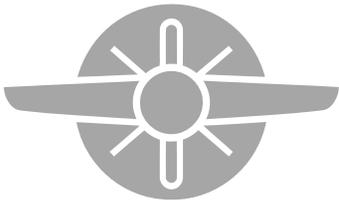


TOWN OF KILL DEVIL HILLS, NC

POPULAR ANNUAL FINANCIAL REPORT



**FOR THE YEAR ENDED
JUNE 30, 2023**



REPORT OVERVIEW

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The Town of Kill Devil Hills Finance Department is proud to present the first edition of our Popular Annual Financial Report (PAFR). This report is designed to provide citizens and other interested parties with a user-friendly overview of the financial results of the Town of Kill Devil Hills for the fiscal year ended June 30, 2023 (FY 2022-23) as reported in the 2023 Annual Comprehensive Financial Report (ACFR). The ACFR is prepared in conformance with generally accepted accounting principles (GAAP). The ACFR was audited by Potter and Company and received an unmodified or “clean” opinion. The Town submits the ACFR to the Government Finance Officers Association annually and has received the Certificate of Achievement for Excellence in Financial Reporting for 35 years.

This report highlights the overall financial condition and trends of the Town, and is not required to present the same level of detail as the ACFR; as a result, it may not fully conform to GAAP. For more information, the ACFR can be reviewed on our website, kdhnc.com.

BOARD OF COMMISSIONERS



L-R: Commissioner Terry Gray, Commissioner John Windley, Mayor Ben Sproul, Commissioner B.J. McAvoy, Mayor Pro Tem Ivy Ingram

A five-member Board governs the operations of the Town with a council-manager government. Authority is vested in the Board to adopt the Town's operating budget, establish policy, adopt ordinances, appoint advisory boards and committees, and appoint the Town Manager and Town Attorney.



COMMITTEES

Resident volunteers provide an invaluable service to our community by serving on the Town's boards and committees, advising the Board of Commissioners and Town staff on a variety of subjects, and offering diverse voices to ensure community access and input. Click on the committee name to the right to learn more or to submit a board/committee application today!



[Board of Adjustment](#)



[Community Appearance Commission](#)



[Dangerous Animal Appeal Board](#)



[Historic Landmarks Commission](#)



[Personnel Board](#)



[Planning Board](#)



[Street Improvement and Special Projects Committee](#)

MESSAGE FROM OUR TOWN MANAGER

CITIZENS OF THE TOWN OF KILL DEVIL HILLS:



Thank you for taking an interest in how taxpayer dollars are used to operate Kill Devil Hills' services. This report, the Popular Annual Financial Report (PAFR), is an annual report to provide those with an interest in the Town's financial activities a summary of our financial operations in a concise and user-friendly format. While thorough, it's an abbreviated version of the Town's Annual Comprehensive Financial Report (ACFR) for fiscal data ending June 30, 2023. The PAFR is intended to be a supplement to the ACFR, not a replacement.

It's our hope that the PAFR helps you gain a better understanding of the Town's financial activities and our commitment to fiscal integrity and sound financial management. In addition, our aim with this report is to provide a level of transparency that gives you the utmost confidence in how your Town operates.

The Town prides itself on its comprehensive and quality services, all provided while maintaining a sound financial position. We hope that you find it to be informative and understandable. As you review this PAFR, please feel free to share any questions, concerns, or recommendations you may have with us.

Debbie Diáz
Town Manager

Core Values

- Citizen participation
- Honesty and integrity
- Unity and teamwork
- Fairness and equity
- Our unique natural environment

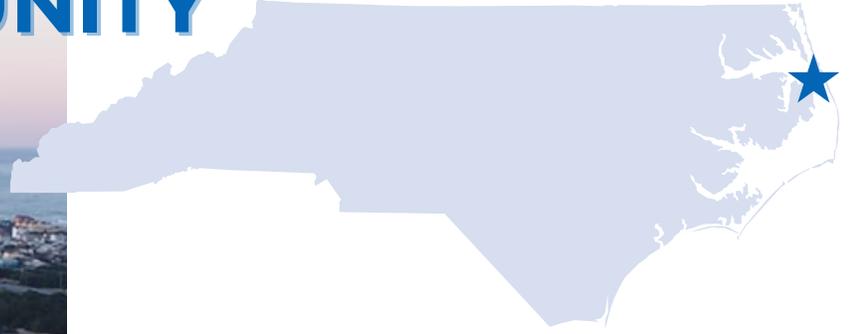
MISSION

The Town of Kill Devil Hills is dedicated to enhancing the quality of life for all citizens, businesses, and property owners by providing the maximum level of service in the most effective and efficient manner while exercising sound fiscal responsibility.

VISION

Our desire is for Kill Devil Hills to be recognized as a wonderful place to live, where our citizens, businesses, and property owners receive high quality services, our employees work in an atmosphere of respect and support and our leadership stimulates cooperation and innovation in our community.

