TOWN OF KITTY HAWK, NORTH CAROLINA

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2020

Gary Perry, Mayor
Craig Garriss, Mayor Pro-Tem
Ervin Bateman, Council Member
Lynne McClean, Council Member
Jeff Pruitt, Council Member

Andy Stewart, Town Manager
Liliana Noble, Finance Officer
Casey Varnell, Town Attorney

TOWN OF KITTY HAWK, NORTH CAROLINA
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Dowdy & Osborne LLP

CERTIFIED PUBLIC ACCOUNTANTS

Jeff Dowdy, CPA • Teresa Osborne, CPA

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of the Town Council
Kitty Hawk, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Kitty Hawk, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Kitty Hawk, North Carolina as of June 30, 2020, and the respective changes in financial position 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.

Management's Discussion and Analysis

As management of the Town of Kitty Hawk, we offer readers of the Town of Kitty Hawk's financial statements this narrative overview and analysis of the financial activities of the Town of Kitty Hawk for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town of Kitty Hawk's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Kitty Hawk exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $ 23,066,307 *(net position)*.
- The government's total net position decreased by $ 1,040,494.
- The budget was adopted with a town-wide tax rate of $ 0.34 cents per $ 100 of valuation (same as prior year) with $ 0.04 cents restricted for beach nourishment. This $ .04 cent tax resulted in $480,151 designated for beach nourishment.
- The budget also included a municipal service district tax for beach nourishment at a rate of $ 0.12 cents. This resulted in $ 514,868 designated for beach nourishment.
- At the end of the current fiscal year, the Town of Kitty Hawk's governmental funds reported combined ending fund balances of $ 12,853,917. Approximately 41% of this amount or $ 5,274,870 is non-spendable, restricted or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $ 7,579,047, a decrease of $ 205,902 over the prior year. The unassigned fund balance at June 30, 2020 represents 81% of total general fund expenditures for the year. Although revenues exceeded expenditures in the general fund by $ 638,227 the dollar amount of unassigned decreased because $ 744,424 was appropriated to balance the June 30, 2021 budget.
- The Town has established a fund balance policy further reducing unassigned fund balance by $ 3,500,000 for unanticipated expenditures and revenue shortfalls as may be determined by Council. The portion of general fund balance that is available for appropriation is $ 4,079,047.
- The Town has reserve funds of $ 3,144,152 at June 30, 2020 including $ 2,200,774 for beach nourishment.

Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) 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 those statements. After the notes, **supplemental information** is provided to show details about the town's individual funds. Budgetary information required by the General Statutes also can 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, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the town's financial status as a whole.

The two government-wide statements report the town's net position and how they have changed. Net position is the difference between the Town's deferred outflows of resources and deferred inflows of resources. Measuring net position is one way to gauge the town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the town's basic services such as general government administration, planning and development, public safety including police, fire and ocean rescue, streets and garbage collection. Property taxes and shared revenues including sales tax, occupancy tax, land transfer tax and utilities franchise tax finance most of these activities. The town does not have any business-type activities or component units.

The government-wide financial statements are in 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, 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 budget ordinance. All of the funds of the Town of Kitty Hawk can be divided into two categories: governmental funds and proprietary funds. The town has only governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Town of Kitty Hawk'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* that 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 Kitty Hawk 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

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 Kitty Hawk exceeded deferred inflows by $ 23,066,307 as of June 30, 2020. The town's total net position decreased by $ 1,040,494 for the fiscal year ended June 30, 2020. 57% or $ 13,557,599 of total net position reflects the town's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. This is a decrease over the prior year of $ 1,703,604 as depreciation on capital assets exceeded capital expenses and debt repayment on capital. The Town of Kitty Hawk uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Kitty Hawk's net investment in its 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's net position of $ 4,499,490 represents resources that are subject to external restrictions on how they may be used. The remaining $ 5,209,218 is unrestricted.

