

Annual Comprehensive Financial Report

Year Ending June 30, 2022



Town of Kill Devil Hills
North Carolina

The cover is dedicated to Mary Elizabeth Quidley, long-time Town Clerk of the Town of Kill Devil Hills. Mary joined the Town of Kill Devil Hills in 1984 as Tax Collector and was later sworn in as Town Clerk. She happily and loyally served in this position for 37 years until the time of her death. She was instrumental in envisioning and developing numerous community programs and events. Most gratifying to her was the Paws Park which opened in June 2019 and was renamed Mary's Paws Park in February 2022 in her honor.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2022

*Prepared by the Town of Kill Devil Hills Finance Department
Beverly B. Kissinger, Finance Director
Angell W. Doughtie, Assistant Finance Director*

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TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2022

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Mayor
BENJAMIN A. SPROUL
Mayor Pro Tem
IVY RAY INGRAM
Commissioners
TERRY L. GRAY
BERNARD B. MCAVOY, JR.
JOHN L. WINDLEY



Town Manager
DEBORA P. DIAZ
Assistant Town Manager
CHARLENE S. ALLEN
Town Clerk
JAMES MICHAEL O'DELL

The Town of
KILL DEVIL HILLS
NORTH CAROLINA

November 17, 2022

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 annual comprehensive financial report of the Town of Kill Devil Hills for the fiscal year ended June 30, 2022.

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, 2022 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, 2022, 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 currently elected for a two-year term, all on a non-partisan basis. At the expiration of the current mayor's term in 2023, the mayor will be elected for a four-year term moving forward.

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 and Special Revenue Funds. Appropriations in the General and Enterprise Funds are made at the department level and at the project level for all Capital Project and Special Revenue 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. Revenues continue to remain strong even during the lingering months of the COVID-19 pandemic. 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.



TOWN OF KILL DEVIL HILLS

Long-term financial planning and major initiatives. Funding the Capital Reserve fund for Streets in the amount \$886,000, and Powell Bill in the amount \$250,000 in the FY 2023 budget will provide funds for the necessary annual street projects. The Capital Reserve fund for sidewalk and multi-use paths will receive funding in the amount \$300,000 for future construction of new infrastructure. The Capital Reserve fund for Shoreline and Recreational Facilities will each receive \$75,000 for future projects. Updates to the Shoreline Accesses and Recreational Facilities Plan will begin in FY 2023. Maintenance and repair of existing sidewalks will receive \$30,000 and \$150,000 is budgeted for general maintenance and repairs to streets. Enhancements to Aviation Park and Meekins Field Park will continue with improvements to park aesthetics and grounds. Direct borrowing installment financing budgeted at \$2,067,818 will include purchase of three pickup trucks, five police vehicles, police utility vehicle, record keeping and reporting integration package, a fire Pumper, a compact utility tractor, three commercial garbage trucks and a grapple attachment.

A grant project ordinance was adopted to receive the American Rescue Plan Act of 2021: Coronavirus State and Local Fiscal Recovery Funds. The total allocation and amount authorized is \$2,337,008. The Town has elected to take the standard allowance as authorized and the funds will be used for law enforcement services through December 31, 2024.

In fiscal year 2022, a ten year Water System Master Plan update was adopted that provides a detailed analysis of all aspects of the Town Water System including: water quality analysis including population projections, usage trends and contractual capacity limitation, water quality analysis including testing and EPA requirements, capital improvement plan to guide the next decade's worth of necessary improvements and budget decisions and finally rate and fee analysis to guide future rate and fee decisions. Plant improvements and equipment for the upcoming year are estimated at \$332,000 and \$6,200. Waterlines are scheduled to be replaced along with street and drainage projects and are budgeted at \$505,000. These improvements, equipment, and projects, are funded on the pay as you go basis. The 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 \$342,750 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.

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.

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. Construction bids were opened August 31, 2021 for a 2022 re-nourishment project. The project in Kill Devil Hills began in the summer of 2022 and nourished approximately 2.6 miles of northern Kill Devil Hills' beaches. The cost to Kill Devil Hills is estimated to total \$6,373,451. Funding for the project comes in part from a North Carolina Division of Water Quality grant (\$1,450,921), Federal Emergency Management Agency (FEMA) grant (\$3,638,169), Dare County grant (\$691,137) and the Town of Kill Devil Hills (\$593,224). A special obligation bond was issued for the Town's portion of the project and for the FEMA portion of the project. The FEMA bond will be repaid once the grant proceeds are received. The Town's portion of the debt will be amortized over five years, with mainly land transfer tax revenue 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 the annual debt payment and related expenses. The final payment of the five-year amortization of the special obligation bond will occur in December 2026. A beach maintenance plan will continue to measure the beach profile in order to establish future re-nourishment needs.

Land Where Flight Began



TOWN OF KILL DEVIL HILLS

Other collaborative efforts with Dare County included discussions of operation and construction of a joint Fire and EMS station. Current plans and specifications are underway at this time.

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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. 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 Annual Comprehensive Financial Report, whose contents conform to program standards. Such ACFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Kill Devil Hills has received a Certificate of Achievement for the last thirty-four 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, 2022

Elected Officials

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

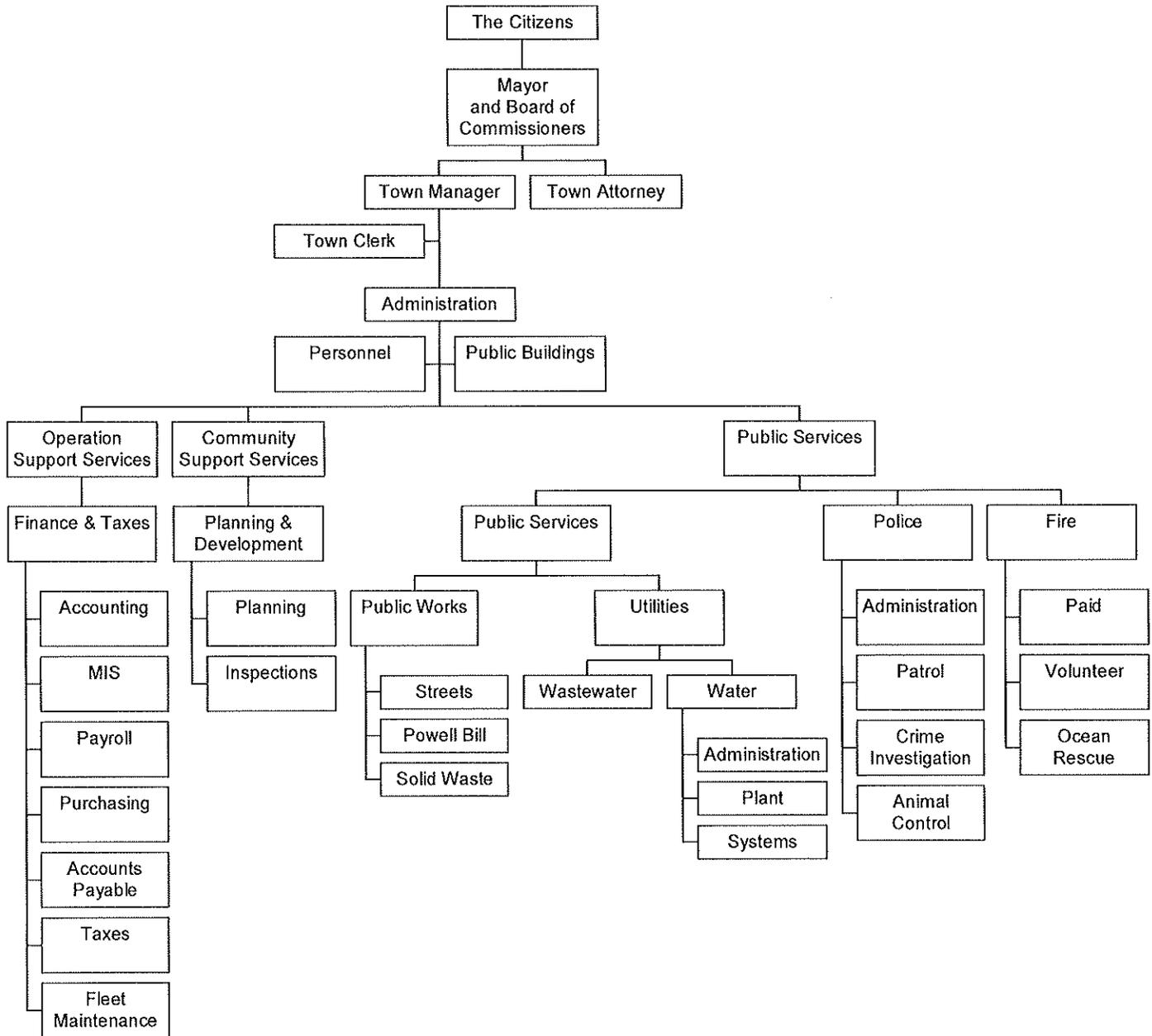
Appointed

Town Attorney	Casey C. Varnell
Town Manager	Debora P. Diaz

Town Administration

Town Clerk	James Michael O'Dell
Assistant Town Manager	Charlene S. Allen
Finance Director	Beverly B. Kissinger
Planning Director	Meredith B. Guns
Public Services Director	Stephen F. Albright
Fire Chief	Troy N. Tilley
Police Chief	Gary L. Britt

Town of Kill Devil Hills, North Carolina ORGANIZATIONAL CHART June 30, 2022





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Kill Devil Hills
North Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Kill Devil Hills, North Carolina**, as of and for the year then ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the **Town of Kill Devil Hills'** basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Kill Devil Hills**, as of June 30, 2022, 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.

Basis for Opinions

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

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 17, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 84 through 87, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Employee Payroll on pages 88 through 91, and the Other Post Employment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 92, be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist 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 provided us will sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2022, on our consideration of **Town of Kill Devil Hills'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **Town of Kill Devil Hills'** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Town of Kill Devil Hills'** internal control over financial reporting and compliance.

Potter & Company, P.A.

November 17, 2022
Mooresville, North Carolina

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2022

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, 2022. 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 \$68,528,072 (*net position*). Of this amount, \$10,059,105 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$8,909,790 primarily because revenues exceeded expenses in governmental type activities.
- As of the close of the current fiscal year, the Town of Kill Devil Hills governmental funds reported combined ending fund balances of \$32,817,637, an increase of \$9,888,245 over the prior year. The increase resulted from:
 - General Fund increase of \$7,128,377 primarily from increased tourism and realty related revenue, accrual of FEMA grant revenue, sale of a piece of land, and delayed expenditures.
 - 2022 Beach Nourishment Capital Project Fund increase of \$2,168,646 primarily from receipt of unexpended direct borrowing proceeds
 - American Rescue Plan Special Revenue Fund increase of \$1,126,376 from receipt of unexpended grant funds
- After restrictions and assignments, approximately 49.3% of the total fund balances or \$16,168,197 is available for spending at the government's discretion (unassigned fund balance.) This amount is 74.1% 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 increased by \$2,701,701. Principal payments for the fiscal year were \$3,130,295. New debt issuances consisted of a direct borrowing installment financing of \$1,600,603 and direct placement installment purchase of \$4,231,393.

Overview of the Financial Statements

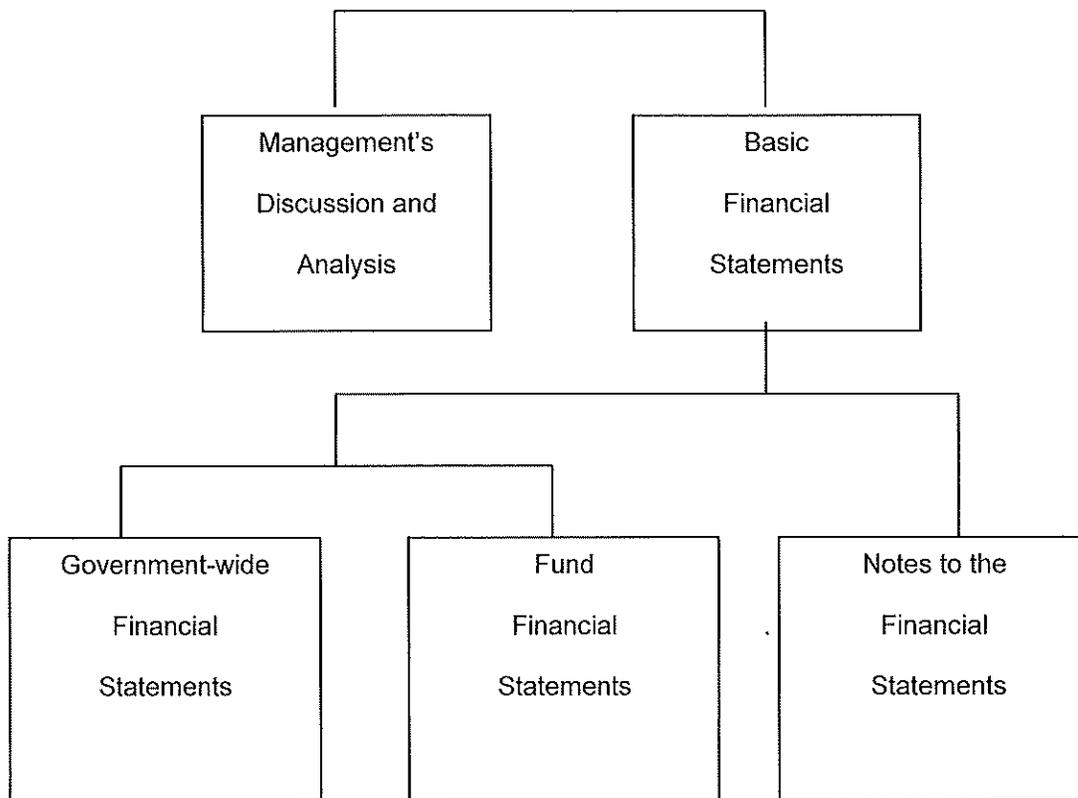
This discussion and analysis is intended to serve as an introduction to the Town of Kill Devil Hills' basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements (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, 2022

Required Components of Annual Financial Report

Figure 1



Summary → Detail

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2022

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, 2022

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

The Town of Kill Devil Hills maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered a major fund. Data from the non-major governmental funds are 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 24-29 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 Town has two fiduciary funds, one of which is an OPEB trust fund for reporting purposes and the other is a custodial fund, the Firemen's Relief Fund. 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 37-82 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 on pages 84-92 of this report.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2022

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

Government-Wide Financial Analysis

Town of Kill Devil Hills Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 37,007,876	\$ 24,128,783	\$ 10,606,672	\$ 9,984,678	\$ 47,614,548	\$ 34,113,461
Capital assets	33,444,248	33,173,648	16,338,692	15,541,397	49,782,940	48,715,045
Total assets	70,452,124	57,302,431	26,945,364	25,526,075	97,397,488	82,828,506
Deferred outflows of resources	3,671,565	3,434,715	429,309	388,019	4,100,874	3,822,734
Long-term liabilities outstanding	17,243,428	19,398,570	1,328,661	1,622,640	18,572,089	21,021,210
Other liabilities	10,019,177	4,241,686	1,119,367	1,287,085	11,138,544	5,528,771
Total liabilities	27,262,605	23,640,256	2,448,028	2,909,725	29,710,633	26,549,981
Deferred inflows of resources	2,895,509	447,158	364,148	35,819	3,259,657	482,977
Net position:						
Net investment in capital assets	27,961,849	26,206,869	16,316,188	15,516,079	44,278,037	41,722,948
Restricted	14,190,930	6,462,727	-	-	14,190,930	6,462,727
Unrestricted	1,812,796	3,980,136	8,246,309	7,452,471	10,059,105	11,432,607
Total net position	\$ 43,965,575	\$ 36,649,732	\$ 24,562,497	\$ 22,968,550	\$ 68,528,072	\$ 59,618,282

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 \$68,528,072 as of June 30, 2022. The Town's net position increased by \$8,909,790 for the fiscal year ended June 30, 2022.

The larger portion of net position \$44,278,037 (64.6%) 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, 2022

An additional portion of the Town of Kill Devil Hills' net position, \$14,190,930 (20.7%), represents resources that are subject to external restrictions on how they may be used. The remaining portion, which is the remaining balance of \$10,059,105 (14.7%) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

As of June 30, 2022, 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 as 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	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for Services	\$ 742,042	\$ 556,719	\$ 6,028,722	\$ 5,166,372	\$ 6,770,764	\$ 5,723,091
Operating grants and contributions	1,198,912	114,629	-	6,369	1,198,912	120,998
Capital grants and contributions	4,491,675	771,674	-	319,819	4,491,675	1,091,493
General revenues:						
Property taxes	10,161,974	10,029,663	-	-	10,161,974	10,029,663
Other taxes	10,457,008	9,488,941	-	-	10,457,008	9,488,941
Other	(277,012)	1,380,488	(312,716)	(29,737)	(589,728)	1,350,751
Total Revenues	26,774,599	22,342,114	5,716,006	5,462,823	32,490,605	27,804,937
Expenses:						
General government	6,855,333	7,182,255	-	-	6,855,333	7,182,255
Public safety	7,309,069	7,043,759	-	-	7,309,069	7,043,759
Transportation	1,724,607	1,735,100	-	-	1,724,607	1,735,100
Environmental protection	2,878,474	2,738,733	-	-	2,878,474	2,738,733
Public works	431,126	407,423	-	-	431,126	407,423
Interest on long-term debt	260,147	274,957	-	-	260,147	274,957
Water	-	-	3,959,977	4,156,206	3,959,977	4,156,206
Wastewater	-	-	162,082	271,283	162,082	271,283
Total Expenses	19,458,756	19,382,227	4,122,059	4,427,489	23,580,815	23,809,716
Increase (decrease) in net position	7,315,843	2,959,887	1,593,947	1,035,334	8,909,790	3,995,221
Net position, July 1	36,649,732	33,689,845	22,968,550	21,933,216	59,618,282	55,623,061
Net position, June 30	\$ 43,965,575	\$ 36,649,732	\$ 24,562,497	\$ 22,968,550	\$ 68,528,072	\$ 59,618,282

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2022

Governmental activities. Governmental activities increased the Town's net position by \$7,315,843.

Key highlights of the changes were:

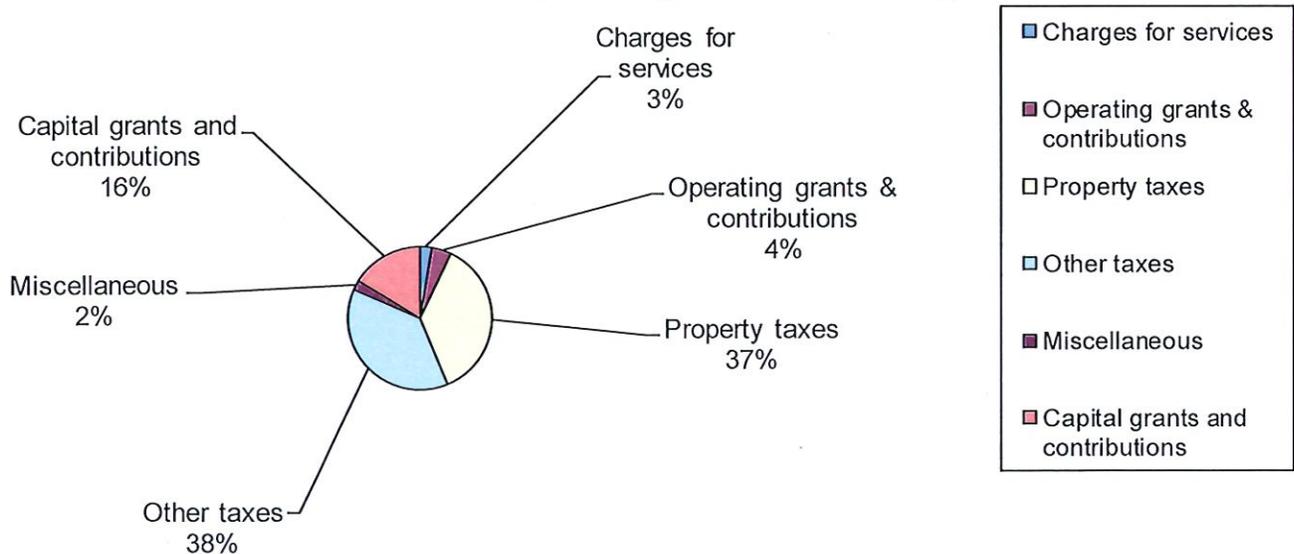
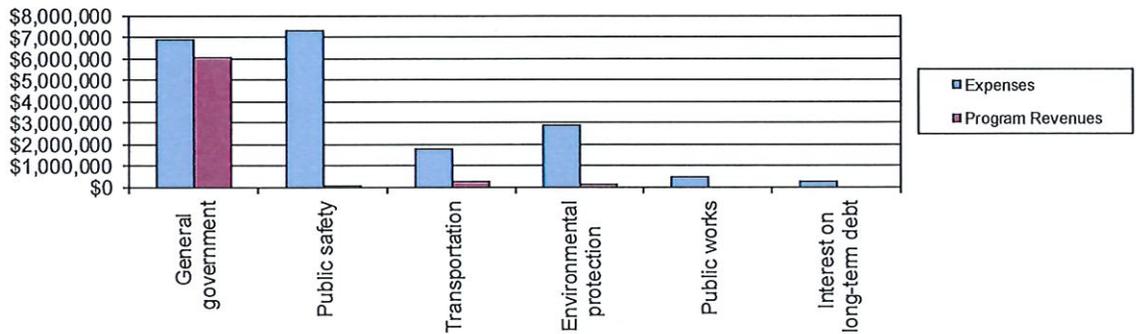
Revenues:

- Occupancy tax revenues increased \$358,142 (8.5%), sales taxes revenues increased \$470,368 (13.0%), and realty tax revenues increased \$139,293 (8.5%) over prior year revenues as a result of a strong tourism economy.
- Building permit revenues increased \$193,606 (54.3%) as a result of an increased number of new and larger houses being built.
- Capital grants and contributions increased \$3,728,463 mostly due to FEMA grant revenue accrual for the beach nourishment project.
- Operating grants and contributions increased \$1,112,899 over the prior year mostly due to receipt of American Rescue Plan funds.
- A net investment loss of \$880,528 decreased net position. This loss was the result of a fair market value adjustment of -\$978,361, which reflected the rising interest rate market conditions as of June 30, 2022. No investments were called so this loss was unrealized.

Expenses:

- Management's proactive stance and emphasis on monitoring spending to ensure budget compliance.

