Accrued liabilities reported by governmental funds at June 30, 2020, were as follows:

	General Fund
Salary and employee benefits	\$ 255,461
Other	162,440
Total accrued liabilities	<u>\$ 417,901</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

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, 2020

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, 2020, was 9.70% of compensation for law enforcement officers and 8.95% 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 \$662,229 for the year ended June 30, 2020.

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, 2020, the Town reported a liability of \$2,687,500 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019, the Town's proportion was 0.09841%, which is a decrease of 0.00161% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$1,210,358. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 460,168	\$ -
Changes of assumptions	438,018	-
Net difference between projected and actual earnings on pension plan investments	65,552	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	21,378	-
Town contributions subsequent to the measurement date	662,229	-
Total	<u>\$ 1,647,345</u>	<u>\$ -</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

\$662,229 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ 489,676
2021	154,727
2022	265,177
2023	75,534
2024	-
Thereafter	-
	<u>\$ 985,114</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 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, 2018 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, 2019 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, 2020

<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 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 6,146,805	\$ 2,687,500	\$ (187,882)

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, 2020

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, 2018 (the valuation date), the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	26
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, 2018 valuation. The total pension liability in the December 31, 2018 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	3.26 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, 2020

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 \$49,006 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, 2020, the Town reported a total pension liability of \$ 1,175,808. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020. The Town recognized pension expense of \$100,717.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 147,932	\$ 44,664
Changes of assumptions	63,126	36,537
Town benefit payments subsequent to the measurement date	25,696	-
Total	\$ 236,754	\$ 81,201

\$25,696 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 22,485
2022	22,485
2023	25,025
2024	27,703
2025	32,159
Thereafter	0

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 3.26 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 (2.26 percent) or one percentage point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Town's pension liability	\$1,281,915	\$1,175,808	\$1,079,659

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

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

Total pension liability December 31, 2018	\$ 930,836
Changes for the year:	
Service cost at end of year	44,814
Interest	32,997
Change in benefit terms	-
Differences between expected and actuarial experience	178,122
Changes of assumptions and other inputs	37,670
Benefit payments	(48,631)
Other changes	-
Net changes	<u>244,972</u>
Total Pension liability December 31, 2019	<u>\$ 1,175,808</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	\$ 1,210,359	\$ 100,717	\$ 1,311,076
Pension Liability	2,687,500	1,175,808	3,863,308
Proportionate share of the net pension liability	0.09841%	n/a	-
Deferred of Outflows of Resources			
Differences between expected and actual experience	460,168	147,932	608,100
Changes of assumptions	438,018	63,126	501,144
Net difference between projected and actual earnings on plan investments	65,552	-	65,552
Changes in proportion and differences between contributions and proportionate share of contributions	21,378	-	21,378
Benefit payments and administrative costs paid subsequent to the measurement date	662,229	25,696	687,925
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	44,664	44,664
Changes of assumptions	-	36,537	36,537

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

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, 2020, were \$13,500 that consisted of \$13,500 from the non-law enforcement officers and \$0 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, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov. 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

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, 2020 were \$131,578 which consisted of \$86,160 from the Town and \$45,418 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, 2020, were \$526,843 that consisted of \$267,335 from the Town and \$259,508 from employees.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

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, 2020 the date of the latest actuarial valuation:

Inactive Members or Beneficiaries Currently Receiving Benefits	47
Inactive Members Entitled To, But Not Yet Receiving Benefits	-
Active Members	112
Total Membership	<u>159</u>

Total OPEB Liability

The Town's total OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation of June 30, 2019.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 valuation was determined using the following actuarial assumptions, 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	2.21 percent
Healthcare cost trend rates	Medical – 7% Prescription – 7% Admin Expenses – 3.00%

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

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, 2020

Change in Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance as of June 30, 2019 as restated	\$ 8,000,456	\$ -	\$ 8,000,456
Changes for the year:			
Service Cost	373,213	-	373,213
Interest	272,503	-	272,503
Difference between expected and actual experience	509,814	-	509,814
Changes in assumptions or other inputs	1,156,153	-	1,156,153
Contributions - employer	-	658,042	(658,042)
Net investment income	-	(6,266)	6,266
Net Benefit payments	(433,042)	(433,042)	-
Net changes	1,878,641	218,734	1,659,907
Balance as of June 30, 2020	\$ 9,879,097	\$ 218,734	\$ 9,660,363

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 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, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 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 2.21 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 (1.21 percent) or one percentage point higher (3.21 percent) than the current rate:

	1% Decrease	Discount Rate (2.21%)	1% Increase
Total OPEB liability	\$ 10,869,252	\$ 9,660,363	\$ 8,638,005

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 8,438,387	\$ 9,660,363	\$ 11,172,548

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$800,643. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 502,760	\$ -
Changes of assumptions	987,863	340,464
Net difference between projected and actual earnings on plan investments	10,989	
Total	<u>\$ 1,501,612</u>	<u>\$ 340,464</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

2021	\$ 162,397
2022	162,397
2023	164,587
2024	218,294
2025	242,500
Thereafter	210,973

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, 2020, the Town made contributions to the State for death benefits of \$6303. 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, 2020

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	\$ <u>2,472,908</u>

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	\$ <u>662,511</u>	\$ <u>93,079</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

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, 2020. 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 \$1,674,810 are primarily for vehicle and garbage truck replacements, beach nourishment FY 2022 design, FY 20-21 street projects engineering and completion of the 2019-20 street projects.

The Public Works Final Phase Capital Project Fund at June 30, 2020, the Town was committed under several contracts related to the public works final phase construction in the amount of \$511,499.

The outstanding contracts that relate to the Water Fund total \$1,294,506 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, 2020

7. Claims, Judgments and Contingent Liabilities

At June 30, 2020, 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 was 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 \$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, 2020

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. The financing contract requires eight semi-annual payments of \$108,504 each.

In May 2020, the Town entered into a \$1,235,727 direct borrowing installment purchase contract to finance a variety of vehicles and equipment including two garbage trucks and police equipment. A UCC security agreement in the acquired equipment serves as collateral to secure the required payment. The interest rate is 2.43% per annum fixed. The money was placed in an interest-bearing account until related assets were acquired. Unexpended proceeds at June 30, 2020, equaled \$957,998. The financing contract requires eight semi-annual payments of \$161,074 each.

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, 2020 equal \$1,231,763. 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, 2020

Annual debt service payments on these installment purchases of June 30, 2020 including principal and interest are as follows (Governmental Activities):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$2,589,321	\$ 289,708
2022	2,308,892	230,949
2023	1,031,855	186,796
2024	677,227	157,831
2025	460,174	138,588
2026-2030	2,300,870	444,499
2031-2034	1,065,157	86,704
	<u>\$ 10,433,496</u>	<u>\$ 1,535,075</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, 2020, are as follows (Business-type Activities):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 2,813	\$ -
2022	2,813	-
2023	2,813	-
2024	2,813	-
2025	2,813	-
2026-2030	11,252	-
	<u>\$25,317</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 \$166,701,644. The Town had no outstanding bonded debt subject to the limitation at June 30, 2020.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

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, 2020:

	July 1, 2019	Increases	Decreases	June 30, 2020	Current Portion of Balance
Government activities:					
Direct Borrowing Installment Purchase	\$ 9,151,090	\$ 1,235,727	\$ 1,967,998	\$ 8,418,819	\$ 1,109,556
Direct Placement Installment Purchase	3,022,015	-	1,007,338	2,014,677	1,704,709
Compensated absences-net	766,459	674,440	611,809	829,090	600,000
Net Pension Liability (LGERS)	2,093,298	277,615	-	2,370,913	-
Total Pension Liability (LEO)	930,836	244,972	-	1,175,808	-
Total OPEB Liability	7,058,002	1,464,370	-	8,522,372	-
Total	\$ 23,021,700	\$ 3,897,124	\$ 3,587,145	\$ 23,331,679	\$ 3,414,265
Business-type activities:					
Direct Borrowing Installment Purchase	\$ 30,944	\$ -	\$ 2,813	\$ 28,131	\$ 2,813
Compensated absences-net	72,996	83,639	70,487	86,148	70,000
Net Pension Liability (LGERS)	279,518	37,070	-	316,588	-
Total OPEB Liability	942,454	195,537	-	1,137,991	-
Total	\$ 1,325,912	\$ 316,246	\$ 73,300	\$ 1,568,858	\$ 72,813

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.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

9. Interfund Receivables, Payables, and Transfers

Interfund		
Receivable/Payable:		
Receivable Fund	Payable Fund	Amount
Water Fund	Wastewater Fund	\$ 487,357

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, 2020, consist of the following:

From capital reserve fund to general fund (for capital projects) \$305,769
 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, 2020, the Town has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$16,789 for the 25 volunteer firefighters and the 20 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	\$ 33,228,471	\$ 14,622,023
(less): long-term debt net of unexpended debt proceeds	(8,243,187)	(28,132)
Net investment in capital asset	\$ 24,985,284	\$ 14,593,891

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

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	\$	19,763,267
Less:		
Inventories		165,533
Prepaid items		1,037
Stabilization by State statute		3,246,575
Public Safety		19,572
Streets-Powell Bill		50,547
Capital Reserve Fund		2,960,970
Appropriated Fund Balance in 2021 budget		1,968,195
Working Capital/Fund Balance Policy		6,969,428
Remaining Fund Balance	\$	<u>4,381,410</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
	\$ 1,674,810	\$ 511,499	\$ 1,294,506

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

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, 2020 fiscal year was \$1.989 and \$1.924 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, 2020, accumulated amortization was \$2,716,203.

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, 2020 total \$2,475,674. During FY 2020, design for the 2022 beach re-nourishment project began progress.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2020

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

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the organizations financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation and its potential impact on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global resources to curb its spread, the Town is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

Management has evaluated subsequent events through November 25, 2020, the date the financial statements were available to be issued.

NOTE 10. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

Due to the creation of the OPEB Trust in fiscal year ending June 30, 2020, the accounting principle for Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, has changed to align the Measurement Date and the Reporting Date between GASB 74 and GASB 75; the net result is to remove the lag between the Measurement Date and Reporting Date. The implementation of this change required the Town to restate beginning total OPEB liability and beginning deferred outflows and the effects on net position related to OPEB during the measurement period (fiscal year ending June 30, 2020). Beginning deferred outflows of resources for the governmental activities were decreased \$271,182 and \$52,780 for business-type activities. Beginning total OPEB liability for governmental activities increased \$538,360 and \$71,887 for business-type activities associated with the implementation. As a result, net position for the governmental activities decreased \$809,542 and \$124,667 for the business-type activities.