OUR COMMUNITY



The Town of Kill Devil Hills, located on the barrier islands of eastern North Carolina, received its municipal charter on March 6, 1953. The Town's economy is based on travel, tourism and related service industries. Known for being the location of the first powered airplane flight, Kill Devil Hills is home to the Wright Brothers National Memorial (pictured left). As one of the most desirable destinations in the country, the Town's population grows from 7,781 year-round residents to over 35,000 in the peak summer months. This seasonality brings fluctuations to the unemployment rate with a high of 7.3% in the winter to a low of 3.0% in the summer, for an average of 4.3%.

Property tax values vary throughout the Town with a median value of oceanfront homes of \$900,085 and median value of non-oceanfront homes of \$287,918. Total property tax valuation for the Town is \$3,065,260,380.



WHAT'S HAPPENING AROUND TOWN



Members of the KDH Fire Department and the KDH Board of Commissioners pose with the NC Insurance Commissioner/State Fire Marshal Mike Causey and Ratings and Inspections Supervisor Tony Bailey to receive their Class 1 rating. This rating is based on staffing levels, sufficient equipment and proper maintenance, communications capabilities, and water source availability, among other criteria. With over 1,200 Fire departments in North Carolina, KDH is one of only 28 to achieve a Class 1 rating!

SPECIAL EVENTS

The Town hosts several special events throughout the year to bring citizens together. These events include Trash Attack!; July 4th Fireworks Spectacular; National Night Out; Town Ice Cream Social; Fire Prevention Week; Wright Lights Illumination with Santa; and the First Flight Farmers and Holiday Markets that bring together local vendors offering homegrown and homemade items.



First Flight Farmers Market at Aviation Park

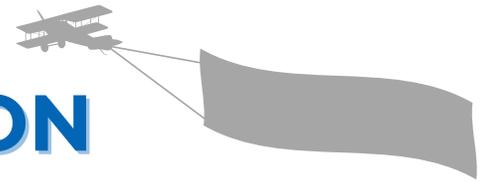
NEW FIRE STATION

Construction commenced on a joint Fire and EMS building to be used by KDH Fire and Dare County EMS. Upon completion, expected in mid-2024, the Town will begin a lease for the fire station, which is approximately 49% of the building. Dare County is financing the project with limited obligation bonds with a 20-year term.

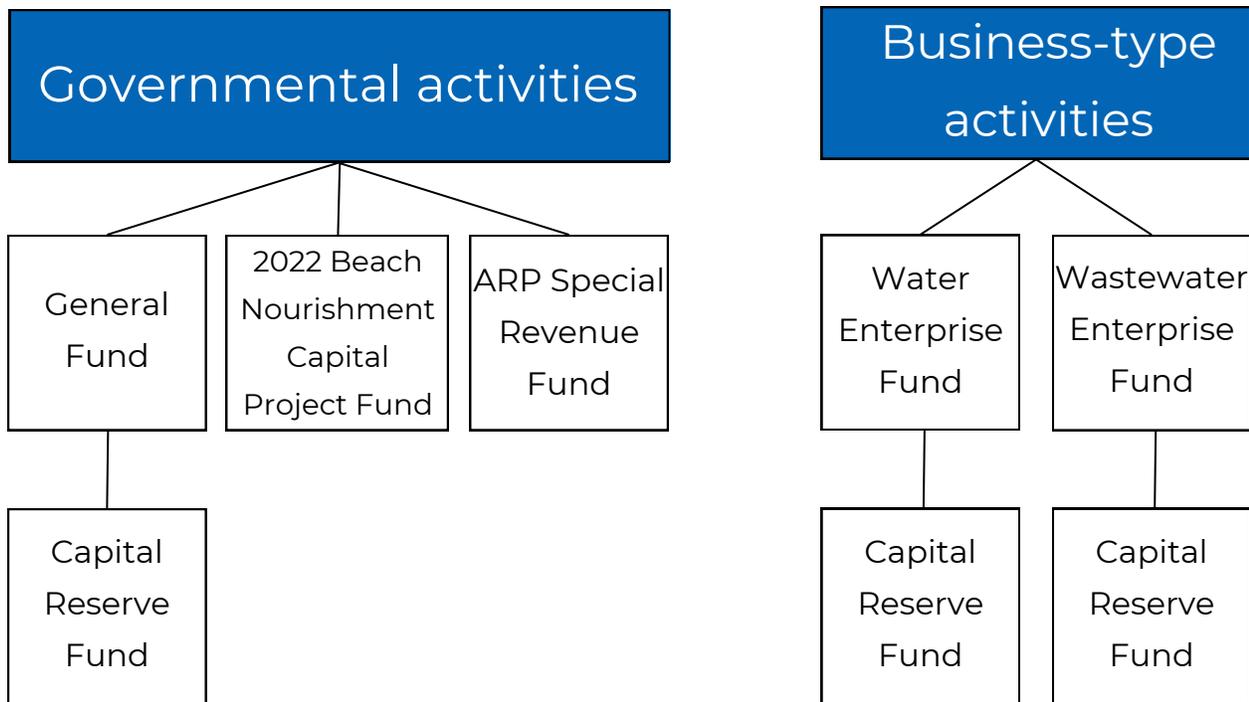


Groundbreaking at the Fire/EMS station

FINANCIAL ORGANIZATION



Local government accounting systems must be organized and operated on a fund basis. 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 funds specific to the Town of Kill Devil Hills are outlined below. The Town’s Fiduciary Funds are not included in this report since they cannot be used to support the activities of the Town.



