

**Town of Manteo, North Carolina**

**Financial Statements**

**June 30, 2019**

Bobby Owens, Mayor  
Darrell Collins, Mayor Pro-Tem  
Richie Burke, Commissioner  
Hannon Fry, Commissioner  
Eddie Mann, Commissioner  
Nancy Peele, Commissioner  
Christine Walker, Commissioner

James Ayers, Town Manager  
Shannon Twiddy, Finance Officer  
Wyatt Booth, Town Attorney



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# Dowdy & Osborne LLP

CERTIFIED PUBLIC ACCOUNTANTS

Jeff Dowdy, CPA • Teresa Osborne, CPA

## **INDEPENDENT AUDITOR'S REPORT**

To the Mayor and Members of the Board of Commissioners  
Manteo, North Carolina

### **Report on the Financial Statements**

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 Manteo, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Manteo, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, 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.

103 W. Woodhill Dr., Suite B • P.O. Box 9 • Nags Head, North Carolina 27959  
Telephone 252.449.4404 • Facsimile 252.449.6976

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-10, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Contributions, on pages 45-46, 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 47-48 and the Schedule of Changes in Total OPEB Liability and Related Ratios on page 49 be presented to supplement the basic financial statements. Such information, 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 and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Manteo, North Carolina. The combining and individual fund financial statements, budgetary schedules and other schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules and other schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules and other schedules, are fairly stated in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2019 on our consideration of the Town of Manteo's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 of Manteo's internal control over financial reporting and compliance.

### ***Dowdy & Osborne, LLP***

Dowdy & Osborne, LLP  
Certified Public Accountants  
Nags Head, North Carolina

October 10, 2019

# Management Discussion and Analysis

## Town of Manteo

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### Management's Discussion and Analysis

As management of the Town of Manteo, we offer readers of the Town of Manteo's financial statements this narrative overview and analysis of the financial activities of the Town of Manteo for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town of Manteo's financial statements, which follow this narrative.

### Financial Highlights

#### Government-wide Financial Statements

- The assets and deferred outflows of resources of the Town of Manteo exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$ 18,372,094 (*net position*).
- The government's total net assets increased by \$ 370,284. This includes an increase in the governmental activities of \$ 225,395 and an increase in the business-type activities of \$ 144,889. Both increases are due to revenues over expenses including depreciation on the full accrual basis.

#### Fund Financial Statements

- As of the close of the current fiscal year, the Town of Manteo's governmental funds reported combined ending fund balances of \$ 6,387,308, an increase of \$ 454,594 over the prior year. Approximately 21% of this total amount, or \$ 1,357,743 is non-spendable, restricted, or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 5,029,565, or 123% of total general fund expenditures for the fiscal year. This is a \$ 830,604 increase over the prior year. This increase is a result of revenues over expenses and a reduction in the reserve by statute from the prior year.
- The unrestricted net position of the water and sewer fund increased by \$ 162,359.
- The Town's tax base increased 2.7% (\$ 14,943,514) due mostly to a new boat assessment system implemented by the County over the past three years.

### Overview of the Financial Statements

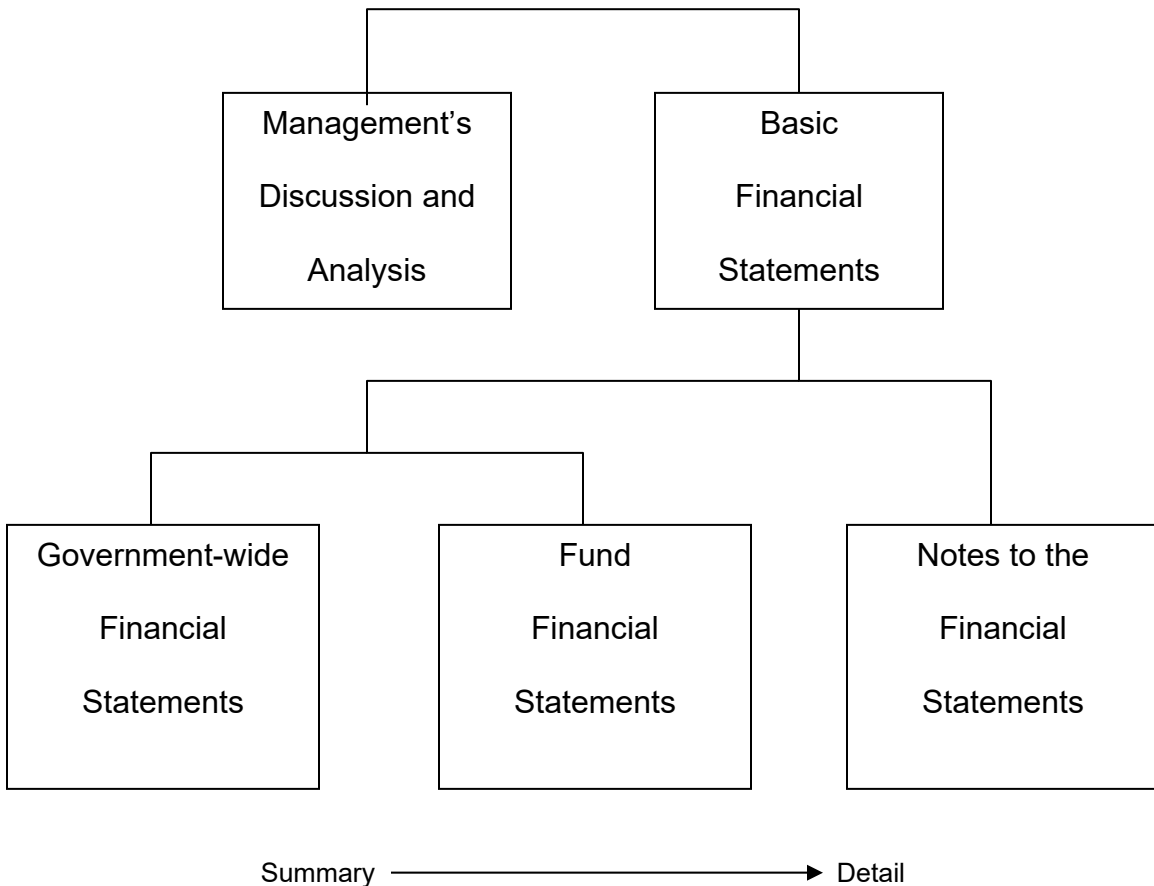
This discussion and analysis are intended to serve as an introduction to the Town of Manteo's basic financial statements. The town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (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 Manteo.

# Management Discussion and Analysis Town of Manteo

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## 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 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in 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.



# Management Discussion and Analysis

## Town of Manteo

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### 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 total assets and total liabilities 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 public safety, general administration and street and solid waste services. Property taxes, occupancy, sales and land transfer taxes, permit fees and state and federal grant funds finance most of these activities. The business-type activities are those that the town charges customers to provide. These include the water and sewer services offered by the Town of Manteo. The town does not have any component units.

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

### Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the town budget ordinance. All of the funds of the Town of Manteo can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Town of Manteo'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 Manteo adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the town, the management of the town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the town complied with the budget ordinance and whether or not the town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending

## Management Discussion and Analysis

### Town of Manteo

balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds** – The Town of Manteo has one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Manteo uses enterprise funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

**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 21-44 of this report.

**Other 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 health benefits to its employees. Required supplementary information can be found on pages 45-49 of this report.

### Government-Wide Financial Analysis

#### Town of Manteo Net Position June 30, 2019

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 6,558,838	\$ 6,129,111	\$ 2,753,233	\$ 2,496,232	\$ 9,312,071	\$ 8,625,343
Capital assets	7,503,413	7,609,057	5,355,284	5,441,419	12,858,697	13,050,475
Deferred outflows of resources	415,990	276,380	128,005	78,950	543,995	355,330
Total assets and deferred outflows of resources	14,478,241	14,014,548	8,236,522	8,016,600	22,714,763	22,031,148
Long-term liabilities	2,497,102	2,321,915	1,037,179	978,421	3,534,281	3,300,336
Other liabilities	166,078	185,265	292,346	299,629	458,424	484,894
Deferred inflows of resources	266,340	184,042	83,624	60,066	349,964	244,108
Total liabilities and deferred inflows of resources	2,929,520	2,691,222	1,413,149	1,338,116	4,342,669	4,029,338
Net position:						
Net investment in capital assets	7,503,413	7,609,057	5,025,308	5,042,778	12,528,721	12,651,835
Restricted/Stabilization	476,432	1,268,227	-	-	476,432	1,268,227
Restricted for Powell Bill	28,722	2,186	-	-	28,722	2,186
Restricted for Public Safety	3,978	-	-	-	3,978	-
Unrestricted	3,536,176	2,443,856	1,798,065	1,635,706	5,334,241	4,079,562
Total net position	\$ 11,548,721	\$ 11,323,326	\$ 6,823,373	\$ 6,678,484	\$ 18,372,094	\$ 18,001,810

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Manteo exceeded liabilities by \$ 18,372,094 as of June 30, 2019. The largest portion of net position (68%) reflects the town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Manteo uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Manteo's investment in its capital assets is reported net of the outstanding related

## Management Discussion and Analysis

### Town of Manteo

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, \$ 509,132 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 5,334,241 is unrestricted.

#### Town of Manteo Changes in Net Position June 30, 2019

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 257,991	\$ 316,940	\$ 1,979,197	\$ 2,009,610	\$ 2,237,188	\$ 2,326,550
Operating grants and contributions	121,997	60,837	12,177	-	168,363	60,837
Capital grants and contributions	34,189	798,240	-	-	-	798,240
General revenues:						
Property taxes	2,146,632	2,085,679	-	-	2,146,632	2,085,679
Other taxes	1,534,794	1,550,548	-	-	1,534,794	1,550,548
Intergovernmental revenues	380,217	373,981	-	-	380,217	373,981
Investment earnings	129,281	73,435	48,925	27,696	178,206	101,131
Other	129,524	89,169	-	-	129,524	89,169
Total Revenues	4,734,625	5,348,829	2,040,299	2,037,306	6,774,924	7,386,135
Expenses:						
General government	2,198,437	2,000,488	-	-	2,198,437	2,000,488
Public safety	1,196,401	1,176,903	-	-	1,196,401	1,176,903
Environment protection/transportation	1,114,392	978,058	-	-	1,114,392	978,058
Water and sewer	-	-	1,895,410	1,703,914	1,895,410	1,703,914
Total Expenses	4,509,230	4,155,449	1,895,410	1,703,914	6,404,640	5,859,363
Increase in Net Position	225,395	1,193,380	144,889	333,392	370,284	1,526,772
Net position—July 1	11,323,326	10,129,946	6,678,484	6,345,092	18,001,810	16,475,038
Net position – June 30	\$ 11,548,721	\$ 11,323,326	\$ 6,823,373	\$ 6,678,484	\$ 18,372,094	\$ 18,001,810

**Governmental activities.** Governmental activities increased the town's net assets by \$ 225,395. Operating grants increased \$ 61,160 due primarily to FEMA reimbursements of \$ 45,632 in the current year. Capital grants and contributions decreased \$ 764,051 due primarily to grants of \$ 743,268 for dredging Doughs Creek in prior year. Property taxes increased \$ 60,953 due to increases in taxes for personal property (specifically boats/yachts) resulting from a new assessment program implemented by Dare County. Additionally, there was a \$ 12,000 increase in motor vehicle taxes collected by the State. Other taxes which include occupancy and sales tax decreased \$ 15,754 due to a decrease in Manteo's proportionate share of these taxes allocated based on proportionate tax levies. Investment earnings increased due to larger balances invested and increased earning rates. General government expenses increased \$ 197,949 due to increased depreciation expense of \$ 41,000 in addition to overall increased IT and salary expenses. Environmental protection and transportation expenses increased \$ 136,334 due primarily to increased salaries and benefits and garbage truck repairs.

