

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2025**

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

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**TABLE OF CONTENTS**  
**June 30, 2025**

<u>Exhibit</u>		<u>Page</u>
	<b>Financial Section:</b>	
	<b>Independent Auditor's Report</b>	1-3
	<b>Management Discussion and Analysis</b>	4-11
	<b>Basic Financial Statements:</b>	
	<b>Government-wide Financial Statements:</b>	
1	Statement of Net Position	12
2	Statement of Activities	13
	<b>Fund Financial Statements:</b>	
3	Balance Sheet-Governmental Funds	14
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
4	Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	15
4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
5	Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General Fund	17
6	Statement of Fiduciary Net Position	18
7	Statement of Changes in Fiduciary Net Position	19
	<b>Notes to Financial Statements</b>	20-46
	<b>Required Supplemental Financial Data:</b>	
	Local Government Employees' Retirement System – Schedule of Proportionate Share of Net Pension Liability (Asset)	47
	Local Government Employees' Retirement System – Schedule of Contributions	48
	Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance	49
	Schedule of Total Pension Liability as a Percentage of Covered Payroll	50
	Schedule of Changes in Total OPEB Liability and Related Ratios	51
	<b>Individual Fund Statements and Schedules:</b>	
	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	52-55

**TOWN OF KITTY HAWK, NORTH CAROLINA**

**TABLE OF CONTENTS**

**June 30, 2025**

---

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Reserve Fund	56
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Beach Nourishment Capital Project Fund	57
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Police Building Capital Project Fund-Purchase and Remodel	58
<b>Other Schedules:</b>	
Schedule of Ad Valorem Taxes Receivable	59
Analysis of Current Tax Levy – Town-Wide Levy	60
<b>Compliance Section:</b>	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	61-62



**CARR, RIGGS & INGRAM, P.L.L.C.**

**Carr, Riggs & Ingram, P.L.L.C.**

3105 Trent Road  
New Bern, NC 28562

Mailing Address:

PO Box 1547  
New Bern, NC 28563

252.633.5821  
252.288.3123 (fax)  
CRLadv.com

## **INDEPENDENT AUDITOR'S REPORT**

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

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Kitty Hawk, North Carolina (the "Town") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2025, and the respective changes in financial position, and, where applicable, 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 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 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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'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 on pages 4 through 11, the Local Government Employees' Retirement System Schedules of the Town's Proportionate Share of Net Pension Liability and Town Contributions on pages 47 and 48, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 49 and 50, and the Other Postemployment Benefits' Schedule of Changes in Total OPEB Liability and Related Ratios on page 51 are presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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’s basic financial statements. The accompanying individual nonmajor fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual nonmajor fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Emphasis of Matter**

As discussed in Note IV of the financial statements, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, this fiscal year. Our opinions are not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2025, on our consideration of the Town’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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town’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 the Town’s internal control over financial reporting and compliance.



CARR, RIGGS & INGRAM, P.L.L.C.  
New Bern, North Carolina  
October 20, 2025

# Management Discussion and Analysis

## Town of Kitty Hawk

---

### 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, 2025. 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 \$ 27,600,207 (*net position*).
- The government's total net position decreased by \$ 2,435,247 before restatement.
- 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 \$ 14,636,868. Approximately 50% of this amount or \$ 7,328,060 is non-spendable, restricted, committed or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 7,308,808, a decrease of \$ 873,112 over the prior year. The unassigned fund balance at June 30, 2025, represents 62% 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 \$ 3,808,808.
- The Town has reserve funds for future capital improvements of \$ 5,047,762 at June 30, 2025, including \$ 3,765,190 for beach nourishment and \$ 1,282,572 for other equipment and improvements.

# Management Discussion and Analysis

## Town of Kitty Hawk

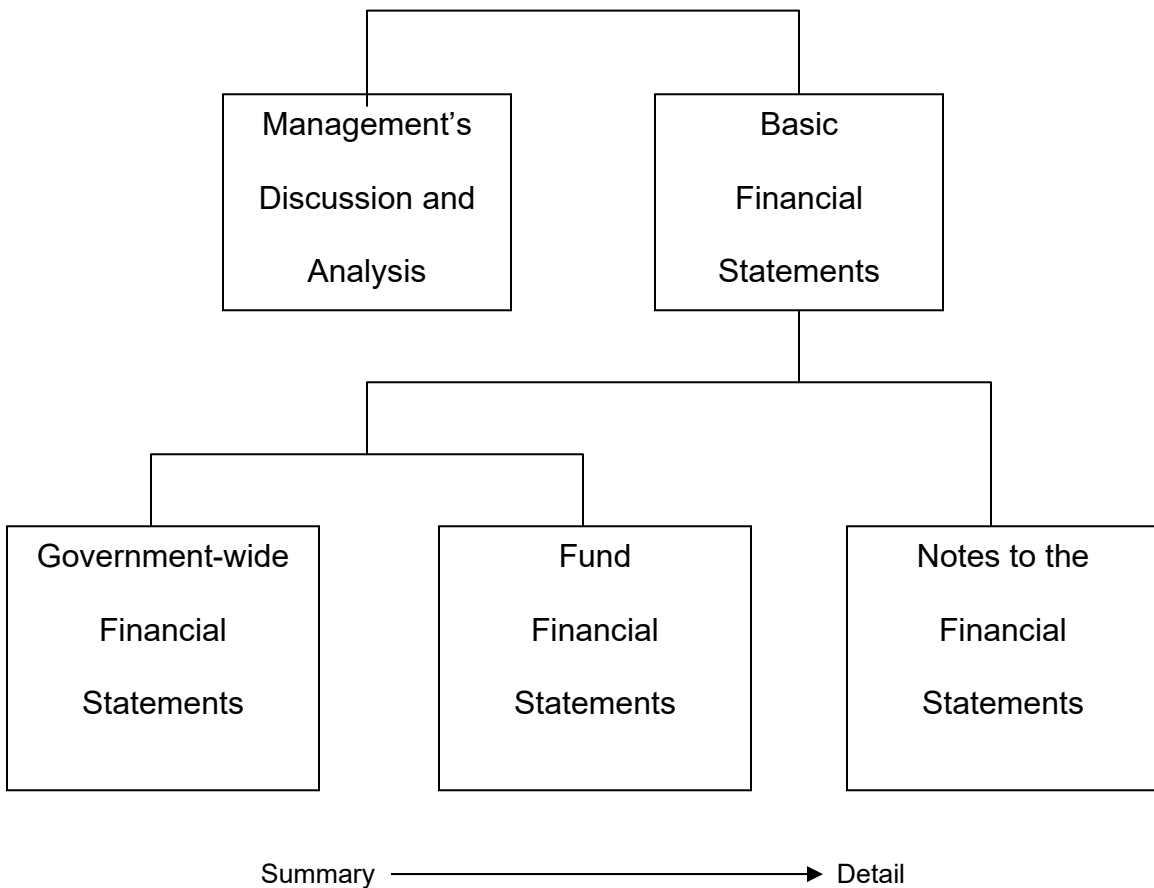
---

### 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 7) 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

---

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 20-46 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 47-51 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, 2025	Restated June 30, 2024
Current and other assets	\$ 15,987,768	\$ 19,352,570
Capital assets	21,366,129	19,458,343
Deferred outflows of resources	1,633,491	1,939,563
Total assets and deferred outflows of resources	38,987,388	40,750,476
Long-term liabilities outstanding	8,184,137	7,892,036
Other liabilities	2,015,998	1,531,824
Deferred inflows of resources	1,187,046	1,291,162
Total liabilities and deferred inflows of resources	11,387,181	10,715,022
Net Position:		
Net investment in capital assets	19,357,958	16,446,086
Restricted	7,100,847	5,775,422
Unrestricted	1,141,402	7,813,946
Total net position	\$ 27,600,207	\$ 30,035,454

## 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 \$ 27,600,207 as of June 30, 2025. The town's total net position decreased by \$ 2,435,247 before restatement for the fiscal year ended June 30, 2025. 70% or \$ 19,357,958 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 an increase over the prior year of \$ 2,911,872 because capital asset acquisitions and debt repayment exceeded depreciation by this amount. 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 \$ 7,100,847 represents resources that are subject to external restrictions on how they may be used. The remaining \$ 1,141,402 is unrestricted. This unrestricted portion on the government-wide basis decreased \$ 6,672,544 from the prior year, largely due to \$ 4,083,147 used for new police department renovation, an increase in OPEB liability for retiree health insurance of \$ 1,237,660 and \$ 1,220,000 paid to NC Department of Transportation for the remainder of the Town's 20% share of the total cost of multi-use path along the west side of Highway 158.

