

# Annual Comprehensive Financial Report

Year Ended June 30, 2025



**Town of Kill Devil Hills**

North Carolina

Cover photo provided by credit: Capt. Jody Long

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**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**

*Annual Comprehensive Financial Report*

**Fiscal Year Ended June 30, 2025**

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*Prepared by the Town of Kill Devil Hills Finance Department  
Angell W. Doughtie, CPA, Finance Director  
Samuel S. Angelo, CPA, Assistant Finance Director*

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**Mayor**  
**JOHN L. WINDLEY**  
**Mayor Pro Tem**  
**IVY RAY INGRAM**  
**Commissioners**  
**TERRY L. GRAY**  
**T. DILLON HEIKENS**  
**BERNARD B. MCAVOY, JR.**



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

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The Town of  
**KILL DEVIL HILLS**  
**NORTH CAROLINA**

**December 9, 2025**

**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, 2025.

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 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 DMJPS PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Kill Devil Hills for the fiscal year ended June 30, 2025 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used 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, 2025, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

102 Town Hall Drive - P.O. Box 1719 - Kill Devil Hills, NC 27948 - (252) 449-5300





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 is 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, which consists 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 and mayor pro tem, are elected to four-year staggered terms.

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. While revenue growth has slowed, revenues remain strong. 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, enabling 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 prioritize both the delivery of quality services and financial stability.

Land Where Flight Began





## TOWN OF KILL DEVIL HILLS

**Long-term financial planning and major initiatives.** Capital Reserve funding for streets in the amount \$45,800, Capital Reserve funding for sidewalks in the amount of \$450,450, and Powell Bill funds in the amount \$280,000 in the FY 2026 budget will provide funds for the street improvement project on East and West First Street. The Capital Reserve Funds for Shoreline and Recreational Facilities will each receive \$75,000 for future projects. Maintenance and repair of existing streets and sidewalks will receive \$50,000 and \$10,000 respectively. Capital improvements include resurfacing of the hockey rink at Aviation Park and improvements to Carlow and Atlantic Street beach accesses. Direct borrowing installment financing budgeted at \$1,533,500 will include the purchase of a mower, 5 police vehicles, 6 pickup trucks, and two commercial garbage trucks.

In fiscal year 2022, a ten-year Water System Master Plan was adopted that provides a detailed analysis of all aspects of the Town Water System. This includes: 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 rate and fee analysis to guide future rate and fee decisions. Capital improvements in FY 2026 include building upgrades at the Water Plant of \$300,000 and replacement of the Water Systems building, estimated to cost \$2,250,000. Vehicle and equipment purchases include two pickup trucks, a backhoe with trailer, and a ditch-witch trailer for a total of \$250,000. Additionally, \$689,850 has been estimated for upgrades to the water systems in tandem with East and West First Street upgrades during the year. These improvements, equipment, and projects, are funded on a 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 \$324,000 in water system expansion and replacements. Various other waterline and system maintenance is funded on a pay-as-you-go basis from operations.

Operation and maintenance of the wastewater collection 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 have allowed for sustained reliable operations and funded 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. The project in Kill Devil Hills took place during the summer of 2022 and nourished approximately 2.6 miles of northern Kill Devil Hills' beaches. With the project complete, the only remaining expenses are related to closeout of the project and receipt of the final FEMA reimbursement. The cost to Kill Devil Hills is estimated to total \$6,322,480, slightly less than the \$6,395,623 budgeted for the project. Funding for the project came in part from a North Carolina Division of Water Quality grant, Federal Emergency Management Agency (FEMA) grant, Dare County grant, and the Town of Kill Devil Hills. Special obligation bonds were issued for the Town's portion of the project and for the FEMA portion of the project. The FEMA bond was paid off in April 2023 using a combination of FEMA revenues already received and Town funds. The remaining FEMA revenue is expected to be received in FY 2026. The Town's portion of the debt is being amortized over five years, with mainly land transfer tax revenue being pledged as collateral. A Municipal Service District (MSD) was created to include those properties that receive a direct benefit from the beach nourishment projects. The MSD tax assessment is 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. Planning for the next beach nourishment project, scheduled for 2027, has already begun.

Land Where Flight Began





TOWN OF KILL DEVIL HILLS

Other collaborative efforts with Dare County include the lease for a portion of a joint Fire and EMS station. Upon completion of construction in July 2024, the Town began a lease for the fire station, which is approximately 49% of the building. The lease has an initial term of 20 years, with the option for three additional ten-year terms. Dare County financed the project with limited obligation bonds with a 20-year term. The Town will make semiannual payments to Dare County for that portion of the bond which is attributed to the fire station, totaling \$15,134,992.

**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, 2024. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

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-six 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

**Angell W. Doughtie**

Director of Tax and Finance

Land Where Flight Began



Elected Officials

Mayor  
Mayor Pro Tempore  
Commissioner  
Commissioner  
Commissioner

John L. Windley  
Ivy Ray Ingram  
Terry L. Gray  
T. Dillon Heikens  
Bernard B. McAvoy Jr.

Appointed

Town Attorney  
Town Manager

Casey C. Varnell  
Debora P. Diaz

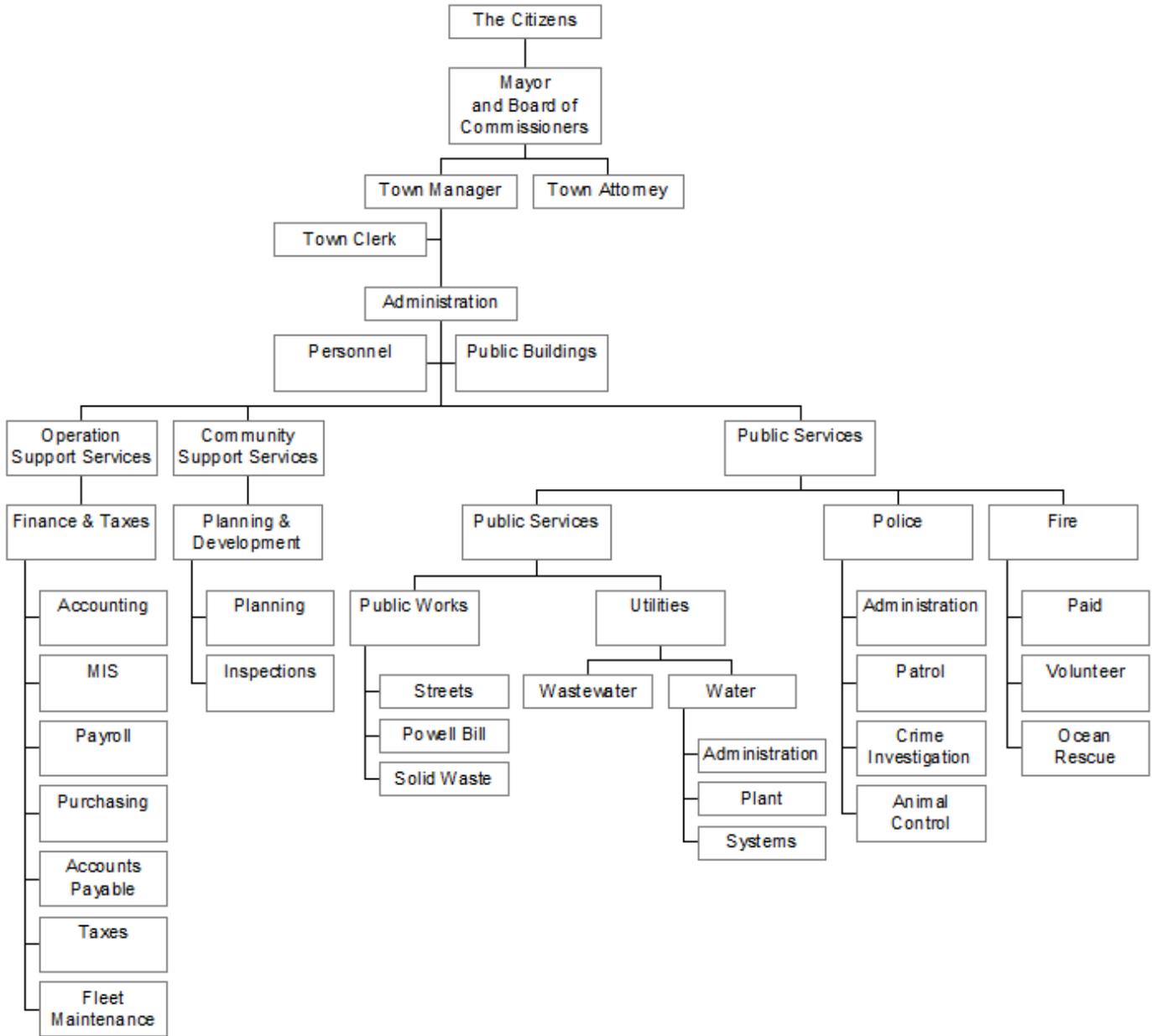
Town Administration

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

James Michael O'Dell  
Charlene S. Allen  
Angell W. Doughtie, CPA  
Meredith B. Guns  
Stephen F. Albright  
Troy N. Tilley  
Gary L. Britt

# Organizational Chart

June 30, 2025





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, 2024

*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 the Financial Statements

#### Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Kill Devil Hills**, as of June 30, 2025, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund 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' Responsibilities for the Audit of the Financial Statements**

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the **Town of 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.

## **Prior Period Comparative Information**

The financial statements as of June 30, 2024 were audited by Potter & Company, P.A., who merged with DMJPS PLLC as of July 1, 2025, and whose report dated November 12, 2024 expressed an unmodified opinion on those statements.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12 through 25, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 92 through 95, 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 96 through 99, and the Other Post Employment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 100 through 101, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Town of Kill Devil Hills'** basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2025, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **Town of 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.

**DMQPS PLLC**

December 9, 2025  
Monroe, North Carolina

# Management's Discussion and Analysis

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, 2025. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

## Financial Highlights

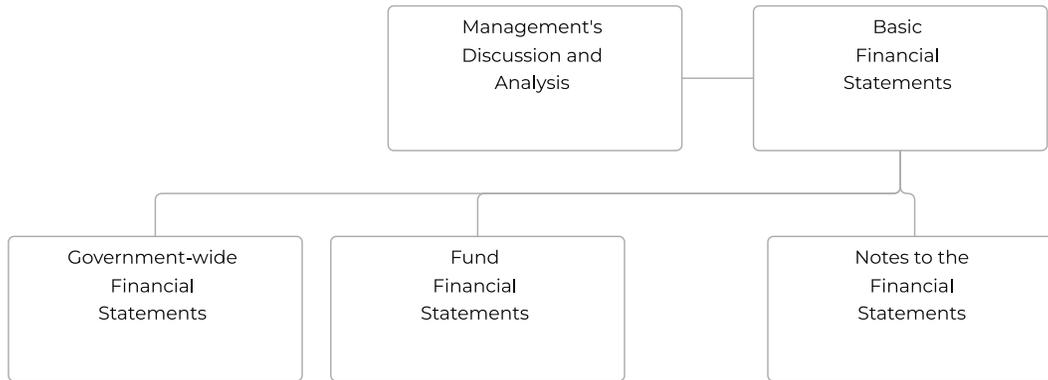
- The assets and deferred outflows of the Town of Kill Devil Hills exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$81,337,551 (*net position*). Of this amount, \$14,648,316 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,352,704, primarily due to governmental capitalized right-to-use assets, other capitalized expenses over depreciation, and favorable performance of business-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 \$35,639,320, an increase of \$575,841 from the prior year. The change was primarily due to a General Fund increase of \$533,741, driven by minor increases in ad valorem and other taxes and licenses revenues. An increase in Non-major fund balances of \$42,100, resulting from net investment earnings and a transfer from the General Fund, also contributed to the increase.
- The Town of Kill Devil Hills' total debt for direct borrowing installment notes and direct placement debt decreased by \$1,190,058. Principal payments for the fiscal year were \$2,034,488. New debt issuances consisted of direct borrowing installment financing of \$844,430.
- After restrictions and assignments, \$19,689,025, approximately 55.2% of the total fund balance, is available for spending at the government's discretion (unassigned fund balance.) This amount is 52.6% of total General Fund expenditures for the fiscal year.

## Overview of the Financial Statements

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

**Required Components of Annual Financial Report**

**Figure 1**



Summary -----> Detail

## 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 for major governmental funds, 3) the proprietary fund statements and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in 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 *statement of net position* presents information on all the Town's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, transportation, environmental protection, and public works. The business-type activities of the Town include water and wastewater.

The government-wide financial statements are Exhibits 1 and 2 of this report.

## Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town 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 General Statutes or the Town's Budget Ordinance. All the funds of the Town of Kill Devil Hills can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**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 an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial

statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Kill Devil Hills maintains three governmental funds, one of which is considered a major fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The Town of Kill Devil Hills adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the Budget Ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges to appropriations and ending balances in the General Fund and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds.** The Town of Kill Devil Hills has one type of proprietary fund, *Enterprise Funds*, which is 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.

**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 statements 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 Firefighters' Relief Fund.

**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.

**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 and OPEB benefits to its employees.

**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**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
<b>Assets and deferred outflows of resources:</b>						
Current and other assets	\$ 36,730,768	\$ 36,580,019	\$ 13,325,443	\$ 13,433,292	\$ 50,056,211	\$ 50,013,311
Capital assets	46,882,891	36,391,955	18,899,901	17,060,464	65,782,792	53,452,419
Deferred outflows of resources	3,874,949	4,849,293	474,279	585,301	4,349,228	5,434,594
Total Assets and deferred outflows of resources	<u>87,488,608</u>	<u>77,821,267</u>	<u>32,699,623</u>	<u>31,079,057</u>	<u>120,188,231</u>	<u>108,900,324</u>
<b>Liabilities and deferred inflows of resources:</b>						
Long-term liabilities outstanding	29,649,348	22,024,359	1,955,443	1,988,796	31,604,791	24,013,155
Other liabilities	3,931,839	3,709,001	994,058	1,048,316	4,925,897	4,757,317
Deferred inflows of resources	2,091,994	877,356	227,998	81,295	2,319,992	958,651
Total liabilities and deferred inflows of resources	<u>35,673,181</u>	<u>26,610,716</u>	<u>3,177,499</u>	<u>3,118,407</u>	<u>38,850,680</u>	<u>29,729,123</u>
<b>Net Position:</b>						
Net investment in capital assets	32,168,779	31,703,248	18,878,126	17,033,123	51,046,905	48,736,371
Restricted	15,642,330	17,119,806	—	—	15,642,330	17,119,806
Unrestricted	4,004,318	2,387,497	10,643,998	10,927,527	14,648,316	13,315,024
Total Net Position	<u>\$ 51,815,427</u>	<u>\$ 51,210,551</u>	<u>\$ 29,522,124</u>	<u>\$ 27,960,650</u>	<u>\$ 81,337,551</u>	<u>\$ 79,171,201</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Kill Devil Hills exceeded liabilities and deferred inflows by \$81,337,551 as of June 30, 2025. The Town's net position increased by \$3,352,704 for the fiscal year ended June 30, 2025, primarily due to the increase in the net investment in capital assets.

The largest portion of net position, \$51,046,905 (62.8%) reflects the Town's net investment in capital assets (e.g. land, buildings, infrastructure, 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. An additional portion of the Town of Kill Devil Hills' net position, \$15,642,330 (19.2%), represents resources that are subject to external restrictions on how they may be used. The remaining portion, which is the remaining balance of \$14,648,316 (18.0%) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

As of June 30, 2025, the Town of 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 Multi-Year Changes in Net Position**

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 504,181	\$ 566,781	\$ 6,289,527	\$ 5,999,388	\$ 6,793,708	\$ 6,566,169
Operating grants and contributions	66,677	30,416	—	—	66,677	30,416
Capital grants and contributions	401,889	855,165	—	—	401,889	855,165
General Revenues						
Property taxes	11,900,830	11,616,924	—	—	11,900,830	11,616,924
Other taxes	10,322,237	9,838,974	—	—	10,322,237	9,838,974
Other	3,664,032	3,100,931	629,581	571,818	4,293,613	3,672,749
Total revenues	<u>26,859,846</u>	<u>26,009,191</u>	<u>6,919,108</u>	<u>6,571,206</u>	<u>33,778,954</u>	<u>32,580,397</u>
<b>Expenses</b>						
General government	8,880,975	8,187,052	—	—	8,880,975	8,187,052
Public safety	9,262,026	8,475,465	—	—	9,262,026	8,475,465
Transportation	2,258,981	2,137,991	—	—	2,258,981	2,137,991
Environmental protection	3,442,528	3,211,290	—	—	3,442,528	3,211,290
Public works	557,773	565,398	—	—	557,773	565,398
Interest on long-term debt	807,665	233,927	—	—	807,665	233,927
Water	—	—	5,035,558	4,599,802	5,035,558	4,599,802
Wastewater	—	—	180,744	152,994	180,744	152,994
Total Expenses	<u>25,209,948</u>	<u>22,811,123</u>	<u>5,216,302</u>	<u>4,752,796</u>	<u>30,426,250</u>	<u>27,563,919</u>
Increase (decrease) in net position	<u>1,649,898</u>	<u>3,198,068</u>	<u>1,702,806</u>	<u>1,818,410</u>	<u>3,352,704</u>	<u>5,016,478</u>
Net Position, Beginning of Year	<u>51,210,551</u>	<u>48,012,483</u>	<u>27,960,650</u>	<u>26,142,240</u>	<u>79,171,201</u>	<u>74,154,723</u>
Restatement, change in accounting principle	<u>(1,045,022)</u>	<u>—</u>	<u>(141,332)</u>	<u>—</u>	<u>(1,186,354)</u>	<u>—</u>
Net position, beginning as restated	<u>50,165,529</u>	<u>—</u>	<u>27,819,318</u>	<u>—</u>	<u>77,984,847</u>	<u>—</u>
Total Net position, End of Year	<u>\$ 51,815,427</u>	<u>\$ 51,210,551</u>	<u>\$ 29,522,124</u>	<u>\$ 27,960,650</u>	<u>\$ 81,337,551</u>	<u>\$ 79,171,201</u>

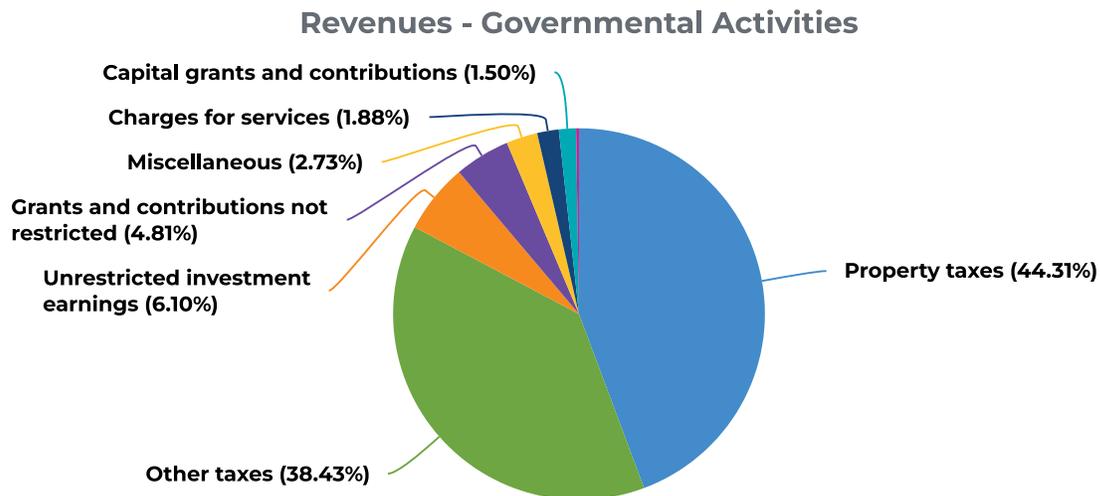
The Town of Kill Devil Hills' overall net position was restated as of July 1, 2024 due to implementation of GASB Statement No. 101, *Compensated Absences*. This change restated and reduced beginning net position of governmental activities by \$1,045,022 and restated and reduced beginning net position of business-type activities by \$141,332.

In the current year, the Town of Kill Devil Hills' overall net position increased \$3,352,706. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**Governmental activities.** Governmental activities increased the Town's net position by \$1,649,898, accounting for 49.2% of the total growth in the net position of the Town. Key elements of this change were:

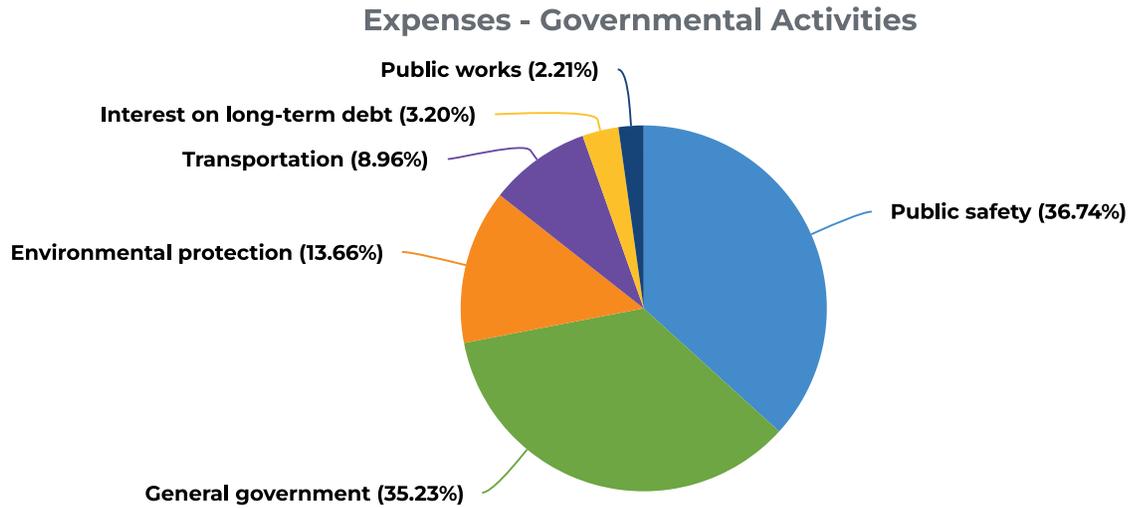
**Revenues:**

- Occupancy tax revenues increased \$2,550 (0.1%) and sales tax revenues increased \$341,035 (7.9%) from prior year revenues for a net increase of \$343,585. This is a result of a continued strong and stable tourism economy.
- Property tax revenues, including those from the MSD, increased \$283,906 (2.4%) over prior year revenues as a result of a growing tax base.
- Capital grants and contributions decreased \$453,276 (53.0%) mostly due to the reduction in FEMA grant revenue associated with the 2022 Beach Nourishment Project.
- Miscellaneous revenues increased \$316,280 (76.1%) due to an increase in revenues from the sale of fixed assets.



**Expenses:**

- Management continued to reduce non-essential programs to a minimum and implemented cost-saving strategies across Town departments. As a result, the Town did not experience a significant increase in any of the functional expenditure categories of governmental activities.
- The overall increase in expenses was mainly due to the rising costs related to salaries and benefits.
- Interest on long-term debt increased \$573,738 (245.3%) primarily due to the interest paid on the new fire station lease.

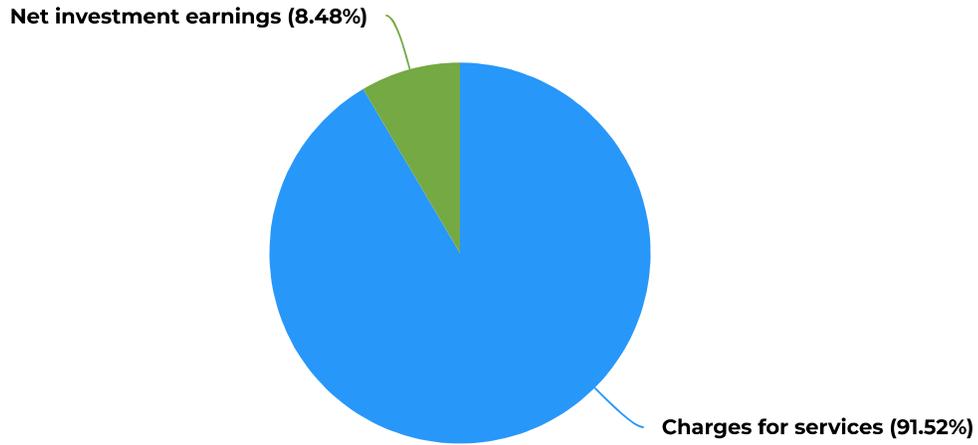


**Business-type activities.** The Town of Kill Devil Hills' net position for business-type activities increased by \$1,702,806, accounting for 50.8% of the total growth in the Town's net position.