Town of Kitty Hawk Changes in Net Position
Figure 3

	June 30, 2020	June 30, 2019
Revenues:		
Program Revenues:		
Charges for services	$ 128,823	$ 177,845
Operating grants and contributions	394,204	238,353
Capital grants and contributions	1,310,853	1,343,216
General Revenues:		
Property taxes	4,608,011	4,579,146
Sales, occupancy and land transfer taxes	3,187,369	3,314,868
Other unrestricted intergovernmental revenues	605,433	624,880
Investment earnings	163,269	222,885
Miscellaneous revenues	54,061	88,973
Total Revenues	10,452,023	10,590,166
Expenses:		
General government	6,599,191	6,181,455
Public safety	3,689,882	3,578,483
Transportation	131,082	147,246
Environmental protection	977,371	958,085
Interest	94,991	132,987
Total Expenses	11,492,517	10,998,256
Increase in net position	(1,040,494)	(408,090)
Net position, July 1, previously reported	24,106,801	24,514,891
Net position, June 30	$ 23,066,307	$ 24,106,801

Charges for services decreased $ 49,022 due primarily to a decrease in building related fees. Operating grants and contributions increased $ 155,851 due to increased FEMA revenues related to Hurricane Dorian. Sales, occupancy and land transfer taxes decreased slightly due to a change in the proportionate levies which reduced Kitty Hawk's portion of these revenues. Investment earnings decreased due to decreased investment earning rates beginning in March 2020 due to COVD-19.

General government expenses increased $ 417,736 due to various categories of expenses including salaries and health insurance budgeted to increase 2% and 5% respectively ($ 72,249),

Town of Kitty Hawk's Governmental Activities Capital Assets

Figure 4

(net of depreciation)

	June 30, 2020	June 30, 2019
Land	$ 2,630,281	$ 2,630,281
Buildings	3,136,369	3,063,776
Infrastructure	10,587,081	14,491,814
Equipment	411,147	220,897
Vehicles	592,321	653,295
Total	$ 17,357,199	$ 21,060,063

Additional information on the town's capital assets can be found in the Notes to The Financial Statements on page 27.

Long-Term Debt. As of June 30, 2020, the Town had total long-term debt for beach nourishment special obligation bonds of $ 3,999,600. North Carolina General Statutes limit the amount of general obligation, installment purchase and capitalized lease debt that a unit may have up to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Kitty Hawk is $ 92,131,506.

Additional information regarding the Town's long-term debt can be found in the Notes to The Financial Statements on page 40.

Economic Factors and Next Year's Budgets and Rates

Nationwide economic factors have not typically been applicable to the Town of Kitty Hawk due to a tourist-based economy that experiences seasonal activity and population fluctuations.

- Travel and tourism in Dare County was impacted by the COVID-19 pandemic. Due to government closures and restrictions March, April and May 2020 occupancy tax collections were down resulting in a decrease in County-wide gross occupancy tax collections of 4.82% for the fiscal year. The Town's portion of occupancy tax decreased $ 105,763 or 7% due to a combination of overall reduction in collections combined with a decrease due to the changes in the proportionate tax levies among the other local governments in Dare County.

Budget Highlights for the Fiscal Year Ending June 30, 2021

- Each County in North Carolina is required to conduct a county-wide property tax revaluation at least every eight years. Dare County advanced this by one year from 2021 to 2020. Town of Kitty Hawk's assessed values were predicted to increase by 27%. The Town adopted a revenue neutral town-wide tax rate of 30 cents per hundred dollars of valuation. This rate coupled with the increased valuation is expected to produce the same amount of town-wide tax revenues.
- The Town adopted a revenue neutral MSD tax rate of 10 cents per hundred dollars of valuation.
- Due to the uncertainty of COVID-19 the budget has been adopted with conservative revenue projections and expenses have been curtailed where possible. Sales and occupancy taxes are budgeted at 50% of normal projections. Additionally, the budget includes no new positions or increases to existing salaries, capital purchases and reserve funding is delated, all non-essential travel and training has been eliminated and fuel expenses have been reduced by 20%.