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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 Pension Liability
Law Enforcement Officers' Special Separation Allowance

Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance

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 SEVEN FISCAL YEARS***

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>
Kill Devil Hills' proportion of the net pension liability (asset) (%)	0.10%	0.10%
Kill Devil Hills' proportion of the net pension liability (asset) (\$)	\$ 2,687,500	\$ 2,372,816
Kill Devil Hills' covered payroll*	\$ 6,874,637	\$ 6,563,627
Kill Devil Hills' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	39.09%	36.15%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%

* 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.

EXHIBIT A-1

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.10%	0.10%	0.10%	0.10%	0.10%
\$ 1,518,557	\$ 2,152,048	\$ 439,863	\$ (584,202)	\$ 1,209,000
\$ 6,510,677	\$ 6,109,672	\$ 5,954,373	\$ 5,833,247	\$ 5,351,780
23.32%	35.22%	7.39%	(10.02%)	22.59%
91.47%	98.09%	99.07%	102.64%	94.35%

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

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 662,229	\$ 542,940
Contributions in relation to the contractually required contribution	662,229	542,940
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Kill Devil Hills' covered payroll	\$ 7,281,756	\$ 6,874,637
Contributions as a percentage of covered payroll	9.09%	7.90%

* 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.

EXHIBIT A-2

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 502,297	\$ 481,666	\$ 418,284	\$ 426,043	\$ 415,347
502,297	481,666	418,284	426,043	415,347
<u>\$ -</u>				
\$ 6,563,627	\$ 6,510,677	\$ 6,109,672	\$ 5,954,373	\$ 5,833,247
7.65%	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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 930,836	\$ 940,269	\$ 902,881	\$ 895,538
Service Cost	44,814	49,739	42,525	45,544
Interest on the total pension liability	32,997	29,130	34,306	31,168
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	178,122	(10,444)	(72,513)	-
Changes of assumptions or other inputs	37,670	(40,984)	61,322	(24,417)
Benefit payments	(48,631)	(36,874)	(28,252)	(44,952)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 1,175,808</u>	<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 FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,175,808	\$ 930,836	\$ 940,269	\$ 902,881
Covered payroll	1,637,083	1,613,845	1,591,980	1,690,181
Total pension liability as a percentage of covered payroll	71.82%	57.68%	59.06%	53.42%

Notes to the schedules:

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

* 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 CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Beginning Balance as restated	\$ 8,000,456	\$ 7,384,841	\$ 7,549,376
Service Cost	373,213	343,907	374,355
Interest	272,503	255,861	221,571
Changes of benefit terms	-	-	-
Differences between expected and actual experience	509,814	66,206	69,333
Changes of assumptions	1,156,153	(261,625)	(450,541)
Benefit payments	(433,042)	(398,981)	(379,253)
Net Change in total OPEB liability	1,878,641	5,368	(164,535)
Ending balance of the total pension liability	<u>\$ 9,879,097</u>	<u>\$ 7,390,209</u>	<u>\$ 7,384,841</u>
Covered payroll	\$ 7,342,664	\$ 5,824,231	\$ 5,824,231
Total OPEB liability as a percentage of covered payroll	134.54%	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>2020</u>	<u>2.21%</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 June30.

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, 2020

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

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
<u>REVENUES</u>				
Ad Valorem Taxes:				
Current year	\$	\$ 8,800,000	\$	\$ 8,323,859
Municipal service district		513,498		510,865
Prior years		29,731		20,954
Less payments to other governments		(4,805)		(6,620)
Penalties and interest		12,678		21,695
	<u>9,389,880</u>	<u>9,351,102</u>	<u>(38,778)</u>	<u>8,870,753</u>
Other Taxes and Licenses:				
Privilege licenses:				
Current		8,167		8,375
Penalties		4		49
Local option sales tax		2,603,394		2,571,576
Local option sales tax MSD		161,446		171,083
Occupancy tax		2,740,880		2,901,475
Land transfer tax		719,654		719,137
Solid waste disposal tax		5,498		5,358
	<u>6,293,211</u>	<u>6,239,043</u>	<u>(54,168)</u>	<u>6,377,054</u>
Unrestricted Intergovernmental Revenues:				
Utilities sales tax		757,874		762,412
Piped natural gas sales tax		4,084		4,776
Sales tax - telecom services		52,618		59,209
Sales tax - video programming		145,827		156,261
PEG channel support		27,307		26,893
Wine and beer tax		31,251		31,162
ABC revenue		20,627		19,324
Mixed beverage tax		41,167		39,623
	<u>1,092,707</u>	<u>1,080,755</u>	<u>(11,952)</u>	<u>1,099,660</u>
Restricted Intergovernmental Revenues:				
Federal and State:				
FEMA Firefighters Wellness		-		29,604
FEMA Florence		37,990		37,122
FEMA Michael		14,417		126,728
FEMA Dorian		55,173		-
Powell Bill allocation		241,387		241,845
Drug enforcement reimbursement		2,115		1,394
Grant - NC Parks & Rec Trust		-		25,000

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, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
Restricted Intergovernmental Revenues (continued):				
Local:				
Grant - Gov't Access Channels	\$	\$ 10,000	\$	\$ 24,352
Grant - DCTB - Fireworks		13,125		11,750
Grant - DCTB - Sidewalk Grant		-		340,125
Grant - NCLM EAP		-		2,500
Grant - NCLM Wellness		1,136		-
Beach nourishment reimbursement		118,604		119,000
Dare County - COVID-19		36,465		-
	<u>477,047</u>	<u>530,412</u>	<u>53,365</u>	<u>959,419</u>
Permits and Fees:				
Building permits		339,249		451,452
Occupancy permit fees		3,900		3,450
Site plan review fees		16,681		78,714
Other planning fees		7,506		5,388
CAMA implement and enforcement payments		2,550		2,880
Homeowner recovery fees		66		66
Taxi ordinance fees		95		250
	<u>348,400</u>	<u>370,047</u>	<u>21,647</u>	<u>542,200</u>
Sales and Services:				
Animal Control fees:				
Boarding and adoption		1,600		4,000
Dog licenses		788		828
Rabies vaccination		98		259
Court costs and fees		2,564		3,201
Finger print fees		670		1,230
Buy gold application fee		-		142
Rollout container sales		26,692		26,955
Dumpster sales		44,761		32,469
Cookbook sales		120		80
	<u>69,540</u>	<u>77,293</u>	<u>7,753</u>	<u>69,164</u>
Investment Earnings:				
Investment earnings		257,136		289,612
Change in fair value of investments		67,456		222,868
Net investment earnings (loss)	<u>200,000</u>	<u>324,592</u>	<u>124,592</u>	<u>512,480</u>
Other revenues:				
Miscellaneous		23,989		37,722
Discounts on purchases		25,804		2,220
Rental of government owned property		124,309		106,681
Contributions		1,200		132,700
Insurance Proceeds		101,498		25,868
	<u>274,016</u>	<u>276,800</u>	<u>2,784</u>	<u>305,191</u>
TOTAL REVENUES	<u>18,144,801</u>	<u>18,250,044</u>	<u>105,243</u>	<u>18,735,921</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, 2020

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

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
EXPENDITURES				
General Government:				
Administration:				
<i>Administrative costs:</i>				
Board of commissioner fees	\$	\$ 48,363	\$	\$ 43,326
Video taping		2,264		3,594
Legal services		34,835		37,709
Travel and training-board		1,603		1,025
Election costs		6,379		
		<u>93,444</u>		<u>85,654</u>
<i>Salaries and benefits:</i>				
Salaries		567,717		528,690
FICA expense		44,269		41,814
Funding for health plan		87,995		78,838
Retirement		51,626		41,709
401K retirement		28,500		26,574
		<u>780,107</u>		<u>717,624</u>
<i>Operating expenditures:</i>				
Professional services		8,592		6,071
Engineering services		30,899		7,575
Telephone		21,135		22,041
Travel and training		4,387		6,565
Insurance claims		1,119		-
M&R - Storm repairs		1,350		-
Outside maintenance		7		150
Fleet maintenance		633		-
Communications		215		-
Maintenance contracts		785		-
Printing		553		5,451
Equipment rental		4,053		4,053
Copier lease		5,617		4,826
Partnerships		30,000		30,000
Tuition reimbursement		-		750
Advertising		10,009		12,900
Vehicle fuel		140		276
Supplies and materials		6,497		13,337
Contracted services		35,720		36,750
Dues and subscriptions		12,352		11,982
Worker's compensation		2,811		2,156
Miscellaneous		35		2,087
Miscellaneous-special events		51,698		50,472
Miscellaneous-wellness program		1,291		83
Miscellaneous-Board of Commissioners		38		98
		<u>229,936</u>		<u>217,621</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, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
Administration (continued):				
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund	\$	\$ (106,247)	\$	\$ (102,692)
		<u>(106,247)</u>		<u>(102,692)</u>
Total	<u>1,154,857</u>	<u>997,240</u>	<u>157,617</u>	<u>918,208</u>
Finance and Tax:				
<i>Salaries and benefits:</i>				
Salaries		498,867		469,323
FICA expense		37,246		35,050
Funding for health plan		80,353		68,934
Retirement		45,157		36,803
401K retirement		24,889		23,425
		<u>686,512</u>		<u>633,535</u>
<i>Operating expenditures:</i>				
Audit		16,590		18,590
Tax collection fee		145,366		132,749
Postage		5,607		3,005
Travel and training		6,225		8,738
Communications		90		85
Printing		630		1,460
Copier lease		6,026		5,891
Supplies and materials		4,453		6,351
Contracted services		15,989		15,821
Departmental supplies		6,041		2,406
Departmental charges		(6,041)		(3,896)
Dues and subscriptions		1,117		1,067
General insurance		165,227		174,938
Retiree health insurance		378,490		344,271
OPEB Irrevocable trust		225,000		-
Worker's compensation		735		702
Unemployment insurance		403		215
Miscellaneous		2		140
		<u>971,950</u>		<u>712,534</u>
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund		(88,576)		(86,695)
		<u>(88,576)</u>		<u>(86,695)</u>
Total	<u>1,631,010</u>	<u>1,569,886</u>	<u>61,124</u>	<u>1,259,374</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, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
Management Information Services				
<i>Salaries and benefits:</i>				
Salaries	\$	\$ 100,651	\$	\$ 92,400
FICA expense		7,408		6,809
Funding for health plan		20,903		18,688
Retirement		9,109		7,247
401K retirement		5,033		4,620
		<u>143,104</u>		<u>129,764</u>
<i>Operating expenditures:</i>				
Travel and training		625		2,503
Insurance claims		5,203		
Outside maintenance and repairs		3,022		5,589
Maintenance contracts		105,111		99,325
Supplies and materials		39,431		28,528
Contracted services		15,613		14,776
Worker's compensation		160		124
Dues and subscriptions		11,943		11,795
Installment note payments		48,381		69,630
		<u>229,489</u>		<u>232,271</u>
<i>Capital outlay:</i>				
Office furniture and equipment		9,575		-
		<u>9,575</u>		<u>-</u>
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund		(49,703)		(43,150)
		<u>(49,703)</u>		<u>(43,150)</u>
Total	418,542	332,465	86,077	318,885
Planning and Development:				
<i>Salaries and benefits:</i>				
Salaries		489,722		464,142
FICA expense		36,544		34,396
Funding for health plan		95,426		81,182
Retirement		44,333		36,403
401K retirement		23,308		22,015
		<u>689,333</u>		<u>638,138</u>
<i>Operating expenditures:</i>				
Planning and zoning board fees		9,720		9,800
Professional services		1,185		-
Travel and training		4,284		12,181
Outside maintenance and repairs		21		346
Fleet maintenance		1,656		1,415
Communications		1,914		1,713

