

TOWN OF DUCK,
NORTH CAROLINA
FINANCIAL STATEMENTS
For the Year Ended
June 30, 2020

Town Council Members

Don Kingston, Mayor
Monica Thibodeau, Mayor Pro Tempore
Nancy Caviness
Rob Mooney
Sandy Whitman

Administrative Staff

Joe Heard, Interim Town Manager
Alyson Flynn, Assistant to the Manager
Lori Ackerman, Town Clerk

TOWN OF DUCK, NORTH CAROLINA

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

MEMBERS OF AICPA AND NCACPA

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 and each major fund of the Town of Duck, North Carolina as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 4 through 17, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 48 through 49, respectively, and 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 50 and 51 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 Duck, North Carolina. The individual fund statements, budgetary schedules, and other schedules are presented for purposed of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relates 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. In our opinion, based on our audit and the procedures performed as described above, the 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 22, 2020 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 Town of Duck's internal control over financial reporting and compliance.

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

Johnson, Mizelle, Straub & Murphy, LLP

Kitty Hawk, North Carolina
October 22, 2020



Management's Discussion and Analysis

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

Financial Highlights

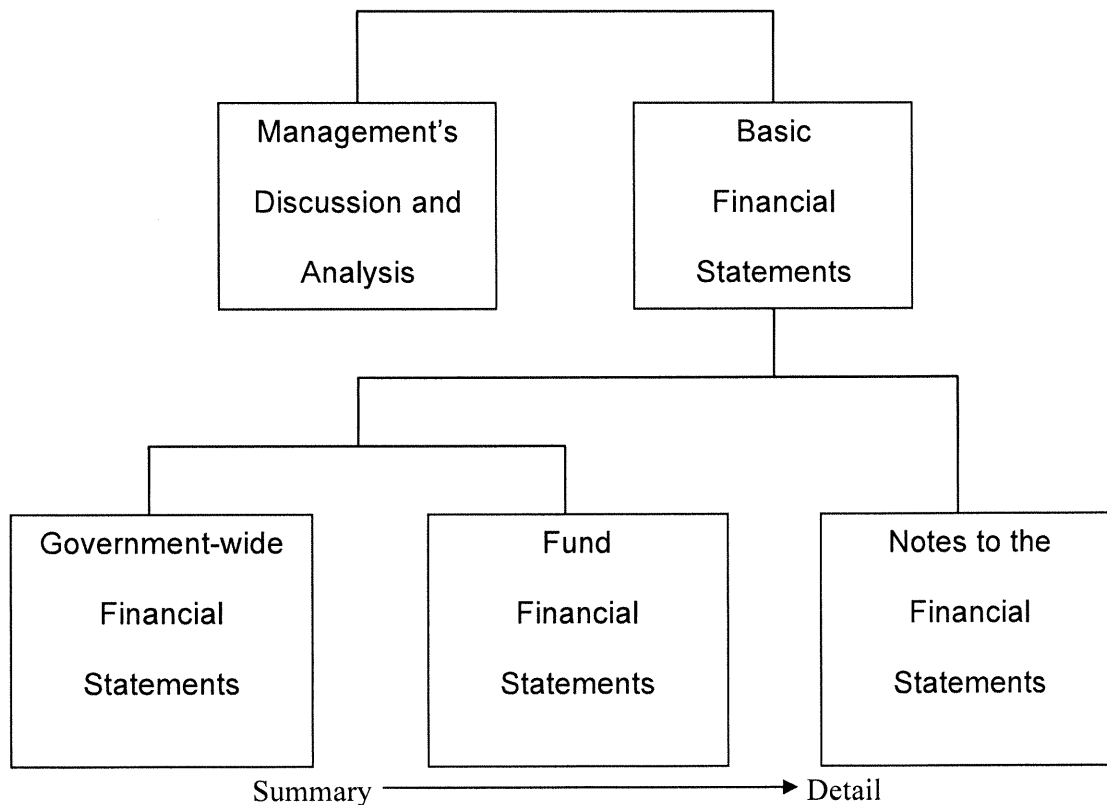
- The assets and deferred outflows of resources of the Town of Duck exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$ 24,918,628 (*net position*).
- The government's total net position increased by \$ 1,276,149, primarily because repayment on debt and new capital acquisitions exceeded current year depreciation.
- As of the close of the current fiscal year, the Town of Duck's governmental funds reported combined ending fund balances of \$ 8,577,291 with a net increase of \$ 81,656 over the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 5,634,882, or 59% of total general fund expenditures for the current fiscal year. This compares to \$ 5,473,813 and 60% of total general fund expenditures for the prior year. Although the dollar amount of unassigned fund balance increases, total general fund expenditures in the current fiscal year also increased which account for the decreased percent.
- At the end of the current fiscal year the beach nourishment capital reserve fund was \$ 1,578,805 compared to \$ 2,065,216 for the prior year. This decrease of \$ 486,411 is due to \$ 165,918 spent and another \$ 428,066 encumbered for beach nourishment expenses including a post Dorian repair project, 2020 annual monitoring and 2022 permitting and design.
- The Town of Duck's total debt decreased by \$1,192,725 (17%) during the fiscal year. The key factors in this decrease were decreases in installment purchases and bonded debt and increases in pension obligations and compensated absences.
- During the current fiscal year, the Town made its third payment on five-year Special Obligation Bonds issued in June 2016, lowering the principal owed by \$1,392,600, to \$ 2,785,200.
- The Town maintained the same town-wide tax rate of 22.5 cents per hundred dollars of valuation. The total town-wide valuation increased \$ 2,0427,470 or .13%
- The Town maintained the same MSD tax rates of 14.8 cents and 31.5 cents per hundred dollars of valuation for properties located in MSD-A and MSD-B respectively.