GOVERNMENTAL

Governmental funds account for most of the basic services provided by a government. They are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions.

BUSINESS-TYPE

Business-type activities account for the Town’s ongoing activities that are similar to businesses found in the private sector. These activities are financed mostly through fees charged to consumers.

TOWN-WIDE FINANCIALS

STATEMENT OF NET POSITION

This document works as the Town’s balance sheet and displays overall financial health over the long and short term.

Assets

Assets are anything that provides value to the town.

Liabilities

Liabilities are future obligations that the town will have to pay.

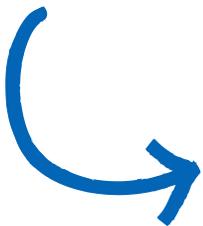
Deferred Resources

Deferred outflows are the use of net assets applicable to future periods.

Deferred inflows are the acquisition of net assets applicable to future periods.

Net Position (NP)

NP is the excess of Assets and Deferred Outflows over Liabilities and Deferred Inflows. It is classified as net investment in capital assets (47,610,176); restricted (11,159,372) and unrestricted (15,385,175).



	Governmental Activities		Business-Like Activities	
	2023	2022	2023	2022
Assets	68,771,211	70,452,124	28,539,699	26,945,364
Deferred Outflows	4,755,610	3,671,565	576,273	429,309
Liabilities	(24,406,755)	(27,262,605)	(2,873,139)	(2,448,028)
Deferred Inflows	(1,107,583)	(2,895,509)	(100,593)	(364,148)
Total Net Position	48,012,483	43,965,575	26,142,240	24,562,497

TOWN-WIDE FINANCIALS

STATEMENT OF ACTIVITIES

This statement serves as the Town's income statement, providing a summary of amounts received (revenues) and amounts spent (expenses). The difference between revenues and expenses shows the Town's change in net position.



	Governmental Activities		Business-Like Activities	
	2023	2022	2023	2022
Revenues	26,109,021	26,774,599	5,988,575	5,716,006
Expenses	(22,062,113)	(19,458,756)	(4,408,832)	(4,122,059)
Change in Net Position	4,046,908	7,315,843	1,579,743	1,593,947
Beginning Net Position	43,965,575	36,649,732	24,562,497	22,968,550
Ending Net Position	48,012,483	43,965,575	26,142,240	24,562,497

The Town's overall net position increased by \$5,626,651 in FY 2022-23. While this increase reflects the positive variance of revenues over expenses, it is \$3,283,139 less than the increase in net position seen in the prior fiscal year. This smaller increase in net position is mostly attributed to changes in governmental activities, including both a \$665,578 decrease in revenues (2.5%) and a \$2,603,357 increase in expenses (13.4%). Much of these variances are a result of the timing of expense and revenue recognition of the ongoing beach nourishment project.



GENERAL FUND OVERVIEW

The General Fund is the only type of fund every government is required to have. It is the primary operating fund of the Town, accounting for all financial resources except those that are required to be accounted for in another fund. Unlike the Government-wide statements, the governmental fund statements focus on providing information on the near-term inflows, outflows, and balances of spendable resources. The General Fund of the Town of KDH has 5 primary functions.

01

General government

This encompasses a variety of services including Administration, Finance and Tax, Management Information Services, Planning and Development, Buildings and Grounds, and Beach Nourishment.

02

Public Safety

This function consists of those departments who focus on keeping citizens and visitors safe. It includes Police, Animal Control, Fire and Ocean Rescue.

03

Transportation

This function focuses on the construction and maintenance of streets and sidewalks. It includes the services of the Streets department and funds received through the state's Powell Bill program.