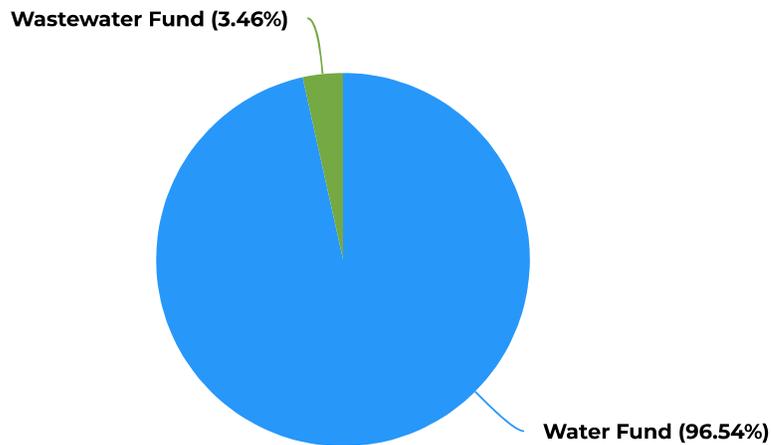
Key highlights of the effects of business-type activities on the change in net position include:

- System development fees totaled \$437,300 in the Water Fund and \$1,554 in the Wastewater Fund.
- Charges for services increased \$290,139 (4.8%), primarily due to a 4% water rate increase.
- Management's proactive stance and emphasis on monitoring and spending prevented a major increase in expenses. The overall increase was mainly due to increases in personnel expenses and insurance costs.

### Revenues - Business-type Activities



### Expenses - Business-type Activities



## 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 \$19,689,025 while total fund balance increased to \$35,639,320. 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 52.6% of total General Fund expenditures, while total General Fund balance represents 94.1% of that same amount.

At June 30, 2025, the governmental funds of the Town of Kill Devil Hills reported a combined fund balance of \$35,639,320 a \$575,841 (1.6%) increase from last year. The increase in the General Fund balance of \$533,741 accounted for the majority of this increase. The increase is attributed to increases in ad valorem taxes, other taxes and licenses, and net investment earnings. General Fund expenditures increased \$13,438,707 from the prior year. However, this increase was primarily due to capitalization of the fire station lease and costs associated with the FY 2024-25 street and sidewalk project. The fire station lease had an offsetting other financing source and the FY 2024-25 street and sidewalk project was encumbered from the prior year, reducing the impact of these large expenditures on fund balance.

**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 \$17,547,634. The following are the main components of the increase:

- \$ 144,750 carryforward contingency funds on streets and sidewalks project
- \$ 19,127 appropriate fund balance for salary increase
- \$ 25,450 appropriate fund balance for Baum tract survey
- \$4,874,658 appropriate FY24 encumbrances
- \$ 105,254 reserve funds and NCDEQ grant funds for upgrades to Hayman Street beach access
- \$ 125,515 reserve funds for engineering and design of the W. Martin street and sidewalk project
- \$ 5,000 Government Access Channel Grant funds
- \$ 90,300 fund balance for replacement of generator
- \$ 844,430 lease proceeds for vehicles and equipment
- \$ 5,985 appropriate fund balance for budget variances for financing payments
- \$ 48,000 Dare County grant funds for purchase of sand fencing
- \$ 48,583 GASB 96 software financing
- \$10,289,118 GASB 87 lease financing
- \$ 26,000 PEG Channel support funds
- \$ 65,000 Insurance proceeds
- \$ 302,000 sales tax reimbursement
- \$444,464 grant, reserve funding and fund balance for W Martin street and sidewalk project
- \$ 59,000 fuel proceeds and fund balance for fleet and fuel expenditures
- \$ 25,000 reserve funds for transfer to 2027 Beach Nourishment Capital Project Fund

The increases were possible because of local grant funding (\$319,000), lease purchase financing (\$844,340), GASB 87 lease financing (\$10,289,118), additional income from fuel sales to Dare County (\$9,000), appropriations from the restricted Sidewalks, Streets and Recreation Capital Reserve fund balance (\$394,746), SBITA financing (\$48,583), insurance proceeds funding (\$65,000), NCDEQ grant funding (\$77,928), sales tax reimbursement funds (\$302,000), Powell Bill grant funds (\$71,231), and additional fund balance appropriations (\$251,940).

Revenues were \$1,064,083 over budget. This is mainly due to investment income outperforming expectations throughout the year. Ad valorem and sales tax collections were \$361,540 and \$156,036 over budget respectively. Occupancy taxes were \$198,026 under budget. Expenditures were \$4,468,179 under budget mainly due to the delay of 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 \$10,643,998, a \$283,529 (2.6%) decrease from 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.

### **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, 2025, total \$65,782,792 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, water rights, buildings, plant, improvements, vehicles, furniture, equipment, animals, streets, meters and intangible right-to-use assets. The total increase for the current fiscal year was 23.1% (28.8% increase for governmental activities and 10.8% increase for business-type activities).

Major capital asset transactions during the year include the following:

#### **Governmental Activities**

- Construction in Progress includes \$3,119,308 for street improvements to Wrightsville Blvd in their second year, plus the first phases of improvements to Martin St.
- The Town entered into a 20-year lease agreement with Dare County for a shared Fire/EMS station. The capitalized value of the lease is \$10,264,085
- Equipment included \$269,650 for a motor grader and \$102,157 for a jetting trailer.
- Vehicles purchased include two pickup trucks for the planning and B&G departments for a total of \$102,103, one new garbage truck and one new pick-up truck for the solid waste department for \$244,500 and \$49,702 respectively, six new police vehicles totaling \$307,345, an upfitted pick-up for ocean rescue costing \$87,629, two upfitted SUVs for the fire department totaling \$122,353, and a mini dump truck for the streets dept. costing \$73,480. The town also sold nine vehicles for a total of \$302,496.
- Other improvements included a new beach access walkover at Hayman Blvd for \$92,266 and an outdoor speaker system for Aviation park for \$20,000.
- Office furniture and equipment included a new IT network switch purchased for \$10,388.

#### **Business Activities**

- Activity for construction in progress includes \$2,577,667 for Wrightsville Blvd improvements in their second year as well as continued work on the SE Area Water plan, the start of Martin St improvements and the 8th Street water plant remodel.
- Other improvements include \$26,505 for hydrant replacements on Fifth St. and Durham St.
- Equipment purchased includes \$17,976 for a new portable ground radar system.
- Vehicles purchased were one new truck for water administration for \$44,906 and one new truck for water plant costing \$40,170.

**Town of Kill Devil Hills Capital Assets**

**(net of depreciation)**

**Figure 4**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
<b>Capital assets:</b>						
Land	\$ 756,729	\$ 756,729	\$ 224,814	\$ 224,814	\$ 981,543	\$ 981,543
Construction in progress	3,119,308	98,345	2,577,667	135,760	5,696,975	234,105
Plant	—	—	4,442,647	4,581,591	4,442,647	4,581,591
Water rights	—	—	443,087	533,353	443,087	533,353
Building	9,686,403	10,060,245	49,916	33,121	9,736,319	10,093,366
Other improvements	7,000,604	8,331,587	9,664,229	9,970,239	16,664,833	18,301,826
Equipment	1,241,948	993,260	637,444	760,090	1,879,392	1,753,350
Vehicles	3,919,390	3,910,699	128,117	11,912	4,047,507	3,922,611
Office equipment	266,814	319,960	7,283	11,083	274,097	331,043
Animals	—	—	—	—	—	—
Meters	—	—	717,019	788,113	717,019	788,113
Streets	10,891,270	11,798,042	—	—	10,891,270	11,798,042
Right to use assets:						
Leases	9,782,787	59,957	7,678	10,388	9,790,465	70,345
IT Subscriptions	217,638	63,131	—	—	217,638	63,131
<b>Total</b>	<u>\$ 46,882,891</u>	<u>\$ 36,391,955</u>	<u>\$ 18,899,901</u>	<u>\$ 17,060,464</u>	<u>\$ 65,782,792</u>	<u>\$ 53,452,419</u>

Additional information on the Town's capital assets can be found in Note II.A.4 of the Basic Financial Statements.

**Outstanding Debt.** The Town of Kill Devil Hills' total debt increased by \$6,385,695, (22.8% over the prior year) during the fiscal year ended June 30, 2025. This was primarily due to the addition of the lease for the new fire station, financing of the FY 24-25 vehicle and equipment purchases and the implementation of GASB statement 101 for compensated absences. The Net Pension Liability (LGERs), Total Pension Liability (LEOSSA), and Net OPEB liability all decreased.

**Town of Kill Devil Hills Outstanding Debt**

**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
<b>Outstanding debt:</b>						
Direct borrowing installment purchase	\$ 6,135,927	\$ 7,204,528	\$ 14,065	\$ 16,877	\$ 6,149,992	\$ 7,221,405
Direct placement installment purchase	237,289	355,934	—	—	237,289	355,934
Compensated absences-net	2,276,906	2,069,302	239,256	257,982	2,516,162	2,327,284
Lease liability	9,260,774	40,220	7,712	10,464	9,268,486	50,684
IT subscriptions liability	62,318	51,506	—	—	62,318	51,506
Net pension liability (LGERs)	5,553,553	5,684,077	741,565	758,994	6,295,118	6,443,071
Total pension liability (LEO)	1,552,282	1,703,029	—	—	1,552,282	1,703,029
Net OPEB liability	7,336,238	8,697,507	979,607	1,161,377	8,315,845	9,858,884
<b>Total</b>	<b>\$ 32,415,287</b>	<b>\$ 25,806,103</b>	<b>\$ 1,982,205</b>	<b>\$ 2,205,694</b>	<b>\$ 34,397,492</b>	<b>\$ 28,011,797</b>

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 \$240,462,052. The Town had no outstanding bonded debt subject to the limitation.

Additional information regarding the Town's long-term debt can be found in Note II.B.8.

## 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 4.2% is higher than the State of North Carolina's 2025 average of 3.7%. Dare County experiences significant seasonality in the rates with a low of 2.8% in September 2024 and a high of 7.2% in February 2025.
- The Town's economic and tourism related revenues resulted in a 0.1% increase in occupancy tax collections from the prior year.
- The Town's share of the state and local sales taxes resulted in a 7.9% increase over the prior year.
- Water sales increased 6.8%, due in part to a 4% increase in water rate.
- The Town of Kill Devil Hills' year-round population is 7,854 while the summer population exceeds 35,000 persons a day, requiring twenty-four-hour services for residents and non-residents alike.

## Budget Highlights for the Fiscal Year Ending June 30, 2026

**Governmental Activities.** The General Fund property tax rate decreased to \$0.28 per \$100 of valuation for FY 2025-26. Property values used to determine the tax base for the budget were revalued as of January 1, 2025. The rate of \$0.28 is \$.0468 higher than the revenue-neutral rate of \$0.2332. The Town has chosen to appropriate \$77,617 from fund balance. 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. Occupancy tax, sales tax and land transfer tax revenues are expected to decrease compared to FY 2024-25 actuals after applying the updated levy share percentages.

Budgeted expenditures are anticipated to be \$27,873,379, a 3.3% increase from the prior year's adopted budget. Personnel cost increases include a 3% COLA to maintain the cost of living. Capital improvement items include annual street and sidewalk projects, identification and implementation of ADA compliance improvements, resurfacing of the hockey rink at Aviation Park, improvements to Carlow and Atlantic Street beach accesses, and network upgrades. Equipment and vehicle replacements include 6 pickup trucks, 5 police vehicles, and two commercial garbage trucks.

**Business-type Activities.** The retail water rates in the Town will increase 4%, primarily to cover increased operating costs and waterline and system improvements associated with the 2022 Water System Master Plan. Water Fund expenses are budgeted to increase 50.2% from the prior year's adopted budget. The increase is primarily due to the \$2,250,000 budgeted for the replacement of the Water Systems building. 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 budgeted for the 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 website [www.kdhnc.com](http://www.kdhnc.com) or email [angell@kdhnc.com](mailto:angell@kdhnc.com) for more information.

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# Basic Financial Statements



**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**June 30, 2025**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 23,053,498	\$ 10,295,524	\$ 33,349,022
Restricted cash and equivalents	9,818,798	1,342,224	11,161,022
Tax receivable (net)	71,490	—	71,490
Accrued interest receivable (net)	205,049	74,638	279,687
Accounts receivable (net)	16,899	1,320,064	1,336,963
Due from other governments	3,334,686	—	3,334,686
Inventories	227,134	292,993	520,127
Prepaid items	3,214	—	3,214
Total current assets	<u>36,730,768</u>	<u>13,325,443</u>	<u>50,056,211</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	3,876,037	2,802,481	6,678,518
Water rights, net of accumulated amortization	—	443,087	443,087
Other capital assets, net of accumulated depreciation	33,006,430	15,646,655	48,653,085
Right-to-use assets, net of amortization	10,000,424	7,678	10,008,102
Total Capital assets:	<u>46,882,891</u>	<u>18,899,901</u>	<u>65,782,792</u>
Total non-current assets	<u>46,882,891</u>	<u>18,899,901</u>	<u>65,782,792</u>
Total assets	<u>83,613,659</u>	<u>32,225,344</u>	<u>115,839,003</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	3,403,527	411,330	3,814,857
OPEB deferrals	471,422	62,949	534,371
Total deferred outflows of resources	<u>\$ 3,874,949</u>	<u>\$ 474,279</u>	<u>\$ 4,349,228</u>

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

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**June 30, 2025**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and other accrued liabilities	\$ 1,001,679	\$ 118,698	\$ 1,120,377
Accrued interest payable	145,942	82,576	228,518
Unearned revenue	18,279	—	18,279
Other liabilities	—	598	598
Customer deposits	—	765,424	765,424
Total Pension Liability (LEO)	65,946	—	65,946
Current portion of long-term liabilities	2,699,993	26,762	2,726,755
Total current liabilities	<u>3,931,839</u>	<u>994,058</u>	<u>4,925,897</u>
Long-term liabilities:			
Net pension liability LGERS	5,553,553	741,565	6,295,118
Total pension liability (LEO)	1,486,336	—	1,486,336
Net OPEB liability	7,336,238	979,607	8,315,845
Due in more than one year	15,273,221	234,271	15,507,492
Total long-term liabilities	<u>29,649,348</u>	<u>1,955,443</u>	<u>31,604,791</u>
Total liabilities	<u>33,581,187</u>	<u>2,949,501</u>	<u>36,530,688</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	448,551	8,549	457,100
OPEB deferrals	1,643,443	219,449	1,862,892
Total deferred inflows of resources	<u>2,091,994</u>	<u>227,998</u>	<u>2,319,992</u>
<b>NET POSITION</b>			
Net investment in capital assets	32,168,779	18,878,126	51,046,905
<b>Restricted for:</b>			
Streets - Powell Bill	329,985	—	329,985
Public safety	48,013	—	48,013
Stabilization by state Statute	6,803,379	—	6,803,379
Capital Reserve fund	8,067,922	—	8,067,922
Beach Nourishment	393,031	—	393,031
Unrestricted	4,004,318	10,643,998	14,648,316
Total net position	<u>\$ 51,815,427</u>	<u>\$ 29,522,124</u>	<u>\$ 81,337,551</u>

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



**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary Government</b>							
Governmental Activities:							
General Government	\$ 8,880,975	\$ 407,244	\$ 65,400	\$ 69,199	\$ (8,339,132)		\$ (8,339,132)
Public Safety	9,262,026	14,898	1,277	—	(9,245,851)		(9,245,851)
Transportation	2,258,981	—	—	332,690	(1,926,291)		(1,926,291)
Environmental Protection	3,442,528	82,039	—	—	(3,360,489)		(3,360,489)
Public Works	557,773	—	—	—	(557,773)		(557,773)
Interest on Long-term debt	807,665	—	—	—	(807,665)		(807,665)
<b>Total Governmental Activities</b>	<b>25,209,948</b>	<b>504,181</b>	<b>66,677</b>	<b>401,889</b>	<b>(24,237,201)</b>		<b>(24,237,201)</b>
Business-type activities:							
Water Fund	5,035,558	6,086,886	—	—		1,051,328	1,051,328
Wastewater Fund	180,744	202,641	—	—		21,897	21,897
<b>Total Business-type activities</b>	<b>5,216,302</b>	<b>6,289,527</b>	<b>—</b>	<b>—</b>		<b>1,073,225</b>	<b>1,073,225</b>
<b>Total Primary Government</b>	<b>\$ 30,426,250</b>	<b>\$ 6,793,708</b>	<b>\$ 66,677</b>	<b>\$ 401,889</b>	<b>(24,237,201)</b>	<b>1,073,225</b>	<b>(23,163,976)</b>
General Revenues							
Taxes and Licenses:							
Property taxes levied for general purpose					11,387,689	—	11,387,689
Municipal service district taxes					513,141	—	513,141
Sales taxes					4,668,529	—	4,668,529
Occupancy taxes					4,530,053	—	4,530,053
Other taxes and licenses					1,123,655	—	1,123,655
Grants and contributions not restricted to specific programs					1,292,960	—	1,292,960
Net unrestricted investment earnings					1,638,989	629,581	2,268,570
Miscellaneous					732,083	—	732,083
<b>Total General Revenues</b>					<b>25,887,099</b>	<b>629,581</b>	<b>26,516,680</b>
<b>Change in Net Position</b>					<b>1,649,898</b>	<b>1,702,806</b>	<b>3,352,704</b>
Net position, beginning, previously reported					51,210,551	27,960,650	79,171,201
Restatement, change in accounting principle					(1,045,022)	(141,332)	(1,186,354)
Net position, beginning, restated					50,165,529	27,819,318	77,984,847
Net position, ending					<b>\$ 51,815,427</b>	<b>\$ 29,522,124</b>	<b>\$ 81,337,551</b>

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

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**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**

**June 30, 2025**

	<u>General Fund</u>	<u>Total Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 23,053,498	\$ —	\$ 23,053,498
Restricted cash and cash equivalents	9,428,117	390,681	9,818,798
Receivables (net)			
Taxes	71,490	—	71,490
Accounts	16,899	—	16,899
Interest on investments	202,699	2,350	205,049
Due from other governments	3,334,686	—	3,334,686
Inventories and prepaid items	230,348	—	230,348
Total assets	<u>36,337,737</u>	<u>393,031</u>	<u>36,730,768</u>
<b>LIABILITIES</b>			
Accounts payable	159,052	—	159,052
Accrued liabilities	842,627	—	842,627
Unearned revenue	10,074	—	10,074
Total liabilities	<u>1,011,753</u>	<u>—</u>	<u>1,011,753</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	71,490	—	71,490
License receivable	8,205	—	8,205
Total deferred inflows of resources	<u>79,695</u>	<u>—</u>	<u>79,695</u>
<b>FUND BALANCES</b>			
Non-spendable:			
Inventories and prepaids	230,348	—	230,348
Restricted:			
Beach Nourishment	—	393,031	393,031
Stabilization by State Statute	6,803,379	—	6,803,379
Public Safety	48,013	—	48,013
Streets - Powell Bill	329,985	—	329,985
Capital reserve fund	8,067,922	—	8,067,922
Assigned:			
Subsequent year's expenditures	77,617	—	77,617
Unassigned	19,689,025	—	19,689,025
Total fund balances	<u>35,246,289</u>	<u>393,031</u>	<u>35,639,320</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u><b>\$ 36,337,737</b></u>	<u><b>\$ 393,031</b></u>	<u><b>\$ 36,730,768</b></u>

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



**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**June 30, 2025**

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

Total fund balances-governmental funds	\$ 35,639,320
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds	46,882,891
Deferred outflows of resources related to pensions are not reported in the funds	3,403,527
Deferred outflows of resources related to OPEB are not reported in the funds	471,422
Liabilities for earned revenues considered deferred inflows of resources in fund statements	71,490
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	(32,415,287)
Deferred inflows of resources related to pensions are not reported in the funds	(448,551)
Deferred inflows of resources related to OPEB are not reported in the funds	(1,643,443)
Other long-term liabilities (accrued interest) are not due and payable in the current period and, therefore, are not reported in the funds	(145,942)
Net position of governmental activities	<u>\$ 51,815,427</u>

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

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**

	<b>General Fund</b>	<b>Non-major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Ad valorem taxes	\$ 11,897,970	\$ —	\$ 11,897,970
Other taxes and licenses	10,329,706	—	10,329,706
Unrestricted intergovernmental	1,292,960	—	1,292,960
Restricted intergovernmental	468,566	—	468,566
Permits and fees	407,044	—	407,044
Sales and Services	89,668	—	89,668
Net investment earnings (loss)	1,621,173	17,816	1,638,989
Miscellaneous	280,849	—	280,849
Total revenues	<u>26,387,936</u>	<u>17,816</u>	<u>26,405,752</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
General government	16,620,672	716	16,621,388
Public safety	9,323,195	—	9,323,195
Transportation	4,566,638	—	4,566,638
Environmental Protection	3,063,922	—	3,063,922
Public works	554,461	—	554,461
<b>Debt service:</b>			
Principal	2,590,708	—	2,590,708
Interest and other charges	733,395	—	733,395
Total expenditures	<u>37,452,991</u>	<u>716</u>	<u>37,453,707</u>
<b>Excess revenues over (under) expenditures</b>	<b><u>(11,065,055)</u></b>	<b><u>17,100</u></b>	<b><u>(11,047,955)</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Direct borrowing	844,430	—	844,430
Sale of capital assets	402,583	—	402,583
Insurance Proceeds	64,115	—	64,115
IT subscription agreement	48,583	—	48,583
Transfer to Capital Project Fund	(25,000)	25,000	—
Lease financing	10,264,085	—	10,264,085
Total other financing sources and uses	<u>11,598,796</u>	<u>25,000</u>	<u>11,623,796</u>
<b>Net change in fund balances</b>	<b><u>533,741</u></b>	<b><u>42,100</u></b>	<b><u>575,841</u></b>
Fund balances - beginning	34,712,548	350,931	35,063,479
<b>Fund balances - ending</b>	<b><u>\$ 35,246,289</u></b>	<b><u>\$ 393,031</u></b>	<b><u>\$ 35,639,320</u></b>

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



**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**

**For the Fiscal Year Ended June 30, 2025**

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

Net change in fund balances - total governmental funds	\$ 575,841
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.	9,959,099
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets	(15,464)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,345,395
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	2,860
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources. Neither transaction affects net position. This amount is the net effect of these differences in the treatment of long-term debt.	(8,118,390)
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.	(2,099,443)
Change in net position of governmental activities	<u>\$ 1,649,898</u>

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

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals</u>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>				
Ad valorem taxes	\$ 11,536,430	\$ 11,536,430	\$ 11,897,970	\$ 361,540
Other taxes and licenses	10,174,872	10,174,872	10,329,706	154,834
Unrestricted intergovernmental revenues	1,028,500	1,356,500	1,292,960	(63,540)
Restricted intergovernmental revenues	284,200	655,128	468,566	(186,562)
Permits and fees	284,600	284,600	407,044	122,444
Sales and services	79,750	79,750	89,668	9,918
Net investment earnings	500,000	500,000	1,121,212	621,212
Other revenues	227,612	236,612	280,849	44,237
Total revenues	<u>24,115,964</u>	<u>24,823,892</u>	<u>25,887,975</u>	<u>1,064,083</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,753,754	18,067,165	16,620,672	1,446,493
Public safety	9,226,608	10,888,979	9,323,195	1,565,784
Transportation	1,512,371	5,609,201	4,566,638	1,042,563
Environmental protection	2,971,263	3,276,947	3,063,922	213,025
Public works	611,054	670,053	554,461	115,592
Debt service:				
Principal retirement	2,628,793	2,675,430	2,590,708	84,722
Interest and other charges	733,395	733,395	733,395	—
Total Expenses	<u>24,437,238</u>	<u>41,921,170</u>	<u>37,452,991</u>	<u>4,468,179</u>
Revenues over (under) expenditures	<u>\$ (321,274)</u>	<u>\$ (17,097,278)</u>	<u>\$ (11,565,016)</u>	<u>\$ 5,532,262</u>