Overview of the Financial Statements

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

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 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail

Management Discussion and Analysis

Town of Duck, North Carolina

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 North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources 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, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. In many areas, these include water and sewer and electric services as well as permits. In the Town of Duck, these charges are comprised almost exclusively of permit fees related to building. The final category is the component unit. The Town of Duck currently does not have any component units; therefore, these financial statements will not include this information.

The government-wide financial statements are 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 of Duck, 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's budget ordinance. There are three types of funds that can be utilized by the Town of Duck: governmental funds, proprietary funds, and fiduciary funds. The Town of Duck currently only utilizes governmental funds. For the fiscal year ended June 30, 2020, the Town has two governmental funds; the general fund and the capital reserve fund related to the Town's Beach Nourishment Project. The capital reserve fund is combined in the general fund in the basic financial statements.

Management Discussion and Analysis
Town of Duck, North Carolina

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town'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* which 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 Duck 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 Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance, and if 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 balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – There are two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. For example, enterprise funds can be used to account for water and sewer activities and for electric operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions; for example, central garage operations or information technology services. Because these operations benefit predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements. The Town of Duck currently does not use proprietary funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town of Duck does not currently use fiduciary funds.

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 can be found after the Exhibits section 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 of Duck's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found after the Notes section of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Duck's Net Position

Figure 2

	Governmental Activities	
	2020	2019
Current and other assets	\$ 8,949,744	\$ 8,885,707
Capital assets	21,476,204	21,443,686
Deferred Outflows of Resources	664,186	705,079
Total assets and deferred outflows of resources	31,090,134	31,034,472
Long-term liabilities outstanding	3,956,528	5,218,915
Other liabilities	2,123,399	2,075,068
Deferred Inflows of Resources	91,579	98,010
Total liabilities and deferred inflows of resources	6,171,506	7,391,993
Net position:		
Net investment in capital assets related debt	17,376,460	15,892,857
Restricted	2,942,409	3,021,822
Unrestricted	4,599,759	4,727,800
Total net position	\$ 24,918,628	\$ 23,642,479

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Duck exceeded liabilities and deferred inflows by \$ 24,918,628 as of June 30, 2020. The Town's net position increased by \$1,276,149 over the fiscal year ended June 30, 2019. The largest portion (70%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Duck uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Duck's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be

Management Discussion and Analysis
Town of Duck, North Carolina

used to liquidate these liabilities. An additional portion of the Town of Duck's net position, \$ 2,942,409, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 4,599,759 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.85% (99.85% for property excluding registered motor vehicles; 100% for registered motor vehicles).
- Stable revenues and overall expenses within budget.
- Repayment on debt and current year capital acquisitions exceeded current year depreciation.