04

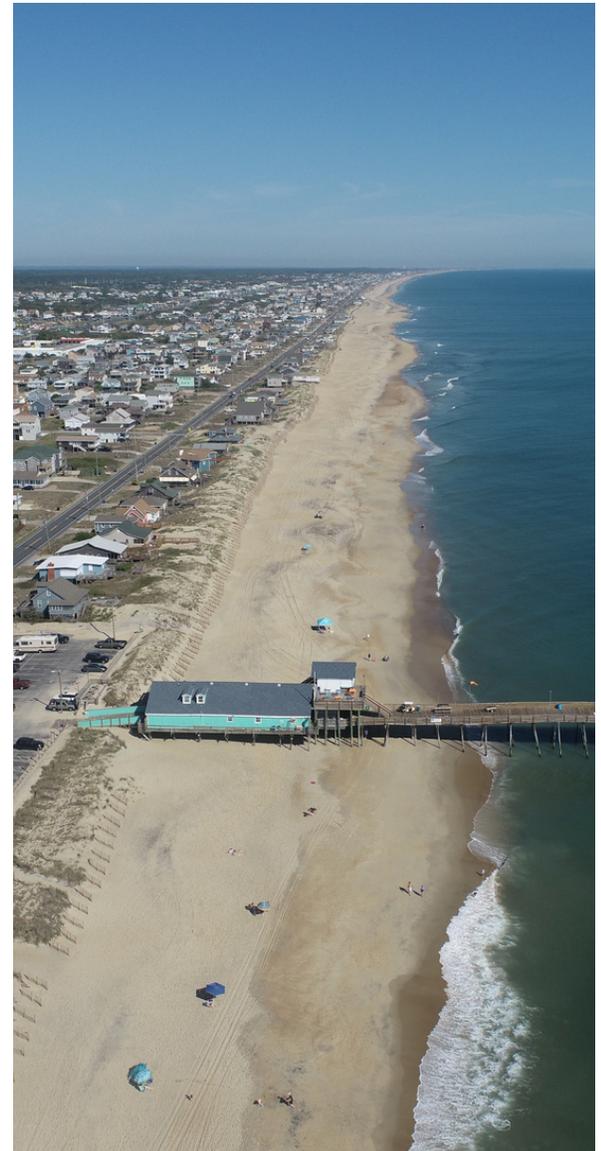
Public Works

This function focuses on the maintenance of the vehicles and equipment of the Town. It is comprised of the Fleet Maintenance division.

05

Environmental Protection

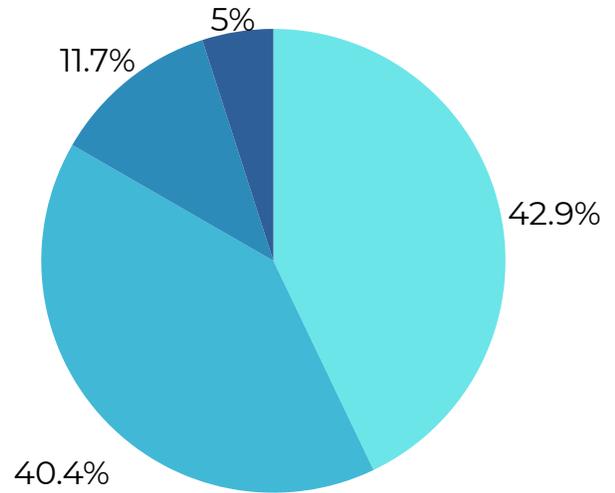
This function is comprised of the Solid Waste division, which focuses on meeting the refuse collection and disposal needs of the Town.



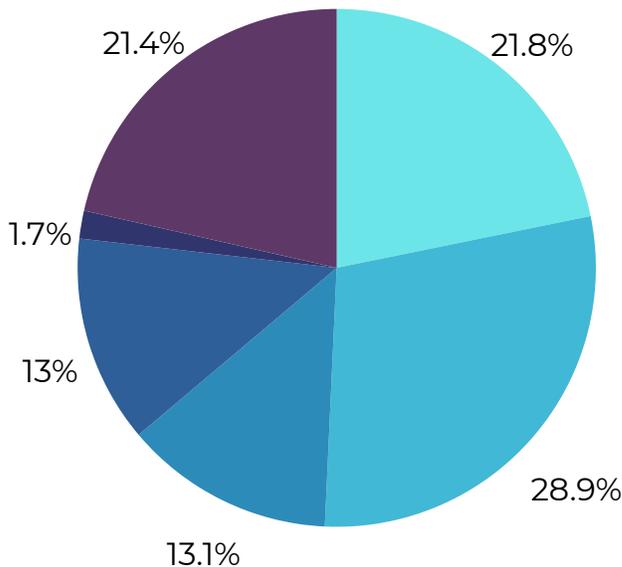
GENERAL FUND: FINANCIAL RESULTS

REVENUES

	2023	2022
Ad valorem taxes	10,347,716	10,174,622
Other taxes/licenses	9,750,361	10,464,975
Intergovernmental	2,828,699	4,448,458
Other	1,234,016	142,455
Total	24,160,792	25,230,510



EXPENSES

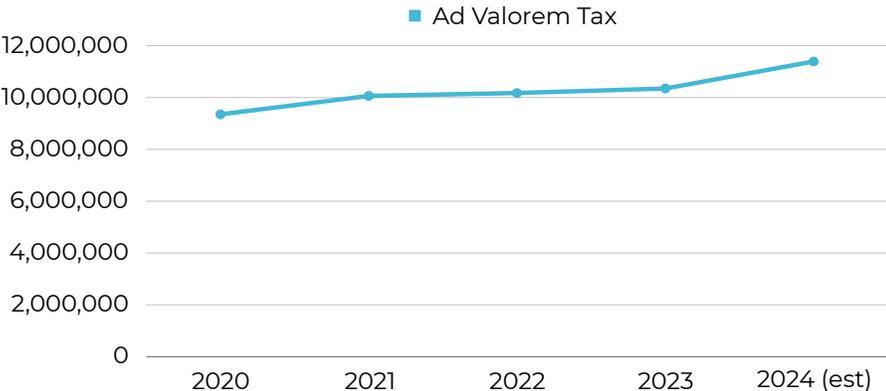


	2023	2022
General	5,931,940	5,722,980
Public Safety	7,876,259	7,181,257
Transportation	3,569,394	2,713,957
Environmental	3,528,653	2,366,274
Public Works	473,944	415,905
Debt Service	5,837,388	3,408,639
Total	27,217,578	21,809,012