**Business-type activities.** Business-type activities increased the town's net assets by \$ 144,889. Operating revenues increased slightly. Charges for services decreased \$ 30,413 primarily due to a decrease in taps of connections of \$ 24,000. Operations cost increased \$ 191,496 due to salary and benefit increases, IT improvements and routine repairs and maintenance at plant.

# Management Discussion and Analysis

## Town of Manteo

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### Financial Analysis of the Town of Manteo's Funds

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

**Governmental Funds.** The focus of the Town of Manteo'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 Manteo'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 Manteo. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$ 5,029,565, while total fund balance reached \$ 5,911,354. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 123% of total General Fund expenditures for the 18-19 fiscal year. The unassigned portion of fund balance increased \$ 830,604 from the prior year as a result of revenues over expenses in the general fund as well as a decrease in the restriction for stabilization by state statute.

At June 30, 2019, the governmental funds of Town of Manteo reported a combined fund balance of \$ 6,387,308, a 7.67% increase over last year. Included in this change in fund balance are increases in the General and Cemetery Funds and a reduction in the Dock Fund.

**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. There were no particularly significant amendments to the original budget that affected final operations.

### Capital Asset and Debt Administration

**Capital assets.** The Town of Manteo's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$ 12,858,697 (net of accumulated depreciation). These assets include buildings and plant, land, machinery and equipment, infrastructure, other improvements and vehicles.

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

- Completion of oil and grit separator \$ 105,028
- Three police vehicles \$ 119,074
- Public works truck \$ 55,986
- Public works dump truck \$ 48,551
- Public works bucket truck \$ 36,074
- Ground penetrating radar locator \$ 19,400
- Utility radio read software \$ 30,000
- Water department van \$ 30,939
- Water plant repairs \$ 93,410
- Water/sewer tap installation on Ananias Dare \$ 32,932

## Management Discussion and Analysis Town of Manteo

### Town of Manteo Capital Assets (net of accumulated depreciation) June 30, 2019

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 2,248,876	\$ 2,248,876	\$ 229,735	\$ 229,735	\$ 2,478,611	\$ 2,478,611
Construction in progress	7,960	64,103	-	-	7,960	64,103
Buildings and plant	1,216,775	1,266,006	4,089,379	4,194,708	5,306,154	5,460,714
Infrastructure	2,099,987	2,114,677	-	-	2,099,987	2,114,677
Equipment	281,254	291,154	84,048	27,269	365,302	318,423
Vehicles	699,305	591,780	97,014	99,044	796,319	690,824
Other improvements	949,256	1,032,461	-	-	949,256	1,032,461
Water lines and improvements	-	-	855,108	890,662	855,108	890,662
<b>Total</b>	<b>\$ 7,503,413</b>	<b>\$ 7,609,057</b>	<b>\$ 5,355,284</b>	<b>\$ 5,441,418</b>	<b>\$ 12,858,697</b>	<b>\$ 13,050,475</b>

Additional information on the town's capital assets can be found on pages 29-30 in the notes to the financial statements.

**Long-term Debt.** As of June 30, 2019, the Town had long-term debt totaling \$ 329,975 consisting of a capital lease reported in the business-type activities. During the June 30, 2019 fiscal year the town's long-term debt decreased by \$ 68,664.

The Town is reporting a Total OPEB obligation in its governmental activities and business-type activities of \$ 1,733,021 and \$ 577,674 respectively.

The Town is reporting a net pension liability for LGERS in its governmental activities and business-type activities of \$ 419,548 and \$ 139,850 respectively.

The Town is reporting a total pension liability for its law enforcement officers' special separation allowance (LEOSSA) in its governmental activities of \$ 275,144.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Manteo is \$ 46,192,707.

#### **Economic Factors and Next Year's Budgets and Rates**

- Overall land transfer tax collections increased 4.86% indicating an increase in real estate sales. The Town's portion of land transfer tax was flat due to a combination of overall growth combined with an decrease due to the changes in the proportionate tax levies among the other local governments in Dare County.
- Travel and tourism has remained constant in Dare County and gross occupancy tax collections increased 3.27%. The Town's portion of occupancy tax decreased \$ 6,681 or 1% due to a combination of overall growth combined with a decrease due to the changes in the proportionate tax levies among the other local governments in Dare County.

#### **Budget Highlights for the Fiscal Year Ending June 30, 2020**

## **Management Discussion and Analysis**

### **Town of Manteo**

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- The adopted budget for the June 30, 2020 fiscal year includes a tax rate of thirty-seven cents per \$ 100 of valuation (no increase over the prior year).
- The adopted budget for the June 30, 2020 includes an appropriation from fund balance of \$ 363,444.
- New positions budgeted include a full-time Program Manager/Public Information Officer, Police Investigator and General Maintenance Worker and a part-time Assistant Dockmaster.
- A portion of the waterfront walkway will be replaced with partial grant funding in the amount of \$ 96,903 from CAMA.
- Water and sewer rates are scheduled to remain the same.
- An asset inventory and assessment is budgeted to be performed for the water and sewer system partially funded with a \$ 150,000 grant from the NC Department of Environmental Quality.

#### **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 Manteo, P.O. Box 246, Manteo, North Carolina 27954.

**TOWN OF MANTEO, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2019**

Exhibit 1

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 6,017,687	\$ 2,243,145	\$ 8,260,832
Restricted cash and cash equivalents	32,700	176,272	208,972
Taxes receivable	28,582	-	28,582
Accounts receivable (net)	-	329,203	329,203
Prepaid expenses	12,710	-	12,710
Due from governmental units	467,159	4,613	471,772
Total current assets	<u>6,558,838</u>	<u>2,753,233</u>	<u>9,312,071</u>
Non-current assets:			
Capital assets:			
Land and construction in process	2,256,836	229,735	2,486,571
Other capital assets, net of depreciation	5,246,577	5,125,549	10,372,126
Total capital assets	<u>7,503,413</u>	<u>5,355,284</u>	<u>12,858,697</u>
Total assets	<u>14,062,251</u>	<u>8,108,517</u>	<u>22,170,768</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension and OPEB deferrals	<u>415,990</u>	<u>128,005</u>	<u>543,995</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	115,669	61,034	176,703
Accrued salaries and benefits	24,686	7,595	32,281
Security deposit	2,593	2,000	4,593
Current portion of long-term liabilities	23,130	45,445	68,575
Liabilities payable from restricted assets:			
Customer deposits	-	176,272	176,272
Total current liabilities	<u>166,078</u>	<u>292,346</u>	<u>458,424</u>
Long-term liabilities:			
Due in more than one year	<u>2,497,102</u>	<u>1,037,179</u>	<u>3,534,281</u>
Total liabilities	<u>2,663,180</u>	<u>1,329,525</u>	<u>3,992,705</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension and OPEB deferrals	<u>266,340</u>	<u>83,624</u>	<u>349,964</u>
Total deferred inflows of resources	<u>266,340</u>	<u>83,624</u>	<u>349,964</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,503,413	5,025,308	12,528,721
Restricted for Stabilization by State Statute	476,432	-	476,432
Restricted for Powell Bill - Streets	28,722	-	28,722
Restricted for Public Safety	3,978	-	3,978
Unrestricted	3,536,176	1,798,065	5,334,241
Total net position	<u>\$ 11,548,721</u>	<u>\$ 6,823,373</u>	<u>\$ 18,372,094</u>

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

**TOWN OF MANTEO, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2019

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	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 2,198,437	\$ 257,394	\$ 74,334	\$ -	\$ (1,866,709)	\$ -	\$ (1,866,709)
Public safety	1,196,401	597	2,031	-	(1,193,773)	-	(1,193,773)
Environmental protection and transportation	1,114,392	-	45,632	34,189	(1,034,571)	-	(1,034,571)
Total governmental activities	<u>4,509,230</u>	<u>257,991</u>	<u>121,997</u>	<u>34,189</u>	<u>(4,095,053)</u>	<u>-</u>	<u>(4,095,053)</u>
Business-type activities:							
Water and sewer	<u>1,895,410</u>	<u>1,979,197</u>	<u>12,177</u>	<u>-</u>	<u>-</u>	<u>95,964</u>	<u>95,964</u>
Total primary government	<u>\$ 6,404,640</u>	<u>\$ 2,237,188</u>	<u>\$ 134,174</u>	<u>\$ 34,189</u>	<u>\$ (4,095,053)</u>	<u>\$ 95,964</u>	<u>\$ (3,999,089)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,146,632	-	2,146,632
Other taxes					1,534,794	-	1,534,794
Unrestricted intergovernmental revenues					380,217	-	380,217
Investment earnings, unrestricted					129,281	48,925	178,206
Miscellaneous, unrestricted					129,524	-	129,524
Total general revenues, special items, and transfers					<u>4,320,448</u>	<u>48,925</u>	<u>4,369,373</u>
Change in net position					225,395	144,889	370,284
Net position-beginning					11,323,326	6,678,484	18,001,810
Net position-ending					<u>\$ 11,548,721</u>	<u>\$ 6,823,373</u>	<u>\$ 18,372,094</u>



**TOWN OF MANTEO, NORTH CAROLINA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2019**

**Exhibit 3**

	Major Fund General	Total Non- Major Funds	Total Governmental Funds
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 5,533,850	\$ 483,837	\$ 6,017,687
Restricted cash and cash equivalents	32,700	-	32,700
Taxes receivable	28,582	-	28,582
Prepaid expenses	9,213	3,497	12,710
Due from governmental units	456,307	10,852	467,159
<b>Total Assets</b>	<b><u>6,060,652</u></b>	<b><u>498,186</u></b>	<b><u>6,558,838</u></b>
<b><u>LIABILITIES</u></b>			
Accounts payable	94,878	20,791	115,669
Accrued salaries and benefits	23,245	1,441	24,686
Security deposit	2,593	-	2,593
<b>Total Liabilities</b>	<b><u>120,716</u></b>	<b><u>22,232</u></b>	<b><u>142,948</u></b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Property taxes receivable	28,582	-	28,582
<b>Total Deferred Inflows of Resources</b>	<b><u>28,582</u></b>	<b><u>-</u></b>	<b><u>28,582</u></b>
<b><u>FUND BALANCES</u></b>			
Nonspendable			
Prepays	9,213	3,497	12,710
Restricted			
Stabilization by State Statute	476,432	10,852	487,284
Streets - Powell Bill	28,722	-	28,722
Drug enforcement	3,978	-	3,978
Assigned			
Subsequent year's expenditures	363,444	-	363,444
Cemetery	-	442,770	442,770
Docks	-	18,835	18,835
Unassigned	5,029,565	-	5,029,565
<b>Total Fund Balances</b>	<b><u>5,911,354</u></b>	<b><u>475,954</u></b>	<b><u>6,387,308</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 6,060,652</u></b>	<b><u>\$ 498,186</u></b>	<b><u>\$ 6,558,838</u></b>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Total Fund Balance, Governmental Funds	6,387,308
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,503,413
Deferred outflows of resources related to pensions/OPEB are not reported in the funds	415,990
Liabilities for earned revenues considered deferred inflows of resources in fund statements	28,582
Deferred inflows of resources related to pensions/OPEB are not reported in the funds	(266,340)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	(2,520,232)
Net position of governmental activities (Exhibit 1)	<b><u>\$ 11,548,721</u></b>