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

	<u>June 30, 2025</u>	<u>Restated June 30, 2024</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 227,193	\$ 194,018
Operating grants and contributions	66,237	29,515
Capital grants and contributions	368,451	375,344
General Revenues:		
Property taxes	4,710,728	4,660,988
Municipal service district taxes	580,030	562,204
Sales, occupancy and land transfer taxes	4,618,303	4,857,532
Other unrestricted intergovernmental revenues	695,304	685,036
Investment earnings	729,135	844,455
Miscellaneous revenues	234,417	203,245
<b>Total Revenues</b>	<b>12,229,798</b>	<b>12,412,337</b>
Expenses:		
General government	4,025,822	3,313,833
Public safety	6,323,066	4,969,533
Transportation	1,252,195	472,025
Environmental protection	1,153,201	1,077,945
Beach nourishment	1,858,549	1,873,497
Interest	52,212	73,097
<b>Total Expenses</b>	<b>14,665,045</b>	<b>11,779,930</b>
Increase in net position	(2,435,247)	632,407
Net position, July 1	30,035,454	29,403,047
<b>Net position, June 30</b>	<b>\$ 27,600,207</b>	<b>\$ 30,035,454</b>

Sales, occupancy and land transfer taxes decreased \$ 239,229 due primarily to tax increases in two neighboring towns in the prior fiscal year which reduced the Town's proportionate share of occupancy and sales taxes.

## Management Discussion and Analysis

### Town of Kitty Hawk

---

General government expenses increased \$ 711,989 due primarily to the following: an increase of \$ 450,528 for actuarial adjustments to the retiree health insurance plan benefit and \$258,922 increase in salaries and benefits due to a 4% market pay plan adjustment and 9% increase in health insurance premiums.

Public safety expenses increased \$ 1,353,533 due primarily to the following: an increase of \$ 1,001,984 for actuarial adjustments to the retiree health insurance plan benefit and \$ 206,371 increase in salaries and benefits due to a 4% market pay plan adjustment and 9% increase in health insurance premiums.

Transportation expenses increased \$ 780,170 due primarily to \$ 1,120,000 payment to NC Department of Transportation for multi-use path along west side of Highway 158 (\$ 320,000 paid in prior year).

#### 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 \$ 7,308,808 while total fund balance reached \$ 9,394,443. The unassigned portion decreased primarily due to expenses exceeding revenues of \$ 707,563. 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 62% which is a reduction from the prior year of 79% due to a lesser unassigned fund balance and higher general fund expenses.

Additionally, Under GASB 54 guidance the Capital Reserve Fund is consolidated in the General Fund, therefore there is an additional \$ 5,047,762 shown as a restricted portion of total general fund balance.

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, 2025.

**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) \$ 454,062 appropriation of fund balance to transfer to police department building capital project fund, 2) \$ 1,120,000 appropriation of fund balance for contribution to NC Department of Transportation for the remainder of the Town's 20% share of a multi-use path on the west side of Highway 158 and 3) \$ 277,260 appropriation of fund balance for encumbrances (open purchase orders) at June 30, 2025.

# Management Discussion and Analysis

## Town of Kitty Hawk

---

### 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, 2025, totals \$ 21,366,129 (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:

- Police department building \$ 3,848,783
- Lillian and Byrd Street beach access improvements \$ 203,601
- (2) Public works trucks \$ 128,502
- Fire vehicle \$ 56,269
- (2) police vehicles \$ 133,281
- Public works sweeper \$ 29,614
- Drone systems for police department \$ 27,081
- Public works utility equipment \$ 18,028

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

**Figure 4**  
**(net of depreciation)**

	June 30, 2025	June 30, 2024
Land	\$ 5,835,026	\$ 5,835,026
Construction in process	-	312,458
Buildings	7,488,196	3,478,401
Infrastructure	6,632,955	8,403,249
Equipment	359,840	382,342
Vehicles	1,050,112	1,046,869
<b>Total</b>	<b>\$ 21,366,129</b>	<b>\$ 19,458,345</b>

Additional information on the town’s capital assets can be found in the Notes to The Financial Statements on page 29.

**Long-Term Debt.** As of June 30, 2025, the Town had total long-term debt for beach nourishment special obligation bonds issued in the current fiscal year for \$ 2,008,172. 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 \$ 125,559,266.

Additional information regarding the Town’s long-term debt can be found in the Notes to The Financial Statements on page 42.

### 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.

- Following a couple of years of significant growth in tourism-related revenue, current trends show that these sources of revenue have stabilized. Overall occupancy tax collections decreased 4.24%, however Kitty Hawk received 8% (\$ 188,578) less than the

## Management Discussion and Analysis

### Town of Kitty Hawk

---

- prior year due to tax rate increases in two neighboring Towns in fiscal year 2024 which decreased Kitty Hawk's proportionate share of these revenues in the current fiscal year.
- The Town's portion of sales tax decreased \$ 101,421, due to a decrease in their proportionate share of these revenues.
  - Overall land transfer tax collections increased 9.22%. The Town received \$ 20,605 or 4.2% more which was less than the growth % due to a decrease in the Town's proportionate share of these revenues.
  - Building permit activity for new construction and updates/additions remains strong as owners seek to improve and maintain homes for personal use and vacation rental.

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

- Property values were revalued in Dare County in 2025 which was five years after it was last done in 2020. By state statute this is required to be done at least every eight years. The approved budget sets the rate at 22 cents per \$ 100 in value which is 3 cents above the revenue neutral tax rate of 19 cents. 2 cents of the 22 cent total is restricted for beach nourishment.
- The Town adopted a Municipal Service District tax of 6 cents per hundred dollars of valuation which represents the revenue neutral rate. Revenue from these taxes is restricted for expenses related to beach nourishment.
- No unrestricted fund balance is used to balance the budget.
- The Town anticipates decreased occupancy and sales 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 in fiscal year 2024 the Town's proportionate percentage has decreased.
- The budget includes a 3.0% market pay plan adjustment for all positions and an additional one-step increase for all employees.
- The budget includes 2 new full-time sworn police officer positions.
- A change in the health insurance broker leaves health insurance costs flat.
- The budget provides for an additional ocean rescue stand south of Bleriot Street.
- The budget provides for 2 new police vehicles and replacement of 4 vehicles for police and fire departments.
- The budget includes \$ 100,000 for the replacement of the roof on Town building at 5200 N. Croatan Highway.
- The budget includes replacement playground equipment.
- The budget provides capital reserve funding for financial software, a future fire truck and other equipment.

