

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2024**

Craig Garriss, Mayor  
Jeff Pruitt, Mayor Pro-Tem  
David Hines, Council Member  
Dylan Tillett, Council Member  
Charlotte Walker, Council Member

Melody Clopton, Town Manager  
Liliana Noble, Finance Director  
Casey Varnell, Town Attorney

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**June 30, 2024**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of Financial Statements**

#### ***Opinions***

We have audited the 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, 2024, and the related notes to the financial statements, which collectively comprise the Town of Kitty Hawk's 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, each major fund, and the aggregate remaining fund information of the Town of Kitty Hawk as of June 30, 2024, and the respective changes in financial position 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Kitty Hawk, 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.

#### ***Responsibility of Management's 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 Kitty Hawk's 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.

MEMBERS OF AICPA AND NCACPA

### ***Auditor's Responsibility for the Audit of the Financial Statements***

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

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

- Exercised professional judgement and maintained professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Kitty Hawk's 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 Kitty Hawk's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and Other Post Employment Benefit and Law Enforcement Officers' Special Separation Allowance Schedules of the Funding Progress and Employer Contributions, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kitty Hawk's basic financial statements. The combining and individual 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. This 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, based on our audit, the combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory information and the statistical sections but does not include the basic financial statements and our auditor's 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 statement, 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 October 15, 2024 on our consideration of the Town of Kitty Hawk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Kitty Hawk's 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 Kitty Hawk's internal control over financial reporting and compliance.

JOHNSON, MIZELLE, STRAUB, & CONSOLVO, LLP  
Certified Public Accountants

*Johnson, Mizelle, Straub & Consolvo, LLP*

Kitty Hawk, North Carolina  
October 15, 2024

# Management Discussion and Analysis

## Town of Kitty Hawk

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### 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, 2024. 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 \$ 30,092,348 (*net position*).
- The government's total net position increased by \$ 689,301.
- The budget was adopted with a town-wide tax rate of \$ .30 cents per \$ 100 of valuation of which \$ 0.035 cents is restricted for beach nourishment.
- The budget was adopted with a municipal service district tax for beach nourishment at a rate of \$ .10 cents per \$ 100 of valuation.
- At the end of the current fiscal year, the Town of Kitty Hawk's governmental funds reported combined ending fund balances of \$ 18,329,861. Approximately 55% of this amount or \$ 10,147,941 is non-spendable, restricted, committed or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 8,181,920, an increase of \$ 964,994 over the prior year. The unassigned fund balance at June 30, 2024, represents 79% of total general fund expenditures for the year.
- 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 \$ 4,681,120.
- The Town has reserve funds for future capital improvements of \$ 3,932,208 at June 30, 2024, including \$ 3,123,075 for beach nourishment and \$ 809,133 for other equipment and improvements.

# Management Discussion and Analysis

## Town of Kitty Hawk

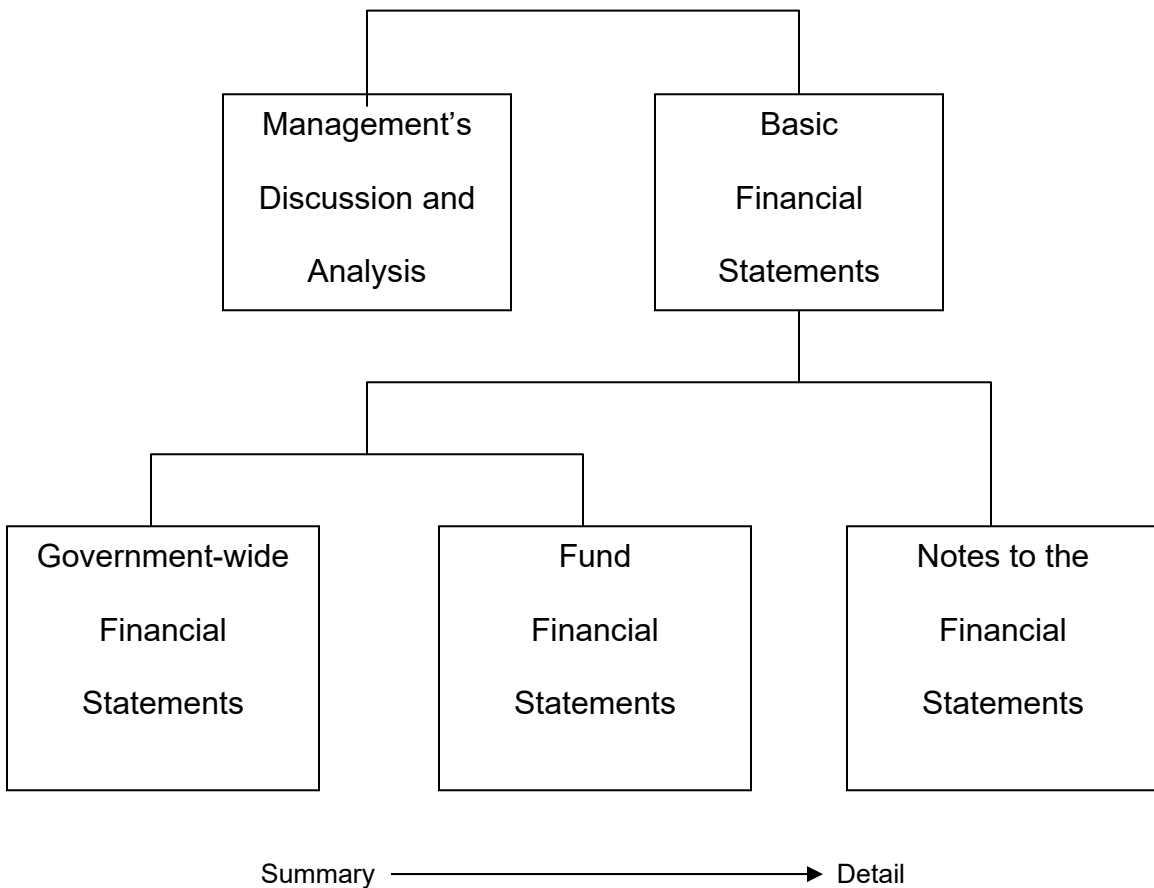
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### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Kitty Hawk's 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 Kitty Hawk.

### Required Components of Annual Financial Report

Figure 1



### 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 6) 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 three parts to the Fund Financial

## Management Discussion and Analysis

### Town of Kitty Hawk

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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 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 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

## Management Discussion and Analysis Town of Kitty Hawk

citizens of the town, the management of the town, and the decisions of the Council 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 council 2) the final budget as amended by the council 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.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 20-44 of this report.

**Required Supplementary Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the town's progress in funding its obligation to provide pension benefits and retiree healthcare benefits to its employees. Required supplementary information can be found beginning on pages 45-50 of this report.

**Other Supplementary Information** – This includes combining statements for selected funds showing additional detail for revenues and expenditures.

### Government-Wide Financial Analysis

#### The Town of Kitty Hawk's Net Position

Figure 2

	June 30, 2024	June 30, 2023
Current and other assets	\$ 19,352,570	\$ 17,155,070
Capital assets	19,458,343	21,437,178
Deferred outflows of resources	1,939,563	2,043,337
Total assets and deferred outflows of resources	40,750,476	40,635,585
Long-term liabilities outstanding	7,835,142	8,693,322
Other liabilities	1,531,824	1,514,754
Deferred inflows of resources	1,291,162	1,024,462
Total liabilities and deferred inflows of resources	10,658,128	11,232,538
Net Position:		
Net investment in capital assets	16,446,086	17,420,835
Restricted	5,775,422	4,944,253
Unrestricted	7,870,840	7,037,959
Total net position	\$ 30,092,348	\$ 29,403,047

## Management Discussion and Analysis

### Town of Kitty Hawk

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 \$ 30,092,348 as of June 30, 2024. The town's total net position increased by \$ 689,301 for the fiscal year ended June 30, 2024. 55% or \$ 16,446,086 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 \$ 974,749 because depreciation exceeded capital asset acquisitions and debt repayment. 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 \$ 5,775,422 represents resources that are subject to external restrictions on how they may be used. The remaining \$ 7,870,840 is unrestricted. This unrestricted portion on the government-wide basis increased \$ 832,881 from the prior year, largely due to investment income that exceeded budget estimates and expenditures less than budget estimates.

**Town of Kitty Hawk Changes in Net Position**  
**Figure 3**

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 194,018	\$ 262,686
Operating grants and contributions	29,515	1,327,739
Capital grants and contributions	375,344	4,106,382
General Revenues:		
Property taxes	4,660,988	4,549,196
Municipal service district taxes	562,204	550,319
Sales, occupancy and land transfer taxes	4,857,532	4,833,380
Other unrestricted intergovernmental revenues	685,036	644,010
Investment earnings	844,455	571,475
Miscellaneous revenues	203,245	161,135
<b>Total Revenues</b>	<b>12,412,337</b>	<b>17,006,322</b>
Expenses:		
General government	3,299,511	3,596,765
Public safety	4,926,961	5,282,245
Transportation	472,025	158,271
Environmental protection	1,077,945	1,193,773
Beach nourishment	1,873,497	1,436,937
Interest	73,097	93,982
<b>Total Expenses</b>	<b>11,723,036</b>	<b>11,761,973</b>
Increase in net position	689,301	5,244,349
Net position, July 1	29,403,047	24,158,698
Net position, June 30	<b>\$ 30,092,348</b>	<b>\$ 29,403,047</b>

Operating grants and contributions decreased \$ 1,298,224 primarily due to an American Rescue Plan Act grant in the prior year of \$ 1,138,069 used for police salaries and benefits.