**TOWN OF MANTEO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2019**

Exhibit 4

	Major Fund General	Total Non- Major Funds	Total Governmental Funds
<b>REVENUES:</b>			
Ad valorem taxes	\$ 2,150,336	\$ -	\$ 2,150,336
Other taxes and licenses	1,534,794	-	1,534,794
Unrestricted intergovernmental revenues	380,217	-	380,217
Restricted intergovernmental revenues	145,334	10,852	156,186
Permits and fees	40,744	-	40,744
Sales and services	16,827	200,419	217,246
Investment earnings	120,635	8,646	129,281
Other revenue	129,524	-	129,524
<b>TOTAL REVENUES</b>	4,518,411	219,917	4,738,328
<b>EXPENDITURES:</b>			
General government	1,720,740	247,303	1,968,043
Public safety	1,239,066	-	1,239,066
Transportation and environmental protection	1,076,625	-	1,076,625
<b>TOTAL EXPENDITURES</b>	4,036,431	247,303	4,283,734
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	481,980	(27,386)	454,594
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers	(40,000)	40,000	-
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	(40,000)	40,000	-
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	441,980	12,614	454,594
<b>FUND BALANCES:</b>			
Beginning of year - July 1	5,469,374	463,340	5,932,714
End of year - June 30	\$ 5,911,354	\$ 475,954	\$ 6,387,308

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

**TOWN OF MANTEO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2019**

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

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net changes in fund balances - total governmental funds \$ 454,594

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

Capital outlay expenditures which were capitalized	369,007	
Depreciation expense for governmental assets	<u>(474,651)</u>	(105,644)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities (LGERS) 110,289

Benefit payments paid and administrative expenses for the LEOSSA are not included in the Statement of Activities 15,945

OPEB benefit payments and administrative costs made in the current fiscal year are not included in the Statement of Activities 12,594

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 revenues (3,704)

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	(6,304)	
Pension expense-LEOSSA	(23,250)	
Pension expense-LGERS	(128,889)	
OPEB expense	<u>(100,236)</u>	(258,679)

Total changes in net position of governmental activities (Exhibit 2) \$ 225,395

**TOWN OF MANTEO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - ANNUAL BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2019**

Exhibit 5

	General Fund			Variance With Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUE:</b>				
Ad valorem taxes	\$ 2,083,500	\$ 2,083,500	\$ 2,150,336	\$ 66,836
Other taxes and licenses	1,456,907	1,496,907	1,534,794	37,887
Unrestricted intergovernmental revenues	394,200	394,200	380,217	(13,983)
Restricted intergovernmental revenues	950,875	855,875	145,334	(710,541)
Permits and fees	42,000	42,000	40,744	(1,256)
Sales and services	24,850	24,850	16,827	(8,023)
Investment earnings	64,000	104,000	120,635	16,635
Other revenue	50,848	126,163	129,524	3,361
<u>Total Revenues</u>	<u>5,067,180</u>	<u>5,127,495</u>	<u>4,518,411</u>	<u>(609,084)</u>
<b>EXPENDITURES:</b>				
General government	2,417,013	2,781,608	1,720,740	1,060,868
Public safety	1,358,117	1,442,027	1,239,066	202,961
Transportation and environmental protection	1,251,029	1,342,306	1,076,625	265,681
<u>Total Expenditures</u>	<u>5,026,159</u>	<u>5,565,941</u>	<u>4,036,431</u>	<u>1,529,510</u>
<b>REVENUES OVER (UNDER)</b>				
<u>EXPENDITURES</u>	<u>41,021</u>	<u>(438,446)</u>	<u>481,980</u>	<u>920,426</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Fund balance appropriated	34,500	513,967	-	(513,967)
Operating transfers in (out)	(75,521)	(75,521)	(40,000)	35,521
	<u>(41,021)</u>	<u>438,446</u>	<u>(40,000)</u>	<u>(478,446)</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER)</b>				
<u>EXPENDITURES AND OTHER USES</u>	<u>\$ -</u>	<u>\$ -</u>	<u>441,980</u>	<u>\$ 441,980</u>
<b>FUND BALANCES:</b>				
Beginning			<u>5,469,374</u>	
Ending			<u>\$ 5,911,354</u>	

**TOWN OF MANTEO, NORTH CAROLINA**

Exhibit 6

**STATEMENT OF NET POSITION****Water and Sewer Fund****June 30, 2019****With Comparative Totals at June 30, 2018**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,243,145	\$ 1,954,659
Restricted cash and cash equivalents	176,272	169,597
Due from governments	4,613	-
Accounts receivable (net) - billed	115,188	120,121
Accounts receivable (net) - unbilled	214,015	251,855
Total current assets	<u>2,753,233</u>	<u>2,496,232</u>
Non-current assets:		
Capital assets:		
Land	229,735	229,735
Other capital assets, net of depreciation	5,125,549	5,211,683
Total capital assets	<u>5,355,284</u>	<u>5,441,418</u>
Total assets	<u>8,108,517</u>	<u>7,937,650</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension and OPEB deferrals	<u>128,005</u>	<u>78,950</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	61,034	48,445
Accrued salaries and benefits	7,595	3,645
Security deposit	2,000	2,000
Current portion of long-term debt	45,445	75,942
Liabilities payable from restricted assets:		
Customer deposits	176,272	169,597
Total current liabilities	<u>292,346</u>	<u>299,629</u>
Long-term liabilities:		
General obligation bonds payable	-	32,000
NC Revolving loan payable	329,976	366,640
Total OPEB obligation	577,674	543,238
Compensated absences	35,124	29,110
Pension liability	139,850	83,375
Less current portion	(45,445)	(75,942)
Total long-term liabilities	<u>1,037,179</u>	<u>978,421</u>
Total Liabilities	<u>1,329,525</u>	<u>1,278,050</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension and OPEB deferrals	<u>83,624</u>	<u>60,066</u>
<b>NET POSITION</b>		
Net investment in capital assets	5,025,308	5,042,778
Unrestricted	1,798,065	1,635,706
Total net position	<u>\$ 6,823,373</u>	<u>\$ 6,678,484</u>

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

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**TOWN OF MANTEO, NORTH CAROLINA**

Exhibit 7

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION****PROPRIETARY FUND - WATER AND SEWER FUND**

For the Year Ended June 30, 2019

With Comparative Totals For the Year Ended June 30, 2018

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	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>OPERATING REVENUES:</u>		
Water and sewer charges	\$ 1,900,357	\$ 1,903,230
Penalties	20,775	21,982
Water taps and connections	36,940	60,980
FEMA reimbursements	12,177	-
Other	21,125	23,418
Total Operating Revenues	<u>1,991,374</u>	<u>2,009,610</u>
<u>OPERATING EXPENSES:</u>		
Water	710,056	605,163
Sewer	865,192	786,961
Depreciation	310,258	299,355
Total Operating Expenses	<u>1,885,506</u>	<u>1,691,479</u>
<u>OPERATING INCOME (LOSS):</u>	105,868	318,131
<u>NON-OPERATING REVENUES (EXPENSES):</u>		
Interest earned on investments	48,925	27,696
Interest expense	(9,904)	(12,435)
	<u>39,021</u>	<u>15,261</u>
<u>NET INCOME</u>	144,889	333,392
NET POSITION-BEGINNING	<u>6,678,484</u>	<u>6,345,092</u>
NET POSITION - ENDING	<u>\$ 6,823,373</u>	<u>\$ 6,678,484</u>

**TOWN OF MANTEO, NORTH CAROLINA**

**Exhibit 8**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUND - WATER AND SEWER FUND**

**For the Year Ended June 30, 2019**

**With Comparative Amounts for the Year Ended June 30, 2018**

	ENTERPRISE FUNDS	
	2019	2018
Cash Flows from Operating Activities:		
Cash received from customers	\$ 2,029,534	\$ 1,999,093
Cash paid for goods and services	(1,040,932)	(975,013)
Cash paid for salaries	(446,348)	(395,642)
Customer deposits received	6,675	4,811
Net Cash Provided by Operating Activities	<u>548,929</u>	<u>633,249</u>
Cash Flows from Capital and Related Financing Activities:		
Construction of capital assets	(224,125)	(284,672)
Principal paid on notes	(68,664)	(70,664)
Interest paid on notes	(9,904)	(12,435)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(302,693)</u>	<u>(367,771)</u>
Cash Flows from Investing Activities:		
Interest on investments	48,925	27,696
Net Cash Provided By Investing Activities	<u>48,925</u>	<u>27,696</u>
Net Increase in Cash and Cash Equivalents	295,161	293,174
Cash and Cash Equivalents - Beginning of year	<u>2,124,256</u>	<u>1,831,082</u>
Cash and Cash Equivalents - End of year	<u>2,419,417</u>	<u>2,124,256</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	105,868	318,131
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	310,259	299,355
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources		
(Increase) decrease in accounts receivable	42,773	(30,002)
(Increase) decrease in grants receivable	(4,613)	19,484
(Increase) decrease in deferred outflows of resources for pension	(48,504)	46,655
(Increase) decrease in deferred outflows of resources for OPEB	(551)	(3,647)
Increase (decrease) in accounts payable	12,589	(19,330)
Increase (decrease) in customer deposits	6,675	4,811
Increase (decrease) in accrued salaries and benefits	3,950	(14)
Increase (decrease) in net OPEB obligation	34,436	(9,745)
Increase (decrease) in net pension liability	56,475	(47,997)
Increase (decrease) in deferred inflows of resources for pension	(1,772)	(1,704)
Increase (decrease) in deferred inflows of resources for OPEB	25,330	57,166
Increase (decrease) in accrued vacation pay	6,014	86
Net Cash Provided by Operating Activities	<u>\$ 548,929</u>	<u>\$ 633,249</u>

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Manteo, North Carolina, 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 Manteo is a municipal corporation that is governed by an elected mayor and six commissioners. The town provides general government services including police, public works, planning and zoning and water and sewer services. The town contracts with the Roanoke Island Volunteer Fire Department for fire protection.