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, 2020

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

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
Planning and Development (continued):				
<i>Operating expenditures (continued):</i>				
Equipment rental	\$	\$ 3,211	\$	\$ 1,070
Copier lease		4,015		3,714
Advertising		157		129
Vehicle fuel		2,212		3,368
Supplies and materials		3,113		3,999
Land Use plan		-		7,660
Recordation Fees		67		-
Dues and subscriptions		2,515		1,654
Worker's compensation		6,259		6,559
Miscellaneous		37		138
Installment note payments		3,874		6,451
		<u>44,240</u>		<u>60,198</u>
<i>Capital outlay:</i>				
Vehicle		30,619		-
		<u>30,619</u>		<u>-</u>
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund		(70,846)		(65,031)
		<u>(70,846)</u>		<u>(65,031)</u>
Total	<u>738,060</u>	<u>693,346</u>	<u>44,714</u>	<u>633,305</u>
Buildings and Grounds:				
<i>Salaries and benefits:</i>				
Salaries		249,794		234,027
FICA expense		17,754		16,682
Funding for health plan		90,311		78,630
Retirement		22,613		18,018
401K Retirement		11,448		10,507
		<u>391,920</u>		<u>357,864</u>
<i>Operating expenditures:</i>				
Professional Services		1,500		20,659
Repairs and maintenance:				
Utilities		56,891		63,909
Buildings and grounds		184,247		58,346
HVAC		31,204		44,459
Shoreline accesses		58,140		80,271
Recreational facilities		38,704		9,756
Landscaping		3,402		3,436
Sign maintenance		1,450		-
Christmas displays		17,143		5,743

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, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
Buildings and Grounds (continued):				
<i>Operating expenditures (continued):</i>				
Outside maintenance and repairs	\$	\$ 2,223	\$	\$ 834
Insurance claims		20,324		-
Storm repairs - Dorian		4,110		-
Fleet maintenance		5,198		5,871
Equipment maintenance		7,757		1,475
Equipment rental		4,540		15,123
Communications		1,301		1,214
Copier Lease		155		149
Vehicle fuel		3,303		5,121
Supplies and materials		35,218		44,237
Uniforms		1,478		1,408
Contracted services		36,815		19,191
Worker's compensation		6,290		5,200
Installment note payments		942,802		611,571
		<u>1,464,195</u>		<u>997,971</u>
<i>Capital outlay:</i>				
Land		1,299		-
Buildings		62,387		86,864
Other improvements		454,426		283,767
E Ocean Bay Blvd		61,230		-
Machinery & equipment		43,540		77,530
		<u>622,882</u>		<u>448,161</u>
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund		(49,053)		(50,463)
		<u>(49,053)</u>		<u>(50,463)</u>
Total	2,967,082	2,429,944	537,138	1,753,534
Beach Nourishment:				
<i>Operating expenditures:</i>				
Legal Services		225		825
Tax collection fee		3,413		7,729
Audit		1,750		1,750
Beach Nourishment		127,626		83,640
Installment note payment		1,048,638		1,065,159
		<u>1,181,652</u>		<u>1,159,104</u>
<i>Capital outlay:</i>				
Beach nourishment		8,616		-
		<u>8,616</u>		<u>-</u>
Total	1,623,616	1,190,268	433,348	1,159,104
Total General Government	8,533,167	7,213,149	1,320,018	6,042,409

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, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
Public Safety:				
Police:				
<i>Salaries and benefits:</i>				
Salaries	\$	\$ 1,930,259	\$	\$ 1,847,099
FICA expense		145,463		139,745
Funding for health plan		451,715		386,414
Retirement		186,527		156,214
5% 401K retirement		91,183		88,671
3% 401K retirement		3,198		2,210
Seperation Allowance		49,006		47,456
		<u>2,857,351</u>		<u>2,667,809</u>
<i>Operating expenditures:</i>				
Professional services		677		107
Travel and training		6,181		13,489
Firing range		2,600		2,600
Insurance claims		12,393		-
Outside maintenance and repairs		4,655		6,233
Fleet maintenance		14,369		14,378
Communications		27,884		28,053
Maintenance contracts		-		-
Printing		221		295
Copier lease		5,071		5,240
Vehicle fuel		41,867		54,621
Supplies and materials:				
General		22,409		33,390
Criminal		1,434		1,154
Weapons		15,452		-
In-car		-		21,963
Radar		11,355		-
Car Radios		12,912		24,260
Uniforms		18,965		17,649
Crime prevention		1,020		3,226
Controlled substances		2,000		2,000
Contracted Services		-		99
Dues and subscriptions		1,638		233
Worker's compensation		43,799		35,996
Miscellaneous		514		-
Installment note payments		206,387		197,064
		<u>453,803</u>		<u>462,073</u>
<i>Capital outlay:</i>				
Machinery and equipment		-		5,180
Vehicles		327,592		188,210
		<u>327,592</u>		<u>193,390</u>
Total	<u>3,977,177</u>	<u>3,638,746</u>	<u>338,431</u>	<u>3,323,272</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, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
Animal Control:				
<i>Salaries and benefits:</i>				
Salaries	\$	\$ 98,275	\$	\$ 91,546
FICA expense		7,533		6,995
Funding for health plan		18,394		16,433
Retirement		8,897		7,182
401K retirement		4,914		4,577
		<u>138,013</u>		<u>126,735</u>
<i>Operating expenditures:</i>				
Insurance claims		1,000		-
Outside maintenance and repairs		26		26
Fleet maintenance		483		1,240
Communications		480		480
Printing		-		165
Vehicle fuel		2,207		2,743
Supplies and materials		2,385		2,557
Uniforms		705		1,057
Worker's compensation		1,315		992
Installment note payments		17,644		17,644
		<u>26,245</u>		<u>26,903</u>
Total	<u>165,898</u>	<u>164,258</u>	<u>1,640</u>	<u>153,638</u>
Fire:				
<i>Salaries and benefits:</i>				
Salaries		1,335,916		1,260,786
FICA expense		97,625		92,399
Funding for health plan		337,547		296,463
Retirement		120,147		97,081
401K retirement		64,909		60,466
		<u>1,956,144</u>		<u>1,807,194</u>
<i>Operating expenditures:</i>				
Professional services		13,459		12,091
Travel and training		6,531		15,642
Insurance claims		2,540		-
Outside maintenance and repairs		17,983		27,169
Fleet maintenance		12,432		8,802
Communications		6,357		5,572
Printing		294		-
Copier lease		2,316		2,385

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, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
Fire (continued):				
<i>Operating expenditures (continued):</i>				
Vehicle fuel	\$	\$ 10,680	\$	\$ 14,163
Supplies and materials		35,655		26,398
USDHS Firefighters		-		29,585
SCBA equipment		4,350		4,950
Uniforms		31,102		30,407
Dues and subscriptions		4,246		4,584
Worker's compensation		32,421		30,196
Firemen's pension		4,360		4,220
Installment note payments		261,629		287,239
		<u>446,355</u>		<u>503,403</u>
<i>Capital outlay:</i>				
Machinery and equipment		-		5,950
		<u>-</u>		<u>5,950</u>
Total	<u>2,479,567</u>	<u>2,402,499</u>	<u>77,068</u>	<u>2,316,547</u>
Ocean Rescue:				
<i>Salaries and benefits:</i>				
Salaries		468,287		409,357
FICA expense		35,834		31,312
Funding for health plan		9,286		10,989
Retirement		9,297		7,451
401K retirement		3,666		3,369
		<u>526,370</u>		<u>462,478</u>
<i>Operating expenditures:</i>				
Professional services		2,750		1,475
Travel and training		953		357
Insurance claims		5,950		-
Outside maintenance and repairs		5,829		4,835
Fleet maintenance		981		566
Communications		489		-
Printing		800		762
Equipment rental		10,050		6,800
Copier lease		273		370
Vehicle fuel		2,811		3,912
Supplies and materials		16,262		14,690
Uniforms		7,158		10,238
Dues and subscriptions		-		560
Worker's compensation		9,096		7,801

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, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
Ocean Rescue (continued):				
Installment note payments	\$	\$ 11,925	\$	\$ 10,182
		<u>75,327</u>		<u>62,548</u>
<i>Capital outlay:</i>				
Machinery and equipment		8,800		-
		<u>8,800</u>		<u>-</u>
 Total	 734,624	 610,497	 124,127	 525,026
Total Public Safety	7,357,266	6,816,000	541,266	6,318,483
Transportation				
Streets:				
<i>Salaries and benefits:</i>				
Salaries		328,715		301,966
FICA expense		23,783		21,854
Funding for health plan		93,685		84,422
Retirement		29,756		23,678
401K retirement		16,436		15,099
		<u>492,375</u>		<u>447,018</u>
<i>Operating expenditures:</i>				
Utilities		106,467		94,125
Travel and training		-		93
Street maintenance		50,256		101,307
Sidewalks		16,245		74,870
Storm maintenance - Dorian		2,000		-
Outside maintenance and repairs		12,800		1,245
Fleet maintenance		8,732		14,515
Communications		2,021		1,909
Equipment rental		-		3,836
Copier lease		369		431
Vehicle fuel		11,110		14,311
Supplies and materials		13,170		13,360
Uniforms		2,579		2,547
Contracted services		9,800		7,350
Worker's compensation		13,433		7,903
Installment note payments		155,484		154,585
		<u>404,466</u>		<u>492,387</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, 2020