#### **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, 2025**

Exhibit 1

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash	\$ 1,078,458
Investments	7,664,184
Restricted investments	5,494,152
Taxes receivable	54,146
Due from governmental units	1,317,517
Miscellaneous accounts receivable	11,918
Lease receivable	108,381
Prepaid expenses	27,646
Total current assets	15,756,402
Non-current assets:	
Lease receivable, non-current	231,366
Capital assets:	
Land and construction in process	5,835,026
Other capital assets, net of depreciation	15,531,103
Total capital assets	21,366,129
Total non-current assets	21,597,495
Total assets	37,353,897
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	1,395,607
OPEB deferrals	237,884
Total deferred outflows of resources	1,633,491
Accounts payable	819,864
Accrued salaries and benefits	135,306
Deposits	6,742
Current portion of long-term liabilities	1,054,086
Total current liabilities	2,015,998
Long-term liabilities:	
Due in more than one year	8,184,137
Total liabilities	10,200,135
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	177,571
OPEB deferrals	674,633
Leases	334,842
Total deferred inflows of resources	1,187,046
<b>NET POSITION</b>	
Net Investment in Capital Assets	19,357,958
Restricted for:	
Powell Bill - Streets	377,688
Stabilization by State Statute	1,606,695
Capital Reserve Funds	5,047,762
Public Safety	68,702
Unrestricted	1,141,402
Total net position	\$ 27,600,207

**TOWN OF KITTY HAWK, NORTH CAROLINA**

Exhibit 2

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2025

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
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 4,025,822	\$ 225,151	\$ 28,639	\$ -	\$ (3,772,032)
Public safety	6,323,066	2,042	34,274	-	(6,286,750)
Transportation	1,252,195	-	-	144,263	(1,107,932)
Environmental protection	1,153,201	-	-	-	(1,153,201)
Beach nourishment	1,858,549	-	3,324	224,188	(1,631,037)
Interest on long-term debt	52,212	-	-	-	(52,212)
	<u>14,665,045</u>	<u>227,193</u>	<u>66,237</u>	<u>368,451</u>	<u>(14,003,164)</u>
<b>Total primary government</b>	<b>\$ 14,665,045</b>	<b>\$ 227,193</b>	<b>\$ 66,237</b>	<b>\$ 368,451</b>	<b>(14,003,164)</b>

General revenues:

Taxes:	
Property taxes, levied for general purpose	4,710,728
Municipal service district taxes	580,030
Sales, occupancy and land transfer taxes	4,618,303
Other unrestricted intergovernmental revenue:	695,304
Investment earnings, unrestricted	729,135
Miscellaneous, unrestricted	234,417
<b>Total general revenues</b>	<u>11,567,917</u>
Change in net position	<u>(2,435,247)</u>
Net position-beginning	30,092,348
Prior period adjustment	(56,894)
Net position-beginning (restated)	<u>30,035,454</u>
Net position-ending	<u>\$ 27,600,207</u>

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2025**

Exhibit 3

	MAJOR FUNDS		Total Governmental Funds
	General	Police Building Capital Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 333,066	\$ 745,392	\$ 1,078,458
Investments	7,664,184	-	7,664,184
Restricted investments	5,494,152	-	5,494,152
Taxes receivable	54,146	-	54,146
Due from governmental units	1,317,517	-	1,317,517
Miscellaneous accounts receivable	11,918	-	11,918
Leases receivable	339,747	-	339,747
Prepaid expenses	27,646	-	27,646
Total Assets	<u>\$ 15,242,376</u>	<u>\$ 745,392</u>	<u>15,987,768</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 269,134	\$ 550,730	\$ 819,864
Accrued salaries and taxes	135,306	-	135,306
Customer deposits	6,742	-	6,742
Total Liabilities	<u>411,182</u>	<u>550,730</u>	<u>961,912</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes Receivable	54,146	-	54,146
Leases	334,842	-	334,842
Total Deferred Inflows of Resources	<u>388,988</u>	<u>-</u>	<u>388,988</u>
<b>FUND BALANCES</b>			
Non Spendable:			
Prepaid expenses	27,646	-	27,646
Leases	4,905	-	4,905
Restricted:			
Stabilization by State Statute	1,606,695	-	1,606,695
Streets - Powell Bill	377,688	-	377,688
Public Safety	68,702	-	68,702
Capital Reserve Fund	5,047,762	-	5,047,762
Committed:			
Public Safety	-	194,662	194,662
Unassigned	7,308,808	-	7,308,808
Total Fund Balances	<u>14,442,206</u>	<u>194,662</u>	<u>14,636,868</u>
Total Liabilities, Deferred Inflows Of Resources and Fund Balances	<u>\$ 15,242,376</u>	<u>\$ 745,392</u>	

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.	21,366,129
Deferred outflows of resources related to pensions/OPEB are not reported in the funds	1,633,491
Liabilities for earned revenues considered deferred inflows of resources in fund statements	54,146
Deferred inflows of resources related to pensions/OPEB are not reported in the funds	(852,204)
Long-term liabilities used in governmental activities are not financial uses and are therefore not included in the funds.	(9,238,223)
Net position of governmental activities (Exhibit 1)	<u>\$ 27,600,207</u>

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, 2025**

Exhibit 4

	MAJOR FUNDS			Total Governmental Funds
	General	Beach Nourishment Capital Fund	Police Building Capital Fund	
<b>REVENUES:</b>				
Ad valorem taxes	\$ 5,287,777	\$ -	\$ -	\$ 5,287,777
Other taxes and licenses	4,618,303	-	-	4,618,303
Unrestricted intergovernmental revenue	695,304	-	-	695,304
Restricted intergovernmental revenue	434,688	-	-	434,688
Permits and fees	215,676	-	-	215,676
Sales and services	11,517	-	-	11,517
Investment earnings	729,135	-	-	729,135
Other revenues	234,417	-	-	234,417
<b>TOTAL REVENUES</b>	<b>12,226,817</b>	<b>-</b>	<b>-</b>	<b>12,226,817</b>
<b>EXPENDITURES:</b>				
Current:				
General government	3,408,268	-	-	3,408,268
Public safety	4,764,929	-	4,083,147	8,848,076
Transportation	1,146,412	-	-	1,146,412
Environmental protection	1,153,201	-	-	1,153,201
Beach nourishment	307,555	-	-	307,555
Debt service:				
Principal	1,004,086	-	-	1,004,086
Interest	52,212	-	-	52,212
<b>TOTAL EXPENDITURES</b>	<b>11,836,663</b>	<b>-</b>	<b>4,083,147</b>	<b>15,919,809</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>390,154</b>	<b>-</b>	<b>(4,083,147)</b>	<b>(3,692,993)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers	17,838	(471,900)	454,062	-
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>17,838</b>	<b>(471,900)</b>	<b>454,062</b>	<b>-</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>407,992</b>	<b>(471,900)</b>	<b>(3,629,085)</b>	<b>(3,692,993)</b>
<b>FUND BALANCES:</b>				
Beginning of year - July 1	14,034,214	471,900	3,823,747	18,329,861
End of year - June 30	\$ 14,442,206	\$ -	\$ 194,662	\$ 14,636,868

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES TO THE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2025**

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

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

Net changes in fund balances - total governmental funds \$ (3,692,993)

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 capital outlay exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	4,445,160	
Depreciation expense for governmental assets	<u>(2,537,375)</u>	
		1,907,785

Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities 495,097

Benefit payments paid and administrative expense for the LEOSSA are not included in the Statement of Activities 40,797

OPEB benefit payments and administrative costs made in the current fiscal year are not included in the Statement of Activities 130,930

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 2,981

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

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	(42,649)	
Pension expense-LGERS	(700,405)	
Pension expense-LEOSSA	(58,054)	
OPEB plan expense	<u>(1,522,822)</u>	
		<u>(2,323,930)</u>

Total changes in net position of governmental activities (Exhibit 2) \$ (2,435,247)