**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 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 proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise 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, various other taxes and licenses, and federal and state grants. The primary expenditures are for general government services, public safety and street and sanitation services.



**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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The Town reports the following non-major governmental funds:

**Waterfront Docks Special Revenue Fund.** This fund accounts for the operation of the waterfront docks.

**Cemetery Special Revenue Fund.** This fund accounts for the operation of the cemetery.

The Town reports the following major enterprise funds:

**Water and Sewer Fund.** This fund is used to account for the Town's water and sewer operation.

**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 and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement and 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and wastewater systems. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases 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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicle taxes 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 in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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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 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 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 Manteo because the tax is levied by Dare County and remitted to and distributed by the State. 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. 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 department level for all annually budgeted funds and at the project level for the multi-year funds. During the year, several amendments to the original budget were necessary. 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/Inflows 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. Non-participating interest earning contracts are accounted for at cost. The NCCMT is a SEC-registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAM rating from S&P. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .11 years. Both the NCCMT Government and Term Portfolios are reported at fair value.

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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.

3. Restricted Cash and Cash Equivalents

Powell Bill funds are classified as restricted cash because it can be expended only for the purpose of maintaining, repairing, constructing, or reconstructing or widening of streets per G.S. 136-41.1 through 136-41.4. North Carolina and Federal controlled substance excise taxes are classified as restricted assets since they may only be used for law enforcement purposes. Customer deposits held by the Town for the duration of the customer's water service until such time as water service is discontinued when they are returned to the customer in part or in full after satisfying any outstanding balance, are reported as restricted cash.

Governmental Activities:

General Fund:

Streets	\$ 28,722
Drug enforcement	<u>3,978</u>

Total General Fund	\$ <u>32,700</u>
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Business-Type Activities:

Customer deposits	\$ <u>176,272</u>
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Total Business-Type Activities	\$ <u>176,272</u>
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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, 2018.

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. Allowance for doubtful accounts in the water/sewer fund is \$ 53,000. Allowance for doubtful accounts in the dock fund is \$ 1,947.

6. 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 MANTEO**  
**Notes to the Financial Statements**  
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**7. 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

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has several items that meet this criterion, contributions made to the pension plans and OPEB plan in the 2018 fiscal year and other pension and OPEB deferrals. In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – property taxes receivable, pension and OPEB deferrals.

**9. Long-Term Obligations**

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

**10. Compensated Absences**

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

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town

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does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund 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 balance 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 expenses – 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.

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 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 for certain public safety expenditures.

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Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by a majority vote by quorum of Town of Manteo’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.

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

Assigned for docks – portion of remaining fund balance that has been budgeted by the Board for docks in a special revenue fund.

Assigned for cemetery – portion of remaining fund balance that has been budgeted by the Board for the cemetery in a special revenue fund.

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. State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year’s budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

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

**12. Pension**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Local Government Employees’ Retirement System (LGERS) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Manteo’s employer contributions are recognized when due and the Town of Manteo has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

**II. Stewardship, Compliance, and Accountability**

**A. Significant Violations of Finance-Related Legal and Contractual Provisions**

No items to report.

**B. Deficit Fund Balance or Retained Earnings of Individual Funds**

No items to report.

**C. Excess of Expenditures over Appropriations**

No items to report.

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**III. 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 Manteo, 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. The Town has no policy regarding custodial credit risk for deposits.

At June 30, 2019, the Town's deposits had a carrying amount of \$ 592,759 and a bank balance of \$ 704,740. 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, 2019, the Town's petty cash fund totaled \$373.

2. Investments

At June 30, 2019 the Town's investments were as follows:

	<b>Valuation Measurement Method</b>	<b>Book Value At 6/30/19</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust				
Government Portfolio	Fair Value Level 1	\$ 2,117,737	N/A	AAAm
Term Portfolio	Fair Value Level 1	<u>5,758,935</u>	.11 years	Unrated
Total Investments		<u><u>\$ 7,876,672</u></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. The NC Capital Management Trust (NCCMT) is a SEC registered money market mutual fund allowable by G.S. 159-30 (c)(8). The NCCMT is a 2a-7 fund maintaining a AAAm rating from S&P. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .11 years. Both the NCCMT Government and Term Portfolios are reported at fair value.

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*Custodial Risk.* The Town has no policy regarding custodial credit risk for deposits.

3. Capital Assets

**Primary Government**

Capital asset activity for the governmental activities for the year ended June 30, 2019 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>				
Construction in process	\$ 64,103	-	\$ 56,143	\$ 7,960
Land	<u>2,248,876</u>	-	-	<u>2,248,876</u>
<b>Total capital assets not being depreciated</b>	<u>2,312,979</u>	-	<u>56,143</u>	<u>2,256,836</u>
<b>Capital assets being depreciated:</b>				
Buildings	1,851,659	-	-	1,851,659
Other improvements	2,235,405	-	-	2,235,405
Infrastructure	2,421,217	109,648	-	2,530,865
Equipment	703,291	55,818	15,453	743,656
Vehicles	1,615,119	259,684	293,400	1,581,403
Total capital assets being depreciated	<u>8,826,691</u>	<u>425,150</u>	<u>308,853</u>	<u>8,942,988</u>
<b>Less accumulated depreciation for:</b>				
Buildings	585,653	49,231	-	634,884
Other improvements	1,202,944	83,206	-	1,286,150
Infrastructure	306,540	124,336	-	430,876
Equipment	412,137	65,719	15,453	462,403
Vehicles	1,023,339	152,159	293,400	882,098
Total accumulated depreciation	<u>3,530,613</u>	<u>\$ 474,651</u>	<u>\$ 308,853</u>	<u>3,696,411</u>
Total capital assets being depreciated, net	<u>5,296,078</u>			<u>5,246,577</u>
<b>Governmental activity capital assets, net</b>	<u><u>\$7,609,057</u></u>			<u><u>\$7,503,413</u></u>

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

General Government	\$ 216,371
Public Safety	60,063
Environmental Protection and Transportation	<u>198,217</u>
	<u>\$ 474,651</u>



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Capital asset activity for the business-type activities for the year ended June 30, 2019 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 229,735	\$ -	\$ -	\$ 229,735
	229,735	-	-	229,735
<b>Capital assets being depreciated:</b>				
Buildings and plant	7,833,497	93,413	-	7,926,910
Water and sewer lines	2,868,067	32,932	-	2,900,999
Furniture and equipment	169,749	66,843	30,090	206,502
Vehicles	324,293	30,940	20,313	334,920
Total capital assets being depreciated	11,195,606	224,128	50,403	11,369,331
<b>Less accumulated depreciation for:</b>				
Buildings and plant	3,638,791	198,741	-	3,837,532
Water and sewer lines	1,977,407	68,481	-	2,045,888
Furniture and equipment	142,480	10,066	30,090	122,456
Vehicles	225,249	32,970	20,313	237,906
Total accumulated depreciation	5,983,927	\$ 310,258	\$ 50,403	6,243,782
Total capital assets being depreciated, net	5,211,679			5,125,549
<b>Business-type activity capital assets, net</b>	<b>\$ 5,441,414</b>			<b>\$ 5,355,284</b>

**B. Liabilities**

**1. Pension Plan Obligations**

**a. Local Governmental Employees' Retirement System**

*Plan Description.* The Town of Manteo 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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, by calling (919) 707-0500, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last

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day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Manteo 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 Manteo's contractually required contribution rate for the year ended June 30, 2019, was 8.36 % of compensation for law enforcement officers and 7.75 % 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 Manteo were \$147,052 for the year ended June 30, 2019.

*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, 2019, the Town reported a liability of \$ 559,398 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.02358%, which was an increase of 0.00175% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$171,851. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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**Notes to the Financial Statements**  
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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 86,302	\$ 2,896
Changes of assumptions	148,443	-
Net difference between projected and actual earnings on pension plan investments	76,789	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	36,641	1,618
Town contributions subsequent to the measurement date	147,052	-
Total	<u>\$ 495,227</u>	<u>\$ 4,514</u>

\$147,052 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2020	\$ 161,015
2021	107,117
2022	24,071
2023	51,458
2024	-
Thereafter	-
Total	<u>\$ 343,661</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 percent
Investment rate of return	7.00 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 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	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 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 3.05%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. 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 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

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	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Discount</u> <u>Rate</u> <u>(7.00%)</u>	<u>1%</u> <u>Increase</u> <u>(8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1,343,723	\$ 559,398	\$ 95,996

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Manteo 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, 2017 (the valuation date), the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	<u>8</u>
Total	<u><u>9</u></u>

2. *Summary of Significant Accounting Policies:*

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

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

3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates are based on the RP-2014 Mortality table base rates projected to the valuation date using the MP-2015.

*4. Contributions.*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The Town paid \$ 15,779 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, 2019, the Town reported a total pension liability of \$ 275,144. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$ 23,250.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 13,413	\$ 6,093
Changes of assumptions	10,673	9,375
Town benefit payments subsequent to the measurement date	7,890	-
<b>Total</b>	<b>\$ 31,976</b>	<b>\$ 15,468</b>

\$ 7,890 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 3,623
2021	3,623
2022	3,623
2023	(1,718)
2024	(533)
Thereafter	-
<b>Total</b>	<b>\$ 8,618</b>

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

be if it were calculated using a discount rate that is one percentage point lower (2.64 percent) or one percentage point higher (4.64 percent) than the current rate:

	<b>1% Decrease (2.64%)</b>	<b>Discount Rate (3.64%)</b>	<b>1% Increase (4.64%)</b>
Town's pension liability	\$ 293,636	\$ 275,144	\$ 257,963

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

Total pension liability December 31, 2017	\$ 287,725
Changes for the year:	
Service cost at end of year	10,618
Interest	8,843
Change in benefit terms	0
Differences between expected and actuarial experience	(7,554)
Changes of assumptions and other inputs	(8,709)
Benefit payments	(15,779)
Other changes	0
Net changes	<u>\$ (12,581)</u>
Total Pension liability December 31, 2018	<u>\$ 275,144</u>

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

	<u><b>LGERS</b></u>	<u><b>LEOSSA</b></u>	<u><b>TOTAL</b></u>
Pension expense	\$ 171,851	\$ 23,250	\$ 195,101
Pension liability	559,398	275,144	834,542
Proportionate share of pension liability	.02183%	N/A	

**Deferred of Outflows of Resources**

Differences between expected and actual experience	86,302	13,413	99,715
Change of assumptions	148,443	10,673	159,116
Net difference between projected and actual earnings on plan investments	76,789	-	76,789
Changes in proportion and differences between contributions and proportionate share of contributions	36,641	-	36,641
Benefit payments and administrative costs paid subsequent to the measurement date	147,052	7,890	154,942

**Deferred of Inflows of Resources**

Differences between expected and actual experience	2,896	6,093	8,989
Change of assumptions	-	9,375	9,375
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,618	-	1,618

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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c. Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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 five percent of each officer's salary. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019, were \$ 27,544, which consisted of \$ 20,219 from the Town and \$ 7,325 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. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

*Funding Policy.* Beginning July 1, 1995, the Town began making a contribution of five percent for non-law enforcement officers and all amounts contributed are vested immediately. These employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019, were \$ 125,823, which consisted of \$ 73,063 from the Town and \$ 52,760 from employees.

e. 457 Deferred Compensation

*Plan description.* The Town adopted a Supplemental Retirement Income Plan, a defined contribution plan, for all employees beginning June 2013.