Town of Duck's Changes in Net Position
Figure 3

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 150,319	\$ 217,614
Operating grants and contributions	193,731	57,192
Capital grants and contributions	522,672	612,633
General revenues:		
Property taxes	4,647,876	4,641,191
Other taxes	3,722,752	3,663,964
Grants and contributions not restricted to specific programs	95,488	135,447
Other	119,443	85,619
Total revenues	<u>9,452,281</u>	<u>9,413,660</u>
Expenses:		
General government	1,358,200	1,253,633
Public safety	3,697,759	3,057,596
Transportation	259,262	223,674
Environmental protection	1,959,821	3,263,665
Economic and physical development	370,020	333,511
Parks	433,356	461,246
Interest on long-term debt	97,714	122,969
Total expenses	<u>8,176,132</u>	<u>8,716,294</u>
Increase in net position	1,276,149	697,366
Net position, beginning	<u>23,642,479</u>	<u>22,945,113</u>
Net position, ending	<u>\$ 24,918,628</u>	<u>\$ 23,642,479</u>

Governmental activities. Governmental activities increased the Town's net position by \$1,276,149.

Key elements of this increase are as follows:

- Overall revenues increased \$ 38,621 or .41%.
- General government expenses increased 8% or \$ 104,567 due to several factors including increased salaries and benefits attributable to a new position, and increased information

Management Discussion and Analysis
Town of Duck, North Carolina

- technology expenses offset by a reduction in professional services related to a new fire and police station in the prior year.
- Public safety expenses increased \$ 640,163 or 21% due to increased personnel expenses of \$ 221,000, increased operating expenses of \$ 90,000, increased ocean rescue expense of \$ 99,000, increased leave accrual of \$ 25,000, increased depreciation of \$ 25,000 and an increase in allocated pension expense of \$ 170,000.
 - Environmental protection decreased \$ 1,303,844 due primarily to a reduction in the annual beach nourishment depletion from \$ 2,073,047 in the prior year to \$ 681,932 in the current year based on a survey of the beach.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Duck's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. The Town is currently utilizing two governmental funds, the general fund and the Beach Nourishment Capital Reserve Fund. Such information is useful in assessing the Town's financing requirements.

The general fund is the chief operating fund of the Town of Duck. At the end of the current fiscal year, Town of Duck's unassigned fund balance in the General Fund was \$ 5,634,882, while total fund balance reached \$ 6,998,486. The Town Council of the Town of Duck has determined that the Town should strive to maintain an unassigned fund balance of 75% to 100% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. As a "beach" community, subject to annual storms, such as hurricanes and nor'easters, the Town Council believes that a healthy unassigned fund balance is necessary to protect the Town's finances. The Town currently has an unassigned fund balance of 59% of general fund expenditures

The beach nourishment capital reserve fund had a balance of \$ 1,578,805 at the end of the current fiscal year compared to \$ 2,065,216 for the prior year. This decrease of \$ 486,411 is due to \$ 165,918 spent and another \$ 428,066 encumbered for beach nourishment expenses including a post Dorian repair project, 2020 annual monitoring and 2022 permitting and design.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. The Town Council approved amendments to the FY 2020 budget six times during the budget year. These amendments included the appropriation of fund balance for committed but incomplete contracts at June 30, 2019, new grant revenues for the police department and Hurricane Dorian and a transfer from the beach nourishment capital reserve fund for beach nourishment expenses for a post Dorian repair project, 2020 annual monitoring and 2022 project permitting and design.

Overall general fund revenues were greater than the budgeted amounts by \$ 100,068. Expenditures were held in check to comply with budgetary requirements and budgeted amounts.

Capital Asset and Debt Administration

Capital assets. The Town of Duck's investment in capital assets for its governmental activities as of June 30, 2020, totals \$ 21,476,204 (net of accumulated depreciation). These assets include buildings, land, beach nourishment/protection, stormwater infrastructure, machinery and equipment, park facilities and vehicles.

Major capital asset transactions during the year include the following:

- Phase III of the pedestrian plan in the amount of \$ 930,760.
- Purchase of four police vehicles in the amount of \$ 188,826.
- Purchase of fire department command vehicle costing \$ 70,511.
- Purchase of inspections vehicle costing \$ 22,318.

**Town of Duck's Capital Assets
(net of depreciation)
Figure 4**

	Governmental Activities	
	2020	2019
Land	\$ 6,187,436	\$ 6,184,436
Buildings and systems	1,653,382	1,743,914
Beach Nourishment	9,819,696	10,501,620
Equipment and furniture	46,704	71,619
Infrastructure	3,340,550	2,670,151
Vehicles and motorized equipment	428,436	268,946
Total	<u>\$ 21,476,204</u>	<u>\$ 21,440,686</u>

Additional information on the Town's capital assets can be found in the Notes of this report.