**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, 2025**

Exhibit 5

	General Fund			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
<b>REVENUE:</b>				
Ad valorem taxes	\$ 5,166,970	\$ 5,224,670	\$ 5,287,777	\$ 63,107
Other taxes and licenses	4,836,911	4,887,697	4,618,303	(269,394)
Unrestricted intergovernmental revenues	634,700	647,200	695,304	48,104
Restricted intergovernmental revenues	382,643	363,372	434,688	71,316
Permits and fees	193,400	194,050	215,676	21,626
Sales and services	12,000	11,500	11,517	17
Investment earnings	150,000	159,724	518,496	358,772
Other revenue	112,383	205,688	234,417	28,729
<u>Total Revenues</u>	<u>11,489,007</u>	<u>11,693,901</u>	<u>12,016,177</u>	<u>322,276</u>
<b>EXPENDITURES:</b>				
General government	3,036,450	3,588,829	3,408,268	180,561
Public safety	5,156,609	5,448,759	4,764,929	683,830
Transportation	144,000	1,292,000	1,146,412	145,588
Environmental protection	1,266,000	1,266,000	1,153,201	112,799
Beach nourishment	1,172,924	1,363,853	1,363,853	(0)
<u>Total Expenditures</u>	<u>10,775,983</u>	<u>12,959,441</u>	<u>11,836,663</u>	<u>1,122,778</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>713,024</b>	<b>(1,265,540)</b>	<b>179,514</b>	<b>1,445,054</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Fund balance appropriated	10,703	1,894,019	-	(1,894,019)
Transfer from capital reserve fund	20,000	278,200	28,200	(250,000)
Transfer to capital project fund	-	(454,062)	(454,062)	-
Transfer to capital reserve fund	(743,727)	(452,617)	(461,215)	(8,598)
<u>Total Other Financing Sources (Uses)</u>	<u>(713,024)</u>	<u>1,265,540</u>	<u>(887,077)</u>	<u>(2,152,617)</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>(707,563)</u>	<u>\$ (707,563)</u>
<b>FUND BALANCE:</b>				
Beginning			<u>10,102,006</u>	
Ending			<u>\$ 9,394,443</u>	
A legally adopted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Interest income			210,639	
Transfer from General Fund			461,215	
Transfer from capital project fund			471,900	
Transfer to General Fund			(28,200)	
Fund Balance, Beginning			<u>3,932,208</u>	
Fund Balance, Ending (Exhibit 4)			<u>\$ 14,442,205</u>	

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**June 30, 2025**

Exhibit 6

---

	<b>Custodial Fund</b>
<b><u>ASSETS</u></b>	
Cash	\$ 80,583
Total Assets	<u>80,583</u>
<b><u>LIABILITIES AND NET POSITION</u></b>	
Net Position	<u>80,583</u>
<b><u>NET POSITION</u></b>	<b><u>\$ 80,583</u></b>

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**For the Year Ended June 30, 2025**

Exhibit 7

---

	<u>Custodial Fund</u>
<u>Additions</u>	
Department of Insurance	\$ 7,404
Investment earnings	1,709
Total Additions	<u>9,113</u>
 <u>Deductions</u>	
Benefits	<u>-</u>
 Net Increase in Fiduciary Net Position	 9,113
 Net Position - Beginning	 <u>71,470</u>
Net Position - Ending	<u>\$ 80,583</u>

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

---

**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, 2025**

---

**Police 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:

**Custodial Funds.** Custodial funds are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private purpose trust funds. Custodial 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, 2025**

---

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 Building Capital Project Fund. During the year, several amendments to the original general fund budget were necessary. The largest amendments included 1) \$ 454,062 appropriation of fund balance to transfer to police department building capital project fund, 2) \$ 1,120,000 appropriation of fund balance for contribution to NC Department of Transportation for the balance of the Town's 20% share of a multi-use path on the west side of Highway 158 and 3) \$ 279,680 appropriation of fund balance for encumbrances (open purchase orders) at June 30, 2024. 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, 2025**

---

**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	\$ 5,047,762
Powell Bill-Streets	377,688
Public Safety	<u>68,702</u>
	<u>5,494,152</u>

Total Restricted Investments \$ 5,494,152

**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, 2024.

**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, 2025**

**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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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 2025 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. In accordance with GASB Statement No. 101 for the Town's government-wide funds, an expense and liability for sick leave is recognized using the "practical expedient approach" allowed by the Standard for the portion of sick leave expected to be used and paid by the Town.

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

---

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.

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

---

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.

**14. Accounting for Changes**

The Town implemented GASB Statement No. 101, Compensated Absences in the current fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

---

implementation of this Statement required a prior period adjustment to reduce government-wide net position by \$ 56,894 to record the estimated liability for sick leave at June 30, 2024.

The Town implemented GASB Statement No. 102, Certain Risk Disclosures. The disclosures 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.

**15. Recent Accounting Pronouncements**

**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 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

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

---

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.

GASB Statement No. 104, Disclosure of Certain Capital Assets

In September 2024, the GASB issued GASB Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

**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, 2025, the Town's deposits had a carrying amount of \$ 1,158,716 and a bank balance of \$ 1,191,601. Of the bank balance, \$ 250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method. At June 30, 2025, the Town's petty cash fund totaled \$ 325.

2. Investments

At June 30, 2025 the Town's investments were as follows:

	<u>Valuation Measurement Method</u>	<u>Book Value At 6/30/25</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust:				
Government Portfolio	Fair Value Level 1	\$ 13,158,336	N/A	AAAm
Total Investments		<u>\$ 13,158,336</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, 2025.

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

**3. Capital Assets**

Capital asset activity for the primary government for the year ended June 30, 2025, 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	\$ 5,835,026	\$ -	\$ -	\$ 5,835,026
Construction in process	312,458	-	312,458	-
<b>Total capital assets not being depreciated</b>	<b>6,147,484</b>	<b>-</b>	<b>312,458</b>	<b>5,835,026</b>
<b>Capital assets being depreciated:</b>				
Buildings	6,132,401	4,161,242	-	10,293,643
Infrastructure	32,855,169	203,601	-	33,058,770
Equipment	1,184,655	74,723	-	1,259,377
Vehicles	3,470,783	318,052	21,605	3,767,230
<b>Total capital assets being depreciated</b>	<b>43,643,008</b>	<b>4,757,618</b>	<b>21,605</b>	<b>48,379,020</b>
<b>Less accumulated depreciation for:</b>				
Buildings	2,654,000	151,446	-	2,805,446
Infrastructure	24,451,920	1,973,895	-	26,425,815
Equipment	802,313	97,225	-	899,538
Vehicles	2,423,914	314,809	21,605	2,717,118
<b>Total accumulated depreciation</b>	<b>30,332,147</b>	<b>\$ 2,537,375</b>	<b>\$ 21,605</b>	<b>32,847,917</b>
<b>Total capital assets being depreciated (net)</b>	<b>13,310,861</b>			<b>15,531,103</b>
<b>Governmental activity capital assets, net</b>	<b><u>\$19,458,345</u></b>			<b><u>\$21,366,129</u></b>

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

General Government	\$ 297,748
Public Safety	379,249
Beach nourishment	1,754,595
Transportation	105,783
	<u>\$ 2,537,375</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, 2025, the value of the lease receivable is \$ 17,387. 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, 2025, was \$ 16,756, 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

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

\$ 362,429. As of June 30, 2025, the value of the lease receivable is \$ 245,210. 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, 2025, was \$ 241,629, and Kitty Hawk recognized lease revenue of \$ 72,480 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, 2025, the value of the lease receivable is \$ 77,150. 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, 2025, was \$ 76,457, and Kitty Hawk recognized lease revenue of \$ 19,524 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>
2026	\$ 108,381	\$ 5,703
2027	92,819	3,781
2028	94,695	1,905
2029	43,852	293
Total	\$ 339,747	\$ 11,682

**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

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

---

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, 2025, was 14.9% of compensation for law enforcement officers and 13.60% 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 \$495,097 for the year ended June 30, 2025.