*Funding policy.* The Town does not match contributions to the 457 deferred compensation plan. Total contributions for the year ended June 30, 2019 were \$ 4,070 which consisted of \$ 3,610 from regular employees and \$ 460 for law enforcement employees.

f. 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). This plan provides 100% of group health insurance to retirees who have completed 25 years of service with the Town and 50% to retirees who have completed 20 years of service with the Town. The Town will also provide a Medicare Supplement equivalent to Plan F to retirees who have completed 15 years of service with the Town and begun to receive benefits from the NC Local Government Employees Retirement System and Social Security upon retirement. The Town's retirees can purchase coverage for their dependents at the Town group rates. A separate report was not issued for the plan.



**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Inactive Members or Beneficiaries Currently Receiving Benefits	1
Inactive Members Entitled To, But Not Yet Receiving Benefits	0
Active Members	<u>30</u>
Total Membership	31

**TOTAL OPEB LIABILITY**

The Town's total OPEB liability of \$ 2,310,695 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2018 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	1.000%
Wage inflation	3.50%
Salary increases, including wage inflation:	
General Employees	3.50%-7.75%
Law Enforcement Officers	3.50%-7.35%
Municipal Bond Index Rate:	
Prior measurement date	3.56%
Measurement date	3.89%
Health Care Cost Trends:	
Pre-Medicare	7.50 % for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.50% for 2017 decreasing to an Ultimate rate of 5.00% by 2020

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.

**Changes in Total OPEB Liability**

Total OPEB liability June 30, 2017	\$ 2,262,951
Changes for the year:	
Service cost at end of year	132,331
Interest on TOL and Cash Flows	80,284
Change in benefit terms	0
Differences between expected and actuarial experience	(1,057)
Changes of assumptions and other inputs	(148,114)
Benefit payments	(15,700)
Other changes	<u>0</u>
Net changes	\$ <u>(47,744)</u>
Total OPEB liability June 30, 2018	\$ <u>2,310,695</u>

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, 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, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 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 3.89 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 (2.89 percent) or one percentage point higher (4.89 percent) than the current rate:

	<b>1% Decrease (2.89%)</b>	<b>Discount Rate (3.89%)</b>	<b>1% Increase (4.89%)</b>
Town's total OPEB liability	\$ 2,801,550	\$ 2,310,695	\$ 1,930,044

*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	\$ 1,868,919	\$ 2,310,695	\$ 2,900,196

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$ 164,760. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,739
Changes of assumptions	-	328,243
Benefit payments and administrative costs subsequent to the measurement date	16,792	-
<b>Total</b>	<b>\$ 16,792</b>	<b>\$ 329,982</b>

\$ 16,792 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

Year ended June 30:		
2019	\$	(47,855)
2020		(47,855)
2021		(47,855)
2022		(47,855)
2023		(47,855)
Thereafter		(90,707)
Total	\$	<u>(329,982)</u>

**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 benefit payments 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, 2019 the Town made contributions to the State for death benefits of \$ 3,781. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.22% and 0.14% of covered payroll respectively.

**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	\$	147,052
Benefit payments made for LEOSA subsequent to measurement date		7,890
Benefit payments made for OPEB subsequent to measurement date		16,792
Differences between expected and actual experience		99,715
Changes of assumptions		159,116
Net difference between projected and actual earnings on plan investments		76,789
Changes in proportion and difference between contributions and proportionate share of contributions		<u>36,641</u>
Total	\$	<u>543,995</u>

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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

	<u>Statement of Net Position</u>	<u>Government Funds Balance Sheet</u>
Taxes receivable (General Fund)	\$ -	\$ 28,582
Differences between expected and actual experience	10,728	-
Changes of assumptions	337,618	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and difference between contributions and proportionate share of contributions	<u>1,618</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 349,964</u></b>	<b><u>\$ 28,582</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.

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 done so for its town hall building.

The Town carries a bond on its finance officer for \$ 50,000 and employee dishonesty insurance with a \$ 10,000 limit per occurrence.

**5. Long Term Obligations – Changes in Long-Term Liabilities**

**Water and Sewer Fund – North Carolina Water Pollution Control Revolving Fund**

On November 30, 2007 the Town entered into a \$ 733,280 direct placement contract with the State of North Carolina to construct the Bowsertown lift station. This note is not secured by a pledge of the faith and credit of the State of North Carolina or of the Town, but is payable solely from the revenues of the Project or benefited systems, or other available funds. The terms of the note require 20 annual principal payments of \$ 36,664 on May 1 plus semi-annual interest payments of 2.265% on May 1 and November 1 calculated on the unpaid principal balance.

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

A summary of changes in long-term debt follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increase</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>portion of</u> <u>balance</u>
Governmental activities:					
By type of debt:					
Compensated absences	\$ 86,215	\$ 6,304	\$ -	\$ 92,519	\$ 23,130
Net pension obligation (LGERS)	250,127	169,421	-	419,548	-
Total pension obligation (LEO)	287,725	-	12,581	275,144	-
Total OPEB obligation	1,719,713	13,308	-	1,733,021	-
Governmental Activity Long-Term Liabilities	<u>\$ 2,343,780</u>	<u>\$ 189,033</u>	<u>\$ 12,581</u>	<u>\$ 2,520,232</u>	<u>\$ 23,130</u>
Business-type activities:					
Compensated absences	\$ 29,111	\$ 6,013	\$ -	\$ 35,124	\$ 8,781
Net pension obligation (LGERS)	83,375	56,476	-	139,851	-
Total OPEB obligation	543,238	34,436	-	577,674	-
GO Bonds	32,000	-	32,000	-	-
Direct Placement Note Payable	366,639	-	36,664	329,975	36,664
Business-type Activity Long-Term Liabilities	<u>\$ 1,054,363</u>	<u>\$ 96,925</u>	<u>\$ 68,664</u>	<u>\$ 1,082,624</u>	<u>\$ 45,445</u>

A summary of future debt-service obligations is as follows:

	<u>Principal</u>	<u>Interest</u>
Business-type activities:		
2020	36,664	7,474
2021	36,664	6,644
2022	36,664	5,814
2023	36,664	4,983
2024	36,664	4,152
2025-2028	146,655	8,306
Total	<u>\$ 329,975</u>	<u>\$ 37,373</u>

**C. Inter-fund Balances and Activity**

Transfers to/from other funds at June 30, 2019, consist of the following:

From the General Fund to the Dock Fund (for dock operations)	\$ 40,000
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**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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**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		\$ 5,911,354
Less:		
Non-spendable for prepaid expenses	\$ 9,213	
Reserved for drug enforcement	3,978	
Stabilization by State Statute	476,432	
Streets – Powell Bill	28,722	
Appropriated for 2019-2020 budget	363,444	
Working capital/fund balance policy	<u>3,057,323</u>	
Total reductions		<u>(3,939,112)</u>
Remaining Fund Balance		<u>\$ 1,972,242</u>

The Town has a minimum fund balance policy which requires a minimum balance of 75% of the previous fiscal year's general fund expenditures which is \$ 3,057,323. This is a decrease in dollar amount over the prior year of \$ 712,893 since general fund expenditures in the prior year included \$ 735,604 for a dredging project.

Outstanding encumbrances at year-end are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances in the general fund at June 30, 2019, were \$ 20,126 primarily for redesign of website and are included in the Stabilization by State Statute calculation of \$ 1,268,227 for the general fund above.

Encumbrances in the dock fund at June 30, 2019 were \$ 10,938 for electrical work at the docks,

There were no encumbrances outstanding in the water/sewer fund at June 30, 2019.

**IV. 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.

**Water Purchase Contract**

A water purchase contract was executed with Dare County in February 2012 for a period of 15 years to adjust the wholesale cost of water purchased to be the same as other municipalities in Dare County. The water rate can be adjusted annually with the increase or decrease in rates to be based on a demonstrable increase or decrease in costs. For the year ended June 30, 2019 the Town purchased water at a rate of \$ 1.891 per thousand gallons for a total cost of \$ 165,214.

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2019**

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Municipal Waste Management Agreement

On January 30, 2009, the Town renewed its Municipal Waste Management Agreement with Dare County, a member of the Albemarle Regional Solid Waste Authority, for disposal of solid waste. Charges are based on the Town's actual tonnage of solid waste; the rate in effect for the year ended June 30, 2019 was \$ 73.15 per ton.

**V. Subsequent Events**

Management has evaluated subsequent events through October 10, 2019, the date on which the financial statements were available to be issued.

## TOWN OF MANTEO, NORTH CAROLINA

### Town of Manteo's Proportionate Share of Net Pension Liability (Asset)

#### Required Supplementary Information

#### Last Six Fiscal Years\*

#### Local Governmental Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Town of Manteo's proportion of the net pension liability (asset) (%)	0.02358%	0.02183%	0.02476%	0.02405%	0.02498%	0.02400%
Town of Manteo's proportion of the net pension liability (asset) (\$)	\$ 559,398	\$ 333,502	\$ 525,490	\$ 107,935	\$ (147,319)	\$ 292,908
Town of Manteo's covered-employee payroll	\$ 1,755,942	\$ 1,650,932	\$ 1,736,768	\$ 1,611,154	\$ 1,559,730	\$ 1,489,789
Town of Manteo's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.86%	20.20%	30.26%	6.70%	-9.45%	19.66%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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



# TOWN OF MANTEO, NORTH CAROLINA

## Town of Manteo's Contributions Required Supplementary Information Last Six Fiscal Years\*

### Local Governmental Employees' Retirement System

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	2019	2018	2017	2016	2015	2014
Contractually required contribution	147,052	134,242	122,239	117,237	117,536	113,058
Contributions in relation to the contractually required contribution	147,052	134,242	122,239	117,237	117,536	113,058
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Manteo's covered payroll	\$ 1,865,623	\$ 1,755,942	\$ 1,650,932	\$ 1,763,768	\$ 1,611,154	\$ 1,559,730
Contributions as a percentage of covered-employee payroll	7.88%	7.65%	7.40%	6.65%	7.30%	7.25%

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning Balance	\$ 287,725	\$ 245,148	\$ 249,422
Service Cost	10,618	10,012	7,576
Interest on the total pension liability	8,843	9,158	8,623
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(7,554)	21,821	-
Changes of assumptions or other inputs	(8,709)	17,365	(4,694)
Benefit payments	(15,779)	(15,779)	(15,779)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 275,144</u>	<u>\$ 287,725</u>	<u>\$ 245,148</u>

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

# TOWN OF MANTEO, NORTH CAROLINA

## Schedule of Total Pension Liability as a Percentage of Covered Payroll Law Enforcement Officers' Special Separation Allowance Last Three Fiscal Years