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

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals</u>	<b>Variance with Final Budget - Positive (Negative)</b>
Other financing sources (uses)				
Direct borrowing	—	844,430	844,430	—
Transfer from Capital Reserve Fund	—	2,039,430	672,925	(1,366,505)
Transfer to Capital Reserve Fund	(1,973,000)	(2,011,702)	—	2,011,702
GASB 87 Lease Financing	—	10,289,118	10,264,085	(25,033)
GASB 96 SBITA Financing	—	48,583	48,583	—
Insurance Proceeds	—	65,000	64,115	(885)
Transfer to Capital Project Fund	—	(25,000)	(25,000)	—
Sale of capital assets	20,000	20,000	402,583	382,583
Appropriated fund balance - undesignated	2,274,274	2,498,888	—	(2,498,888)
Appropriated fund balance - encumbrances	—	3,257,300	—	(3,257,300)
Appropriated fund balance - powell bill	—	71,231	—	(71,231)
Total other financing sources (uses)	<u>321,274</u>	<u>17,097,278</u>	<u>12,271,721</u>	<u>(4,825,557)</u>
Revenues and other sources over expenditures and other uses	<u>\$ —</u>	<u>\$ —</u>	706,705	<u>\$ 706,705</u>
Fund balance - beginning of year			<u>26,471,662</u>	
Fund balance - end of year			<u>\$ 27,178,367</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Net investment earnings			\$ 499,961	
Transfer to/from General Fund			(672,925)	
Fund balance, beginning of year			<u>8,240,886</u>	
Total Capital Reserve Fund			<u>8,067,922</u>	
Fund balance, end of year			<u>\$ 35,246,289</u>	

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

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**June 30, 2025**

	<b>Business-type Activities</b>		
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Total Enterprise Funds</b>
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ 10,295,524	\$ —	\$ 10,295,524
Restricted cash and cash equivalents	1,265,317	76,907	1,342,224
Accrued interest receivable	74,060	578	74,638
Customer accounts receivable (net)	1,267,651	52,413	1,320,064
Inventories	292,993	—	292,993
Total current assets	<u>13,195,545</u>	<u>129,898</u>	<u>13,325,443</u>
Noncurrent assets			
Due from other funds	386,974	(386,974)	—
<b>Capital assets:</b>			
Land and other non-depreciable assets	2,755,136	47,345	2,802,481
Water rights (net of accumulated amortization)	443,087	—	443,087
Right to use lease asset, net of amortization	7,678	—	7,678
Other capital assets (net of accumulated depreciation)	15,600,403	46,252	15,646,655
Total Capital assets	<u>18,806,304</u>	<u>93,597</u>	<u>18,899,901</u>
Total noncurrent assets	<u>19,193,278</u>	<u>(293,377)</u>	<u>18,899,901</u>
Total assets	<u>32,388,823</u>	<u>(163,479)</u>	<u>32,225,344</u>
<b>Deferred outflows of resources</b>			
Pension deferrals	411,330	—	411,330
OPEB deferrals	62,949	—	62,949
Total deferred outflows of resources	<u>\$ 474,279</u>	<u>\$ —</u>	<u>\$ 474,279</u>

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

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**June 30, 2025**

	<b>Business-type Activities</b>		
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Total Enterprise Funds</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	118,698	—	118,698
Salaries payable	82,576	—	82,576
Other liabilities	598	—	598
Customer deposits	736,768	28,656	765,424
Current portion of long-term liabilities:			
Compensated absences	21,121	—	21,121
Note payable	2,813	—	2,813
Lease liability	2,828	—	2,828
Total current liabilities	<u>965,402</u>	<u>28,656</u>	<u>994,058</u>
Noncurrent liabilities:			
Compensated absences, net of current portion	218,135	—	218,135
Net pension liability	741,565	—	741,565
Net OPEB liability	979,607	—	979,607
Note payable and lease liability, net of current portion	16,136	—	16,136
Total noncurrent liabilities	<u>1,955,443</u>	<u>—</u>	<u>1,955,443</u>
Total liabilities	<u>2,920,845</u>	<u>28,656</u>	<u>2,949,501</u>
<b>Deferred inflows of resources</b>			
Pension deferrals	8,549	—	8,549
OPEB deferrals	219,449	—	219,449
Total deferred inflows of resources	<u>227,998</u>	<u>—</u>	<u>227,998</u>
<b>Net position</b>			
Net investment in capital assets	18,784,529	93,597	18,878,126
Unrestricted	10,929,730	(285,732)	10,643,998
Total net position	<u>\$ 29,714,259</u>	<u>\$ (192,135)</u>	<u>\$ 29,522,124</u>

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

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**

	<b>Business-type Activities</b>		
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Total Enterprise Funds</b>
<b>Operating revenues</b>			
Water sales	\$ 5,474,074	\$ —	\$ 5,474,074
Wastewater sales	—	199,203	199,203
Connection fees	86,323	—	86,323
System development fees	437,300	1,554	438,854
Late payment penalties and interest	41,015	1,884	42,899
Other operating revenues	48,174	—	48,174
Total operating revenues	<u>6,086,886</u>	<u>202,641</u>	<u>6,289,527</u>
<b>Operating expenses</b>			
Water administration	1,698,075	—	1,698,075
Water treatment plant	1,694,445	—	1,694,445
Water systems	849,937	—	849,937
Wastewater	—	176,743	176,743
Depreciation and amortization	793,101	4,001	797,102
Total operating expenses	<u>5,035,558</u>	<u>180,744</u>	<u>5,216,302</u>
<b>Operating income (loss)</b>	<b><u>1,051,328</u></b>	<b><u>21,897</u></b>	<b><u>1,073,225</u></b>
<b>Non-operating revenues (expenses)</b>			
Net investment earnings (loss)	623,414	6,167	629,581
Loss on disposal of capital assets	—	—	—
Total nonoperating revenues (expenses)	<u>623,414</u>	<u>6,167</u>	<u>629,581</u>
Income (loss) before transfers	1,674,742	28,064	1,702,806
Transfers from (to) other funds	18,750	(18,750)	—
Change in net position	<u>1,693,492</u>	<u>9,314</u>	<u>1,702,806</u>
Net position, beginning, previously reported	28,162,099	(201,449)	27,960,650
Restatement, change in accounting principle	(141,332)	—	(141,332)
Net position, beginning, restated	<u>28,020,767</u>	<u>(201,449)</u>	<u>27,819,318</u>
Net position, ending	<u>\$ 29,714,259</u>	<u>\$ (192,135)</u>	<u>\$ 29,522,124</u>

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

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**

	<b>Business-type Activities</b>		
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Total Enterprise Funds</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 6,003,989	\$ 203,860	\$ 6,207,849
Payments for goods and services	(2,547,207)	(177,047)	(2,724,254)
Cash paid to employees	(1,713,108)	—	(1,713,108)
Customer deposits received	42,800	1,008	43,808
Customer deposits returned	(32,981)	(720)	(33,701)
Other operating revenues	(2,119)	—	(2,119)
Net cash provided by (used for) operating activities	<u>1,751,374</u>	<u>27,101</u>	<u>1,778,475</u>
<b>Cash flows from non-capital financing activities</b>			
Cash received from other funds	29,247	—	29,247
Cash paid to other funds	—	(29,247)	(29,247)
Net cash provided (used ) by non-capital financing activities	<u>29,247</u>	<u>(29,247)</u>	<u>—</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	(2,636,538)	—	(2,636,538)
Principal paid on capital debt	(2,813)	—	(2,813)
Net cash provided by (used for) capital and related financing activities	<u>(2,639,351)</u>	<u>—</u>	<u>(2,639,351)</u>
<b>Cash flows from investing activities</b>			
Net investment earnings (loss)	629,594	6,325	635,919
Net cash provided by (used for) investing activities	<u>629,594</u>	<u>6,325</u>	<u>635,919</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b><u>(229,136)</u></b>	<b><u>4,179</u></b>	<b><u>(224,957)</u></b>
Cash and cash equivalents at beginning of the year	<u>11,789,977</u>	<u>72,728</u>	<u>11,862,705</u>
Cash and cash equivalents at end of the year	<u>\$ 11,560,841</u>	<u>\$ 76,907</u>	<u>\$ 11,637,748</u>

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

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**

	<b>Business-type Activities</b>		
	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Total Enterprise Funds</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 1,051,328	\$ 21,897	\$ 1,073,225
Changes in Assets and Liabilities:			
Depreciation and amortization	793,100	4,001	797,101
(Increase) decrease in accounts receivable	(82,895)	1,219	(81,676)
(Increase) in inventories	(41,768)	—	(41,768)
Decrease in deferred outflows of resources - pensions	70,213	—	70,213
Decrease in deferred outflows of resources - OPEB	40,809	—	40,809
(Decrease) in accounts payable	(23,504)	(304)	(23,808)
Increase in salaries payable	10,365	—	10,365
(Decrease) in other liabilities	(2,119)	—	(2,119)
Increase in customer deposits	9,819	288	10,107
Increase in vacation time payable	5,743	—	5,743
(Decrease) in sick time payable	(24,469)	—	(24,469)
(Decrease) in lease liability	(2,753)	—	(2,753)
(Decrease) in net pension liability	(17,429)	—	(17,429)
(Decrease) in OPEB liability	(181,769)	—	(181,769)
Increase in deferred inflows of resources - pensions	2,936	—	2,936
Increase in deferred inflows of resources - OPEB	143,767	—	143,767
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,751,374</b>	<b>\$ 27,101</b>	<b>\$ 1,778,475</b>

The accompanying notes are an integral part of the financial statements

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**June 30, 2025**

	<b>Pension (and Other Employee Benefit) Trust Fund</b>	<b>Firefighters' Relief Custodial Fund</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 626,554	\$ 252,564
Accrued interest receivable	—	1,622
Due from other governments	—	16,026
Total assets	<u>626,554</u>	<u>270,212</u>
<b>Liabilities and Net Position</b>		
Liabilities:		
Total liabilities	<u>—</u>	<u>—</u>
<b>Net Position</b>		
Postemployment benefits other than pensions	626,554	—
Firemen's Relief Fund	—	270,212
Total net position (deficit)	<u>\$ 626,554</u>	<u>\$ 270,212</u>

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

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**

**June 30, 2025**

	<b>Pension (and Other Employee Benefit) Trust Fund</b>	<b>Firefighters' Relief Custodial Fund</b>
<b>Additions</b>		
<b>Contributions</b>		
Employer	\$ 64,640	\$ —
Total Contributions	<u>64,640</u>	<u>—</u>
<b>Investment Earnings</b>		
Interest	292	9,178
Net increase (decrease) in fair value of investments	85,180	3,796
Total Investment Earnings	<u>85,472</u>	<u>12,974</u>
Collections for participants or beneficiaries	—	16,026
Total additions	<u>150,112</u>	<u>29,000</u>
<b>Deductions</b>		
Administrative expenses	99	—
Benefits paid to participants or beneficiaries	—	20,708
Payments on behalf of beneficiaries	—	—
Intergovernmental payable - Firemen's Relief Fund	—	—
Total deductions	<u>99</u>	<u>20,708</u>
<b>Net change in net position</b>	<b><u>150,013</u></b>	<b><u>8,292</u></b>
Net position - beginning of year	476,541	261,920
Net position - end of year	<u>\$ 626,554</u>	<u>\$ 270,212</u>

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

# Notes to the Financial Statements

## For the Fiscal Year Ended June 30, 2025

### 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 for 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 are generally 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 value. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.



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.

The Town reports the following non-major governmental funds:

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

**2027 Beach Nourishment Capital Project Fund.** This fund is used to account for the beach nourishment project scheduled to take place in 2027.

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 Firefighters' Relief fund, that accounts for funds received by the Firefighters' 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.

*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/amortization 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 leases and subscription-based IT agreements 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.

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. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs through a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

#### **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 2022 Beach Nourishment Capital Project Fund and the 2027 Beach Nourishment Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of

any fund or that change departmental appropriations. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 for the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

The Town Manager, by law, is the budget officer in the council-manager form of government. On or before April 30 of each year, department heads must submit proposed budget requests to the Town Manager for budget preparation. The budget is presented by fund and department. As specified in the budget ordinance, the budget is adopted on a departmental level with line items or objects of expenditure 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, except for 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.

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.

## **E. Assets, Liabilities, Deferred Inflows or 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 high quality issues of commercial paper, bankers' acceptances, and mutual fund shares when the mutual fund is certified by the Local Government Commission.

The North Carolina Capital Management Trust (NCCMT) Government Portfolio is an SEC-registered money market mutual fund that is currently certified by the Local Government Commission under the provisions of G.S. 159-30(c) (8) and the North Carolina Administrative Code. The Government Portfolio is a 2a7 fund that invests in treasuries, government agencies, and repurchase agreement collateralized by treasuries. It is rated AAAM by S&P and AAA-mf by Moody's Investor Services and reported at fair value.

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

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 publicly 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 BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund authorized under G.S. 147-69.2(b)(8).

At June 30, 2025, the Town's OPEB Trust had \$626,554 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) .09%, which is reported as cash and cash equivalents; and BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund (EIF) 99.91%.

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, 2025 of 2.1 years.

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 8.11 years at June 30, 2025.

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 value as determined by a third party. At June 30, 2025, the net asset value was \$44.3339 per share. Fair value for the 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 considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents. 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. Their use is completely restricted to the purpose for which the installment financing was obtained. Money in the Capital

Reserve Fund is 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 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. 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. Federal Forfeiture Funds are classified as restricted cash because they can be expended only for the purposes of Police criminal matters.

Unexpended project funds in the 2022 Beach Nourishment Capital Project Fund and the 2027 Beach Nourishment Capital Project Fund are classified as restricted assets because they must be expended for the purpose of completing these projects.

In Business-type activities, System Development Fees in the Capital Reserve Funds are restricted assets for extension and replacement of the water and wastewater system 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.

Restricted Cash

Governmental Activities

General Fund

Unexpended lease proceeds	\$ 982,197
Capital Reserve Fund	8,067,922
Powell Bill	329,985
Unauthorized controlled substance excise tax	25,856
Federal forfeiture funds	22,157
	<u>9,428,117</u>

2022 Beach Nourishment Capital Project Fund

Unexpended project funds	365,681
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2027 Beach Nourishment Capital Project Fund

Unexpended project funds	25,000
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Total Governmental Activities	<u>9,818,798</u>
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Business-type Activities

Water Fund

Customer deposits	736,768
Extension and Replacement	528,549
	<u>1,265,317</u>

Wastewater Fund

Customer deposits	28,656
Extension and Replacement	48,251
	<u>76,907</u>

Total Business-type Activities	<u>1,342,224</u>
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Total Restricted Cash	<u>\$ 11,161,022</u>
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#### 4. Ad Valorem Taxes Receivable

In accordance with State law [N.C.G.S. 105-347 and N.C.G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2024. 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 cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. If significant, the amount of inventory on hand at year-end is reported on the balance sheet in the governmental funds. However, in the Government-wide Statement of Activities, the cost of these inventories is expensed as the items are used.

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

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

#### 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.

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

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

The intangible right-to-use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments,

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

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. 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. For the 2025 fiscal year, the Town has two items that meet this criterion; pension and OPEB deferrals. 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 pension and OPEB deferrals.

**9. Long-Term Obligations**

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

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

## **10. Compensated Absences**

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

The 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) for the first 5 years of employment. 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 unlimited accumulation of earned vacation leave with such leave being fully vested when earned.

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 the length of service for retirement benefit purposes. Any unused sick leave accumulated for employees that leave the Town before retirement is forfeited.

The Town has assumed a last-in, first-out method of using accumulated compensated time and used a four-year look-back period to estimate the amount of leave that will be used or paid out over the employee's service period. 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.

## **11. Net Position/Fund Balances**

### **Net Position**

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

### **Fund Balances**

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

The governmental fund types classify fund balances as follows:

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 1930s 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.

Restricted for Beach Nourishment – portion of fund balance that is restricted by revenue source for completion of the 2022 beach nourishment project and 2027 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 as restricted or committed. The Board of Commissioners approves the appropriation.

Unassigned fund balance – the residual classification for the Town's General Fund. This includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The Town of Kill Devil Hills has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: lease purchase proceeds, federal funds, state funds, local non-town funds, town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is the best interest of the Town.

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

## **12. 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.

## **13. Estimates**

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

**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 a 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 \$16,176,107 consists of several elements as follows:

Description	Amount
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)	\$ 85,175,385
Less accumulated depreciation	(37,659,216)
Less accumulated amortization	(633,278)
Net capital assets	\$ 46,882,891
Deferred outflows of resources related to pensions/OPEB are not reported in the funds	3,874,949
Liabilities for earned revenues considered deferred inflows on resources in fund statements	71,490
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 right-to-use assets	(15,696,308)
Compensated absences	(2,276,906)
Net Pension Liability	(5,553,553)
Net other post-employment benefits liability	(7,336,238)
Total Pension Liability (LEO)	(1,552,282)
	(32,415,287)
Deferred inflows of resources related to pension/OPEB are not reported in the funds	(2,091,994)
Other long-term liabilities (accrued interest) are not due and payable in current period and, are deferred in the funds	(145,942)
Net adjustment	\$ 16,176,107

**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 \$1,074,057 as follows:

Description	Amount
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	\$ 15,224,338
Capitalization of prepaid lease asset	(547,303)
Depreciation and amortization expense, the allocation of those assets over their useful lives, is recorded on the statement of activities but not in the fund statements	<u>(4,717,936)</u>
	\$ 9,959,099
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(15,464)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	
LGERS	1,278,774
LEOSSA	<u>66,621</u>
	1,345,395
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	2,860

Description	Amount
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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. The amount is the net effect of these differences in the treatment of long-term and related items.

New long-term debt issued	\$ (10,634,828)	
Principal payments on long-term debt	2,590,708	
Accrued interest payable	<u>(74,270)</u>	
		\$ (8,118,390)

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

Compensated absences	(207,604)	
Pension expense - LEOSSA	(174,760)	
Pension expense - LGERS	(1,696,059)	
OPEB expense	<u>(21,020)</u>	
		<u>(2,099,443)</u>
Net adjustment		<u>\$ 1,074,057</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. Deposit

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.

At June 30, 2025, the Town's deposits had a carrying amount of \$3,644,317 and a bank balance of \$4,162,429. Of the bank balance, \$1,121,598 was covered by Federal Depository Insurance and \$3,040,831 was covered by collateral held under the pooling method. The Town had petty cash on hand at June 30, 2025, totaling \$2,000.

##### 2. Investments

At June 30, 2025, the Town had the following investments and maturities. This schedule assumes that callable investments will not be called.

Investment Type	Valuation Method	Book value at 6/30/25	Investment Maturities in Years			
			<=.75	>.75 to 3	>3 to 5	>5 to 10
U.S. Government Agencies	Fair Value - Level 2	\$26,685,664	\$ 4,452,585	\$ 9,041,112	\$13,191,967	\$ -
Commercial Paper	Amortized Cost	6,311,720	6,311,720	-	-	-
NC Capital Management Trust						
Government Portfolio	Fair Value - Level 1	8,118,910	8,118,910	-	-	-
<b>Investment Totals</b>		<b>\$41,116,294</b>	<b>\$ 18,883,215</b>	<b>\$ 9,041,112</b>	<b>\$13,191,967</b>	<b>\$ -</b>
<b>Actual % of portfolio</b>			<b>45.93%</b>	<b>21.99%</b>	<b>32.08%</b>	<b>0.00%</b>
<b>Actual cumulative % of portfolio</b>			<b>67.92%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Minimum cumulative per policy</b>			<b>50.00%</b>	<b>70.00%</b>	<b>90.00%</b>	<b>90.00%</b>

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.

*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 organization. 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 AAAM by Standard and Poor's and AAA-mf by Moody's Investors Services. The Town's investment in the NC Capital Management Trust Government Portfolio, carried a credit rating of AAAM by Standard & Poor's and AAA-mf by Moody's Investors Service as of June 30, 2025.

*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 have 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 moneys. 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 moneys are in Federal Home Loan Bank (15.30%), Federal Farm Credit Banks (28.37%), and Federal National Mortgage Association (13.06%).

**3. Receivables - Allowance for doubtful Accounts**

	Accounts Receivable	Taxes and Related Accrued Interest	Accrued Interest Receivable	Due from Other Governments	Total
<b>Governmental activities:</b>					
General	\$ 16,899	\$ 71,710	\$ 202,699	\$ 3,334,686	\$ 3,625,994
Other governmentals	-	-	2,350	-	2,350
Total receivables	16,899	71,710	205,049	3,334,686	3,628,344
Allowance for doubtful accounts	-	(220)	-	-	(220)
Total governmental activities	<u>\$ 16,899</u>	<u>\$ 71,490</u>	<u>\$ 205,049</u>	<u>\$ 3,334,686</u>	<u>\$ 3,628,124</u>
<b>Business-type activities:</b>					
Water	\$ 1,274,836	\$ -	\$ 74,060	\$ -	\$ 1,348,896
Wastewater	52,413	-	578	-	52,991
Total receivables	1,327,249	-	74,638	-	1,401,887
Allowance for doubtful accounts	(7,185)	-	-	-	(7,185)
Total business-type activities	<u>\$ 1,320,064</u>	<u>\$ -</u>	<u>\$ 74,638</u>	<u>\$ -</u>	<u>\$ 1,394,702</u>

Amounts due from governmental agencies consist of the following:

	Other Government	State	Total
Governmental activities:			
Sales and use tax distribution	\$ -	\$ 779,283	\$ 779,283
Officer court fees	178	-	178
Solid waste fees	-	1,440	1,440
Land transfer tax distribution	312,748	-	312,748
Sales tax refund	-	181,894	181,894
Occupancy taxes	1,230,781	-	1,230,781
Property taxes	72,205	-	72,205
CAMA permits	-	80	80
FEMA beach nourishment grant	513,613	171,204	684,817
Chamber of Commerce rent	1,200	-	1,200
Dare county fuel reimbursement	861	-	861
NCDEQ beach access grant	-	69,199	69,199
Total governmental activities	<u>\$ 2,131,586</u>	<u>\$ 1,203,100</u>	<u>\$ 3,334,686</u>

#### 4. Capital Assets

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

##### Primary Government

	June 30, 2024	Increases	Decreases	June 30, 2025
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 756,729	\$ -	\$ -	\$ 756,729
Construction in progress	98,345	3,020,963	-	3,119,308
Total capital assets, not being depreciated	<u>855,074</u>	<u>3,020,963</u>	<u>-</u>	<u>3,876,037</u>
Capital assets, being depreciated:				
Buildings	15,276,234	9,636	133,765	15,152,103
Other improvements	22,458,789	183,390	3,850	22,638,329
Machinery and equipment	3,314,226	482,320	243,901	3,552,645
Vehicles	11,061,734	1,052,005	1,371,741	10,741,998
Office furniture and equipment	907,376	10,388	41,377	876,387
Animals	21,274	-	-	21,274
Streets	17,682,910	-	-	17,682,910
Total capital assets, being depreciated	<u>70,722,543</u>	<u>1,737,739</u>	<u>1,794,634</u>	<u>70,665,646</u>
Less accumulated depreciation for:				
Buildings	5,215,989	369,033	119,321	5,465,701
Other improvements	14,127,201	1,514,373	3,850	15,637,724
Machinery and equipment	2,320,966	233,632	243,901	2,310,697
Vehicles	7,151,036	1,042,293	1,370,721	6,822,608
Office furniture and equipment	587,416	63,532	41,377	609,571
Animals	21,274	-	-	21,274
Streets	5,884,868	906,773	-	6,791,641
Total accumulated depreciation	<u>35,308,750</u>	<u>4,129,636</u>	<u>1,779,170</u>	<u>37,659,216</u>
Total capital assets, being depreciated, net	<u>35,413,793</u>	<u>(2,391,897)</u>	<u>15,464</u>	<u>33,006,430</u>
Capital Assets Being Amortized				
Right to use assets:				
Leased Buildings	-	10,264,085	-	10,264,085
Leased Equipment	81,622	-	-	81,622
IT Subscriptions	108,834	201,551	22,390	287,995
Total right to use assets	<u>190,456</u>	<u>10,465,636</u>	<u>22,390</u>	<u>10,633,702</u>
Less accumulated amortization for:				
Leased Buildings	-	513,204	-	513,204
Leased Equipment	21,665	28,051	-	49,716
IT Subscriptions	45,703	47,045	22,390	70,358
Total accumulated amortization	<u>67,368</u>	<u>588,300</u>	<u>22,390</u>	<u>633,278</u>
Right to use assets, net	<u>123,088</u>	<u>9,877,336</u>	<u>-</u>	<u>10,000,424</u>
Governmental activities capital assets, net	<u>\$ 36,391,955</u>	<u>\$ 10,506,402</u>	<u>\$ 15,464</u>	<u>\$ 46,882,891</u>