TOWN OF KITTY HAWK, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2020 **Exhibit 1**

		Governmental Activities
ASSETS		
Current assets:		
Cash and cash equivalents	$	8,842,544
Restricted cash		3,308,729
Taxes receivable		63,975
Due from governmental units		1,121,559
Miscellaneous accounts receivable		4,118
Prepaid expenses		30,956
Total current assets		13,371,881
Capital assets (net of accumulated depreciation):		
Land		2,630,281
Buildings and other depreciable assets		14,726,918
Total capital assets		17,357,199
Total assets		30,729,080
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals		809,856
OPEB deferrals		130,469
Total deferred outflows of resources		940,325
LIABILITIES		
Current liabilities:		
Accounts payable		289,165
Accrued salaries and benefits		164,649
Deposits		175
Long-term liabilities:		
Due within one year		2,049,800
Due in more than one year		5,930,051
Total liabilities		8,433,840
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals		82,755
OPEB deferrals		86,503
Total deferred inflows of resources		169,258
NET POSITION		
Net Investment in Capital Assets		13,357,599
Restricted for:		
Powell Bill - Streets		158,715
Stabilization by State Statute		1,190,761
Capital Reserve Funds		3,144,152
Public Safety		5,862
Unrestricted		5,209,218
Total net position	$	23,066,307

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position	
Governmental Activities	Total
$ (4,998,185)	$ (4,998,185)
(3,562,030)	(3,562,030)
(26,060)	(26,060)
(977,371)	(977,371)
(94,991)	(94,991)
(9,658,637)	(9,658,637)
$ (9,658,637)	$ (9,658,637)
4,608,011	4,608,011
3,187,369	3,187,369
605,433	605,433
163,269	163,269
54,061	54,061
8,618,143	8,618,143
(1,040,494)	(1,040,494)
24,106,801	24,106,801
$ 23,066,307	$ 23,066,307

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

TOWN OF KITTY HAWK, NORTH CAROLINA

Exhibit 4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	Major Fund	
	General	Total Governmental Funds
REVENUES:		
Ad valorem taxes	$ 4,602,419	$ 4,602,419
Other taxes and licenses	3,187,369	3,187,369
Unrestricted intergovernmental revenue	605,433	605,433
Restricted intergovernmental revenue	1,705,057	1,705,057
Permits and fees	120,319	120,319
Sales and services	8,504	8,504
Investment earnings	163,269	163,269
Other revenues	54,061	54,061
TOTAL REVENUES	10,446,431	10,446,431
EXPENDITURES:		
General government	2,699,312	2,699,312
Public safety	3,487,456	3,487,456
Transportation	151,797	151,797
Environmental protection	977,371	977,371
Debt service:		
Principal	1,999,800	1,999,800
Interest	94,991	94,991
TOTAL EXPENDITURES	9,410,727	9,410,727
REVENUES OVER EXPENDITURES	1,035,704	1,035,704
FUND BALANCES:		
Beginning of year - July 1	11,818,213	11,818,213
End of year - June 30	$ 12,853,917	$ 12,853,917