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

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
Streets (continued):				
<i>Capital outlay</i>				
Street construction	\$	\$ 749,248	\$	\$ 1,189,386
Sidewalks		3,700		439,300
Vehicle		-		58,025
Machinery & Equipment		22,735		115,514
		<u>775,683</u>		<u>1,802,225</u>
Total	<u>1,925,798</u>	<u>1,672,524</u>	<u>253,274</u>	<u>2,741,630</u>
Powell Bill:				
<i>Operating expenditures:</i>				
Professional services		845		668
Supplies and materials		11,311		18,521
		<u>12,156</u>		<u>19,188</u>
<i>Capital outlay:</i>				
Street construction		217,694		218,000
		<u>217,694</u>		<u>218,000</u>
Total	<u>240,000</u>	<u>229,850</u>	<u>10,150</u>	<u>237,188</u>
Total Transportation	<u>2,165,798</u>	<u>1,902,374</u>	<u>263,424</u>	<u>2,978,818</u>
Public Works:				
Fleet Maintenance:				
<i>Salaries and benefits:</i>				
Salaries		263,447		261,682
FICA expense		19,652		19,529
Funding for health plan		57,960		51,300
Retirement		23,849		20,521
401K retirement		13,124		13,045
		<u>378,032</u>		<u>366,077</u>
<i>Operating expenditures:</i>				
Travel and training		280		-
Outside maintenance and repairs		3,826		5,833
Fleet maintenance		620		795
Communications		480		480
Maintenance contracts		1,175		1,175
Printing		-		1,285
Copier lease		163		153
Vehicle fuel		901		1,067
Supplies and materials		11,014		6,536
Uniforms		1,711		1,665

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, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
Fleet Maintenance (continued):				
<i>Operating expenditures (continued):</i>				
Fleet maintenance supplies	\$	\$ 128,490	\$	\$ 129,746
Fuel		136,977		180,390
Dues and subscriptions		840		840
Worker's compensation		6,666		6,984
Installment note payments		12,647		7,015
Departmental charges		(267,734)		(307,817)
		<u>38,056</u>		<u>36,148</u>
Reimbursement - Proprietary fund		(48,864)		(45,106)
		<u>(48,864)</u>		<u>(45,106)</u>
Total Public Works	<u>453,358</u>	<u>367,224</u>	<u>86,134</u>	<u>357,119</u>
Environmental Protection:				
Solid Waste:				
<i>Salaries and benefits:</i>				
Salaries		587,371		507,484
FICA expense		42,770		36,883
Funding for health plan		167,005		137,819
Retirement		52,003		39,819
401K retirement		28,656		25,374
		<u>877,805</u>		<u>747,379</u>
<i>Operating expenditures:</i>				
Insurance claims		2,000		-
Storm repairs - Dorian		10,075		-
Outside maintenance and repairs		8,142		33,701
Fleet maintenance		83,860		81,745
Communications		3,652		2,894
Printing		1,236		533
Copier lease		369		431
Vehicle fuel		57,321		74,419
Supplies and materials		25,449		27,558
Uniforms		5,481		4,532
Contracted services		14,500		142,086
Contracted services - tipping fees		804,202		777,386
Purchases for resale:				
Dumpsters		46,299		16,567
Rollout carts		11,503		16,545
Household hazardous waste		3,157		2,941
Dues and subscriptions		75		75

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, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
Solid Waste (continued):				
<i>Operating expenditures (continued):</i>				
Worker's compensation	\$	\$ 21,537	\$	\$ 15,205
Installment note payments		590,878		552,023
		<u>1,689,736</u>		<u>1,748,639</u>
<i>Capital outlay:</i>				
Vehicles		2,000		493,592
		<u>2,000</u>		<u>493,592</u>
Total Environmental Protection	<u>3,628,704</u>	<u>2,569,541</u>	<u>1,059,163</u>	<u>2,989,610</u>
TOTAL EXPENDITURES	<u>22,138,293</u>	<u>18,868,288</u>	<u>3,270,005</u>	<u>18,686,438</u>
REVENUES (UNDER) OVER EXPENDITURES	<u>(3,993,492)</u>	<u>(618,244)</u>	<u>3,375,248</u>	<u>49,483</u>
OTHER FINANCING SOURCES (USES)				
Direct borrowing	1,235,727	1,235,727	-	828,481
Sale of capital assets	28,500	26,224	(2,276)	45,307
Transfer from capital reserve fund	407,051	305,769	(101,282)	55,018
Appropriated fund balance	2,112,064	-	(2,112,064)	-
Appropriated fund balance - encumbrances	192,529	-	(192,529)	-
Appropriated fund balance - drug forfeiture	17,621	-	(17,621)	-
	<u>3,993,492</u>	<u>1,567,720</u>	<u>(2,425,772)</u>	<u>928,806</u>
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>949,476</u>	<u>\$ 949,476</u>	<u>978,289</u>
FUND BALANCE				
Fund balance, beginning		15,852,824		14,874,535
Fund balance, end of year		<u>\$ 16,802,300</u>		<u>\$ 15,852,824</u>

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, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
REVENUES				
Investment earnings:				
Investment earnings	\$ -	\$ 60,832	\$ 60,832	\$ 70,884
Change in fair value of investments	-	12,969	12,969	41,068
Net investment earnings (loss)	-	73,801	73,801	111,952
TOTAL REVENUES	-	73,801	73,801	111,952
REVENUES OVER (UNDER)				
EXPENDITURES	-	73,801	73,801	111,952
OTHER FINANCING SOURCES(USES)				
Transfer to general fund	(407,051)	(305,769)	101,282	(55,018)
Future Reserves	407,051	-	(407,051)	-
	-	(305,769)	(305,769)	(55,018)
REVENUES AND OTHER SOURCES				
OVER (UNDER) OTHER USES	\$ -	(231,968)	\$ (231,968)	56,934
FUND BALANCE				
Beginning of Year - July 1		3,192,935		3,136,001
End of Year - June 30		\$ 2,960,967		\$ 3,192,935

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, 2020

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES					
Investment earnings:					
Interest earnings	\$ -	\$ 209	\$ 327	\$ 536	\$ -
TOTAL REVENUES	-	209	327	536	536
EXPENDITURES:					
Capital outlay:					
Public Works	4,564,956	89,941	3,453,434	3,543,375	-
TOTAL EXPENDITURES	4,564,956	89,941	3,453,434	3,543,375	(3,543,375)
REVENUES (UNDER)					
EXPENDITURES	(4,564,956)	(89,732)	(3,453,107)	(3,542,839)	(3,542,839)
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	(3,453,107)	\$ 1,022,117	\$ 1,022,117
FUND BALANCE					
Beginning of Year - July 1			4,475,224		
End of Year - June 30			<u>\$ 1,022,117</u>		

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NON-MAJOR GOVERNMENTAL FUNDS

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

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
 NON-MAJOR GOVERNMENTAL FUNDS
 BALANCE SHEET
 June 30, 2020**

	<u>Beach Nourishment Capital Project Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 370,910
Restricted cash and cash equivalents	-
Accrued Interest Receivable	<u>1,161</u>
Total assets	<u>\$ 372,071</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	\$ <u> </u>
Total liabilities	<u> -</u>
Fund balances:	
Assigned	
Beach Nourishment	<u>372,071</u>
Total fund balances	<u>372,071</u>
Total liabilities and fund balances	<u>\$ 372,071</u>

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, 2020

	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	-	20,980	6,032	27,012	-
Change in fair value of investments	-	(1,201)	1,765	564	-
	<u>3,909,119</u>	<u>3,583,551</u>	<u>7,797</u>	<u>3,591,348</u>	<u>(317,771)</u>
TOTAL REVENUES	<u>3,909,119</u>	<u>3,583,551</u>	<u>7,797</u>	<u>3,591,348</u>	<u>(317,771)</u>
EXPENDITURES:					
Capital outlay:					
Beach nourishment	9,645,810	8,807,166	-	8,807,166	-
	<u>9,645,810</u>	<u>8,807,166</u>	<u>-</u>	<u>8,807,166</u>	<u>838,644</u>
TOTAL EXPENDITURES	<u>9,645,810</u>	<u>8,807,166</u>	<u>-</u>	<u>8,807,166</u>	<u>838,644</u>
REVENUES OVER (UNDER) EXPENDITURES	(5,736,691)	(5,223,615)	7,797	(5,215,818)	520,873
OTHER FINANCING SOURCES					
Direct placement	5,036,691	5,036,691	-	5,036,691	-
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>5,587,889</u>	<u>-</u>	<u>5,587,889</u>	<u>(148,802)</u>
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>364,274</u>	7,797	\$ <u>372,071</u>	\$ <u>372,071</u>
FUND BALANCE					
Beginning of Year - July 1			364,274		
End of Year - June 30			<u>\$ 372,071</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.

Water Capital Reserve Fund. This fund is a statutorily required fund to account for system development fee restricted in use to system extension and replacement.

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, 2020

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

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
REVENUES				
Operating revenues:				
Water sales	\$	\$ 3,977,220	\$	\$ 3,839,960
Water connection fees		69,599		88,645
Late payment penalties		29,200		35,633
Miscellaneous		27,925		39,507
Restricted intergovernmental		299,561		-
Total operating revenues		<u>4,440,826</u>		<u>4,003,745</u>
Non-operating revenues:				
Investment earnings		143,351		157,875
Change in fair value on investments		37,656		134,816
Net investment earnings (loss)		181,007		292,691
Total non-operating revenues		<u>90,000</u>		<u>292,691</u>
TOTAL REVENUES		<u>4,530,826</u>		<u>4,296,436</u>
EXPENDITURES				
Water Administration:				
<i>Administrative costs:</i>				
Legal services		7,740		8,175
		<u>7,740</u>		<u>8,175</u>
<i>Salaries and benefits:</i>				
Salaries		373,711		341,669
FICA expense		27,517		25,209
Funding for health plan		85,227		77,191
Retirement		33,827		26,799
401K retirement		17,785		15,483
		<u>538,067</u>		<u>486,351</u>
<i>Operating expenditures:</i>				
Engineering services		700		150
Audit		5,145		5,145
Postage		13,743		14,652
Telephone		6,379		7,226
Utilities		3,275		3,871
Travel and training		1,416		3,416
<i>Maintenance and repairs:</i>				
Buildings and grounds		56,748		12,995
Outside		328		102
Fleet maintenance		1,997		882
Communications		882		833
Printing		3,391		3,854
Copier lease		1,289		1,522

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, 2020

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

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
Water Administration (continued):				
<i>Operating expenditures (continued):</i>				
Advertising	\$	\$ 362	\$	\$ 747
Vehicle fuel		3,520		4,089
Supplies and materials		3,768		4,003
Uniforms		1,147		1,061
Contracted services		3,559		4,916
Contracted services:				
Water billing		4,298		5,074
Dues and subscriptions		3,418		3,339
General insurance		60,638		60,638
Retiree health insurance		58,214		62,540
Worker's compensation		4,015		3,407
Miscellaneous - special events		671		671
Reimbursement to General Fund		413,290		393,138
		<u>652,193</u>		<u>598,271</u>
Total	<u>1,252,463</u>	<u>1,198,000</u>	<u>54,463</u>	<u>1,092,797</u>
Water Treatment Plant:				
<i>Salaries and benefits:</i>				
Salaries		205,788		190,672
FICA expense		15,503		14,360
Funding for health plan		32,696		28,485
Retirement		18,629		14,955
401K retirement		10,289		9,533
		<u>282,905</u>		<u>258,005</u>
<i>Operating expenditures:</i>				
Professional services		595		209
Utilities		40,167		39,816
Travel and training		590		1,953
Insurance Claims		7,927		-
Plant repairs and maintenance		58,721		14,337
Outside repairs and maintenance		556		3,546
Fleet maintenance		463		700
Communications		577		498
Maintenance contracts		28,458		3,589
Equipment Rental		-		750
Copier lease		68		111
Vehicle fuel		1,484		1,806
Supplies and materials		3,847		12,040
Chemicals		8,843		6,861