	June 30, 2024	Increases	Decreases	June 30, 2025
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 224,814	\$ -	\$ -	\$ 224,814
Construction in progress	135,760	2,441,907	-	2,577,667
Total capital assets, not being depreciated	<u>360,574</u>	<u>2,441,907</u>	<u>-</u>	<u>2,802,481</u>
Capital assets, being depreciated				
Buildings	432,323	19,891	-	452,214
Plant	6,603,589	-	-	6,603,589
Other improvements	20,053,565	26,505	-	20,080,070
Machinery and equipment	1,551,293	17,976	-	1,569,269
Vehicles	318,675	130,260	-	448,935
Office furniture and equipment	154,510	-	-	154,510
Meters	1,830,590	-	-	1,830,590
Total capital assets, being depreciated/amortized	<u>30,944,545</u>	<u>194,632</u>	<u>-</u>	<u>31,139,177</u>
Less accumulated depreciation for:				
Buildings	399,202	3,097	-	402,299
Plant	2,021,998	138,944	-	2,160,942
Other improvements	10,083,326	332,513	-	10,415,839
Machinery and equipment	791,203	140,622	-	931,825
Vehicles	306,763	14,055	-	320,818
Office furniture and equipment	143,427	3,800	-	147,227
Meters	1,042,477	71,095	-	1,113,572
Total accumulated depreciation/amortization	<u>14,788,396</u>	<u>704,126</u>	<u>-</u>	<u>15,492,522</u>
Total capital assets, being depreciated, net	<u>16,156,149</u>	<u>(509,494)</u>	<u>-</u>	<u>15,646,655</u>
Capital Assets Being Amortized				
Water Rights	3,610,620	-	-	3,610,620
Intangible Right-to-use Assets:				
Leased Assets	13,550	-	-	13,550
Total Capital Assets Being Amortized	<u>3,624,170</u>	<u>-</u>	<u>-</u>	<u>3,624,170</u>
Less accumulated Amortization for:				
Water Rights	3,077,267	90,266	-	3,167,533
Right to use assets:				
Leased Equipment	3,162	2,710	-	5,872
	<u>3,080,429</u>	<u>92,976</u>	<u>-</u>	<u>3,173,405</u>
Total capital assets, being amortized, net	<u>543,741</u>	<u>(92,976)</u>	<u>-</u>	<u>450,765</u>
Business-type activities capital assets, net	<u>\$ 17,060,464</u>	<u>\$ 1,839,437</u>	<u>\$ -</u>	<u>\$ 18,899,901</u>

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

Governmental activities:

General government	\$ 1,957,516
Public safety	399,258
Transportation	1,072,655
Public works	11,894
Environmental protection	<u>688,313</u>
Total depreciation expense - governmental activities	<u>4,129,636</u>

Government Activities:

Public Safety	26,467
General Government	<u>561,833</u>
Total Amortization Expense - General Government	<u>588,300</u>

Total depreciation and amortization expense - governmental activities	<u><u>\$ 4,717,936</u></u>
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Business-type activities:

Water	\$ 700,125
Wastewater	<u>4,001</u>
Total depreciation expense - business-type activities	<u>704,126</u>

Business-type activities:

Water	<u>92,976</u>
Total amortization expense - business-type activities	<u>92,976</u>

Total depreciation and amortization expenses - business-type activities	<u><u>\$ 797,102</u></u>
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**5. Construction commitments**

The Town has active construction projects as of June 30, 2025. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Wrightsville Water Portion	\$ 1,336,841	\$ 31,804
Wrightsville Streets Portion	2,917,626	128,348
SE Area Water Plan - Water Portion	1,226,426	15,153
SE Area Water Plan - Streets Portion	13,049	1,501
W. Martin St. Streets project	111,633	1,851,916
W. Martin St. Water Portion	6,900	381,607
Replacement Generator	77,000	19,800
Ocean Acres Pavement Improvement	-	121,305
8th St. Water Plant Remodel	7,500	22,500
	<u>\$ 5,696,975</u>	<u>\$ 2,573,934</u>

**B. Liabilities**

**1. Accrued liabilities**

Accrued liabilities reported by governmental funds at June 30, 2025, were as follows:

	<u>General Fund</u>
Salary and employee benefits	\$ 588,291
Other	254,336
Total accrued liabilities	<u>\$ 842,627</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 consists 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](http://www.osc.nc.gov).

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

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

*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, 2025, was 15.04% of compensation for law enforcement officers and 13.65% 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 \$1,449,529 for the year ended June 30, 2025.

*Refunds of Contributions* – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five

years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2025, the Town reported a liability of \$6,295,118 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2024, the Town's proportion was 0.09338%, which is a decrease of 0.00390% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Town recognized pension expense of \$1,922,534. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,103,143	\$ 7,417
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	855,818	-
Changes in proportion and differences between Town contributions and proportionate share of contribution	83,276	65,152
Town contributions subsequent to the measurement date	1,449,529	-
Total	\$ 3,491,766	\$ 72,569

\$1,449,529 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, 2026. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

2026	636,115
2027	1,227,880
2028	202,442
2029	(96,769)
	\$ 1,969,668

*Actuarial Assumptions.* The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.5 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019. 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, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Opportunistic Fixed Income	7.0%	5.3%
Inflation Sensitive	6.0%	4.3%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with an investment consulting firm's 2024 long-term capital market assumptions. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. All rates of return and inflation are annualized figures. Source data provided in the 2023 Annual Comprehensive Financial Report published on the website of the NC Office of the State Controller.

*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 liability to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability 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:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.5%)
Town's proportionate share of the net pension liability (asset)	\$ 11,155,133	\$ 6,295,118	\$2,297,087

*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, 2023 (the valuation date), the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>28</u>
Total	<u><u>30</u></u>

2. Summary of Significant Accounting Policies:

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

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

3. Actuarial Assumptions:

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

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.28 percent

The discount rate 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 \$66,200 as benefits came due for the reporting period.

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

At June 30, 2025, the Town reported a total pension liability of \$1,552,282. The total pension liability was measured as of December 31, 2024 based on a December 31, 2023 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the Town recognized pension expense of \$174,760.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 179,024	\$ 187,764
Changes of assumptions	108,304	196,767
Town benefit payments subsequent to the measurement date	35,763	-
<b>Total</b>	<b>\$ 323,091</b>	<b>\$ 384,531</b>

\$35,763 reported as deferred outflows 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, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	\$ 10,718
2027	(21,414)
2028	(31,435)
2029	(16,244)
2030	(18,039)
Thereafter	(20,789)

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 4.28 percent, as well as what the Town's 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 (3.28 percent) or one percentage point higher (5.28 percent) than the current rate:

	<b>1% Decrease (3.28%)</b>	<b>Discount Rate (4.28%)</b>	<b>1% Increase (5.28%)</b>
Town's pension liability	\$1,692,090	\$1,552,282	\$1,425,683

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

Total pension liability December 31, 2023	\$ 1,703,029
Changes for the year:	
Service cost at end of year	64,479
Interest	66,983
Change in benefit terms	-
Differences between expected and actuarial experience	(187,531)
Changes of assumptions and other inputs	(37,774)
Benefit payments	(56,904)
Other changes	-
Net changes	<u>(150,747)</u>
Total pension liability December 31, 2024	<u>\$ 1,552,282</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:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 1,922,534	\$ 174,760	\$ 2,097,294
Pension Liability	6,295,118	1,552,282	7,847,400
Proportionate share of the net pension liability	0.09338%	n/a	-
Deferred Outflows of Resources			
Differences between expected and actual experience	1,103,143	179,024	1,282,167
Changes of assumptions	-	108,304	108,304
Net difference between projected and actual earning plan investments	855,818	-	855,818
Changes in proportion and differences between contributions and proportionate share of contributions	83,276	-	83,276
Benefit payments and administrative cost paid subsequent to the measurement date	1,449,529	35,763	1,485,292
Deferred Inflows of Resources			
Differences between expected and actual experience	7,417	187,764	195,181
Changes of assumptions	-	196,767	196,767
Changes in proportion and differences between contributions and proportionate share of contributions	65,152	-	65,152

**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, 2025 were \$39,580, consisting of \$39,580 from 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 provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center Raleigh, 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 an amount equal to five percent of each officer's salary monthly, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2025 were \$169,290, which consisted of \$118,620 from the Town and \$50,670 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, 2025, were \$698,082, that consisted of \$387,143 from the Town and \$310,939 from employees.

**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, 2023 the date of the latest actuarial valuation:

Inactive members or beneficiaries currently receiving benefits	50
Inactive members entitled to, but not yet receiving benefits	-
Active members	<u>116</u>
Total membership	<u><u>166</u></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 \$552,355 of pay-as-you-go funding and an additional \$64,640 for a total of \$616,995.

*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.A.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, 2024 and June 30, 2025:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Index Fund Equity	100%	100%	6.80%	7.30%

**Total OPEB Liability**

The Town’s net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation of June 30, 2023.

The components of the net OPEB liability of the Town at June 30, 2025 were as follows:

Total OPEB liability	\$ 8,942,399
Plan Fiduciary net position	626,554
Town's net OPEB liability	8,315,845
Plan Fiduciary net position as a percentage of the total OPEB liability	7.01%

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2023 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	5.56 percent
Healthcare cost trend rates	Medical - 7 percent Prescription - 7 percent

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.

Change in Net OPEB Liability	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a)-(b)</u>
Balance as of June 30, 2024	\$ 10,335,425	\$ 476,541	\$ 9,858,884
Changes for the year:			
Service cost	415,276	-	415,276
Interest	395,433	-	395,433
Differences between expected and actual experience	(4,066)	-	(4,066)
Changes in assumptions or other inputs	(1,647,314)	-	(1,647,314)
Contributions - employer	-	616,995	(616,995)
Net investment income	-	85,373	(85,373)
Net benefit payments	(552,355)	(552,355)	-
Net Changes	<u>(1,393,026)</u>	<u>150,013</u>	<u>(1,543,039)</u>
Balance as of June 30, 2025	<u>\$ 8,942,399</u>	<u>\$ 626,554</u>	<u>\$ 8,315,845</u>

*Changes of Assumptions.* The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 — 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, 2023 valuation were based on a review of recent plan experience done concurrently with the June 30, 2023 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 5.56 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 (4.56 percent) or one percentage point higher (6.56 percent) than the current rate:

	1% Decrease (4.56%)	Discount Rate (5.56%)	1% Increase (6.56%)
Net OPEB liability	\$ 9,279,809	\$ 8,315,845	\$ 7,480,090

*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	\$ 7,266,757	\$ 8,315,845	\$ 9,576,081

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

For the year ended June 30, 2025, the Town recognized OPEB expense of \$640,822. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 386,738	\$ 9,266
Changes of assumptions	147,633	1,792,079
Net difference between projected and actual earnings on plan investments	-	61,547
Total	<u>\$ 534,371</u>	<u>\$ 1,862,892</u>

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

2026	(149,988)
2027	(373,667)
2028	(283,562)
2029	(235,513)
2030	(269,441)
Thereafter	(16,350)

**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 month's 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, 2025, the Town made contributions to the State for death benefits of \$7,333. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .05% 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, up to a maximum of \$100,000. Retirees are covered for a benefit amount of \$25,000 until they reach Medicare age.

**4. Deferred Outflows and Inflows of Resources**

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

	Statement of Net position
Contributions to pension plan in the current fiscal year LGERS	\$ 1,449,529
Benefit payments made for LEOSA subsequent to measurement date	35,763
Benefit payments made for OPEB subsequent to measurement date	-
Differences between expected and actual experience	1,668,905
Changes of assumptions	255,937
Net difference between projected and actual earnings on plan investments	855,818
Changes in proportion and difference between contributions and proportionate share of contributions	83,276
Total	<u>\$ 4,349,228</u>

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

	Statement of Net position	General fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 71,490
Privilege licenses receivable (General Fund)	-	8,205
Differences between expected and actual experience	204,447	-
Changes in assumptions	1,988,846	-
Net difference between projected and actual earning on plan investment	61,547	-
Changes in proportion and difference between contributions and proportionate share of contributions	65,152	-
Total	<u>\$ 2,319,992</u>	<u>\$ 79,695</u>

## 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, 2025 for \$3,964,442. Of that amount, \$3,257,300 relates to the General Fund, and is included in the stabilization by state statute in the fund balance section of the Combined Balance Sheet (Exhibit 3). That amount is primarily for a fire truck and the street and sidewalk projects.

\$2,605 was committed in the 2022 Beach Nourishment Capital Project Fund for project cost tracking and closeout services.

\$19,485 was committed in the 2027 Beach Nourishment Capital Project Fund for pre-permitting coordination and sediment analysis.

\$685,052 was committed in the Water Fund, primarily for water improvement projects and plan design and permitting services for the new water systems building.

## 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 carried a bond on its finance officer in the amount of \$1,000,000. The Town also carried a bond 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, 2025, 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 a building and 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, 2025, the value of the lease liability is \$4,436. The Town is required to make quarterly fixed payments of \$895. The lease has an implicit interest rate of 1.25%. The equipment's estimated useful life was 60 months as of contract commencement. The value of the right-to-use asset as of June 30, 2025 is \$17,356 with accumulated amortization of \$13,017.

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, 2025, the value of the lease liability is \$10,061. The Town is required to make monthly fixed payments of \$450. The lease has an implicit interest rate of 2.85%. The equipment's estimated useful life was 60 months as of contract commencement. The value of the right-to-use asset as of June 30, 2025 is \$25,177 with accumulated amortization of \$15,526.

On May 9, 2024, the Town entered into a 24-month lease as Lessee for the use of a Flock Safety license plate reading system. An initial lease liability was recorded in the amount of \$35,189. As of June 30, 2025, the value of the lease liability was \$17,189. The Town is required to make yearly fixed payments of \$18,000. The lease has an implicit interest rate of 4.72%. The equipment's estimated useful life was 24 months as of the contract commencement. The value of the right to use asset as of June 30, 2025, is \$39,089 with accumulated amortization of \$21,173.

On May 1, 2023, the Town entered into a 60-month lease as lessee for the use of an HP plotter in the Water Administration department. An initial lease liability was recorded in the amount of \$13,550. As of June 30, 2025, the value of the lease liability is \$7,712. The Town is required to make monthly fixed payments of \$250. The lease has an implicit interest rate of 2.68%. The equipment's estimated useful life was 60 months as of contract commencement. The value of the right to use asset as of June 30, 2025 is \$13,550 with accumulated amortization of \$5,872.

On July 31, 2024, the Town entered into a 240-month lease as lessee for a fire station. This fire station is approximately 49% of a joint EMS and fire station constructed by Dare County. An initial lease liability was recorded in the account of \$9,741,815. As of June 20, 2025, the value of the lease liability is \$9,229,088. The Town is required to make semiannual payments equal to the debt payments for the Town's portion of the property. The lease has an implicit interest rate of 5.00%. The building's estimated useful life was 240 months as of contract commencement. The value of the right-to-use asset as of June 30, 2025 is \$10,264,085 with accumulated amortization of \$513,204.

On January 13, 2023, the Town entered into a 48-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 .0499 cents for the first 30,000 pages and .030 for any pages over 30,000. Color pages are charged at .079 cents per page for the first 13,500 and .065 for any pages over 13,500. A total of \$21,197 was recognized as an outflow of resources for lease of the copiers for governmental activities and \$1,644 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, 2025, were as follows:

Governmental activities:

Year ending <u>June 30</u>	Principal <u>Payments</u>	Interest <u>Payments</u>	Total <u>Payments</u>
2026	\$ 538,639	\$ 462,525	\$ 1,001,164
2027	518,499	435,892	954,391
2028	512,727	410,182	922,909
2029	512,727	384,546	897,273
2030	512,727	358,909	871,636
2031-2043	6,665,455	2,332,914	8,998,369
	<u>\$ 9,260,774</u>	<u>\$4,384,968</u>	<u>\$13,645,742</u>

Business-Type activities:

Year ending <u>June 30</u>	Principal <u>Payments</u>	Interest <u>Payments</u>	Total <u>Payments</u>
2026	\$ 2,828	\$ 172	\$ 3,000
2027	2,904	96	3,000
2028	1,980	20	2,000
	<u>\$ 7,712</u>	<u>\$ 288</u>	<u>\$ 8,000</u>

**b. Direct Borrowing and Direct Placement Installment Purchase Contracts**

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. The financing contract requires eight semi-annual payments of \$178,182 each.

In April 2023, the Town entered into a \$1,262,906 direct borrowing installment purchase contract to finance various vehicles and equipment including police vehicles, police utility vehicle, police software, pick-up truck, utility tractor, grapple attachment and 2 commercial garbage trucks. A UCC security agreement in the acquired equipment serves as collateral to secure the required payment. The interest rate is 4.20% 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 \$169,582 each.

In April 2023, the Town entered into a \$791,838 direct borrowing installment purchase contract to finance the purchase of a fire truck. A UCC security agreement in the acquired equipment serves as collateral to secure the required payment. The interest rate is 4.13% per annum fixed. The money was placed in an interest-bearing account until the related asset is acquired. Unexpended proceeds at June 30, 2025 equaled \$792,011. The financing contract requires fourteen semi-annual payments of \$64,378 each.

In June 2024, the Town entered into a \$2,018,473 direct borrowing installment purchase contract to finance various vehicles and equipment including police, fire, planning, ocean rescue, and solid waste pickup trucks, two garbage trucks, vehicle extraction equipment, an excavator, a trailer jetter, a dump truck, a roll off truck and a dump body insert. A UCC security agreement in the acquired equipment serves as collateral to secure the required payment. The interest rate is 4.72% per annum fixed. The money was placed in an interest-bearing account until related assets were acquired. Unexpended proceeds at June 30, 2025 equaled \$68,587. The financing contract requires eight semi-annual payments of \$273,983 each.

In March 2025, the Town entered into a \$844,430 direct borrowing installment purchase contract to finance various vehicles and equipment including a Bobcat loader, pickup trucks, police vehicles, and a motor grader. A UCC security agreement in the acquired equipment serves as collateral to secure the required payment. The interest rate is 4.64% per annum fixed. The money was placed in an interest-bearing account until related assets were acquired. Unexpended proceeds at June 30, 2025 equaled \$121,598. The financing contract requires eight semi-annual payments of \$114,220 each.

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

In 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 of \$233,115 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 to fund a portion of beach nourishment costs. The financing contract requires an annual principal payment and semi-annual interest payments with a 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.

Annual debt service payments on these installment purchases of June 30, 2025, including principal and interest are as follows (Governmental Activities):

Year ending June 30	Principal	Interest
2026	\$ 1,919,506	\$ 233,602
2027	1,580,235	160,799
2028	1,060,906	100,217
2029	694,153	62,206
2030	523,249	37,948
2031-2032	595,167	29,868
	<u>\$ 6,373,216</u>	<u>\$ 624,640</u>

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

Annual debt service requirements for Purchase Contracts as of June 30, 2025, are as follows (Business-type Activities):

Year ending June 30	Principal	Interest
2026	\$ 2,813	\$ -
2027	2,813	-
2028	2,813	-
2029	2,813	-
2030	2,813	-
	<u>\$ 14,065</u>	<u>\$ -</u>

**c. Subscriptions**

On July 1, 2023 the Town entered into a subscription agreement for a web-based strategy tool for budgeting. The term of the agreement is three years. The subscription does not have a stated interest rate. Accordingly, the Town's estimated incremental borrowing rate of 4.72% was used to discount the subscription payments. The initial liability for the subscription was \$77,906. The liability balance remaining at June 30, 2025 was \$26,745.

On August 9, 2024 the Town entered into a subscription agreement for a new reporting system for the Police Department. The term of the agreement is five years. The subscription was paid in one lump sum amount of \$138,463. No subscription liability was recorded as the annual payments are for maintenance only and therefore will be recognized as outflows of resources annually.

On January 1, 2025, the Town entered into a subscription agreement for a web-based strategy tool for digital financial reporting. The term of the agreement is three years and six months. The subscription does not have a stated interest rate. Accordingly, the Town's estimated incremental borrowing rate of 4.64% was used to discount the subscription payments. The initial liability for the subscription was \$19,894. The liability balance remaining at June 30, 2025 was \$16,884.

On June 26, 2025, the Town entered into a subscription agreement for a web-based strategy tool for digital permitting. The term of the agreement is three years. The subscription does not have a stated interest rate. Accordingly, the Town's estimated incremental borrowing rate of 4.64% was used to discount the subscription payments. The initial liability for the subscription was \$28,689. The liability balance remaining at June 30, 2025 was \$18,689.

Year ending June 30	Principal	Interest
2026	\$ 41,506	\$ 2,521
2027	15,055	967
2028	5,757	268
	\$ 62,318	\$ 3,756

**d. 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 \$240,462,052. The Town had no outstanding bonded debt subject to the limitation at June 30, 2025.

**e. Changes in General Long-Term Debt**

The following is a summary of changes in general long-term debt for the year ended June 30, 2025:

	June 30, 2024	Increases	Decreases	June 30, 2025	Current Portion of Balance
<b>Government activities:</b>					
Direct Borrowing Installment Purchase	\$ 7,204,528	\$ 844,430	\$ 1,913,031	\$ 6,135,927	\$ 1,800,861
Direct Placement Installment Purchase	355,934	-	118,645	237,289	118,645
Compensated absences-net	2,069,302	207,604	-	2,276,906	200,342
Lease Liability	40,220	9,741,815	521,261	9,260,774	538,639
SBITA Liability	51,506	48,583	37,771	62,318	41,506
Net Pension Liability (LGERS)	5,684,077	-	130,524	5,553,553	-
Total Pension Liability (LEO)	1,703,029	-	150,747	1,552,282	65,946
Net OPEB Liability	8,697,507	-	1,361,269	7,336,238	-
<b>Total</b>	<b><u>\$ 25,806,103</u></b>	<b><u>\$10,842,432</u></b>	<b><u>\$ 4,233,248</u></b>	<b><u>\$ 32,415,287</u></b>	<b><u>\$ 2,765,939</u></b>
<b>Business-Type activities:</b>					
Direct Borrowing Installment Purchase	\$ 16,877	\$ -	\$ 2,812	\$ 14,065	\$ 2,813
Compensated absences-net	257,982	-	18,726	239,256	21,121
Lease Liability	10,464	-	2,752	7,712	2,828
Net Pension Liability (LGERS)	758,994	-	17,429	741,565	-
Net OPEB Liability	1,161,377	-	181,770	979,607	-
<b>Total</b>	<b><u>\$ 2,205,694</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 223,489</u></b>	<b><u>\$ 1,982,205</u></b>	<b><u>\$ 26,762</u></b>

The change in compensated absences for both governmental and business-type activities are presented as net amounts.

For governmental activities, the net pension liability and net OPEB liability are liquidated by the General Fund.