GENERAL FUND: TAX REVENUES

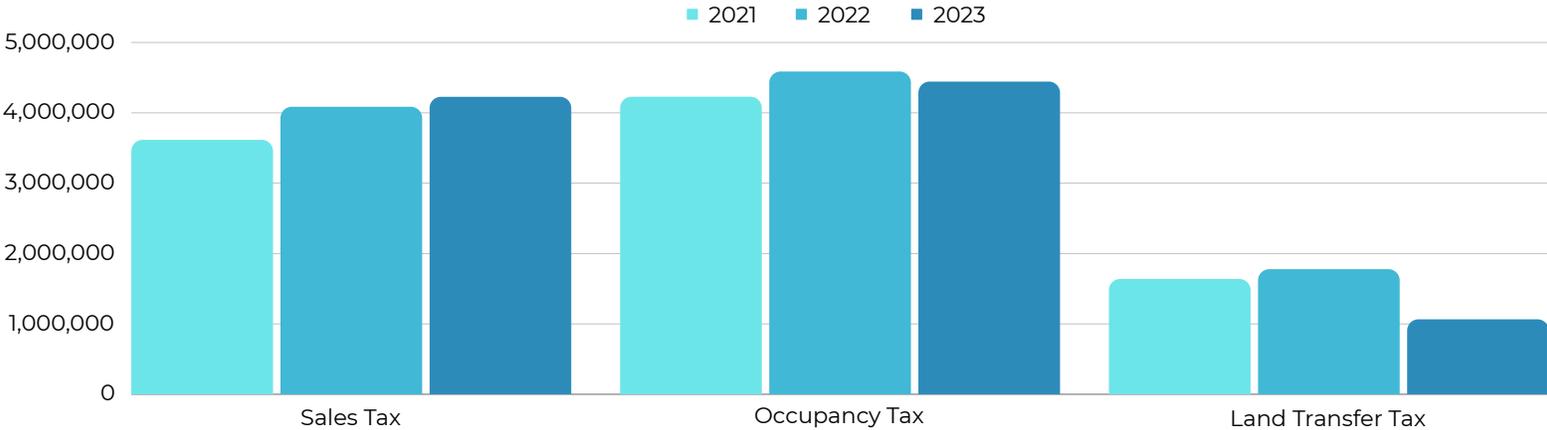
Ad Valorem Taxes

Ad Valorem taxes are charged based on each \$100 valuation of assessed property. The Town-wide tax rate for FY 2022-23 was \$.32 per \$100 valuation. An additional \$.24 was charged to property owners who live within the Municipal Service District (MSD). Despite no increases to the tax rate since FY 2019-20, the Town has seen small but consistent increases due to incremental increases in value resulting from improvements and new construction. In FY 2022-23, Ad Valorem taxes increased 1.7% over the prior year, from \$10,174,622 to \$10,347,716. The adopted budget for FY 2023-24 includes a \$.035 increase for a total tax rate of \$.355 per \$100 in property value. The MSD tax rate remains \$.24 in FY 2023-24.



Other Taxes & Licenses

After unprecedented periods of growth in FY 2020-21 and 2021-22, other taxes and licenses decreased 6.8% in FY 2022-23, from \$10,464,975 to \$9,750,361. While sales and occupancy taxes remained consistent with a 3.5% increase and 3.1% decrease respectively, land transfer taxes decreased 40.1% from \$1,778,083 to \$1,065,462. This decline can be tied directly to higher interest rates throughout 2023 which led to a relatively cool housing market compared to previous years.



GENERAL FUND: GRANTS

A major source of Restricted Intergovernmental Revenues are grant funds. Grants were received from federal, state, and local sources throughout FY 2022-23 to cover both operating and capital expenditures. Grants related to other governmental funds can be found on page 17.

POWELL BILL

Powell bill funds are distributed to cities and towns annually to assist in maintaining, constructing, and repairing Town-maintained streets. The Town received \$275,549 in FY 2022-23.

OUTER BANKS VISITORS BUREAU

The Town received \$12,200 for it's annual allocation for half the cost of the July 4th fireworks display. In addition, the Town received a one-time \$200,000 grant to cover a portion of the costs of the improvements to Meekins Field.

FEDERAL EMERGENCY MANAGEMENT (FEMA)

\$218,349 was recognized for the purchase of new radios for the Fire department. \$697,228 was recognized for the beach nourishment project in FY 2022-23, for a project total of \$3,594,307. Beach nourishment funds were allocated to cover damages from Hurricane Dorian.