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, 2020

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

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
Water Treatment Plant:				
<i>Operating expenditures (continued):</i>				
Uniforms	\$	\$ 2,134	\$	\$ 1,613
Contracted services		3,108		3,665
Treated water costs		791,801		856,782
Dues and subscriptions		2,285		2,285
Worker's compensation		4,810		4,111
		<u>956,434</u>		<u>954,672</u>
Total	<u>1,401,248</u>	<u>1,239,339</u>	<u>161,909</u>	<u>1,212,677</u>
Water System:				
<i>Salaries and benefits:</i>				
Salaries		230,286		220,199
FICA expense		16,727		16,000
Funding for health plan		71,098		68,106
Retirement		20,848		17,261
401K retirement		9,188		9,518
		<u>348,147</u>		<u>331,084</u>
<i>Operating expenditures:</i>				
Travel and training		551		2,212
Maintenance and repairs:				
Buildings		7,895		6,196
Systems		82,811		109,434
Hydrants		5,486		4,590
Outside		10,517		11,647
Insurance Claims		693		-
Fleet maintenance		1,731		2,087
Communications		1,650		1,544
Copier lease		280		334
Vehicle fuel		3,952		5,792
Supplies and materials		10,351		4,546
Uniforms		2,112		1,676
Contracted services		1,497		1,363
Dues and subscriptions		120		150
Worker's compensation		5,339		4,698
		<u>134,985</u>		<u>156,269</u>
Total	<u>532,445</u>	<u>483,132</u>	<u>49,313</u>	<u>487,353</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, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
<i>Capital outlay:</i>				
Plant	\$ 2,620,328	\$ 1,749,104	\$ 871,224	\$ 1,406,080
Other improvements - capital	1,127,743	285,284	842,459	50,319
Machinery and equipment	33,787	33,787	-	13,173
Vehicle	30,000	30,444	(444)	-
Total	<u>3,811,858</u>	<u>2,098,619</u>	<u>1,713,239</u>	<u>1,469,572</u>
TOTAL EXPENDITURES	<u>7,000,827</u>	<u>5,021,903</u>	<u>1,978,924</u>	<u>4,265,212</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,470,001)	(437,391)	2,032,610	31,224
OTHER FINANCING SOURCES				
Transfer from Wastewater Fund	18,750	18,750	-	18,750
Fund equity appropriations	<u>2,451,251</u>	<u>-</u>	<u>(2,451,251)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>2,470,001</u>	<u>18,750</u>	<u>(2,451,251)</u>	<u>18,750</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ (418,641)</u>	<u>\$ (418,641)</u>	<u>\$ 49,974</u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP:				
Revenues over (under) expenditures and other financing uses - Water Fund (above)		\$ (418,641)		\$ 49,974
Revenues over expenditures - Water Capital Reserve Fund		308,200		-
Principal retirement		2,813		2,813
Capitalized purchases		2,098,619		1,469,572
(Increase) decrease in accrued vacation payable		(13,152)		(306)
Increase in deferred outflows-pensions		(28,946)		81,618
Decrease in net pension obligation		(37,070)		(100,632)
Decrease in deferred inflows-pensions		1,446		3,617
Depreciation and amortization		(617,785)		(612,333)
(Increase) in deferred outflows of resources - OPEB		154,631		3,031
Decrease in deferred inflows of resources - OPEB		24,107		(18,766)
(Increase) decrease in accrued OPEB liability		(195,537)		(632)
Capital contributions		-		<u>579,100</u>
CHANGES IN NET POSITION		<u>\$ 1,278,685</u>		<u>\$ 1,457,056</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

**Water Capital Reserve Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019**

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
REVENUES				
Operating revenues:				
System development fees	\$ -	\$ 308,200	\$ (308,200)	\$ -
Total revenues	-	308,200	(308,200)	-
EXPENDITURES				
Water system development:				
Extension and replacement	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ 308,200	\$ (308,200)	\$ -

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, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
REVENUES				
Operating revenues:				
Wastewater sales	\$	\$ 189,732	\$	\$ 190,587
Wastewater connection fees		-		2,320
Late payment penalties		1,623		2,063
Total operating revenues		<u>191,355</u>	<u>(34,140)</u>	<u>194,970</u>
Non-operating revenues:				
Investment earnings		1,111		730
Total non-operating revenues		<u>1,111</u>	<u>1,111</u>	<u>730</u>
TOTAL REVENUES		<u>192,466</u>	<u>(33,029)</u>	<u>195,700</u>
EXPENDITURES				
<i>Operating expenditures:</i>				
Audit		515		515
Maintenance and repair - system		32,982		20,076
Contracted services		40,090		40,670
Treated wastewater costs		85,164		94,834
Total operating expenditures		<u>158,751</u>		<u>156,095</u>
Total		<u>158,751</u>	<u>47,994</u>	<u>156,095</u>
TOTAL EXPENDITURES		<u>158,751</u>	<u>47,994</u>	<u>156,095</u>
REVENUES OVER (UNDER) EXPENDITURES	\$	<u>18,750</u>	\$	<u>39,605</u>
	\$	<u>33,715</u>	\$	<u>(14,965)</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, 2020

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

	2020		Variance Positive (Negative)	2019
	Budget	Actual		Actual
<u>OTHER FINANCING (USES)</u>				
Transfer to Water Fund	\$ (18,750)	\$ (18,750)	\$ -	\$ (18,750)
<u>TOTAL OTHER FINANCING (USES)</u>	<u>(18,750)</u>	<u>(18,750)</u>	<u>-</u>	<u>(18,750)</u>
<u>REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</u>	<u>\$ -</u>	<u>\$ 14,965</u>	<u>\$ 14,965</u>	<u>\$ 20,855</u>
<u>RECONCILIATION OF BUDGETARY BASIS TO GAAP:</u>				
Revenues over expenditures		\$ 14,965		\$ 20,855
Depreciation		(108,904)		(109,623)
Capital contribution		-		7,386
<u>CHANGES IN NET POSITION</u>		<u>\$ (93,939)</u>		<u>\$ (81,382)</u>

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, 2020

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
ASSETS				
Cash and short term investments	\$ 267,168	\$ 17,262	\$ 16,250	\$ 268,180
Accrued interest receivable	1,038	855	1,038	855
Due from other governments	11,343	11,734	11,343	11,734
Total revenues	<u>\$ 279,549</u>	<u>\$ 29,851</u>	<u>\$ 28,631</u>	<u>\$ 280,769</u>
LIABILITIES				
Due to Firemen's Relief Fund	<u>\$ 279,549</u>	<u>\$ 29,851</u>	<u>\$ 28,631</u>	<u>\$ 280,769</u>

SUPPLEMENTARY SCHEDULES

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Schedule of Municipal Service District Taxes Receivable

Analysis of Municipal Service District Tax Levy

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
For the Fiscal Year Ended June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$ 8,854,530	\$ (8,800,863)	\$ 53,667
2018-2019	33,857	-	(22,993)	10,864
2017-2018	10,874	-	(4,184)	6,690
2016-2017	5,050	-	(940)	4,110
2015-2016	4,448	-	(446)	4,002
2014-2015	4,150	-	(349)	3,801
2013-2014	6,322	-	(134)	6,188
2012-2013	5,241	-	(138)	5,103
2011-2012	4,328	-	(135)	4,193
2010-2011	3,913	-	(121)	3,792
2009-2010	4,331	-	(4,331)	-
	<u>\$ 82,514</u>	<u>\$ 8,854,530</u>	<u>\$ (8,834,634)</u>	<u>\$ 102,410</u>

Reconciliation with revenues:

Ad Valorem taxes - general fund	\$ 8,836,956
Reconciling items:	
Interest collected	(12,030)
Taxes written off or released	9,708
Subtotal	<u>(2,322)</u>
Total collections and credits	<u>\$ 8,834,634</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
Town-Wide Levy
For the Fiscal Year Ended June 30, 2020

	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	\$ 2,181,816,881	0.4000	\$ 8,719,974	\$ 8,369,957	\$ 350,017
Penalties	-		5,068	5,068	-
Total	<u>2,181,816,881</u>		<u>8,725,042</u>	<u>8,375,025</u>	<u>350,017</u>
Discoveries:					
Current year	33,860,750	0.4000	135,443	135,443	-
Abatements	(1,488,750)	0.4000	(5,955)	(3,869)	(2,086)
Total Property Valuation	<u>\$ 2,214,188,881</u>				
Net levy			<u>8,854,530</u>	<u>8,506,599</u>	<u>347,931</u>
Uncollected taxes at June 30, 2020			(53,667)	(53,667)	-
Current year taxes collected			<u>\$ 8,800,863</u>	<u>\$ 8,452,932</u>	<u>\$ 347,931</u>
Current levy collection percentage			<u>99.39%</u>	<u>99.37%</u>	<u>100.00%</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
SCHEDULE OF MUNICIPAL SERVICE DISTRICT TAXES RECEIVABLE
For the Fiscal Year Ended June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020 MSD	\$ -	\$ 515,258	\$ (513,502)	\$ 1,756
2018-2019 MSD	828	-	-	828
2017-2018 MSD	827	-	-	827
2016-2017 MSD	828	-	-	828
2015-2016 MSD	827	-	-	827
	<u>\$ 3,310</u>	<u>\$ 515,258</u>	<u>\$ (513,502)</u>	<u>\$ 5,066</u>

Reconciliation with revenues:

Ad Valorem taxes - general fund	\$ 514,146
Reconciling items:	
Interest collected	(648)
Taxes written off or released	4
Subtotal	<u>(644)</u>
Total collections and credits	<u>\$ 513,502</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
MUNICIPAL SERVICE DISTRICT LEVY
For the Fiscal Year Ended June 30, 2020

	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	\$ 156,008,048	0.3300	\$ 514,827	\$ 511,959	\$ 2,868
Penalties	-		431	431	-
Total	<u>156,008,048</u>		<u>515,258</u>	<u>512,390</u>	<u>2,868</u>
Discoveries:					
Current year	-	0.3300	-	-	-
Abatements	(1,185)	0.3300	-	-	(4)
Total Property Valuation	<u>\$ 156,006,863</u>				
Net levy			<u>515,258</u>	<u>512,390</u>	<u>2,864</u>
Uncollected taxes at June 30, 2020			(1,756)	(1,756)	-
Current year taxes collected			<u>\$ 513,502</u>	<u>\$ 510,634</u>	<u>\$ 2,864</u>
Current levy collection percentage			<u>99.66%</u>	<u>99.66%</u>	<u>100.00%</u>