**9. Interfund Receivables, Payables, and Transfers**

Interfund		
<b>Receivable/Payable:</b>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Fund	Wastewater Fund	\$ 386,974

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, 2025, consist of the following:

From Capital Reserve Fund to the General Fund: \$672,925

From Wastewater Fund to Water Fund (to repay wastewater debt): \$18,750

From General Fund to Capital Project Fund (for 2027 beach nourishment project): \$25,000

**10. On-Behalf Payments for Fringe Benefits and Salaries**

For the fiscal year ended June 30, 2025, the Town has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$12,927 for the 24 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**

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 46,882,891	\$ 18,899,901
(less): long-term debt net of unexpended debt proceeds	(14,714,112)	(21,775)
Net investment in capital asset	<u>\$ 32,168,779</u>	<u>\$ 18,878,126</u>

**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	\$	35,246,289
Less:		
Inventories		227,134
Prepaid items		3,214
Stabilization by State statue		6,803,379
Public Safety		48,013
Streets - Powell Bill		329,985
Capital Reserve Fund		8,067,922
Appropriated Fund Balance in 2026 budget		77,617
Working Capital/Fund Balance Policy		9,755,683
Remaining Fund Balance	\$	<u>9,933,342</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 the 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	Non-Major Funds	Enterprise Funds
	\$ 3,257,300	\$ 22,090	\$ 685,052

**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 from July-December 2024 was \$2.202 and from January-June 2025 was \$2.109 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, 2025, accumulated amortization was \$3,167,533.

**NOTE 6. JOINTLY GOVERNED ENTITY**

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

**NOTE 7. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

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

**NOTE 8. CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2025, GASB Statement No. 101, *Compensated Absences*, was implemented. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This change restated and reduced beginning net position of governmental activities in the government-wide statements by \$1,045,022. This change restated and reduced beginning net position of government-wide business-type activities by \$141,332.

**NOTE 9. ADDITION OF NON-MAJOR FUND**

On May 13, 2025, the Town established the 2027 Beach Nourishment Capital Project Fund to account for revenues and expenditures associated with the beach nourishment project scheduled to take place in 2027. As a result of the addition of the 2027 Beach Nourishment Capital Project Fund, this fund will be reported in a non-major funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Change in Fund Balance. Additionally, this fund will be shown on the Non-major Governmental Funds Combining Balance Sheet and Non-major Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances and a Schedule of Revenues, Expenditures, and Changes in Fund Balance will be shown in the Non-major Governmental Funds section of the Annual Comprehensive Financial Report. The addition of this fund has no effect on the Town's net position.

**NOTE 10. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 9, 2025, the date the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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

Schedule of Contributions to Local Government Employees' Retirement System

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

Schedule of Total Pension Liability as a Percentage of Covered-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  
LAST TEN FISCAL YEARS**

**Local Government Employees' Retirement System**

	<u>2025</u>	<u>2024</u>
Kill Devil Hills' proportion of the net pension liability (asset) (%)	0.09%	0.10%
Kill Devil Hills' proportion of the net pension liability (asset) (\$)	\$ 6,295,118	\$ 6,443,071
Kill Devil Hills' covered payroll*	\$ 9,780,469	\$ 8,982,996
Kill Devil Hills' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	64.36%	71.73%
Plan fiduciary net position as a percentage of the total pension liability	83.30%	82.49%

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. See Notes to the Schedule on the following schedule.



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<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
\$ 5,725,485	\$ 1,477,446	\$ 3,541,623	\$ 2,687,500	\$ 2,372,816	\$ 1,518,557	\$ 2,152,048	\$ 439,863
\$ 8,184,571	\$ 7,732,141	\$ 7,281,756	\$ 6,874,637	\$ 6,563,627	\$ 6,510,677	\$ 6,109,672	\$ 5,954,373
69.95%	19.11%	48.64%	39.09%	36.15%	23.32%	35.22%	7.39%
84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA  
LAST TEN FISCAL YEARS**

**Local Government Employees' Retirement System**

	<u>2025</u>	<u>2024</u>
Contractually required contribution	\$ 1,449,529	\$ 1,284,551
Contributions in relation to the contractually required contribution	1,449,529	1,284,551
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Kill Devil Hills' covered payroll	\$ 10,396,639	\$ 9,780,469
Contributions as a percentage of covered payroll	13.94%	13.13%

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.

Notes to the Schedules:

For 2025, the total pension liability for the December 31, 2023 actuarial valuation was determined using the following actuarial changes of assumptions:

- Real wage growth went from 0.50% to 0.75%
- Payroll growth went from 3.50% to 3.25%

For 2023, the total pension liability for the December 31, 2021 actuarial valuation was determined using the following actuarial changes of assumptions:

- Inflation went from 3.00% to 2.50%
- Payroll growth went from 3.50% to 2.50%
- Mortality Rates used RP-2010 Total Data Set for Healthy Annuitants

For 2022, the discount rate and investment rate of return were changed to 6.50% from 7.0%

For 2020, the total pension liability beginning with the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

- Actuarial cost method: Entry Age Normal
- Asset Valuation Method: Smoothed Fair Value
- Mortality Rates: RP-2014 Total Data Set for Healthy Annuitants
- Assumptions:
  - Inflation: 3.00%
  - Discount Rate: 7.00%
  - Real Wage Growth: 0.50%
  - Payroll Growth: 3.50%



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<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 1,107,660	\$ 943,546	\$ 794,975	\$ 662,229	\$ 542,940	\$ 502,297	\$ 481,666	\$ 418,284
1,107,660	943,546	794,975	662,229	542,940	502,297	481,666	418,284
<u>\$ -</u>							
\$ 8,982,996	\$ 8,184,571	\$ 7,732,141	\$ 7,281,756	\$ 6,874,637	\$ 6,563,627	\$ 6,510,677	\$ 6,109,672
12.33%	11.53%	10.28%	9.09%	7.90%	7.65%	7.40%	6.85%

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA  
LAST NINE FISCAL YEARS**

**Law Enforcement Officers' Special Separation Allowance**

	<u>2025</u>	<u>2024</u>
Beginning Balance	\$ 1,703,029	\$ 1,445,325
Service Cost	64,479	56,828
Interest on the total pension liability	66,983	61,435
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(187,531)	138,533
Changes of assumptions or other inputs	(37,774)	40,732
Benefit payments	(56,904)	(39,824)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 1,552,282</u>	<u>\$ 1,703,029</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.

See Notes to the Schedule on the following schedule.

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<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
\$ 1,536,899	\$ 1,470,254	\$ 1,175,808	\$ 930,836	\$ 940,269	\$ 902,881	\$ 895,538
82,984	84,172	45,553	44,814	49,739	42,525	45,544
34,003	27,907	37,539	32,997	29,130	34,306	31,168
-	-	-	-	-	-	-
124,432	46,956	(144,889)	178,122	(10,444)	(72,513)	-
(281,675)	(43,759)	404,874	37,670	(40,984)	61,322	(24,417)
(51,318)	(48,631)	(48,631)	(48,631)	(36,874)	(28,252)	(44,952)
-	-	-	-	-	-	-
<u>\$ 1,445,325</u>	<u>\$ 1,536,899</u>	<u>\$ 1,470,254</u>	<u>\$ 1,175,808</u>	<u>\$ 930,836</u>	<u>\$ 940,269</u>	<u>\$ 902,881</u>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA  
LAST NINE FISCAL YEARS**

**Law Enforcement Officers' Special Separation Allowance**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Total pension liability	\$ 1,552,282	\$ 1,703,029	\$ 1,445,325
Covered-employee payroll	2,195,399	2,093,548	1,998,065
Total pension liability as a percentage of covered-employee payroll	70.71%	81.35%	72.34%

Notes to the schedules:

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

The total pension liability is determined by an actuarial valuation as of the prior fiscal year ending December 31st. Year to year changes in assumptions are described below:

2025 - The Municipal Bond Index Rate increased from 4.00% to 4.28%.

2024 - The Municipal Bond Index Rate decreased from 4.31% to 4.00%.

2023 - The Municipal Bond Index Rate increased from 2.25% to 4.31%.

2022 - The Municipal Bond Index Rate increased from 1.93% to 2.25%.

2021 - The Municipal Bond Index Rate decreased from 3.26% to 1.93%. Based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019, the following were updated: mortality rates, salary increase rates, service retirement rates, disability retirement rates, termination rates, real wage growth, and leave conversion service.

2020 - The Municipal Bond Index Rate decreased from 3.64% to 3.26%.

2019 - The Municipal Bond Index Rate increased from 3.16% to 3.64%.

2018 - The Municipal Bond Index Rate decreased from 3.86% to 3.16%. The assumed inflation rate was reduced from 3.00% to 2.50% and assumed wage inflation was increased from 0.5% to 1.0%

2017 - The Municipal Bond Index Rate increased from 3.57% to 3.86%.

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.

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	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
\$	1,536,899	\$ 1,470,254	\$ 1,175,808	\$ 930,836	\$ 940,269	\$ 902,881
	1,891,783	1,682,842	1,637,083	1,613,845	1,591,980	1,690,181
	81.24%	87.37%	71.82%	57.68%	59.06%	53.42%

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA  
LAST EIGHT FISCAL YEARS**

	<b>2025</b>	<b>2024</b>	<b>2023</b>
Total OPEB Liability			
Beginning Balance	\$ 10,335,425	\$ 9,794,545	\$9,679,018
Service Cost	415,276	395,609	392,435
Interest	395,433	348,232	334,113
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(4,066)	307,676	(11,340)
Changes of assumptions	(1,647,314)	1,820	(113,886)
Benefit payments	(552,355)	(512,457)	(485,795)
Net Change in total OPEB liability	<u>(1,393,026)</u>	<u>540,880</u>	<u>115,527</u>
Ending balance of the total pension liability	<u>\$ 8,942,399</u>	<u>\$ 10,335,425</u>	<u>\$9,794,545</u>
Plan Fiduciary Net Position			
Contributions -employer	\$ 616,995	\$ 577,097	\$ 503,795
Net investment income	85,373	71,045	47,205
Benefit payments	(552,355)	(512,457)	(485,795)
Net change in plan fiduciary net position	<u>150,013</u>	<u>135,685</u>	<u>65,205</u>
Plan fiduciary net position - beginning	476,541	340,857	275,652
Plan fiduciary net position- ending	<u>\$ 626,554</u>	<u>\$ 476,542</u>	<u>\$ 340,857</u>
Town's net OPEB Liability - ending	<u>\$ 8,315,845</u>	<u>\$ 9,858,883</u>	<u>\$9,453,688</u>
Plan Fiduciary Net Position as a percentage of the total OPEB Liability	7.01%	4.61%	3.48%
Covered payroll	\$ 8,418,760	\$ 8,418,760	\$7,066,930
Net OPEB liability as a percentage of covered payroll	98.78%	117.11%	133.77%

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.

- 2025: 5.56%
- 2024: 3.93%
- 2023: 3.65%
- 2022: 3.54%
- 2021: 2.16%
- 2020: 2.21%
- 2019: 3.89%
- 2018: 3.18%

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 10,137,767	\$ 9,879,097	\$8,000,456	\$7,384,841	\$ 7,549,376
476,750	502,860	373,213	343,907	374,355
213,834	213,413	272,503	255,861	221,571
-	-	-	-	-
319,331	9,636	509,814	66,206	69,333
(989,984)	(20,008)	1,156,153	(261,625)	(450,541)
(478,680)	(447,231)	(433,042)	(398,981)	(379,253)
(458,749)	258,670	1,878,641	5,368	(164,535)
<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>
\$ 496,680	\$ 447,231	\$ 658,042	\$ 398,981	\$ 379,253
(47,465)	86,383	(6,266)	-	-
(478,680)	(447,231)	(433,042)	(398,981)	(379,253)
(29,465)	86,383	218,734	-	-
305,117	218,734	-	-	-
<u>\$ 275,652</u>	<u>\$ 305,117</u>	<u>\$ 218,734</u>	<u>\$ -</u>	<u>\$ -</u>
<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>
2.93%	3.10%	2.26%	0.00%	0.00%
\$ 7,066,930	\$ 7,342,664	\$7,342,664	\$5,824,231	\$ 5,824,231
133.06%	133.91%	131.56%	126.89%	126.80%

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## 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, sidewalk, beach nourishment and shoreline project uses.

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
<b>REVENUES</b>				
Ad Valorem Taxes:				
Current year	\$	\$ 11,345,498	\$	\$ 11,062,373
Municipal service district		512,558		509,424
Prior years		25,413		22,463
Less payments to other governments		(9,971)		(9,539)
Penalties and interest		24,472		24,041
	<u>11,536,430</u>	<u>11,897,970</u>	<u>361,540</u>	<u>11,608,762</u>
Other Taxes and Licenses:				
Privilege licenses:				
Current		7,415		6,665
Penalties		53		24
Local option sales tax		4,456,111		4,110,253
Local option sales tax MSD		212,418		217,240
Occupancy tax		4,530,053		4,527,503
Land transfer tax		1,117,611		977,862
Solid waste disposal tax		6,045		6,115
	<u>10,174,872</u>	<u>10,329,706</u>	<u>154,834</u>	<u>9,845,662</u>
Unrestricted Intergovernmental Revenues:				
Utilities sales tax		1,001,557		864,658
Piped natural gas sales tax		9,020		5,400
Sales tax - telecom services		31,317		33,382
Sales tax - video programming		117,749		130,315
PEG channel support		25,935		25,765
Wine and beer tax		31,317		38,182
ABC revenue		28,440		31,301
Mixed beverage tax		47,625		54,868
	<u>1,356,500</u>	<u>1,292,960</u>	<u>(63,540)</u>	<u>1,183,871</u>
Restricted Intergovernmental Revenues:				
FEMA		-		334,793
Asset forfeiture funds		1,277		5,090
Powell Bill allocation		332,690		304,796
Grant - Shoreline Management		48,000		-
Grant - USDOJ Body Armor		-		1,437
Grant - Gov't Access Channels		5,000		5,000
Grant - DCTB - Sidewalk		-		177,000
Grant - NCDEQ Beach Access		69,199		-
Grant - AFG - Radios		-		11,060
Grant - STRap Highway Commission		-		4,188
Grant - OB Forever - Sidewalk		-		25,000
Grant - DCTB - Fireworks		12,400		12,200
Grant - NCLM Wellness		-		2,500
	<u>655,128</u>	<u>468,566</u>	<u>(186,562)</u>	<u>883,064</u>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
<b>Permits and Fees:</b>				
Building permits	\$	\$ 365,710	\$	\$ 358,291
Occupancy permit fees		3,962		5,600
Site plan review fees		16,945		40,795
Other planning fees		3,545		8,100
CAMA implement and enforcement payments		2,760		2,800
Homeowner recovery fees		45		49
Taxi ordinance fees		20		85
Encroachment fee		14,057		9,739
	<u>284,600</u>	<u>407,044</u>	<u>122,444</u>	<u>425,459</u>
<b>Sales and Services:</b>				
<b>Animal Control fees:</b>				
Boarding and adoption		3,200		3,070
Dog licenses		532		695
Rabies vaccination		70		111
Court costs and fees		2,289		1,773
Finger print fees		1,158		750
Buy gold application fee		180		180
Rollout container sales		24,623		28,838
Dumpster sales		57,416		99,157
Cookbook sales		200		60
	<u>79,750</u>	<u>89,668</u>	<u>9,918</u>	<u>134,634</u>
<b>Investment Earnings:</b>				
Investment earnings		820,373		787,265
Change in fair value of investments		300,840		438,388
Net investment earnings (loss)	<u>500,000</u>	<u>1,121,213</u>	<u>621,213</u>	<u>1,225,653</u>
<b>Other revenues:</b>				
Miscellaneous		73,752		71,778
Dare County EMS Fuel		8,402		12,812
Discounts on purchases		3,428		3,215
Rental of government owned property		194,508		188,091
Contributions		758		600
	<u>236,612</u>	<u>280,849</u>	<u>44,237</u>	<u>276,496</u>
<b><u>TOTAL REVENUES</u></b>	<u>24,823,892</u>	<u>25,887,976</u>	<u>1,064,084</u>	<u>25,583,601</u>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
<b>EXPENDITURES</b>				
<b>General Government:</b>				
Administration:				
<i>Administrative costs:</i>				
Board of commissioner fees	\$	\$ 58,528	\$	\$ 54,349
Video taping		11,479		4,874
Legal services		45,538		58,248
Travel and training-board		973		1,796
Election costs		-		6,491
		<u>116,518</u>		<u>125,758</u>
<i>Salaries and benefits:</i>				
Salaries		779,439		694,156
FICA expense		56,582		51,918
Funding for health plan		130,815		123,545
Retirement		106,537		89,961
401K retirement		38,933		34,789
		<u>1,112,306</u>		<u>994,369</u>
<i>Operating expenditures:</i>				
Professional services		58,509		13,918
Engineering services		7,325		7,605
Telephone		18,959		20,421
Travel and training		15,980		15,603
Insurance claims		5,197		4,803
Outside maintenance		160		16
Fleet maintenance		229		841
Communications		1,026		1,021
Maintenance contracts		3,264		3,264
Printing		2,224		4,440
Equipment lease		3,582		3,582
Copier lease		5,283		5,016
Partnerships		30,000		30,000
Tuition reimbursement		4,422		3,912
Advertising		11,932		18,038
Vehicle fuel		663		451
Supplies and materials		9,066		13,450
Contracted services		31,545		36,000
Dues and subscriptions		16,590		16,600
Worker's compensation		874		1,333
Miscellaneous		-		292
Miscellaneous-special events		55,978		63,479
Miscellaneous-wellness program		5,146		5,848
		<u>287,954</u>		<u>269,933</u>



**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Administration (continued):				
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund	\$	\$ (143,664)	\$	\$ (126,942)
		<u>(143,664)</u>		<u>(126,942)</u>
Total	<u>1,565,841</u>	<u>1,373,114</u>	<u>192,727</u>	<u>1,263,118</u>
Finance and Tax:				
<i>Salaries and benefits:</i>				
Salaries		578,357		548,867
FICA expense		43,640		41,139
Funding for health plan		108,147		101,840
Retirement		79,120		70,964
401K retirement		28,864		27,443
		<u>838,128</u>		<u>790,253</u>
<i>Operating expenditures:</i>				
Audit		38,242		37,100
Tax collection fee		175,800		176,381
Postage		3,011		4,556
Travel and training		11,190		9,650
Communications		-		174
Printing		90		1,764
Copier lease		4,620		4,878
Supplies and materials		3,338		3,049
Contracted services		15,547		9,889
Departmental supplies		7,884		5,464
Departmental charges		(7,878)		(5,464)
Dues and subscriptions		1,569		1,924
General insurance		289,061		230,961
Retiree health insurance		513,784		463,551
OPEB Irrevocable trust		64,640		64,640
Worker's compensation		626		789
Unemployment insurance		-		3,020
Miscellaneous		546		-
		<u>1,122,070</u>		<u>1,012,326</u>
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund		(119,097)		(107,693)
		<u>(119,097)</u>		<u>(107,693)</u>
Total	<u>2,471,739</u>	<u>1,841,101</u>	<u>630,638</u>	<u>1,694,886</u>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Management Information Services				
<i>Salaries and benefits:</i>				
Salaries	\$	\$ 84,520	\$	\$ 140,085
FICA expense		6,470		10,381
Funding for health plan		12,529		25,980
Retirement		11,484		18,094
401K retirement		4,197		6,648
		<u>119,200</u>		<u>201,188</u>
<i>Operating expenditures:</i>				
Travel and training		2,368		-
Outside maintenance and repairs		-		3,076
Maintenance contracts		203,679		156,215
IT Subscriptions		40,202		39,400
Supplies and materials		56,096		94,863
Contracted services		42,827		21,180
Worker's compensation		98		189
Dues and subscriptions		32,922		12,454
		<u>378,192</u>		<u>327,377</u>
<i>Capital outlay:</i>				
Office furniture and equipment		10,388		11,913
GASB 96 - IT Software		63,088		83,306
		<u>73,476</u>		<u>95,219</u>
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund		(52,113)		(49,292)
		<u>(52,113)</u>		<u>(49,292)</u>
<b>Total</b>	<b>560,932</b>	<b>518,755</b>	<b>42,177</b>	<b>574,492</b>
Planning and Development:				
<i>Salaries and benefits:</i>				
Salaries		803,510		735,112
FICA expense		59,910		54,723
Funding for health plan		139,221		131,733
Retirement		109,592		94,764
401K retirement		40,055		36,302
		<u>1,152,288</u>		<u>1,052,634</u>
<i>Operating expenditures:</i>				
Planning and zoning board fees		9,610		10,480
Professional services		600		-
Travel and training		12,497		6,043
Outside maintenance and repairs		79		158
Fleet maintenance		594		708
Communications		1,830		1,897

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Planning and Development (continued):				
<i>Operating expenditures (continued):</i>				
Equipment lease	\$	\$ 5,400	\$	\$ 5,400
Equipment rental		177		182
Copier lease		3,066		2,904
Historic Landmark		155		-
Vehicle fuel		2,527		2,823
Supplies and materials		4,862		4,342
Chapter updates		-		700
Recordation Fees		165		60
Dues and subscriptions		2,410		2,548
Worker's compensation		9,073		8,206
Miscellaneous		114		88
Installment note payments		<u>35,727</u>		<u>27,362</u>
		<u>88,886</u>		<u>73,901</u>
<i>Capital outlay:</i>				
Vehicle		<u>45,569</u>		<u>90,843</u>
		<u>45,569</u>		<u>90,843</u>
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund		<u>(104,499)</u>		<u>(92,547)</u>
		<u>(104,499)</u>		<u>(92,547)</u>
<b>Total</b>	<b><u>1,314,228</u></b>	<b><u>1,182,244</u></b>	<b><u>131,984</u></b>	<b><u>1,124,831</u></b>
Buildings and Grounds:				
<i>Salaries and benefits:</i>				
Salaries		463,632		422,129
FICA expense		33,811		30,784
Funding for health plan		133,144		125,792
Retirement		62,670		54,576
401K Retirement		<u>20,323</u>		<u>19,126</u>
		<u>713,580</u>		<u>652,407</u>
<i>Operating expenditures:</i>				
Travel and training		1,310		316
Utilities		73,423		74,923
Repairs and maintenance:				
Buildings and grounds		40,405		66,943
HVAC		16,000		23,078
Shoreline accesses		30,118		36,860
Recreational facilities		54,842		71,501
Landscaping		4,205		3,956
Sandfence		48,000		-
Special Event displays		2,172		2,610

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Buildings and Grounds (continued):				
<i>Operating expenditures (continued):</i>				
Outside maintenance and repairs	\$	\$ 1,664	\$	\$ 2,754
Insurance claims		21,718		6,744
Fleet maintenance		6,763		3,454
Equipment maintenance		2,080		2,096
Communications		2,070		2,073
Copier Lease		227		181
Building Lease		974,785		547,303
Vehicle fuel		7,362		6,951
Supplies and materials		60,763		49,362
Uniforms		2,337		1,766
Contracted services		62,271		55,501
Dues and subscriptions		264		-
Worker's compensation		12,388		9,664
Old EMS/B&G building		2,075		-
Installment note payments		25,610		610,983
Note payments		579,634		-
		<u>2,032,486</u>		<u>1,579,019</u>
<i>Capital outlay:</i>				
Buildings		9,636		16,651
Other improvements		139,908		-
Meekins Field		-		104,245
Aviation Park		27,501		66,919
Machinery & equipment		76,438		23,595
Beach access improvements		92,265		-
Lease asset		10,264,085		26,320
Vehicles		56,534		41,647
		<u>10,666,367</u>		<u>279,377</u>
<i>Reimbursement:</i>				
Reimbursement - Proprietary fund		(94,425)		(84,512)
		<u>(94,425)</u>		<u>(84,512)</u>
Total		<u>13,764,478</u>	<u>446,470</u>	<u>2,426,291</u>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
<b>Beach Nourishment:</b>				
<i>Operating expenditures:</i>				
Tax collection fee	\$	\$ 7,718	\$	\$ 7,769
Audit		-		-
Beach Nourishment		44,675		26,895
Installment note payment		124,340		126,618
		<u>176,733</u>		<u>161,282</u>
Total	<u>254,615</u>	<u>176,733</u>	<u>77,882</u>	<u>161,282</u>
<b>Total General Government</b>	<u>19,931,833</u>	<u>18,409,955</u>	<u>1,521,878</u>	<u>7,244,900</u>