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

TOWN OF KITTY HAWK, NORTH CAROLINA

Exhibit 5

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget- Positive (Negative
REVENUE:				
Ad valorem taxes	$ 4,555,969	$ 4,555,969	$ 4,602,419	$ 46,450
Other taxes and licenses	3,253,000	3,253,000	3,187,369	(65,631)
Unrestricted intergovernmental revenues	617,117	617,117	605,433	(11,684)
Restricted intergovernmental revenues	1,338,681	1,419,571	1,705,057	285,486
Permits and fees	153,770	153,770	120,319	(33,451)
Sales and services	10,000	10,000	8,504	(1,496)
Investment earnings	50,000	50,000	158,771	108,771
Other revenue	28,900	22,900	54,061	31,161
Total Revenues	10,007,437	10,082,327	10,441,933	359,606
EXPENDITURES:				
General government	4,648,800	5,082,206	4,794,103	288,103
Public safety	3,699,673	3,788,783	3,487,456	301,327
Transportation	142,000	142,000	151,797	(9,797)
Environmental protection	1,191,000	1,191,000	977,371	213,629
Total Expenditures	9,681,473	10,203,989	9,410,727	793,262
REVENUES OVER EXPENDITURES	325,964	(121,662)	1,031,206	1,152,868
OTHER FINANCING SOURCES (USES):				
Fund balance appropriated	-	684,126	-	(684,126)
Transfer from capital reserve fund	145,000	162,500	116,114	(46,386)
Transfer to capital reserve fund	(470,964)	(724,964)	(509,093)	215,871
	(325,964)	121,662	(392,979)	(514,641)
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	$ -	$ -	638,227	$ 638,227
FUND BALANCE:				
Beginning			9,071,538	
Ending			$ 9,709,765	
A legally adopted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Interest income			4,498	
Transfer from General Fund			509,093	
Transfer to General Fund			(116,114)	
Fund Balance, Beginning			2,746,675	
Fund Balance, Ending (Exhibit 4)			$ 12,853,917	

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

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Kitty Hawk conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Kitty Hawk is a municipal corporation that is governed by an elected mayor and a four-member council.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The town only has governmental activities.

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. 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. Separate statements for each fund category – *governmental and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad-valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for general government services, public safety and street and sanitation services. Additionally, the Town has a legally adopted **Capital Reserve Fund**. Under GASB 54 guidance the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are 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 by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. During the year, several amendments to the original budget were necessary. The largest amendments included 1) $ 254,000 from fund balance to set aside funds for a proposed sidewalk on a portion of US 158, 2) $ 36,000 to recognize a grant from Dare Community Crime line for a license plate reader, 3) $ 236,276 from fund balance for costs associated with Hurricane Dorian which were later funded by FEMA. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflow of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [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.

State law [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 and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The town's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term Portfolio has a duration of .15 years. Because the NCCMT Government Portfolio and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than six months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	20 years
Buildings	40 years
Vehicles	5-10 years
Furniture and equipment	5-10 years

8. Deferred outflows/inflows of resources

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

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

11. Net position/Fund Balances

Net position
Net position in government-wide financial statements are classified as net investment in capital assets, net of related debt; 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.

Assigned Fund Balance – portion of fund balance that Town of Kitty Hawk intends to use for specific purposes.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town has also adopted a fund balance policy for the general fund which sets aside $ 3,500,000 for unanticipated expenditures, revenue shortfalls and emergencies. If this amount is not available after the audit is complete, Council will develop a plan to restore the balance within 24 months.

12. Defined Benefit Cost-Sharing 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 LEGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Kitty Hawk employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. 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 in a fiduciary capacity for the Town of Kitty Hawk, these deposits are considered to be held by the Town's agents in their names. 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-collaterization, 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.

At June 30, 2020, the Town's deposits had a carrying amount of $ 1,459,446 and a bank balance of $ 1,488,646. Of the bank balance, $ 250,000 was covered by federal depository insurance,

3. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 2,630,281	$ -	$ -	$2,630,281
Total capital assets not being depreciated	2,630,281	-	-	2,630,281
Capital assets being depreciated:				
Buildings	5,030,560	198,164	-	5,228,724
Infrastructure	23,478,232	128,316	-	23,606,548
Equipment	728,212	239,251	5,818	961,645
Vehicles	2,678,698	113,472	66,968	2,725,202
Total capital assets being depreciated	31,915,702	679,203	72,786	32,522,119
Less accumulated depreciation for:				
Buildings	1,966,782	125,573	-	2,092,355
Infrastructure	8,986,420	4,033,047	-	13,019,467
Equipment	507,316	49,000	5,818	550,498
Vehicles	2,025,402	174,447	66,968	2,132,881
Total accumulated depreciation	13,485,920	$ 4,382,067	$ 72,786	17,795,201
Total capital assets being depreciated (net)	18,429,782			14,726,918
Governmental activity capital assets, net	$21,060,063			$17,357,199