Capital grants and contributions decreased \$ 3,731,038 due to a prior year NC grant for beach nourishment of \$ 1,408,247 and prior year Dare County contributions for beach nourishment of \$ 2,292,293.

## Management Discussion and Analysis

### Town of Kitty Hawk

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Investment earnings increased by \$ 272,980 due to increased earning rates and larger amounts invested.

General government expenses decreased \$ 297,254 due primarily to the following: a reduction of \$ 339,826 for actuarial adjustments to the NC Local Government Retirement System and retiree health insurance actuarially determined liabilities and \$ 104,599 for computer upgrades offset by \$ 88,397 increase in salaries and benefits.

Public safety expenses decreased \$ 355,284 due to the following: a reduction of \$ 618,510 for actuarial adjustments to the NC Local Government Retirement System, Law Enforcement Separation Allowance and retiree health insurance actuarially determined liabilities offset by \$ 251,398 increase in salaries and benefits.

Transportation expenses increased \$ 313,754 due primarily to \$ 320,000 payment to NC Department of Transportation for town-wide sidewalk.

Beach nourishment expenses increased \$ 436,560 due to a full year of depreciation expense on the 2023 nourishment project.

#### Financial Analysis of the Town of Kitty Hawk's Funds

As noted earlier, the Town of Kitty Hawk uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Town of Kitty Hawk's 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 Kitty Hawk's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government'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 Kitty Hawk. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$ 8,181,920 while total fund balance reached \$ 14,034,214. The unassigned portion increased primarily due to investment income that exceeded budget estimates and expenditures less than budget estimates. As a measure of the general fund's liquidity, it may be useful to compare general fund unassigned fund balance to total fund general fund expenditures which is 79% which is comparable to the prior year

The Town has established a fund balance policy to maintain a minimum unassigned fund balance of \$ 3,500,000 for unanticipated expenditures and revenue shortfalls, therefore the board met its target at June 30, 2024.

**General Fund Budgetary Highlights:** During the fiscal year, the town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. The largest amendments included 1) \$ 289,000 transfer from capital reserve fund and \$ 31,000 appropriation of fund balance for the Town's commitment to NC Department of Transportation for sidewalk, 2) \$ 230,307 appropriation of fund balance for the police department building renovation, 3) \$ 100,000 appropriation of fund balance for access control project in Town buildings and 4) \$ 84,646 appropriation of fund balance for police department radio service contract.

# Management Discussion and Analysis

## Town of Kitty Hawk

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### Capital Asset and Debt Administration

**Capital assets.** The Town of Kitty Hawk’s investment in capital assets for its governmental activities as of June 30, 2024, totals \$ 19,458,343 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year include the following additions:

- Ocean rescue vehicle \$ 50,427
- Police vehicle \$ 45,178
- Air Paks for fire department \$ 102,100
- Police department remodel \$ 246,882
- Street repairs \$ 103,967

### Town of Kitty Hawk’s Governmental Activities Capital Assets

Figure 4

(net of depreciation)

	June 30, 2024	June 30, 2023
Land	\$ 5,835,026	\$ 5,834,226
Construction in process	312,458	65,576
Buildings	3,478,401	3,631,520
Infrastructure	8,403,250	10,283,497
Equipment	382,340	371,923
Vehicles	1,046,868	1,250,436
Total	<u>\$ 19,458,343</u>	<u>\$ 21,437,178</u>

Additional information on the town’s capital assets can be found in the Notes to The Financial Statements on page 30.

**Long-Term Debt.** As of June 30, 2024, the Town had total long-term debt for beach nourishment special obligation bonds issued in the current fiscal year for \$ 3,012,257. 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 \$ 124,195,253.

Additional information regarding the Town’s long-term debt can be found in the Notes to The Financial Statements on page 43.

# Management Discussion and Analysis

## Town of Kitty Hawk

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### 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 remained steady in fiscal year 2024. Overall County occupancy tax collections increased 1.51%. Kitty Hawk received \$ 39,920 or 1.8% more.
- Kitty Hawk's portion of general fund sales tax increased \$ 28,055.
- Property sales in Dare County softened from the pandemic highs experienced in fiscal years 2021 and 2022. Overall land transfer tax collections decreased 8%. Duck received \$ 43,832 or 8% less.

### Budget Highlights for the Fiscal Year Ending June 30, 2025

- The town-wide property tax rate remains the same at 30 cents per hundred dollars of valuation (3.5 cents of this is designated for beach nourishment).
- The municipal service district tax for beach nourishment remains the same at 10 cents per hundred dollars of valuation.
- No unrestricted fund balance is used to balance the budget.
- The Town anticipates decreased occupancy, sales and land transfer taxes as these revenues are distributed based on the Town's proportionate share of the Town's tax levy compared to the County and other municipalities in Dare County. Due to tax rate increases by neighboring governments the Town anticipates its shared percentage will decrease.
- The budget includes a 4.0% market pay plan adjustment for all positions and an additional one-step increase for all employees.
- The overall increase in health insurance contributions is 9%.
- The budget implements a performance evaluation process and merit pay incentive to reward employees who exceed expectations.
- The budget includes the purchase of a single axle dump truck.
- The budget includes capital reserve funding for a future fire truck, boardwalks and dock repair, public works vehicle, a modest public works building addition, beach nourishment projects and public safety equipment and vehicles.
- The budget includes an upgrade to current permit management software which will allow online applications and payments,
- The budget includes an updated fee schedule which better aligns to other Towns in our area.

### 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 Finance Director, Town of Kitty Hawk, P.O. Box 549, Kitty Hawk, North Carolina, 27949.

# TOWN OF KITTY HAWK, NORTH CAROLINA

## STATEMENT OF NET POSITION

June 30, 2024

Exhibit 1

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 1,073,819
Investments	12,161,166
Restricted investments	4,209,250
Taxes receivable	51,165
Due from governmental units	1,296,381
Miscellaneous accounts receivable	30,124
Lease receivable	157,485
Prepaid expenses	33,433
Total current assets	<u>19,012,823</u>
Non-current assets:	
Lease receivable, non-current	339,747
Capital assets:	
Land and construction in process	6,147,483
Other capital assets, net of depreciation	13,310,860
Total capital assets	<u>19,458,343</u>
Total non-current assets	<u>19,798,090</u>
Total assets	<u>38,810,913</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	1,674,560
OPEB deferrals	265,003
Total deferred outflows of resources	<u>1,939,563</u>
Accounts payable	376,278
Accrued salaries and benefits	94,968
Deposits	6,492
Current portion of long-term liabilities	1,054,086
Total current liabilities	<u>1,531,824</u>
Long-term liabilities:	
Due in more than one year	7,835,142
Total liabilities	<u>9,366,966</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	249,836
OPEB deferrals	547,520
Leases	493,806
Total deferred inflows of resources	<u>1,291,162</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	16,446,086
Restricted for:	
Powell Bill - Streets	242,495
Stabilization by State Statute	1,606,172
Capital Reserve Funds	3,892,208
Public Safety	34,547
Unrestricted	7,870,840
Total net position	<u>\$ 30,092,348</u>

**TOWN OF KITTY HAWK, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2024**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 3,299,511	\$ 192,754	\$ 28,603	\$ -	\$ (3,078,154)	\$ (3,078,154)
Public safety	4,926,961	1,264	912	-	(4,924,785)	(4,924,785)
Transportation	472,025	-	-	131,725	(340,300)	(340,300)
Environmental protection	1,077,945	-	-	-	(1,077,945)	(1,077,945)
Beach nourishment	1,873,497	-	-	243,619	(1,629,878)	(1,629,878)
Interest on long-term debt	73,097	-	-	-	(73,097)	(73,097)
	<u>11,723,036</u>	<u>194,018</u>	<u>29,515</u>	<u>375,344</u>	<u>(11,124,159)</u>	<u>(11,124,159)</u>
Total primary government	<u>\$ 11,723,036</u>	<u>\$ 194,018</u>	<u>\$ 29,515</u>	<u>\$ 375,344</u>	<u>(11,124,159)</u>	<u>(11,124,159)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purpose					4,660,988	4,660,988
Municipal service district taxes					562,204	562,204
Sales, occupancy and land transfer taxes					4,857,532	4,857,532
Other unrestricted intergovernmental revenues					685,036	685,036
Investment earnings, unrestricted					844,455	844,455
Miscellaneous, unrestricted					203,245	203,245
Total general revenues					<u>11,813,460</u>	<u>11,813,460</u>
Change in net position					689,301	689,301
Net position-beginning					29,403,047	29,403,047
Net position-ending					<u>\$ 30,092,348</u>	<u>\$ 30,092,348</u>