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	<u>2019</u>		<u>2018</u>		<u>2017</u>
Total pension liability	\$ 275,144	\$	287,725	\$	245,148
Covered payroll	\$ 442,755	\$	431,416	\$	319,350
Total pension liability as a percentage of covered payroll	62.14%		66.69%		76.76%

Notes to the schedules:

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

**TOWN OF MANTEO, NORTH CAROLINA**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**For the Year Ended June 30, 2019**

	<u>2019</u>	<u>2018</u>
Service Cost	\$ 132,331	\$ 150,542
Interest on the total OPEB liability and Cash Flows	80,284	69,509
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(1,057)	(1,052)
Changes of assumptions or other inputs	(148,114)	(257,981)
Benefit payments	(15,700)	(14,554)
Other changes	-	-
Net change in total OPEB liability	<u>47,744</u>	<u>(53,536)</u>
Total OPEB liability - beginning	<u>2,262,951</u>	<u>2,316,487</u>
Total OPEB liability - ending	<u>\$ 2,310,695</u>	<u>\$ 2,262,951</u>
Covered payroll	\$ 1,537,256	\$ 1,537,256
Total OPEB liability as a percentage of covered payroll	150.31%	147.21%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. Discount rates used in each period:

3.89%	3.56%
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# TOWN OF MANTEO, NORTH CAROLINA

Schedule 1

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2019

With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
<b><u>REVENUES</u></b>				
<b><u>AD VALOREM TAXES:</u></b>				
Current year ad valorem	\$ 2,000,000	\$ 2,047,300	\$ 47,300	\$ 2,002,119
Prior year ad valorem	14,000	14,730	730	18,168
Motor vehicle taxes	65,000	81,901	16,901	70,954
Penalties and interest	4,500	6,405	1,905	4,831
	<u>2,083,500</u>	<u>2,150,336</u>	<u>66,836</u>	<u>2,096,072</u>
<b><u>OTHER TAXES AND LICENSES:</u></b>				
Local option sales tax	663,000	662,231	(769)	671,647
Occupancy tax	663,907	699,255	35,348	705,936
Land transfer tax	170,000	173,308	3,308	172,965
	<u>1,496,907</u>	<u>1,534,794</u>	<u>37,887</u>	<u>1,550,548</u>
<b><u>UNRESTRICTED INTERGOVERNMENTAL REVENUES:</u></b>				
ABC Revenue	65,000	58,947	(6,053)	57,717
Franchise tax	265,000	265,543	543	254,368
Peg channel revenue	56,500	47,786	(8,714)	54,063
Solid waste tax	1,200	1,105	(95)	1,063
Beer and wine tax	6,500	6,836	336	6,770
	<u>394,200</u>	<u>380,217</u>	<u>(13,983)</u>	<u>373,981</u>
<b><u>RESTRICTED INTERGOVERNMENTAL REVENUES:</u></b>				
State:				
Powell Bill allocation	34,500	34,189	(311)	34,444
NC Dept. of Env. Qty-Doughs Creek	480,000	-	(480,000)	495,512
NC Dept. Nat. Cult. Resources-				
Historic RI Fund-Doughs Creek	265,000	-	(265,000)	247,756
Controlled substance reimbursement	125	2,031	1,906	-
FEMA revenues	-	11,408	11,408	-
Federal:				
FEMA revenues	-	34,224	34,224	-
Local:				
Government Access Channel	10,000	10,000	-	10,000
DCTB-Dare Days	25,000	20,000	(5,000)	20,000
DCTB-Cycle NC	6,000	-	(6,000)	-
DCTB-New Year's Eve	17,500	17,500	-	15,000
DCTB-Museum grant	6,000	4,232	(1,768)	5,837
Contribution	-	-	-	20,528
DCTB-Fireworks	11,750	11,750	-	10,000
	<u>855,875</u>	<u>145,334</u>	<u>(710,541)</u>	<u>859,077</u> <sup>50</sup>

# TOWN OF MANTEO, NORTH CAROLINA

Schedule 1

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2019

With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
<b>PERMITS AND FEES:</b>				
Building permits and review fees	42,000	40,744	(1,256)	37,173
	<u>42,000</u>	<u>40,744</u>	<u>(1,256)</u>	<u>37,173</u>
<b>SALES AND SERVICES:</b>				
Court costs	900	597	(303)	478
Violations	1,500	1,425	(75)	1,450
Museum events	4,550	2,125	(2,425)	3,735
Museum registration fees	17,000	11,580	(5,420)	16,395
Museum donations	500	100	(400)	125
Museum sponsorships	400	1,000	600	-
	<u>24,850</u>	<u>16,827</u>	<u>(8,023)</u>	<u>22,183</u>
<b>INVESTMENT EARNINGS</b>	<u>104,000</u>	<u>120,635</u>	<u>16,635</u>	<u>68,363</u>
<b>OTHER REVENUES:</b>				
Rents	7,560	1,390	(6,170)	8,190
Vendor fees	7,700	5,985	(1,715)	6,490
Cable franchise fee	9,588	-	(9,588)	2,463
Sale of fixed assets	5,000	20,969	15,969	6,108
Trash containers/rain barrels	16,000	19,417	3,417	20,915
Dare Days income	15,000	14,330	(670)	31,155
New Year's contributions	15,000	17,135	2,135	9,165
Miscellaneous	50,315	50,298	(17)	4,683
	<u>126,163</u>	<u>129,524</u>	<u>3,361</u>	<u>89,169</u>
<b>TOTAL REVENUES</b>	<b>\$ 5,127,495</b>	<b>\$ 4,518,411</b>	<b>\$ (609,084)</b>	<b>\$ 5,096,566</b>

## **EXPENDITURES**

### GENERAL GOVERNMENT:

#### Governing body:

Salaries	\$ 67,800	\$ 65,150
Payroll taxes	5,187	4,984
Workers compensation insurance	126	126
BOC Discretionary fund	5,154	3,588
Travel	426	1,503
Advertising	1,468	1,347
Contributions	100	1,166
Government access programming	1,000	1,000
Government Access Channel grant	15,208	10,000
Information technology	21,805	7,242
Fax line reimbursement	108	192
Marketing projects	439	2,904 <sub>51</sub>

# TOWN OF MANTEO, NORTH CAROLINA

Schedule 1

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2019

With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
	<u>151,600</u>	<u>118,821</u>	<u>32,779</u>	<u>99,202</u>
Planning Board:				
Salaries		10,000		9,000
Payroll taxes		765		689
Miscellaneous		-		225
	<u>13,150</u>	<u>10,765</u>	<u>2,385</u>	<u>9,914</u>
Public Buildings:				
Telephone and postage		17,851		17,933
Utilities		17,332		19,149
Dues and subscriptions		-		395
Maintenance and repairs		51,229		50,425
Contracted services-public bathrooms		19,996		21,424
Contracted services-cleaning		3,810		3,640
Abandoned boat removal		-		5,780
Information technology		8,829		9,278
Supplies		8,149		8,523
Copier lease		-		-
Skateboard Park		1,169		1,580
Playground equipment		8,283		5,200
Camera project		-		1,505
Hurricane expenses		345		-
Dredging		4,620		735,604
	<u>501,924</u>	<u>141,613</u>	<u>360,311</u>	<u>880,436</u>
Administration:				
Salaries		260,920		252,937
Payroll taxes		19,444		18,570
Retirement		32,644		32,095
Health insurance		34,048		39,976
Workers compensation insurance		700		515
Workers compensation deductible		3,927		6,504
Property deductible		1,000		-
Unemployment		-		459
Professional services		27,691		4,249
Legal fees		94,264		54,979
Recodification and minute restoration		2,461		2,205
Election		-		3,570
Travel and training		6,144		13,467
Advertising		1,350		1,194
Public relations supplies		9,143		9,839
Vehicle supplies		627		672
Department supplies		4,453		3,255
Maintenance and repair		677		1,470
Dues and subscriptions		6,578		5,449
Insurance and bonds		29,386		21,487
Information technology		64,776		18,566
Wellness program		178		986 <sup>52</sup>

# TOWN OF MANTEO, NORTH CAROLINA

Schedule 1

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2019

With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Hurricane Florence		363		-
PEG Channel to Dare County		53,786		54,063
Copier leasing		4,423		3,278
Ordinance fine remittance to BOE		1,425		1,450
	<u>1,118,602</u>	<u>660,408</u>	<u>458,194</u>	<u>551,235</u>
Finance:				
Salaries		138,197		122,417
Payroll taxes		10,229		9,025
Retirement		18,219		15,323
Health insurance		18,015		27,822
Workers compensation insurance		194		250
Dare County for tax collections		33,938		33,041
Late list fees to Board of Education		4,015		2,453
Travel & training		2,621		6,154
Information technology		2,144		1,313
Bank fees		3,966		3,135
Professional services		5,573		225
Contracted services		313		938
Audit contract		17,422		15,088
Supplies		3,329		3,317
Dues and subscriptions		125		368
	<u>295,060</u>	<u>258,300</u>	<u>36,760</u>	<u>240,869</u>
Planning Department:				
Salaries		102,100		83,259
Payroll taxes		7,048		5,614
Retirement		9,399		8,487
Health insurance		21,447		24,296
Workers compensation insurance		1,802		250
Professional services		1,813		2,642
Maintenance and repairs		1,705		704
Advertising		198		204
Auto supplies		182		39
Travel and training		5,736		3,121
Supplies		4,617		1,025
Printing		623		255
Information technology		6,361		15,240
Dues and subscriptions		484		120
Oyster project		-		1,199
Permits and fees		-		206
Long range planning		237		35
Zoning ordinance update		-		386
Land use plan update		-		696
Implement 20 year plan		21,317		55
Hurricane Florence		46		-
Refund of fees		100		50
	<u>263,436</u>	<u>185,215</u>	<u>78,221</u>	<u>147,883<sub>53</sub></u>



# TOWN OF MANTEO, NORTH CAROLINA

Schedule 1

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2019

With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Museum:				
Salaries		87,412		73,667
Payroll taxes		6,242		5,137
Retirement		10,125		9,348
Health insurance		16,749		18,897
Workers compensation insurance		127		125
Uniforms		1,847		1,602
Auto supplies		51		290
Supplies		9,061		12,300
Telephone and postage		1,800		2,041
Utilities		8,051		10,460
Maintenance and repairs		14,591		16,589
Restore shad boat		1,808		10,104
Advertising		604		569
Information technology		5,141		4,420
Travel and training		1,631		2,250
Contracted services		610		2,188
Sailing instructors		-		9,486
Events		11,749		12,354
Hurricanes expenses		2,611		-
Dues and subscriptions		609		829
Total Museum	221,061	180,819	40,242	192,656
Cultural Projects:				
Special event Chairman salary		3,316		900
Payroll taxes		-		69
Christmas		14,353		9,736
Dare Days		39,302		64,821
Farmer's Market		1,663		3,386
First Friday, Terrific Tuesday		6,000		6,000
Children projects		3,606		2,756
New Year's Eve		50,087		38,832
Other		3,517		2,967
July 4th		42,955		46,587
Total Cultural and Recreational	216,775	164,799	51,976	176,054
TOTAL GENERAL GOVERNMENT	2,781,608	1,720,740	1,060,868	2,298,249
PUBLIC SAFETY:				
Police Department:				
Salaries		456,338		460,962
Payroll taxes		33,527		33,225
Retirement		60,582		60,879
Health insurance		122,173		153,560
Workers compensation insurance		12,278		9,952
Separation allowance		15,779		15,779
Reserve officer fees		4,499		2,811 <sup>54</sup>