**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
<b>Public Safety:</b>				
Police:				
<i>Salaries and benefits:</i>				
Salaries	\$	\$ 2,657,886	\$	\$ 2,475,747
FICA expense		202,030		186,383
Funding for health plan		560,171		537,343
Retirement		397,156		345,668
5% 401K retirement		129,701		121,447
3% 401K retirement		1,916		1,404
Seperation Allowance		66,200		44,848
		<u>4,015,060</u>		<u>3,712,840</u>
<i>Operating expenditures:</i>				
Professional services		167		918
Fingerprint search fee		114		-
Travel and training		21,386		16,785
Firing range		2,600		2,600
Insurance claims		2,265		1,267
Outside maintenance and repairs		6,907		4,767
Fleet maintenance		19,071		17,575
Communications		22,064		26,959
Maintenance contracts		14,856		14,856
Printing		-		199
Equipment lease		-		18,000
Copier lease		4,742		5,434
Vehicle fuel		76,941		75,481
<i>Supplies and materials:</i>				
General		29,654		32,259
Criminal		2,003		1,436
Car Radios		11,988		11,988
Handheld Radios		9,561		10,022
Uniforms		24,901		21,837
Crime prevention		1,903		1,485
Controlled substances		2,000		2,000
Contracted Services		150		50
Dues and subscriptions		2,700		4,276
Worker's compensation		44,892		43,899
Miscellaneous		304		1,058
Installment note payments		318,274		287,623
Financed purchase payment		45,468		45,468
		<u>664,911</u>		<u>648,242</u>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Police (continued):				
<i>Capital outlay:</i>				
Machinery and equipment	\$	\$ -		\$ 40,599
Lease asset		-		39,089
Vehicles		372,189		257,507
GASB 96 - IT Software		138,463		-
Office furniture and equipment		-		22,375
		<u>510,652</u>		<u>359,570</u>
 Total	<u>5,712,598</u>	<u>5,190,623</u>	<u>521,975</u>	<u>4,720,652</u>
 Animal Control:				
<i>Salaries and benefits:</i>				
Salaries		140,702		127,130
FICA expense		10,272		9,253
Funding for health plan		40,510		38,248
Retirement		19,252		16,438
401K retirement		7,035		6,356
		<u>217,771</u>		<u>197,425</u>
<i>Operating expenditures:</i>				
Travel and training		190		-
Insurance claims		2,980		-
Outside maintenance and repairs		60		87
Fleet maintenance		462		850
Communications		480		480
Vehicle fuel		2,275		2,606
Supplies and materials		2,649		2,406
Uniforms		980		724
Worker's compensation		1,833		1,669
		<u>11,909</u>		<u>8,822</u>
 Total	<u>236,828</u>	<u>229,680</u>	<u>7,148</u>	<u>206,247</u>
 Fire:				
<i>Salaries and benefits:</i>				
Salaries		1,942,965		1,823,041
FICA expense		141,989		132,728
Funding for health plan		456,512		432,782
Retirement		262,576		234,618
401K retirement		92,566		87,594
		<u>2,896,608</u>		<u>2,710,763</u>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Fire (continued):				
<i>Operating expenditures:</i>				
Professional services	\$	\$ 11,683	\$	10,868
Travel and training		12,405		11,974
Outside maintenance and repairs		32,689		42,271
Fleet maintenance		23,432		17,702
Communications		6,741		6,599
Printing		119		-
Copier lease		2,348		2,166
Vehicle Fuel		15,526		17,052
Supplies and materials		43,496		34,279
SCBA equipment		5,995		5,150
Uniforms		40,442		30,561
Contracted Services		228		76
Dues and subscriptions		5,261		5,057
Worker's compensation		44,757		44,194
Firemen's pension		3,360		1,770
New Fire Statio		1,244		-
Installment note payments		177,660		211,700
		<u>427,386</u>		<u>441,419</u>
<i>Capital outlay:</i>				
AFG - Radios		-		11,949
Vehicles		122,353		-
Machinery and equipment		-		57,558
		<u>122,353</u>		<u>69,507</u>
Total	<u>4,397,372</u>	<u>3,446,347</u>	<u>951,025</u>	<u>3,221,689</u>
Ocean Rescue:				
<i>Salaries and benefits:</i>				
Salaries		724,047		652,740
FICA expense		55,433		49,955
Funding for health plan		18,859		17,801
Retirement		20,898		18,204
401K retirement		5,481		5,036
		<u>824,718</u>		<u>743,736</u>
<i>Operating expenditures:</i>				
Professional services		2,460		2,100
Travel and training		2,923		291
Outside maintenance and repairs		7,028		6,773
Fleet maintenance		845		2,246

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Ocean Rescue (continued):				
Printing	\$	\$ 1,193	\$	\$ 890
Communications		2,059		1,708
Equipment rental		12,875		11,400
Copier lease		105		208
Vehicle fuel		4,636		4,436
Supplies and materials		17,540		17,165
Uniforms		14,917		13,641
Dues and subscriptions		500		60
Worker's compensation		11,433		18,601
Installment note payments		23,217		18,363
		<u>101,731</u>		<u>97,882</u>
<i>Capital outlay:</i>				
Machinery and equipment		7,087		12,531
Vehicle		87,628		-
		<u>94,715</u>		<u>12,531</u>
Total	<u>1,113,290</u>	<u>1,021,164</u>	<u>92,126</u>	<u>854,149</u>
<b>Total Public Safety</b>	<u>11,460,088</u>	<u>9,887,814</u>	<u>1,572,274</u>	<u>9,002,737</u>
<b>Transportation</b>				
Streets:				
<i>Salaries and benefits:</i>				
Salaries		492,961		466,649
FICA expense		36,706		34,656
Funding for health plan		110,225		106,848
Retirement		67,432		59,374
401K retirement		23,924		21,119
		<u>731,248</u>		<u>688,646</u>
<i>Operating expenditures:</i>				
Utilities		107,660		94,102
Travel and training		941		260
Street maintenance		123,776		129,562
Sidewalks		15,405		40,307
Canal		-		4,188
Outside maintenance and repairs		3,985		5,482
Fleet maintenance		26,943		15,375
Communications		2,566		2,287
Equipment rental		-		55
Copier lease		305		337
Vehicle fuel		18,847		19,034
Supplies and materials		25,048		21,070

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Streets (continued):				
<i>Operating expenditures (continued):</i>				
Uniforms	\$	\$ 4,901	\$	\$ 6,130
Contracted services		86,800		73,586
Worker's compensation		9,509		14,479
Installment note payments		<u>203,807</u>		<u>142,298</u>
		<u>630,493</u>		<u>568,552</u>
<i>Capital outlay</i>				
Machinery and equipment		371,807		93,842
Vehicles		73,480		-
Street construction		2,591,350		713,339
Sidewalks		<u>45,210</u>		<u>20,486</u>
		<u>3,081,847</u>		<u>827,667</u>
Total	<u>6,426,917</u>	<u>4,443,588</u>	<u>1,983,329</u>	<u>2,084,865</u>
Powell Bill:				
<i>Operating expenditures:</i>				
Professional services		488		618
Supplies and materials		<u>18,965</u>		<u>17,118</u>
		<u>19,453</u>		<u>17,736</u>
<i>Capital outlay:</i>				
Street construction		<u>307,403</u>		-
		<u>307,403</u>		-
Total	<u>650,634</u>	<u>326,856</u>	<u>323,778</u>	<u>17,736</u>
<b>Total Transportation</b>	<u>7,077,551</u>	<u>4,770,444</u>	<u>2,307,107</u>	<u>2,102,601</u>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
<b>Public Works:</b>				
Fleet Maintenance:				
<i>Salaries and benefits:</i>				
Salaries	\$	\$ 413,677	\$	\$ 381,779
FICA expense		31,144		28,678
Funding for health plan		76,087		74,279
Retirement		56,587		49,361
401K retirement		20,684		19,089
		<u>598,179</u>		<u>553,186</u>
<i>Operating expenditures:</i>				
Travel and training		77		280
Outside maintenance and repairs		5,877		8,981
Fleet maintenance		834		1,032
Communications		420		480
Maintenance contracts		1,175		1,175
Printing		553		-
Copier lease		198		191
Vehicle fuel		1,587		1,509
Supplies and materials		11,807		15,674
Uniforms		2,137		2,926
Fleet maintenance supplies		183,583		181,337
Fuel		239,237		260,211
Dues and subscriptions		892		840
Worker's compensation		4,619		6,405
Installment note payments		-		5,632
Departmental charges		(425,360)		(422,644)
		<u>27,636</u>		<u>64,029</u>
Reimbursement - Proprietary fund		(71,353)		(61,687)
		<u>(71,353)</u>		<u>(61,687)</u>
<b>Total Public Works</b>		<u>670,054</u>	<u>115,592</u>	<u>555,528</u>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**

**For the Fiscal Year Ended June 30, 2025**

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

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
<b>Environmental Protection:</b>				
Solid Waste:				
<i>Salaries and benefits:</i>				
Salaries	\$	\$ 865,081	\$	798,960
FICA expense		63,677		58,658
Funding for health plan		232,047		218,361
Retirement		118,350		103,298
401K retirement		43,254		39,900
		<u>1,322,409</u>		<u>1,219,177</u>
<i>Operating expenditures:</i>				
Travel and training		91		455
Insurance claims		10,811		1,000
Outside maintenance and repairs		58,737		9,472
Fleet maintenance		101,149		114,903
Communications		4,235		4,270
Printing		526		1,383
Copier lease		305		337
Vehicle fuel		91,173		105,554
Supplies and materials		12,247		16,880
Uniforms		8,895		10,696
Contracted services		38,583		38,800
Contracted services - tipping fees		1,030,969		1,013,552
<i>Purchases for resale:</i>				
Dumpsters		17,253		97,667
Rollout carts		22,798		15,982
Household hazardous waste		4,149		2,397
Dues and subscriptions		190		80
Worker's compensation		18,162		25,346
Installment note payments		766,395		736,810
		<u>2,186,668</u>		<u>2,195,584</u>
<i>Capital outlay:</i>				
Machinery and equipment		26,988		154,864
Vehicles		294,252		1,538,894
		<u>321,240</u>		<u>1,693,758</u>
<b>Total Environmental Protection</b>	<u>4,043,346</u>	<u>3,830,317</u>	<u>213,029</u>	<u>5,108,519</u>
<b>TOTAL EXPENDITURES</b>	<u>43,182,872</u>	<u>37,452,992</u>	<u>5,729,880</u>	<u>24,014,285</u>
<b>REVENUES (UNDER) OVER EXPENDITURES</b>	<u>(18,358,980)</u>	<u>(11,565,016)</u>	<u>6,793,964</u>	<u>1,569,316</u>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**

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

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Direct borrowing	\$ 844,430	\$ 844,430	-	\$ 2,018,473
Sale of capital assets	20,000	402,583	382,583	113,218
GASB 87 lease financing	10,289,118	10,264,085	(25,033)	35,189
GASB 96 SBITA financing	48,583	48,583	-	77,906
Transfer from capital reserve fund	3,301,132	672,925	(2,628,207)	-
Transfer to capital reserve fund	(2,011,702)	-	2,011,702	(3,207,043)
Transfer to capital reserve fund	(25,000)	(25,000)	-	-
Insurance Proceeds	65,000	64,115	(885)	24,668
Appropriated fund balance	2,498,888	-	(2,498,888)	-
Appropriated fund balance - encumbrance	3,257,300	-	(3,257,300)	-
Appropriated fund balance - powell bill	71,231	-	(71,231)	-
	<u>18,358,980</u>	<u>12,271,721</u>	<u>(6,087,259)</u>	<u>(937,589)</u>
<b>REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>				
	\$ <u>-</u>	706,705	\$ <u>706,705</u>	631,727
<b><u>FUND BALANCE</u></b>				
Fund balance, beginning		26,471,662		25,839,935
Fund balance, end of year		\$ <u>27,178,367</u>		\$ <u>26,471,662</u>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	<u>2025 - Budget</u>	<u>2025 - Actual</u>	<u>Variance Positive (Negative)</u>	<u>2024 - Actual</u>
<b>Revenues</b>				
<b>Investment earnings</b>				
Investment earnings	\$ —	\$ 368,309	\$ 368,309	\$ 258,538
Change in fair value of investments	—	131,652	131,652	(185)
Net investment earnings (loss)	—	499,961	499,961	258,353
Total Revenues	—	499,961	499,961	258,353
<b>Revenues over (under) Expenditures</b>	<b>—</b>	<b>499,961</b>	<b>499,961</b>	<b>258,353</b>
<b>Other Financing Sources (Uses)</b>				
Transfer to general fund	(3,301,132)	(672,925)	2,628,207	—
Transfer from general fund	2,011,702	—	(2,011,702)	3,207,043
Future reserves	1,289,430	—	(1,289,430)	—
Total Other Financing Sources (Uses)	—	(672,925)	(672,925)	3,207,043
<b>Revenues and Other Sources over (under) Other Uses</b>	<b>\$ —</b>	<b>(172,964)</b>	<b>\$ (172,964)</b>	<b>3,465,396</b>
Fund balances - beginning		8,240,886		4,775,490
Fund balances - ending		\$ 8,067,922		\$ 8,240,886

**NON-MAJOR GOVERNMENTAL FUNDS**

The **2022 Beach Nourishment Capital Project Fund** is used to account for the beach nourishment project that took place in 2022.

The **2027 Beach Nourishment Capital Project Fund** is used to account for the beach nourishment project scheduled to take place in 2027.

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**June 30, 2025**

	<b>2022 Beach Nourishment Capital Project Fund</b>	<b>2027 Beach Nourishment Capital Project Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 365,681	\$ 25,000	\$ 390,681
Accrued interest receivable	2,350	—	2,350
Total assets	<u>\$ 368,031</u>	<u>\$ 25,000</u>	<u>\$ 393,031</u>
<b>Fund balances:</b>			
<b>Restricted:</b>			
Beach nourishment	<u>368,031</u>	<u>25,000</u>	<u>393,031</u>
Total Fund balances	<u>368,031</u>	<u>25,000</u>	<u>393,031</u>
Total liabilities and fund balances	<u>\$ 368,031</u>	<u>\$ 25,000</u>	<u>\$ 393,031</u>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**

	2022 Beach Nourishment Capital Project Fund	2027 Beach Nourishment Capital Project Fund	Total Non-Major Governmental Funds
<b>REVENUES</b>			
Investment earnings:			
Interest earnings	\$ 12,504	\$ -	\$ 12,504
Change in fair market value of investments	5,312	-	5,312
Net investment earnings (loss)	5,312	-	5,312
<b>TOTAL REVENUES</b>	<b>17,816</b>	<b>-</b>	<b>17,816</b>
<b>EXPENDITURES</b>			
Capital outlay:			
Beach Nourishment	716	-	716
	716	-	716
<b>TOTAL EXPENDITURES</b>	<b>716</b>	<b>-</b>	<b>716</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>17,100</b>	<b>-</b>	<b>17,100</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Contribution from Capital Reserve Fund	-	25,000	25,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>25,000</b>	<b>25,000</b>
Net change in fund balance	17,100	25,000	42,100
Fund balances-beginning	350,931	-	350,931
Fund balances-ending	\$ 368,031	\$ 25,000	\$ 393,031

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**From Inception and For the Fiscal Year Ended June 30, 2025**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES</b>					
Restricted Intergovernmental Revenues:					
Grant - NCDEQ	\$ 1,456,876	\$ 1,456,876	\$ -	\$ 1,456,876	\$ -
Contribution from Dare County	691,137	543,848	-	543,848	(147,289)
Sand Fencing Grant from Dare County	48,000	48,000	-	48,000	-
Investment earnings:					
Interest earnings	-	34,192	12,504	46,696	46,696
Change in fair value of investments	-	(10,846)	5,312	(5,534)	(5,534)
	<u>2,196,013</u>	<u>2,072,070</u>	<u>17,816</u>	<u>2,089,886</u>	<u>(106,127)</u>
<b>TOTAL REVENUES</b>	<u>2,196,013</u>	<u>2,072,070</u>	<u>17,816</u>	<u>2,089,886</u>	<u>(106,127)</u>
<b>EXPENDITURES:</b>					
Capital outlay:					
Beach nourishment	6,795,623	6,320,749	716	6,321,465	474,158
	<u>6,795,623</u>	<u>6,320,749</u>	<u>716</u>	<u>6,321,465</u>	<u>474,158</u>
<b>TOTAL EXPENDITURES</b>	<u>6,795,623</u>	<u>6,320,749</u>	<u>716</u>	<u>6,321,465</u>	<u>474,158</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(4,599,610)	(4,248,679)	17,100	(4,231,579)	368,031
<b>OTHER FINANCING SOURCES</b>					
Special Obligation Bond - FEMA	3,638,169	3,638,169	-	3,638,169	-
Direct borrowing	593,224	593,224	-	593,224	-
Contribution from Capital Reserve Fund	368,217	368,217	-	368,217	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>4,599,610</u>	<u>4,599,610</u>	<u>-</u>	<u>4,599,610</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ -	\$ 350,931	17,100	\$ 368,031	\$ 368,031
<b>FUND BALANCE</b>					
Beginning of Year - July 1			350,931		
End of Year - June 30			<u>\$ 368,031</u>		



**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**From Inception and For the Fiscal Year Ended June 30, 2025**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES</b>					
Investment earnings:					
Interest earnings	\$ -	\$ -	\$ -	\$ -	-
Change in fair value of investments	-	-	-	-	-
<b>TOTAL REVENUES</b>	-	-	-	-	-
<b>EXPENDITURES:</b>					
Capital outlay:					
Beach nourishment	25,000	-	-	-	25,000
	25,000	-	-	-	25,000
<b>TOTAL EXPENDITURES</b>	25,000	-	-	-	25,000
<b>REVENUES OVER (UNDER) EXPENDITURES</b>					
	(25,000)	-	-	-	-
<b>OTHER FINANCING SOURCES</b>					
Contribution from Capital Reserve Fund	25,000	-	25,000	25,000	-
<b>TOTAL OTHER FINANCING SOURCES</b>	25,000	-	25,000	25,000	-
<b>NET CHANGE IN FUND BALANCE</b>					
	\$ -	\$ -	25,000	25,000	25,000
<b>FUND BALANCE</b>					
Beginning of Year - July 1			-		
End of Year - June 30			25,000		

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## ENTERPRISE FUNDS

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

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

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

The **Wastewater Fund** is used to account for the activities of the Wastewater Department.

The **Wastewater Capital Reserve 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**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
<b>REVENUES</b>				
Operating revenues:				
Water sales	\$	\$ 5,474,074	\$	\$ 5,120,975
Water connection fees		86,323		76,544
Late payment penalties		41,017		43,082
Miscellaneous		48,174		30,265
Total operating revenues		<u>5,325,178</u>	<u>324,410</u>	<u>5,270,866</u>
Non-operating revenues:				
Investment earnings		421,296		391,093
Change in fair value on investments		192,442		167,765
Total non-operating revenues		<u>150,000</u>	<u>463,738</u>	<u>558,858</u>
<b>TOTAL REVENUES</b>		<u>5,475,178</u>	<u>788,148</u>	<u>5,829,724</u>
<b>EXPENDITURES</b>				
Water Administration:				
<i>Administrative costs:</i>				
Legal services		7,650		7,625
		<u>7,650</u>		<u>7,625</u>
<i>Salaries and benefits:</i>				
Salaries		552,769		511,708
FICA expense		41,059		37,902
Funding for health plan		113,646		106,760
Retirement		75,622		66,158
401K retirement		27,638		25,586
		<u>810,734</u>		<u>748,114</u>
<i>Operating expenditures:</i>				
Audit		6,468		6,160
Engineering services		730		-
Postage		20,738		16,870
Telephone		6,320		6,807
Utilities		2,944		2,902
Travel and training		1,080		228
<i>Maintenance and repairs:</i>				
Buildings and grounds		15,096		4,339
Outside		138		308
Fleet maintenance		6,779		3,453
Communications		2,330		1,971
Maintenance contracts		1,088		1,088
Printing		1,192		1,784
Equipment rental		97		-
Equipment lease		3,000		3,000



**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
Water Administration (continued):				
<i>Operating expenditures (continued):</i>				
Copier lease	\$	\$ 1,355	\$	\$ 1,471
Advertising		464		170
Vehicle fuel		6,703		5,702
Supplies and materials		6,052		3,602
Uniforms		2,759		1,358
Contracted services		13,959		10,295
Contracted services:				
Water billing		6,079		5,388
Dues and subscriptions		4,686		4,877
General insurance		122,037		87,169
Retiree health insurance		38,532		48,906
Worker's compensation		3,650		4,517
Miscellaneous - special events		725		677
Reimbursement to General Fund		585,151		522,674
		<u>860,152</u>		<u>745,716</u>
Total	<u>1,714,572</u>	<u>1,678,536</u>	<u>36,036</u>	<u>1,501,455</u>
Water Treatment Plant:				
<i>Salaries and benefits:</i>				
Salaries		279,208		258,168
FICA expense		20,931		19,319
Funding for health plan		63,123		59,651
Retirement		38,200		33,382
401K retirement		13,253		12,908
		<u>414,715</u>		<u>383,428</u>
<i>Operating expenditures:</i>				
Professional services		978		218
Utilities		48,487		53,507
Travel and training				1,184
Insurance Claims		500		
Plant repairs and maintenance		31,259		7,162
Outside repairs and maintenance		5,952		1,576
Fleet maintenance		2,390		299
Communications		508		665
Maintenance contracts		40,600		39,699
Copier lease		72		47
Vehicle fuel		2,805		2,352
Supplies and materials		7,207		3,399
Chemicals		11,941		11,391



**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
<b>Water Treatment Plant:</b>				
<i>Operating expenditures (continued):</i>				
Uniforms	\$	\$ 2,463	\$	2,139
Contracted services		3,070		2,810
Treated water costs		1,110,174		1,114,991
Dues and subscriptions		2,850		2,850
Worker's compensation		3,586		4,239
		<u>1,274,842</u>		<u>1,248,528</u>
<b>Total</b>	<u>1,916,910</u>	<u>1,689,557</u>	<u>227,353</u>	<u>1,631,956</u>
<b>Water System:</b>				
<i>Salaries and benefits:</i>				
Salaries		330,022		295,489
FICA expense		23,986		21,301
Funding for health plan		94,826		88,459
Retirement		38,331		37,773
401K retirement		10,859		11,602
		<u>498,024</u>		<u>454,624</u>
<i>Operating expenditures:</i>				
Travel and training		2,493		385
<i>Maintenance and repairs:</i>				
Buildings		2,629		2,595
Systems		241,219		108,339
Hydrants		9,427		2,674
Outside		13,080		7,096
Insurance Claims		-		500
Fleet maintenance		8,209		3,775
Communications		3,483		2,068
Copier lease		217		432
Vehicle fuel		10,640		7,012
Supplies and materials		6,824		10,493
Uniforms		3,834		2,456
Contracted services		31,909		1,755
Dues and subscriptions		200		150
Worker's compensation		5,129		5,620
		<u>339,293</u>		<u>155,350</u>
<b>Total</b>	<u>937,895</u>	<u>837,317</u>	<u>100,578</u>	<u>609,974</u>