Depreciation expense was charged to functions/programs of the primary government as follows:

General Government	$ 4,002,464
Public Safety	272,002
Transportation	107,601
	$ 4,382,067

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Kitty Hawk is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of 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

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

At June 30, 2020, the Town reported a liability of $1,170,200 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.04285% which was a decrease of 0.00105% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of $488,363. At June 30, 2020, 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	$ 200,368	$ -
Changes of assumptions	190,723	-
Net difference between projected and actual earnings on pension plan investments	28,542	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	64,195
Town contributions subsequent to the measurement date	232,986	-
Total	$ 652,619	$ 64,195

$232,986 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	$ 184,766
2022	47,733
2023	97,762
2025	25,177
2025	-
Thereafter	-
	$ 355,438

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 percent
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net Pension liability (asset)	$2,676,462	$ 1,170,200	$(81,808)

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

b. Law Enforcement Officers Special Separation Allowance

Plan Description. The Town of Kitty Hawk administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018 (the valuation date), the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	16
Total	19

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.

$ 29,529 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	$ 29,418
2022	30,501
2023	26,301
2024	15,922
2025	7,006
Thereafter	-

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.26 percent) or one percentage point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Town's pension liability	$ 866,181	$ 809,340	$ 757,144

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

Total pension liability December 31, 2018	$ 725,190
Changes for the year:	
Service cost at end of year	24,824
Interest	25,404
Change in benefit terms	0
Differences between expected and actuarial experience	68,135
Changes of assumptions and other inputs	20,366
Benefit payments	(54,579)
Other changes	0
Net changes	$ 84,150
Total Pension liability December 31, 2019	$ 809,340

Changes in Assumptions. The discount rate decreased from 3.64% (December 31, 2018 measurement date) to 3.26% (December 31, 2019 measurement date).

d. Supplemental Retirement Income Plan for Non-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 non-law enforcement officers employed by the Town. The Town has no requirement or obligation under North Carolina General Statutes to contribute to the plan.

Funding Policy. Beginning July 1, 2002 the Town began making a matching contribution of 2% for non-law enforcement officers who contribute to the plan and all amounts contributed are vested immediately. Contributions for the year ended June 30, 2020, were $73,172, which consisted of $ 27,702 from the Town and $ 45,470 from employees.

e. 457 Deferred Compensation

Plan Description. The Town adopted a Supplemental Retirement Income Plan, a defined contribution plan, for regular employees and law enforcement employees beginning April, 2010.

Funding Policy. The Town does not match contributions to the 457 deferred compensation plan. Total contributions for the year ended June 30, 2020 were $ 8,190, which consisted of $ 5,330 from regular employees and $ 2,860 from law enforcement employees.

f. Firemen's Relief Fund and Supplemental Retirement for Firemen

The Town maintains a Firemen's Relief Fund pursuant to North Carolina General Statutes to financially assist a firefighter that has been injured or killed while performing fire department duties. Additionally, a portion of these funds are set aside to provide supplemental incentive benefits to fire fighters that meet minimum requirements.

g. Other Postemployment Benefit - Healthcare Benefits

Plan Description. Under the terms of a Town policy, the Town administers a single-employer defined Healthcare Benefits Plan (the HCB Plan). As of July 1, 2012 this plan provides postemployment healthcare benefits to retirees of the Town as defined by the Local Government Employees' Retirement System, until the employee becomes Medicare eligible. Benefits are calculated on a prorated basis using years of service. Some "grandfathered" retirees still receive Medicare coverage. Also, the Town's retirees can purchase coverage for their dependents at the Town group rates. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Inactive Members or Beneficiaries Currently Receiving Benefits	11
Inactive Members Entitled To, But Not Yet Receiving Benefits	0
Active Members	46
Total Membership	57

TOTAL OPEB LIABILITY

The Town's total OPEB liability of $ 1,789,903 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Sensitivity of the Town's total OPEB liability to changes in the discount rate. The following presents the Town's total OPEB liability calculated using the discount rate of 3.50 percent, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50 percent) or one percentage point higher (4.50 percent) than the current rate:

	1% Decrease (2.50%)	Discount Rate (2.50%)	1% Increase (4.50%)
Town's total OPEB liability	$ 1,545,929	$ 1,789,903	$ 2,086,789

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

	1% Decrease	Current	1% Increase
Town's total OPEB liability	$ 2,026,111	$ 1,789,903	$ 1,590,584

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

For the year ended June 30, 2020, the Town recognized OPEB expense of $ 128,995. At June 30, 2019, 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	$ 3,346	$ 2,034
Changes of assumptions	71,216	84,469
Benefit payments and administrative costs subsequent to the measurement date	55,907	-
Total	$ 130,469	$ 86,503

3. 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	$ 232,986
Benefit payments made for LEOSSA subsequent to measurement date	29,529
Benefit payments made for OPEB subsequent to measurement date	55,907
Differences between expected and actual experience	297,575
Changes of assumptions	295,786
Net difference between projected and actual earnings on plan investments	28,542
Changes in proportion and difference between contributions and proportionate share of contributions	-
Total	$ 940,325

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	$ -	$ 63,975
Differences between expected and actual experience	2,034	
Changes of assumptions	103,029	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and difference between contributions and proportionate share of contributions	64,195	-
Total	$ 169,258	$ 63,975

4. 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 two 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 $1 million per occurrence and property coverage up to the total insured values of the property policy, and workers' compensation coverage up to statutory limits. 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. Specific information on the limits of the 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 coverage for all other risks of loss including employee health coverage. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

C. Inter-fund Transfers

Transfers to/from other funds at June 30, 2020 consist of the following:

From General Fund to Capital Reserve Fund (Fire Truck/Equipment)	$ 100,000
From General Fund to Capital Reserve Fund (Boardwalks)	$ 8,000
From General Fund to Capital Reserve Fund (Training Equipment)	$ 15,000
From General Fund to Capital Reserve Fund (Land Use Plan Update)	$ 5,000
From General Fund to Capital Reserve Fund (Fuel storage tank)	$ 12,000
From General Fund to the Capital Reserve Fund (Phone replacement)	$ 5,000
From General Fund to the Capital Reserve Fund (US158 Sidewalk)	$ 254,000
From General Fund to the Capital Reserve Fund (Beach Nourishment)	$ 110,093
	$ 509,093
From Capital Reserve Fund to General Fund (Bath House)	$ 20,000
From Capital Reserve Fund to General Fund (Pump)	$ 46,114
From Capital Reserve Fund to General Fund (Fire Equipment)	$ 40,000
From Capital Reserve Fund to General Fund (Finance Software)	$ 10,000
	$ 116,114

D. 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		$ 12,853,917
Less:		
Prepaid items	$ 30,956	
Stabilization by State Statute	1,190,761	
Streets-Powell Bill	158,715	
Public Safety	5,862	
Capital Reserve Fund	3,144,152	
Appropriated fund balance in 2020-2021 budget	744,424	
Working capital/fund balance policy	3,500,000	
Total reductions	$ 8,774,870	
Remaining Fund Balance		$ 4,079,047

The Town has also adopted a fund balance policy for the general fund which sets aside $ 3,500,000 for unanticipated expenditures, revenue shortfalls and emergencies. After the

TOWN OF KITTY HAWK, NORTH CAROLINA

Town of Kitty Hawk's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years *

	2020	2019	2018	2017	2016	2015	2014
Town of Kitty Hawk's proportion of the net pension liability (asset) (%)	0.04285%	0.03490%	0.04608%	0.04391%	0.04690%	0.04920%	0.05360%
Town of Kitty Hawk's proportion of the net pension liability (asset) ($)	$ 1,170,200	$ 1,041,458	$ 703,975	$ 931,917	$ 209,542	$ (290,391)	$ 646,086
Town of Kitty Hawk's covered-employee payroll	$ 2,530,703	$ 2,493,079	$ 2,513,483	$ 2,325,577	$ 2,354,317	$ 2,306,283	$ 2,482,587
Town of Kitty Hawk's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	46.24%	41.77%	28.01%	40.07%	8.90%	-12.59%	26.02%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