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STATISTICAL SECTION

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	126
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	137
These tables contain information to help the reader assess the Town's most significant local revenue source: property tax.	
Debt Capacity	142
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	145
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	149
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)

	2011	2011	2012	2014
Governmental activities				
Net investment in capital assets	\$ 13,083,280	13,083,280	\$ 13,613,155	\$ 14,567,560
Restricted	3,592,244	3,592,244	3,146,667	3,298,044
Unrestricted	3,855,922	3,855,922	4,950,167	4,822,194
Total governmental activities net assets	<u>\$ 20,531,446</u>	<u>20,531,446</u>	<u>\$ 21,709,989</u>	<u>\$ 22,687,798</u>
Business-type activities				
Net investment in capital assets	\$ 12,723,583	12,723,583	\$ 12,191,326	\$ 11,419,215
Unrestricted	3,672,690	3,672,690	4,361,826	5,431,172
Total business-type activities net assets	<u>\$ 16,396,273</u>	<u>16,396,273</u>	<u>\$ 16,553,152</u>	<u>\$ 16,850,387</u>
Primary government				
Net investment in capital assets	\$ 25,806,863	25,806,863	\$ 25,804,481	\$ 25,986,775
Restricted	3,592,244	3,592,244	3,146,667	3,298,044
Unrestricted	7,528,612	7,528,612	9,311,993	10,253,366
Total primary government activities net position	<u>\$ 36,927,719</u>	<u>36,927,719</u>	<u>\$ 38,263,141</u>	<u>\$ 39,538,185</u>

TABLE 1

	2015	2016	2017	2018	2019	2020
\$	15,440,923	\$ 16,330,419	\$ 18,305,271	\$ 22,873,133	\$ 24,623,812	\$ 24,985,284
	3,226,059	4,761,304	6,803,628	5,400,659	5,221,050	6,277,666
	5,528,334	6,646,476	6,006,515	4,610,656	4,895,344	2,426,895
\$	<u>24,195,316</u>	<u>\$ 27,738,199</u>	<u>\$ 31,115,414</u>	<u>\$ 32,884,448</u>	<u>\$ 34,740,206</u>	<u>\$ 33,689,845</u>
\$	11,512,502	\$ 12,315,193	\$ 12,593,967	\$ 12,468,714	\$ 13,219,145	\$ 14,593,891
	5,856,966	5,868,509	6,399,233	7,028,749	7,653,992	7,339,325
\$	<u>17,369,468</u>	<u>\$ 18,183,702</u>	<u>\$ 18,993,200</u>	<u>\$ 19,497,463</u>	<u>\$ 20,873,137</u>	<u>\$ 21,933,216</u>
\$	26,953,425	\$ 28,645,612	\$ 30,899,238	\$ 35,341,847	\$ 37,842,957	\$ 39,579,175
	3,226,059	4,761,304	6,803,628	5,400,659	5,221,050	6,277,666
	11,385,300	12,514,985	12,405,748	11,639,405	12,549,336	9,766,220
\$	<u>41,564,784</u>	<u>\$ 45,921,901</u>	<u>\$ 50,108,614</u>	<u>\$ 52,381,911</u>	<u>\$ 55,613,343</u>	<u>\$ 55,623,061</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

**CHANGES IN NET POSITION,
LAST TEN FISCAL YEARS**

(accrual basis of accounting)

	2011	2012	2013	2014
Expenses				
Governmental activities:				
General government	\$ 3,545,624	\$ 3,471,053	\$ 3,910,816	\$ 3,861,294
Public safety	5,256,745	5,107,389	5,093,132	5,163,045
Transportation	683,097	692,140	717,977	810,639
Public works	208,681	193,384	272,516	293,137
Environmental protection	1,790,929	1,903,751	1,747,391	1,843,938
Interest on long-term debt	95,546	86,768	60,725	56,229
Total Governmental activities expenses	<u>11,580,622</u>	<u>11,454,485</u>	<u>11,802,557</u>	<u>12,028,282</u>
Business-type activities:				
Water Fund	3,432,183	3,100,546	3,106,836	3,303,040
Wastewater Fund	293,559	249,677	278,880	264,613
Total Business-type activities expenses	<u>3,725,742</u>	<u>3,350,223</u>	<u>3,385,716</u>	<u>3,567,653</u>
Total primary government activities expenses	<u>\$ 15,306,364</u>	<u>\$ 14,804,708</u>	<u>\$ 15,188,273</u>	<u>\$ 15,595,935</u>
Program revenues				
Governmental activities:				
Charges for services				
General government	\$ 283,264	\$ 314,970	\$ 315,442	\$ 369,121
Public safety	16,222	10,596	10,592	9,090
Transportation	-	-	-	-
Environmental protection	29,706	26,667	28,119	36,928
Operating grants and contributions				
General government	89,821	59,204	37,440	50,343
Public safety	214,362	202,930	35,414	27,181
Transportation	-	4,748	-	148,303
Environmental protection	14,984	232,989	-	-
Capital grants and contributions				
General Government	-	39,021	-	205,288
Public safety	50,000	-	-	-
Transportation	230,331	631,335	258,372	243,695
Total Governmental activities program revenues	<u>928,690</u>	<u>1,522,460</u>	<u>685,379</u>	<u>1,089,949</u>
Business-type activities				
Charges for services:				
Water Fund	2,944,586	3,065,654	3,082,265	3,293,340
Wastewater Fund	160,990	189,200	201,959	204,092
Capital grants and contributions:				
Water Fund	128,000	148,000	166,000	217,000
Wastewater Fund	21,060	38,880	21,060	19,440
Total Business-type activities program revenues	<u>3,254,636</u>	<u>3,441,734</u>	<u>3,471,284</u>	<u>3,733,872</u>
Total primary government activities program revenues	<u>\$ 4,183,326</u>	<u>\$ 4,964,194</u>	<u>\$ 4,156,663</u>	<u>\$ 4,823,821</u>

TABLE 2

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	2015	2016	2017	2018	2019	2020
\$	3,782,202	\$ 4,215,197	\$ 4,295,980	\$ 5,084,613	\$ 6,487,420	\$ 7,483,506
	5,025,231	5,367,196	5,563,249	5,750,230	6,020,479	6,398,627
	1,025,237	1,090,516	1,244,348	1,317,258	1,557,859	1,594,774
	278,640	295,855	353,600	362,927	345,423	360,238
	1,741,871	1,944,282	2,137,778	2,167,078	2,372,400	2,438,992
	67,364	112,604	196,681	190,857	257,907	315,068
	<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>	<u>18,591,205</u>
	3,124,575	3,087,792	3,155,456	3,332,754	3,437,230	3,632,777
	271,408	268,324	261,108	272,205	265,718	267,655
	<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>	<u>3,900,432</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>	<u>22,491,637</u>
\$	319,112	\$ 435,952	\$ 491,739	\$ 467,760	\$ 542,280	\$ 370,167
	8,061	9,736	15,311	16,598	18,084	13,891
	-	-	-	-	-	-
	36,567	53,850	61,749	43,054	59,424	71,453
	48,170	110,109	187,098	-	-	-
	15,101	11,211	5,341	21,313	38,601	60,726
	-	-	-	9,499	1,394	2,115
	-	-	-	-	-	-
	-	-	-	-	-	-
	128,916	351,292	-	659,393	312,454	226,184
	-	-	-	-	-	-
	246,011	245,017	243,972	468,872	606,970	241,387
	<u>801,938</u>	<u>1,217,167</u>	<u>1,005,210</u>	<u>1,686,489</u>	<u>1,579,207</u>	<u>985,923</u>
	3,399,553	3,560,155	3,585,800	3,773,336	4,003,745	4,711,705
	202,427	194,201	191,944	204,387	194,970	191,355
	271,000	293,000	422,000	622,000	579,100	-
	22,680	6,480	19,440	35,640	7,386	-
	<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>	<u>4,903,060</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>	<u>5,888,983</u>

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

	2011	2012	2013	2014
Net (Expense)/Revenue				
Governmental activities	\$ (9,932,025)	\$ (9,932,025)	\$ (11,117,178)	\$ (10,938,333)
Business-type activities	91,511	91,511	85,568	166,219
Total primary government net expense	<u>\$ (9,840,514)</u>	<u>\$ (9,840,514)</u>	<u>\$ (11,031,610)</u>	<u>\$ (10,772,114)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 5,341,827	\$ 5,866,037	\$ 6,320,155	\$ 6,556,573
Sales taxes	1,675,213	1,656,724	1,743,941	1,916,998
Occupancy taxes	2,208,047	2,190,254	2,007,056	2,144,664
Other taxes	1,197,396	1,182,568	1,120,245	1,174,464
Grants and contributions not restricted	-	-	-	-
Net unrestricted investment earnings (loss)	116,265	164,897	(105,918)	208,674
Miscellaneous	105,293	50,088	120,808	166,276
Transfers	-	-	-	-
Total Governmental activities	<u>10,644,041</u>	<u>11,110,568</u>	<u>11,206,287</u>	<u>12,167,649</u>
Business-type activities				
Unrestricted investment earnings	49,840	65,368	(63,693)	109,141
Miscellaneous	-	-	-	-
Transfers	-	-	-	-
Total Business-type activities	<u>49,840</u>	<u>65,368</u>	<u>(63,693)</u>	<u>109,141</u>
Total primary government	<u>\$ 10,693,881</u>	<u>\$ 11,175,936</u>	<u>\$ 11,142,594</u>	<u>\$ 11,142,594</u>
Change in Net Position				
Governmental activities	(7,891)	\$ 1,178,543	\$ 89,109	\$ 1,229,316
Prior period adjustment - Governmental activities	-	-	-	(340,616)
Business-type activities	(421,266)	156,879	21,875	275,360
Prior period adjustment - Business-type activities	-	-	-	-
Total primary government change in net position	<u>\$ (429,157)</u>	<u>\$ 1,335,422</u>	<u>\$ 110,984</u>	<u>\$ 1,164,060</u>