*Refunds of Contributions* – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

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

At June 30, 2025, the Town reported a liability of \$ 2,438,390 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2024, the Town's proportion was 0.03617% which was an increase of 0.0004% from its proportion measured as of June 30, 2023.

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

For the year ended June 30, 2025, the Town recognized pension expense of \$700,405. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 427,298	\$ 2,873
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	331,498	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	19,971	63,191
Town contributions subsequent to the measurement date	495,097	-
Total	<u>\$ 1,273,864</u>	<u>\$ 66,064</u>

\$495,097 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2026	\$ 216,956
2027	454,712
2028	78,518
2029	(37,483)
2030	-
Thereafter	-
	<u>\$ 712,703</u>

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

Inflation	2.5 percent
Salary increases	3.25 percent to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense including inflation

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

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

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

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 2023 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)	\$4,320,898	\$ 2,438,390	\$ 889,768

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.

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

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

Retirees receiving benefits	6
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	16
Total	22

*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	4.28 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, 2023, 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, 2025**

established and may be amended by the North Carolina General Assembly. The Town paid \$ 87,132 as benefits came due for the reporting period.

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

At June 30, 2025, the Town reported a total pension liability of \$ 827,576. The total pension liability was measured as of December 31, 2024, based on a December 31, 2023, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, The Town recognized pension expense of \$ 58,054.

At June 30, 2025, 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	\$ 58,242	\$ 27,941
Changes of assumptions	22,704	83,566
Town benefit payments subsequent to the measurement date	40,797	-
Total	\$ 121,743	\$ 111,507

\$ 40,797 reported as deferred outflows of resources related to pension resulting from benefits payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	\$ (6,371)
2027	(23,815)
2028	(4,087)
2029	3,284
2030	428
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 4.28 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.28 percent) or one percentage point higher (5.28 percent) than the current rate:

	<b>1% Decrease (3.28%)</b>	<b>Discount Rate (4.28%)</b>	<b>1% Increase (5.28%)</b>
Town's pension liability	\$ 888,115	\$ 827,576	\$ 772,849

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

---

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

Total pension liability December 31, 2023	\$ 857,234
Changes for the year:	
Service cost at end of year	32,631
Interest	32,065
Change in benefit terms	0
Differences between expected and actuarial experience	33,191
Changes of assumptions and other inputs	(16,343)
Benefit payments	(111,202)
Other changes	<u>0</u>
Net changes	<u>\$ (29,658)</u>
Total Pension liability December 31, 2024	<u>\$ 827,576</u>

*Changes in Assumptions.* The discount rate increased from 4.00% (December 31, 2023, measurement date) to 4.28% (December 31, 2024, 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	\$ 700,405	\$ 58,054	\$ 758,459
Pension liability	2,438,390	827,576	3,265,966
Proportionate share of pension liability	.03617%	N/A	

**Deferred of Outflows of Resources**

Differences between expected and actual experience	427,298	58,242	485,540
Change of assumptions	-	22,704	22,704
Net difference between projected and actual earnings on plan investments	331,498	-	331,498
Changes in proportion and differences between contributions and proportionate share of contributions	19,971	-	19,971
Benefit payments and administrative costs paid subsequent to the measurement date	495,097	40,797	535,894

**Deferred of Inflows of Resources**

Differences between expected and actual experience	2,873	27,941	30,814
Change of assumptions	-	83,566	83,566
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	63,191	-	63,191

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

---

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, 2025, were \$ 135,207, which consisted of \$ 74,759 from the Town and \$ 60,448 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, 2025, were \$161,204, which consisted of \$ 77,014 from the Town and \$ 84,190 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, 2025, were \$ 27,583, which consisted of \$ 4,708 from regular employees and \$ 22,875 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, 2025**

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, 2024, the date of the latest actuarial valuation:

Inactive Members or Beneficiaries Currently Receiving Benefits	20
Inactive Members Entitled To, But Not Yet Receiving Benefits	0
Active Members	<u>42</u>
Total Membership	62

**TOTAL OPEB LIABILITY**

The Town's total OPEB liability of \$ 3,595,903 was measured as of June 30, 2024, and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2024, 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	3.65%
Measurement date	3.93%
Health Care Cost Trends:	
Pre-Medicare	7.00% for 2024 decreasing to an ultimate rate of 4.50% by 2034
Medicare	5.125% for 2024 decreasing to an ultimate rate of 4.50% by 2027

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**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

**Changes in Total OPEB Liability**

Total OPEB liability June 30, 2023	\$ 2,358,243
Changes for the year:	
Service cost at end of year	81,352
Interest on TOL and Cash Flows	87,152
Change in benefit terms	1,492,949
Differences between expected and actuarial experience	(252,892)
Changes of assumptions and other inputs	(66,214)
Benefit payments	(104,687)
Other changes	<u>0</u>
Net changes	<u>\$ 1,237,660</u>
Total OPEB liability June 30, 2024	<u>\$ 3,595,903</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, 2024, 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, 2024, valuation were based on a review of recent plan experience done concurrently with the June 30, 2024, 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 3.93 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 (2.93 percent) or one percentage point higher (4.93 percent) than the current rate:

	<b>1% Decrease (2.93%)</b>	<b>Discount Rate (3.93%)</b>	<b>1% Increase (4.93%)</b>
Town's total OPEB liability	\$ 4,146,587	\$ 3,595,903	\$ 3,153,056

*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	\$ 3,126,603	\$ 3,595,903	\$ 4,183,479

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

For the year ended June 30, 2025, the Town recognized OPEB expense of \$ 1,522,822. At June 30, 2025, 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**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 6,533	\$ 449,881
Changes of assumptions	100,421	224,752
Benefit payments and administrative costs subsequent to the measurement date	130,930	-
<b>Total</b>	<b>\$ 237,884</b>	<b>\$ 674,633</b>

\$ 130,930 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	\$ (141,112)
2027	(141,257)
2028	(140,891)
2029	(83,165)
2030	(53,476)
Thereafter	(7,778)

**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, 2025, the Town made contributions to the State for death benefits of \$ 3,977. 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, 2025**

**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	\$ 495,097
Benefit payments made for LEOSA subsequent to measurement date	40,797
Benefit payments made for OPEB subsequent to measurement date	130,930
Differences between expected and actual experience	492,073
Changes of assumptions	123,125
Net difference between projected and actual earnings on plan investments	331,498
Changes in proportion and difference between contributions and proportionate share of contributions	<u>19,971</u>
<b>Total</b>	<b><u>\$1,633,491</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)	\$ -	\$ 54,146
Leases	334,842	334,842
Differences between expected and actual experience	480,695	
Changes of assumptions	308,318	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and difference between contributions and proportionate share of contributions	<u>63,191</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 1,187,046</u></b>	<b><u>\$ 388,988</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**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

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, 2025, including principal and interest are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 1,004,086	\$ 31,327
2027	<u>1,004,085</u>	<u>10,442</u>
Total	<u>\$ 2,008,172</u>	<u>\$ 41,769</u>

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

	Restated Balance July 1, 2024	Increase	Decrease	Balance June 30, 2025	Current Portion of Balance
<b>Governmental Activities:</b>					
Compensated absences	\$ 325,533	\$ 42,649	\$ -	\$ 368,182	\$ 50,000
Direct placement installment purchase	3,012,258	-	1,004,086	2,008,172	1,004,086
Total pension obligation (LEO)	857,234	-	29,658	827,576	-
Net pension liability (LGERS)	2,392,855	45,535	-	2,438,390	-
Total OPEB liability	2,358,243	1,237,660	-	3,595,903	-
<b>Governmental Activities Long-Term Liabilities</b>	<u>\$ 8,946,123</u>	<u>\$ 1,325,844</u>	<u>\$ 1,033,744</u>	<u>\$ 9,238,223</u>	<u>\$ 1,054,086</u>

\*The change in compensated absences liability is presented as a change.