Expense and Program Revenues - Governmental Activities



TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

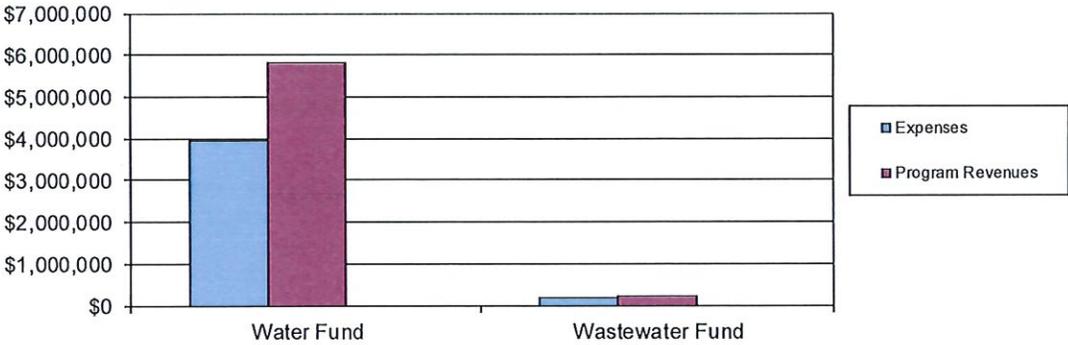
Management’s Discussion and Analysis June 30, 2022

Business-type activities. The Town of Kill Devil Hills’ net position for Business-type activities increased by \$1,593,947.

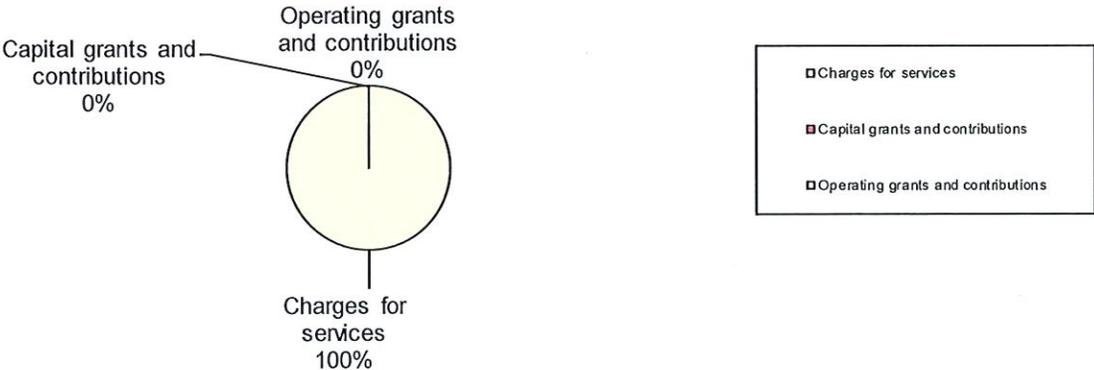
Key highlights of the effects of business type activities on the change in net position include:

- System development fees totaled \$893,200 in the Water Fund and \$13,295 in the Wastewater Fund.
- Operating revenues exceeded operating expenses in both the Water Fund and Wastewater Fund resulting in an increase in net position.
- Water rates increased 4%.
- Increased consumption related to growth in local tourism industry contributed to the increase in net position.

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, 2022

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 \$16,168,197 while total fund balance increased to \$29,116,423. 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 74.1% of total General Fund expenditures, while total fund balance represents 133.5% of that same amount.

At June 30, 2022, the governmental funds of the Town of Kill Devil Hills reported a combined fund balance of \$32,817,637 a \$9,888,245 (43.1%) increase over last year. The primary reasons are:

- The Public Works Final Phase Capital Project Fund balance of \$535,154 was closed and funds were transferred to the general fund for future debt payments related to the project.
- The 2022 Beach Nourishment Capital Project increased by \$2,168,646 as a net result from receipt of direct borrowing proceeds of \$593,224; special obligation bond proceeds of \$3,638,169; grant revenues of \$1,160,749; net investment loss of \$44,406 and expenditures of \$3,179,090.
- The American Rescue Plan Special Revenue Fund balance increased by \$1,126,376 as a result of the receipt of unspent grant funds
- An increase of \$7,128,377 in the General fund balance as result of revenue and other financing sources exceeding 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 \$8,246,309, a \$793,838 (10.66%) increase over last year. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town of Kill Devil Hills' business-type activities.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2022

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 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 \$4,932,067. The following are the main components of the increase:

- \$ 358,951 appropriate fund balance and grant funds for recreation improvements
- \$ 233,155 installment financing funds for purchase of body cameras
- \$ 229,409 Assistance to Firefighters Grant funds for purchase of radios
- \$ 38,984 appropriate funds for roof replacement at the fire station
- \$ 373,892 appropriate funds for 2021-22 street improvement projects
- \$ 922,763 appropriate FY '21 encumbrances
- \$ 8,950 appropriate drug funds for the installation of new camera systems
- \$ 2,500 NCLM wellness grant funding
- \$ 533,970 transfer from capital project fund for debt payment of public works complex
- \$ 332,978 contribution to capital reserve fund
- \$ 950 contributions to fire and police departments
- \$ 5,000 Government Access Channel Grant funds
- \$ 261,468 appropriate funds for Meekins Field project
- \$1,367,448 lease proceeds for vehicles and equipment
- \$ 46,950 appropriate funds to purchase fuel
- \$ 21,765 appropriate funds for purchase of dumpsters
- \$ 47,856 appropriate funds for lease of equipment
- \$ 26,123 PEG channel support funds
- \$ 82,400 appropriate funds to capital reserve fund for Seminole and Indian street projects
- \$ 14,280 insurance proceeds
- \$ 20,000 appropriate funds for purchase of fleet maintenance supplies
- \$ 2,275 NCLM safety grant funds

The increases were possible because of local grant funding (\$231,123), lease purchase financing (\$1,367,448), contributions (\$950), Assistance to Firefighters Grant funding (\$229,409), transfer from the Public Works Complex – Final Phase capital project fund (\$533,970), appropriations for increases in dumpster and roll-out cart sales (\$21,765), appropriations from the restricted Sidewalks, Streets and Recreation Capital Reserve fund balance (\$147,373), appropriations from the state drug fund (\$8,950), appropriations for NCDEQ grant funding (\$89,769), leases and installment purchases (\$281,011) appropriations for NCLM wellness grant funding (\$4,775), insurance proceeds funding (\$14,280), and additional fund balance appropriations (\$1,078,481).

Revenues were \$5,588,018 over budget. This is mainly due to higher collections of sales and use taxes and occupancy taxes due to increased tourism as well as a large grant from FEMA. Expenditures were \$3,920,279 under budget mainly due to the delay of expenditures in response to supply-chain issues and rising cost of goods.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2022

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, 2022, total \$49,782,940 (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 2.2% (0.01% increase for governmental activities and 5.1% increase for business-type activities).

Major capital asset transactions during the year include the following:

- Activity for construction in progress for Governmental activities includes \$930,098 for Meekins Field Park Development, \$3,517,027 for FY 2022 beach re-nourishment project, \$1,556,700 for West Third Street sidewalk and street project, \$51,509 for construction of a pavilion at Aviation Park, and \$71,085 for Seminole, Indian and 158 streets drainage project. Business activities include \$111,966 for the KDH water master plan project and \$1,237,011 for W Third St drainage projects.
- Land located at 2011 S Croatan Hwy that was previously purchased for \$2,207,792 was sold.
- Building additions in governmental funds include new HVAC units for Administration and Finance departments for \$7,000 and \$15,625, remodel of the Planning department offices for \$46,090, roof replacement at the Fire Department for \$39,656, a new concrete apron at the Fire Department for \$32,654, and a final survey on the public works complex-final phase for \$1,210. Building additions in business-type activities include \$19,542 for new siding on the 8th St Water Systems shed.
- Other improvements in governmental activities include \$51,721 for completion of Hayman Park playground equipment, \$66,800 for a new generator for Town Hall, \$12,078 for a sidewalk outside the Planning department, \$29,050 for a new deck at the Clark St beach access, and \$68,686 for completion of the Moor Shores Soundside Access. The old Hayman Park playground equipment was taken apart and disposed of. Other improvements in business-type activities include \$30,305 for completion of the W Third St drainage design, \$55,320 for the KDH/Dare County water system interconnection project, and \$3,404 for completion of the 2020/21 Fall/Spring Streets and Water project.
- Equipment for governmental activities included a new John Deere backhoe for \$109,799. A roll-off container was sold.
- Vehicles purchased for Governmental activities include five Chevrolet Tahoes for \$186,362. One garbage truck was sold.
- Office furniture and equipment for governmental activities included body cameras for the police department for \$247,510. Office furniture and equipment for business-type activities include \$19,000 for Trimble Rangers/Orions/M25 Registers/Splice kits.
- Street projects included \$103,417 for completion of the 2020/21 Fall/Spring Street projects.
- Business type activities in plant included \$32,440 for completion of the 8th St 200k GS Tank interior rehabilitation.
- In Governmental activities, \$1,311,214 from fiscal year 2021 construction in progress projects were completed and transferred. \$1,295,274 was transferred into Streets for completion of the 2020/21 Fall/Spring St construction project and \$15,940 was transferred into Other Improvements for completion of the Moor Shores Estuarine Access. In Business-type activities, \$107,094 was completed and transferred. \$9,984 was transferred to plant for rehabilitation of the 8th St 200k tank, \$82,414 was transferred to Other Improvements for completion of the 2020/21 Fall/Spring St project, and \$14,698 was transferred to Other Improvements for completion of the 3rd St water main improvements.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2022

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Land	\$ 756,729	\$ 2,964,521	\$ 224,814	\$ 224,814	\$ 981,543	\$ 3,189,335
Construction in progress	6,126,419	1,884,335	1,348,977	108,112	7,475,396	1,992,447
Plant	-	-	5,016,075	5,125,898	5,016,075	5,125,898
Water rights	-	-	713,885	804,151	713,885	804,151
Building	10,137,415	10,346,701	38,485	20,810	10,175,900	10,367,511
Other improvements	4,232,867	6,016,652	7,840,393	7,966,194	12,073,260	13,982,846
Equipment	357,600	353,189	143,599	190,993	501,199	544,182
Vehicles	2,259,652	3,003,282	34,058	53,078	2,293,710	3,056,360
Office equipment	393,994	173,744	44,134	39,995	438,128	213,739
Animals	3,191	7,446	-	-	3,191	7,446
Meters	-	-	934,272	1,007,352	934,272	1,007,352
Streets	9,176,381	8,423,778	-	-	9,176,381	8,423,778
Total	\$ 33,444,248	\$ 33,173,648	\$ 16,338,692	\$ 15,541,397	\$ 49,782,940	\$ 48,715,045

Additional information on the Town's capital assets can be found in the notes of the Basic Financial Statements on pages 56-57.

Long-term Debt. The Town of Kill Devil Hills' total debt increased by \$379,071 during the fiscal year ended June 30, 2022 primarily due to the net effect of new direct installment financing larger than principal payments and a decrease to the net pension liability.

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 \$230,024,306. 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 74-78.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2022

Economic Factors and Next Year's Budgets and Rates

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

- The average unemployment rate of 4.8% is higher than the State of North Carolina's 2022 average of 3.9%. Dare County experiences significant seasonality in the rates with a high of 7.0% in January and a low of 3.6% in September 2021.
- The Town's economic and tourism related revenues resulted in an 8.5% increase in occupancy tax collections over the prior year
- The Town's share of the State and local sales taxes resulted in a 13.0% increase over the prior year
- Building permits and related revenues increased 38.3% despite the rising cost of materials created by the demand for building materials.
- Water sales increased 6.2% due to a 4% increase in water rate and 7.0% increase in consumption.
- A beach re-nourishment construction project is scheduled to be completed in FY 2023. Repayment of the special obligation bond for the FEMA funded portion of the project is scheduled to be repaid using FEMA grant proceeds.
- The Town of Kill Devil Hills' year-round population is 7,777 while the summer season population exceeds 35,000 persons a day, requiring twenty-four hour services for residents and non-residents alike.

Governmental Activities. The General Fund property tax rate will remain \$.32 per \$100 of valuation for FY 2022-23. The Municipal Service District (MSD) property tax rate will remain \$.24 per \$100 of valuation. State and local sales tax and local taxes are distributed based on the percentage of the government's levy in relation to other municipalities in the county. A decrease in the levy percentage will decrease the Town's share of those revenues in the coming year. Occupancy tax revenues are expected to remain at the FY 2021-22 levels during the first half of FY 2022-23 and decline 12% in the second half of FY 2022-23 with updated levy percentages. Sales taxes are projected to increase 3.75% over FY 2021-22 with updated levy percentages. Land transfer taxes are projected at the 5 year actual average of \$1,000,000.

Budgeted expenditures are anticipated to be \$27,767,380, which is a 28.6% increase over the prior year original adopted budget. Part of this increase is due to the one-time repayment of the beach nourishment special obligation bonds of \$3,639,686 to be paid with FEMA grant funds. Personnel cost increases include a 7.5% COLA to maintain the cost of living and a 7.5% increase in health insurance premiums. Capital improvement items include annual street and sidewalk projects, identification and implementation of ADA compliance improvements, beach access improvements, and improvements to Meekins Field and Aviation Park. Equipment and vehicle replacements include a mower, 3 pickup trucks, 5 police vehicles, utility vehicle, fire truck, utility tractor, 2 garbage trucks, and a grapple attachment for the roll-off.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

Management's Discussion and Analysis June 30, 2022

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 newly developed 2022 Water System Master Plan. Water tap fee increases are also in accordance with the recommendation of the plan. Water Fund operating expenses are budgeted to increase 8.4% over the prior year budget. Pay as you go funding includes water main adjustments associated with street and drainage projects, a generator and auto transfer switch, plant improvements and a spectrophotometer. 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 2022 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, 2022

EXHIBIT 1
Page 1 of 2

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 20,356,718	\$ 8,063,107	\$ 28,419,825
Restricted cash and cash equivalents	10,996,690	1,340,159	12,336,849
Taxes receivables (net)	61,758	-	61,758
Accrued interest receivable (net)	5,760	2,096	7,856
Accounts receivable (net)	10,446	1,038,068	1,048,514
Due from other governments	5,332,793	-	5,332,793
Inventories	203,164	161,111	364,275
Prepaid items	1,037	-	1,037
Total current assets	<u>36,968,366</u>	<u>10,604,541</u>	<u>47,572,907</u>
Non-current assets:			
Right to use leased assets, net of amortization	39,510	2,131	41,641
Capital assets:			
Land and construction in progress	6,883,148	1,573,791	8,456,939
Water rights, net of accumulated amortization	-	713,885	713,885
Other capital assets, net of accumulated depreciation	26,561,100	14,051,016	40,612,116
Total capital assets	<u>33,444,248</u>	<u>16,338,692</u>	<u>49,782,940</u>
Total non-current assets	<u>33,483,758</u>	<u>16,340,823</u>	<u>49,824,581</u>
Total assets	<u>70,452,124</u>	<u>26,945,364</u>	<u>97,397,488</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	2,561,113	281,030	2,842,143
OPEB deferrals	1,110,452	148,279	1,258,731
Total deferred outflows of resources	<u>3,671,565</u>	<u>429,309</u>	<u>4,100,874</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other accrued liabilities	4,082,151	316,787	4,398,938
Accrued interest payable	77,872	-	77,872
Unearned revenue	6,820	-	6,820
Other liabilities	-	1,551	1,551
Customer deposits	-	726,085	726,085
Current portion of long-term liabilities:	5,852,334	74,944	5,927,278
Total current liabilities	<u>10,019,177</u>	<u>1,119,367</u>	<u>11,138,544</u>
Long-term liabilities:			
Net pension liability LGERS	1,303,421	27,209	1,330,630
Total pension liability (LEO)	1,536,899	-	1,536,899
Net OPEB liability	8,295,650	174,045	8,469,695
Due in more than one year	6,107,458	1,127,407	7,234,865
Total long-term liabilities	<u>17,243,428</u>	<u>1,328,661</u>	<u>18,572,089</u>
Total liabilities	<u>27,262,605</u>	<u>2,448,028</u>	<u>29,710,633</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, 2022

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension deferrals	\$ 2,030,629	\$ 248,659	\$ 2,279,288
OPEB deferrals	864,880	115,489	980,369
Total deferred inflows of resources	<u>2,895,509</u>	<u>364,148</u>	<u>3,259,657</u>
<u>NET POSITION</u>			
Net investment in capital assets	27,961,849	16,316,188	44,278,037
Restricted for:			
Streets - Powell Bill	80,977	-	80,977
Public safety	15,359	-	15,359
Stabilization by State Statute	7,370,707	-	7,370,707
ARP	1,126,376	-	1,126,376
Capital Reserve Fund	3,022,673	-	3,022,673
Beach Nourishment	2,574,838	-	2,574,838
Unrestricted	1,812,796	8,246,309	10,059,105
Total net position	<u>\$ 43,965,575</u>	<u>\$ 24,562,497</u>	<u>\$ 68,528,072</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 6,855,333	\$ 634,411	\$ 1,194,528	\$ 4,216,149
Public safety	7,309,069	14,835	4,384	-
Transportation	1,724,607	-	-	275,526
Environmental protection	2,878,474	92,796	-	-
Public works	431,126	-	-	-
Interest on long-term debt	260,147	-	-	-
Total governmental activities	<u>19,458,756</u>	<u>742,042</u>	<u>1,198,912</u>	<u>4,491,675</u>
Business-type activities:				
Water fund	3,959,977	5,815,612	-	-
Wastewater fund	162,082	213,110	-	-
Total business-type activities	<u>4,122,059</u>	<u>6,028,722</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 23,580,815</u>	<u>\$ 6,770,764</u>	<u>\$ 1,198,912</u>	<u>\$ 4,491,675</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

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
\$ (810,245)	\$ -	\$ (810,245)
(7,289,850)	-	(7,289,850)
(1,449,081)	-	(1,449,081)
(2,785,678)	-	(2,785,678)
(431,126)	-	(431,126)
(260,147)	-	(260,147)
<u>(13,026,127)</u>	<u>-</u>	<u>(13,026,127)</u>
-	1,855,635	1,855,635
-	51,028	51,028
<u>-</u>	<u>1,906,663</u>	<u>1,906,663</u>
<u>(13,026,127)</u>	<u>1,906,663</u>	<u>(11,119,464)</u>
9,666,758	-	9,666,758
495,216	-	495,216
4,086,094	-	4,086,094
4,587,045	-	4,587,045
1,783,869	-	1,783,869
1,087,125	-	1,087,125
(880,528)	(312,716)	(1,193,244)
(483,609)	-	(483,609)
<u>20,341,970</u>	<u>(312,716)</u>	<u>20,029,254</u>
<u>7,315,843</u>	<u>1,593,947</u>	<u>8,909,790</u>
<u>36,649,732</u>	<u>22,968,550</u>	<u>59,618,282</u>
<u>\$ 43,965,575</u>	<u>\$ 24,562,497</u>	<u>\$ 68,528,072</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2022

	Major Fund			Total Non-Major Funds	Total Governmental Funds
	General	2022 Beach Nourishment CPF	ARP SRF		
ASSETS					
Cash and cash equivalents	\$ 20,356,718	\$ -	\$ -	\$ -	\$ 20,356,718
Restricted cash and cash equivalents	4,390,746	5,479,819	1,126,125	-	10,996,690
Receivables (net)					
Taxes	61,758	-	-	-	61,758
Accounts	10,446	-	-	-	10,446
Interest on investments	5,231	278	251	-	5,760
Due from other governments	5,265,497	67,296	-	-	5,332,793
Inventories and prepaid items	204,201	-	-	-	204,201
Total assets	<u>\$ 30,294,597</u>	<u>\$ 5,547,393</u>	<u>\$ 1,126,376</u>	<u>\$ -</u>	<u>\$ 36,968,366</u>
LIABILITIES					
Accounts payable	\$ 518,176	\$ 2,972,555	\$ -	\$ -	\$ 3,490,731
Accrued liabilities	591,420	-	-	-	591,420
Unearned revenue	265	-	-	-	265
Total liabilities	<u>1,109,861</u>	<u>2,972,555</u>	<u>-</u>	<u>-</u>	<u>4,082,416</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	61,758	-	-	-	61,758
License receivable	6,555	-	-	-	6,555
Total deferred inflows of resources	<u>68,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,313</u>
FUND BALANCES					
Non-Spendable:					
Inventories and prepaids	204,201	-	-	-	204,201
Restricted:					
Stabilization by State Statute	7,370,707	-	-	-	7,370,707
Public Safety	15,359	-	-	-	15,359
Streets - Powell Bill	80,977	-	-	-	80,977
Capital reserve fund	3,022,673	-	-	-	3,022,673
ARP funds	-	-	1,126,376	-	1,126,376
Beach Nourishment	-	2,574,838	-	-	2,574,838
Assigned:					
Subsequent year's expenditures	2,254,309	-	-	-	2,254,309
Unassigned					
Total fund balances	<u>29,116,423</u>	<u>2,574,838</u>	<u>1,126,376</u>	<u>-</u>	<u>32,817,637</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 30,294,597</u>	<u>\$ 5,547,393</u>	<u>\$ 1,126,376</u>	<u>\$ -</u>	<u>\$ 36,968,366</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, 2022

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

Total fund balances-governmental funds (page 24)	\$	32,817,637
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		33,444,248
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use assets at historical cost	\$	42,533
Accumulated amortization		<u>(3,023)</u>
		39,510
Deferred outflows of resources related to pensions are not reported in the funds		2,561,113
Deferred outflows of resources related to OPEB are not reported in the funds		1,110,452
Liabilities for earned revenues considered deferred inflows of resources in fund statements		61,758
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.		(23,095,762)
Deferred inflows of resources related to pensions are not reported in the funds		(2,030,629)
Deferred inflows of resources related to OPEB are not reported in the funds		(864,880)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds		<u>(77,872)</u>
Net position of governmental activities.	\$	<u><u>43,965,575</u></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, 2022

