



TOWN OF KILL DEVIL HILLS

Land Where Flight Began

MEMORANDUM

January 12, 2026

TO: Mayor and Board of Commissioners

FROM: Debora P. Díaz, Town Manager

REF: New Business

1. Annual Comprehensive Financial Report for FY 2024/2025, Certificate of Excellence in Financial Reporting for Fiscal Year ended June 30, 2024, and Popular Annual Financial Report (Attached NB-1)

Emily Mills, CPA and Partner, of DMJPS, LLC, (formerly Potter and Company, Certified Public Accountants), will present the results of Kill Devil Hills' audit for the 2024/2025 Fiscal Year. Ms. Mills' comments will include her firm's unmodified "clean" opinion, the best that can be issued, of the Town's financial condition. She will be available via an electronic platform for the presentation and to answer any questions.

Finance Director Angell Doughtie will then present a summary of the Town's financial operations for the 2024/2025 Fiscal Year through review of the Town's Annual Comprehensive Financial Report (ACFR). The Finance Department will also present its Popular Annual Finance Report (PAFR) to highlight the Town's overall financial condition. This report provides a user-friendly format to better convey the Town's financial status to the public.

The Town will also be presented the Certificate for Excellence in Financial Reporting for Fiscal Year ended June 30, 2025. The entire Finance Department is congratulated for its diligent efforts in maintaining such a high standard of financial, budgetary, and accounting practices.



THE TOWN OF KILL DEVIL HILLS
NORTH CAROLINA

TAX AND FINANCE DEPARTMENT

Post Office Box 1719, 102 Town Hall Drive
Kill Devil Hills, North Carolina 27948
Office Hours: 8:00 a.m. – 5:00 p.m. Mon. – Fri.
(252) 449-5338

January 12, 2026

Director
ANGELL DOUGHTIE, CPA

Assistant Director
SAM ANGELO, CPA

Accountant/Tax Collector
SCOTT NICKENS

Accounts Payable
MARGARET CLARK

Payroll and Benefits
PARKER JOHNSON

Cashier
CELENA DERMATAS

Administrative Specialist
RON FARLEY

To: Debora P. Díaz, Town Manager

From: Angell Doughtie, Finance Director
Samuel Angelo, Assistant Finance Director

Reference: June 30, 2025 Audit Results

We are pleased to have Emily Mills, CPA and Partner, of DMJPS PLLC to present our audit for the 2024/2025 fiscal year. This audit received an unmodified or "clean" opinion, the best that can be issued. Ms. Mills will provide a presentation and will be available for questions. In addition, I would like to present both the Certificate of Excellence in Financial Reporting, and the Award for Outstanding Achievement in Popular Annual Financial Reporting for Fiscal Year Ended June 30, 2024.

While an unmodified opinion was issued for the 2024/2025 fiscal year and no material weaknesses or significant deficiencies were found by the auditors, a response is required regarding the capital asset ratio of water and wastewater assets. This number calculates the remaining useful life of the assets and is recommended to be 0.50 or higher. The water and wastewater assets of the Town of Kill Devil Hills are slightly below this at 0.46. Because this is strictly a calculation based on estimated useful life, it does not consider the actual physical condition of the assets. The Town updated the Water System Master Plan in 2022 and the engineers concluded the water system is in good financial condition and has no critical infrastructure projects required in the next 10 years. The Town of Kill Devil Hills remains confident in the condition of its assets and expects to see this number go up in the next few years as we remain committed to following the recommendations of the engineers. Staff has prepared a recommended response for the Board's consideration, which has been included in the Consent Agenda.

At the conclusion of the audit presentation, Finance will present the Popular Annual Financial Report to highlight the overall financial condition of the Town.



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
and Members of the Town Council
Town of Kill Devil Hills, North Carolina

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Kill Devil Hills**, as of June 30, 2025, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the **Town of Kill Devil Hills** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the **Town of Kill Devil Hills'** ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the **Town of Kill Devil Hills'** internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Town of Kill Devil Hills'** ability to continue as a going concern for a reasonable period of time.

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

Prior Period Comparative Information

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

Required Supplementary Information

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

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2025, on our consideration of **Town of Kill Devil Hills'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **Town of Kill Devil Hills'** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Town of Kill Devil Hills'** internal control over financial reporting and compliance.

DMIPS PLLC

December 9, 2025
Monroe, North Carolina



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

Independent Auditors' Report

To the Honorable Mayor and Town Council
Kill Devil Hills, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kill Devil Hills, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprises the Town of Kill Devil Hills' basic financial statements, and have issued our report thereon dated December 9, 2025.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

DMOPS PLLC

December 9, 2025
Monroe, North Carolina