The legal debt margin for the Town of Kitty Hawk is \$ 125,559,266.

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

**C. Inter-fund Transfers**

Transfers to/from other funds at June 30, 2025 consist of the following:

From General Fund to Capital Project Fund Police (police property renovation)	\$ 454,062
From General Fund to Capital Reserve Fund (various equipment)	\$ 228,000
From General Fund to Capital Reserve Fund (various building and infrastructure)	\$ 63,000
From General Fund to Capital Reserve Fund (beach nourishment)	\$ 170,215
	<u>\$ 915,277</u>
From Capital Reserve Fund to General Fund (IT Development)	\$ 15,600
From Capital Reserve Fund to General Fund (HVAC replacement)	\$ 12,600
	<u>\$ 28,200</u>
From Capital Project Fund (beach nourishment) to Capital Reserve Fund (beach nourishment)	\$ 471,900

**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	\$ 14,442,206
Less:	
Prepaid items	\$ 27,646
Leases	4,905
Stabilization by State Statute	1,606,695
Streets-Powell Bill	377,688
Public Safety	68,702
Capital Reserve Fund	5,047,762
Appropriated fund balance in 2023-2024	-
Working capital/fund balance policy	<u>3,500,000</u>
Total reductions	<u>\$10,633,398</u>
Remaining Fund Balance	<u>\$ 3,808,808</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.

Outstanding encumbrances at June 30, 2025, in the General Fund were \$ 277,260.

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

**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, 2025, are as follows:

Balance June 30, 2024	\$ 3,123,075
MSD ad-valorem property tax	575,272
MSD portion of sales tax	223,478
Town-wide 3.5 cent property tax	549,170
Transfer from beach nourishment capital project fund	471,900
Less tax collection fee	(17,255)
Less beach maintenance	(290,300)
Less debt payment (net of Dare County contribution)	<u>(870,150)</u>
Balance June 30, 2025	<u>\$ 3,765,190</u>

**G. Capital Reserve Funds**

Capital reserve funds are available for the following purposes at June 30, 2025:

Beach nourishment	\$ 3,765,190
Fire truck and equipment	786,466
Equipment	133,971
Building improvements	77,400
Parks and recreation development	174,735
Boardwalks	104,000
Land use plan update	<u>6,000</u>
Total	<u>\$ 5,047,762</u>

**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 20, 2025, 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**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2025**

---

**IV. Change in Accounting Principle**

The Town implemented Government Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, July 1, 2024. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. As a result, the Town recognized an additional \$ 56,894 in compensated absences for sick leave as of June 30, 2024, resulting in a decrease in beginning net position of the same amount.

**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 \***

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Town of Kitty Hawk's proportion of the net pension liability (asset) (%)	0.03617%	0.03613%	0.03989%	0.03743%	0.03936%	0.04285%	0.03490%	0.04608%	0.04391%	0.04690%
Town of Kitty Hawk's proportion of the net pension liability (asset) (\$)	\$ 2,438,390	\$ 2,392,855	\$ 2,250,366	\$ 1,406,500	\$ 1,406,500	\$ 1,170,200	\$ 1,041,458	\$ 703,975	\$ 931,917	\$ 209,542
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
Town of Kitty Hawk's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	73.73%	75.66%	80.11%	52.46%	55.31%	46.24%	41.77%	28.01%	40.07%	8.90%
Plan fiduciary net position as a percentage of the total pension liability **	83.30%	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.08%

\* 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**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 495,097	\$ 436,375	\$ 391,890	\$ 277,116	\$ 277,116	\$ 232,986	\$ 201,506	\$ 192,289	\$ 187,415	\$ 158,178
Contributions in relation to the contractually required contribution	495,097	436,375	391,890	277,116	277,116	232,986	201,506	192,289	187,415	158,178
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Kitty Hawk's covered-employee payroll	\$ 3,534,567	\$ 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
Contributions as a percentage of covered-employee payroll	14.01%	13.19%	12.39%	9.86%	10.34%	9.16%	7.96%	7.71%	7.46%	6.80%

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**Last Nine Fiscal Years**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Beginning Balance	\$ 857,234	\$ 950,518	\$ 1,080,400	\$ 1,074,599	\$ 809,340	\$ 725,190	\$ 736,196	\$ 671,033	\$ 709,819
Service Cost	32,631	30,620	46,360	44,171	26,801	24,824	25,089	21,287	21,763
Interest on the total pension liability	32,065	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	33,191	(47,899)	51,973	47,579	9,850	68,135	19,332	55,181	-
Changes of assumptions or other inputs	(16,343)	17,400	(158,060)	(25,215)	263,584	20,366	(23,249)	36,669	(13,323)
Benefit payments	(111,202)	(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	\$ 827,576	\$ 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 Nine Fiscal Years**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 827,576	\$ 857,234	\$ 950,518	\$ 1,080,400	\$ 1,074,599	\$ 809,340	\$ 725,190	\$ 736,196	\$ 671,033
Covered employee payroll	\$ 1,095,886	\$ 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	75.52%	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 Eight Fiscal Years**

**Total OPEB Liability**

	2025	2024	2023	2022	2021	2020	2019	2018
Service Cost	\$ 81,352	\$ 80,569	\$ 82,578	\$ 82,976	\$ 73,254	\$ 68,090	\$ 51,249	\$ 54,742
Interest on the total OPEB liability	87,152	83,246	40,815	39,977	64,351	62,174	55,240	48,345
Changes of benefit terms	1,492,949	-	944,530	-	(15,743)	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(252,892)	(5,975)	(234,875)	14,559	(349,092)	1,468	2,778	(3,507)
Changes of assumptions or other inputs	(66,214)	(25,337)	(284,996)	12,102	241,870	81,689	(22,124)	(117,307)
Benefit payments	(104,687)	(89,785)	(78,667)	(58,482)	(49,535)	(43,206)	(37,923)	(35,645)
Other changes	-	-	-	-	-	-	-	-
Net change in total OPEB liability	1,237,660	42,718	469,385	91,132	(34,895)	170,215	49,220	(53,372)
Total OPEB liability - beginning	2,358,243	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	\$ 3,595,903	\$ 2,358,243	\$ 2,315,525	\$ 1,846,140	\$ 1,755,008	\$ 1,789,903	\$ 1,619,688	\$ 1,570,468
Covered employee payroll	\$ 2,714,852	\$ 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	132.45%	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:	3.93%	3.65%	3.54%	2.16%	2.21%	3.50%	3.89%	3.56%
-------------------------------------	-------	-------	-------	-------	-------	-------	-------	-------