# TOWN OF KITTY HAWK, NORTH CAROLINA

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2024

Exhibit 3

	MAJOR FUNDS			Total Governmental Funds
	General	Beach Nourishment Capital Fund	Police Building Capital Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,073,819	\$ -	\$ -	\$ 1,073,819
Investments	7,859,949	471,900	3,829,317	12,161,166
Restricted investments	4,209,250	-	-	4,209,250
Taxes receivable	51,165	-	-	51,165
Due from governmental units	1,296,381	-	-	1,296,381
Miscellaneous accounts receivable	30,124	-	-	30,124
Leases receivable	497,232	-	-	497,232
Prepaid expenses	33,433	-	-	33,433
<b>Total Assets</b>	<b>\$ 15,051,353</b>	<b>\$ 471,900</b>	<b>\$ 3,829,317</b>	<b>19,352,570</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 370,708	\$ -	\$ 5,570	\$ 376,278
Accrued salaries and taxes	94,968	-	-	94,968
Customer deposits	6,492	-	-	6,492
<b>Total Liabilities</b>	<b>472,168</b>	<b>-</b>	<b>5,570</b>	<b>477,738</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes Receivable	51,165	-	-	51,165
Leases	493,806	-	-	493,806
<b>Total Deferred Inflows of Resources</b>	<b>544,971</b>	<b>-</b>	<b>-</b>	<b>544,971</b>
<b>FUND BALANCES</b>				
Non Spendable:				
Prepaid expenses	33,433	-	-	33,433
Leases	3,426	-	-	3,426
Restricted:				
Stabilization by State Statute	1,606,185	-	-	1,606,185
Streets - Powell Bill	242,495	-	-	242,495
Public Safety	34,547	-	-	34,547
Capital Reserve Fund	3,932,208	-	-	3,932,208
Committed:				
Beach nourishment	-	471,900	-	471,900
Public Safety	-	-	3,823,747	3,823,747
Unassigned	8,181,920	-	-	8,181,920
<b>Total Fund Balances</b>	<b>14,034,214</b>	<b>471,900</b>	<b>3,823,747</b>	<b>18,329,861</b>
<b>Total Liabilities, Deferred Inflows Of Resources and Fund Balances</b>	<b>\$ 15,051,353</b>	<b>\$ 471,900</b>	<b>\$ 3,829,317</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,458,343
Deferred outflows of resources related to pensions/OPEB are not reported in the funds	1,939,563
Liabilities for earned revenues considered deferred inflows of resources in fund statements	51,165
Deferred inflows of resources related to pensions/OPEB are not reported in the funds	(797,356)
Long-term liabilities used in governmental activities are not financial uses and are therefore not included in the funds.	(8,889,228)
<b>Net position of governmental activities (Exhibit 1)</b>	<b>\$ 30,092,348</b>

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

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2024**

Exhibit 4

	MAJOR FUNDS			Total Governmental Funds
	General	Beach Nourishment Capital Fund	Police Building Capital Fund	
<b>REVENUES:</b>				
Ad valorem taxes	\$ 5,209,732	\$ -	\$ -	\$ 5,209,732
Other taxes and licenses	4,857,532	-	-	4,857,532
Unrestricted intergovernmental revenue	685,036	-	-	685,036
Restricted intergovernmental revenue	393,505	11,353	-	404,858
Permits and fees	182,791	-	-	182,791
Sales and services	11,227	-	-	11,227
Investment earnings	844,455	-	-	844,455
Other revenues	203,245	-	-	203,245
<b>TOTAL REVENUES</b>	<b>12,387,523</b>	<b>11,353</b>	<b>-</b>	<b>12,398,876</b>
<b>EXPENDITURES:</b>				
Current:				
General government	2,972,326	-	-	2,972,326
Public safety	4,618,878	-	246,882	4,865,760
Transportation	451,362	-	-	451,362
Environmental protection	1,077,946	-	-	1,077,946
Beach nourishment	119,106	11,353	-	130,459
Debt service:				
Principal	1,004,086	-	-	1,004,086
Interest	73,097	-	-	73,097
<b>TOTAL EXPENDITURES</b>	<b>10,316,801</b>	<b>11,353</b>	<b>246,882</b>	<b>10,575,036</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,070,722</b>	<b>-</b>	<b>(246,882)</b>	<b>1,823,840</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers	(230,307)	-	230,307	-
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>(230,307)</b>	<b>-</b>	<b>230,307</b>	<b>-</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>1,840,415</b>	<b>-</b>	<b>(16,575)</b>	<b>1,823,840</b>
<b>FUND BALANCES:</b>				
Beginning of year - July 1	12,193,799	471,900	3,840,322	16,506,021
End of year - June 30	\$ 14,034,214	\$ 471,900	\$ 3,823,747	\$ 18,329,861

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2024**

**Exhibit 4**  
**(continued)**

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

Net changes in fund balances - total governmental funds \$ 1,823,840

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay expenditures which were capitalized	560,707	
Depreciation expense for governmental assets	<u>(2,539,544)</u>	(1,978,837)

Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities 436,375

Benefit payments paid and administrative expense for the LEOSSA are not included in the Statement of Activities 64,867

OPEB benefit payments and administrative costs made in the current fiscal year are not included in the Statement of Activities 110,029

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:  
Change in unavailable revenue for tax revenue 13,461

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net affect of these differences in the treatment of long-term debt and related items:

Principal payments on long-term debt	<u>1,004,086</u>	1,004,086
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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:

Increase in compensated absences	(53,982)	
Pension expense-LGERS	(632,921)	
Pension expense-LEOSSA	(47,848)	
OPEB plan expense	<u>(49,769)</u>	
		<u>(784,520)</u>

Total changes in net position of governmental activities (Exhibit 2) \$ 689,301

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2024**

Exhibit 5

	General Fund			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
<b>REVENUE:</b>				
Ad valorem taxes	\$ 5,166,970	\$ 5,166,970	\$ 5,209,732	\$ 42,762
Other taxes and licenses	4,836,911	4,836,911	4,857,532	20,621
Unrestricted intergovernmental revenues	634,700	634,700	685,036	50,336
Restricted intergovernmental revenues	382,643	387,643	393,505	5,862
Permits and fees	193,400	193,400	182,791	(10,609)
Sales and services	12,000	12,000	11,227	(773)
Investment earnings	150,000	347,000	668,627	321,627
Other revenue	112,383	131,433	203,245	71,812
<u>Total Revenues</u>	<u>11,489,007</u>	<u>11,710,057</u>	<u>12,211,695</u>	<u>501,638</u>
<b>EXPENDITURES:</b>				
General government	3,036,450	3,280,089	2,972,326	307,763
Public safety	5,156,609	5,295,783	4,618,878	676,905
Transportation	144,000	464,000	451,362	12,638
Environmental protection	1,266,000	1,266,000	1,077,946	188,054
Beach nourishment	1,172,924	1,260,059	1,196,289	63,770
<u>Total Expenditures</u>	<u>10,775,983</u>	<u>11,565,931</u>	<u>10,316,801</u>	<u>1,249,130</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>713,024</u>	<u>144,126</u>	<u>1,894,894</u>	<u>1,750,768</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Fund balance appropriated	10,703	480,908	-	(480,908)
Transfer from special revenue fund	-	-	-	-
Transfer from capital reserve fund	20,000	349,000	349,000	-
Transfer to capital project fund	-	(230,307)	(230,307)	-
Transfer to capital reserve fund	(743,727)	(743,727)	(773,217)	(29,490)
<u>Total Other Financing Sources (Uses)</u>	<u>(713,024)</u>	<u>(144,126)</u>	<u>(654,524)</u>	<u>(510,398)</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>1,240,370</u>	<u>\$ 1,240,370</u>
<b>FUND BALANCE:</b>				
Beginning			<u>8,861,636</u>	
Ending			<u>\$ 10,102,006</u>	
A legally adopted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Interest income			175,828	
Transfer from General Fund			773,217	
Transfer to General Fund			(349,000)	
Fund Balance, Beginning			<u>3,332,163</u>	
Fund Balance, Ending (Exhibit 4)			<u>\$ 14,034,214</u>	

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**June 30, 2024**

Exhibit 6

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	<u>Agency Fund</u>
<b><u>ASSETS</u></b>	
Cash	\$ 71,470
Total Assets	<u>71,470</u>
 <b><u>LIABILITIES AND NET POSITION</u></b>	
Liabilities:	
Due to Firemen's Relief Fund	<u>71,470</u>
<b><u>NET POSITION</u></b>	<u><u>\$ -</u></u>

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Kitty Hawk (the “Town”) 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.

**Beach Nourishment Capital Project Fund.** This fund is used to account for the beach nourishment construction project.

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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**Police Department Building Capital Project Fund.** This fund is used to account for the purchase and renovation of the old Regional Medical Center where a new police station will be located.