STREAMFLOW REHAB ASSISTANCE PROGRAM

\$258,458 was received from the NC Department of Agriculture and Consumer Services, Division of Soil and Water for rehabilitation of the drainage canal from W. Landing to W. First St.

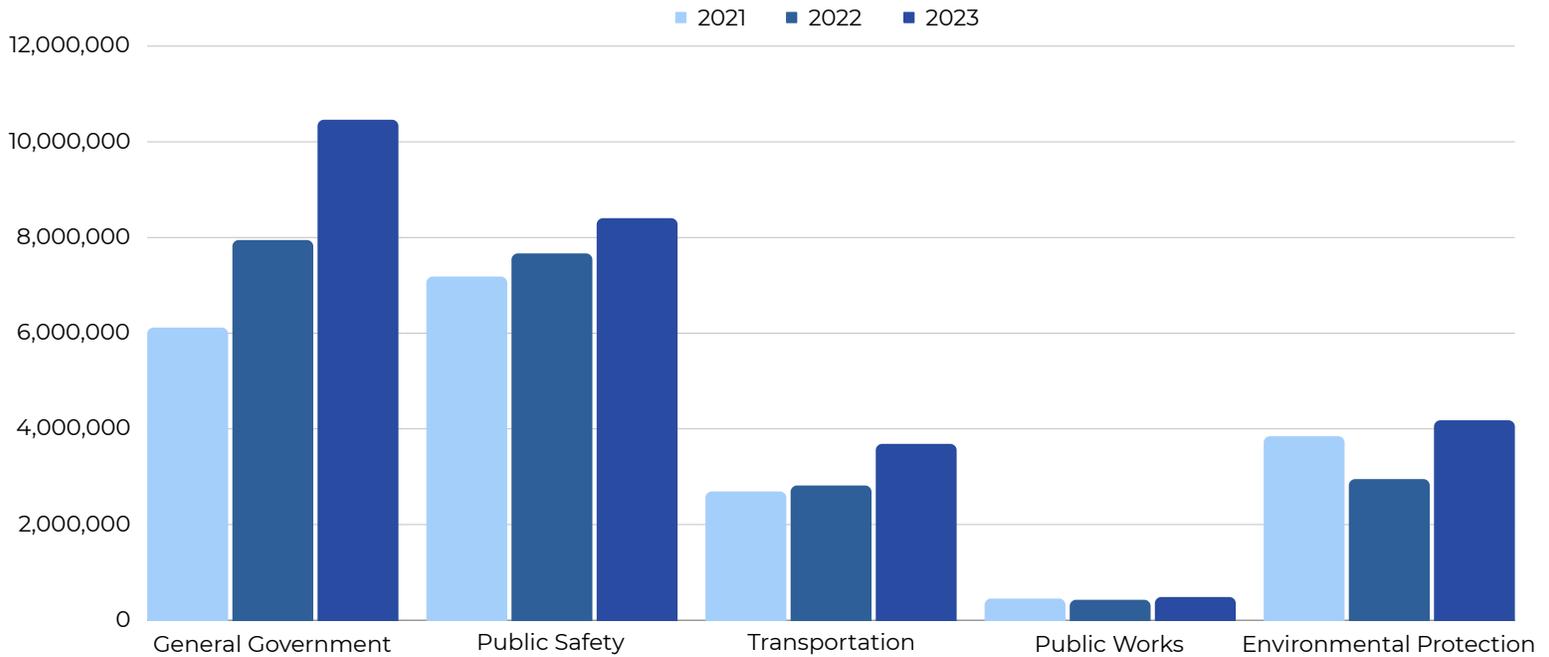


July 4th Fireworks



Meekins Field Splash Pad

GENERAL FUND: EXPENDITURES



Total General Fund expenditures increased from \$21,809,012 in FY 2021-22 to \$27,217,578 in FY 2022-23 (24.8%). A major portion of the increase was due to the one time repayment of the FEMA special obligation bond of \$3,638,169. This financed the FEMA-portion of the beach nourishment project since reimbursements are delayed. Other factors contributing to this increase were the 7.5% cost of living adjustment for all employees, a 7.5% increase in health insurance rates for active and retired employees, and the overall increase to operating expenses due to inflation.



POPULAR ANNUAL FINANCIAL REPORT 2023

Capital outlay purchases include:

General government:

- Town server
- Irrigation sprayer
- IT software

Public safety:

- 5 Police vehicles
- Radios for the Fire department

Transportation:

- Compact tractor
- Peterbilt dump truck
- Ford F250

Environmental Protection:

- Dump trailer
- Roll-off containers
- 2 residential garbage trucks
- Commercial garbage truck

Major capital projects are outlined on the following page.

GENERAL FUND: CAPITAL PROJECTS

Meekins Field

Significant improvements to Meekins Field include new playground equipment, parking lot, resurfaced tennis courts, construction of a bathroom facility, landscaping upgrades and the county's first splash pad.

Aviation Park

Improvements include parking lot expansion and a new roof for the pavilion. Resurfacing of the hockey rink is budgeted in FY 24.