** This will be the same percentage for all participant employers in the LGERS plan.

TOWN OF KITTY HAWK, NORTH CAROLINA

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	2020	2019	2018	2017
Beginning Balance	$ 725,190	$ 736,196	$ 671,033	$ 709,819
Service Cost	24,824	25,089	21,287	21,763
Interest on the total pension liability	25,404	22,401	24,503	24,068
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	68,135	19,332	55,181	-
Changes of assumptions or other inputs	20,366	(23,249)	36,669	(13,323)
Benefit payments	(54,579)	(54,579)	(72,477)	(71,294)
Other changes	-	-	-	-
Ending balance of the total pension liability	$ 809,340	$ 725,190	$ 736,196	$ 671,033

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

TOWN OF KITTY HAWK, NORTH CAROLINA

Schedule of Changes in Total OPEB Liability and Related Ratios

June 30, 2020

Total OPEB Liability

	2020	2019	2018
Service Cost	$ 68,090	$ 51,249	$ 54,742
Interest on the total OPEB liability	62,174	55,240	48,345
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	1,468	2,778	(3,507)
Changes of assumptions or other inputs	81,689	(22,124)	(117,307)
Benefit payments	(43,206)	(37,923)	(35,645)
Other changes	-	-	-
Net change in total OPEB liability	170,215	49,220	(53,372)
Total OPEB liability - beginning	1,619,688	1,570,468	1,623,840
Total OPEB liability - ending	$ 1,789,903	$ 1,619,688	$ 1,570,468
Covered payroll	$ 2,362,360	$ 2,362,360	$ 2,134,362
Total OPEB liability as a percentage of covered payroll	75.77%	68.56%	73.58%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflects the effects of changes in the discount rate each period.

Discount rates used in each period:	3.50%	3.89%	3.56%

TOWN OF KITTY HAWK, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
PERMITS AND FEES:				
CAMA permits	3,500	2,355	(1,145)	3,055
Building permits	135,000	109,364	(25,636)	147,580
Other planning fees	15,270	8,600	(6,670)	15,721
	153,770	120,319	(33,451)	166,356
SALES AND SERVICES:				
Court costs	3,000	2,079	(921)	2,514
Garbage carts	7,000	6,425	(575)	8,975
	10,000	8,504	(1,496)	11,489
INVESTMENT EARNINGS	50,000	158,771	108,771	214,565
OTHER REVENUES:				
Rents	4,800	4,800	-	4,800
SW disposal tax	2,300	2,702	402	2,636
Sale of fixed assets	10,000	12,729	2,729	32,371
Insurance reimbursements	-	21,666	21,666	35,000
Fines and forfeitures	1,000	1,350	350	750
Code enforcement fines	3,500	3,525	25	6,040
Miscellaneous	1,300	7,289	5,989	7,376
	22,900	54,061	31,161	88,973
TOTAL REVENUES	$ 10,082,327	$ 10,441,933	$ 359,606	$ 10,586,550
EXPENDITURES				
GENERAL GOVERNMENT:				
Governing body:				
Fees to elected officials		$ 7,875		$ 7,675
Payroll taxes		654		624
Travel and training		608		223
Miscellaneous		191		156
Telephone & Communications		1,538		866
Professional Services - election		4,716		-
Committees		3,530		16,133
Dues and subscriptions		7,521		7,695
		26,633		33,372
Administration:				
Salaries		299,635		280,980
Payroll taxes		22,310		20,749
Group insurance		50,813		44,811
Retirement		31,926		29,894
Advertising		2,314		2,499
Printing - Codification		225		4,123
Contracted Services - Transcription		7,665		6,495
Professional services - other		-		2,342
Postage		175		92
Telephone		2,334		1,981
Professional services - legal		40,711		39,820
Travel		2,470		3,407
Supplies		2,103		820
Dues and subscriptions		4,954		364
Service contracts		1,650		2,272
		469,285		440,649