TABLE 2

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	2015	2016	2017	2018	2019	2020
\$	(11,118,607)	\$ (11,808,483)	\$ (13,186,474)	\$ (13,186,474)	\$ (15,462,281)	\$ (17,605,282)
	499,677	697,720	1,030,404	1,030,404	1,082,253	1,002,628
\$	<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>	<u>(16,602,654)</u>
\$	7,199,585	\$ 8,468,389	\$ 8,545,173	\$ 8,662,987	\$ 8,859,629	\$ 9,372,751
	1,964,298	2,249,479	2,673,222	2,780,962	2,742,660	2,764,840
	2,197,414	2,352,908	2,682,850	2,924,648	2,901,475	2,740,880
	558,306	592,072	1,844,516	2,705,427	724,494	725,152
	958,530	1,081,808	1,077,009	1,076,406	1,099,660	1,080,755
	202,338	241,678	30,562	101,208	643,345	406,517
	245,847	354,713	218,861	499,392	346,776	273,568
	-	-	-	375,334	-	-
	<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>	<u>17,364,463</u>
	112,894	116,514	6,880	30,792	293,421	182,118
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>112,894</u>	<u>116,514</u>	<u>6,880</u>	<u>30,792</u>	<u>293,421</u>	<u>182,118</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>	<u>17,546,581</u>
\$	2,207,711	\$ 3,532,564	\$ 3,532,564	\$ 5,939,890	\$ 1,855,758	\$ (240,819)
	(700,193)	-	-	(4,170,856)	-	(809,542)
	612,571	814,234	814,234	1,061,196	1,375,674	1,184,746
	(93,490)	-	-	(556,933)	-	(124,667)
\$	<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>	<u>9,718</u>

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund				
Non-Spendable	\$ 102,018	\$ 97,326	\$ 108,285	\$ 116,275
Restricted	3,592,244	3,146,667	2,805,459	3,296,763
Assigned	248,385	346,027	251,499	320,156
Unassigned	4,973,439	5,569,637	5,690,541	6,062,140
Reserved	-	-	-	-
Unreserved	-	-	-	-
Total General Fund	<u>\$ 8,916,086</u>	<u>\$ 9,159,657</u>	<u>\$ 8,855,784</u>	<u>\$ 9,795,334</u>
All Other Governmental Funds				
Restricted	\$ -	\$ -	\$ 9,545	\$ 1,281
Assigned	348,242	420,003	483,190	501,564
Reserved	-	-	-	-
Unreserved, reported in:				
Capital Reserve Fund	-	-	-	-
Capital Projects Funds	-	-	-	-
Total all other governmental funds	<u>\$ 348,242</u>	<u>\$ 420,003</u>	<u>\$ 492,735</u>	<u>\$ 502,845</u>

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.

TABLE 3

	2015	2016	2017	2018	2019	2020
\$	124,969	\$ 141,784	\$ 178,190	\$ 147,216	\$ 162,783	\$ 166,569
	3,223,261	4,121,998	5,965,987	5,400,659	5,221,050	6,277,664
	44,756	159,709	415,248	2,820,363	1,178,473	1,968,195
	7,772,394	9,094,063	9,813,121	9,642,299	12,483,453	11,350,839
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	<u>11,165,380</u>	<u>\$ 13,517,554</u>	<u>\$ 16,372,546</u>	<u>\$ 18,010,537</u>	<u>\$ 19,045,759</u>	<u>\$ 19,763,267</u>
\$	2,798	\$ 639,306	\$ 837,641	\$ 104,402	\$ 27,365	\$ 1,161
	601,583	6,031,270	2,250,918	398,487	4,812,133	1,393,027
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	<u>604,381</u>	<u>\$ 6,670,576</u>	<u>\$ 3,088,559</u>	<u>\$ 502,889</u>	<u>\$ 4,839,498</u>	<u>\$ 1,394,188</u>

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

	2011	2012	2013	2014
Revenues				
Ad valorem taxes	\$ 5,547,407	\$ 5,804,840	\$ 6,333,785	\$ 6,571,750
Other taxes and licenses	4,386,035	4,350,221	4,208,347	4,565,104
Unrestricted intergovernmental revenues	734,414	716,941	742,783	757,693
Restricted intergovernmental revenues	548,398	1,170,227	331,226	669,490
Permits and fees	238,890	277,115	235,394	287,690
Sales and services	46,208	37,503	38,871	46,098
Net investment earnings	116,265	164,897	(105,917)	208,673
Other revenues	88,431	98,348	107,708	157,634
Total revenues	<u>11,706,048</u>	<u>12,620,092</u>	<u>11,892,197</u>	<u>13,264,132</u>
Expenditures				
General government	3,227,047	3,159,504	3,111,261	3,751,197
Public safety	5,474,026	5,061,743	4,935,745	5,994,729
Transportation	780,016	1,327,782	1,718,457	1,418,280
Public works	202,911	207,068	262,303	288,160
Environmental protection	1,545,737	2,171,804	1,555,505	2,203,769
Capital outlay	-	-	-	-
Debt service				
Principal	555,505	593,685	640,984	746,993
Interest	95,047	89,382	69,115	49,620
Total expenditures	<u>11,880,289</u>	<u>12,610,968</u>	<u>12,293,370</u>	<u>14,452,748</u>
Excess (deficiency) of revenues over expenditures	(174,241)	9,124	(401,173)	(1,188,616)
Other financing sources				
Installment purchase obligations issued	567,696	295,721	161,933	2,129,634
Sale of capital assets	24,569	10,487	8,100	8,642
Transfers from other funds	-	-	-	-
Total other financing sources	<u>592,265</u>	<u>306,208</u>	<u>170,033</u>	<u>2,138,276</u>
Net change in fund balances	<u>\$ 418,024</u>	<u>\$ 315,332</u>	<u>\$ (231,140)</u>	<u>\$ 949,660</u>
Debt service as a percentage of non-capital expenditures	6.09%	6.16%	6.54%	7.00%

TABLE 4

	2015	2016	2017	2018	2019	2020
\$	7,202,742	\$ 8,486,724	\$ 8,532,846	\$ 8,662,987	\$ 8,870,753	\$ 9,351,102
	4,749,641	5,196,512	6,011,675	6,435,741	6,377,054	6,239,043
	958,530	1,081,808	1,077,009	1,076,406	1,099,660	1,080,755
	438,199	717,628	1,632,377	3,157,710	959,419	530,412
	289,289	435,792	491,719	467,640	542,200	370,047
	44,828	61,694	70,027	50,990	69,164	77,293
	202,338	241,678	30,561	101,209	643,345	406,517
	128,639	184,443	142,370	137,478	305,191	276,800
	<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>	<u>18,331,969</u>
	3,851,383	5,587,853	3,502,880	4,291,354	3,904,598	4,497,761
	5,371,506	5,771,540	5,161,344	5,334,884	5,607,014	5,982,023
	1,375,385	1,451,655	660,636	658,173	804,009	753,513
	295,786	302,969	352,005	360,764	350,104	354,577
	1,615,425	2,733,216	1,829,769	1,780,237	1,943,995	1,976,663
	-	-	6,856,447	7,580,433	3,345,417	5,456,895
	877,883	1,245,343	1,521,823	2,650,038	2,800,976	2,975,336
	69,461	88,330	198,993	190,071	177,586	324,954
	<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>	<u>22,321,722</u>
	557,377	(774,627)	(2,095,313)	(2,755,793)	(66,913)	(3,989,753)
	836,788	9,012,406	1,279,031	1,083,447	5,393,437	1,235,727
	77,417	170,270	89,257	174,667	45,307	26,224
	-	-	-	550,000	-	-
	<u>914,205</u>	<u>9,182,676</u>	<u>1,368,288</u>	<u>1,808,114</u>	<u>5,438,744</u>	<u>1,261,951</u>
\$	<u>1,471,582</u>	<u>\$ 8,408,049</u>	<u>\$ (727,025)</u>	<u>\$ (947,679)</u>	<u>\$ 5,371,831</u>	<u>\$ (2,727,802)</u>
▾	7.04%	▾ 7.76%#	▾ 13.01%	▾ 18.60%	▾ 19.11%	▾ 19.57%

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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
2011	\$ 5,479,991	\$ 5,400,314	98.55%	\$ 75,846	\$ 5,476,160	99.93%
2012	5,752,833	5,691,025	98.93%	57,503	5,748,528	99.93%
2013	6,320,909	6,265,742	99.13%	49,875	6,315,617	99.92%
2014 [1]	6,552,229	6,502,619	99.24%	40,993	6,543,612	99.87%
2015	7,209,270	7,163,911	99.37%	40,322	7,204,233	99.93%
2016	7,600,204	7,566,290	99.55%	31,806	7,598,096	99.97%
2017	7,708,863	7,656,208	99.32%	48,625	7,704,833	99.95%
2018	7,823,759	7,787,631	99.54%	29,439	7,817,070	99.91%
2019	8,030,058	7,995,088	99.56%	22,993	7,995,088	99.56%
2020	8,506,598	8,452,932	99.37%	[2]	8,452,932	99.37%

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.

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	
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
2020	2,035,044,064	56,535,635	88,798,188	33,810,994

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.

These amounts include both real and personal property.

TABLE 6

	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate [3]</u>	<u>Sales to Assessment Ratio [4]</u>	<u>Estimated Actual Taxable Value</u>
\$	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
	2,193,628,628	0.3809	88.93%	2,466,691,362
	2,214,188,881	0.4000	83.49%	2,652,040,820

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]	
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
2020	0.4000	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, 2020			June 30, 2011		
	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation
Outer Banks Beach Club	21,757,200	1	1.02%	25,887,000	1	0.99%
VIEW, LLC	19,511,272	2	0.92%			
First Flight Hotel LLC	17,425,900	3	0.82%			
Run Hill Apartments LLC	14,466,300	4	0.68%			
O. W. L. Neal Partnership (Ramada Inn)	12,076,300	5	0.57%	13,143,500	5	0.50%
Morrison Farm Assoc II, LLP	11,467,700	6	0.54%	12,017,600	6	0.46%
On Trading Corp	10,337,700	7	0.49%			
Sea Ranch Resort LLC	9,895,672	8	0.47%			
Lowe's Home Center, LLC	9,379,500	9	0.44%			
Newman, Brian K	8,661,084	10	0.41%	11,251,216	9	0.43%
Croatan Surf Club				23,614,200	2	0.90%
Dominion NC Power				18,074,033	3	0.69%
Dean, Clarence E Jr.				16,740,565	4	0.64%
First Flight Retreat				11,895,275	7	0.45%
Wilber Wright Associates, Inc				11,656,050	8	0.44%
Sutton Street Development (Comfort Inn)				10,415,500	10	0.40%
	<u>\$ 134,978,628</u>		<u>6.35%</u>	<u>\$ 154,694,939</u>		<u>5.90%</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				Total Primary Government
	Governmental Activities		Business-type Activities		
	Installment Financings	Capital Leases	Installment Note		
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
2020	10,433,496	-	28,131		10,461,627

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

TABLE 9

Percent of Estimated Actual Taxable Property Value [1]			
Governmental Activities	Total	Per Capita [2]	Percent of Personal Income [2]
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	*
0.39%	0.39%	1,418	*

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2020

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable [1]</u>	<u>Estimated Share of Overlapping Debt</u>
Dare County	\$ 88,562,585	23.65%	\$ 20,942,213
Town of Kill Devil Hills direct debt			10,433,496
Total direct and overlapping debt			\$ 31,375,709

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.