Aviation Park parking lot expansion



Town Hall



Meekins Field Splash Pad

Streets and Sidewalks

Street projects completed in FY 2022-23 included W Third St. and W. Durham/N Croatan/ W Fifth St. The Seminole/Indian St project was engineered and bid for completion in FY 2023-24. In addition, a sidewalk was added along Hwy 158 in front of the Wright Bothers Monument.

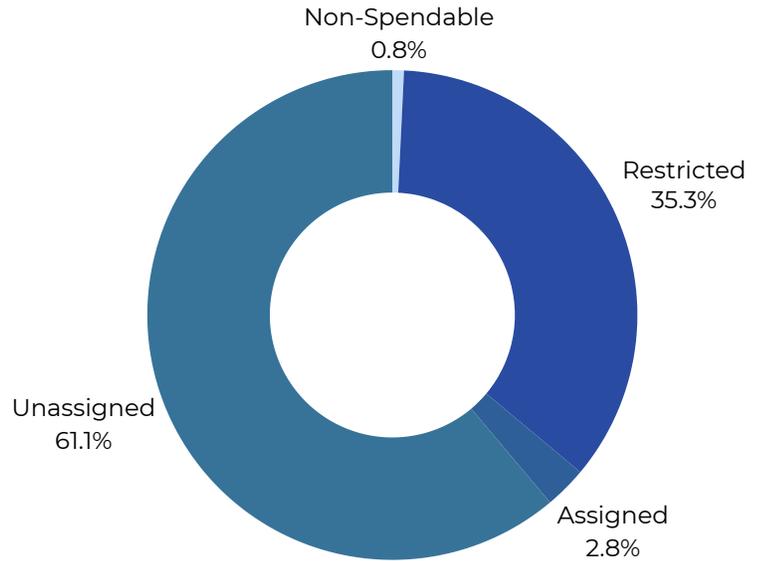
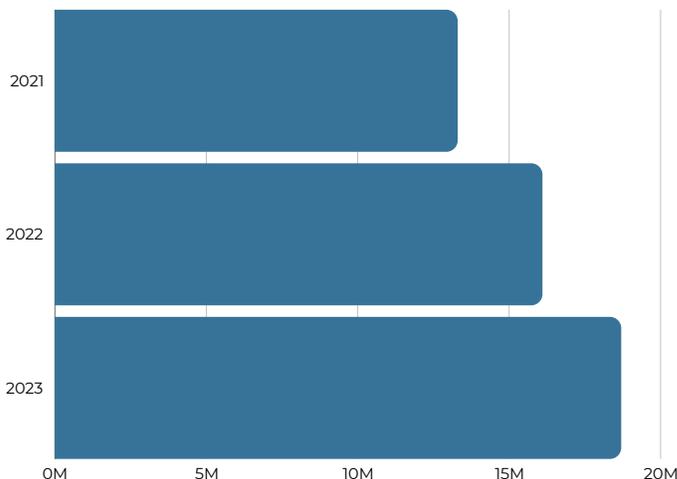
Town Hall Improvements

New metal roofing systems were installed on Town Hall and the Records Storage building.

GENERAL FUND: FUND BALANCE

Fund balance is one indicator of the financial health of the Town as it represents the excess of revenues over expenditures in governmental funds since the beginning of the Town's existence. There are five classifications of fund balance based on level of restriction. Any fund balance that has no restrictions placed on it is classified as unassigned and represents the net resources available for spending at the end of the year. Town policy requires unassigned fund balance to be at least 35% of budgeted General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. With budgeted expenditures of \$24,831,039 for FY 2023-24, the Town's unassigned fund balance of \$18,714,635 as of June 30, 2023, exceeds the policy requirement.

■ Unassigned Funds



Total General Fund Balance: \$30,615,424

- **Non-Spendable** - Not in spendable form:
 - inventory (\$232,035)
 - prepaid items (\$1,037)
- **Restricted** - Limitations from external forces such as lenders, creditors, and policy makers:
 - State statute (\$5,983,058)
 - Public safety (\$37,121)
 - Streets (\$19,001)
 - Capital reserve (\$4,775,490; see next page)
- **Committed** - Funds committed for a purpose as established by Board resolution (None)
- **Assigned** - Funds for which the Board of Commissioners has an intended use:
 - Subsequent year's expenditures (\$853,047)
- **Unassigned** - Residual classification for all spendable amounts that have not been restricted, assigned or committed (\$18,714,635). Of this amount, \$8,690,864 is required to meet the fund balance policy, leaving \$10,023,771 to meet the needs of the Town.

GENERAL FUND: CAPITAL RESERVES

The Town has legally adopted a capital reserve fund that is consolidated into the General fund in the financial statements. Capital reserve funds are a way to designate funds for future capital projects. The five purposes for which funds have been set aside are outlined below.