**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
<i>Debt Service:</i>				
Principal retirement	\$ 2,813	\$ 2,813	\$ -	\$ 2,813
Total	2,813	2,813	-	2,813
<i>Capital outlay:</i>				
Plant	20,478	-	20,478	54,259
Building	569,900	27,391	542,509	8,119
Other improvements - capital	2,974,935	2,460,912	514,023	835,644
Vehicles	137,020	130,260	6,760	-
Machinery and equipment	18,000	17,976	24	496,572
Total	3,720,333	2,636,539	1,083,794	1,394,594
<b>TOTAL EXPENDITURES</b>	<b>8,292,523</b>	<b>6,844,762</b>	<b>1,447,761</b>	<b>5,140,792</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,817,345)</b>	<b>(581,436)</b>	<b>2,235,909</b>	<b>688,932</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from Wastewater Fund	18,750	18,750	-	18,750
Transfer from Capital Reserve Fund	-	-	-	692,426
Fund equity appropriations	2,798,595	-	(2,798,595)	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>2,817,345</b>	<b>18,750</b>	<b>(2,798,595)</b>	<b>711,176</b>
<b>REVENUES AND OTHER SOURCES (OVER/UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	<b>\$ (562,686)</b>	<b>\$ (562,686)</b>	<b>\$ 1,400,108</b>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
<u>RECONCILIATION OF BUDGETARY</u>				
<u>BASIS TO GAAP:</u>				
Revenues over (under) expenditures and other financing uses - Water Fund (above)		\$ (562,686)		\$ 1,400,108
Revenues (under) expenditures - Water Capital Reserve Fund		446,976		(144,687)
Principal retirement		2,813		2,813
Capitalized purchases		2,636,539		1,394,594
Loss on disposal of capital assets		-		(15,857)
(Increase) in accrued vacation payable		(5,743)		(7,095)
Decrease in sick payable		24,469		-
Decrease in lease liability		2,753		2,679
Increase (decrease) in deferred outflows-pensions		(70,213)		14,454
(Increase) decrease in net pension liability		17,429		(84,532)
(Increase) in deferred inflows-pensions		(2,936)		(2,764)
Depreciation and amortization		(793,102)		(748,062)
(Decrease) in deferred outflows of resources - OPEB		(40,809)		(5,426)
(Increase) decrease in deferred inflows of resources - OPEB		(143,767)		22,062
(Increase) decrease in accrued OPEB liability		181,769		(47,732)
<u>CHANGES IN NET POSITION</u>		<u>\$ 1,693,492</u>		<u>\$ 1,780,555</u>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	<b>2024 Actual</b>
<b>REVENUES</b>				
Operating revenues:				
System development fees	\$ 324,000	\$ 437,300	\$ 113,300	\$ 524,900
Total Operating revenues	<u>324,000</u>	<u>437,300</u>	<u>113,300</u>	<u>524,900</u>
Non-operating revenues:				
Interest Income	—	13,626	13,626	14,407
Change in fair value of investments	—	(3,950)	(3,950)	8,433
Net investment earnings (loss)	—	9,676	9,676	22,840
<b>TOTAL REVENUES</b>	<b><u>324,000</u></b>	<b><u>446,976</u></b>	<b><u>122,976</u></b>	<b><u>547,740</u></b>
<b>REVENUES OVER EXPENDITURES</b>	<b><u>324,000</u></b>	<b><u>446,976</u></b>	<b><u>122,976</u></b>	<b><u>547,740</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to Water Fund	(324,000)	—	(324,000)	(692,426)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(324,000)</u>	<u>—</u>	<u>324,000</u>	<u>(692,426)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b><u>\$ —</u></b>	<b><u>\$ 446,976</u></b>	<b><u>\$ 446,976</u></b>	<b><u>\$ (144,686)</u></b>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Positive (Negative)	2024
	Budget	Actual		Actual
<b>REVENUES</b>				
Operating revenues:				
Wastewater sales	\$	\$ 199,203	\$	\$ 196,949
Late payment penalties		1,885		2,011
Total operating revenues		<u>230,660</u>	<u>(29,572)</u>	<u>198,960</u>
Non-operating revenues:				
Investment earnings		2,569		2,982
Change in fair market value on investments		1,254		897
Total non-operating revenues		<u>-</u>	<u>3,823</u>	<u>3,879</u>
<b>TOTAL REVENUES</b>		<u>230,660</u>	<u>(25,749)</u>	<u>202,839</u>
<b>EXPENDITURES</b>				
<i>Operating expenditures:</i>				
Audit		440		440
Telephone		2,607		2,399
Utilities		3,393		2,660
Maintenance and repair - system		50,233		25,950
Contracted services		36,000		36,000
Treated wastewater costs		84,072		81,544
Total operating expenditures		<u>223,215</u>	<u>46,470</u>	<u>148,993</u>
<b>TOTAL EXPENDITURES</b>		<u>223,215</u>	<u>46,470</u>	<u>148,993</u>
<b>REVENUES OVER EXPENDITURES</b>	\$	<u>7,445</u>	\$	<u>28,166</u>
			\$	<u>(20,721)</u>
			\$	<u>53,846</u>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	2025		Variance Over (Under)	2024
	Budget	Actual		Actual
<u>OTHER FINANCING (USES)</u>				
Transfer to Water Fund	\$ (18,750)	\$ (18,750)	\$ -	\$ (18,750)
Fund equity appropriations	<u>11,305</u>	<u>-</u>	<u>(11,305)</u>	<u>-</u>
<u>TOTAL OTHER FINANCING (USES)</u>	<u>(7,445)</u>	<u>(18,750)</u>	<u>(11,305)</u>	<u>(18,750)</u>
<b>REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>				
	\$ <u>-</u>	\$ <u>9,416</u>	\$ <u>9,416</u>	\$ <u>35,096</u>
<u>RECONCILIATION OF BUDGETARY BASIS TO GAAP:</u>				
Revenues over expenditures		\$ 9,416		\$ 35,096
Revenues over expenditures - Wastewater Capital Reserve		3,899		6,760
Depreciation		<u>(4,001)</u>		<u>(4,001)</u>
<u>CHANGES IN NET POSITION</u>		\$ <u>9,314</u>		\$ <u>37,855</u>



**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**  
**With Comparative Actual Amounts for the Year Ended June 30, 2024**

	<u>2025 - Budget</u>	<u>2025 - Actual</u>	<u>Variance Positive (Negative)</u>	<u>2024 - Actual</u>
<b>Revenues</b>				
<b>Operating revenues:</b>				
System development fees	\$ 18,750	\$ 1,554	\$ (17,196)	\$ 4,662
Total Operating revenues	<u>18,750</u>	<u>1,554</u>	<u>(17,196)</u>	<u>4,662</u>
<b>Non-operating revenues:</b>				
Interest Income	—	1,689	1,689	1,541
Change in fair value of investments	—	656	656	558
Net investment earnings (loss)	<u>—</u>	<u>2,345</u>	<u>2,345</u>	<u>2,099</u>
Total Revenues	<u>18,750</u>	<u>3,899</u>	<u>(14,851)</u>	<u>6,761</u>
<b>Other financing sources (uses)</b>				
Transfer to Water Fund	<u>(18,750)</u>	—	<u>18,750</u>	—
Total other financing sources (uses) and special items	<u>(18,750)</u>	—	<u>18,750</u>	—
<b>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ —</u>	<u>\$ 3,899</u>	<u>\$ 3,899</u>	<u>\$ 6,761</u>

**SUPPLEMENTARY SCHEDULES**

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Schedule of Municipal Service District Taxes Receivable

Analysis of Municipal Service District Tax Levy

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**

Tax Year	Fiscal Year	Uncollected Balance June 30, 2024	Additions	Collections and Credits	Adjustments and Releases	Uncollected Balance June 30, 2025
2024	2024-2025	\$ -	\$ 11,380,391	\$ (11,345,498)	\$ (5,180)	\$ 29,713
2023	2023-2024	35,264	-	(19,350)	(310)	15,604
2022	2022-2023	11,726	-	(4,164)	(124)	7,438
2021	2021-2022	6,812	-	(1,456)	(24)	5,332
2020	2020-2021	3,577	-	(5)	(25)	3,547
2019	2019-2020	3,477	-	(30)	-	3,447
2018	2018-2019	1,946	-	(32)	-	1,914
2017	2017-2018	2,190	-	(29)	-	2,161
2016	2016-2017	1,125	-	(29)	-	1,096
2015	2015-2016	1,240	-	(29)	-	1,211
2014	2014-2015	1,272	-	(26)	(1,246)	-
		<u>\$ 68,629</u>	<u>\$ 11,380,391</u>	<u>\$ (11,370,648)</u>	<u>\$ (6,909)</u>	<u>\$ 71,463</u>

Reconciliation with revenues:

Ad Valorem taxes - general fund \$ 11,384,853

Reconciling items:

Penalties collected	9,971
Interest collected	(23,914)
2014-2015 taxes written off	91
Taxes released	6,818
Taxes collected previously written off	(262)
Subtotal	<u>(7,296)</u>

Total collections, credits, adjustments, & releases \$ 11,377,557



**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**

	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	\$ 3,173,274,814	0.3550	\$ 11,272,593	\$ 10,757,262	\$ 515,331
Penalties	-		10,110	10,110	-
<b>Total</b>	<u>3,173,274,814</u>		<u>11,282,703</u>	<u>10,767,372</u>	<u>515,331</u>
Discoveries:					
Current year	27,517,746	0.3550	97,688	97,688	-
Abatements	1,459,155	0.3550	(5,180)	(5,180)	-
Total Property Valuation	<u>\$ 3,202,251,715</u>				
Net levy			<u>11,375,211</u>	<u>10,859,880</u>	<u>515,331</u>
Uncollected taxes at June 30, 2025			(29,713)	(29,713)	-
Current year taxes collected			<u>\$ 11,345,498</u>	<u>\$ 10,830,167</u>	<u>\$ 515,331</u>
Current levy collection percentage			<u>99.74%</u>	<u>99.73%</u>	<u>100.00%</u>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**

Tax Year	Fiscal Year	Uncollected Balance June 30, 2024	Additions	Collections and Credits	Adjustments and Releases	Uncollected Balance June 30, 2025
2024	2024-2025 MSD \$	-	\$ 512,587	\$ (512,558)	\$ (3)	\$ 26
2023	2023-2024 MSD	-	-	-	-	-
2022	2022-2023MSD	2	-	(1)	-	1
2021	2021-2022 MSD	-	-	-	-	-
2020	2020-2021 MSD	-	-	-	-	-
2019	2019-2020 MSD	-	-	-	-	-
2018	2018-2019 MSD	-	-	-	-	-
2017	2017-2018 MSD	-	-	-	-	-
2016	2016-2017 MSD	-	-	-	-	-
		<u>\$ 2</u>	<u>\$ 512,587</u>	<u>\$ (512,559)</u>	<u>\$ (3)</u>	<u>\$ 27</u>

Reconciliation with revenues:

Ad Valorem taxes - general fund	\$ 513,117
Reconciling items:	
Interest collected	(558)
Adjustments	3
Subtotal	<u>(555)</u>
Total collections, credits, adjustments, & releases	<u>\$ 512,562</u>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**For the Fiscal Year Ended June 30, 2025**

	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	\$ 213,408,567	0.2400	\$ 512,173	\$ 510,228	\$ 1,944
Penalties	-		414	414	-
<b>Total</b>	<u>213,408,567</u>		<u>512,587</u>	<u>510,642</u>	<u>1,944</u>
Discoveries:					
Current year	-	0.2400	-	-	-
Abatements	(1,250)	0.2400	(3)	(3)	-
Total Property Valuation	\$ <u>213,407,317</u>				
Net levy			<u>512,584</u>	<u>510,639</u>	<u>1,944</u>
Uncollected taxes at June 30, 2025			(26)	-	-
Current year taxes collected			<u>\$ 512,558</u>	<u>\$ 510,639</u>	<u>\$ 1,944</u>
Current levy collection percentage			<u>99.99%</u>	<u>100.00%</u>	<u>100.00%</u>



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# Statistical Section

## STATISTICAL SECTION

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

### Contents

#### Financial Trends

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

These tables contain information to help the reader assess the Town's most significant local revenue source: property tax.

#### Debt Capacity

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

These tables offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

#### Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

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

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**LAST TEN FISCAL YEARS**  
(accrual basis of accounting)

	2016	2017	2018	2019
<b>Governmental activities</b>				
Net investment in capital assets	\$ 16,330,419	\$ 18,305,271	\$ 22,873,133	\$ 24,623,812
Restricted	4,761,304	6,803,628	5,400,659	5,221,050
Unrestricted	6,646,476	6,006,515	4,610,656	4,895,344
Total governmental activities net assets	<u>\$ 27,738,199</u>	<u>\$ 31,115,414</u>	<u>\$ 32,884,448</u>	<u>\$ 34,740,206</u>
<b>Business-type activities</b>				
Net investment in capital assets	\$ 12,315,193	\$ 12,593,967	\$ 12,468,714	\$ 13,219,145
Unrestricted	5,868,509	6,399,233	7,028,749	7,653,992
Total business-type activities net assets	<u>\$ 18,183,702</u>	<u>\$ 18,993,200</u>	<u>\$ 19,497,463</u>	<u>\$ 20,873,137</u>
<b>Primary government</b>				
Net investment in capital assets	\$ 28,645,612	\$ 30,899,238	\$ 35,341,847	\$ 37,842,957
Restricted	4,761,304	6,803,628	5,400,659	5,221,050
Unrestricted	12,514,985	12,405,748	11,639,405	12,549,336
Total primary government activities net position	<u>\$ 45,921,901</u>	<u>\$ 50,108,614</u>	<u>\$ 52,381,911</u>	<u>\$ 55,613,343</u>

2020	2021	2022	2023	2024	2025
\$ 24,985,284	\$ 26,206,869	\$ 27,961,849	\$ 31,209,220	\$ 31,703,248	\$ 32,168,779
6,277,666	6,462,727	14,190,930	11,159,372	17,119,806	15,642,330
2,426,895	3,980,136	1,812,796	5,643,891	2,387,497	4,004,318
<u>\$ 33,689,845</u>	<u>\$ 36,649,732</u>	<u>\$ 43,965,575</u>	<u>\$ 48,012,483</u>	<u>\$ 51,210,551</u>	<u>\$ 51,815,427</u>
\$ 14,593,891	\$ 15,516,079	\$ 16,316,188	\$ 16,400,956	\$ 17,033,123	\$ 18,878,126
7,339,325	7,452,471	8,246,309	9,741,284	10,927,527	10,643,998
<u>\$ 21,933,216</u>	<u>\$ 22,968,550</u>	<u>\$ 24,562,497</u>	<u>\$ 26,142,240</u>	<u>\$ 27,960,650</u>	<u>\$ 29,522,124</u>
\$ 39,579,175	\$ 41,722,948	\$ 44,278,037	\$ 47,610,176	\$ 48,736,371	\$ 51,046,905
6,277,666	6,462,727	14,190,930	11,159,372	17,119,806	15,642,330
9,766,220	11,432,607	10,059,105	15,385,175	13,315,024	14,648,316
<u>\$ 55,623,061</u>	<u>\$ 59,618,282</u>	<u>\$ 68,528,072</u>	<u>\$ 74,154,723</u>	<u>\$ 79,171,201</u>	<u>\$ 81,337,551</u>

## TOWN OF KILL DEVIL HILLS, NORTH CAROLINA LAST TEN FISCAL YEARS

(accrual basis of accounting)

	2016	2017	2018	2019
<b>Expenses</b>				
Governmental activities:				
General government	\$ 4,215,197	\$ 4,295,980	\$ 5,084,613	\$ 6,487,420
Public safety	5,367,196	5,563,249	5,750,230	6,020,479
Transportation	1,090,516	1,244,348	1,317,258	1,557,859
Public works	295,855	353,600	362,927	345,423
Environmental protection	1,944,282	2,137,778	2,167,078	2,372,400
Interest on long-term debt	112,604	196,681	190,857	257,907
Total Governmental activities expenses	<u>13,025,650</u>	<u>13,791,636</u>	<u>14,872,963</u>	<u>17,041,488</u>
Business-type activities:				
Water Fund	3,087,792	3,155,456	3,332,754	3,437,230
Wastewater Fund	268,324	261,108	272,205	265,718
Total Business-type activities expenses	<u>3,356,116</u>	<u>3,416,564</u>	<u>3,604,959</u>	<u>3,702,948</u>
Total primary government activities expenses	<u>\$ 16,381,766</u>	<u>\$ 17,208,200</u>	<u>\$ 18,477,922</u>	<u>\$ 20,744,436</u>
<b>Program revenues</b>				
Governmental activities:				
Charges for services				
General government	\$ 435,952	\$ 491,739	\$ 467,760	\$ 542,280
Public safety	9,736	15,311	16,598	18,084
Transportation	-	-	-	-
Environmental protection	53,850	61,749	43,054	59,424
Operating grants and contributions				
General government	110,109	187,098	21,313	38,601
Public safety	11,211	5,341	9,499	1,394
Transportation	-	-	-	-
Environmental protection	-	-	-	-
Capital grants and contributions				
General Government	351,292	-	659,393	312,454
Public safety	-	-	-	-
Transportation	245,017	243,972	468,872	606,970
Total Governmental activities program revenues	<u>1,217,167</u>	<u>1,005,210</u>	<u>1,686,489</u>	<u>1,579,207</u>
Business-type activities				
Charges for services:				
Water Fund	3,560,155	3,585,800	3,773,336	4,003,745
Wastewater Fund	194,201	191,944	204,387	194,970
Operating grants and contributions				
Water Fund	-	-	-	-
Capital grants and contributions:				
Water Fund	293,000	422,000	622,000	579,100
Wastewater Fund	6,480	19,440	35,640	7,386
Total Business-type activities program revenues	<u>4,053,836</u>	<u>4,219,184</u>	<u>4,635,363</u>	<u>4,785,201</u>
Total primary government activities program revenues	<u>\$ 5,271,003</u>	<u>\$ 5,224,394</u>	<u>\$ 6,321,852</u>	<u>\$ 6,364,408</u>

	2020	2021	2022	2023	2024	2025
\$	7,483,506	\$ 7,182,255	\$ 6,855,333	\$ 8,076,522	\$ 8,187,052	\$ 8,880,975
	6,398,627	7,043,759	7,309,069	7,901,536	8,475,465	9,262,026
	1,594,774	1,735,100	1,724,607	2,238,118	2,137,991	2,258,981
	360,238	407,423	431,126	480,620	565,398	557,773
	2,438,992	2,738,733	2,878,474	3,063,891	3,211,290	3,442,528
	315,068	274,957	260,147	301,426	233,927	807,665
	<u>18,591,205</u>	<u>19,382,227</u>	<u>19,458,756</u>	<u>22,062,113</u>	<u>22,811,123</u>	<u>25,209,948</u>
	3,632,777	4,156,206	3,959,977	4,241,003	4,599,802	5,035,558
	267,655	271,283	162,082	167,829	152,994	180,744
	<u>3,900,432</u>	<u>4,427,489</u>	<u>4,122,059</u>	<u>4,408,832</u>	<u>4,752,796</u>	<u>5,216,302</u>
\$	<u>22,491,637</u>	<u>23,809,716</u>	<u>23,580,815</u>	<u>26,470,945</u>	<u>27,563,919</u>	<u>30,426,250</u>
\$	370,167	\$ 458,630	\$ 634,411	\$ 460,393	\$ 425,519	\$ 407,244
	13,891	15,203	14,835	14,261	13,268	14,898
	-	-	-	-	-	-
	71,453	82,886	92,796	97,902	127,994	82,039
	-	-	-	-	-	-
	60,726	81,629	1,194,528	1,188,204	19,700	65,400
	2,115	33,000	4,384	25,310	6,528	1,277
	-	-	-	258,458	4,188	-
	-	-	-	-	-	-
	226,184	487,686	4,216,149	1,414,001	337,309	69,199
				218,349	11,060	-
	241,387	283,988	275,526	275,549	506,796	332,690
	<u>985,923</u>	<u>1,443,022</u>	<u>6,432,629</u>	<u>3,952,427</u>	<u>1,452,362</u>	<u>972,747</u>
	4,711,705	4,940,915	5,815,612	5,630,907	5,795,766	6,086,886
	191,355	225,457	213,110	207,155	203,622	202,641
	-	6,369	-	-	-	-
	-	319,819	-	-	-	-
	-	-	-	-	-	-
	<u>4,903,060</u>	<u>5,492,560</u>	<u>6,028,722</u>	<u>5,838,062</u>	<u>5,999,388</u>	<u>6,289,527</u>
\$	<u>5,888,983</u>	<u>6,935,582</u>	<u>12,461,351</u>	<u>9,790,489</u>	<u>7,451,750</u>	<u>7,262,274</u>

## TOWN OF KILL DEVIL HILLS, NORTH CAROLINA LAST TEN FISCAL YEARS

(accrual basis of accounting)

	2016	2017	2018	2019
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (11,808,483)	\$ (13,186,474)	\$ (13,186,474)	\$ (15,462,281)
Business-type activities	697,720	1,030,404	1,030,404	1,082,253
Total primary government net expense	<u>\$ (11,110,763)</u>	<u>\$ (12,156,070)</u>	<u>\$ (12,156,070)</u>	<u>\$ (14,380,028)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 8,468,389	\$ 8,545,173	\$ 8,662,987	\$ 8,859,629
Sales taxes	2,249,479	2,673,222	2,780,962	2,742,660
Occupancy taxes	2,352,908	2,682,850	2,924,648	2,901,475
Other taxes	592,072	1,844,516	2,705,427	724,494
Grants and contributions not restricted	1,081,808	1,077,009	1,076,406	1,099,660
Net unrestricted investment earnings (loss)	241,678	30,562	101,208	643,345
Miscellaneous	354,713	218,861	499,392	346,776
Transfers	-	-	375,334	-
Total Governmental activities	<u>15,341,047</u>	<u>17,072,193</u>	<u>19,126,364</u>	<u>17,318,039</u>
Business-type activities				
Unrestricted investment earnings	116,514	6,880	30,792	293,421
Miscellaneous	-	-	-	-
Transfers	-	-	-	-
Total Business-type activities	<u>116,514</u>	<u>6,880</u>	<u>30,792</u>	<u>293,421</u>
Total primary government	<u>\$ 15,457,561</u>	<u>\$ 17,079,073</u>	<u>\$ 19,157,156</u>	<u>\$ 17,611,460</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 3,532,564	\$ 3,532,564	\$ 5,939,890	\$ 1,855,758
Prior period adjustment - Governmental activities	-	-	(4,170,856)	-
Business-type activities	814,234	814,234	1,061,196	1,375,674
Prior period adjustment - Business-type activities	-	-	(556,933)	-
Total primary government change in net position	<u>\$ 4,346,798</u>	<u>\$ 4,346,798</u>	<u>\$ 2,273,297</u>	<u>\$ 3,231,432</u>

	2020	2021	2022	2023	2024	2025
	\$ (17,605,282)	\$ (17,939,205)	\$ (13,026,127)	\$ (18,109,686)	\$ (21,358,761)	\$ (24,237,201)
	<u>1,002,628</u>	<u>1,065,071</u>	<u>1,906,663</u>	<u>1,429,230</u>	<u>1,246,592</u>	<u>1,073,225</u>
	<u>\$ (16,602,654)</u>	<u>\$ (16,874,134)</u>	<u>\$ (11,119,464)</u>	<u>\$ (16,680,456)</u>	<u>\$ (20,112,169)</u>	<u>\$ (23,163,976)</u>
\$	9,372,751	\$ 10,029,663	\$ 10,161,974	\$ 10,346,426	\$ 11,616,924	\$ 11,900,830
	2,764,840	3,615,726	4,086,094	4,227,519	4,327,494	4,668,529
	2,740,880	4,228,903	4,587,045	4,443,839	4,527,503	4,530,053
	725,152	1,644,312	1,783,869	1,071,734	983,977	1,123,655
	1,080,755	1,033,498	1,087,125	1,134,105	1,183,871	1,292,960
	406,517	(67,286)	(880,528)	517,168	1,502,678	1,638,989
	273,568	414,276	(483,609)	415,803	414,382	732,083
	-	-	-	-	-	-
	<u>17,364,463</u>	<u>20,899,092</u>	<u>20,341,970</u>	<u>22,156,594</u>	<u>24,556,829</u>	<u>25,887,099</u>
	182,118	(29,737)	(312,716)	150,513	571,818	629,581
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>182,118</u>	<u>(29,737)</u>	<u>(312,716)</u>	<u>150,513</u>	<u>571,818</u>	<u>629,581</u>
	<u>\$ 17,546,581</u>	<u>\$ 20,869,355</u>	<u>\$ 20,029,254</u>	<u>\$ 22,307,107</u>	<u>\$ 25,128,647</u>	<u>\$ 26,516,680</u>
\$	(240,819)	\$ 2,959,887	\$ 7,315,843	\$ 4,046,908	\$ 3,198,068	\$ 1,649,898
	(809,542)	-	-	-	-	(1,045,022)
	1,184,746	1,035,334	1,593,947	1,579,743	1,818,410	1,702,806
	(124,667)	-	-	-	-	(141,332)
	<u>9,718</u>	<u>\$ 3,995,221</u>	<u>\$ 8,909,790</u>	<u>\$ 5,626,651</u>	<u>\$ 5,016,478</u>	<u>\$ 2,166,350</u>

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)

	2016	2017	2018	2019
General Fund				
Non-Spendable	\$ 141,784	\$ 178,190	\$ 147,216	\$ 162,783
Restricted	4,121,998	5,965,987	5,400,659	5,221,050
Assigned	159,709	415,248	2,820,363	1,178,473
Unassigned	<u>9,094,063</u>	<u>9,813,121</u>	<u>9,642,299</u>	<u>12,483,453</u>
Total General Fund	<u>\$ 13,517,554</u>	<u>\$ 16,372,546</u>	<u>\$ 18,010,537</u>	<u>\$ 19,045,759</u>
All Other Governmental Funds				
Restricted	\$ 639,306	\$ 837,641	\$ 104,402	\$ 27,365
Assigned	<u>6,031,270</u>	<u>2,250,918</u>	<u>398,487</u>	<u>4,812,133</u>
Total all other governmental funds	<u>\$ 6,670,576</u>	<u>\$ 3,088,559</u>	<u>\$ 502,889</u>	<u>\$ 4,839,498</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.