The Town reports the following fiduciary fund types:

**Agency Funds.** Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the Town holds on behalf of others. The Town maintains one agency fund for the Firemen's Relief Fund, which accounts for the money invested and distributed on behalf of the Firemen's Relief Fund. The fund is established based on state statutes to provide funds for specific expenses and to assist firefighters injured or killed in the line of duty and to provide length of service awards to eligible firefighters.

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 Fund Financial Statements.* The government-wide fund financial statements are reported using the economic resources measurement focus. The government-wide fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time 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.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases and IT subscriptions are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad-valorem taxes receivable are not accrued as 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, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax and utilities franchise 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 Kitty Hawk because the tax is levied by Dare County and then remitted to and distributed by the State.

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town 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 and Capital Reserve 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. Project ordinances are adopted for the Beach Nourishment Capital Project Fund and Police Department Purchase and Remodel Capital Project Fund. During the year, several amendments to the original general fund budget were necessary. The largest amendments included 1) \$ 289,000 transfer from capital reserve fund and \$ 31,000 appropriation of fund balance for the Town's commitment to NC Department of Transportation for sidewalk, 2) \$ 230,307 appropriation of fund balance for the police department building renovation, 3) \$ 100,000 appropriation of fund balance for access control project in Town buildings and 4) \$ 84,646 appropriation of fund balance for police department radio service contract. 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 reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund is measured at fair value. Because the NCCMT Government Portfolio has a weighted average of less than 90 days, it is presented as an investment with a maturity of less than 6 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.

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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3. Restricted Assets

Money in the Capital Reserve Fund is classified as restricted assets because its use is restricted to the Capital Reserve Fund per G.S. 159-18. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, or reconstructing or widening of streets per G.S. 136-41.1 through 136-41.4. Drug forfeiture funds are classified as restricted cash because its use is restricted for purposes that enhance law enforcement activities.

**Town of Kitty Hawk Restricted Investments**

Governmental Activities:

General Fund:

Capital reserve fund	\$ 3,932,208
Powell Bill-Streets	242,495
Public Safety	<u>34,547</u>
	<u>4,209,250</u>

Total Restricted Investments \$ 4,209,250

4. Ad-Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and 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, 2023.

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. Leases Receivable

The Town's leases receivable are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for leases. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

7. Prepaid Items

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

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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8. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network, which is not capitalized as the town has not opted to do retroactive reporting for infrastructure. 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.

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
Beach nourishment	5 years

9. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net 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 2024 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 and lease deferrals.

10. 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.

11. 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.

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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12. Net position/Fund Balances

Net position

Net position in government-wide financial statements are 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:

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

Leases – portion of fund balance that is not an available resource because it represents the balance of the year-end lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

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

Restricted for 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 Public Safety – portion of fund balance that is restricted by revenue source for use by the Police Department to enhance law enforcement activities.

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Restricted for Capital Reserve Fund – portion of fund balance that is restricted for the legally adopted Capital Reserve Fund which has been consolidated with the General Fund due to GASB 54.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Kitty Hawk’s governing body (highest level of decision-making authority). 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.

Committed for beach nourishment projects – portion of fund balance that has been budgeted by the Town Council for a beach nourishment project. The governing body approves the capital project ordinance.

Committed for public safety – portion of fund balance that has been budgeted by the Town Council for the purchase and renovation of a police department building. The governing body approved the capital project ordinance.

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.

**13. 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.

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14. Recent Accounting Pronouncements

*GASB Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*

In June 2022, the GASB issued GASB Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The Town has implemented the requirements of the new standard for the year ended June 30, 2024.

*GASB Statement No. 101, Compensated Absences*

In June 2022, the GASB issued GASB Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by

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updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The Town is currently reviewing this statement to determine the effect on the financial statements.

GASB Statement No. 102, Certain Risk Disclosures

In December 2023, the GASB issued GASB Statement No. 102, Certain Risk Disclosures. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged. The Town is currently reviewing this statement to determine the effect on the financial statements.

GASB Statement No. 103, Financial Reporting Model Improvements.

In April 2024, the GASB issued GASB Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows. This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating

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revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. The Town is currently reviewing this statement to determine the effect on the financial statements.

## **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-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.

At June 30, 2024, the Town's deposits had a carrying amount of \$ 1,144,964 and a bank balance of \$ 1,179,559. Of the bank balance, \$ 250,000 was covered by federal depository insurance, and

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the remainder was covered by collateral held under the pooling method. At June 30, 2024, the Town's petty cash fund totaled \$ 325.

2. Investments

At June 30, 2024 the Town's investments were as follows:

	<u>Valuation Measurement Method</u>	<u>Book Value At 6/30/24</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust:				
Government Portfolio	Fair Value Level 1	\$ 16,370,416	N/A	AAAm
Total Investments		<u>\$ 16,370,416</u>		

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.

*Interest Rate Risk.* The Town's cash management policy does not address interest rate risk.

*Credit Risk.* The Town's cash management policy does not address credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2024.

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**3. Capital Assets**

Capital asset activity for the primary government for the year ended June 30, 2024 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 5,834,226	\$ 800	\$ -	\$ 5,835,026
Construction in process	65,576	246,882	-	312,458
<b>Total capital assets not being depreciated</b>	<b>5,899,802</b>	<b>247,682</b>	<b>-</b>	<b>6,147,484</b>
<b>Capital assets being depreciated:</b>				
Buildings	6,132,401	-	-	6,132,401
Infrastructure	32,739,849	115,320	-	32,855,169
Equipment	1,093,249	102,100	10,695	1,184,654
Vehicles	3,513,398	95,605	138,220	3,470,783
<b>Total capital assets being depreciated</b>	<b>43,478,897</b>	<b>313,025</b>	<b>148,915</b>	<b>43,643,007</b>
<b>Less accumulated depreciation for:</b>				
Buildings	2,500,881	153,119	-	2,654,000
Infrastructure	22,456,351	1,995,568	-	24,451,919
Equipment	721,326	91,683	10,695	802,314
Vehicles	2,262,961	299,174	138,220	2,423,915
<b>Total accumulated depreciation</b>	<b>27,941,519</b>	<b>\$ 2,539,544</b>	<b>\$ 148,915</b>	<b>30,332,148</b>
<b>Total capital assets being depreciated (net)</b>	<b>15,537,378</b>			<b>13,310,859</b>
<b>Governmental activity capital assets, net</b>	<b><u>\$21,437,180</u></b>			<b><u>\$19,458,343</u></b>

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

General Government	\$ 274,445
Public Safety	386,077
Beach nourishment	1,754,392
Transportation	124,630
	<u>\$ 2,539,544</u>

**4. Leases Receivable**

On October 1, 2022, the Town recorded a 36-month lease for the use of office space at 5200 N. Croatan Highway, Kitty Hawk, NC. An initial lease receivable was recorded in the amount of \$ 200,896. As of June 30, 2024, the value of the lease receivable is \$ 85,687. The lessee is required to make monthly fixed payments of \$ 5,828 and the lease has an interest rate of 3.00%. The value of the deferred inflow of resources as of June 30, 2024, was \$ 83,716, and Kitty Hawk recognized lease revenue of \$ 66,960 during the fiscal year. The lease has 3 extension options for 60 months each.

On November 1, 2023, the Town recorded a 60-month lease for the use of office space at 5200 N. Croatan Highway, Kitty Hawk, NC. An initial lease receivable was recorded in the amount of

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\$ 362,429. As of June 30, 2024, the value of the lease receivable is \$ 315,645. The lessee is required to make monthly fixed payments of \$ 6,342 and the lease has an interest rate of 2.00%. The value of the deferred inflow of resources as of June 30, 2024, was \$ 314,109, and Kitty Hawk recognized lease revenue of \$ 48,320 during the fiscal year. The lease has 4 extension options for 36 months each.

On June 1, 2024, the Town recorded a 60-month lease for the use of office space at 5200 N. Croatan Highway, Kitty Hawk, NC. An initial lease receivable was recorded in the amount of \$ 97,608. As of June 30, 2024, the value of the lease receivable is \$ 95,900. The lessee is required to make monthly fixed payments of \$ 1,708 and the lease has an interest rate of 2.00%. The value of the deferred inflow of resources as of June 30, 2024, was \$ 95,981, and Kitty Hawk recognized lease revenue of \$ 1,627 during the fiscal year. The lease has 4 extension options for 36 months each.

Principal and interest expected to maturity on this lease is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 157,485	\$ 9,051
2026	108,381	5,703
2027	92,819	3,781
2028	94,695	1,905
2029	43,852	293
<u>Total</u>	<u>\$ 497,232</u>	<u>\$ 20,733</u>

**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 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 for the State of North Carolina. The State's Annual Comprehensive Financial Report includes 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) 707-0500, 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

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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 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 Kitty Hawk 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 Kitty Hawk's contractually required contribution rate for the year ended June 30, 2024, was 13.9% of compensation for law enforcement officers and 12.85% 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 Kitty Hawk were \$436,375 for the year ended June 30, 2024.

*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, 2024, the Town reported a liability of \$ 2,392,855 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023, 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, 2023, the Town's proportion was 0.03613% which was a decrease of 0.00376% from its proportion measured as of June 30, 2022.