TOWN OF KITTY HAWK, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Storm Damage Reduction:				
Beach nourishment tax collection fee		15,617		15,525
Beach maintenance		-		659
Beach nourishment engineering		107,080		96,366
Debt payment		2,094,791		2,132,787
		2,217,488		2,245,337
Non-Departmental:				
Vehicle supplies		44		172
Supplies		5,566		3,229
PEG Government Channel to Dare County		20,550		27,027
Employee event		3,882		3,804
Tax collection fees		58,036		57,458
Telephone		7,395		6,904
Postage		204		182
Utilities		4,113		4,438
Printing		-		1,196
Equipment maintenance and repairs		1,693		752
IT services		67,564		60,635
Service and maintenance contracts		5,274		11,190
Dues and Subscriptions		939		3,967
Special Liabilities		875		20,021
Insurance and bonding		173,541		197,547
Employee assistance program		4,234		-
Fines and forfeitures to Board of Educations		1,350		1,139
Pruitt Path improvements		-		-
Government access channel grant		2,500		1,664
Capital outlay		-		-
		357,760		401,325
TOTAL GENERAL GOVERNMENT	5,082,206	4,794,103	288,103	4,514,952

TOWN OF KITTY HAWK, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2020
With Comparative Actual Amounts for the Year Ended June 30, 2019

	2020			2019
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
TRANSPORTATION:				
Powell Bill street maintenance and construction		151,058		265,553
Non Powell Bill street maintenance		739		-
		151,797		265,553
TOTAL TRANSPORTATION	142,000	151,797	(9,797)	265,553
ENVIRONMENTAL PROTECTION:				
Sanitation:				
Contracted services		491,793		512,792
Solid waste disposal		485,578		445,293
TOTAL ENVIRONMENTAL PROTECTION	1,191,000	977,371	213,629	958,085
TOTAL EXPENDITURES	**10,203,989**	**9,410,727**	**793,262**	**9,132,087**
REVENUES OVER EXPENDITURES	(121,662)	1,031,206	1,152,868	1,454,463
OTHER FINANCING SOURCES (USES):				
Fund balance appropriated	684,126	-	(684,126)	-
Transfer from capital reserve fund	162,500	116,114	(46,386)	-
Transfer to capital reserve fund	(724,964)	(509,093)	215,871	(420,372)
	121,662	(392,979)	(514,641)	(420,372)
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	$ -	638,227	$ 638,227	1,034,091
FUND BALANCE:				
Beginning of year, July 1		9,071,538		8,037,447
End of year, June 30		$ 9,709,765		$ 9,071,538

TOWN OF KITTY HAWK, NORTH CAROLINA

Agency Fund - Firemen's Relief Fund
Statement of Changes in Assets and Liabilities
June 30, 2020

	Firemen's Relief Fund
Balance June 30, 2019	$ 93,091
Additions	
Department of Insurance	6,185
Investment earnings	1,452
Total Additions	7,637
Deductions	
Benefits	22,062
Balance June 30, 2019	$ 78,666

TOWN OF KITTY HAWK, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
June 30, 2020

	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	$ 1,201,694,118	0.34	$ 4,085,760	$ 3,892,621	$ 193,139
Pick-ups	17,941	0.34	61	61	-
Abatements	(73,235)	0.34	(249)	(249)	-
Late list penalties	-		2,465	2,465	-
Adjustments	-		506	506	-
Total property valutation	$ 1,201,638,824				
Net levy			4,088,543	3,895,404	193,139
Uncollected taxes at June 30, 2020			(28,724)	(28,724)	-
Current year's taxes collected			$ 4,059,819	$ 3,866,680	$ 193,139
Current levy collection percentage			99.30%	99.26%	100.00%

Compliance and Other Matters

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

Purpose of this Report

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

Dowdy & Osborne, LLP

Dowdy & Osborne, LLP
Certified Public Accountants

Nags Head, North Carolina

November 23, 2020