	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General	2022 Beach Nourishment CPF	ARP SRF		
REVENUES					
Ad valorem taxes	\$ 10,174,622	\$ -	\$ -	\$ -	\$ 10,174,622
Other taxes and licenses	10,464,975	-	-	-	10,464,975
Unrestricted intergovernmental	1,087,125	-	-	-	1,087,125
Restricted intergovernmental	3,361,333	1,160,749	1,168,504	-	5,690,586
Permits and fees	634,371	-	-	-	634,371
Sales and services	99,703	-	-	-	99,703
Net investment earnings (loss)	(794,020)	(44,406)	(42,128)	26	(880,528)
Miscellaneous	202,401	-	-	-	202,401
Total revenues	<u>25,230,510</u>	<u>1,116,343</u>	<u>1,126,376</u>	<u>26</u>	<u>27,473,255</u>
EXPENDITURES					
Current:					
General government	5,722,980	3,179,090	-	1,210	8,903,280
Public safety	7,181,257	-	-	-	7,181,257
Transportation	2,713,957	-	-	-	2,713,957
Environmental protection	2,366,274	-	-	-	2,366,274
Public works	415,905	-	-	-	415,905
Debt service:					
Principal	3,135,937	-	-	-	3,135,937
Interest and other charges	272,702	-	-	-	272,702
Total expenditures	<u>21,809,012</u>	<u>3,179,090</u>	<u>-</u>	<u>1,210</u>	<u>24,989,312</u>
Excess revenues over (under) expenditures	<u>3,421,498</u>	<u>(2,062,747)</u>	<u>1,126,376</u>	<u>(1,184)</u>	<u>2,483,943</u>
OTHER FINANCING SOURCES (USES)					
Direct borrowing	1,367,448	593,224	-	-	1,960,672
Special Obligation Bond - FEMA	-	3,638,169	-	-	3,638,169
Body Camera Financing	233,155	-	-	-	233,155
Sale of capital assets	1,524,446	-	-	-	1,524,446
Lease liabilities issued	47,860	-	-	-	47,860
Transfer from capital project fund	533,970	-	-	(533,970)	-
Total other financing sources	<u>3,706,879</u>	<u>4,231,393</u>	<u>-</u>	<u>(533,970)</u>	<u>7,404,302</u>
Net change in fund balance	7,128,377	2,168,646	1,126,376	(535,154)	9,888,245
Fund balances - beginning	<u>21,988,046</u>	<u>406,192</u>	<u>-</u>	<u>535,154</u>	<u>22,929,392</u>
Fund balances - ending	<u>\$ 29,116,423</u>	<u>\$ 2,574,838</u>	<u>\$ 1,126,376</u>	<u>\$ -</u>	<u>\$ 32,817,637</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, 2022

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

Net changes in fund balances - total governmental funds (page 26)		\$	9,888,245
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			
Capital outlay expenditures which were capitalized	\$	6,570,956	
Depreciation expense for governmental assets		<u>(4,092,563)</u>	2,478,393
Right to used leased asset capital outlay expenditures which were capitalized			
		47,860	
Depreciation expense for governmental assets		(5,687)	
Transfer of leased asset to proprietary fund		<u>(2,663)</u>	39,510
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.			
			(2,207,792)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities			
LGERS		832,396	
LEOSSA		<u>48,707</u>	881,103
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Change in tax revenue		<u>(12,647)</u>	(12,647)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
New long-term debt issued		(5,879,856)	
Principal payments on long-term debt		3,135,937	
Debt transferred to proprietary fund		2,668	
Accrued interest payable		<u>12,555</u>	(2,728,696)
Some expenses reported in the statement of activities do not require expenditures in governmental funds.			
Compensated absences		(62,737)	
Pension expense - LEOSSA		(177,233)	
Pension expense - LGERS		(583,750)	
OPEB plan expense		<u>(198,553)</u>	<u>(1,022,273)</u>
Total changes in net position of governmental activities		\$	<u>7,315,843</u>

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, 2022

	General Fund			
	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 9,961,049	\$ 9,961,049	\$ 10,174,622	\$ 213,573
Other taxes and licenses	7,167,644	7,167,644	10,464,975	3,297,331
Unrestricted intergovernmental revenues	1,029,000	1,055,123	1,087,125	32,002
Restricted intergovernmental revenues	253,125	782,078	3,361,333	2,579,255
Permits and fees	408,400	408,400	634,371	225,971
Sales and services	82,540	104,305	99,703	(4,602)
Net investment earnings	100,000	100,000	(687,364)	(787,364)
Other revenues	155,319	170,549	202,401	31,852
Total revenues	<u>19,157,077</u>	<u>19,749,148</u>	<u>25,337,166</u>	<u>5,588,018</u>
EXPENDITURES				
Current:				
General government	5,918,555	7,361,008	5,722,980	1,638,028
Public safety	7,216,471	7,922,869	7,181,257	741,612
Transportation	2,177,055	3,075,977	2,713,957	362,020
Environmental protection	2,426,410	3,340,548	2,366,274	974,274
Public works	442,944	509,894	415,905	93,989
Debt service:				
Principal retirement	2,676,066	3,246,292	3,135,937	110,355
Interest and other charges	272,702	272,702	272,702	-
Total expenditures	<u>21,130,203</u>	<u>25,729,290</u>	<u>21,809,012</u>	<u>3,920,278</u>
Revenues over (under) expenditures	\$ <u>(1,973,126)</u>	\$ <u>(5,980,142)</u>	\$ <u>3,528,154</u>	\$ <u>9,508,296</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, 2022

	General Fund			
	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
<u>OTHER FINANCING SOURCES</u>				
Direct borrowing	\$ -	\$ 1,367,448	\$ 1,367,448	\$ -
Transfer from Capital Reserve Fund	-	147,373	-	(147,373)
Transfer to Capital Reserve fund	-	(332,980)	(216,136)	116,844
GASB 87 Lease Financing	-	47,856	47,860	4
Body Camera Financing	-	233,155	233,155	-
Transfer from capital project fund	-	533,970	533,970	-
Sale of capital assets	20,000	20,000	1,524,446	1,504,446
Appropriated fund balance - undesignated	1,953,126	3,031,607	-	(3,031,607)
Appropriated fund balance - encumbrances	-	922,763	-	(922,763)
Appropriated fund balance - Pdrug Forfiet	-	8,950	-	(8,950)
Total other financing sources (uses)	<u>1,973,126</u>	<u>5,980,142</u>	<u>3,490,743</u>	<u>(2,489,399)</u>
Revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	7,018,897	\$ <u>7,018,897</u>
Fund balance, beginning			19,074,853	
Fund balance, end of year			<u>\$ 26,093,750</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Net investment earnings			\$ (106,656)	
Transfer to/from General Fund			216,136	
Fund balance, beginning of year			<u>2,913,193</u>	
Total Capital Reserve Fund			<u>3,022,673</u>	
Fund balance, end of year			<u>\$ 29,116,423</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, 2022

	Business-type Activities		Total
	Water	Wastewater	Enterprise Funds June 30, 2022
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 8,063,107	\$ -	\$ 8,063,107
Restricted cash and cash equivalents	1,279,597	60,562	1,340,159
Accrued interest receivable	2,076	20	2,096
Customer accounts receivable (net)	987,081	50,987	1,038,068
Due from other governments	-	-	-
Inventories	161,111	-	161,111
Total current assets	10,492,972	111,569	10,604,541
Non-current assets:			
Due from other funds	450,543	(450,543)	-
Right to use lease asset, net of amortization	2,131	-	2,131
Capital assets:			
Land and other non-depreciable assets	1,526,446	47,345	1,573,791
Water rights (net of accumulated amortization)	713,885	-	713,885
Other capital assets (net of accumulated depreciation)	13,992,761	58,255	14,051,016
Total capital assets	16,233,092	105,600	16,338,692
Total non-current assets	16,685,766	(344,943)	16,340,823
Total assets	27,178,738	(233,374)	26,945,364
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	281,030	-	281,030
OPEB deferrals	148,279	-	148,279
Total deferred outflows of resources	429,309	-	429,309
LIABILITIES			
Current liabilities:			
Accounts payable	261,964	685	262,649
Salaries payable	54,138	-	54,138
Other liabilities	1,551	-	1,551
Customer deposits	698,293	27,792	726,085
Current portion of long-term liabilities:			
Compensated absences	70,000	-	70,000
Note payable	2,813	-	2,813
Lease liability	2,131	-	2,131
Total current liabilities	1,090,890	28,477	1,119,367
Non-current liabilities:			
Compensated absences, net of current portion	27,209	-	27,209
Net Pension Liability	174,045	-	174,045
Net OPEB Liability	1,107,716	-	1,107,716
Note payable, net of current portion	19,691	-	19,691
Total non-current liabilities	1,328,661	-	1,328,661
Total liabilities	2,419,551	28,477	2,448,028

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, 2022

	Business-type Activities		Total
	Water	Wastewater	Enterprise Funds June 30, 2022
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension deferrals	\$ 248,659	\$ -	\$ 248,659
OPEB deferrals	115,489	-	115,489
Total deferred inflows of resources	<u>364,148</u>	<u>-</u>	<u>364,148</u>
<u>NET POSITION</u>			
Net investment in capital assets	16,210,588	105,600	16,316,188
Unrestricted	8,613,760	(367,451)	8,246,309
Total net position	<u>\$ 24,824,348</u>	<u>\$ (261,851)</u>	<u>\$ 24,562,497</u>

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
For the Fiscal Year Ended June 30, 2022

	Business-type Activities		Total
	Water	Wastewater	Enterprise Funds June 30, 2022
<u>OPERATING REVENUES</u>			
Water sales	\$ 4,731,694	\$ -	\$ 4,731,694
Wastewater sales	-	195,300	195,300
Connection fees	129,825	3,000	132,825
System development fees	893,200	13,295	906,495
Late payment penalties and interest	35,435	1,515	36,950
Other operating revenues	25,458	-	25,458
Total operating revenues	<u>5,815,612</u>	<u>213,110</u>	<u>6,028,722</u>
<u>OPERATING EXPENSES</u>			
Water administration	1,286,128	-	1,286,128
Water treatment plant	1,442,283	-	1,442,283
Water systems	524,357	-	524,357
Wastewater	-	158,081	158,081
Depreciation and amortization	707,209	4,001	711,210
Total operating expenses	<u>3,959,977</u>	<u>162,082</u>	<u>4,122,059</u>
<u>OPERATING INCOME (LOSS)</u>	<u>1,855,635</u>	<u>51,028</u>	<u>1,906,663</u>
<u>NON-OPERATING REVENUES</u>			
Net investment earnings (loss)	<u>(309,728)</u>	<u>(2,988)</u>	<u>(312,716)</u>
Total non-operating revenues	<u>(309,728)</u>	<u>(2,988)</u>	<u>(312,716)</u>
<u>OPERATING INCOME (LOSS) BEFORE TRANSFERS</u>			
	1,545,907	48,040	1,593,947
Transfers from (to) other funds	<u>18,750</u>	<u>(18,750)</u>	<u>-</u>
Changes in net position	1,564,657	29,290	1,593,947
Total net position previously reported	<u>23,259,691</u>	<u>(291,141)</u>	<u>22,968,550</u>
Total net position, ending	<u>\$ 24,824,348</u>	<u>\$ (261,851)</u>	<u>\$ 24,562,497</u>

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2022

	Business-type Activities		Total
	Water	Wastewater	Enterprise Funds June 30, 2022
<u>CASH FLOWS FROM OPERATING</u>			
<u>ACTIVITIES</u>			
Cash received from customers	\$ 5,807,775	\$ 214,918	\$ 6,022,693
Cash paid for goods and services	(2,116,411)	(157,723)	(2,274,134)
Cash paid to employees	(1,326,564)	-	(1,326,564)
Customer deposits received	73,155	2,592	75,747
Customer deposits returned	(57,074)	(2,016)	(59,090)
Other operating revenues	136,625	-	136,625
Net cash provided by operating activities	2,517,506	57,771	2,575,277
<u>CASH FLOWS FROM NON-CAPITAL</u>			
<u>FINANCING ACTIVITIES</u>			
Cash received from other funds	42,105	-	42,105
Cash paid to other funds	-	(42,105)	(42,105)
Net cash provided (used) by non-capital financing activities	42,105	(42,105)	-
<u>CASH FLOWS FROM CAPITAL AND</u>			
<u>RELATED FINANCING ACTIVITIES</u>			
Acquisition and construction of capital assets	(1,507,970)	-	(1,507,970)
Principal paid on capital debt	(2,813)	-	(2,813)
Net cash (used) by capital related financing activities	(1,510,783)	-	(1,510,783)
<u>CASH FLOWS FROM INVESTING</u>			
<u>ACTIVITIES</u>			
Net investment earnings (loss)	(303,623)	(2,946)	(306,569)
Net cash used by investing activities	(303,623)	(2,946)	(306,569)
Net increase in cash and cash equivalents	745,205	12,720	757,925
Cash and cash equivalents at beginning of year	8,597,499	47,842	8,645,341
Cash and cash equivalents at end of year	\$ 9,342,704	\$ 60,562	\$ 9,403,266

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, 2022

	Business-type Activities		Total
	Water	Wastewater	Enterprise Funds June 30, 2022
<u>RECONCILIATION OF OPERATING</u>			
<u>INCOME TO NET CASH USED BY</u>			
<u>OPERATING ACTIVITIES</u>			
Operating income (loss)	\$ 1,855,635	\$ 51,028	\$ 1,906,663
Adjustments to reconcile operating income loss to net cash provided by operating activities:			
Depreciation and amortization	707,209	4,001	711,210
<i>Changes in Assets and Liabilities:</i>			
(Increase) decrease in accounts receivable	(7,806)	1,808	(5,998)
Decrease in due from other government	136,967	-	136,967
Decrease in inventories	944	-	944
Increase in deferred outflows of resources - pensions	(38,703)	-	(38,703)
Increase in deferred outflows of resources - OPEB	(2,587)	-	(2,587)
Decrease in net pension liability	(243,158)	-	(243,158)
Increase in salaries payable	14,077	-	14,077
Decrease in lease liability	(532)	-	(532)
Decrease in other liabilities	(375)	-	(375)
Increase (decrease) in accounts payable	(200,568)	358	(200,210)
Increase in customer deposits	16,081	576	16,657
Increase in accrued vacation payable	2,563	-	2,563
Increase in deferred inflows of resources - pensions	248,659	-	248,659
Increase in deferred inflows of resources - OPEB	79,670	-	79,670
Decrease in OPEB liability	(50,570)	-	(50,570)
Net cash provided by operating activities	\$ 2,517,506	\$ 57,771	\$ 2,575,277
Schedule of non-cash financing activities:			
Transfer of GASB 87 capitalized lease from General Fund	\$ 2,664	\$ -	\$ 2,664

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, 2022

	Pension (and Other Employee Benefit) Trust Fund	Custodial Fund Firemen's Relief
<u>ASSETS</u>		
Cash and cash equivalents	\$ 275,652	\$ 239,638
Accrued interest receivable	-	53
Due from other governments	-	13,344
	<u>275,652</u>	<u>253,035</u>
Total assets		
<u>LIABILITIES AND NET POSITION</u>		
Liabilities:		
Due to Firemen's Relief Fund	-	253,035
	<u>-</u>	<u>253,035</u>
Total Liabilities		
<u>NET POSITION</u>		
Postemployment benefits other than pensions	275,652	-
	<u>275,652</u>	<u>-</u>
Total Net Position	\$ 275,652	\$ -

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
For The Fiscal Year Ended June 30, 2022

	Pension (and Other Employee Benefit) Trust Fund	Custodial Fund Firemen's Relief
<u>ADDITIONS</u>		
Contributions:		
Employer	\$ 18,000	\$ -
Total contributions	<u>18,000</u>	<u>-</u>
Investment earnings:		
Interest	54	874
Net increase (decrease) in the fair value of investments	<u>(47,447)</u>	<u>(8,693)</u>
Total investment earnings	<u>(47,393)</u>	<u>(7,819)</u>
Less investment expense	-	-
Net investment earnings	<u>(47,393)</u>	<u>(7,819)</u>
Collections for participants or beneficiaries	-	13,344
 Total additions	 <u>(29,393)</u>	 <u>5,525</u>
<u>DEDUCTIONS</u>		
Administrative expenses	72	-
Benefits paid to participants or beneficiaries		16,250
Payments on behalf of beneficiaries	-	-
Intergovernmental payable - Firemen's Relief Fund	<u>-</u>	<u>(10,725)</u>
Total deductions	<u>72</u>	<u>5,525</u>
 Net change in net position	 (29,465)	 -
Net position:		
Beginning of year	305,117	-
End of year	<u>\$ 275,652</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, 2022

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, 2022

The Town reports the following major governmental funds:

General Fund. The General Fund is the primary 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 into the General Fund.

2022 Beach Nourishment Capital Project Fund. This fund is used to account for the beach nourishment project that began in FY 2022.

ARP Special Revenue Fund. This fund is used to account for American Rescue Plan Funds distributed by the Coronavirus State and Local Fiscal Recovery Funds program.

The Town reports the following non-major governmental 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 major enterprise funds:

Water Fund. This fund is used to account for the Town's water operations. The Water Capital Reserve Fund has been consolidated into the Water Fund for reporting purposes.

Wastewater Fund. This fund is used to account for the Town's wastewater operations. The Wastewater Capital Reserve Fund has been consolidated into the Water Fund for reporting purposes.

The Town reports the following fiduciary funds:

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.

Custodial Fund. Custodial funds are used to report fiduciary activities that are not required to be reported in Pension (and Other Employee Benefit) Trust Funds, Investment Funds or Private-Purpose Trust Funds. Custodial funds are used to account for assets the Town holds on behalf of others that meet certain criteria. The Town maintains one Custodial fund, the Firemen's Relief fund, that accounts for funds received by the Firemen's Relief Board to be used in accordance with G.S. 58-84 and G.S. 58-85.

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.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

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. 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.

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, 2022

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 Capital Project Fund, the 2022 Beach Nourishment in the Capital Project Fund, and the American Rescue Plan Special Revenue 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, 2022

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. Because the NCCMT Government Portfolio has a weighted average of maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months. Money market investments that have a remaining maturity at the time of purchase of one year or less 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, 2022 the Town's OPEB Trust had \$275,652 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 as follows: State Treasurer's Short Term Investment Fund (STIF) .08%, which is reported as cash and cash equivalents; and BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund (EIF) 99.92% (the equities were split with 58.82% in domestic securities and 41.18% 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, 2022 of 0.9 years.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

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 8.75 years at June 30, 2022.

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, 2022 the fair value of the funds was \$27.230307 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. Unexpended installment financing proceeds and unexpended grant funds are classified as restricted assets in the 2022 Beach Nourishment Capital Project Fund because they must be expended for the purpose of completing this project. American Rescue Plan (ARP) Funds are classified as restricted in the ARP Special Revenue Fund because they must be expended following the guidance set forth in the Coronavirus State and Local Fiscal Recovery Funds program. 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, 2022

Restricted Cash

Governmental Activities

General Fund

Unexpended lease proceeds	\$	1,271,737
Capital Reserve Fund		3,022,673
Powell Bill		80,977
Unauthorized controlled substance excise tax		11,117
Federal forfeiture funds		4,242
		<u>4,390,746</u>

Beach Nourishment Capital Project Fund - Unexpended Lease Proceeds	4,233,133
Beach Nourishment Capital Project Fund - Unexpended Grant Proceeds	1,246,686
	<u>5,479,819</u>

ARP Special Revenue Fund - Unexpended Grant Proceeds	<u>1,126,125</u>
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Total Governmental Activities	<u>10,996,690</u>
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Business-type Activities

Water Fund

Customer deposits	698,293
Extension and Replacement	581,304
	<u>1,279,597</u>

Wastewater Fund

Customer deposits	27,792
Extension and Replacement	32,770
	<u>60,562</u>

Total Business-type Activities	<u>1,340,159</u>
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Total Restricted Cash	<u>\$ 12,336,849</u>
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TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

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 6. These taxes are based on the assessed values as of January 1, 2021. The taxes were collected throughout the fiscal year, from August through June.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

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

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

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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. Right to use assets

The Town has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets 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 2022 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 assets 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- license receivable, property taxes receivable, and deferrals of pension and OPEB deferrals.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

10. Long-Term Obligations

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

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

11. 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.

12. Reimbursements for Pandemic-related Expenditures

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The Town was allocated \$2,337,008 of fiscal recovery funds to be paid in two equal installments. The first installment of \$1,168,504 was received in August 2021. The second installment will be received in August 2022. The Town elected the standard allowance and will be using the funds as revenue replacement to cover law enforcement salaries in FY 2022-23.

13. Net Position/Fund Balances

Net Position

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for Police from drug forfeiture funds.

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

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

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

Restricted for ARP Funds – portion of fund balance that is restricted by the Coronavirus State and Local Fiscal Recovery program of the American Rescue Plan to aid local governments in their response to the COVID-19 public health emergency.

Restricted for Beach Nourishment – portion of fund balance that is restricted by revenue source for completion of the 2022 Beach Nourishment project.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes as imposed by a resolution adopted by a majority vote of the Town of Kill Devil Hills' governing board. Any changes or removal of specific purposes requires a resolution adopted by a majority action by the governing body. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

14. Pension and OPEB Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local 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. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town's Post-employment Healthcare Benefit Plan (HCB) and additions to/deductions from the net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payable in accordance with benefit terms. Investments for both plans are reported at fair value.

15. 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, 2022

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 \$11,147,938 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)	\$ 62,335,298
Less accumulated depreciation	<u>(28,891,050)</u>
Net capital assets	\$33,444,248
Right to use assets used in governmental activities are not financial resources and therefore are not reported in the funds	42,533
Less accumulated amortization	<u>(3,023)</u>
Net right to use assets	39,510
Deferred outflows of resources related to pensions/OPEB are not reported in the funds	3,671,565
Liabilities for earned revenues considered deferred inflows on resources in fund statements	61,758
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Installment financings payable and leases	\$ (11,026,820)
Compensated absences	(932,972)
Net Pension Liability	(1,303,421)
Net other post-employment benefits liability	(8,295,650)
Total Pension Liability (LEO)	<u>(1,536,899)</u>
	(23,095,762)
Deferred inflows of resources related to pension/OPEB are not reported in the funds	(2,895,509)
Other long-term liabilities (accrued interest) are not due and payable in current period and, are deferred in the funds.	<u>(77,872)</u>
Net adjustment	<u>\$ 11,147,938</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

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 a 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 \$2,572,402 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.	\$ 6,570,956
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>(4,092,563)</u>
	\$ 2,478,393
Right to use leased asset capital outlay expenditures which were capitalized	47,860
Depreciation expense for governmental assets	<u>(5,687)</u>
Transfer of leased asset to proprietary fund	<u>(2,663)</u>
	39,510
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	
LGERS	832,396
LEOSSA	<u>48,707</u>
	881,103
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in tax revenue	(12,647)
Net effect of sales involving capital assets	<u>(2,207,792)</u>

The issuance of long-term debt (e.g., direct borrowing, direct placement) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

Debt issued or incurred:			
New debt issued	\$	(5,879,856)	
Accrued interest payable		<u>12,555</u>	
		(5,867,301)	
Debt transferred to proprietary fund		2,668	
Principal payments		<u>3,135,937</u>	
			(2,728,696)

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	(62,737)	
Pension expense - LEOSSA	(177,233)	
Pension expense - LGERS	(583,750)	
OPEB expense	<u>(198,553)</u>	
		(1,022,273)
Net adjustment		<u>\$ 2,572,402</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, 2022

At June 30, 2022, the Town's deposits had a carrying amount of \$6,355,795 and a bank balance of \$6,962,237. Of the bank balance, \$1,014,065 was covered by Federal Depository Insurance and \$5,948,172 was covered by collateral held under the pooling method. The Town had petty cash on hand at June 30, 2022, totaling \$2,000.