Table 3 - Fund Balances of Governmental Funds

2020	2021	2022	2023	2024	2025
\$ 141,784	\$ 178,972	\$ 204,201	\$ 233,072	\$ 207,786	\$ 230,348
4,121,998	6,462,727	10,489,716	10,814,670	16,768,875	15,249,299
159,709	1,953,126	2,254,309	853,047	2,274,274	77,617
9,094,063	13,393,221	16,168,197	18,714,635	15,461,613	19,689,025
<u>\$ 13,517,554</u>	<u>\$ 21,988,046</u>	<u>\$ 29,116,423</u>	<u>\$ 30,615,424</u>	<u>\$ 34,712,548</u>	<u>\$ 35,246,289</u>
\$ 639,306	\$ 53,865	\$ 3,701,214	\$ 344,702	\$ 350,931	\$ 393,031
6,031,270	887,481	-	-	-	-
<u>\$ 6,670,576</u>	<u>\$ 941,346</u>	<u>\$ 3,701,214</u>	<u>\$ 344,702</u>	<u>\$ 350,931</u>	<u>\$ 393,031</u>

## TOWN OF KILL DEVIL HILLS, NORTH CAROLINA LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	2016	2017	2018	2019
<b>Revenues</b>				
Ad valorem taxes	\$ 8,486,724	\$ 8,532,846	\$ 8,662,987	\$ 8,870,753
Other taxes and licenses	5,196,512	6,011,675	6,435,741	6,377,054
Unrestricted intergovernmental revenues	1,081,808	1,077,009	1,076,406	1,099,660
Restricted intergovernmental revenues	717,628	1,632,377	3,157,710	959,419
Permits and fees	435,792	491,719	467,640	542,200
Sales and services	61,694	70,027	50,990	69,164
Net investment earnings	241,678	30,561	101,209	643,345
Other revenues	184,443	142,370	137,478	305,191
Total revenues	<u>16,406,279</u>	<u>17,988,584</u>	<u>20,090,161</u>	<u>18,866,786</u>
<b>Expenditures</b>				
General government	5,587,853	3,502,880	4,291,354	3,904,598
Public safety	5,771,540	5,161,344	5,334,884	5,607,014
Transportation	1,451,655	660,636	658,173	804,009
Public works	302,969	352,005	360,764	350,104
Environmental protection	2,733,216	1,829,769	1,780,237	1,943,995
Capital outlay	-	6,856,447	7,580,433	3,345,417
Debt service				
Principal	1,245,343	1,521,823	2,650,038	2,800,976
Interest	88,330	198,993	190,071	177,586
Total expenditures	<u>17,180,906</u>	<u>20,083,897</u>	<u>22,845,954</u>	<u>18,933,699</u>
Excess (deficiency) of revenues over expenditures	(774,627)	(2,095,313)	(2,755,793)	(66,913)
<b>Other financing sources</b>				
Installment purchase obligations issued	9,012,406	1,279,031	1,083,447	5,393,437
Lease liabilities issued	-	-	-	-
Insurance Proceeds	-	-	-	-
SBITA liabilities issued	-	-	-	-
Sale of capital assets	170,270	89,257	174,667	45,307
Transfers from other funds	-	-	550,000	-
Total other financing sources	<u>9,182,676</u>	<u>1,368,288</u>	<u>1,808,114</u>	<u>5,438,744</u>
Net change in fund balances	<u>\$ 8,408,049</u>	<u>\$ (727,025)</u>	<u>\$ (947,679)</u>	<u>\$ 5,371,831</u>
Debt service as a percentage of non-capital expenditures	7.76%	13.01%	18.60%	19.11%

Table 4 - Changes in Fund Balances of Governmental Funds

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$	9,351,102	\$ 10,062,733	\$ 10,174,622	\$ 10,347,716	\$ 11,608,762	\$ 11,897,970
	6,239,043	9,496,381	10,464,975	9,750,361	9,845,662	10,329,706
	1,080,755	1,033,497	1,087,125	1,134,105	1,183,871	1,292,960
	530,412	886,304	5,690,586	3,379,871	885,580	468,566
	370,047	458,610	634,371	460,392	425,459	407,044
	77,293	90,668	99,703	104,895	134,634	89,668
	406,517	(67,286)	(880,528)	517,168	1,502,678	1,638,989
	276,800	223,981	202,401	270,739	301,164	280,849
	<u>18,331,969</u>	<u>22,184,888</u>	<u>27,473,255</u>	<u>25,965,247</u>	<u>25,887,810</u>	<u>26,405,752</u>
	4,497,761	4,076,114	4,470,249	4,916,304	5,418,814	5,860,295
	5,982,023	6,416,720	6,752,789	7,395,116	7,979,974	8,595,474
	753,513	967,574	956,640	1,373,021	1,132,636	1,177,388
	354,577	387,546	415,905	462,080	549,896	554,462
	1,976,663	2,240,784	2,366,274	2,614,515	2,677,949	2,742,681
	5,456,895	4,077,894	6,618,816	7,416,533	3,990,735	15,199,304
	2,975,336	2,653,540	3,135,937	5,539,308	2,035,766	2,590,708
	324,954	289,610	272,702	298,080	243,473	733,395
	<u>22,321,722</u>	<u>21,109,782</u>	<u>24,989,312</u>	<u>30,014,957</u>	<u>24,029,243</u>	<u>37,453,707</u>
	(3,989,753)	1,075,106	2,483,943	(4,049,710)	1,858,567	(11,047,955)
	1,235,727	505,613	5,831,996	2,054,744	2,018,473	844,430
	-	-	47,860	-	35,189	10,264,085
	-	-	-	-	-	64,115
	-	-	-	22,390	77,906	48,583
	26,224	191,218	1,524,446	115,065	113,218	402,583
	-	-	-	-	-	-
	<u>1,261,951</u>	<u>696,831</u>	<u>7,404,302</u>	<u>2,192,199</u>	<u>2,244,786</u>	<u>11,623,796</u>
\$	<u>(2,727,802)</u>	<u>\$ 1,771,937</u>	<u>\$ 9,888,245</u>	<u>\$ (1,857,511)</u>	<u>\$ 4,103,353</u>	<u>\$ 575,841</u>
	19.57%	8.37%	18.55%	25.83%	11.37%	14.94%

## TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

### Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2016	7,603,318	7,566,290	99.51%	34,597	7,600,887	99.97%
2017	7,708,863	7,656,208	99.32%	51,639	7,707,847	99.99%
2018	7,823,759	7,787,631	99.54%	33,969	7,821,600	99.97%
2019	8,030,058	7,995,088	99.56%	31,943	8,027,031	99.96%
2020	8,506,598	8,452,932	99.37%	50,221	8,503,153	99.96%
2021 [1]	9,143,441	9,117,489	99.72%	22,407	9,139,896	99.96%
2022	9,273,620	9,248,274	99.73%	20,016	9,268,290	99.94%
2023	9,412,904	9,387,778	99.73%	17,665	9,405,443	99.92%
2024	10,654,759	10,619,495	99.67%	19,391	10,638,886	99.85%
2025	10,859,880	10,830,167	99.73%	[2]	10,830,167	99.73%

Source: Dare County Tax Department

[1] Revaluation of taxable property occurred on 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.

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## TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

### Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property [1]	Personal Property		Public Service Companies [2]
		Personal Property	Motor Vehicles	
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
2023	2,827,643,064	70,465,694	128,505,337	38,646,285
2024	2,886,455,111	74,609,338	128,370,051	37,742,562
2025	2,946,937,256	84,271,638	145,947,858	25,094,963

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

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

These amounts include both real and personal property.

Table 6 - Assessed Value and Estimated Actual Value of Taxable Property

<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>
2,076,511,373	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
3,065,260,380	0.3200	79.11%	3,874,681,305
3,127,177,062	0.3550	63.20%	4,948,064,972
3,202,251,715	0.3550	60.76%	5,270,328,695

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**Last Ten Fiscal Years**

Year Ended June 30,	Town of Kill Devil Hills [2]		County of Dare [3]
	Town Wide	MSD [4]	
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
2023	0.3200	0.2400	0.4005
2024	0.3550	0.2400	0.4005
2025	0.3550	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

## TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

### Current Year and Nine Years Ago

Taxpayer	June 30, 2025			June 30, 2016		
	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Assessed Valuation
Dominion NC Power	\$ 22,184,697	1	0.73%	\$ 20,894,781	2	1.21%
Outer Banks Beach Club	21,757,200	2	0.71%	24,071,600	1	1.05%
First Flight Hotel, LLC	17,874,900	3	0.58%			
Run Hill Apartments, LLC	17,257,700	4	0.56%			
O. W. L. Neal Partnership (Ramada Inn)	12,076,300	5	0.40%	9,819,100	5	0.49%
Morrison Farm Assoc II, LLP	11,335,000	6	0.37%	8,215,400	7	0.41%
Target Corporation	10,665,470	7	0.35%			
Somerset Village, LLC	10,356,200	8	0.34%			
ON Trading Corp	10,337,700	9	0.34%			
BB Cambridge, LLC	10,004,232	10	0.33%			
Lowe's Home Center				11,348,700	4	0.57%
Wilber Wright Associates, Inc				7,006,890	10	0.35%
Sutton Street Development (Comfort Inn)				8,824,600	6	0.44%
VIEW, LLC				16,183,605	3	0.81%
Newman, Brian K				7,758,596	8	0.39%
SeaRanch Resort				7,470,400	9	0.37%
	<u>\$ 143,849,399</u>		<u>4.71%</u>	<u>\$ 121,593,672</u>		<u>6.09%</u>

Source: Dare County Tax Department

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**Last Ten Fiscal Years**

Fiscal Year	Outstanding Debt				
	Governmental Activities			Business-type Activities	
	Installment Financings	GASB 87 Leases	IT Subscription Agreements	Installment Note	GASB-87 Leases
2016	\$ 8,167,293	\$ 3,222,737	\$ -	\$ 39,383	-
2017	7,774,252	3,372,984	-	36,570	-
2018	6,373,873	3,206,773	-	33,757	-
2019	12,173,105	-	-	30,944	-
2020	10,433,496	-	-	28,131	-
2021	8,285,569	-	-	25,318	-
2022	10,987,270	39,549	-	22,504	2,131
2023	7,512,365	31,380	12,640	19,690	13,143
2024	7,560,462	40,220	51,506	16,877	10,464
2025	6,373,216	9,260,774	62,318	14,065	7,712

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 Ratios of Outstanding Debt by Type

	Total Primary Government	Percent of Estimated Actual Taxable Property Value [1]		Per Capita [2]	Percent of Personal Income [2]
		Governmental Activities	Total		
\$	11,429,413	0.55%	0.55%	1,601	*
	11,183,806	0.53%	0.53%	1,554	*
	9,614,403	0.41%	0.41%	1,333	*
	12,204,049	0.49%	0.50%	1,680	*
	10,461,627	0.39%	0.39%	1,418	*
	8,310,887	0.29%	0.29%	1,083	*
	11,051,454	0.37%	0.37%	1,421	*
	7,589,218	0.25%	0.25%	975	*
	7,679,529	0.24%	0.25%	978	*
	15,718,085	0.49%	0.49%	2,002	*

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**As of June 30, 2025**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable [1]	Estimated Share of Overlapping Debt
Dare County	\$ 128,338,077	35.76%	\$ 45,899,479
Town of Kill Devil Hills direct debt			15,718,085
Total direct and overlapping debt			<u>\$ 61,617,564</u>

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

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the Town of Kill Devil Hills. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into 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**  
**Last Ten Fiscal Years**

Fiscal Year	TOWN OF KILL DEVIL HILLS		DARE COUNTY		
	Population [1]	Personal Income [5]	Per Capita Personal Income [4]	School Enrollment [3]	Unemployment Percentage Rate [2]
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	528,638,838	68,887	5,131	6.9%
2022	7,777	591,829,700	76,100	5,140	4.0%
2023	7,781	*	79,309	5,109	4.3%
2024	7,852	*	*	5,022	4.0%
2025	7,854	*	*	4,920	4.2%

[1] North Carolina Demographer's Office.

[2] Employment Security Commission.

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

[4] Bureau of Economic Analysis.

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

Unavailable after 2023 due to "lapse in federal funding" per US dept. of Commerce website

\* - Information unavailable

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

<u>Employers</u>	<u>June 30, 2025</u>			<u>June 30, 2016</u>		
	<u>Employees [1]</u>	<u>Rank</u>	<u>Percent of Total Town Employment</u>	<u>Employees [1]</u>	<u>Rank [2]</u>	<u>Percent of Total Town Employment</u>
Dare County Board of Education	500 - 999	1	*	500 - 999	1	*
County of Dare	500 - 999	2	*	500 - 999	2	*
Food Lion	250 - 499	3	*	250 - 499	3	*
Harris Teeter Inc	100 - 249	4	*	100 - 249	6	*
Target Corporation	100 - 249	5	*	-	-	*
Lowes Home Centers, Inc.	100 - 249	6	*	100-249	8	*
Town of Kill Devil Hills	100 - 249	7	*	100-249	7	*
Kellogg Supply Company, Inc	100 - 249	8	*	-	-	*
Publix	100 - 249	9	*	-	-	*
U S Department of Interior	50-99	10	*	-	-	*

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

[2] Employment data is available in a rank of 1-25 from the North Carolina Employment Security Commission.

\* Information unavailable for the Town of Kill Devil Hills

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**Last Ten Fiscal Years**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b><u>Function/Program</u></b>				
General government				
Administration	6	6	6	6
Finance and Tax	6 1/2	6 1/2	6 1/2	6 1/2
Management Information Services	1	1	1	1
Planning and Development	7	7	7	7
Building and Grounds	4 3/4	4 3/4	4 3/4	5 1/4
Public Safety				
Police	33	33	33	33
Animal Control	2	2	2	2
Fire	20 1/2	20 1/2	20 1/2	20 1/2
Ocean Rescue	26 1/2	26 1/2	26 1/2	26 1/2
Year-round	1 1/2	1 1/2	1 1/2	1 1/2
Seasonal Lifeguards	25	25	25	25
Transportation				
Streets	5 3/4	5 3/4	5 3/4	5 3/4
Public Works				
Fleet Maintenance	4 1/2	4 1/2	4 1/2	4 1/2
Environmental Protection				
Solid Waste	10 3/4	10 3/4	10 3/4	10 3/4
Water				
Water Administration	6	6	6	6
Water Treatment Plant	4	4	4	4
Water System	4 1/4	4 1/4	4 1/4	4 1/4

Source: Town of Kill Devil Hills Finance Department

Note: This schedule represents number of positions authorized per the budget ordinance as of July 1 of each year. Vacant positions are included in the above numbers.

Table 13 - Full-Time Equivalent Town Government Employees by Function/Program

2020	2021	2022	2023	2024	2025
6	6	6	6	6	6
6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2
1	1	1	1	1	1
7	7	7	7	7	7
5 1/4	5 1/4	6 3/4	6 3/4	7	7
33	33	33	33	33	33
2	2	2	2	2	2
20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2
27 1/2	27 1/2	27 1/2	27 1/2	27 1/2	28 1/2
1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
26	26	26	26	26	27
5 3/4	5 3/4	6 3/4	6 3/4	6 3/4	6 3/4
4 1/2	4 1/2	4 1/2	4 1/2	4 1/2	4 1/2
11 3/4	11 3/4	12 1/4	12 1/4	12 1/4	12 1/4
6	6	6	6	6	6
4	4	4	4	4	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

### Last Ten Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Population	7,137	7,195	7,212	7,266
Police:				
Crime Activity: Reported				
Murder (includes attempts):	2	-	-	-
Rape (includes attempts):	11	6	2	6
Robbery (includes attempts):	1	2	1	2
Assaults (felonious & misdemeanor):	168	198	147	164
Burglary(breaking/entering-structures):	186	148	318	115
Larceny:	303	285	358	268
Auto Larceny:	10	10	16	3
Arson/unlawful burnings:	1	1	-	1
All other crimes (unspecified above):	772	849	651	763
Total Crime:	1,454	1,499	1,493	1,322
Traffic Activity:				
Traffic Accidents	434	395	476	465
Driving while impaired arrests	66	69	47	58
General traffic violations-citation	1,172	1,215	986	1,255
General traffic violations-warning	1,862	1,921	2,130	2,030
Parking violations-citation issued	112	164	160	250
Total Traffic	3,646	3,764	3,799	4,058
General Calls for Service:				
Police calls-emergency status, non-emergency, traffic control	20,785	20,025	21,179	19,711
Animal control calls				
Total General Calls for Service	20,785	20,025	21,179	19,711
Total all Police/Animal Control Activity	25,885	25,288	26,471	25,091
Fire:				
Number of volunteer firemen	19	22	24	24
Number of calls answered	1,350	1,598	1,591	1,610
Total dollar loss	\$ 177,500	\$ 404,317	\$ 220,685	\$ 203,515

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	7,378	7,674	7,777	7,781	7,852	7,854
	-	-	-	1	-	-
	4	5	2	3	5	5
	3		2	2	4	4
	161	171	130	103	80	123
	71	77	67	100	55	44
	173	141	145	108	120	120
	8	14	10	17	3	6
	1					
	710	982	918	677	584	452
	1,131	1,390	1,274	1,011	851	754
	403	451	454	475	430	347
	66	147	131	62	48	40
	895	1,104	819	791	690	752
	1,360	2,083	1,151	1,018	809	838
	213	79	111	80	50	41
	2,937	3,864	2,666	2,426	2,027	2,018
	17,379	20,032	19,172	18,878	18,548	16,250
	17,379	20,032	19,172	18,878	18,548	16,850
	21,447	25,286	23,112	22,315	21,426	19,622
	25	23	17	17	23	24
	1,545	1,723	1,744	1,844	1,883	1,954
\$	913,500 \$	3,541,801 \$	204,950 \$	1,380,065 \$	1,237,870 \$	1,536,975

## TOWN OF KILL DEVIL HILLS, NORTH CAROLINA

### Last Ten Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Planning:				
Building permits:				
One and Two Family Dwellings	64	68	81	66
Residential multi-family	-	1	3	5
Government	2	-	7	-
Non-residential	1	3	1	2
Additions/remodel	375	348	366	372
Sign/banners	38	37	40	30
Electrical	49	44	70	103
Mechanical	294	315	342	317
Plumbing	27	4	11	17
Demolition	12	18	7	11
Fine	4	7	9	6
Re-inspection	1	1	1	-
Re-instatement fee	-	-	-	5
Number of CAMA permits issued	24	28	20	22
Number of land disturbance permits issued	3	12	12	5
Number of occupancy permits issued	70	73	76	69
Number of site plan reviews	107	101	109	113
Number of zoning amendments	2	4	3	4
Number of variance applications	2	1	2	1
Number of exempt plats issued	7	5	7	5
Field inspections:				
Number of code compliance	4,780	5,418	4,676	4,106
Number of zoning/planning	1,503	2,435	2,177	1,836
Total building permit fees	\$ 300,369	\$ 366,152	\$ 417,614	\$ 455,450
Total site plan review fees	\$ 84,738	\$ 68,757	\$ 32,139	\$ 78,714
Total occupancy permit fees	\$ 3,600	\$ 3,650	\$ 3,800	\$ 3,450
Total CAMA permit fees	\$ 3,625	\$ 3,470	\$ 2,465	\$ 2,880
Total construction valuation	\$ 30,600,902	\$ 41,000,479	\$ 45,136,707	\$ 51,871,265

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	65	83	85	69	51	46
	1	2	3	1	4	3
	2	-	1	-	-	-
	-	2	3	6	3	1
	428	424	436	470	413	441
	37	31	21	31	30	29
	102	79	83	97	116	126
	276	324	324	302	318	289
	37	10	11	10	11	23
	14	5	18	8	10	10
	9	5	2	5	-	1
	11	8	6	11	11	5
	14	16	6	45	33	19
	17	21	34	20	19	17
	22	18	32	17	16	18
	78	81	85	88	113	68
	92	123	133	94	88	99
	-	2	5	1	4	2
	1	3	5	-	3	-
	7	6	7	2	4	2
	4,574	4,661	4,577	5,040	4,315	3,694
	1,852	1,654	1,783	1,796	1,736	1,326
\$	343,149	\$ 356,311	\$ 549,917	\$ 427,223	\$ 358,291	\$ 365,710
\$	16,681	\$ 88,383	\$ 67,082	\$ 21,555	\$ 40,795	\$ 16,945
\$	3,900	\$ 4,000	\$ 4,250	\$ 4,400	\$ 5,600	\$ 3,962
\$	2,210	\$ 2,610	\$ 4,995	\$ 2,635	\$ 2,640	\$ 1,700
\$	37,486,354	\$ 39,877,177	\$ 69,623,909	\$ 72,903,839	\$ 60,991,783	\$ 62,057,921

**TOWN OF KILL DEVIL HILLS, NORTH CAROLINA**  
**Last Ten Fiscal Years**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Refuse collection:				
Refuse collection (tons)	9,436.00	9,852.00	9,693.00	9,665.00
Water:				
Number of new services	60	84	59	74
Number of new customers	333	363	333	357
Daily consumption (million gallons)	1.2	1.2	1.2	1.2
Maximum daily capacity of plant(million gallons)	7.4	7.4	7.4	7.4
Maximum contracted per day(million gallons)	3.0	3.0	3.0	3.0
Wastewater:				
Number of customers	203	208	217	219
Production (million gallons)	*	*	*	*
Maximum daily capacity of plant ( million gallons)	*	*	*	*

\* Information Unavailable

Source: Budget documents and individual Town departments.

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<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
9,615.00	10,958.00	10,684.00	10,423.00	10,182.00	10,191.54
72	96	127	96	74	57
357	519	535	328	288	294
1.2	1.2	1.2	1.2	1.2	1.2
7.4	7.4	7.4	7.4	7.4	7.4
3.0	3.0	3.0	3.0	3.0	3.0
218	218	221	224	226	225
*	*	*	*	*	*
*	*	*	*	*	*

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

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

Source: Budget documents and individual Town departments.

**TABLE 15**

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</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
14	14	14	14	14	15
60.17	60.24	60.6	60.65	60.72	60.72
3.18	3.15	3.15	3.15	3.15	3.15
436	436	436	436	436	436
5	5	5	5	5	5
6	6	6	6	6	6
1	2	2	2	2	2
1	1	1	1	1	1
1	2	2	2	2	2
10	10	10	10	10	10
18	18	18	18	18	18
1	1	1	1	1	1
4	4	4	4	4	4
11.18	11.46	11.96	13.45	13.45	13.45
1	1	1	1	1	1
80.58	80.58	80.96	80.96	80.96	80.96
636	637	647	652	656	662
1.2	1.2	1.2	1.2	1.2	1.2
.65	.65	.65	.65	.65	.65
3.13	3.13	3.13	3.13	3.13	3.13

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## **COMPLIANCE SECTION**



**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 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, 2025, and the related notes to the financial statements, which collectively comprises the Town of Kill Devil Hills' basic financial statements, and have issued our report thereon dated December 9, 2025.

**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' 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' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Kill Devil Hills' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or 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 or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

***DMSPS PLLC***

December 9, 2025  
Monroe, North Carolina