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For the year ended June 30, 2024, the Town recognized pension expense of \$632,921. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 266,635	\$ 5,740
Changes of assumptions	101,683	-
Net difference between projected and actual earnings on pension plan investments	640,433	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	27,961	99,774
Town contributions subsequent to the measurement date	<u>436,375</u>	<u>-</u>
Total	<u>\$ 1,473,087</u>	<u>\$ 105,514</u>

\$436,375 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, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2025	\$ 335,953
2026	165,343
2027	402,821
2028	27,081
2029	-
Thereafter	<u>-</u>
	<u>\$ 931,198</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2022 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 percent to 8.25 percent (includes inflation and productivity factor of 3.25%)
Investment rate of return	6.50 percent, net of pension plan investment expense (includes inflation at 2.5%)

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, 2022, 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

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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, 2023 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%	.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2022 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

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

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

	1% Decrease <u>(5.50%)</u>	Discount Rate <u>(6.50%)</u>	1% Increase <u>(7.50%)</u>
Town's proportionate share of the net Pension liability (asset)	\$4,145,527	\$ 2,392,855	\$ 949,891

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 for the State of North Carolina.

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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, 2022 (the valuation date), the Separation Allowance’s membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	16
Total	21

*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.

*Actuarial Assumptions.* The entry age actuarial cost method was used in the December 31, 2022, valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation at 2.50%
Discount rate	4.00 percent

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20 Year High Grade Rate Index. The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an experience study completed by the Actuary for the Local Government Employee’s Retirement System for the five-year period ended December 31, 2019.

The plan currently uses mortality tables that vary by age and gender. 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.

*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

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

established and may be amended by the North Carolina General Assembly. The Town paid \$ 130,902 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, 2024, the Town reported a total pension liability of \$ 857,234. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, The Town recognized pension expense of \$ 47,848.

At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 58,460	\$ 37,920
Changes of assumptions	78,146	106,402
Town benefit payments subsequent to the measurement date	64,867	-
<b>Total</b>	<b>\$ 201,473</b>	<b>\$ 144,322</b>

\$ 64,867 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2025	\$ 36,409
2026	(9,655)
2027	(27,099)
2028	(7,371)
2029	-
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 4.00 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 (3.00 percent) or one percentage point higher (5.00 percent) than the current rate:

	<b>1% Decrease (3.00%)</b>	<b>Discount Rate (4.00%)</b>	<b>1% Increase (5.00%)</b>
Town's pension liability	\$ 920,942	\$ 857,234	\$ 799,544

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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

Total pension liability December 31, 2022 \$ 950,518

Changes for the year:

Service cost at end of year	30,620
Interest	37,820
Change in benefit terms	0
Differences between expected and actuarial experience	(47,899)
Changes of assumptions and other inputs	17,400
Benefit payments	(131,225)
Other changes	0
Net changes	<u>\$ (93,284)</u>

Total Pension liability December 31, 2023 \$ 857,234

*Changes in Assumptions.* The discount rate decreased from 4.31% (December 31, 2022 measurement date) to 4.00% (December 31, 2023 measurement date).

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>TOTAL</u>
Pension expense	\$ 632,921	\$ 47,848	\$ 680,769
Pension liability	2,392,855	857,234	3,250,089
Proportionate share of pension liability	.03613%	N/A	

**Deferred of Outflows of Resources**

Differences between expected and actual experience	266,635	58,460	325,095
Change of assumptions	101,683	78,146	179,829
Net difference between projected and actual earnings on plan investments	640,433	-	640,433
Changes in proportion and differences between contributions and proportionate share of contributions	27,961	-	27,961
Benefit payments and administrative costs paid subsequent to the measurement date	436,375	64,867	501,242

**Deferred of Inflows of Resources**

Differences between expected and actual experience	5,740	37,920	43,660
Change of assumptions	-	106,402	106,402
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	99,774	-	99,774

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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c. Supplemental Retirement Income Plan 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 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 for the State of North Carolina. The State's Annual Comprehensive Annual Financial Report 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, North Carolina 27699-1410, or by calling (919) 707-0500.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each officer's salary; and beginning July 1, 2002, the Town began matching an additional contribution of 2% for officers who contribute to the plan for a possible total of 7% 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, 2024, were \$ 131,664, which consisted of \$ 74,798 from the Town and \$ 56,866 from law enforcement officers.

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, 2024, were \$115,539, which consisted of \$ 34,381 from the Town and \$ 81,158 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, 2024, were \$ 12,977, which consisted of \$ 4,227 from regular employees and \$ 8,750 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.

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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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 October 2023 this amended 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, 2023, the date of the latest actuarial valuation:

Inactive Members or Beneficiaries Currently Receiving Benefits	13
Inactive Members Entitled To, But Not Yet Receiving Benefits	0
Active Members	<u>44</u>
Total Membership	<u>57</u>

**TOTAL OPEB LIABILITY**

The Town's total OPEB liability of \$ 2,358,243 was measured as of June 30, 2023, and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Real wage growth	.75%
Wage inflation	3.25%
Salary increases, including wage inflation:	
General Employees	3.25%-8.41%
Firefighters	3.25%-8.15%
Law Enforcement Officers	3.25%-7.90%
Municipal Bond Index Rate:	
Prior measurement date	3.54%
Measurement date	3.65%
Health Care Cost Trends:	
Pre-Medicare	7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2032
Medicare	5.125% for 2022 decreasing to an ultimate rate of 4.50% by 2025

The discount rate used to measure the total OPEB liability was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
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**Changes in Total OPEB Liability**

Total OPEB liability June 30, 2022	\$ 2,315,525
Changes for the year:	
Service cost at end of year	80,569
Interest on TOL and Cash Flows	83,246
Change in benefit terms	0
Differences between expected and actuarial experience	(5,975)
Changes of assumptions and other inputs	(25,337)
Benefit payments	(89,785)
Other changes	0
Net changes	<u>\$ 42,718</u>
Total OPEB liability June 30, 2023	<u>\$ 2,358,243</u>

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2022 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, 2022, valuation were based on a review of recent plan experience done concurrently with the June 30, 2022, valuation.

*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 3.65 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 (2.65 percent) or one percentage point higher (4.65 percent) than the current rate:

	<b>1% Decrease (2.65%)</b>	<b>Discount Rate (3.65%)</b>	<b>1% Increase (4.65%)</b>
Town's total OPEB liability	\$ 2,604,219	\$ 2,358,243	\$ 2,145,265

*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 than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Town's total OPEB liability	\$ 2,099,569	\$ 2,358,243	\$ 2,666,235

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

For the year ended June 30, 2024, the Town recognized OPEB expense of \$ 49,769. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,240	\$ 323,979
Changes of assumptions	145,734	223,541
Benefit payments and administrative costs subsequent to the measurement date	110,029	-
Total	\$ 265,003	\$ 547,520

\$ 110,029 reported as deferred outflows of resources related to OPEB 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, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2025	\$ (92,085)
2026	(89,224)
2027	(89,369)
2028	(89,003)
2029	(31,277)
Thereafter	(1,588)

**2. Other Employment Benefit**

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$ 50,000 or be less than \$ 25,000. Because all death benefits are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. 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 the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. For the fiscal year ended June 30, 2024 the Town made contributions to the State for death benefits of \$ 3,742. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.10% and 0.14% of covered payroll respectively.

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

3. Deferred Outflows and Inflows of Resources

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

	<u>Statement of Net Position</u>
Contributions to pension plan in the current fiscal year LGERS	\$ 436,375
Benefit payments made for LEOSSA subsequent to measurement date	64,867
Benefit payments made for OPEB subsequent to measurement date	110,029
Differences between expected and actual experience	334,335
Changes of assumptions	325,563
Net difference between projected and actual earnings on plan investments	640,433
Changes in proportion and difference between contributions and proportionate share of contributions	<u>27,961</u>
<b>Total</b>	<b><u>\$ 1,939,563</u></b>

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

	<u>Statement of Net Position</u>	<u>Governmental Funds Balance Sheet</u>
Taxes receivable (General Fund)	\$ -	\$ 51,166
Leases	493,806	493,806
Differences between expected and actual experience	367,639	
Changes of assumptions	329,943	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and difference between contributions and proportionate share of contributions	<u>99,774</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 1,291,162</u></b>	<b><u>\$ 544,972</u></b>

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.

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
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**For the Fiscal Year Ended June 30, 2024**

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the town is in an area designated an “AE” area (a special flood hazard area) by the Federal Emergency Management Agency, the town is eligible to purchase coverage of \$ 500,000 per structure through the NFIP and has purchased that coverage for all eligible buildings.

The Town carries a bond on its finance officer in the amount of \$ 1,000,000, and employee dishonesty, forgery and alteration coverage of \$ 50,000 per occurrence and theft of money or securities coverage of \$ 5,000 per occurrence.

**5. Long Term Obligations**

**a. Installment Purchase Contract**

In December 2021, the Town entered into a 5-year direct placement special obligation bond contract to fund a portion of beach nourishment maintenance. The Town’s occupancy tax revenue is pledged as collateral for the debt while the bond is outstanding. The interest rate is 2.08% per annum. The contract requires semi-annual interest payments beginning in June 2022 and annual principal plus interest payments beginning December 2022.