2. Investments

At June 30, 2022, 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	\$ 19,468,768	\$ -	\$ 9,496,692	\$ 7,147,293	\$ 2,824,783	\$ -
Commercial Paper	9,586,904	9,586,904				
NC Capital Management Trust						
Government Portfolio	5,582,848	5,582,848				
Investment Totals	<u>\$ 34,638,520</u>	<u>\$ 15,169,752</u>	<u>\$ 9,496,692</u>	<u>\$ 7,147,293</u>	<u>\$ 2,824,783</u>	<u>\$ -</u>
Actual % of portfolio		43.79%	27.42%	20.63%	8.16%	0.00%
Actual cumulative % of portfolio		71.21%	91.84%	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, 2022

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% in less than 3 years, at least 70% in less than 5 years, at least 90% in less than 10 years, and 100% in less than fifteen years. The Town's Internal Management Policy also requires purchases of securities to be laddered with staggered maturity dates. During the year no investments were sold for a realized gain or loss.

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 AAA by Standard and Poor's and AAA by Moody's Investors Services. The Town's investment in the NC Capital Management Trust Government Portfolio, carried a credit rating of AAA by Standard & Poor's and AAAm-mf by Moody's Investors Service as of June 30, 2022.

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 (10.39%), Federal Home Loan Bank (15.23%), and Federal Farm Credit Banks (13.84%), and Federal National Mortgage Association (10.89%).

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

3. Receivables - Allowance for doubtful Accounts

	Accounts Receivable	Taxes and Related Accrued Interest	Accrued Interest Receivable	Due from Other Governments	Total
Governmental activities:					
General	\$ 10,446	\$ 62,045	\$ 5,231	\$ 5,265,497	\$ 5,343,219
Other governmentals	-	-	529	67,296	67,825
Total receivables	10,446	62,045	5,760	5,332,793	5,411,044
Allowance for doubtful accounts	-	(287)	-	-	(287)
Total governmental activities	<u>\$ 10,446</u>	<u>\$ 61,758</u>	<u>\$ 5,760</u>	<u>\$ 5,332,793</u>	<u>\$ 5,410,757</u>
Business-type activities:					
Water	\$ 994,265	\$ -	\$ 2,076	\$ -	\$ 996,341
Wastewater	50,987	-	20	-	51,007
Total receivables	1,045,252	-	2,096	-	1,047,348
Allowance for doubtful accounts	(7,184)	-	-	-	(7,184)
Total business-type activities	<u>\$ 1,038,068</u>	<u>\$ -</u>	<u>\$ 2,096</u>	<u>\$ -</u>	<u>\$ 1,040,164</u>

Amounts due from governmental agencies consist of the following:

	Other Government	State	Total
Governmental activities:			
Sales and use tax distribution	\$ -	\$ 708,681	\$ 708,681
Officer court fees	239	-	239
Solid waste fees	-	1,339	1,339
Land transfer tax distribution	455,807	-	455,807
Sales tax refund	-	163,734	163,734
Occupancy taxes	1,194,823	-	1,194,823
Property taxes	63,324	-	63,324
CAMA permits	-	300	300
FEMA beach nourishment grant	2,605,907	-	2,605,907
Reimbursement from Dare County	67,296	-	67,296
NCDEQ Moor Shores grant	-	63,320	63,320
ABC profits	8,023	-	8,023
Total governmental activities	<u>\$ 4,395,419</u>	<u>\$ 937,374</u>	<u>\$ 5,332,793</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

4. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

Primary Government

	June 30, 2021	Increases	Decreases	June 30, 2022
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,964,521	\$ -	\$ 2,207,792	\$ 756,729
Construction in progress	1,884,335	5,553,298	1,311,214	6,126,419
Total capital assets, not being depreciated	4,848,856	5,553,298	3,519,006	6,883,148
Capital assets, being depreciated:				
Buildings	14,490,549	142,235	-	14,632,784
Other improvements	14,669,316	244,275	22,064	14,891,527
Machinery and equipment	2,535,670	109,799	5,348	2,640,121
Vehicles	8,938,427	186,362	206,444	8,918,345
Office furniture and equipment	630,829	247,510	-	878,339
Animals	21,274	-	-	21,274
Streets	12,071,069	1,398,691	-	13,469,760
Total capital assets, being depreciated	53,357,134	2,328,872	233,856	55,452,150
Less accumulated depreciation for:				
Buildings	4,143,848	351,521	-	4,495,369
Other improvements	8,652,664	2,028,060	22,064	10,658,660
Machinery and equipment	2,182,481	105,388	5,348	2,282,521
Vehicles	5,935,145	929,992	206,444	6,658,693
Office furniture and equipment	457,085	27,260	-	484,345
Animals	13,828	4,255	-	18,083
Streets	3,647,291	646,088	-	4,293,379
Total accumulated depreciation	25,032,342	4,092,564	233,856	28,891,050
Total capital assets, being depreciated, net	28,324,792	(1,763,692)	-	26,561,100
Governmental activities capital assets, net	\$ 33,173,648	\$ 3,789,606	\$ 3,519,006	\$ 33,444,248

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

	June 30, 2021	Increases	Decreases	June 30, 2022
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 224,814	\$ -	\$ -	\$ 224,814
Construction in progress	108,112	1,347,959	107,094	1,348,977
Total capital assets, not being depreciated	332,926	1,347,959	107,094	1,573,791
Capital assets, being depreciated/amortized:				
Water rights	3,610,620	-	-	3,610,620
Buildings	412,781	19,542	-	432,323
Plant	6,892,628	42,424	-	6,935,052
Other improvements	17,202,448	186,141	-	17,388,589
Machinery and equipment	915,107	-	-	915,107
Vehicles	318,675	-	-	318,675
Office furniture and equipment	135,510	19,000	-	154,510
Meters	1,830,590	-	-	1,830,590
Total capital assets, being depreciated/amortized	31,318,359	267,107	-	31,585,466
Less accumulated depreciation/amortization for:				
Water rights	2,806,469	90,266	-	2,896,735
Buildings	391,971	1,867	-	393,838
Plant	1,766,729	152,248	-	1,918,977
Other improvements	9,236,254	311,941	-	9,548,195
Machinery and equipment	724,113	47,395	-	771,508
Vehicles	265,598	19,019	-	284,617
Office furniture and equipment	95,515	14,861	-	110,376
Meters	823,238	73,080	-	896,318
Total accumulated depreciation/amortization	16,109,887	710,677	-	16,820,564
Total capital assets, being depreciated/amortized	15,208,472	(443,570)	-	14,764,902
Business-type activities capital assets, net	\$ 15,541,397	\$ 904,389	\$ 107,094	\$ 16,338,692

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

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

Governmental activities:

General government	\$ 2,421,320
Public safety	371,316
Transportation	766,963
Public works	14,677
Environmental protection	518,288
Total depreciation expense - governmental activities	<u>\$ 4,092,564</u>

Business-type activities:

Water	\$ 616,410
Wastewater	4,001
Total depreciation expense - business-type activities	<u>620,411</u>

Business-type activities:

Water	90,266
Total amortization expense - business-type activities	<u>90,266</u>

Total depreciation and amortization expenses - business-type activities	<u>\$ 710,677</u>
-------------------------------------------------------------------------	-------------------

Breakdown of capital outlay increases for Governmental activities:

Capital outlay expenditures	\$ 6,570,956
CIP completed projects	<u>1,311,214</u>
Total increases in capital assets being depreciated and not being depreciated	7,882,170
Depreciation	<u>4,092,564</u>
Total increases in Governmental activity capital assets, net	<u>\$ 3,789,606</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

5. Construction commitments

The Town has active construction projects as of June 30, 2022. At year-end, the Town's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Meekins Field Improvements	\$ 930,098	\$ 297,893
Aviation Park Pavilion	51,509	6,484
Seminole, Indian and 158 drainage improvements	71,085	11,315
W Third St engineering, water main and sidewalk improvements	2,793,711	50,374
KDH Water Master Plan	111,966	12,434
2022 Beach Nourishment Project	3,517,027	3,410,796
	<u>\$ 7,475,396</u>	<u>\$ 3,778,296</u>

6. Right to Use Leased Assets

The Town has recorded three right to use leased assets. The assets are right to use assets for leased equipment. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the year ended June 30, 2022 was as follows:

	June 30, 2021	Increases	Decreases	June 30, 2022
Governmental Activities:				
Right to use assets				
Leased equipment	\$ -	\$ 47,860	\$ 5,327	\$ 42,533
Total right to use assets	<u>-</u>	<u>47,860</u>	<u>5,327</u>	<u>42,533</u>
Less accumulated amortization for:				
Leased equipment	-	5,687	2,664	3,023
Total accumulated amortization	<u>-</u>	<u>5,687</u>	<u>2,664</u>	<u>3,023</u>
Right to use assets, net	<u>\$ -</u>	<u>\$ 42,173</u>	<u>\$ 2,663</u>	<u>\$ 39,510</u>
	June 30, 2021	Increases	Decreases	June 30, 2022
Business-type Activities:				
Right to use assets				
Leased equipment	\$ -	\$ 2,664	\$ -	\$ 2,664
Total right to use assets	<u>-</u>	<u>2,664</u>	<u>-</u>	<u>2,664</u>
Less accumulated amortization for:				
Leased equipment	-	533	-	533
Total accumulated amortization	<u>-</u>	<u>533</u>	<u>-</u>	<u>533</u>
Right to use assets, net	<u>\$ -</u>	<u>\$ 2,131</u>	<u>\$ -</u>	<u>\$ 2,131</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

B. Liabilities

1. Accrued liabilities

Accrued liabilities reported by governmental funds at June 30, 2022, were as follows:

	General Fund
Salary and employee benefits	\$ 390,371
Other	201,049
Total accrued liabilities	<u>\$ 591,420</u>

2. 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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. 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, 2022, was 12.10% of compensation for law enforcement officers and 11.35% 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 \$943,546 for the year ended June 30, 2022.

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.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

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

At June 30, 2022, the Town reported a liability of \$1,477,466 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2021, the Town's proportion was 0.09634%, which is a decrease of 0.00277% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$661,698. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 470,035	\$ -
Changes of assumptions	928,226	-
Net difference between projected and actual earnings on pension plan investments	-	2,110,856
Changes in proportion and differences between Town contributions and proportionate share of contributions	43,843	-
Town contributions subsequent to the measurement date	943,546	-
Total	<u>\$ 2,385,650</u>	<u>\$ 2,110,856</u>

\$943,546 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 159,714
2024	(26,019)
2025	(156,512)
2026	(645,935)
2027	-
Thereafter	-
	<u>\$ (668,752)</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

Actuarial Assumptions. The total pension liability in the December 31, 2020 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, 2020 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, 2021 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 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.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

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

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

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 5,735,402	\$ 1,477,466	\$ (2,026,567)

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

b. Law Enforcement Officers Special Separation Allowance.

1. Plan Description:

The Town of 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, 2020 (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	<u>28</u>
Total	<u>31</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

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, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.25 percent

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

Mortality rates use Pub-2010 amount weighted tables and are projected from 2010 using generational improvement with Scale MP-2019.

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The Town paid \$46,791 as benefits came due for the reporting period.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

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

At June 30, 2022, the Town reported a total pension liability of \$ 1,536,899. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$177,233.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 126,922	\$ 116,367
Changes of assumptions	305,600	52,065
Town benefit payments subsequent to the measurement date	23,971	-
Total	\$ 456,493	\$ 168,432

\$23,971 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 67,273
2024	69,951
2025	74,407
2026	42,248
2027	10,116
Thereafter	95

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 2.25 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 (1.25 percent) or one percentage point higher (3.25 percent) than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Town's pension liability	\$1,678,203	\$1,536,899	\$1,408,616

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2022

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

Total pension liability December 31, 2020	\$ 1,470,254
Changes for the year:	
Service cost at end of year	84,172
Interest	27,907
Change in benefit terms	-
Differences between expected and actuarial experience	46,956
Changes of assumptions and other inputs	(43,759)
Benefit payments	(48,631)
Other changes	-
Net changes	<u>66,645</u>
Total Pension liability December 31, 2021	<u>\$ 1,536,899</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	\$ 661,698	\$ 177,233	\$ 838,931
Pension Liability	1,477,466	1,536,899	3,014,365
Proportionate share of the net pension liability	0.09634%	n/a	-
Deferred of Outflows of Resources			
Differences between expected and actual experience	470,035	126,922	596,957
Changes of assumptions	928,226	305,600	1,233,826
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	43,843	-	43,843
Benefit payments and administrative costs paid subsequent to the measurement date	943,546	23,971	967,517
Deferred of Inflows of Resources			
Differences between expected and actual experience	2,110,856	116,367	2,227,223
Changes of assumptions	-	52,065	52,065

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

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, 2022, were \$21,110 that consisted of \$21,110 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 to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center Raleigh, NC 27699-1410, or by calling (919)981-5454.

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, 2022 were \$150,366 which consisted of \$97,314 from the Town and \$53,052 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, 2022, were \$558,002 that consisted of \$299,626 from the Town and \$258,376 from employees.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

g. Other Post Employment Benefits - 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). The Town administers the HCB Plan through a master irrevocable trust agreement dated July 10, 2019. A Board resolution of the same date appointed the Town Manager, the Finance Director, and the Human Resources Director as trustees and granted the trustees the authority necessary to perform all the duties and obligations related to the trust. Management of the HCB is vested in the trust trustees. The Town does not issue separate HCB Plan financial statements, and all required statements and disclosures have been included within this report with the HCB Plan and irrevocable trust accounted for as a Pension Trust Fund. The significant accounting policies of the HCB are disclosed in Note 1.B.

Benefits Provided: The HCB 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.

Membership of the HCB Plan consisted of the following at June 30, 2021 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	113
Total Membership	<u>160</u>

Contributions: The Town contributes based on projected pay as you go financing requirements with an additional amount to prefund the benefits as determined annually during the budget process. There are no contractual terms requiring a specific funding level. For the current year, the Town contributed \$ 478,676 of pay as you go funding and additional \$18,000 for a total of \$496,676.

Investments: The Town Board established and may amend the HCB Plan's policy for allocation of invested assets. Investments are valued at fair value. (Note 2)

The following was the Town's asset allocation policy and estimates of the rates of return for each major asset class as of June 30, 2021 and June 30, 2022:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	2022	2021	2022	2021
Equity Index Fund	100%	100%	7.10%	6.75%

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

Total OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation of June 30, 2021.

The components of the net OPEB liability of the Town at June 30, 2021 were as follows;

Total OPEB liability	\$9,679,018
Plan Fiduciary net position	275,652
Town's net OPEB liability	9,403,366
Plan fiduciary net position as a Percentage of the total OPEB Liability	2.85%

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 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	3.25 percent, average, including inflation
Discount rate	3.54 percent
Healthcare cost trend rates	Medical – 7% Prescription – 7% Admin Expenses – 3.00%

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

The discount rate used to measure the total OPEB liability was based upon the Single Equivalent Interest Rate.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

Change in Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance as of June 30, 2021	\$ 10,137,767	\$ 305,117	\$ 9,832,650
Changes for the year:			
Service Cost	476,750	-	476,750
Interest	213,834	-	213,834
Difference between expected and actual experience	319,331	-	319,331
Changes in assumptions or other inputs	(989,984)	-	(989,984)
Contributions - employer	-	496,680	(496,680)
Net investment income	-	(47,465)	47,465
Net Benefit payments	(478,680)	(478,680)	-
Net changes	<u>(458,749)</u>	<u>(29,465)</u>	<u>(429,284)</u>
Balance as of June 30, 2022	<u>\$ 9,679,018</u>	<u>\$ 275,652</u>	<u>\$ 9,403,366</u>

Changes of Assumptions. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 - December 31, 2019, 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, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the Town's net OPEB liability calculated using the discount rate of 3.54 percent, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54 percent) or one percentage point higher (4.54 percent) than the current rate:

	1% Decrease	Discount Rate (3.54%)	1% Increase
Net OPEB liability	\$ 10,503,226	\$ 9,403,366	\$ 8,459,474

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Town, as well as what the Town's net 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
Net OPEB liability	\$ 8,295,651	\$ 9,403,366	\$ 10,746,127

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$721,746. At June 30, 2022, 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	\$ 589,996	\$ -
Changes of assumptions	651,283	980,367
Net difference between projected and actual earnings on plan investments	17,451	-
Total	<u>\$ 1,258,730</u>	<u>\$ 980,367</u>

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

2023	\$ 54,544
2024	108,254
2025	132,459
2026	115,253
2027	(108,426)
Thereafter	(23,721)

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, 2022, the Town made contributions to the State for death benefits of \$7,092. 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.

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.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

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	\$ 943,547
Benefit payments made for LEOSA subsequent to measurement date	23,971
Benefit payments made for OPEB subsequent to measurement date	-
Differences between expected and actual experience	1,186,953
Changes of assumptions	1,885,109
Net difference between projected and actual earnings on plan investments	17,451
Changes in proportion and difference between contributions and proportionate share of contributions	43,843
Total	\$ 4,100,874

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 61,758
Privilege licenses receivable (General Fund)	-	6,555
Differences between expected and actual experience	116,368	-
Changes in assumptions	1,032,433	-
Net difference between projected and actual earning on plan investments	2,110,856	-
Changes in proportion and difference between contributions and proportionate share of contributions	-	-
Total	\$ 3,259,657	\$ 68,313

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, 2022 for \$2,096,088. 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), are primarily for improvements to Meekins Field, zoning ordinance updates, roof replacements at the recycle center and Town Hall, new radios for the Fire Department, a dump truck, and 5 garbage trucks.

Commitments relating to capital project funds included contracts for construction services for the 2022 Beach Nourishment project of \$3,410,797.

The outstanding contracts that relate to the Water Fund total \$90,340 and are primarily for the KDH water master plan project, W Third St water main improvement, meters and materials for meter installation.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

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 \$10,000. Blanket coverage for all other employees is equivalent to \$50,000 per occurrence.

7. Claims, Judgments and Contingent Liabilities

At June 30, 2022, 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. Leases

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

On October 5, 2021, the Town entered into a 60-month lease as Lessee for the use of a Pitney Bowes postage meter in the Administration department. An initial lease liability was recorded in the amount of \$17,356. As of June 30, 2022, the value of the lease liability is \$14,804. The Town is required to make quarterly fixed payments of \$895. The lease has an implicit interest rate of 1.2480%. The equipment estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of June 30, 2022 of \$17,356 with accumulated amortization of \$2,603 is discussed in more detail in the right to use asset section of this note.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

On June 1, 2022, the Town entered into a 60 month lease as Lessee for the use of an HP plotter in the Planning department. An initial lease liability was recorded in the amount of \$25,177. As of June 30, 2022, the value of the lease liability is \$24,745. Town of Kill Devil Hills is required to make monthly fixed payments of \$450. The lease has an implicit interest rate of 2.8520%. The Equipment estimated useful life was 60 months as of the contract commencement. The value of the right to use asset as of June 30, 2022 of \$25,177 with accumulated amortization of \$420 is discussed in more detail in the right to use asset section of this note.

On July 1, 2021, Town of Kill Devil Hills, NC entered into a 20-month lease as Lessee for the use of an HP plotter in the Planning department. An initial lease liability was recorded in the amount of \$5,327. This equipment was used in the Planning department for 10 months and accumulated amortization of \$2,664 was recorded. On May 1, 2022, the asset was transferred to the Water Administration department. At the time of the transfer the asset had a value of \$2,664. As of June 30, 2022, the value of the lease liability is \$2,131. The Town is required to make monthly fixed payments of \$267. The lease has an implicit interest rate of 0.5930%. The Equipment estimated useful life was 20 months as of the contract commencement. The value of the right to use asset as of June 30, 2022 of \$2,664 with accumulated amortization of \$532 is discussed in more detail in the right to use asset section of this note.

On July 1, 2021, the Town entered into an 18-month lease as Lessee for the use of Systel copiers. No lease asset or lease liability are recorded as there is no fixed amount of the payment. Instead outflows of resources are recognized monthly based on the number of pages printed. Non-color pages are charged at a rate of .0495 cents for the first 30,000 pages and .030 for any pages over 30,000. Color pages are charged at .078 cents per page for the first 13,500 and .069 for any pages over 13,500. A total of \$23,695 was recognized as an outflow of resources for lease of the copiers for governmental activities and \$2,131 was recognized as an outflow of resources for lease of the copiers for business-type activities.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Governmental activities:

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	\$ 8,169	\$ 813	\$ 8,982
2024	8,349	632	8,981
2025	8,534	448	8,982
2026	8,724	258	8,982
2027	5,773	72	5,845
	<u>\$ 39,549</u>	<u>\$ 2,223</u>	<u>\$ 41,772</u>

Business-type activities:

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	\$ 2,131	\$ 5	\$ 2,136
	<u>\$ 2,131</u>	<u>\$ 5</u>	<u>\$ 2,136</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

b. 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 \$38,796 each.

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. The financing contract requires eight semi-annual payments of \$161,074 each.

In May 2021, the Town entered into a \$505,613 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 .92% per annum fixed. The money was placed in an interest-bearing account until related assets were acquired. Unexpended proceeds at June 30, 2022, equaled \$14,065. The financing contract requires eight semi-annual payments of \$64,221 each.

In April 2022, the Town entered into a \$1,367,448 direct borrowing installment purchase contract to finance various vehicles and equipment including police vehicles, a backhoe, dump truck, and 3 garbage trucks. A UCC security agreement in the acquired equipment serves as collateral to secure the required payment. The interest rate is 2.41% per annum fixed. The money was placed in an interest-bearing account until related assets were acquired. Unexpended proceeds at June 30, 2022, equaled \$1,257,673. The financing contract requires eight semi-annual payments of \$178,182 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.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

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 4.07%. The agreement provided financing for Phase III improvements of the Town’s Public Works Complex. This property is pledged as collateral for the debt while the debt is outstanding.

In July 2021, the Town entered into a contract for a financed purchase for \$233,155 over 5 years at an implicit rate of 1.25%. The agreement provides for installment financing of body cameras for the police department, requiring an initial payment of \$5,815 and five annual payments of \$45,468.

In December 2021, the Town issued direct placement special obligation bonds in the amount of \$593,224 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 June 2022, and annual principal payments beginning in December 2022 with fixed interest rate of 1.92% for 5 years. The debt is secured by that portion of the 1% Land Transfer Tax authorized by House Bill 882 distributed from Dare County to the Town.