# TOWN OF MANTEO, NORTH CAROLINA

Schedule 1

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2019

With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Advertising		242		756
Travel and training		2,883		11,003
Maintenance and repair		23,555		23,150
Telephone and postage		17,645		14,572
Auto supplies		12,481		15,821
Department supplies		25,158		20,680
Copier lease		1,395		1,860
Contracted services		-		1,883
Information technology		56,175		41,148
Community policing		9,990		6,333
Uniforms		10,607		9,851
Dues and subscriptions		380		345
Medical		1,111		1,365
Firing range		1,010		1,000
K-9 expenses		3,536		3,116
Hurricane expenses		110		-
Capital outlay		133,612		69,564
	<u>1,208,027</u>	<u>1,005,066</u>	<u>202,961</u>	<u>959,615</u>
Fire Department:				
Contracted services	<u>234,000</u>	<u>234,000</u>	-	<u>234,000</u>
	<u>234,000</u>	<u>234,000</u>	-	<u>234,000</u>
<b>TOTAL PUBLIC SAFETY</b>	<u>1,442,027</u>	<u>1,239,066</u>	<u>202,961</u>	<u>1,193,615</u>
<b>TRANSPORTATION AND ENVIRONMENTAL PROTECTION:</b>				
Streets and Sanitation:				
Salaries		335,719		311,199
Payroll taxes		24,851		22,999
Retirement		44,714		39,492
Health insurance		65,046		70,374
Workers compensation insurance		10,337		7,801
Uniforms		8,725		6,637
Utilities		29,532		32,899
Contracted services		9,896		270
Information technology		691		-
Maintenance and repair		67,702		28,689
Repair and maintenance-streets		3,212		18
Repair and maintenance-parks		4,769		3,238
Auto supplies		24,460		23,199
Telephone and postage		4,662		5,164
Travel and training		3,294		4,544
Medical services		132		30
Advertising		123		671
Purchase for resale		16,505		15,400
Dues and subscription		321		256
Supplies		12,295		12,557 <sup>55</sup>

# TOWN OF MANTEO, NORTH CAROLINA

Schedule 1

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2019

With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
Garbage disposal		157,015		160,282
Recycling		34,089		28,101
Hurricane expenses		19,426		-
Capital Outlay		140,610		325,234
	<u>1,144,655</u>	<u>1,018,126</u>	<u>126,529</u>	<u>1,099,054</u>
Powell Bill:				
Professional services		-		1,098
Maintenance and repairs		8,849		18,692
Capital outlay		-		74,194
	<u>34,500</u>	<u>8,849</u>	<u>25,651</u>	<u>93,984</u>
Stormwater:				
Construction and engineering		49,650		303,629
	<u>163,151</u>	<u>49,650</u>	<u>113,501</u>	<u>303,629</u>
TOTAL TRANSPORTATION AND ENVIRONMENTAL PROTECTION	<u>1,342,306</u>	<u>1,076,625</u>	<u>265,681</u>	<u>1,496,667</u>
<b>TOTAL EXPENDITURES</b>	<b>5,565,941</b>	<b>4,036,431</b>	<b>1,529,510</b>	<b>4,988,531</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(438,446)</b>	<b>481,980</b>	<b>920,426</b>	<b>108,035</b>
OTHER FINANCING SOURCES (USES):				
Fund balance appropriated	513,967	-	(513,967)	-
Operating transfers:				
To Special Revenue Fund	(75,521)	(40,000)	35,521	(100,000)
	<u>438,446</u>	<u>(40,000)</u>	<u>(478,446)</u>	<u>(100,000)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	<b>441,980</b>	<b>\$ 441,980</b>	<b>8,035</b>
<b>FUND BALANCE:</b>				
Beginning of year, July 1		<u>5,469,374</u>		<u>5,461,328</u>
End of year, June 30		<u>\$ 5,911,354</u>		<u>\$ 5,469,363</u>

**TOWN OF MANTEO, NORTH CAROLINA**

Schedule 2

**NON-MAJOR GOVERNMENTAL FUNDS**

**COMBINING BALANCE SHEET**

**June 30, 2019**

	Cemetery Fund	Dock Fund	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 442,770	\$ 41,067	\$ 483,837
Accounts receivable (net of allowance)	-	-	-
Due from governments	-	10,852	10,852
Prepaid expenses	-	3,497	3,497
Total Assets	<u>442,770</u>	<u>55,416</u>	<u>498,186</u>
<u>LIABILITIES</u>			
Accounts payable	-	20,791	20,791
Accrued salaries and benefits	-	1,441	1,441
Total Liabilities	-	<u>22,232</u>	<u>22,232</u>
<u>FUND BALANCES:</u>			
Nonspendable			
Prepaid expenses	-	3,497	3,497
Restricted			
Stabilization by State Statute	-	10,852	10,852
Assigned			
Cemetery	442,770	-	442,770
Docks	-	18,835	18,835
Total Fund Balances	<u>442,770</u>	<u>33,184</u>	<u>475,954</u>
TOTAL LIABILITIES and FUND BALANCES	<u>\$ 442,770</u>	<u>\$ 55,416</u>	<u>\$ 498,186</u>

**TOWN OF MANTEO, NORTH CAROLINA**

Schedule 3

**NON-MAJOR GOVERNMENTAL FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES**

**For the Year Ended June 30, 2019**

	Cemetery Fund	Dock Fund	Total
<b>REVENUES:</b>			
Cemetery revenues	\$ 12,650	\$ -	\$ 12,650
Dock revenues	-	198,621	198,621
Investment earnings	8,646	-	8,646
	<u>21,296</u>	<u>198,621</u>	<u>219,917</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES:</b>			
General government	1,125	246,178	247,303
	<u>1,125</u>	<u>246,178</u>	<u>247,303</u>
<b>TOTAL EXPENDITURES</b>			
<b>REVENUES (UNDER) EXPENDITURES</b>	<u>20,171</u>	<u>(47,557)</u>	<u>(27,386)</u>
<b>OTHER FINANCING SOURCES:</b>			
Transfers	-	40,000	40,000
	<u>-</u>	<u>40,000</u>	<u>40,000</u>
<b>TOTAL OTHER FINANCING SOURCES</b>			
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	20,171	(7,557)	12,614
<b>FUND BALANCES:</b>			
Beginning of year - July 1	422,599	40,741	463,340
End of year - June 30	<u>\$ 442,770</u>	<u>\$ 33,184</u>	<u>\$ 475,954</u>

**TOWN OF MANTEO, NORTH CAROLINA**  
**CEMETERY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2019**  
**With Comparative Actual Amounts for the Year Ended June 30, 2018**

Schedule 4

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
<b><u>REVENUES:</u></b>				
Internment fees	\$ -	\$ 1,650	\$ 1,650	\$ 2,100
Lot sales	-	11,000	11,000	13,000
Grant income	10,000	-	-	10,000
Interest income	350	8,646	8,296	5,072
	<u>11,000</u>	<u>21,296</u>	<u>20,946</u>	<u>30,172</u>
<b><u>EXPENDITURES:</u></b>				
Cemetery operations	22,300	1,125	21,175	14,876
	<u>22,300</u>	<u>1,125</u>	<u>21,175</u>	<u>14,876</u>
<b><u>REVENUES OVER EXPENDITURES</u></b>	<u>(11,300)</u>	<u>20,171</u>	<u>42,121</u>	<u>15,296</u>
<b><u>OTHER FINANCING SOURCES</u></b>				
<b><u>(USES):</u></b>				
Transfer from (to) General Fund	11,300	-	(11,300)	-
	<u>11,300</u>	<u>-</u>	<u>(11,300)</u>	<u>-</u>
<b><u>EXCESS OF REVENUES AND</u></b>				
<b><u>OTHER SOURCES (USES)</u></b>				
<b><u>OVER EXPENDITURES</u></b>	<u>\$ -</u>	<u>20,171</u>	<u>\$ 30,821</u>	<u>15,296</u>
<b><u>FUND BALANCE:</u></b>				
Beginning of year, July 1		<u>422,599</u>		<u>407,303</u>
End of year, June 30		<u>\$ 442,770</u>		<u>\$ 422,599</u>

# TOWN OF MANTEO, NORTH CAROLINA

Schedule 5

## WATERFRONT DOCKS FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2019

With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
<b><u>REVENUES:</u></b>				
Dock rent	\$ 205,000	\$ 180,217	\$ (24,783)	\$ 185,622
Event income	7,000	5,750	(1,250)	6,000
FEMA reimbursements	-	10,852	10,852	38,900
CAMA Grant	96,903	-	(96,903)	-
Miscellaneous	2,000	1,802	(198)	1,962
	<u>310,903</u>	<u>198,621</u>	<u>(112,282)</u>	<u>232,484</u>
<b><u>EXPENDITURES:</u></b>				
<b><u>DOCK</u></b>				
Salaries		88,487		74,494
Payroll taxes		6,882		5,699
Retirement		10,394		9,116
Health insurance		9,687		11,026
Workers compensation insurance		127		125
Professional services		-		500
Audit		1,018		880
Uniforms		739		701
Supplies		2,855		3,269
Telephone and postage		1,479		1,881
Utilities		37,544		34,931
Repair and maintance		15,390		20,188
Advertising		11,023		9,638
Information tehcnology		7,505		4,396
Travel and training		399		525
Cleaning services		7,516		8,959
Contracted services		780		5,455
Insurance		2,981		4,199
Waterfront condo fee		12,078		7,358
Bank fees		4,687		4,287
Dues and subscriptions		250		-
Hurricane expenses		12,410		-
Bad debt allowance		1,947		-
Capital outlay-dock		10,000		118,950
	<u>399,275</u>	<u>246,178</u>	<u>153,097</u>	<u>326,577</u>
<b><u>REVENEUS OVER (UNDER) EXPENDITURES</u></b>	(88,372)	(47,557)	40,815	(94,093)
<b><u>OTHER FINANCING SOURCES</u></b>				
Transfer From General Fund	75,521	40,000	(35,521)	100,000
Fund Balance Appropriated	12,851	-	(12,851)	-
<b><u>TOTAL OTHER FINANCING SOURCES</u></b>	<u>88,372</u>	<u>40,000</u>	<u>(48,372)</u>	<u>100,000</u>