# TOWN OF KITTY HAWK, NORTH CAROLINA

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN

### FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2025 (with comparison to June 30, 2024)

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year
<b><u>REVENUES</u></b>				
<b><u>AD VALOREM TAXES:</u></b>				
Current year	\$ 4,640,013	\$ 4,696,270	\$ 56,257	\$ 4,641,880
Municipal service district taxes	563,657	572,749	9,092	558,360
Prior year	15,000	12,134	(2,866)	4,856
Prior year MSD	-	2,523	2,523	591
Penalties and interest	6,000	4,101	(1,899)	4,045
	<u>5,224,670</u>	<u>5,287,777</u>	<u>63,107</u>	<u>5,209,732</u>
<b><u>OTHER TAXES AND LICENSES:</u></b>				
Local option sales tax	2,190,000	2,088,579	(101,421)	2,127,114
Occupancy tax	2,217,697	2,029,119	(188,578)	2,245,442
Land transfer tax	480,000	500,605	20,605	484,976
	<u>4,887,697</u>	<u>4,618,303</u>	<u>(269,394)</u>	<u>4,857,532</u>
<b><u>UNRESTRICTED INTERGOVERNMENTAL REVENUES:</u></b>				
ABC Revenue	86,000	76,065	(9,935)	86,170
Utilities franchise tax	445,500	516,860	71,360	487,193
Video programming tax	71,200	58,606	(12,594)	64,615
PEG Channel	25,600	25,734	134	25,806
SW disposal tax	2,900	2,918	18	2,934
Beer and wine tax	16,000	15,120	(880)	18,318
	<u>647,200</u>	<u>695,304</u>	<u>48,104</u>	<u>685,036</u>
<b><u>RESTRICTED INTERGOVERNMENTAL REVENUES:</u></b>				
Federal:				
Controlled substance distribution	1,000	33,876	32,876	-
State:				
Powell Bill allocation	131,724	144,263	12,539	131,725
Controlled substance distribution	3,000	279	(2,721)	912
Local:				
OBCF-Icarus grant	15,500	26,639	11,139	23,603
Dare County- BN debt reimbursement	186,148	186,148	-	221,346
Dare County-government access channel	2,000	2,000	-	5,000
Dare County - sand fencing	24,000	3,324	(20,676)	10,919
Dare County - Tourism Board	-	38,040	38,040	-
Office of State Fire Marshall	-	119	119	-
	<u>363,372</u>	<u>434,688</u>	<u>71,316</u>	<u>393,505</u>
<b><u>PERMITS AND FEES:</u></b>				
CAMA permits	2,585	3,890	1,305	3,465
Building permits	175,000	186,352	11,352	160,581
Other planning fees	16,465	25,434	8,969	18,745
	<u>194,050</u>	<u>215,676</u>	<u>21,626</u>	<u>182,791</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, 2025 (with comparison to June 30, 2024)

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year
<b><u>SALES AND SERVICES:</u></b>				
Court costs	1,500	2,042	542	1,264
Garbage carts	10,000	9,475	(525)	9,963
	<u>11,500</u>	<u>11,517</u>	<u>17</u>	<u>11,227</u>
<b><u>INVESTMENT EARNINGS</u></b>	<u>159,724</u>	<u>518,496</u>	<u>358,772</u>	<u>668,627</u>
<b><u>OTHER REVENUES:</u></b>				
Sale of fixed assets	10,000	14,950	4,950	24,865
Insurance reimbursements	-	1,063	1,063	8,219
Fines and forfeitures	500	-	(500)	200
Code enforcement fines	1,500	650	(850)	1,690
Rents	165,237	188,753	23,516	134,670
Miscellaneous	28,451	29,001	550	33,601
	<u>205,688</u>	<u>234,417</u>	<u>28,729</u>	<u>203,245</u>
<b><u>TOTAL REVENUES</u></b>	<u>11,693,901</u>	<u>12,016,177</u>	<u>322,276</u>	<u>12,211,695</u>
<b><u>EXPENDITURES</u></b>				
<b><u>GENERAL GOVERNMENT:</u></b>				
Governing body:				
Personnel		33,125		33,125
Operations		4,586		15,601
		<u>37,711</u>		<u>48,726</u>
Administration:				
Personnel		540,618		489,650
Operations		98,851		105,735
		<u>639,469</u>		<u>595,385</u>
Finance:				
Personnel		235,993		202,055
Operations		74,525		81,221
		<u>310,518</u>		<u>283,276</u>
Planning Department:				
Personnel		464,364		382,816
Operations		46,157		55,028
		<u>510,521</u>		<u>437,844</u>
Planning Board and Board of Adjustment:				
Personnel		4,252		5,867
Operations		4,865		1,806
		<u>9,117</u>		<u>7,673</u>
Public Works:				
Personnel		523,862		431,394
Operations		600,315		574,261
Capital outlay		158,111		-
		<u>1,282,288</u>		<u>1,005,655</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, 2025 (with comparison to June 30, 2024)**

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year
Recreation Committee:				
Operations		6,544		9,242
		<u>6,544</u>		<u>9,242</u>
Non-Departmental:				
Operations		612,101		583,725
Capital outlay		-		800
		<u>612,101</u>		<u>584,525</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>3,588,829</b>	<b>3,408,268</b>	<b>180,561</b>	<b>2,972,326</b>
<b>PUBLIC SAFETY:</b>				
Police Department:				
Personnel		1,986,527		1,905,701
Operations		284,693		362,958
Capital outlay		193,412		45,178
		<u>2,464,632</u>		<u>2,313,837</u>
Fire Department:				
Personnel		1,818,650		1,693,105
Operations		201,642		301,122
Capital outlay		74,373		102,100
		<u>2,094,665</u>		<u>2,096,327</u>
Ocean Rescue:				
Personnel		168,291		128,614
Operations		37,341		29,673
Capital outlay		-		50,427
		<u>205,632</u>		<u>208,714</u>
<b>TOTAL PUBLIC SAFETY</b>	<b>5,448,759</b>	<b>4,764,929</b>	<b>683,830</b>	<b>4,618,878</b>
<b>TRANSPORTATION:</b>				
Powell Bill operations		25,726		27,238
Non Powell Bill operations		686		157
NCDOT contribution US 158 multi-use path		1,120,000		320,000
Powell Bill capital outlay		-		103,967
		<u>1,146,412</u>		<u>451,362</u>
<b>TOTAL TRANSPORTATION</b>	<b>1,292,000</b>	<b>1,146,412</b>	<b>145,588</b>	<b>451,362</b>
<b>ENVIRONMENTAL PROTECTION:</b>				
Sanitation:				
Operations		1,153,201		1,077,946
<b>TOTAL ENVIRONMENTAL PROTECTION</b>	<b>1,266,000</b>	<b>1,153,201</b>	<b>112,799</b>	<b>1,077,946</b>

# 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, 2025 (with comparison to June 30, 2024)

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year
<b>BEACH NOURISHMENT:</b>				
Operations		307,555		119,106
Debt payment		1,056,298		1,077,183
<b>TOTAL BEACH NOURISHMENT</b>	<u>1,363,853</u>	<u>1,363,853</u>	<u>(0)</u>	<u>1,196,289</u>
<b>TOTAL EXPENDITURES</b>	<u>12,959,441</u>	<u>11,836,663</u>	<u>1,122,778</u>	<u>10,316,801</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,265,540)</u>	<u>179,514</u>	<u>1,445,054</u>	<u>1,894,894</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Fund balance appropriated	1,894,019	-	(1,894,019)	-
Transfer from capital reserve fund	278,200	28,200	(250,000)	349,000
Transfer to capital project fund	(454,062)	(454,062)	-	(230,307)
Transfer to capital reserve fund	(452,617)	(461,215)	(8,598)	(773,217)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,265,540</u>	<u>(887,077)</u>	<u>(2,152,617)</u>	<u>(654,524)</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ -</u>	<u>(707,563)</u>	<u>\$ (707,563)</u>	<u>1,240,370</u>
<b>FUND BALANCE:</b>				
Beginning of year, July 1		10,102,006		8,861,636
End of year, June 30		<u>\$ 9,394,443</u>		<u>\$ 10,102,006</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, 2025 (with comparison to June 30, 2024)**