In December 2021, the Town issued variable rate special obligation bonds in the amount of \$3,638,169 under a one year financing agreement with PNC Bank to fund a portion of beach nourishment costs. The financing contract requires quarterly interest payments beginning in January 2022 and one principal payment in December 2022 using proceeds received from the US Department of Homeland Security’s Federal Emergency Management Agency (FEMA) grant. If proceeds from the FEMA grant are not received by this date the bond maturity date will be extended. The debt is secured by amounts received by the Town from the State of North Carolina as approved pursuant to a FEMA federal grant associated with Hurricane Dorian and amounts on deposit in the Kill Devil Hills FEMA Beach Nourishment 2021B loan fund and Kill Devil Hills FEMA Beach Nourishment 2021B sinking fund.

Annual debt service payments on these installment purchases of June 30, 2022 including principal and interest are as follows (Governmental Activities):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$5,287,326	\$240,098
2024	1,304,220	168,603
2025	1,032,850	137,178
2026	808,362	109,105
2027	578,819	87,473
2028-2032	1,975,693	189,493
	\$10,987,270	\$931,949

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.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

Annual debt service requirements for Purchase Contracts as of June 30, 2022, are as follows (Business-type Activities):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 2,813	\$ -
2024	2,813	-
2025	2,813	-
2026	2,813	-
2027	2,813	-
2028-2030	8,439	-
	<u>\$22,504</u>	<u>\$ -</u>

c. 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 \$230,024,306. The Town had no outstanding bonded debt subject to the limitation at June 30, 2022.

d. Changes in General Long-Term Debt

The following is a summary of changes in general long-term debt for the year ended June 30, 2022:

	<u>June 30, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>	<u>Current Portion of Balance</u>
Government activities:					
Direct Borrowing Installment Purchase	\$ 7,278,230	\$ 1,600,603	\$ 2,122,956	\$ 6,755,877	\$ 1,487,351
Direct Placement Installment Purchase	1,007,339	4,231,393	1,007,339	4,231,393	3,756,814
Compensated absences-net	870,236	772,597	709,860	932,973	600,000
Lease Liability	-	47,860	8,311	39,549	8,169
Net Pension Liability (LGERS)	3,124,420	-	1,820,999	1,303,421	-
Total Pension Liability (LEO)	1,470,254	66,645	-	1,536,899	-
Net OPEB Liability	8,674,364	-	378,714	8,295,650	-
Total	\$ 22,424,843	\$ 6,719,098	\$ 6,048,179	\$ 23,095,762	\$ 5,852,334
Business-type activities:					
Direct Borrowing Installment Purchase	\$ 25,318	\$ -	\$ 2,813	\$ 22,504	\$ 2,813
Compensated absences-net	94,646	105,272	102,709	97,209	70,000
Lease Liability	-	2,664	533	2,131	2,131
Net Pension Liability (LGERS)	417,203	-	243,158	174,045	-
Net OPEB Liability	1,158,286	-	50,570	1,107,716	-
Total	\$ 1,695,453	\$ 107,936	\$ 399,783	\$ 1,403,605	\$ 74,944

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

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 liability and net OPEB liability are liquidated by the General Fund.

9. Interfund Receivables, Payables, and Transfers

Interfund		
Receivable/Payable:		
Receivable Fund	Payable Fund	Amount
Water Fund	Wastewater Fund	\$ 450,543

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, 2022, consist of the following:

From general fund to capital reserve fund (for capital projects) \$216,136
 From wastewater fund to water fund (to repay wastewater debt) \$18,750
 From capital project fund to general fund (to close capital project fund) \$533,970

10. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2022, the Town has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$14,325 for the 17 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	\$ 33,444,248	\$ 16,338,692
(less): long-term debt	(5,482,399)	(22,504)
net of unexpended debt proceeds		
Net investment in capital asset	<u>\$ 27,961,849</u>	<u>\$ 16,316,188</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2022

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	\$ 29,116,423
Less:	
Inventories	203,164
Prepaid items	1,037
Stabilization by State statute	7,370,707
Public Safety	15,359
Streets-Powell Bill	80,977
Capital Reserve Fund	3,022,673
Appropriated Fund Balance in 2022 budget	2,254,309
Working Capital/Fund Balance Policy	9,718,583
Remaining Fund Balance	<u>\$ 6,449,614</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 Funds	Enterprise Funds
	\$ 2,096,088	\$ 3,410,797	\$ 90,340

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

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, 2022 fiscal year was \$2.152 and \$1.970 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, 2022, accumulated amortization was \$2,896,735.

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.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2022

NOTE 7. 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.

Coronavirus Disease (COVID-19). During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the Town, COVID-19 is expected to impact various parts of its fiscal year 2022-23 operations and financial results. Management believes the Town is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

NOTE 8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 17, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

Schedule of Contributions to Local Government Employees' Retirement System

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

Schedule of Total Pension Liability as a Percentage of Covered-Employee 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 NINE FISCAL YEARS***

Local Government Employees' Retirement System

	<u>2022</u>	<u>2021</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) (\$)	\$ 1,477,446	\$ 3,541,623
Kill Devil Hills' covered payroll*	\$ 7,732,141	\$ 7,281,756
Kill Devil Hills' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	19.11%	48.64%
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.

<u>2020</u>	<u>2019</u>	<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%	0.10%	0.10%
\$ 2,687,500	\$ 2,372,816	\$ 1,518,557	\$ 2,152,048	\$ 439,863	\$ (584,202)	\$ 1,209,000
\$ 6,874,637	\$ 6,563,627	\$ 6,510,677	\$ 6,109,672	\$ 5,954,373	\$ 5,833,247	\$ 5,351,780
39.09%	36.15%	23.32%	35.22%	7.39%	(10.02%)	22.59%
91.47%	98.09%	99.07%	102.64%	94.35%	96.45%	94.35%

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

Local Government Employees' Retirement System

	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 943,546	\$ 794,975
Contributions in relation to the contractually required contribution	943,546	794,975
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Kill Devil Hills' covered payroll	\$ 8,184,571	\$ 7,732,141
Contributions as a percentage of covered payroll	11.53%	10.28%

* 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.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 662,229	\$ 542,940	\$ 502,297	\$ 481,666	\$ 418,284	\$ 426,043	\$ 415,347
662,229	542,940	502,297	481,666	418,284	426,043	415,347
<u>\$ -</u>						
\$ 7,281,756	\$ 6,874,637	\$ 6,563,627	\$ 6,510,677	\$ 6,109,672	\$ 5,954,373	\$ 5,833,247
9.09%	7.90%	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
LAST SIX FISCAL YEARS**

	<u>2022</u>	<u>2021</u>
Beginning Balance	\$ 1,470,254	\$ 1,175,808
Service Cost	84,172	45,553
Interest on the total pension liability	27,907	37,539
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	46,956	(144,889)
Changes of assumptions or other inputs	(43,759)	404,874
Benefit payments	(48,631)	(48,631)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 1,536,899</u>	<u>\$ 1,470,254</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.

EXHIBIT A-3

2020	2019	2018	2017
\$ 930,836	\$ 940,269	\$ 902,881	\$ 895,538
44,814	49,739	42,525	45,544
32,997	29,130	34,306	31,168
-	-	-	-
178,122	(10,444)	(72,513)	-
37,670	(40,984)	61,322	(24,417)
(48,631)	(36,874)	(28,252)	(44,952)
-	-	-	-
<u>\$ 1,175,808</u>	<u>\$ 930,836</u>	<u>\$ 940,269</u>	<u>\$ 902,881</u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability	\$ 1,536,899	\$ 1,470,254	\$ 1,175,808	\$ 930,836
Covered- employee payroll	1,891,783	1,682,842	1,637,083	1,613,845
Total pension liability as a percentage of covered-employee payroll	81.24%	87.37%	71.82%	57.68%

Notes to the schedules:

The Town of Kill Devil Hills has no assets accumulated in a trust that meets 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.

EXHIBIT A-4

<u>2018</u>	<u>2017</u>
\$ 940,269	\$ 902,881
1,591,980	1,690,181
59.06%	53.42%

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FIVE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Beginning Balance	\$ 10,137,767	\$ 9,879,097	\$ 8,000,456	\$ 7,384,841	\$ 7,549,376
Service Cost	476,750	502,860	373,213	343,907	374,355
Interest	213,834	213,413	272,503	255,861	221,571
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	319,331	9,636	509,814	66,206	69,333
Changes of assumptions	(989,984)	(20,008)	1,156,153	(261,625)	(450,541)
Benefit payments	(478,680)	(447,231)	(433,042)	(398,981)	(379,253)
Net Change in total OPEB liability	(458,749)	258,670	1,878,641	5,368	(164,535)
Ending balance of the total pension liability	<u>\$ 9,679,018</u>	<u>\$ 10,137,767</u>	<u>\$ 9,879,097</u>	<u>\$ 7,390,209</u>	<u>\$ 7,384,841</u>
Plan Fiduciary Net Position					
Contributions -employer	\$ 496,680	\$ 447,231	\$ 658,042	\$ 398,981	\$ 379,253
Net investment income	(47,465)	86,383	(6,266)	-	-
Benefit payments	(478,680)	(447,231)	(433,042)	(398,981)	(379,253)
Net change in plan fiduciary net position	(29,465)	86,383	218,734	-	-
Plan fiduciary net position - beginning	305,117	218,734	-	-	-
Plan fiduciary net position- ending	<u>\$ 275,652</u>	<u>\$ 305,117</u>	<u>\$ 218,734</u>	<u>\$ -</u>	<u>\$ -</u>
Town's net OPEB Liability - ending	<u>\$ 9,403,366</u>	<u>\$ 9,832,650</u>	<u>\$ 9,660,363</u>	<u>\$ 7,390,209</u>	<u>\$ 7,384,841</u>
Plan Fiduciary Net Position as a percentage of the total OPEB Liability	2.93%	3.10%	2.26%	0.00%	0.00%
Covered payroll	\$ 7,066,930	\$ 7,342,664	\$ 7,342,664	\$ 5,824,231	\$ 5,824,231
Net OPEB liability as a percentage of covered payroll	133.06%	133.91%	131.56%	126.89%	126.80%

Notes to Schedule

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

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 **2022 Beach Nourishment Capital Project Fund** is used to account for beach nourishment scheduled to take place in 2022.

The **American Rescue Plan Special Revenue Fund** is used to account for funds received under the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program.

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, 2022

With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
<u>REVENUES</u>				
Ad Valorem Taxes:				
Current year	\$	\$ 9,623,298	\$	\$ 9,491,968
Municipal service district		494,875		493,586
Prior years		37,416		55,682
Less payments to other governments		(5,303)		(3,512)
Penalties and interest		24,336		25,010
	<u>9,961,049</u>	<u>10,174,622</u>	<u>213,573</u>	<u>10,062,734</u>
Other Taxes and Licenses:				
Privilege licenses:				
Current		7,915		7,418
Penalties		52		22
Local option sales tax		3,861,359		3,407,111
Local option sales tax MSD		224,735		208,615
Occupancy tax		4,587,045		4,228,903
Land transfer tax		1,778,083		1,638,790
Solid waste disposal tax		5,786		5,522
	<u>7,167,644</u>	<u>10,464,975</u>	<u>3,297,331</u>	<u>9,496,381</u>
Unrestricted Intergovernmental Revenues:				
Utilities sales tax		759,582		729,590
Piped natural gas sales tax		5,492		3,889
Sales tax - telecom services		35,070		44,090
Sales tax - video programming		146,133		142,828
PEG channel support		25,975		26,717
Wine and beer tax		30,457		30,815
ABC revenue		30,779		23,341
Mixed beverage tax		53,637		32,227
	<u>1,055,123</u>	<u>1,087,125</u>	<u>32,002</u>	<u>1,033,497</u>
Restricted Intergovernmental Revenues:				
Federal and State:				
FEMA		2,897,079		-
Powell Bill allocation		275,526		228,370
Drug enforcement reimbursement		4,384		826
Grant - Shoreline Management		95,000		119,000
Grant - USDOJ Body Armor		-		1,712
Grant - Gov't Access Channels		5,000		5,000
Grant - NCDEQ - Soundside		63,320		-
Grant - NCLM - Safety		2,274		-
Grant - DCTB - Fireworks		16,250		12,831
Grant - DCTB - Sidewalk Grant		-		55,618
Grant - Crime Commission		-		30,463
Grant - NCLM Wellness		2,500		2,500
Dare County - COVID-19		-		61,298
	<u>782,078</u>	<u>3,361,333</u>	<u>2,579,255</u>	<u>517,618</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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
Permits and Fees:				
Building permits	\$	\$ 549,917	\$	\$ 356,311
Occupancy permit fees		4,250		4,000
Site plan review fees		67,082		88,383
Other planning fees		8,062		7,229
payments		4,860		2,530
Homeowner recovery fees		80		82
Taxi ordinance fees		120		75
	<u>408,400</u>	<u>634,371</u>	<u>225,971</u>	<u>458,610</u>
Sales and Services:				
Animal Control fees:				
Boarding and adoption		2,660		3,873
Dog licenses		630		607
Rabies vaccination		98		154
Court costs and fees		2,947		2,916
Finger print fees		390		70
Buy gold application fee		142		142
Rollout container sales		33,983		35,986
Dumpster sales		58,813		46,900
Cookbook sales		40		20
	<u>104,305</u>	<u>99,703</u>	<u>(4,602)</u>	<u>90,668</u>
Investment Earnings:				
Investment earnings		67,815		66,547
Change in fair value of investments		(755,179)		(134,058)
Net investment earnings (loss)	<u>100,000</u>	<u>(687,364)</u>	<u>(787,364)</u>	<u>(67,511)</u>
Other revenues:				
Miscellaneous		50,754		41,760
Discounts on purchases		2,230		2,307
Rental of government owned property		134,057		132,691
Contributions		1,332		8,720
Insurance Proceeds		14,028		38,503
	<u>170,549</u>	<u>202,401</u>	<u>31,852</u>	<u>223,981</u>
TOTAL REVENUES	<u>19,749,148</u>	<u>25,337,166</u>	<u>5,588,018</u>	<u>21,815,978</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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
<u>EXPENDITURES</u>				
General Government:				
Administration:				
<i>Administrative costs:</i>				
Board of commissioner fees	\$	\$ 48,691	\$	\$ 47,000
Video taping		4,017		2,661
Legal services		44,976		37,960
Travel and training-board		175		4,074
Election costs		9,420		-
		<u>107,279</u>		<u>91,695</u>
<i>Salaries and benefits:</i>				
Salaries		548,920		601,880
FICA expense		42,763		46,150
Funding for health plan		106,498		114,612
Retirement		62,636		61,763
401K retirement		27,362		29,571
		<u>788,179</u>		<u>853,976</u>
<i>Operating expenditures:</i>				
Professional services		23,510		9,347
Engineering services		21,638		6,235
Telephone		19,348		19,140
Travel and training		4,345		9,506
Insurance claims		-		3,453
Outside maintenance		328		296
Fleet maintenance		612		446
Communications		1,006		986
Maintenance contracts		-		5,441
Printing		475		5,712
Equipment rental		1,013		4,053
Equipment lease		2,686		-
Copier lease		5,287		4,193
Partnerships		30,000		30,000
Tuition reimbursement		1,856		886
Advertising		15,861		12,147
Vehicle fuel		349		106
Supplies and materials		19,974		12,643
Contracted services		41,629		36,646
Dues and subscriptions		13,751		12,117
Worker's compensation		2,753		2,865
Miscellaneous		-		4
Miscellaneous-special events		56,772		52,604
Miscellaneous-wellness program		1,330		3,336
Miscellaneous-Board of Commissioners		28		186
		<u>264,551</u>		<u>232,348</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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
Administration (continued):				
<i>Capital outlay:</i>				
Lease asset	\$	\$ 17,356	\$	\$ -
		<u>17,356</u>		<u>(116,554)</u>
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund		<u>(126,649)</u>		<u>(116,554)</u>
		<u>(126,649)</u>		<u>(116,554)</u>
Total	<u>1,297,855</u>	<u>1,050,716</u>	<u>247,139</u>	<u>1,061,465</u>
Finance and Tax:				
<i>Salaries and benefits:</i>				
Salaries		518,810		525,919
FICA expense		38,761		39,169
Funding for health plan		90,714		90,189
Retirement		59,381		53,925
401K retirement		25,940		26,296
		<u>733,606</u>		<u>735,498</u>
<i>Operating expenditures:</i>				
Audit		28,390		28,150
Tax collection fee		154,396		155,261
Postage		3,159		3,523
Travel and training		5,651		5,436
Communications		154		138
Printing		-		989
Copier lease		5,277		6,041
Supplies and materials		4,079		5,533
Contracted services		16,305		16,364
Departmental supplies		3,623		4,039
Departmental charges		(3,623)		(4,039)
Dues and subscriptions		1,537		757
General insurance		169,038		154,913
Retiree health insurance		420,264		391,126
OPEB Irrevocable trust		18,000		-
Worker's compensation		833		865
Unemployment insurance		1,566		2,016
		<u>828,649</u>		<u>771,112</u>
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund		<u>(101,589)</u>		<u>(94,498)</u>
		<u>(101,589)</u>		<u>(94,498)</u>
Total	<u>1,580,012</u>	<u>1,460,666</u>	<u>119,346</u>	<u>1,412,112</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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
Management Information Services				
<i>Salaries and benefits:</i>				
Salaries	\$	\$ 107,704	\$	\$ 103,670
FICA expense		7,927		7,632
Funding for health plan		23,744		22,690
Retirement		12,327		10,631
401K retirement		5,385		5,184
		<u>157,087</u>		<u>149,807</u>
<i>Operating expenditures:</i>				
Outside maintenance and repairs		4,452		6,992
Maintenance contracts		144,753		132,068
Supplies and materials		47,493		37,853
Contracted services		20,412		14,956
Worker's compensation		177		169
Dues and subscriptions		7,069		11,996
Installment note payments		-		13,564
		<u>224,356</u>		<u>217,598</u>
<i>Capital outlay:</i>				
Office furniture and equipment		5,405		-
		<u>5,405</u>		<u>-</u>
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund		(47,395)		(47,234)
		<u>(47,395)</u>		<u>(47,234)</u>
Total	398,690	339,453	59,237	320,171
Planning and Development:				
<i>Salaries and benefits:</i>				
Salaries		571,766		530,510
FICA expense		42,383		39,499
Funding for health plan		116,964		104,978
Retirement		65,447		53,846
401K retirement		27,171		24,931
		<u>823,731</u>		<u>753,764</u>
<i>Operating expenditures:</i>				
Planning and zoning board fees		10,180		10,210
Travel and training		8,429		4,164
Outside maintenance and repairs		59		98
Fleet maintenance		678		875
Communications		1,828		1,962

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, 2022

With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
Planning and Development (continued):				
<i>Operating expenditures (continued):</i>				
Printing	\$	\$ 100	\$	\$ -
Equipment rental		-		3,279
Equipment lease		3,179		-
Copier lease		3,751		3,836
Historic Landmark		250		-
CRS Flood		412		-
Vehicle fuel		3,153		1,932
Supplies and materials		7,924		3,450
Land Use plan		-		1,022
Recordation Fees		40		8
Dues and subscriptions		2,903		2,642
Worker's compensation		9,076		7,479
Miscellaneous		235		-
Installment note payments		19,346		13,547
		<u>71,543</u>		<u>54,504</u>
<i>Capital outlay:</i>				
Vehicle		-		43,937
Lease asset		30,505		-
		<u>30,505</u>		<u>43,937</u>
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund		(75,551)		(71,657)
		<u>(75,551)</u>		<u>(71,657)</u>
 Total	 981,607	 850,228	 131,379	 780,548
 Buildings and Grounds:				
<i>Salaries and benefits:</i>				
Salaries		343,045		271,954
FICA expense		24,976		19,309
Funding for health plan		110,362		98,109
Retirement		39,257		27,900
401K Retirement		15,276		12,469
		<u>532,916</u>		<u>429,741</u>
<i>Operating expenditures:</i>				
Professional Services		2,100		-
Travel and training		168		-
Utilities		61,220		65,252
Repairs and maintenance:				
Buildings and grounds		39,920		41,385
HVAC		10,897		47,876
Sandfence		-		24,000
Shoreline accesses		63,700		42,240
Recreational facilities		31,368		14,592

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, 2022

With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
Buildings and Grounds (continued):				
<i>Operating expenditures (continued):</i>				
Landscaping	\$	\$ 8,463	\$	\$ 6,801
Sign maintenance		-		675
Special Event displays		8,292		3,564
Outside maintenance and repairs		2,375		4,177
Insurance claims		-		2,945
Fleet maintenance		2,272		4,100
Equipment maintenance		1,689		999
Communications		1,863		1,369
Copier Lease		129		162
Vehicle fuel		7,218		3,914
Supplies and materials		49,387		39,918
Uniforms		2,127		1,349
Contracted services		43,543		41,012
Worker's compensation		9,846		7,480
Installment note payments		1,147,073		694,817
		<u>1,493,650</u>		<u>1,048,627</u>
<i>Capital outlay:</i>				
Buildings		141,025		6,085
Other improvements		130,599		34,021
Meekins Field		778,597		149,801
Beach access		29,050		-
Soundside Access		68,686		15,940
Aviation Park		51,510		-
Vehicles		-		37,676
		<u>1,199,467</u>		<u>243,523</u>
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund		(61,060)		(284,829)
		<u>(61,060)</u>		<u>(284,829)</u>
Total	<u>4,168,452</u>	<u>3,164,973</u>	<u>1,003,479</u>	<u>1,437,062</u>
Beach Nourishment:				
<i>Operating expenditures:</i>				
Legal Services		1,295		150
Tax collection fee		7,450		4,891
Audit		2,885		2,885
Advertising		2,025		-
Beach Nourishment		15,523		66,219
Installment note payment		1,051,855		1,032,119
		<u>1,081,033</u>		<u>1,106,264</u>
Total	<u>1,223,636</u>	<u>1,081,033</u>	<u>142,603</u>	<u>1,106,264</u>
Total General Government	<u>9,650,252</u>	<u>7,947,069</u>	<u>1,703,183</u>	<u>6,117,622</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, 2022