**TOWN OF MANTEO, NORTH CAROLINA**

Schedule 5

**WATERFRONT DOCKS FUND****SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2019

With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Favorable (Unfavorable)	2018
	Budget	Actual		Actual
<b><u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u></b>	<u>\$ -</u>	<u>\$ (7,557)</u>	<u>\$ (7,557)</u>	<u>\$ 5,907</u>
<b><u>FUND BALANCE:</u></b>				
Beginning of year, July 1		<u>40,741</u>		<u>34,834</u>
End of year, June 30		<u>\$ 33,184</u>		<u>\$ 40,741</u>



**TOWN OF MANTEO, NORTH CAROLINA**

**WATER AND SEWER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

**BUDGET AND ACTUAL (NON-GAAP)**

For the Year Ended June 30, 2019

With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Favorable Unfavorable	2018
	Budget	Actual		
<b>REVENUES:</b>				
<u>Operating Revenues:</u>				
Water charges	\$ 812,000	\$ 830,165	\$ 18,165	\$ 838,182
Sewer charges	1,036,000	1,070,192	34,192	1,065,428
Taps and connections	60,600	36,940	(23,660)	60,980
Reconnections	13,500	9,400	(4,100)	12,250
Penalties	25,000	20,775	(4,225)	21,982
Other revenue	1,500	2,125	625	1,568
	<u>1,948,600</u>	<u>1,969,597</u>	<u>20,997</u>	<u>2,000,390</u>
<u>Non-operating Revenues:</u>				
Rent income	9,600	9,600	-	9,600
FEMA reimbursements	-	12,177	12,177	-
Interest income	36,000	48,925	12,925	27,696
	<u>45,600</u>	<u>70,702</u>	<u>25,102</u>	<u>37,296</u>
<b>TOTAL REVENUES</b>	<u>1,994,200</u>	<u>2,040,299</u>	<u>46,099</u>	<u>2,037,686</u>

**EXPENDITURES:**

WATER:

<u>Administration:</u>				
Salaries		62,058		57,026
Payroll taxes		4,578		4,193
Retirement		8,218		7,340
Health insurance		8,887		7,791
Workers compensation insurance		97		125
Audit		3,655		4,015
Cleaning services		1,590		1,560
Contracted services		-		250
Professional services		892		-
Postage		-		-
Travel and training		1,003		3,151
Department supplies		396		333
Software maintenance		1,691		1,313
Information technology		5,420		1,141
OSHA compliance		-		239
Capital outlay		15,000		-
Bad debt allowance		20,000		-
	<u>134,880</u>	<u>133,485</u>	<u>1,395</u>	<u>88,477</u>

WATER:

<u>Operations:</u>				
Salaries		167,937		144,912
Payroll taxes		12,006		10,117
Retirement		21,637		18,192
Health insurance		55,398		53,559
Workers compensation insurance		4,197		4,320
Dues and subscriptions		213		-
Printing		36		-
Advertising		909		129
Professional services		9,883		6,836
Water billing fees		1,228		1,096

**TOWN OF MANTEO, NORTH CAROLINA**

**WATER AND SEWER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

**BUDGET AND ACTUAL (NON-GAAP)**

For the Year Ended June 30, 2019

With Comparative Actual Amounts for the Year Ended June 30, 2018

	2019		Variance Favorable Unfavorable	2018
	Budget	Actual		
Repairs and maintenance-equipment		6,040		3,327
Repairs and maintenance-lines		29,357		43,407
Telephone and postage		7,939		7,194
Auto supplies		3,454		3,043
Plant supplies		10,122		4,345
Travel and training		3,780		2,616
Information technology		12,408		2,523
Insurance and bonds		17,576		14,957
Lab tests		1,130		11,519
Bulk water		165,214		155,005
Uniforms		4,221		2,305
Copier lease		196		587
Contracted services		141		182
Meter installation		19,684		16,287
Refunds		-		200
Hurricane expenses		279		-
Permits and fines		870		-
Capital outlay		50,968		94,886
	<u>1,290,918</u>	<u>606,823</u>	<u>684,095</u>	<u>601,544</u>
<u>Total Water</u>	<u>1,425,798</u>	<u>740,308</u>	<u>685,490</u>	<u>690,021</u>
<b>SEWER:</b>				
Administration:				
Salaries		62,058		57,026
Payroll taxes		4,578		4,193
Retirement		8,218		7,340
Health insurance		8,887		7,791
Workers compensation insurance		97		125
Audit		3,655		4,015
Cleaning		1,590		-
Contracted services		-		1,560
Professional services		892		250
Postage		-		-
Travel and training		1,003		3,151
Department supplies		396		333
Software maintenance		1,691		1,313
Information technology		5,420		1,141
OSHA compliance		-		239
Capital outlay		15,000		-
Bad debt allowance		20,000		(380)
	<u>134,880</u>	<u>133,485</u>	<u>1,395</u>	<u>88,097</u>
<b>SEWER:</b>				
Operations:				
Salaries		163,869		136,744
Payroll taxes		11,668		9,470
Retirement		21,321		17,563
Health insurance		47,594		53,560
Workers compensation insurance		5,147		3,700
Professional services		15,287		8,064
Sewer billing fees		1,228		1,095
Advertising		610		129
Utilities		51,507		49,847
Repairs and maintenance-equipment		6,314		3,377

**TOWN OF MANTEO, NORTH CAROLINA**

Schedule 6

**WATER AND SEWER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

**BUDGET AND ACTUAL (NON-GAAP)**

**For the Year Ended June 30, 2019**

**With Comparative Actual Amounts for the Year Ended June 30, 2018**

	2019		Variance Favorable Unfavorable	2018
	Budget	Actual		
Repairs and maintenance - plant		35,511		68,263
Repairs and maintenance - collection system		63,050		49,452
Repairs and maintenance-lines		18,186		26,377
Line replacement		-		2,287
Telephone and postage		11,644		12,266
Auto supplies		3,915		3,558
Plant supplies		21,198		15,490
Chemicals		60,737		57,348
Contracted services-sludge removal		70,616		62,561
Travel and training		4,000		4,259
Insurance and bonds		17,576		14,957
Lab tests		47,684		36,360
Uniforms		4,447		2,323
Permits, fees and fines		6,500		5,670
Dues and subscriptions		113		-
Information technology		11,129		3,862
Copier lease		293		588
Hurricane expenses		9,849		-
Capital outlay		143,158		209,073
	<u>1,180,749</u>	<u>854,151</u>	<u>326,598</u>	<u>858,243</u>
<u>Total Sewer</u>	<u>1,315,629</u>	<u>987,636</u>	<u>327,993</u>	<u>946,340</u>
<u>TOTAL EXPENDITURES</u>	<u>\$ 2,741,427</u>	<u>\$ 1,727,944</u>	<u>\$ 1,013,483</u>	<u>\$ 1,636,361</u>
<u>REVENUES UNDER EXPENDITURES</u>	<u>(747,227)</u>	<u>312,355</u>	<u>1,059,582</u>	<u>401,325</u>
<u>OTHER FINANCING SOURCES</u>				
<u>(USES):</u>				
Debt principal	(83,100)	(68,664)	14,436	(70,664)
Debt interest	-	(9,904)	(9,904)	(12,435)
Loan proceeds	415,000	-	(415,000)	-
Fund balance appropriated	415,327	-	(415,327)	-
	<u>747,227</u>	<u>(78,568)</u>	<u>(825,795)</u>	<u>(83,099)</u>
<u>REVENUES AND OTHER SOURCES</u>				
<u>OVER (UNDER) EXPENDITURES</u>				
<u>AND OTHER USES</u>	<u>\$ -</u>	<u>\$ 233,787</u>	<u>\$ 233,787</u>	<u>\$ 318,226</u>
Reconciliation of modified accrual basis to full accrual basis:				
Revenues over expenditures		\$ 233,787		\$ 318,226
Principal retirement		68,664		70,664
Capital outlay		224,125		284,672
Depreciation		(310,259)		(299,355)
Increase (decrease) in deferred outflows of resources-pensions		48,504		(46,655)
Increase (decrease) in deferred outflows of resources-OPEB		551		3,647
Decrease (increase) in compensated absences		(6,014)		(86)
Decrease (increase) in deferred inflows of resources-pensions		1,772		1,704
Decrease (increase) in deferred inflows of resources-OPEB		(25,330)		(57,166)
Decrease (increase) in total OPEB obligation		(34,436)		9,745
Decrease (increase) in net Pension obligation		(56,475)		47,997
Change In Net Position		<u>\$ 144,889</u>		<u>\$ 333,393</u>

**TOWN OF MANTEO, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2019**

Schedule 7

Fiscal Year	Uncollected Balance June 30, 2018	Additions	Releases/ Adjustments	Collections and Credits	Uncollected Balance June 30, 2019
2018-2019	\$ -	\$ 2,179,751	\$ (38,967)	\$ 2,129,201	\$ 11,583
2017-2018	10,948	-	-	7,741	3,207
2016-2017	5,198	-	-	3,597	1,601
2015-2016	2,725	-	-	1,616	1,109
2014-2015	1,330	-	-	792	538
2013-2014	2,227	-	-	983	1,244
2012-2013	1,041	-	-	-	1,041
2011-2012	5,737	-	-	-	5,737
2010-2011	1,935	-	-	-	1,935
2009-2010	587	-	-	-	587
2008-2009	557	-	-	557	-
2007-2008	-	-	-	-	-
2006-2007	-	-	-	-	-
2005-2006	-	-	-	-	-
	\$ 32,285	\$ 2,179,751	\$ (38,967)	\$ 2,144,487	\$ 28,582

Reconciliation with revenues:

Ad valorem taxes - general fund (Statement 1)	\$ 2,150,336
Less penalties and interest	(6,406)
Tax adjustments	557
	\$ 2,144,487

**TOWN OF MANTEO, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**June 30, 2019**

Schedule 8

	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy: Property taxed at current year's rate	\$ 587,892,432	0.370	\$ 2,175,202	\$ 2,093,301	\$ 81,901
Pickups	\$ 37,568	0.370	139	139	-
Abatements	(10,522,162)	0.370	(38,932)	(38,932)	-
Late list penalties	-		4,375	4,375	-
Total property valuation	<u>\$ 577,407,838</u>				
Net levy			<u>2,140,784</u>	<u>2,058,883</u>	<u>81,901</u>
Uncollected taxes at June 30, 2019			<u>11,583</u>	<u>11,583</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,129,201</u>	<u>\$ 2,047,300</u>	<u>\$ 81,901</u>
Current levy collection percentage			<u>99.46%</u>	<u>99.44%</u>	<u>100.00%</u>

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

**INDEPENDENT AUDITOR'S REPORT**

To the Mayor and Members of the Board of Commissioners  
Town of Manteo, 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, business-type activities, each major fund, and the aggregated remaining fund information of the Town of Manteo, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Manteo's basic financial statements, and have issued our report thereon dated October 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Manteo's internal control over financial reporting (internal control) to determine the 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 Manteo's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Manteo'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 may exist that have not been identified.

### Compliance and Other Matters

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

### Purpose of this Report

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

### ***Dowdy & Osborne, LLP***

Dowdy & Osborne, LLP  
Certified Public Accountants

Nags Head, North Carolina

October 10, 2019