Annual debt service payments on this agreement as of June 30, 2024 including principal and interest are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 1,004,086	\$ 52,212
2026	1,004,086	31,327
2027	<u>1,004,085</u>	<u>10,442</u>
Total	<u>\$ 3,012,257</u>	<u>\$ 93,981</u>

**b. Changes in Long-Term Liabilities**

	Balance July 1, 2023	Increase	Decrease	Balance June 30, 2024	Current Portion of Balance
<b>Governmental Activities:</b>					
Compensated absences	\$ 214,656	\$ 53,983	\$ -	\$ 268,639	\$ 50,000
Direct placement installment purchase	4,016,343	-	1,004,086	3,012,257	1,004,086
Total pension obligation (LEO)	950,518	-	93,284	857,234	-
Net pension liability (LGERS)	2,250,366	142,489	-	2,392,855	-
Total OPEB liability	2,315,525	42,718	-	2,358,243	-
<b>Governmental Activities Long-Term Liabilities</b>	<b>\$ 9,747,408</b>	<b>\$239,190</b>	<b>\$1,097,370</b>	<b>\$8,889,228</b>	<b>\$ 1,054,086</b>

The legal debt margin for the Town of Kitty Hawk is \$ 124,195,253.

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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**C. Inter-fund Transfers**

Transfers to/from other funds at June 30, 2024 consist of the following:

From General Fund to Capital Project Fund Police (police property renovation)	\$ 230,307
From General Fund to Capital Reserve Fund (various equipment)	\$ 239,500
From General Fund to Capital Reserve Fund (various building and infrastructure)	\$ 110,000
From General Fund to Capital Reserve Fund (beach nourishment)	\$ 393,717
From General Fund to Capital Reserve Fund (parks and recreation)	<u>\$ 30,000</u>
	<u>\$ 1,003,524</u>
From Capital Reserve Fund to General Fund (Various Equipment)	\$ 20,000
From Capital Reserve Fund to General Fund (Beach Nourishment)	\$ 40,000
From Capital Reserve Fund to General Fund (Sidewalk)	<u>\$ 289,000</u>
	\$ 349,000

**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	\$ 14,034,214
Less:	
Prepaid items	\$ 33,433
Leases	3,426
Stabilization by State Statute	1,606,185
Streets-Powell Bill	242,495
Public Safety	34,547
Capital Reserve Fund	3,932,208
Appropriated fund balance in 2023-2024	-
Working capital/fund balance policy	<u>3,500,000</u>
Total reductions	<u>\$ 9,352,294</u>
Remaining Fund Balance	<u>\$ 4,681,120</u>

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 annual audit is complete, if this amount is not available, Council will develop a plan to restore the balance within 24 months.

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
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Outstanding encumbrances at June 30, 2024 in the General Fund were \$ 279,680.

**F. Beach Nourishment**

The Town has completed two beach nourishment projects, one in fiscal year 2018 and one in fiscal year 2023. Both projects were financed with special obligation bonds, contributions from Dare County and grants. The Town is repaying the special obligation bonds with a town-wide ad-valorem property tax dedicated to beach nourishment and a municipal service district tax. These restricted revenues are transferred to a capital reserve fund where they are held for future debt payments and beach nourishment expenses. Funds accumulated for debt repayment and beach nourishment included in the capital reserve fund at June 30, 2024 are as follows:

	Town-wide	MSD	Sales Tax/MSD	Tax Collection Fees	Debt Payment	Beach Nourishment	Interest	Total
FY 15	\$ 224,904	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 224,904
FY 16	455,562	499,184	-	-	-	-	-	954,746
FY 17	464,484	504,202	162,354	(14,128)	(192,620)	-	-	924,292
FY 18	473,457	513,079	170,808	(15,083)	(925,110)	(304,670)	-	(87,519)
FY 19	477,577	514,848	165,607	(15,525)	(925,110)	(97,025)	-	120,372
FY 20	480,151	514,868	162,881	(15,617)	(925,110)	(153,194)	-	63,979
FY 21	524,123	544,623	198,602	(16,809)	(925,110)	(565,601)	-	(240,172)
FY 22	527,379	546,465	220,618	(16,883)	(977,323)	(27,248)	26,270	299,278
FY 23	532,323	549,332	225,649	(16,575)	(841,523)	(45,430)	105,702	509,478
FY 24	542,109	558,951	227,601	(17,369)	(855,838)	(101,737)	-	353,717
Totals	\$4,702,069	\$4,745,552	\$ 1,534,120	\$(127,989)	\$(6,567,744)	\$ (1,254,905)	\$ 131,972	\$ 3,123,075

**III. 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 certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**Subsequent Events**

Management has evaluated subsequent events through October 15, 2024, the date on which the financial statements were available to be issued. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**TOWN OF KITTY HAWK, NORTH CAROLINA**

**Town of Kitty Hawk's Proportionate Share of Net Pension Liability (Asset)**

**Required Supplementary Information**

**Last Ten Fiscal Years \***

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Town of Kitty Hawk's proportion of the net pension liability (asset) (%)	0.03613%	0.03989%	0.03743%	0.03936%	0.04285%	0.03490%	0.04608%	0.04391%	0.04690%	0.04920%
Town of Kitty Hawk's proportion of the net pension liability (asset) (\$)	\$ 2,392,855	\$ 2,250,366	\$ 1,406,500	\$ 1,406,500	\$ 1,170,200	\$ 1,041,458	\$ 703,975	\$ 931,917	\$ 209,542	\$ (290,391)
Town of Kitty Hawk's covered-employee payroll	\$ 3,162,832	\$ 2,809,114	\$ 2,680,867	\$ 2,542,931	\$ 2,530,703	\$ 2,493,079	\$ 2,513,483	\$ 2,325,577	\$ 2,354,317	\$ 2,306,283
Town of Kitty Hawk's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.66%	80.11%	52.46%	55.31%	46.24%	41.77%	28.01%	40.07%	8.90%	-12.59%
Plan fiduciary net position as a percentage of the total pension liability **	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.08%	102.64%

\* 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**

**Town of Kitty Hawk's Contributions**

**Required Supplementary Information**

**Last Ten Fiscal Years**

**Local Government Employees' Retirement System**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 436,375	\$ 391,890	\$ 277,116	\$ 277,116	\$ 232,986	\$ 201,506	\$ 192,289	\$ 187,415	\$ 158,178	\$ 172,444
Contributions in relation to the contractually required contribution	436,375	391,890	277,116	277,116	232,986	201,506	192,289	187,415	158,178	172,444
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Kitty Hawk's covered-employee payroll	\$ 3,307,124	\$ 3,162,832	\$ 2,809,114	\$ 2,680,867	\$ 2,542,931	\$ 2,530,703	\$ 2,493,079	\$ 2,513,483	\$ 2,325,577	\$ 2,354,317
Contributions as a percentage of covered-employee payroll	13.19%	12.39%	9.86%	10.34%	9.16%	7.96%	7.71%	7.46%	6.80%	7.32%

**TOWN OF KITTY HAWK, NORTH CAROLINA**

**Schedule of Changes in Total Pension Liability**

**Law Enforcement Officers' Special Separation Allowance**

**Last Eight Fiscal Years**

	2024	2023	2022	2021	2020	2019	2018	2017
Beginning Balance	\$ 950,518	\$ 1,080,400	\$ 1,074,599	\$ 809,340	\$ 725,190	\$ 736,196	\$ 671,033	\$ 709,819
Service Cost	30,620	46,360	44,171	26,801	24,824	25,089	21,287	21,763
Interest on the total pension liability	37,820	23,416	19,961	25,400	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	(47,899)	51,973	47,579	9,850	68,135	19,332	55,181	-
Changes of assumptions or other inputs	17,400	(158,060)	(25,215)	263,584	20,366	(23,249)	36,669	(13,323)
Benefit payments	(131,225)	(93,571)	(80,695)	(60,376)	(54,579)	(54,579)	(72,477)	(71,294)
Other changes	-	-	-	-	-	-	-	-
Ending balance of the total pension liability	\$ 857,234	\$ 950,518	\$ 1,080,400	\$ 1,074,599	\$ 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 Total Pension Liability as a Percentage of Covered Payroll**

**Law Enforcement Officers' Special Separation Allowance**

**Last Eight Fiscal Years**

	2024	2023	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 857,234	\$ 950,518	\$ 1,080,400	\$ 1,074,599	\$ 809,340	\$ 725,190	\$ 736,196	\$ 671,033
Covered employee payroll	\$ 1,054,139	\$ 1,017,950	\$ 889,718	\$ 928,685	\$ 955,762	\$ 911,211	\$ 874,336	\$ 874,838
Total pension liability as a percentage of covered employee payroll	81.32%	93.38%	121.43%	115.71%	84.68%	79.59%	84.20%	76.70%

Notes to the schedules:

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

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**Last Seven Fiscal Years**

**Total OPEB Liability**

	2024	2023	2022	2021	2020	2019	2018
Service Cost	\$ 80,569	\$ 82,578	\$ 82,976	\$ 73,254	\$ 68,090	\$ 51,249	\$ 54,742
Interest on the total OPEB liability	83,246	40,815	39,977	64,351	62,174	55,240	48,345
Changes of benefit terms	-	944,530	-	(15,743)	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(5,975)	(234,875)	14,559	(349,092)	1,468	2,778	(3,507)
Changes of assumptions or other inputs	(25,337)	(284,996)	12,102	241,870	81,689	(22,124)	(117,307)
Benefit payments	(89,785)	(78,667)	(58,482)	(49,535)	(43,206)	(37,923)	(35,645)
Other changes	-	-	-	-	-	-	-
Net change in total OPEB liability	42,718	469,385	91,132	(34,895)	170,215	49,220	(53,372)
Total OPEB liability - beginning	2,315,525	1,846,140	1,755,008	1,789,903	1,619,688	1,570,468	1,623,840
Total OPEB liability - ending	\$ 2,358,243	\$ 2,315,525	\$ 1,846,140	\$ 1,755,008	\$ 1,789,903	\$ 1,619,688	\$ 1,570,468
Covered employee payroll	\$ 2,472,812	\$ 2,472,812	\$ 2,341,899	\$ 2,341,899	\$ 2,362,360	\$ 2,362,360	\$ 2,134,362
Total OPEB liability as a percentage of covered payroll	95.37%	93.64%	78.83%	74.94%	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:	3.65%	3.54%	2.16%	2.21%	3.50%	3.89%	3.56%
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# 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, 2024 (with comparison to June 30, 2023)

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year
<b>REVENUES</b>				
<u>AD VALOREM TAXES:</u>				
Current year	\$ 4,596,712	\$ 4,641,880	\$ 45,168	\$ 4,583,994
Municipal service district taxes	549,258	558,360	9,102	549,203
Prior year	15,000	4,856	(10,144)	(20,124)
Prior year MSD	-	591	591	129
Penalties and interest	6,000	4,045	(1,955)	4,944
	<u>5,166,970</u>	<u>5,209,732</u>	<u>42,762</u>	<u>5,118,146</u>
<u>OTHER TAXES AND LICENSES:</u>				
Local option sales tax	2,140,000	2,127,114	(12,886)	2,099,059
Occupancy tax	2,250,000	2,245,442	(4,558)	2,205,522
Land transfer tax	446,911	484,976	38,065	528,799
	<u>4,836,911</u>	<u>4,857,532</u>	<u>20,621</u>	<u>4,833,380</u>
<u>UNRESTRICTED INTERGOVERNMENTAL REVENUES:</u>				
ABC Revenue	82,000	86,170	4,170	81,540
Utilities franchise tax	434,000	487,193	53,193	445,727
Video programming tax	75,000	64,615	(10,385)	71,131
PEG Channel	25,700	25,806	106	25,641
SW disposal tax	3,000	2,934	(66)	3,016
Beer and wine tax	15,000	18,318	3,318	16,955
	<u>634,700</u>	<u>685,036</u>	<u>50,336</u>	<u>644,010</u>
<u>RESTRICTED INTERGOVERNMENTAL REVENUES:</u>				
Federal:				
Controlled substance distribution	1,000	-	(1,000)	10,395
US Department of Homeland Security	-	-	-	3,885
US Department of Commerce	-	-	-	6,000
State:				
Powell Bill allocation	119,297	131,725	12,428	119,297
Public safety grants	30,000	-	(30,000)	-
NC Department of Agriculture	-	-	-	118,440
NC Department of Environmental Quality	-	-	-	50,000
Controlled substance distribution	3,000	912	(2,088)	2,900
Local:				
OBCF-Icarus grant	3,000	23,603	20,603	4,050
Dare County- BN debt reimbursement	221,346	221,346	-	256,545
Dare County-government access channel	-	5,000	5,000	-
Dare County - sand fencing	10,000	10,919	919	24,000
	<u>387,643</u>	<u>393,505</u>	<u>5,862</u>	<u>595,512</u>

# 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, 2024 (with comparison to June 30, 2023)

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year
<b>PERMITS AND FEES:</b>				
CAMA permits	2,000	3,465	1,465	2,845
Building permits	175,000	160,581	(14,419)	230,485
Other planning fees	16,400	18,745	2,345	17,282
	<u>193,400</u>	<u>182,791</u>	<u>(10,609)</u>	<u>250,612</u>
<b>SALES AND SERVICES:</b>				
Court costs	2,000	1,264	(736)	1,084
Garbage carts	10,000	9,963	(37)	10,990
	<u>12,000</u>	<u>11,227</u>	<u>(773)</u>	<u>12,074</u>
<b>INVESTMENT EARNINGS</b>	<u>347,000</u>	<u>668,627</u>	<u>321,627</u>	<u>451,702</u>
<b>OTHER REVENUES:</b>				
Sale of fixed assets	10,000	24,865	14,865	28,535
Insurance reimbursements	-	8,219	8,219	38,359
Fines and forfeitures	250	200	(50)	1,400
Code enforcement fines	1,500	1,690	190	1,750
Rents	84,333	134,670	50,337	64,646
Miscellaneous	35,350	33,601	(1,749)	26,445
	<u>131,433</u>	<u>203,245</u>	<u>71,812</u>	<u>161,135</u>
<b>TOTAL REVENUES</b>	<u>\$ 11,710,057</u>	<u>\$ 12,211,695</u>	<u>\$ 501,638</u>	<u>\$ 12,066,571</u>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT:</b>				
Governing body:				
Personnel		\$ 33,125		\$ 30,164
Operations		<u>15,601</u>		<u>8,977</u>
		<u>48,726</u>		<u>39,141</u>
Administration:				
Personnel		489,650		489,419
Operations		<u>105,735</u>		<u>78,206</u>
		<u>595,385</u>		<u>567,625</u>
Finance:				
Personnel		202,055		195,180
Operations		<u>81,221</u>		<u>65,386</u>
		<u>283,276</u>		<u>260,566</u>
Planning Department:				
Personnel		382,816		320,323
Operations		<u>55,028</u>		<u>112,149</u>
		<u>437,844</u>		<u>432,472</u>

# 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, 2024 (with comparison to June 30, 2023)

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year
Planning Board and Board of Adjustment:				
Personnel		5,867		2,799
Operations		1,806		730
		<u>7,673</u>		<u>3,529</u>
Public Works:				
Personnel		431,394		418,625
Operations		574,261		553,542
Capital outlay		-		54,295
		<u>1,005,655</u>		<u>1,026,462</u>
Recreation Committee:				
Operations		9,242		-
		<u>9,242</u>		<u>-</u>
Non-Departmental:				
Operations		583,725		552,831
Capital outlay		800		147,658
		<u>584,525</u>		<u>700,489</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>3,280,089</u>	<u>2,972,326</u>	<u>307,763</u>	<u>3,030,284</u>
<b>PUBLIC SAFETY:</b>				
Police Department:				
Personnel		1,905,701		1,808,306
Operations		362,958		262,763
Capital outlay		45,178		105,354
		<u>2,313,837</u>		<u>2,176,423</u>
Fire Department:				
Personnel		1,693,105		1,535,844
Operations		301,122		213,775
Capital outlay		102,100		93,402
		<u>2,096,327</u>		<u>1,843,021</u>
Ocean Rescue:				
Personnel		128,614		131,872
Operations		29,673		24,852
Capital outlay		50,427		63,518
		<u>208,714</u>		<u>220,242</u>
<b>TOTAL PUBLIC SAFETY</b>	<u>5,295,783</u>	<u>4,618,878</u>	<u>676,905</u>	<u>4,239,686</u>
<b>TRANSPORTATION:</b>				
Powell Bill operations		27,238		12,550
Non Powell Bill operations		157		9,209
NCDOT contribution for sidewalk		320,000		-
Powell Bill capital outlay		103,967		114,152
		<u>451,362</u>		<u>135,911</u>
<b>TOTAL TRANSPORTATION</b>	<u>464,000</u>	<u>451,362</u>	<u>12,638</u>	<u>135,911</u>

# 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, 2024 (with comparison to June 30, 2023)

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year
<b>ENVIRONMENTAL PROTECTION:</b>				
Sanitation: Operations		1,077,946		1,193,773
<b>TOTAL ENVIRONMENTAL PROTECTION</b>	1,266,000	1,077,946	188,054	1,193,773
<b>BEACH NOURISHMENT:</b>				
Operations		119,106		62,005
Debt payment		1,077,183		1,098,068
<b>TOTAL BEACH NOURISHMENT</b>	1,230,569	1,196,289	34,280	1,160,073
<b>TOTAL EXPENDITURES</b>	11,536,441	10,316,801	1,219,640	9,759,727
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	173,616	1,894,894	1,721,278	2,306,844
<b>OTHER FINANCING SOURCES (USES):</b>				
Fund balance appropriated	480,908	-	(480,908)	-
Transfer from capital reserve fund	349,000	349,000	-	97,735
Transfer from special revenue fund	-	-	-	1,138,069
Transfer to capital project fund	(230,307)	(230,307)	-	(4,426,143)
Transfer to capital reserve fund	(773,217)	(773,217)	-	(1,540,358)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(173,616)	(654,524)	(480,908)	(4,730,697)
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ -</u>	1,240,370	<u>\$ 1,240,370</u>	(2,423,853)
<b>FUND BALANCE:</b>				
Beginning of year, July 1		8,861,636		11,285,489
End of year, June 30		<u>\$ 10,102,006</u>		<u>\$ 8,861,636</u>