With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
Public Safety:				
Police:				
<i>Salaries and benefits:</i>				
Salaries	\$	\$ 2,176,252	\$	\$ 2,044,679
FICA expense		163,789		153,979
Funding for health plan		492,199		487,396
Retirement		261,564		221,226
5% 401K retirement		103,222		97,292
3% 401K retirement		3,354		2,966
Seperation Allowance		46,791		48,818
		<u>3,247,171</u>		<u>3,056,356</u>
<i>Operating expenditures:</i>				
Professional services		175		178
Travel and training		14,665		5,473
Firing range		2,600		2,600
Insurance claims		4,181		20,949
Outside maintenance and repairs		3,702		7,537
Fleet maintenance		14,794		10,663
Communications		27,057		28,004
Copier lease		6,173		5,246
Vehicle fuel		73,231		47,040
<i>Supplies and materials:</i>				
General		32,702		62,830
Criminal		1,790		1,769
Radar		11,794		-
AEDs		-		5,294
Car Radios		11,149		10,756
Handheld Radios		19,246		11,424
Uniforms		18,373		18,020
Crime prevention		2,221		1,575
Controlled substances		2,000		2,000
Contracted Services		-		110
Dues and subscriptions		3,918		1,688
Worker's compensation		41,295		38,567
Miscellaneous		135		12
Installment note payments		218,304		216,736
Financed purchase payment		51,283		-
		<u>560,788</u>		<u>498,471</u>
<i>Capital outlay:</i>				
Body cameras		242,105		-
Vehicles		186,362		248,297
		<u>428,467</u>		<u>248,297</u>
Total	<u>4,503,381</u>	<u>4,236,426</u>	<u>266,955</u>	<u>3,803,124</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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
<i>Animal Control:</i>				
<i>Salaries and benefits:</i>				
Salaries	\$	\$ 103,502	\$	\$ 106,195
FICA expense		7,551		8,095
Funding for health plan		30,788		19,973
Retirement		11,848		10,876
401K retirement		5,130		5,310
		<u>158,819</u>		<u>150,449</u>
<i>Operating expenditures:</i>				
Professional services		458		-
Travel and training		20		0
Outside maintenance and repairs		45		26
Fleet maintenance		1,490		1,251
Communications		480		470
Vehicle fuel		2,800		1,927
Supplies and materials		2,455		2,168
Uniforms		842		695
Dues and subscriptions		76		-
Worker's compensation		1,816		1,377
Installment note payments		4,521		13,343
		<u>15,003</u>		<u>21,257</u>
Total	181,228	173,822	7,406	171,706
<i>Fire:</i>				
<i>Salaries and benefits:</i>				
Salaries		1,495,777		1,394,522
FICA expense		108,338		101,675
Funding for health plan		400,844		367,115
Retirement		169,686		141,453
401K retirement		72,282		67,377
		<u>2,246,927</u>		<u>2,072,142</u>
<i>Operating expenditures:</i>				
Professional services		10,835		10,975
Travel and training		15,953		6,625
Insurance claims		3,158		1,000
Outside maintenance and repairs		11,146		20,356
Fleet maintenance		19,465		23,538
Communications		6,642		6,944
Printing		28		115
Copier lease		2,162		2,696

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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
Fire (continued):				
<i>Operating expenditures (continued):</i>				
Vehicle fuel	\$	\$ 18,668	\$	\$ 11,073
Supplies and materials		25,057		35,444
SCBA equipment		4,875		4,350
Uniforms		7,954		31,358
Contracted Services		-		1,200
Dues and subscriptions		4,350		4,150
Worker's compensation		46,759		37,076
Firemen's pension		3,970		3,960
Installment note payments		198,703		221,458
		<u>379,725</u>		<u>422,318</u>
Total	<u>3,015,976</u>	<u>2,626,652</u>	<u>389,324</u>	<u>2,494,460</u>
Ocean Rescue:				
<i>Salaries and benefits:</i>				
Salaries		485,761		511,690
FICA expense		37,174		39,156
Funding for health plan		14,831		15,807
Retirement		13,236		10,976
401K retirement		4,126		3,805
		<u>555,128</u>		<u>581,434</u>
<i>Operating expenditures:</i>				
Professional services		1,680		2,255
Travel and training		190		150
Insurance claims		-		1,000
Outside maintenance and repairs		3,931		4,457
Fleet maintenance		1,206		1,166
Communications		419		456
Printing		1,012		983
Equipment rental		8,800		8,300
Copier lease		181		197
Vehicle fuel		5,006		3,140
Supplies and materials		11,138		22,794
Uniforms		14,091		7,459
Dues and subscriptions		560		60
Worker's compensation		13,827		13,412

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, 2022

With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
Ocean Rescue (continued):				
Installment note payments	\$	\$ 13,668	\$	\$ 13,668
		<u>75,709</u>		<u>79,497</u>
<i>Capital outlay:</i>				
Vehicle		-		53,769
		<u>-</u>		<u>53,769</u>
 Total	 <u>741,596</u>	 <u>630,837</u>	 <u>110,759</u>	 <u>714,700</u>
 Total Public Safety	 <u>8,442,181</u>	 <u>7,667,737</u>	 <u>774,444</u>	 <u>7,183,990</u>
 Transportation				
Streets:				
<i>Salaries and benefits:</i>				
Salaries		415,444		358,462
FICA expense		30,568		26,043
Funding for health plan		106,151		103,563
Retirement		47,552		36,777
401K retirement		20,772		17,923
		<u>620,487</u>		<u>542,768</u>
<i>Operating expenditures:</i>				
Utilities		101,732		104,549
Travel and training		542		418
Street maintenance		103,451		118,551
Sidewalks		23,700		30,700
Multi-use path		-		84,840
Outside maintenance and repairs		1,240		5,036
Fleet maintenance		16,281		8,986
Communications		2,050		2,141
Equipment rental		196		1,789
Copier lease		298		334
Vehicle fuel		19,455		11,270
Supplies and materials		16,915		13,281
Uniforms		4,174		3,850
Contracted services		12,250		9,800
Dues and subscriptions		63		325
Worker's compensation		15,537		11,160
Installment note payments		102,581		114,484
		<u>420,465</u>		<u>521,514</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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
Streets (continued):				
<i>Capital outlay</i>				
Machinery and equipment	\$	\$ 109,799	\$	\$ 65,225
Street construction		1,149,980		1,166,709
Sidewalks		280,781		160,084
		<u>1,540,560</u>		<u>1,392,018</u>
Total	<u>2,944,635</u>	<u>2,581,512</u>	<u>363,123</u>	<u>2,456,300</u>
Powell Bill:				
<i>Operating expenditures:</i>				
Professional services		677		175
Supplies and materials		17,592		17,601
		<u>18,269</u>		<u>17,776</u>
<i>Capital outlay:</i>				
Street construction		216,757		218,000
		<u>216,757</u>		<u>218,000</u>
Total	<u>240,000</u>	<u>235,026</u>	<u>4,974</u>	<u>235,776</u>
Total Transportation	<u>3,184,634</u>	<u>2,816,538</u>	<u>368,097</u>	<u>2,692,076</u>
Public Works:				
Fleet Maintenance:				
<i>Salaries and benefits:</i>				
Salaries		302,154		278,913
FICA expense		22,567		20,798
Funding for health plan		65,929		63,402
Retirement		34,587		28,610
401K retirement		15,108		13,946
		<u>440,345</u>		<u>405,669</u>
<i>Operating expenditures:</i>				
Outside maintenance and repairs		4,387		4,291
Fleet maintenance		406		441
Communications		480		480
Maintenance contracts		1,175		1,175
Printing		718		1,141
Copier lease		139		238
Vehicle fuel		1,447		1,332
Supplies and materials		13,149		15,128
Uniforms		2,679		2,417

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, 2022

With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
Fleet Maintenance (continued):				
<i>Operating expenditures (continued):</i>				
Fleet maintenance supplies	\$	\$ 137,130	\$	\$ 132,426
Fuel		252,506		152,626
Dues and subscriptions		920		1,000
Worker's compensation		5,601		6,949
Installment note payments		11,264		14,772
Departmental charges		(390,345)		(284,609)
		<u>41,656</u>		<u>49,807</u>
<i>Capital outlay:</i>				
Machinery and equipment		-		6,199
Vehicle		-		44,505
		<u>-</u>		<u>50,704</u>
Reimbursement - Proprietary fund		(54,832)		(53,158)
		<u>(54,832)</u>		<u>(53,158)</u>
Total Public Works	<u>521,158</u>	<u>427,169</u>	<u>93,989</u>	<u>453,022</u>
Environmental Protection:				
Solid Waste:				
<i>Salaries and benefits:</i>				
Salaries		658,193		617,930
FICA expense		47,944		44,783
Funding for health plan		199,585		191,066
Retirement		75,334		62,686
401K retirement		32,200		30,448
		<u>1,013,256</u>		<u>946,913</u>
<i>Operating expenditures:</i>				
Travel and training		-		12
Outside maintenance and repairs		5,233		45,974
Fleet maintenance		83,685		77,304
Communications		4,107		3,843
Printing		656		1,052
Copier lease		298		334
Vehicle fuel		108,330		63,645
Supplies and materials		41,307		26,716
Uniforms		7,999		7,268
Contracted services		32,975		34,675
Contracted services - tipping fees		939,077		923,706
Purchases for resale:				
Dumpsters		69,744		47,493
Rollout carts		28,411		36,595
Household hazardous waste		4,074		3,063
Dues and subscriptions		142		235

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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
Solid Waste (continued):				
<i>Operating expenditures (continued):</i>				
Worker's compensation	\$	\$ 26,980	\$	\$ 21,956
Installment note payments		584,225		594,642
		<u>1,937,243</u>		<u>1,888,513</u>
<i>Capital outlay:</i>				
Machinery and equipment		-		7,195
Vehicles		-		1,004,091
		<u>-</u>		<u>1,011,286</u>
Total Environmental Protection	<u>3,931,065</u>	<u>2,950,499</u>	<u>980,566</u>	<u>3,846,712</u>
TOTAL EXPENDITURES	<u>25,729,290</u>	<u>21,809,012</u>	<u>3,920,279</u>	<u>20,293,422</u>
REVENUES (UNDER) OVER EXPENDITURES	<u>(5,980,142)</u>	<u>3,528,154</u>	<u>9,508,297</u>	<u>1,522,556</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Direct borrowing	1,367,448	1,367,448	-	505,613
Sale of capital assets	20,000	1,524,446	1,504,446	191,218
GASB 87 lease financing	47,856	47,860	4	
Body camera financing	233,155	233,155	-	
Transfer from capital reserve fund	147,373	-	(147,373)	421,383
Transfer to capital reserve fund	(332,980)	(216,136)	116,844	-
Transfer from capital project fund	533,970	533,970	-	(368,217)
Appropriated fund balance	3,031,607	-	(3,031,607)	-
Appropriated fund balance - encumbrances	922,763	-	(922,763)	-
Appropriated fund balance - drug forfeiture	8,950	-	(8,950)	-
	<u>5,980,142</u>	<u>3,490,743</u>	<u>(2,489,399)</u>	<u>749,997</u>
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>7,018,897</u>	<u>\$ 7,018,897</u>	<u>2,272,553</u>
<u>FUND BALANCE</u>				
Fund balance, beginning		19,074,853		16,802,300
Fund balance, end of year		<u>\$ 26,093,750</u>		<u>\$ 19,074,853</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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
<u>REVENUES</u>				
Investment earnings:				
Investment earnings	\$ -	\$ 16,671	\$ 16,671	\$ 26,342
Change in fair value of investments	-	(123,327)	(123,327)	(24,804)
Net investment earnings (loss)	-	(106,656)	(106,656)	1,538
<u>TOTAL REVENUES</u>	-	(106,656)	(106,656)	1,538
<u>REVENUES OVER (UNDER)</u>				
<u>EXPENDITURES</u>	-	(106,656)	(106,656)	1,538
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer to general fund	-	-	-	(421,383)
Transfer from general fund	185,605	216,136	30,531	-
Transfer from capital project fund	-	-	-	372,071
Future Reserves	(185,605)	-	185,605	-
	-	216,136	216,136	(49,312)
<u>REVENUES AND OTHER SOURCES</u>				
<u>OVER (UNDER) OTHER USES</u>	\$ -	109,480	\$ 109,480	(47,774)
<u>FUND BALANCE</u>				
Beginning of Year - July 1		2,913,193		2,960,967
End of Year - June 30		\$ <u>3,022,673</u>		\$ <u>2,913,193</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
2022 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, 2022

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<u>REVENUES</u>					
Restricted Intergovernmental Revenues:					
Grant - NCDEQ	\$ 1,456,879	\$ 368,686	\$ 1,088,190	\$ 1,456,876	\$ (3)
Contribution from Dare County	1,840,294	-	72,559	72,559	(1,767,735)
Investment earnings:					
Interest earnings	-	1,801	5,482	7,283	7,283
Change in fair value of investments	-	(3,191)	(49,888)	(53,079)	(53,079)
	<u>3,297,173</u>	<u>367,296</u>	<u>1,116,343</u>	<u>1,483,639</u>	<u>(1,813,534)</u>
<u>TOTAL REVENUES</u>	<u>3,297,173</u>	<u>367,296</u>	<u>1,116,343</u>	<u>1,483,639</u>	<u>(1,813,534)</u>
<u>EXPENDITURES:</u>					
Capital outlay:					
Beach nourishment	11,204,975	329,321	3,179,090	3,508,411	7,696,564
	<u>11,204,975</u>	<u>329,321</u>	<u>3,179,090</u>	<u>3,508,411</u>	<u>7,696,564</u>
<u>TOTAL EXPENDITURES</u>	<u>11,204,975</u>	<u>329,321</u>	<u>3,179,090</u>	<u>3,508,411</u>	<u>7,696,564</u>
<u>REVENUES OVER (UNDER)</u>					
<u>EXPENDITURES</u>	(7,907,802)	37,975	(2,062,747)	(2,024,772)	5,883,030
<u>OTHER FINANCING SOURCES</u>					
Special Obligation Bond - FEMA	4,148,371	-	3,638,169	3,638,169	(510,202)
Direct borrowing	3,391,214	-	593,224	593,224	(2,797,990)
Contribution from Capital Reserve Fund	368,217	368,217	-	368,217	-
<u>TOTAL OTHER FINANCING</u>					
<u>SOURCES</u>	<u>7,907,802</u>	<u>368,217</u>	<u>4,231,393</u>	<u>4,599,610</u>	<u>(3,308,192)</u>
<u>NET CHANGE</u>					
<u>IN FUND BALANCE</u>	<u>\$ -</u>	<u>\$ 406,192</u>	<u>2,168,646</u>	<u>\$ 2,574,838</u>	<u>\$ 2,574,838</u>
<u>FUND BALANCE</u>					
Beginning of Year - July 1			406,192		
End of Year - June 30			<u>\$ 2,574,838</u>		

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
 AMERICAN RESCUE PLAN SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 From Inception and For the Fiscal Year Ended June 30, 2022**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<u>REVENUES</u>					
Restricted Intergovernmental Revenues:					
Grant - ARP	\$ 2,337,008	\$ -	\$ 1,168,504	\$ 1,168,504	\$ (1,168,504)
Investment earnings:					
Interest earnings	-	-	4,648	4,648	4,648
Change in fair value of investments	-	-	(46,776)	(46,776)	(46,776)
	<u>2,337,008</u>	<u>-</u>	<u>1,126,376</u>	<u>1,126,376</u>	<u>(1,210,632)</u>
<u>TOTAL REVENUES</u>	<u>2,337,008</u>	<u>-</u>	<u>1,126,376</u>	<u>1,126,376</u>	<u>(1,210,632)</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>					
	2,337,008	-	1,126,376	1,126,376	(1,210,632)
<u>OTHER FINANCING USE</u>					
Transfer to general fund	(2,337,008)	-	-	-	2,337,008
<u>TOTAL OTHER FINANCING SOURCES</u>	<u>(2,337,008)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,337,008</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,126,376</u>	<u>\$ 1,126,376</u>	<u>\$ 1,126,376</u>
<u>FUND BALANCE</u>					
Beginning of Year - July 1				-	
End of Year - June 30			<u>\$ 1,126,376</u>		

NON-MAJOR GOVERNMENTAL FUNDS

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
NON-MAJOR GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2022

	<u>Public Works Final</u> <u>Phase CPF</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ -
Restricted cash and cash equivalents	-
Accrued Interest Receivable	-
Total assets	<u>\$ -</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	\$ -
Total liabilities	<u>-</u>
Fund balances:	
Assigned	-
Beach Nourishment	-
Total fund balances	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2022

	PW Final Phase Capital Project Fund	Total Non-Major Governmental Fund
<u>REVENUES</u>		
Investment earnings:		
Interest earnings	\$ 26	\$ 26
Net investment earnings (loss)	26	26
<u>TOTAL REVENUES</u>	<u>26</u>	<u>26</u>
<u>EXPENDITURES</u>		
Operating expenditures:		
General government	-	-
Capital outlay:		
General government	1,210	1,210
<u>TOTAL EXPENDITURES</u>	<u>1,210</u>	<u>1,210</u>
<u>REVENUES OVER (UNDER)</u> <u>EXPENDITURES</u>	<u>(1,184)</u>	<u>(1,184)</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfer to General Fund	(533,970)	(533,970)
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>(533,970)</u>	<u>(533,970)</u>
Net change in fund balance	(535,154)	(535,154)
Fund balances-beginning	535,154	535,154
Fund balances-ending	\$ -	\$ -

**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
 From Inception and For the Fiscal Year Ended June 30, 2022**

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Positive (Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<u>REVENUES</u>					
Investment earnings:					
Interest earnings	\$ -	\$ 613	\$ 26	\$ 639	\$ 639
<u>TOTAL REVENUES</u>	<u>-</u>	<u>613</u>	<u>26</u>	<u>639</u>	<u>639</u>
<u>EXPENDITURES:</u>					
Capital outlay:					
General Government	4,564,956	4,030,415	1,210	4,031,625	533,331
<u>TOTAL EXPENDITURES</u>	<u>4,564,956</u>	<u>4,030,415</u>	<u>1,210</u>	<u>4,031,625</u>	<u>533,331</u>
<u>REVENUES (UNDER) EXPENDITURES</u>	<u>(4,564,956)</u>	<u>(4,029,802)</u>	<u>(1,184)</u>	<u>(4,030,986)</u>	<u>533,970</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Direct borrowing	4,564,956	4,564,956	-	4,564,956	-
Transfer to general fund	-	-	(533,970)	(533,970)	(533,970)
<u>TOTAL OTHER FINANCING SOURCES</u>	<u>4,564,956</u>	<u>4,564,956</u>	<u>(533,970)</u>	<u>4,030,986</u>	<u>(533,970)</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>\$ -</u>	<u>\$ 535,154</u>	<u>(535,154)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>FUND BALANCE</u>					
Beginning of Year - July 1			535,154		
End of Year - June 30			<u>\$ -</u>		

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 fees restricted in use to system extension and replacement.

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

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

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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance	2021
	Budget	Actual	Positive (Negative)	Actual
REVENUES				
Operating revenues:				
Water sales	\$	\$ 4,731,694	\$	\$ 4,455,878
Water connection fees		129,825		65,417
Late payment penalties		35,435		13,170
Miscellaneous		25,458		36,650
Restricted intergovernmental		-		326,188
Total operating revenues	4,341,494	4,922,412	580,918	4,897,303
Non-operating revenues:				
Investment earnings		30,583		38,987
Change in fair value on investments		(322,995)		(68,467)
Total non-operating revenues	40,000	(292,412)	(332,412)	(29,480)
TOTAL REVENUES	4,381,494	4,630,000	248,506	4,867,823
EXPENDITURES				
Water Administration:				
<i>Administrative costs:</i>				
Legal services		9,235		7,725
		9,235		7,725
<i>Salaries and benefits:</i>				
Salaries		412,275		395,987
FICA expense		30,519		29,156
Funding for health plan		86,074		94,137
Retirement		47,191		40,582
401K retirement		20,564		18,790
		596,623		578,652
<i>Operating expenditures:</i>				
Engineering services		220		680
Audit		8,470		8,470
Postage		13,201		13,008
Telephone		6,425		6,332
Utilities		2,673		2,729
Travel and training		1,057		-
Maintenance and repairs:				
Buildings and grounds		3,117		6,331
Outside		151		241
Fleet maintenance		2,297		724
Communications		1,721		1,018
Maintenance contracts		-		1,814
Printing		1,837		3,786
Equipment lease		535		-
Copier lease		1,758		1,565

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, 2022

With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
Water Administration (continued):				
<i>Operating expenditures (continued):</i>				
Advertising	\$	\$ 814	\$	\$ 563
Vehicle fuel		6,150		3,747
Supplies and materials		4,557		4,797
Uniforms		1,970		1,272
Contracted services		7,388		21,717
Contracted services:				
Water billing		5,219		5,172
Dues and subscriptions		3,542		3,554
General insurance		66,399		60,638
Retiree health insurance		58,412		56,105
Worker's compensation		4,702		4,104
Miscellaneous - special events		726		698
Reimbursement to General Fund		467,076		667,931
		<u>670,417</u>		<u>876,996</u>
Total	<u>1,364,132</u>	<u>1,276,275</u>	<u>87,857</u>	<u>1,463,373</u>
Water Treatment Plant:				
<i>Salaries and benefits:</i>				
Salaries		235,659		215,972
FICA expense		17,690		16,318
Funding for health plan		52,304		35,478
Retirement		26,970		22,144
401K retirement		11,783		10,798
		<u>344,406</u>		<u>300,710</u>
<i>Operating expenditures:</i>				
Professional services		341		737
Utilities		40,791		41,605
Travel and training		1,452		173
Plant repairs and maintenance		29,700		20,389
Outside repairs and maintenance		2,023		7,133
Fleet maintenance		217		926
Communications		653		642
Maintenance contracts		34,494		33,385
Equipment Rental		45		-
Copier lease		76		61
Vehicle fuel		2,704		1,799
Supplies and materials		2,444		4,509
Chemicals		8,009		8,201

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, 2022

With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
Water Treatment Plant:				
<i>Operating expenditures (continued):</i>				
Uniforms	\$	\$ 2,490	\$	\$ 3,037
Contracted services		3,163		3,133
Treated water costs		969,237		1,027,798
Dues and subscriptions		2,245		2,325
Worker's compensation		4,913		4,536
		<u>1,104,997</u>		<u>1,160,389</u>
Total	<u>1,786,575</u>	<u>1,449,403</u>	<u>337,172</u>	<u>1,461,099</u>
Water System:				
<i>Salaries and benefits:</i>				
Salaries		259,659		244,135
FICA expense		18,684		17,424
Funding for health plan		81,164		88,181
Retirement		29,721		25,029
401K retirement		10,383		9,728
		<u>399,611</u>		<u>384,497</u>
<i>Operating expenditures:</i>				
Travel and training		341		220
Maintenance and repairs:				
Buildings		2,115		2,443
Systems		91,127		55,447
Hydrants		2,816		4,799
Outside		12,456		9,463
Fleet maintenance		1,112		4,508
Communications		1,709		1,743
Copier lease		297		278
Vehicle fuel		7,804		5,348
Supplies and materials		2,806		3,778
Uniforms		2,418		2,545
Contracted services		1,296		1,385
Dues and subscriptions		150		150
Worker's compensation		5,692		5,081
		<u>132,139</u>		<u>97,188</u>
Total	<u>639,134</u>	<u>531,750</u>	<u>107,384</u>	<u>481,685</u>
<i>Debt Service:</i>				
Principal retirement	2,813	2,813	-	2,813
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, 2022