Long-term Debt. As of June 30, 2020, the Town of Duck had total debt outstanding of \$ 5,688,641. Of this, \$ 1,314,544 is debt in the form of installment purchase contracts and \$ 2,785,200 is in bonds to fund the beach nourishment project. The remainder of the Town's debt represents compensated absences and net pension obligations for general government staff and law enforcement officers.

**Debt in the form of Installment Purchase Contracts, Special Obligation Bonds, Etc.
Figure 5**

	Governmental Activities	
	2020	2019
Installment Purchase Contracts	\$ 1,314,544	\$ 1,373,029
Bonded Debt	2,785,200	4,177,800
Compensated Absences	168,286	127,935
Net Pension Obligation (LGERS)	991,598	892,712
Total Pension Obligation (LEO)	429,013	309,888
Total	\$ 5,688,641	\$ 6,881,364

Town of Duck's Outstanding Debt

The Town of Duck's total debt decreased by \$1,192,723 (17%) during the past fiscal year, primarily due to decreases in installment purchases (\$ 58,487 net of new debt and current year payments); decrease in bonded debt (\$ 1,392,600); increase in net pension obligations (\$ 98,886); increase in compensated absences (\$ 40,351); and increase in total pension liability (\$ 119,125).

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 Town of Duck is \$ 125,471,420.

Additional information regarding the Town of Duck's long-term debt can be found in the Notes of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- Travel and tourism in Dare County was impacted by the COVID-19 pandemic in March, April and May 2020 resulting in a decrease in County-wide gross occupancy tax collections of 4.82%. The Town's portion of occupancy tax decreased \$ 37,262 or 2.5% due to a combination of overall reduction in revenues received combined with an increase due to the changes in the proportionate tax levies among the other local governments in Dare County.
- In spite of COVID-19 sales tax revenues increased \$ 54,808 or 4% indicating strong retail sales.
- A slight uptick in the sale of homes county-wide, thus increasing land transfer tax revenues.

Budget Highlights for the Fiscal Year Ending June 30, 2021

- Each County in North Carolina is required to conduct a county-wide property tax revaluation at least every eight years. Dare County advanced this by one year from 2021 to 2020. Town of Duck's assessed values were predicted to increase by 16%. The Town adopted a revenue neutral town-wide tax rate of 19.64 cents per hundred dollars of valuation. This rate coupled with the increased valuation is expected to produce the same amount of town-wide tax revenues.
- The Town adopted a revenue-neutral MSD-A tax rate of 12.96 cents per hundred dollars of valuation.
- The Town adopted a revenue-neutral MSD-B tax rate of 28.5 cent per hundred dollars of valuation.
- Budgeted revenues affected by COVID-19 including occupancy and sales taxes are optimistically projected to rebound but the Town's share is expected to decrease slightly due to a decrease in its proportionate share of the total tax levy among the other Towns in Dare County. Permits and fees and interest earning are expected to be less than the prior year. In the event overall revenues are less than expected, some capital spending may be delayed.
- Budgeted expenses are expected to be less due to selected cuts of capital improvement projects and other operational items.

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 Joe Heard, Interim Town Manager or Alyson Flynn, Assistant to the Manager, P.O. Box 8369, Duck, North Carolina, 27949, (252) 255-1234, jheard@townofduck.com or aflynn@townofduck.com.

BASIC FINANCIAL STATEMENTS

**Town of Duck
Statement of Net Position
June 30, 2020**

Exhibit 1

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,434,907
Taxes receivables (net)	7,807
Due from other governments	928,225
Restricted cash and cash equivalents	1,578,805
Total current assets	<u>8,949,744</u>
Non-current assets:	
Capital assets (Note 1):	
Land, non-depreciable improvements, and construction in progress	6,187,436
Other capital assets, net of depreciation	15,288,768
Total capital assets	<u>21,476,204</u>
Total assets	<u>\$ 30,425,948</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	664,186
Total deferred outflows of resources	<u>664,186</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 364,646
Accrued interest payable	26,640
Current portion of long-term liabilities	1,732,113
Long-term liabilities:	
Net pension liability - LGERS	991,598
Total pension liability - LEOSSA	429,013
Due in more than one year	2,535,917
Total liabilities	<u>6,079,927</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	91,579
Total deferred inflows of resources	<u>91,579</u>
NET POSITION	
Net investment in capital assets	17,376,460
Restricted for:	
Stabilization by state statute	1,363,604
Capital reserve fund	1,578,805
Unrestricted	4,599,759
Total net position	<u>\$ 24,918,628</u>

The notes to the financial statements are an integral part of this statement.