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**CAPITAL RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2024 (with comparison to June 30, 2023)**

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year
<b><u>REVENUES</u></b>				
Investment income	\$ -	\$ 175,828	\$ 175,828	\$ 105,702
<b><u>TOTAL REVENUES</u></b>	<b>-</b>	<b>175,828</b>	<b>175,828</b>	<b>105,702</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Fund balance appropriated	349,000	-	(349,000)	-
Additions to reserve	(743,727)	-	743,727	-
Transfer to capital project fund	-	-	-	(1,203,583)
Transfer to general fund	(349,000)	(349,000)		(97,735)
Transfer from general fund	743,727	773,217	29,490	1,540,358
<b><u>TOTAL OTHER FINANCING SOURCES (USES)</u></b>	<b>-</b>	<b>424,217</b>	<b>424,217</b>	<b>239,040</b>
<b><u>REVENUES AND OTHER FINANCING SOURCES OVER OTHER USES</u></b>				
	\$ -	600,045	600,045	344,742
<b><u>FUND BALANCE</u></b>				
Beginning of year, July 1		3,332,163		2,987,421
End of year, June 30		\$ 3,932,208		\$ 3,332,163

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**BEACH NOURISHMENT CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**From Inception and For the Year Ended June 30, 2024**

	Project Authorization	Actual Prior Years	Actual Current Year	Project To Date	Variance Favorable (Unfavorable)
<b><u>REVENUES:</u></b>					
Interest income	\$ -	\$ 16,359	\$ -	\$ 16,359	\$ 16,359
Dare County allocation	2,854,815	2,308,181	11,353	2,319,534	(535,281)
NC Department of Environmental Quality	1,408,247	1,408,247	-	1,408,247	-
<b>TOTAL REVENUES</b>	<b>4,263,062</b>	<b>3,732,787</b>	<b>11,353</b>	<b>3,744,140</b>	<b>(518,922)</b>
<b><u>EXPENDITURES</u></b>					
Legal	-	1,010	-	1,010	(1,010)
Engineering	1,082,777	542,828	-	542,828	539,949
Cost of bond issuance	87,501	88,165	-	88,165	(664)
Turtle monitoring	21,803	27,123	187	27,310	(5,507)
Benthic monitoring	33,269	20,295	8,650	28,945	4,324
Dredging	8,556,130	8,099,884	2,516	8,102,400	453,730
<b>TOTAL EXPENDITURES</b>	<b>9,781,480</b>	<b>8,779,305</b>	<b>11,353</b>	<b>8,790,658</b>	<b>990,822</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(5,518,418)</b>	<b>(5,046,518)</b>	<b>-</b>	<b>(5,046,518)</b>	<b>471,900</b>
<b><u>OTHER FINANCING SOURCES</u></b>					
Special obligation bonds Issued	5,020,429	5,020,429	-	5,020,429	-
Transfer to/from capital reserve fund	497,989	497,989	-	497,989	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>5,518,418</b>	<b>5,518,418</b>	<b>-</b>	<b>5,518,418</b>	<b>-</b>
<b><u>REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</u></b>					
	<b>\$ -</b>	<b>\$ 471,900</b>	<b>-</b>	<b>\$ 471,900</b>	<b>\$ 471,900</b>
<b><u>FUND BALANCE</u></b>					
Beginning of year, July 1			<u>471,900</u>		
End of year, June 30			<u>\$ 471,900</u>		

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**POLICE BUILDING CAPITAL PROJECT FUND-PURCHASE AND REMODEL**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**From Inception and For the Year Ended June 30, 2024**

	Project Authorization	Actual Prior Years	Actual Current Year	Project To Date	Variance Favorable (Unfavorable)
<b><u>EXPENDITURES</u></b>					
Maintenance and repairs	236,481	236,481	-	236,481	-
Building remodel	4,136,204	65,575	246,882	312,457	3,823,747
Capital outlay-land purchase	4,107,622	4,107,622	-	4,107,622	-
<b>TOTAL EXPENDITURES</b>	<b>8,480,307</b>	<b>4,409,678</b>	<b>246,882</b>	<b>4,656,560</b>	<b>3,823,747</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(8,480,307)</b>	<b>4,409,678</b>	<b>(246,882)</b>	<b>(4,656,560)</b>	<b>3,823,747</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfer from general fund	4,656,450	4,426,143	230,307	4,656,450	-
Transfer from capital project fund	2,620,274	2,620,274	-	2,620,274	-
Transfer from capital reserve fund	1,203,583	1,203,583	-	1,203,583	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>8,480,307</b>	<b>8,250,000</b>	<b>230,307</b>	<b>8,480,307</b>	<b>-</b>
<b><u>REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</u></b>					
	<b>\$ -</b>	<b>\$ 12,659,678</b>	<b>\$ (16,575)</b>	<b>\$ 3,823,747</b>	<b>\$ 3,823,747</b>
<b><u>FUND BALANCE</u></b>					
Beginning of year, July 1			<u>3,840,322</u>		
End of year, June 30			<u>\$ 3,823,747</u>		

**TOWN OF KITTY HAWK, NORTH CAROLINA**

**Agency Fund - Firemen's Relief Fund**

**Statement of Changes in Assets and Liabilities**

**June 30, 2024**

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	<u>Firemen's Relief Fund</u>
Balance June 30, 2023	\$ 67,539
<u>Additions</u>	
Department of Insurance	7,200
Investment earnings	1,688
Total Additions	<u>8,888</u>
<u>Deductions</u>	
Benefits	<u>4,957</u>
Balance June 30, 2024	<u>\$ 71,470</u>

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2024**

Fiscal Year	Uncollected Balance June 30, 2023	Additions	Releases/ Adjustments	Collections and Credits	Uncollected Balance June 30, 2024
2023-2024	\$ -	\$ 4,661,372	\$ (338)	\$ 4,641,881	\$ 19,153
2023-2024 MSD	-	562,280	(77)	558,360	3,843
2022-2023	10,240	-	(41)	4,747	5,452
2022-2023 MSD	1,117	-	-	589	528
2021-2022	3,995	-	-	55	3,940
2021-2022 MSD	295	-	-	2	293
2020-2021	2,266	-	-	7	2,259
2020-2021 MSD	140	-	-	-	140
2019-2020	2,706	-	-	5	2,701
2019-2020 MSD	317	-	-	-	317
2018-2019	3,423	-	-	10	3,413
2018-2019 MSD	307	-	-	-	307
2017-2018	2,512	-	-	6	2,506
2017-2018 MSD	159	-	-	-	159
2016-2017	2,271	-	-	-	2,271
2016-2017 MSD	79	-	-	-	79
2015-2016	2,549	-	-	25	2,524
2015-2016 MSD	104	-	-	-	104
2014-2015	1,654	-	(478)	-	1,176
2013-2014	3,571	-	-	3,571	-
	<u>\$ 37,705</u>	<u>\$ 5,223,652</u>	<u>\$ (934)</u>	<u>\$ 5,209,258</u>	<u>\$ 51,165</u>

Reconciliation of collections and credits to revenues:

Ad valorem taxes - Schedule 1	\$ 5,209,732
Taxes written off over 10 years	3,571
Penalties and interest	(4,045)
	<u>\$ 5,209,258</u>

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**June 30, 2024**

	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$ 1,552,482,333	0.30	\$ 4,657,447	\$ 4,412,422	\$ 245,025
Discoveries	65,000	0.300	195	\$ 195	
Abatements	(106,667)	0.30	(320)	(320)	-
Late list penalties	-		3,718	3,718	-
Adjustments	-		(6)	(6)	-
Total property valuation	<u>\$ 1,552,440,667</u>				
Net levy			<u>4,661,034</u>	<u>4,416,009</u>	<u>245,025</u>
Uncollected taxes at June 30, 2024			<u>(19,153)</u>	<u>(19,153)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 4,641,881</u>	<u>\$ 4,396,856</u>	<u>\$ 245,025</u>
Current levy collection percentage			<u>99.59%</u>	<u>99.57%</u>	<u>100.00%</u>

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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregated remaining fund information of the Town of Kitty Hawk, as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated October 15, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Kitty Hawk's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Kitty Hawk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town'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 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 material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable Mayor and  
Members of the Town Council  
Town of Kitty Hawk, North Carolina  
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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

JOHNSON, MIZELLE, STRAUB & CONSOLVO, LLP  
Certified Public Accountants

*Johnson, Mizelle, Straub & Consolvo, LLP*

Kitty Hawk, North Carolina  
October 15, 2024