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year
<b><u>REVENUES</u></b>				
Investment income	\$ -	\$ 210,639	\$ 210,639	\$ 175,828
<b><u>TOTAL REVENUES</u></b>	<b>-</b>	<b>210,639</b>	<b>210,639</b>	<b>175,828</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Fund balance appropriated	28,200	-	(28,200)	-
Additions to reserve	(915,072)		915,072	-
Transfer from capital project fund	471,900	471,900	-	-
Transfer to general fund	(28,200)	(28,200)	-	(349,000)
Transfer from general fund	443,172	461,215	18,043	773,217
<b><u>TOTAL OTHER FINANCING SOURCES (USES)</u></b>	<b>-</b>	<b>904,915</b>	<b>904,915</b>	<b>424,217</b>
<b><u>REVENUES AND OTHER FINANCING SOURCES OVER OTHER USES</u></b>				
	<b>\$ -</b>	<b>1,115,554</b>	<b>1,115,554</b>	<b>600,045</b>
<b><u>FUND BALANCE</u></b>				
Beginning of year, July 1		3,932,208		3,332,163
End of year, June 30		\$ 5,047,762		\$ 3,932,208

**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, 2025**

	Project Authorization	Actual Prior Years	Actual Current Year	Project To Date	Variance Favorable (Unfavorable)
<b>REVENUES</b>					
Interest income	\$ -	\$ 16,359	\$ -	\$ 16,359	\$ 16,359
Dare County allocation	2,854,815	2,319,534	-	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>3,744,140</b>	<b>-</b>	<b>3,744,140</b>	<b>(518,922)</b>
<b>EXPENDITURES</b>					
Legal	-	1,010	-	1,010	(1,010)
Engineering	1,082,777	545,344	-	545,344	537,433
Cost of bond issuance	87,501	88,165	-	88,165	(664)
Turtle monitoring	21,803	27,310	-	27,310	(5,507)
Benthic monitoring	33,269	28,945	-	28,945	4,324
Dredging	8,556,130	8,099,884	-	8,099,884	456,246
<b>TOTAL EXPENDITURES</b>	<b>9,781,480</b>	<b>8,790,658</b>	<b>-</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>OTHER FINANCING SOURCES (USES)</b>					
Special obligation bonds Issued	5,020,429	5,020,429	-	5,020,429	-
Transfer to/from capital reserve fund	497,989	497,989	(471,900)	26,089	(471,900)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,518,418</b>	<b>5,518,418</b>	<b>(471,900)</b>	<b>5,046,518</b>	<b>(471,900)</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>					
	<b>\$ -</b>	<b>\$ 471,900</b>	<b>(471,900)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FUND BALANCE</b>					
Beginning of year, July 1			471,900		
End of year, June 30			\$ -		

**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, 2025**

	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	4,590,266	312,457	4,083,147	4,395,604	194,662
Capital outlay-land purchase	4,107,622	4,107,622	-	4,107,622	-
<b>TOTAL EXPENDITURES</b>	<b>8,934,369</b>	<b>4,656,560</b>	<b>4,083,147</b>	<b>8,739,707</b>	<b>194,662</b>
<b>REVENUES OVER (UNDER)</b>					
<b>EXPENDITURES</b>	<b>(8,934,369)</b>	<b>(4,656,560)</b>	<b>(4,083,147)</b>	<b>(8,739,707)</b>	<b>194,662</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from general fund	5,110,512	4,656,450	454,062	5,110,512	-
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>8,934,369</b>	<b>8,480,307</b>	<b>454,062</b>	<b>8,934,369</b>	<b>-</b>
<b><u>REVENUES AND OTHER FINANCING</u></b>					
<b><u>SOURCES OVER EXPENDITURES</u></b>	<b>\$ -</b>	<b>\$ 3,823,747</b>	<b>\$ (3,629,085)</b>	<b>\$ 194,662</b>	<b>\$ 194,662</b>
<b><u>FUND BALANCE</u></b>					
Beginning of year, July 1			3,823,747		
End of year, June 30			\$ 194,662		

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2025**

Fiscal Year	Uncollected Balance June 30, 2024	Additions	Releases/ Adjustments	Collections and Credits	Uncollected Balance June 30, 2025
2024-2025	\$ -	\$ 4,715,169	\$ (1,653)	\$ 4,696,271	\$ 17,245
2024-2025 MSD	-	574,329	(11)	572,749	1,569
2023-2024	19,153	-	-	11,381	7,772
2023-2024 MSD	3,843	-	-	2,464	1,379
2022-2023	5,452	-	-	719	4,733
2022-2023 MSD	528	-	-	58	470
2021-2022	3,940	-	-	14	3,926
2021-2022 MSD	293	-	-	1	292
2020-2021	2,259	-	-	13	2,246
2020-2021 MSD	140	-	-	-	140
2019-2020	2,701	-	-	2	2,699
2019-2020 MSD	317	-	-	-	317
2018-2019	3,413	-	-	3	3,410
2018-2019 MSD	307	-	-	-	307
2017-2018	2,506	-	-	2	2,504
2017-2018 MSD	159	-	-	-	159
2016-2017	2,271	-	-	-	2,271
2016-2017 MSD	79	-	-	-	79
2015-2016	2,524	-	-	-	2,524
2015-2016 MSD	104	-	-	-	104
2014-2015	1,176	-	-	1,176	-
	<u>\$ 51,165</u>	<u>\$ 5,289,498</u>	<u>\$ (1,664)</u>	<u>\$ 5,284,853</u>	<u>\$ 54,146</u>

Reconciliation of collections and credits to revenues:

Ad valorem taxes - Schedule 1	\$ 5,287,777
Taxes written off over 10 years	1,177
Penalties and interest	(4,101)
	<u>\$ 5,284,853</u>

**TOWN OF KITTY HAWK, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**June 30, 2025**

	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,568,359,070	0.30	\$ 4,705,088	\$ 4,427,301	\$ 277,787
Discoveries	1,094,700	0.300	3,284	3,284	
Discoveries at prior year rates	573,198	0.0265	1,519	1,519	
Abatements	(536,148)	0.30	(1,608)	(1,608)	-
Late list penalties	-		5,239	5,239	-
Adjustments	-		(6)	(6)	-
Total property valuation	<u>\$ 1,569,490,820</u>				
Net levy			<u>4,713,516</u>	<u>4,435,729</u>	<u>277,787</u>
Uncollected taxes at June 30, 2025			<u>(17,245)</u>	<u>(17,245)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 4,696,271</u>	<u>\$ 4,418,484</u>	<u>\$ 277,787</u>
Current levy collection percentage			<u>99.63%</u>	<u>99.61%</u>	<u>100.00%</u>



CARR, RIGGS & INGRAM, P.L.L.C.

Carr, Riggs & Ingram, P.L.L.C.

3105 Trent Road  
New Bern, NC 28562

Mailing Address:

PO Box 1547  
New Bern, NC 28563

252.633.5821  
252.288.3123 (fax)  
CRLadv.com

## **INDEPENDENT AUDITOR’S 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***

To the 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 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 aggregate remaining fund information of Town of Kitty Hawk, North Carolina (the “Town”), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated October 20, 2025.

### **Report on Internal Control over Financial Reporting**

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

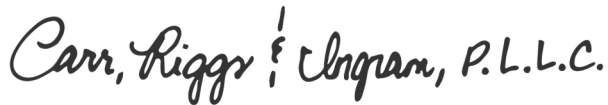
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

## Report on Compliance and Other Matters

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

### Purpose of This Report

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

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, P.L.L.C." The signature is written in a cursive, professional style.

CARR, RIGGS & INGRAM, P.L.L.C.  
New Bern, North Carolina  
October 20, 2025