Town of Duck, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Primary government:					
Governmental Activities:					
General government	\$ 1,358,200	\$ -	\$ 10,000	\$ -	\$ (1,348,200)
Public safety	3,697,759	150,319	100,308	-	(3,447,132)
Transportation	259,262	-	-	296,454	37,192
Economic and physical development	370,020	-	20,000	-	(350,020)
Environmental protection	1,959,821	-	45,848	226,218	(1,687,755)
Parks	433,356	-	17,575	-	(415,781)
Interest on long-term debt	97,714	-	-	-	(97,714)
Total primary government	\$ 8,176,132	\$ 150,319	\$ 193,731	\$ 522,672	(7,309,410)
General revenues:					
Taxes:					
Property taxes, levied for general purpose					3,651,334
Municipal service district taxes					996,542
Other taxes					3,722,752
Unrestricted investment earnings					95,488
Miscellaneous					119,443
Total general revenues and transfers					8,585,559
Change in net position					1,276,149
Net position, beginning					23,642,479
Net position, ending					\$ 24,918,628

The notes to the financial statements are an integral part of this statement.

Exhibit 3

Town of Duck
Balance Sheet
Governmental Funds
June 30, 2020

	Major Funds		Total Governmental Funds	
	General			
ASSETS				
Cash and cash equivalents	\$	6,434,907	\$	6,434,907
Receivables, net:				
Taxes		7,807		7,807
Due from other governments		928,225		928,225
Restricted cash and cash equivalents		1,578,805		1,578,805
Total assets		8,949,744		8,949,744
LIABILITIES				
Accounts payable and accrued liabilities	\$	364,646	\$	364,646
Total liabilities		364,646		364,646
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable		7,807		7,807
Total deferred inflows of resources		7,807		7,807
FUND BALANCES				
Restricted:				
Stabilization by State Statute		1,363,604		1,363,604
Capital reserve fund		1,578,805		1,578,805
Unassigned		5,634,882		5,634,882
Total fund balances		8,577,291		8,577,291
Total liabilities, deferred inflows of resources and fund balances	\$	8,949,744		

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,476,204
Deferred outflows of resources related to pensions/OPEB are not reported in the funds	664,186
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	7,807
Long-term liabilities used in governmental activities are not financial uses and therefore not reported in the funds	(4,268,030)
Net pension liability - LGERS	(991,598)
Total pension liability - LEOSSA	(429,013)
Pension related deferrals	(91,579)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(26,640)
Net position of governmental activities	\$ 24,918,628

The notes to the financial statements are an integral part of this statement.

Exhibit 4

Town of Duck
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	Major Funds	Total
	General Fund	Governmental Funds
REVENUES		
Ad valorem taxes	\$ 4,644,556	\$ 4,644,556
Other taxes and licenses	1,802,231	1,802,231
Unrestricted intergovernmental	1,920,521	1,920,521
Restricted intergovernmental	716,403	716,403
Permits and fees	150,319	150,319
Investment earnings	95,488	95,488
Miscellaneous	119,443	119,443
Total revenues	9,448,961	9,448,961
EXPENDITURES		
Current:		
General government	1,227,099	1,227,099
Public safety	3,345,308	3,345,308
Transportation	101,742	101,742
Environmental protection	1,277,897	1,277,897
Economic and physical development	340,875	340,875
Parks	312,772	312,772
Debt service		
Principal	1,662,449	1,662,449
Interest	98,108	98,108
Capital outlay	1,212,417	1,212,417
Total expenditures	9,578,667	9,578,667
Installment purchase obligations issued	211,362	211,362
Total other financing sources	211,362	211,362
Excess (deficiency) of revenues over expenditures and net change in fund balance	81,656	81,656
Fund balances, beginning	8,495,635	8,495,635
Fund balances, ending	\$ 8,577,291	\$ 8,577,291

The notes to the financial statements are an integral part of this statement.