With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
<i>Capital outlay:</i>				
Plant	\$ 32,390	\$ 32,440	\$ (50)	\$ 1,180,287
Building	-	19,542	(19,542)	-
Other improvements - capital	1,795,666	1,436,987	358,679	446,389
Office furniture & equipment	20,000	19,000	1,000	17,488
Vehicle	-	-	-	23,196
Total	<u>1,848,056</u>	<u>1,507,969</u>	<u>340,087</u>	<u>1,667,360</u>
TOTAL EXPENDITURES	<u>5,640,710</u>	<u>4,768,210</u>	<u>872,500</u>	<u>5,076,330</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,259,216)	(138,210)	1,121,006	(208,507)
OTHER FINANCING SOURCES (USES)				
Transfer from Wastewater Fund	18,750	18,750	-	18,750
Transfer from Capital Project Fund	972,300	972,300	-	-
Fund equity appropriations	<u>268,166</u>	<u>-</u>	<u>(268,166)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>1,259,216</u>	<u>991,050</u>	<u>(268,166)</u>	<u>18,750</u>
REVENUES AND OTHER SOURCES (UNDER) EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ 852,840</u>	<u>\$ 852,840</u>	<u>\$ (189,757)</u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP:				
Revenues over (under) expenditures and other financing uses - Water Fund (above)		\$ 852,840		\$ (189,757)
Revenues (under) expenditures - Water Capital Reserve Fund		(96,416)		369,650
Principal retirement		2,813		2,813
Capitalized purchases		1,507,969		1,667,360
Loss on disposal of capital assets		-		(34,034)
(Increase) decrease in accrued vacation payable		(2,563)		(8,498)
Decrease in lease liability		534		0
Increase in deferred outflows-pensions		38,703		48,270
Decrease in net pension liability		243,158		(100,616)
Increase in deferred inflows-pensions		(248,659)		-
Depreciation and amortization		(707,209)		(607,966)
Increase (decrease) in deferred outflows of resources - OPEB		2,587		(31,198)
(Increase) decrease in deferred inflows of resources - OPEB		(79,670)		4,288
(Increase) decrease in accrued OPEB liability		<u>50,570</u>		<u>(20,295)</u>
CHANGES IN NET POSITION		<u>\$ 1,564,657</u>		<u>\$ 1,100,017</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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
<u>REVENUES</u>				
Operating revenues:				
System development fees	\$ 324,000	\$ 893,200	\$ 569,200	\$ 369,800
Total operating revenues	324,000	893,200	569,200	369,800
Non-operating revenues:				
Interest Income	-	3,421	3,421	3,258
Change in fair value on investments	-	(20,737)	(20,737)	(3,408)
Net investment earnings (loss)	-	(17,316)	(17,316)	(150)
<u>TOTAL REVENUES</u>	324,000	875,884	551,884	369,650
<u>EXPENDITURES</u>				
Water system development:				
Extension and replacement	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER EXPENDITURES	324,000	875,884	551,884	369,650
<u>OTHER FINANCING SOURCES (USES)</u>				
Fund Balance - Undesignated	648,300	-	(648,300)	-
Transfer to Water fund	(972,300)	(972,300)	-	-
<u>TOTAL OTHER FINANCING SOURCES</u>	(324,000)	(972,300)	(648,300)	-
<u>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	\$ -	\$ (96,416)	\$ (96,416)	\$ 369,650

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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
REVENUES				
<i>Operating revenues:</i>				
Wastewater sales	\$	\$ 195,300	\$	\$ 199,227
Wastewater connection fees		3,000		4,640
Late payment penalties		1,515		909
Total operating revenues		<u>230,470</u>		<u>204,776</u>
<i>Non-operating revenues:</i>				
Investment earnings		254		(72)
Change in fair market value on investments		(2,078)		-
Total non-operating revenues		<u>-</u>		<u>(72)</u>
TOTAL REVENUES		<u>230,470</u>		<u>204,704</u>
EXPENDITURES				
<i>Administrative costs:</i>				
Legal services		150		535
Total administrative costs		<u>150</u>		<u>535</u>
<i>Operating expenditures:</i>				
Engineering services		1,900		-
Audit		850		850
Telephone		2,220		1,119
Utilities		2,958		1,783
Maintenance and repair - system		30,984		36,741
Supplies & materials		-		153
Contracted services		39,600		35,550
Treated wastewater costs		79,419		88,569
Total operating expenditures		<u>157,931</u>		<u>164,765</u>
Total		<u>214,868</u>		<u>165,300</u>
TOTAL EXPENDITURES		<u>214,868</u>		<u>165,300</u>
REVENUES OVER EXPENDITURES		<u>15,602</u>		<u>39,404</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, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
<u>OTHER FINANCING (USES)</u>				
Transfer to Water Fund	\$ (18,750)	\$ (18,750)	\$ -	\$ (18,750)
Fund equity appropriations	3,148	-	(3,148)	-
<u>TOTAL OTHER FINANCING (USES)</u>	<u>(15,602)</u>	<u>(18,750)</u>	<u>(3,148)</u>	<u>(18,750)</u>
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	\$ <u>-</u>	\$ <u>21,160</u>	\$ <u>21,160</u>	\$ <u>20,654</u>
<u>RECONCILIATION OF BUDGETARY BASIS TO GAAP:</u>				
Revenues over expenditures		\$ 21,160		\$ 20,654
Revenues over expenditures - Wastewater Capital Reserve Fund		12,131		20,646
Depreciation		<u>(4,001)</u>		<u>(105,983)</u>
<u>CHANGES IN NET POSITION</u>		\$ <u>29,290</u>		\$ <u>(64,683)</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
WASTEWATER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (Non-GAAP)
For the Fiscal Year Ended June 30, 2022
With Comparative Actual Amounts for the Year Ended June 30, 2021

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
<u>REVENUES</u>				
Operating revenues:				
System development fees	\$ 18,750	\$ 13,295	\$ (5,455)	\$ 20,681
Total operating revenues	<u>18,750</u>	<u>13,295</u>	<u>(5,455)</u>	<u>20,681</u>
Non-operating revenues:				
Interest Income	-	93	93	69
Change in fair value on investments	-	(1,257)	(1,257)	(104)
Net investment earnings (loss)	<u>-</u>	<u>(1,164)</u>	<u>(1,164)</u>	<u>(35)</u>
<u>TOTAL REVENUES</u>	<u>18,750</u>	<u>12,131</u>	<u>(6,619)</u>	<u>20,646</u>
<u>EXPENDITURES</u>				
Water system development:				
Extension and replacement	18,750	-	(18,750)	-
Total expenditures	<u>18,750</u>	<u>-</u>	<u>(18,750)</u>	<u>-</u>
REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 12,131</u>	<u>\$ 12,131</u>	<u>\$ 20,646</u>

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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, 2022

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022	\$ -	\$ 9,644,196	\$ (9,618,850)	\$ 25,346
2020-2021	25,954	-	(16,429)	9,525
2019-2020	15,562	-	(8,293)	7,269
2018-2019	7,229	-	(2,423)	4,806
2017-2018	4,468	-	(1,660)	2,808
2016-2017	2,397	-	(1,026)	1,371
2015-2016	2,297	-	(1,055)	1,242
2014-2015	2,245	-	(973)	1,272
2013-2014	5,530	-	(913)	4,617
2012-2013	4,449	-	(949)	3,500
2011-2012	3,602	-	(3,549)	53
	<u>\$ 73,733</u>	<u>\$ 9,644,196</u>	<u>\$ (9,656,120)</u>	<u>\$ 61,809</u>

Reconciliation with revenues:

Ad Valorem taxes - general fund	\$ 9,678,735
Reconciling items:	
Interest collected	(23,995)
Taxes written off or released	1,380
Subtotal	<u>(22,615)</u>
Total collections and credits	<u>\$ 9,656,120</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
Town-Wide Levy
For the Fiscal Year Ended June 30, 2022

	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	\$ 2,975,704,406	0.3200	\$ 9,520,898	\$ 9,147,653	\$ 373,245
Penalties	-		5,089	5,089	-
Total	<u>2,975,704,406</u>		<u>9,525,987</u>	<u>9,152,742</u>	<u>373,245</u>
Discoveries:					
Current year	38,961,309	0.3200	124,676	124,676	-
Abatements	(2,021,016)	0.3200	(6,467)	(3,798)	(2,669)
Total Property Valuation	<u>\$ 3,012,644,699</u>				
Net levy			<u>9,644,196</u>	<u>9,273,620</u>	<u>370,576</u>
Uncollected taxes at June 30, 2022			(25,346)	(25,346)	-
Current year taxes collected			<u>\$ 9,618,850</u>	<u>\$ 9,248,274</u>	<u>\$ 370,576</u>
Current levy collection percentage			<u>99.74%</u>	<u>99.73%</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, 2022

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022 MSD	\$ -	\$ 494,875	\$ (494,875)	\$ -
2020-2021 MSD	671	-	(671)	-
2019-2020 MSD	-	-	-	-
2018-2019 MSD	-	-	-	-
2017-2018 MSD	-	-	-	-
2016-2017 MSD	-	-	-	-
2015-2016 MSD	-	-	-	-
	<u>\$ 671</u>	<u>\$ 494,875</u>	<u>\$ (495,546)</u>	<u>\$ -</u>

Reconciliation with revenues:

Ad Valorem taxes - general fund	\$ 495,887
Reconciling items:	
Interest collected	(341)
Taxes written off or released	-
Subtotal	<u>(341)</u>
Total collections and credits	<u>\$ 495,546</u>

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
MUNICIPAL SERVICE DISTRICT LEVY
For the Fiscal Year Ended June 30, 2022

	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	\$ 206,049,496	0.2400	\$ 494,519	\$ 493,685	\$ 834
Penalties	-		356	356	-
Total	<u>206,049,496</u>		<u>494,875</u>	<u>494,041</u>	<u>834</u>
Discoveries:					
Current year	-	0.2400	-	-	-
Abatements	-	0.2400	-	-	-
Total Property Valuation	<u>\$ 206,049,496</u>				
Net levy			<u>494,875</u>	<u>494,041</u>	<u>834</u>
Uncollected taxes at June 30, 2022			-	-	-
Current year taxes collected			<u>\$ 494,875</u>	<u>\$ 494,041</u>	<u>\$ 834</u>
Current levy collection percentage			<u>100.00%</u>	<u>100.00%</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.

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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	143
These tables contain information to help the reader assess the Town's most significant local revenue source: property tax.	
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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	151
These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	
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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)

	2013	2014	2015	2016
Governmental activities				
Net investment in capital assets	\$ 14,170,973	\$ 14,567,560	\$ 15,440,923	\$ 16,330,419
Restricted	2,815,004	3,298,044	3,226,059	4,761,304
Unrestricted	4,813,121	4,822,194	5,528,334	6,646,476
Total governmental activities net assets	\$ 21,799,098	\$ 22,687,798	\$ 24,195,316	\$ 27,738,199
Business-type activities				
Net investment in capital assets	\$ 1,935,026	\$ 1,149,215	\$ 11,512,502	\$ 12,315,193
Unrestricted	4,640,001	5,431,172	5,856,966	5,868,509
Total business-type activities net assets	\$ 6,575,027	\$ 6,580,387	\$ 17,369,468	\$ 18,183,702
Primary government				
Net investment in capital assets	\$ 26,105,999	\$ 25,986,775	\$ 26,953,425	\$ 28,645,612
Restricted	2,815,004	3,298,044	3,226,059	4,761,304
Unrestricted	9,453,122	10,253,366	11,385,300	12,514,985
Total primary government activities net position	\$ 38,374,125	\$ 39,538,185	\$ 41,564,784	\$ 45,921,901

TABLE 1

2017	2018	2019	2020	2021	2022
\$ 18,305,271	\$ 22,873,133	\$ 24,623,812	\$ 24,985,284	\$ 26,206,869	\$ 27,961,849
6,803,628	5,400,659	5,221,050	6,277,666	6,462,727	14,190,930
6,006,515	4,610,656	4,895,344	2,426,895	3,980,136	1,812,796
<u>\$ 31,115,414</u>	<u>\$ 32,884,448</u>	<u>\$ 34,740,206</u>	<u>\$ 33,689,845</u>	<u>\$ 36,649,732</u>	<u>\$ 43,965,575</u>
\$ 12,593,967	\$ 12,468,714	\$ 13,219,145	\$ 14,593,891	\$ 15,516,079	\$ 16,316,188
6,399,233	7,028,749	7,653,992	7,339,325	7,452,471	8,246,309
<u>\$ 18,993,200</u>	<u>\$ 19,497,463</u>	<u>\$ 20,873,137</u>	<u>\$ 21,933,216</u>	<u>\$ 22,968,550</u>	<u>\$ 24,562,497</u>
\$ 30,899,238	\$ 35,341,847	\$ 37,842,957	\$ 39,579,175	\$ 41,722,948	\$ 44,278,037
6,803,628	5,400,659	5,221,050	6,277,666	6,462,727	14,190,930
12,405,748	11,639,405	12,549,336	9,766,220	11,432,607	10,059,105
<u>\$ 50,108,614</u>	<u>\$ 52,381,911</u>	<u>\$ 55,613,343</u>	<u>\$ 55,623,061</u>	<u>\$ 59,618,282</u>	<u>\$ 68,528,072</u>

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

	2013	2014	2015	2016
Expenses				
Governmental activities:				
General government	\$ 3,910,816	\$ 3,861,294	\$ 3,782,202	\$ 4,215,197
Public safety	5,093,132	5,163,045	5,025,231	5,367,196
Transportation	717,977	810,639	1,025,237	1,090,516
Public works	272,516	293,137	278,640	295,855
Environmental protection	1,747,391	1,843,938	1,741,871	1,944,282
Interest on long-term debt	60,725	56,229	67,364	112,604
Total Governmental activities expenses	<u>11,802,557</u>	<u>12,028,282</u>	<u>11,920,545</u>	<u>13,025,650</u>
Business-type activities:				
Water Fund	3,106,836	3,303,040	3,124,575	3,087,792
Wastewater Fund	278,880	264,613	271,408	268,324
Total Business-type activities expenses	<u>3,385,716</u>	<u>3,567,653</u>	<u>3,395,983</u>	<u>3,356,116</u>
Total primary government activities expenses	<u>\$ 15,188,273</u>	<u>\$ 15,595,935</u>	<u>\$ 15,316,528</u>	<u>\$ 16,381,766</u>
Program revenues				
Governmental activities:				
Charges for services				
General government	\$ 315,442	\$ 369,121	\$ 319,112	\$ 435,952
Public safety	10,592	9,090	8,061	9,736
Transportation	-	-	-	-
Environmental protection	28,119	36,928	36,567	53,850
Operating grants and contributions				
General government	37,440	50,343	48,170	110,109
Public safety	35,414	27,181	15,101	11,211
Transportation	-	148,303	-	-
Environmental protection	-	-	-	-
Capital grants and contributions				
General Government	-	205,288	128,916	351,292
Public safety	-	-	-	-
Transportation	258,372	243,695	246,011	245,017
Total Governmental activities program revenues	<u>685,379</u>	<u>1,089,949</u>	<u>801,938</u>	<u>1,217,167</u>
Business-type activities				
Charges for services:				
Water Fund	3,082,265	3,293,340	3,399,553	3,560,155
Wastewater Fund	201,959	204,092	202,427	194,201
Operating grants and contributions				
Water Fund	-	-	-	-
Capital grants and contributions:				
Water Fund	166,000	217,000	271,000	293,000
Wastewater Fund	21,060	19,440	22,680	6,480
Total Business-type activities program revenues	<u>3,471,284</u>	<u>3,733,872</u>	<u>3,895,660</u>	<u>4,053,836</u>
Total primary government activities program revenues	<u>\$ 4,156,663</u>	<u>\$ 4,823,821</u>	<u>\$ 4,697,598</u>	<u>\$ 5,271,003</u>

TABLE 2

	2017	2018	2019	2020	2021	2022
\$	4,295,980	\$ 5,084,613	\$ 6,487,420	\$ 7,483,506	\$ 7,182,255	\$ 6,855,333
	5,563,249	5,750,230	6,020,479	6,398,627	7,043,759	7,309,069
	1,244,348	1,317,258	1,557,859	1,594,774	1,735,100	1,724,607
	353,600	362,927	345,423	360,238	407,423	431,126
	2,137,778	2,167,078	2,372,400	2,438,992	2,738,733	2,878,474
	196,681	190,857	257,907	315,068	274,957	260,147
	<u>13,791,636</u>	<u>14,872,963</u>	<u>17,041,488</u>	<u>18,591,205</u>	<u>19,382,227</u>	<u>19,458,756</u>
	3,155,456	3,332,754	3,437,230	3,632,777	4,156,206	3,959,977
	261,108	272,205	265,718	267,655	271,283	162,082
	<u>3,416,564</u>	<u>3,604,959</u>	<u>3,702,948</u>	<u>3,900,432</u>	<u>4,427,489</u>	<u>4,122,059</u>
\$	<u>17,208,200</u>	<u>18,477,922</u>	<u>20,744,436</u>	<u>22,491,637</u>	<u>23,809,716</u>	<u>23,580,815</u>
\$	491,739	\$ 467,760	\$ 542,280	\$ 370,167	\$ 458,630	\$ 634,411
	15,311	16,598	18,084	13,891	15,203	14,835
	-	-	-	-	-	-
	61,749	43,054	59,424	71,453	82,886	92,796
	-	-	-	-	-	-
	187,098	21,313	38,601	60,726	81,629	1,194,528
	5,341	9,499	1,394	2,115	33,000	4,384
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	659,393	312,454	226,184	487,686	4,216,149
	-	-	-	-	-	-
	243,972	468,872	606,970	241,387	283,988	275,526
	<u>1,005,210</u>	<u>1,686,489</u>	<u>1,579,207</u>	<u>985,923</u>	<u>1,443,022</u>	<u>6,432,629</u>
	3,585,800	3,773,336	4,003,745	4,711,705	4,940,915	5,815,612
	191,944	204,387	194,970	191,355	225,457	213,110
	-	-	-	-	6,369	-
	422,000	622,000	579,100	-	319,819	-
	19,440	35,640	7,386	-	-	-
	<u>4,219,184</u>	<u>4,635,363</u>	<u>4,785,201</u>	<u>4,903,060</u>	<u>5,492,560</u>	<u>6,028,722</u>
\$	<u>5,224,394</u>	<u>6,321,852</u>	<u>6,364,408</u>	<u>5,888,983</u>	<u>6,935,582</u>	<u>12,461,351</u>

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

	2013	2014	2015	2016
Net (Expense)/Revenue				
Governmental activities	\$ (11,117,178)	\$ (10,938,333)	\$ (11,118,607)	\$ (11,808,483)
Business-type activities	85,568	166,219	499,677	697,720
Total primary government net expense	<u>\$ (11,031,610)</u>	<u>\$ (10,772,114)</u>	<u>\$ (10,618,930)</u>	<u>\$ (11,110,763)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes	\$ 6,320,155	\$ 6,556,573	\$ 7,199,585	\$ 8,468,389
Sales taxes	1,743,941	1,916,998	1,964,298	2,249,479
Occupancy taxes	2,007,056	2,144,664	2,197,414	2,352,908
Other taxes	1,120,245	1,174,464	558,306	592,072
Grants and contributions not restricted	-	-	958,530	1,081,808
Net unrestricted investment earnings (loss)	(105,918)	208,674	202,338	241,678
Miscellaneous	120,808	166,276	245,847	354,713
Transfers	-	-	-	-
Total Governmental activities	<u>11,206,287</u>	<u>12,167,649</u>	<u>13,326,318</u>	<u>15,341,047</u>
Business-type activities				
Unrestricted investment earnings	(63,693)	109,141	112,894	116,514
Miscellaneous	-	-	-	-
Transfers	-	-	-	-
Total Business-type activities	<u>(63,693)</u>	<u>109,141</u>	<u>112,894</u>	<u>116,514</u>
Total primary government	<u>\$ 11,142,594</u>	<u>\$ 11,142,594</u>	<u>\$ 13,439,212</u>	<u>\$ 15,457,561</u>
Change in Net Position				
Governmental activities	\$ 89,109	\$ 1,229,316	\$ 2,207,711	\$ 3,532,564
Prior period adjustment - Governmental activities	-	(340,616)	(700,193)	-
Business-type activities	21,875	275,360	612,571	814,234
Prior period adjustment - Business-type activities	-	-	(93,490)	-
Total primary government change in net position	<u>\$ 110,984</u>	<u>\$ 1,164,060</u>	<u>\$ 2,026,599</u>	<u>\$ 4,346,798</u>

	2017	2018	2019	2020	2021	2022
\$	(13,186,474)	(13,186,474)	(15,462,281)	(17,605,282)	(17,939,205)	(13,026,127)
	1,030,404	1,030,404	1,082,253	1,002,628	1,065,071	1,906,663
\$	<u>(12,156,070)</u>	<u>(12,156,070)</u>	<u>(14,380,028)</u>	<u>(16,602,654)</u>	<u>(16,874,134)</u>	<u>(11,119,464)</u>
\$	8,545,173	8,662,987	8,859,629	9,372,751	10,029,663	10,161,974
	2,673,222	2,780,962	2,742,660	2,764,840	3,615,726	4,086,094
	2,682,850	2,924,648	2,901,475	2,740,880	4,228,903	4,587,045
	1,844,516	2,705,427	724,494	725,152	1,644,312	1,783,869
	1,077,009	1,076,406	1,099,660	1,080,755	1,033,498	1,087,125
	30,562	101,208	643,345	406,517	(67,286)	(880,528)
	218,861	499,392	346,776	273,568	414,276	(483,609)
	-	375,334	-	-	-	-
	<u>17,072,193</u>	<u>19,126,364</u>	<u>17,318,039</u>	<u>17,364,463</u>	<u>20,899,092</u>	<u>20,341,970</u>
	6,880	30,792	293,421	182,118	(29,737)	(312,716)
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>6,880</u>	<u>30,792</u>	<u>293,421</u>	<u>182,118</u>	<u>(29,737)</u>	<u>(312,716)</u>
\$	<u>17,079,073</u>	<u>19,376,017</u>	<u>17,611,460</u>	<u>17,546,581</u>	<u>20,869,355</u>	<u>20,029,254</u>
\$	3,532,564	5,939,890	1,855,758	(240,819)	2,959,887	7,315,843
	-	(4,170,856)	-	(809,542)	-	-
	814,234	1,061,196	1,375,674	1,184,746	1,035,334	1,593,947
	-	(556,933)	-	(124,667)	-	-
\$	<u>4,346,798</u>	<u>2,273,297</u>	<u>3,231,432</u>	<u>9,718</u>	<u>3,995,221</u>	<u>8,909,790</u>