Beach Nourishment

- Created for the purpose of nourishing approximately 2.6 miles of oceanfront beaches
- Balance of \$3,708,238

Shoreline Access

- Created for the purpose of building, maintaining, and improving public beach accesses
- Balance of \$212,153



Recreational Facilities

- Created for the purpose of development of recreational facilities
- Balance of \$73,495

Sidewalks and Multi-Use Paths

- Created for the purpose of construction of sidewalks and multi-use paths
- Balance of \$49,360



Streets

- Created for the purpose of construction and improvements of streets and storm water systems
- Balance of \$732,244

OTHER GOVERNMENTAL FUNDS

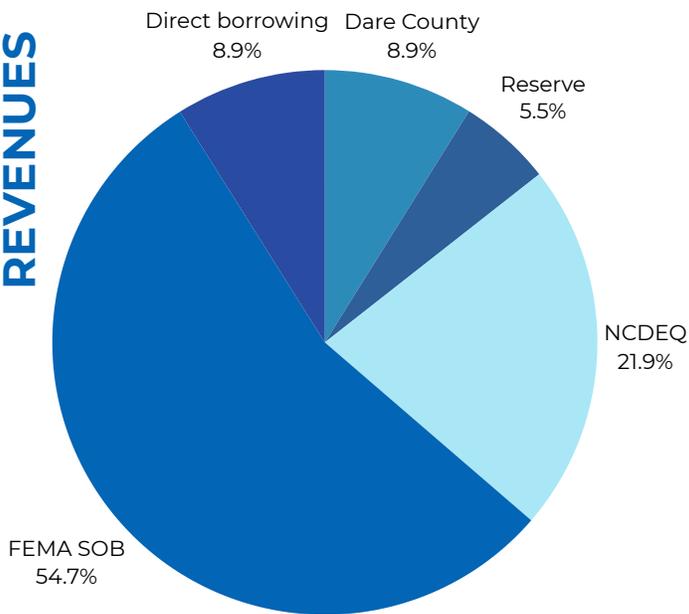
ARP Special Revenue Fund

In FY 2020-21, the American Rescue Plan Act allocated funds to support urgent COVID-19 response efforts and replace lost revenue for eligible governments. The Town received \$2,337,008 in two equal installments. These funds were transferred to the General Fund and used as revenue replacement to cover law enforcement salaries in FY 2022-23. This freed up General Fund money to be used for capital improvement projects.



2022 Beach Nourishment Capital Project Fund

REVENUES



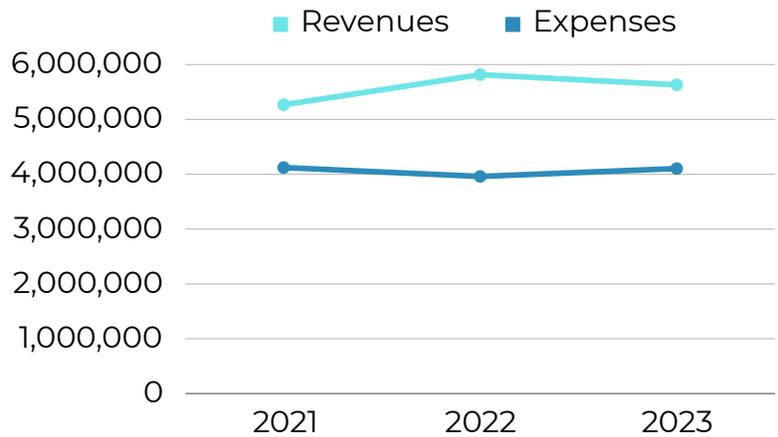
The Town began a beach nourishment project in 2022. Grant funds were received from NCDEQ (\$1,456,876) and Dare County (\$589,332) and are expected to be received from FEMA in 2024. Due to the delay of FEMA reimbursement, a special obligation bond was issued to fund the FEMA portion of the project (\$3,638,169). The Town used capital reserve funds (\$368,217) and a direct borrowing (\$593,224) for expenses not covered by grants. As of June 30, 2023, expenditures totaled \$6,305,790 with only project closeout costs remaining.



BUSINESS-TYPE ACTIVITIES

WATER

Total Water Fund operating revenues were \$5,630,907 for FY2022-23, a decrease of \$184,705 (3.2%) from the prior year. The majority of this was from service fees (\$5,573,194). Other revenues included penalties and interest (\$33,857) and miscellaneous revenues (\$23,856). Operating expenses totaled \$4,103,553, an increase of \$143,576 (3.6%) over the prior year. This was mostly due to the 7.5% COLA given to employees, the 7.5% increase to health insurance premiums for active and retired employees, and overall increases to operating expenses due to inflation. Investment earnings (\$148,542), a loss on the disposal of capital assets (\$137,450), and a transfer from the wastewater fund (\$18,750) resulted in an increase to net position of \$1,557,196, for a total net position of \$26,381,544.



WASTEWATER



Operation and maintenance of the wastewater plant has been contracted, resulting in relatively stable revenues (\$207,155) and expenses (\$167,829). The vast majority of revenues came from wastewater sales (\$200,994). The main expenses were maintenance and repairs (\$42,324), contracted services for operation of the plant (\$36,000), treated wastewater costs (\$79,205), and water fund debt repayment (\$18,750).

PAFR

2023 Popular Annual Financial Report

CONTACT

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