Town of Duck
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$	81,656
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	\$ 1,212,416	
Depreciation expense for governmental assets	<u>(1,179,900)</u>	32,516
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		201,814
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		332
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		3,320
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt Issued	(211,362)	
Principal repayments	1,662,449	
Decrease in accrued interest payable	<u>394</u>	1,451,481
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	(40,351)	
Pension expense - LGERS	(402,597)	
Pension expense - LEOSSA	<u>(52,022)</u>	(494,970)
Total changes in net position of governmental activities	<u>\$</u>	<u>1,276,149</u>

The notes to the financial statements are an integral part of this statement.

**Town of Duck
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	4,573,596	4,573,596	4,644,556	70,960
Other taxes and licenses	1,834,557	1,834,557	1,802,231	(32,326)
Unrestricted intergovernmental	1,845,787	1,845,787	1,920,521	74,734
Restricted intergovernmental	567,507	703,873	716,403	12,530
Permits and fees	153,000	153,000	150,319	(2,681)
Investment earnings	-	-	75,608	75,608
Miscellaneous	145,000	218,200	119,443	(98,757)
Total revenues	9,119,447	9,329,013	9,429,081	100,068
Expenditures:				
Current:				
General government	1,469,296	1,547,095	1,484,426	62,669
Public safety	3,527,161	3,629,761	3,664,232	(34,471)
Transportation	918,558	1,104,531	1,032,502	72,029
Environmental protection	2,617,108	3,154,940	2,725,505	429,435
Economic and physical development	309,837	371,287	359,230	12,057
Parks	285,550	324,050	312,772	11,278
Total expenditures	9,127,510	10,131,664	9,578,667	552,997
Revenues over (under) expenditures	(8,063)	(802,651)	(149,586)	653,065
Other financing sources (uses):				
Transfers from other funds	1,484,661	1,941,826	1,815,374	(126,452)
Transfers to other funds	(1,447,608)	(1,447,608)	(1,309,083)	138,525
Contingency	(245,814)	-	-	-
Debt proceeds	216,824	216,824	211,362	(5,462)
Fund Balance Appropriated	-	91,609	-	(91,609)
Total other financing sources (uses)	8,063	802,651	717,653	(84,998)
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	568,067	<u>\$ 568,067</u>
Fund balances, beginning			6,430,419	
Fund balances, ending			<u><u>\$ 6,998,486</u></u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment Earnings			19,880	
Transfer from the General Fund			1,309,083	
Transfer to the General Fund			(1,815,374)	
Fund Balance, beginning			2,065,216	
Fund Balance, ending (Exhibit 4)			<u><u>\$ 8,577,291</u></u>	

The notes to the financial statements are an integral part of this statement.

TOWN OF DUCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Duck 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 Duck is a municipal corporation which is governed by a five-member council, including a Council elected Mayor. The Town began operation on May 1, 2002.

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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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.

The Town reports the following major governmental funds:

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

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 Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues

TOWN OF DUCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles 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 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.

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 because the tax is levied by Dare County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program 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 is 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 general revenues.

TOWN OF DUCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for multi-year funds. Amendments are required for any revisions that alter total expenditures of any department or project. All amendments must be approved by the governing board. During the year, 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

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 nonguaranteed 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 - Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT - Term Portfolio's securities are valued at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted Assets

Money in the Capital Reserve Fund is classified as restricted as its use is restricted to the Capital Reserve Fund per NC G. S. Chapter 159, Article 3, Part 2.

TOWN OF DUCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

Town of Duck Restricted Cash:

Governmental Activities:		
General Fund	Capital reserve fund	<u>\$ 1,578,805</u>
Total governmental activities		<u>1,578,805</u>
Total Restricted Cash		<u>\$ 1,578,805</u>

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, 2019.

Allowance for Uncollectible Accounts

No allowance for uncollectible accounts is made for taxes receivable which have not been collected for a ten-year period, because historically, less than one percent of the receivable remains uncollectible and this amount is considered immaterial.

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.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, and an estimated life of at least two years. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	20
Buildings	15 - 40
Improvements	10
Vehicles	5
Furniture and equipment	5 - 10
Computer equipment	5

TOWN OF DUCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 plan in the 2020 fiscal year and other pension deferrals. In addition to liabilities, the statement 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 and pension deferrals.

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. The face amount of any debt issued is reported as other financing sources.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 240 hours of 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 last-in, first-out method of using accumulated compensated time.

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

TOWN OF DUCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

Net Position/Fund Balances

Net Position

Net position in government-wide 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 balances as follows:

Nonspendable 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.