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund				
Non-Spendable	\$ 108,285	\$ 116,275	\$ 124,969	\$ 141,784
Restricted	2,805,459	3,296,763	3,223,261	4,121,998
Assigned	251,499	320,156	44,756	159,709
Unassigned	5,690,541	6,062,140	7,772,394	9,094,063
Reserved	-	-	-	-
Unreserved	-	-	-	-
Total General Fund	<u>\$ 8,855,784</u>	<u>\$ 9,795,334</u>	<u>\$ 11,165,380</u>	<u>\$ 13,517,554</u>
All Other Governmental Funds				
Restricted	\$ 9,545	\$ 1,281	\$ 2,798	\$ 639,306
Assigned	483,190	501,564	601,583	6,031,270
Reserved	-	-	-	-
Unreserved, reported in:				
Capital Reserve Fund	-	-	-	-
Capital Projects Funds	-	-	-	-
Total all other governmental funds	<u>\$ 492,735</u>	<u>\$ 502,845</u>	<u>\$ 604,381</u>	<u>\$ 6,670,576</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

2017	2018	2019	2020	2021	2022
\$ 178,190	\$ 147,216	\$ 162,783	\$ 141,784	\$ 178,972	\$ 204,201
5,965,987	5,400,659	5,221,050	4,121,998	6,462,727	10,489,716
415,248	2,820,363	1,178,473	159,709	1,953,126	2,254,309
9,813,121	9,642,299	12,483,453	9,094,063	13,393,221	16,168,197
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 16,372,546</u>	<u>\$ 18,010,537</u>	<u>\$ 19,045,759</u>	<u>\$ 13,517,554</u>	<u>\$ 21,988,046</u>	<u>\$ 29,116,423</u>
\$ 837,641	\$ 104,402	\$ 27,365	\$ 639,306	\$ 53,865	\$ 3,701,214
2,250,918	398,487	4,812,133	6,031,270	887,481	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,088,559</u>	<u>\$ 502,889</u>	<u>\$ 4,839,498</u>	<u>\$ 6,670,576</u>	<u>\$ 941,346</u>	<u>\$ 3,701,214</u>

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues				
Ad valorem taxes	\$ 6,333,785	\$ 6,571,750	\$ 7,202,742	\$ 8,486,724
Other taxes and licenses	4,208,347	4,565,104	4,749,641	5,196,512
Unrestricted intergovernmental revenues	742,783	757,693	958,530	1,081,808
Restricted intergovernmental revenues	331,226	669,490	438,199	717,628
Permits and fees	235,394	287,690	289,289	435,792
Sales and services	38,871	46,098	44,828	61,694
Net investment earnings	(105,917)	208,673	202,338	241,678
Other revenues	107,708	157,634	128,639	184,443
Total revenues	<u>11,892,197</u>	<u>13,264,132</u>	<u>14,014,206</u>	<u>16,406,279</u>
Expenditures				
General government	3,111,261	3,751,197	3,851,383	5,587,853
Public safety	4,935,745	5,994,729	5,371,506	5,771,540
Transportation	1,718,457	1,418,280	1,375,385	1,451,655
Public works	262,303	288,160	295,786	302,969
Environmental protection	1,555,505	2,203,769	1,615,425	2,733,216
Capital outlay	-	-	-	-
Right to use assets	-	-	-	-
Debt service				
Principal	640,984	746,993	877,883	1,245,343
Interest	69,115	49,620	69,461	88,330
Total expenditures	<u>12,293,370</u>	<u>14,452,748</u>	<u>13,456,829</u>	<u>17,180,906</u>
Excess (deficiency) of revenues over expenditures	(401,173)	(1,188,616)	557,377	(774,627)
Other financing sources				
Installment purchase obligations issued	161,933	2,129,634	836,788	9,012,406
Lease liabilities issued	-	-	-	-
Sale of capital assets	8,100	8,642	77,417	170,270
Transfers from other funds	-	-	-	-
Total other financing sources	<u>170,033</u>	<u>2,138,276</u>	<u>914,205</u>	<u>9,182,676</u>
Net change in fund balances	<u>\$ (231,140)</u>	<u>\$ 949,660</u>	<u>\$ 1,471,582</u>	<u>\$ 8,408,049</u>
Debt service as a percentage of non-capital expenditures	6.54%	7.00%	7.04%	7.76%

TABLE 4

	2017	2018	2019	2020	2021	2022
\$	8,532,846	\$ 8,662,987	\$ 8,870,753	\$ 9,351,102	\$ 10,062,733	\$ 10,174,622
	6,011,675	6,435,741	6,377,054	6,239,043	9,496,381	10,464,975
	1,077,009	1,076,406	1,099,660	1,080,755	1,033,497	1,087,125
	1,632,377	3,157,710	959,419	530,412	886,304	5,690,586
	491,719	467,640	542,200	370,047	458,610	634,371
	70,027	50,990	69,164	77,293	90,668	99,703
	30,561	101,209	643,345	406,517	(67,286)	(880,528)
	142,370	137,478	305,191	276,800	223,981	202,401
	<u>17,988,584</u>	<u>20,090,161</u>	<u>18,866,786</u>	<u>18,331,969</u>	<u>22,184,888</u>	<u>27,473,255</u>
	3,502,880	4,291,354	3,904,598	4,497,761	4,076,114	4,470,249
	5,161,344	5,334,884	5,607,014	5,982,023	6,416,720	6,752,789
	660,636	658,173	804,009	753,513	967,574	956,640
	352,005	360,764	350,104	354,577	387,546	415,905
	1,829,769	1,780,237	1,943,995	1,976,663	2,240,784	2,366,274
	6,856,447	7,580,433	3,345,417	5,456,895	4,077,894	6,570,956
	-	-	-	-	-	47,860
	1,521,823	2,650,038	2,800,976	2,975,336	2,653,540	3,135,937
	198,993	190,071	177,586	324,954	289,610	272,702
	<u>20,083,897</u>	<u>22,845,954</u>	<u>18,933,699</u>	<u>22,321,722</u>	<u>21,109,782</u>	<u>24,989,312</u>
	(2,095,313)	(2,755,793)	(66,913)	(3,989,753)	1,075,106	2,483,943
	1,279,031	1,083,447	5,393,437	1,235,727	505,613	5,831,996
	-	-	-	-	-	47,860
	89,257	174,667	45,307	26,224	191,218	1,524,446
	-	550,000	-	-	-	-
	<u>1,368,288</u>	<u>1,808,114</u>	<u>5,438,744</u>	<u>1,261,951</u>	<u>696,831</u>	<u>7,404,302</u>
\$	<u>(727,025)</u>	<u>(947,679)</u>	<u>5,371,831</u>	<u>(2,727,802)</u>	<u>1,771,937</u>	<u>9,888,245</u>
	13.01%	18.60% #	19.11%	19.57%	8.37%	18.55%

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TABLE 5

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
2013	\$ 6,320,909	\$ 6,265,742	99.13%	\$ 51,419	\$ 6,317,161	99.94%
2014 [1]	6,552,229	6,502,619	99.24%	42,539	6,545,158	99.89%
2015	7,209,270	7,163,911	99.37%	42,851	7,206,762	99.97%
2016	7,603,318	7,566,290	99.51%	34,566	7,600,856	99.97%
2017	7,708,863	7,656,208	99.32%	51,364	7,707,572	99.98%
2018	7,823,759	7,787,631	99.54%	33,321	7,820,952	99.96%
2019	8,030,058	7,995,088	99.56%	29,051	8,024,139	99.93%
2020	8,506,598	8,452,932	99.37%	46,398	8,499,330	99.91%
2021 [1]	9,143,441	9,117,489	99.72%	16,429	9,133,918	99.90%
2022	9,273,620	9,248,274	99.73%	[2]	9,248,274	99.73%

Source: Dare County Tax Department

[1] Revaluation of taxable property occurred on January 1, 2013 and January 1, 2020.

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

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

[2] Not applicable.

TOWN OF 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	
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
2021	2,756,789,808	63,019,562	112,362,129	36,477,039
2022	2,797,308,277	61,763,939	116,381,436	37,191,048

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, 2013 as well as January 1, 2020. 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] Taxrates 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>
\$	2,689,113,410	0.2350	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
	2,968,648,538	0.3200	102.57%	2,894,265,905
	3,012,644,700	0.3200	99.91%	3,015,358,523

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]	
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
2021	0.3200	0.2400	0.4005
2022	0.3200	0.2400	0.4005

[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, 2022			June 30, 2013		
	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation
Dominion NC Power	\$ 32,191,108	1	1.11%	\$ 20,726,715	3	0.79%
Outer Banks Beach Club	21,757,200	2	0.75%	25,887,000	1	0.98%
First Flight Hotel, LLC	17,979,300	3	0.62%			
Run Hill Apartments, LLC	17,257,700	4	0.60%			
View, LLC	12,140,224	5	0.42%			
O. W. L. Neal Partnership (Ramada Inn)	12,076,300	6	0.42%	13,143,500	5	0.50%
Morrison Farm Assoc II, LLP	11,467,700	7	0.40%	12,017,600	6	0.46%
ON Trading Corp	10,337,700	8	0.36%			
Sea Ranch Resort, LLC	9,895,672	9	0.34%			
Newman, Brian K	8,661,916	10	0.30%	10,587,864	8	0.40%
Croatan Surf Club				23,614,200	2	0.90%
Dean, Clarence E Jr.				16,740,565	4	0.64%
Wilber Wright Associates, Inc				11,688,950	7	0.44%
Sutton Street Development (Comfort Inn)				10,415,500	9	0.40%
Osprey Management Group				9,990,000	10	0.38%
	<u>\$ 153,764,820</u>		<u>5.31%</u>	<u>\$ 154,811,894</u>		<u>5.89%</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	GASB-87 Leases	Installment Note	GASB-87 Leases		
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
2021	8,285,569	-	-	25,318	-		8,310,887
2022	10,987,270	-	39,549	22,504	2,131		11,051,454

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]
0.08%	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	*
0.29%	0.29%	1,083	*
0.37%	0.37%	1,421	*

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2022

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable [1]</u>	<u>Estimated Share of Overlapping Debt</u>
Dare County	\$ 124,439,321	23.45%	\$ 29,178,468
Town of Kill Devil Hills direct debt			11,026,819
Total direct and overlapping debt			<u>\$ 40,205,287</u>

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

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the Town of 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]
2012	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	419,161,008	57,688	5,233	5.0%
2020	7,378	437,072,720	59,240	5,367	8.2%
2021	7,674	*	*	5,131	6.9%
2022	7,777	*	*	5,140	4.8%

[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, 2022			June 30, 2013		
	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	100 - 249	3	*	250 - 499	3	*
Harris Teeter Inc	100 - 249	4	*	100 - 249	5	*
Lowe's Home Centers, Inc.	100 - 249	5	*	-	-	*
Town of Kill Devil Hills	100 - 249	6	*	100 - 249	7	*
Kellogg Supply Co., Inc.	100 - 249	7	*	-	-	*
Sun Realty	100 - 249	8	*	100 - 249	8	*
Publix	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**

	<u>2013</u>	<u>2014</u>	<u>2015</u>
<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	8	8	8
Building and Grounds	4 3/4	4 3/4	4 3/4
Public Safety			
Police	33	33	33
Animal Control	2	2	2
Fire	20	20 1/2	20 1/2
Ocean Rescue	25	24 1/2	24 1/2
Year-round	2	1 1/2	1 1/2
Seasonal Lifeguards	23	23	23
Transportation			
Streets	5	5	5
Public Works			
Fleet Maintenance	4 1/2	4 1/2	4 1/2
Environmental Protection			
Solid Waste	11	11	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

2016	2017	2018	2019	2020	2021	2022
6	6	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
7	7	7	7	7	7	7
4 3/4	4 3/4	4 3/4	5 1/4	5 1/4	5 1/4	6 3/4
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
26 1/2	26 1/2	26 1/2	26 1/2	27 1/2	27 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
25	25	25	25	26	26	26
5 3/4	5 3/4	5 3/4	5 3/4	5 3/4	5 3/4	6 3/4
4 1/2	4 1/2	4 1/2	4 1/2	4 1/2	4 1/2	4 1/2
10 3/4	10 3/4	10 3/4	10 3/4	11 3/4	11 3/4	12 1/4
6	6	6	6	6	6	6
4	4	4	4	4	4	4
4 1/4	4 1/4	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>2013</u>	<u>2014</u>	<u>2015</u>
Population	6,880	6,895	7,010
Police:			
Crime Activity: Reported			
Murder (includes attempts):	-	1	1
Rape (includes attempts):	7	6	9
Robbery (includes attempts):	6	4	3
Assaults (felonious & misdemeanor):	173	141	142
Burglary(breaking/entering-structures):	200	170	138
Larceny:	249	245	228
Auto Larceny:	18	13	9
Arson/unlawful burnings:	1	1	4
All other crimes (unspecified above):	1,302	1,009	1,103
Total Crime:	1,956	1,590	1,637
Traffic Activity:			
Traffic Accidents	399	405	401
Driving while impaired arrests	99	63	92
General traffic violations-citation	1,196	1,217	1,621
General traffic violations-warning	790	1,295	2,197
Parking violations-citation issued	125	92	109
Total Traffic	2,609	3,072	4,420
General Calls for Service:			
Police calls-emergency status, non-emergency, traffic control	13,827	15,622	23,775
Animal control calls			
Total General Calls for Service	13,827	15,622	23,775
Total all Police/Animal Control Activity	18,392	20,284	29,832
Fire:			
Number of volunteer firemen	25	21	24
Number of calls answered	1,648	1,366	1,428
Total dollar loss	\$ 2,457,400	\$ 215,250	\$ 391,106

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
7,137	7,195	7,212	7,266	7,378	7,674	7,777
2	-	-	-	-	-	-
11	6	2	6	4	5	2
1	2	1	2	3	-	2
168	198	147	164	161	171	130
186	148	318	115	71	77	67
303	285	358	268	173	141	145
10	10	16	3	8	14	10
1	1	-	1	1	-	-
772	849	651	763	710	982	918
1,454	1,499	1,493	1,322	1,131	1,390	1,274
434	395	476	465	403	451	454
66	69	47	58	66	147	131
1,172	1,215	986	1,255	895	1,104	819
1,862	1,921	2,130	2,030	1,360	2,083	1,151
112	164	160	250	213	79	111
3,646	3,764	3,799	4,058	2,937	3,864	2,666
20,785	20,025	21,179	19,711	17,379	20,032	19,172
20,785	20,025	21,179	19,711	17,379	20,032	19,172
25,885	25,288	26,471	25,091	21,447	25,286	23,112
19	22	24	24	25	23	17
1,350	1,598	1,591	1,610	1,545	1,723	1,744
\$ 177,500	\$ 404,317	\$ 220,685	\$ 203,515	\$ 913,500	\$ 3,541,801	\$ 204,950

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Planning:			
Building permits:			
One and Two Family Dwellings	42	52	60
Residential multi-family	-	-	1
Government	-	-	-
Non-residential	-	1	1
Additions/remodel	372	336	338
Sign/banners	48	44	51
Electrical	68	46	66
Mechanical	212	230	276
Plumbing	18	4	9
Demolition	11	8	13
Fine	1	1	3
Re-inspection	-	1	-
Re-instatement fee	-	-	-
Number of CAMA permits issued	34	26	23
Number of land disturbance permits issued	2	9	1
Number of occupancy permits issued	39	56	49
Number of site plan reviews	81	85	81
Number of zoning amendments	6	2	3
Number of variance applications	7	8	1
Number of exempt plats issued	6	3	4
Field inspections:			
Number of code compliance	4,815	4,685	4,602
Number of zoning/planning	710	504	606
Total building permit fees	\$ 182,780	\$ 215,565	\$ 228,705
Total site plan review fees	\$ 15,088	\$ 24,086	\$ 15,442
Total occupancy permit fees	\$ 1,950	\$ 2,850	\$ 2,650
Total CAMA permit fees	\$ 4,730	\$ 4,285	\$ 3,700
Total construction valuation	\$ 22,776,186	\$ 23,978,292	\$ 28,524,349

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
64	68	81	66	65	83	85
-	1	3	5	1	2	3
2	-	7	-	2	-	1
1	3	1	2	-	2	3
375	348	366	372	428	424	436
38	37	40	30	37	31	21
49	44	70	103	102	79	83
294	315	342	317	276	324	324
27	4	11	17	37	10	11
12	18	7	11	14	5	18
4	7	9	6	9	5	2
1	1	1	-	11	8	6
-	-	-	5	14	16	6
24	28	20	22	17	21	34
3	12	12	5	22	18	32
70	73	76	69	78	81	85
107	101	109	113	92	123	133
2	4	3	4	-	2	5
2	1	2	1	1	3	5
7	5	7	5	7	6	7
4,780	5,418	4,676	4,106	4,574	4,661	4,577
1,503	2,435	2,177	1,836	1,852	1,654	1,783
\$ 300,369	\$ 366,152	\$ 417,614	\$ 455,450	\$ 343,149	\$ 356,311	\$ 549,917
\$ 84,738	\$ 68,757	\$ 32,139	\$ 78,714	\$ 16,681	\$ 88,383	\$ 67,082
\$ 3,600	\$ 3,650	\$ 3,800	\$ 3,450	\$ 3,900	\$ 4,000	\$ 4,250
\$ 3,625	\$ 3,470	\$ 2,465	\$ 2,880	\$ 2,210	\$ 2,610	\$ 4,995
\$ 30,600,902	\$ 41,000,479	\$ 45,136,707	\$ 51,871,265	\$ 37,486,354	\$ 39,877,177	\$ 69,623,909

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Refuse collection:			
Refuse collection (tons)	8,947.44	8,929.10	8,976.00
Water:			
Number of new services	54	54	72
Number of new customers	290	266	437
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	198	203	204
Production (million gallons)	*	*	*
Maximum daily capacity of plant (million gallons)	*	*	*

* Information Unavailable

Source: Budget documents and individual Town departments.

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
9,436.00	9,852.00	9,693.00	9,665.00	9,615.00	10,958.00	10,684.00
60	84	59	74	72	96	127
333	363	333	357	357	519	535
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	208	217	219	218	218	221
*	*	*	*	*	*	*
*	*	*	*	*	*	*

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

<u>Function/Program</u>	<u>2013</u>	<u>2014</u>	<u>2015</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)	59.4	59.17	59.17
Unpaved streets (miles)	3.18	3.18	3.18
Street lights	447	447	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	9.51	9.51	9.51
Water			
Plants	1	1	1
Water mains (miles)	79.7	79.7	79.7
Fire hydrants	596	591	591
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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</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
14	14	14	14	14	14	14
59.17	59.17	59.81	60.17	60.17	60.24	60.6
3.18	3.18	3.18	3.18	3.18	3.15	3.15
436	436	436	436	436	436	436
5	5	5	5	5	5	5
6	6	6	6	6	6	6
1	1	1	1	1	2	2
1	1	1	1	1	1	1
1	1	1	1	1	2	2
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	10.57	10.83	11.18	11.46	11.96
1	1	1	1	1	1	1
79.78	79.72	80.19	80.58	80.58	80.58	80.96
624	626	631	635	636	637	647
1.2	1.2	1.2	1.2	1.2	1.2	1.2
.450	.450	.450	.450	.65	.65	.65
3.11	3.11	3.13	3.13	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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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

To the Honorable Mayor and 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, 2022, 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 17, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of 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 functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Report on 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 17, 2022
 Mooresville, North Carolina



POTTER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Kill Devil Hills, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Kill Devil Hills' major federal programs for the year ended June 30, 2022. The Town of Kill Devil Hills' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Kill Devil Hills complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Town of Kill Devil Hills and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Kill Devil Hills' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

Report on Internal Control Over Compliance

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

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

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

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

Potter & Company, P.A.

November 17, 2022
Mooresville, North Carolina



POTTER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of Kill Devil Hills, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major State programs for the year ended June 30, 2022. The Town of Kill Devil Hills's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Kill Devil Hills complied, in all material respects, with the types compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Town of Kill Devil Hills and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Town of Kill Devil Hills' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

Report on Internal Control Over Compliance

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

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

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

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

Potter & Company, P.A.

November 17, 2022
Mooresville, North Carolina

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2022**

Section I. Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted.

_____ yes X no

Federal Awards

Internal control over major federal programs:

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

Noncompliance material to federal awards.

_____ yes X no

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

Unmodified, for all federal programs.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

Assistance Listing No.
97.036

Names of Federal Programs or Cluster
Disaster Grants – Disaster Assistance

Dollar threshold used to distinguish between Type A and Type B Programs.

\$ 750,000

Auditee qualified as low-risk auditee?

 X yes _____ no

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2022**

State Awards

Internal control over major State Programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses. _____ yes X no

Noncompliance material to State awards. _____ yes X no

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

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

Identification of major State programs:

Program Name

Federal Emergency Management Agency

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2022

Section II. Financial Statement Findings

None Reported

Section III. Federal Award Findings and Questioned Costs

None reported.

Section IV. State Award Findings and Questioned Costs

None reported.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
CORRECTIVE ACTION PLAN
For The Fiscal Year Ended June 30, 2022

II. Financial Statement Findings

None reported

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Fiscal Year Ended June 30, 2022

None

TOWN OF KILL DEVIL HILLS, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2022

<u>Grantor Agency/Major Subdivision</u> <u>Pass-through Grantor(s)</u> <u>Program Title</u>	<u>Federal</u> <u>Assistance Listing</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Federal</u> <u>(Direct and</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
<i>Federal Grants:</i>				
U.S. Department of Homeland Security Passed-through N.C. Department of Public Safety Division of Emergency Management Disaster Grants - Disaster Assistance	97.036	4465-DR-NC	\$ 2,172,809	\$ 724,269
Total Assistance - Federal Programs			<u>2,172,809</u>	<u>724,269</u>
<i>State Grants:</i>				
<u>N.C. Department of Transportation</u> Powell Bill Total N.C. Department of Transportation	N/A	DOT-4	-	<u>235,026</u> 235,026
<u>N.C. Department of Environmental Quality</u> Division of Water Quality - Shore Protection Project Parks and Recreation Trust Fund (CAMA-PARTF) Total N.C. Department of Environmental Quality	N/A N/A	CW19035 CW17529	- -	<u>282,012</u> <u>47,380</u> 329,392
Total Assistance - State Programs			<u>-</u>	<u>564,418</u>
Total Federal and State awards			<u>\$ 2,172,809</u>	<u>\$ 1,288,687</u>

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

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Kill Devil Hills under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Kill Devil Hills, it is not intended to and does not present the financial position, changes in net position of cash flows of The Town of Kill Devil Hills.

Note 2. Summary of Significant Accounting Policies

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

The Town of Kill Devil Hills has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.