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]
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	406,136,568	56,314	5,151	5.9%
2019	7,266	*	*	5,233	5.0%
2020	7,378	*	*	5,367	8.2%

[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

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

Employers	June 30, 2020			June 30, 2011		
	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	*	-	-	*
Town of Kill Devil Hills	100 - 249	5	*	-	-	*
Lowes Home Center, Inc	100 - 249	6	*	100 - 249	5	*
Publix	100 - 249	7	*	-	-	*
McDonald's	50-99	8	*	-	-	*
Sun Realty	50-99	9	*	-	-	*
Data unavailable		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

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

	2011	2012	2013
<u>Function/Program</u>			
General government			
Administration	5	5	5
Finance and Tax	6 1/2	6 1/2	6 1/2
Management Information Services	1	1	1
Planning and Development	7	7	8
Building and Grounds	4 3/4	4 1/4	4 3/4
Public Safety			
Police	33	33	33
Animal Control	2	2	2
Fire	20	20	20
Ocean Rescue	25	25	25
Year-round	2	2	2
Seasonal Lifeguards	23	23	23
Transportation			
Streets	4	4	5
Public Works			
Fleet Maintenance	3 1/2	3 1/2	4 1/2
Environmental Protection			
Solid Waste	11	11 3/4	11
Water			
Water Administration	6	6	6
Water Treatment Plant	4	4	4
Water System	4	4	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.

TABLE 13

2014	2015	2016	2017	2018	2019	2020
5	5	6	6	6	6	6
6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2
1	1	1	1	1	1	1
8	8	7	7	7	7	7
4 3/4	4 3/4	4 3/4	4 3/4	4 3/4	5 1/4	5 1/4
33	33	33	33	33	33	33
2	2	2	2	2	2	2
20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2
24 1/2	24 1/2	26 1/2	26 1/2	26 1/2	26 1/2	27 1/2
1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
23	23	25	25	25	25	26
5	5	5 3/4	5 3/4	5 3/4	5 3/4	5 3/4
4 1/2	4 1/2	4 1/2	4 1/2	4 1/2	4 1/2	4 1/2
11	11	10 3/4	10 3/4	10 3/4	10 3/4	11 3/4
6	6	6	6	6	6	6
4	4	4	4	4	4	4
4	4	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Population	6,676	6,750	6,880
Police:			
Crime Activity: Reported			
Murder (includes attempts):	-	-	-
Rape (includes attempts):	7	5	7
Robbery (includes attempts):	7	8	6
Assaults (felonious & misdemeanor):	147	150	173
Burglary(breaking/entering-structures):	215	169	200
Larceny:	313	354	249
Auto Larceny:	11	12	18
Arson/unlawful burnings:	1	7	1
All other crimes (unspecified above):	694	1,267	1,302
Total Crime:	1,395	1,972	1,956
Traffic Activity:			
Traffic Accidents	419	412	399
Driving while impaired arrests	100	109	99
General traffic violations-citation	1,993	2,130	1,196
General traffic violations-warning	1,151	1,239	790
Parking violations-citation issued	111	105	125
Total Traffic	3,774	3,995	2,609
General Calls for Service:			
Police calls-emergency status, non-emergency, traffic control	14,873	15,790	13,827
Animal control calls	1,505	660	
Total General Calls for Service	16,378	16,450	13,827
Total all Police/Animal Control Activity	21,547	22,417	18,392
Fire:			
Number of volunteer firemen	34	35	25
Number of calls answered	1,311	1,399	1,648
Total dollar loss	436,750 \$	289,500 \$	2,457,400

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
6,895	7,010	7,137	7,195	7,212	7,266	7,378
1	1	2	-	-	-	-
6	9	11	6	2	6	4
4	3	1	2	1	2	3
141	142	168	198	147	164	161
170	138	186	148	318	115	71
245	228	303	285	358	268	173
13	9	10	10	16	3	8
1	4	1	1	-	1	1
1,009	1,103	772	849	651	763	710
1,590	1,637	1,454	1,499	1,493	1,322	1,131
405	401	434	395	476	465	403
63	92	66	69	47	58	66
1,217	1,621	1,172	1,215	986	1,255	895
1,295	2,197	1,862	1,921	2,130	2,030	1,360
92	109	112	164	160	250	213
3,072	4,420	3,646	3,764	3,799	4,058	2,937
15,622	23,775	20,785	20,025	21,179	19,711	17,379
15,622	23,775	20,785	20,025	21,179	19,711	17,379
20,284	29,832	25,885	25,288	26,471	25,091	21,447
21	24	19	22	24	24	25
1,366	1,428	1,350	1,598	1,591	1,610	1,545
\$ 215,250	\$ 391,106	\$ 177,500	\$ 404,317	\$ 220,685	\$ 203,515	\$ 913,500

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Planning:			
Building permits:			
One and Two Family Dwellings	32	34	42
Residential multi-family	-	1	-
Government	-	-	-
Non-residential	3	2	-
Additions/remodel	326	382	372
Sign/banners	27	50	48
Electrical	97	94	68
Mechanical	214	269	212
Plumbing	14	20	18
Demolition	11	8	11
Fine	1	1	1
Re-inspection	1	-	-
Re-instatement fee	-	-	-
Number of CAMA permits issued	32	27	34
Number of land disturbance permits issued	4	6	2
Number of occupancy permits issued	37	37	39
Number of site plan reviews	67	55	81
Number of zoning amendments	9	5	6
Number of variance applications	8	1	7
Number of exempt plats issued	4	1	6
Field inspections:			
Number of code compliance	3,834	4,821	4,815
Number of zoning/planning	633	714	710
Total building permit fees	129,854 \$	234,887 \$	182,780
Total site plan review fees	74,461 \$	8,365 \$	15,088
Total occupancy permit fees	1,850 \$	1,850 \$	1,950
Total CAMA permit fees	4,090 \$	4,190 \$	4,730
Total construction valuation	15,838,553 \$	26,245,860 \$	22,776,186

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
52	60	64	68	81	66	65
-	1	-	1	3	5	1
-	-	2	-	7	-	2
1	1	1	3	1	2	-
336	338	375	348	366	372	428
44	51	38	37	40	30	37
46	66	49	44	70	103	102
230	276	294	315	342	317	276
4	9	27	4	11	17	37
8	13	12	18	7	11	14
1	3	4	7	9	6	9
1	-	1	1	1	-	11
-	-	-	-	-	5	14
26	23	24	28	20	22	17
9	1	3	12	12	5	22
56	49	70	73	76	69	78
85	81	107	101	109	113	92
2	3	2	4	3	4	-
8	1	2	1	2	1	1
3	4	7	5	7	5	7
4,685	4,602	4,780	5,418	4,676	4,106	4,574
504	606	1,503	2,435	2,177	1,836	1,852
\$ 215,565	\$ 228,705	\$ 300,369	\$ 366,152	\$ 417,614	\$ 455,450	\$ 343,149
\$ 24,086	\$ 15,442	\$ 84,738	\$ 68,757	\$ 32,139	\$ 78,714	\$ 16,681
\$ 2,850	\$ 2,650	\$ 3,600	\$ 3,650	\$ 3,800	\$ 3,450	\$ 3,900
\$ 4,285	\$ 3,700	\$ 3,625	\$ 3,470	\$ 2,465	\$ 2,880	\$ 2,210
\$ 23,978,292	\$ 28,524,349	\$ 30,600,902	\$ 41,000,479	\$ 45,136,707	\$ 51,871,265	\$ 37,486,354

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Refuse collection:			
Refuse collection (tons)	8,947.98	8,957.32	8,947.44
Water:			
Number of new services	46	42	54
Number of new customers	273	283	290
Daily consumption (million gallons)	1.2	1.2	1.2
Maximum daily capacity of plant(million gallons)	7.4	7.4	7.4
Maximum contracted per day(million gallons)	3.0	3.0	3.0
Wastewater:			
Number of customers	188	195	198
Production (million gallons)	*	*	*
Maximum daily capacity of plant (million gallons)	*	*	*

* Information Unavailable

Source: Budget documents and individual Town departments.

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
8,929.10	8,976.00	9,436.00	9,852.00	9,693.00	9,665.00	9,615.00
54	72	60	84	59	74	72
266	437	333	363	333	357	357
1.2	1.2	1.2	1.2	1.2	1.2	1.2
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
203	204	203	208	217	219	218
*	*	*	*	*	*	*
*	*	*	*	*	*	*

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

<u>Function/Program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police stations	1	1	1
Animal control facilities	1	1	1
Fire stations	1	1	1
Ocean rescue facilities	1	1	1
Refuse collection			
Collection trucks	12	12	12
Other public works			
Paved streets (miles)	59.22	59.17	59.4
Unpaved streets (miles)	3.15	3.18	3.18
Street lights	446	446	447
Parks and recreation			
Number of parks	5	5	5
Number of tennis courts	6	6	6
Number of bath houses	1	1	1
Number of piers			
Ocean (private)	1	1	1
Sound (public)	1	1	1
Number of ocean beach accesses			
Local (public)	10	10	10
Neighborhood (public)	18	18	18
Regional (public)	1	1	1
Number of sound accesses (public)	4	4	4
Bike path mileage	8.91	8.91	9.51
Water			
Plants	1	1	1
Water mains (miles)	79.7	79.7	79.7
Fire hydrants	635	653	596
Water storage capacity:			
Ground (million gallons)	1.2	1.2	1.2
Elevated (million gallons)	.450	.450	.450
Wastewater			
Mains (miles)	3.11	3.11	3.11

Source: Budget documents and individual Town departments.

TABLE 15

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
1	1	1	1	1	1	1
1	1	1	1	1	1	1
1	1	1	1	1	1	1
1	1	1	1	1	1	1
12	12	14	14	14	14	14
59.17	59.17	59.17	59.17	59.81	60.17	60.17
3.18	3.18	3.18	3.18	3.18	3.18	3.18
447	447	436	436	436	436	436
5	5	5	5	5	5	5
6	6	6	6	6	6	6
1	1	1	1	1	1	1
1	1	1	1	1	1	1
1	1	1	1	1	1	1
10	10	10	10	10	10	10
18	18	18	18	18	18	18
1	1	1	1	1	1	1
4	4	4	4	4	4	4
9.51	9.51	9.51	9.51	10.57	10.83	11.18
1	1	1	1	1	1	1
79.7	79.7	79.78	79.72	80.19	80.58	80.58
591	591	624	626	631	635	636
1.2	1.2	1.2	1.2	1.2	1.2	1.2
.450	.450	.450	.450	.450	.450	.65
3.11	3.11	3.11	3.11	3.13	3.13	3.13

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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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POTTER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

To the Honorable Mayor and Town Council
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 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, 2020, and the related notes to the financial statements, which collectively comprises the Town of Kill Devil Hills's basic financial statements, and have issued our report thereon dated November 25, 2020.

Internal Control Over Financial Reporting

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

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

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

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

Potter & Company, P.A.

November 25, 2020
Kill Devil Hills, North Carolina