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 government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State 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 prepaids as they are classified as nonspendable. 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 Capital Reserve Fund - portion of fund balance that is restricted by State Statue [N.C.G.S. 159-18] for a legally adopted capital reserve fund which has been consolidated with the General Fund due to GASB 54. This amount represents capital reserve funds for use for beach nourishment project.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Duck'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

TOWN OF DUCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 Duck intends to use for specific purposes.

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

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

The Town of Duck has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Town Manager will use resources in the following hierarchy: debt proceeds, federal funds, State funds, local funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Town Manager has authority to deviate from this policy if it is in the best interest of the Town.

The Town of Duck has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 75% of the previous fiscal year's general fund expenditures. Any portion of the general fund balance in excess of 75% of the previous fiscal year's general fund expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

Pensions

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

Expenditures for the fire department exceeded the budgetary appropriation by \$ 38,923 due primarily to greater expenses for full and part-time employee salaries. The overage was expected by the Town but there was no budget amendment approved before fiscal year end for the shortfall. Management will more closely review the budget reports to assure compliance in future years.

TOWN OF DUCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 the Town's name. 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, 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 undercollateralization. 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, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$3,754,257 and a bank balance of \$3,758,581. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Investments

At June 30, 2020, the Town's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/20	Maturity	Rating
NC Capital Management Trust – Government Portfolio	Amortized Cost	\$2,968,592	N/A	AAAm
NC Capital Management Trust – Term Portfolio	Fair Value Level 1	\$1,290,863	.15 years	Unrated
Total		\$4,259,455		

TOWN OF DUCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk: The Town has no formal investment policy regarding interest rate risk.

Credit Risk: The Town has no formal policy regarding credit risk, but has internal management procedures that limit the Town's investments to provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2020. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina G.S. 159-30 as amended.

3. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Adjustments/ Retirements	Balance June 30, 2020
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 6,187,436	\$ -	\$ -	\$ 6,187,436
Total capital assets not being depreciated	6,187,436	-	-	6,187,436
Capital assets being depreciated:				
Equipment	567,417	-	-	567,417
Vehicles	747,444	281,656	(182,480)	846,620
Buildings	2,448,233	-	-	2,448,233
Beach nourishment	13,638,468	-	-	13,638,468
Infrastructure	4,358,201	930,760	-	5,288,961
Total capital assets being depreciated	21,759,763	1,212,416	(182,480)	22,789,699
Less accumulated depreciation for:				
Equipment	495,798	24,915	-	520,713
Vehicles	478,498	122,166	(182,480)	418,184
Buildings	704,319	90,532	-	794,851
Beach nourishment	3,136,848	681,924	-	3,818,772
Infrastructure	1,688,050	260,361	-	1,948,411
Total accumulated depreciation	6,503,513	\$ 1,179,898	(\$ 182,480)	7,500,931
Total capital assets being depreciated, net	15,256,250			15,288,768
Governmental activity capital assets, net	\$ 21,443,686			\$ 21,476,204

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

General Government	\$ 88,203
Public Safety	125,973
Transportation	157,519
Environmental protection	681,924
Economic and Physical Development	5,696
Parks	120,583
Total	\$ 1,179,898

TOWN OF DUCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

B. LIABILITIES

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Duck 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, or by calling (919) 981-5454, or at 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 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

TOWN OF DUCK, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2020

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 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's contractually required contribution rate for the year ended June 30, 2020, was 9.56% of compensation for law enforcement officers and 8.95% 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 \$201,814 for the year ended June 30, 2020.

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, 2020, the Town reported a liability of \$ 991,598 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the Town's proportion was .03631%, which was a decrease of .00132% from its proportion measured as of June 30, 2018.

TOWN OF DUCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

For the year ended June 30, 2020, the Town recognized pension expense of \$402,597. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 169,787	\$ -
Changes of assumptions	161,614	-
Net difference between projected and actual earnings on pension plan investments	24,187	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	75,179
Town contributions subsequent to the measurement date	<u>201,814</u>	<u>-</u>
Total	<u><u>\$ 557,402</u></u>	<u><u>\$ 75,179</u></u>

\$201,814 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 145,778
2022	34,819
2023	80,842
2024	18,969
2025	-
Thereafter	-
Total	<u><u>\$ 280,408</u></u>

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
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.

TOWN OF DUCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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The actuarial assumptions used in the December 31, 2018 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.

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, 2019 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	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 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 3.00%. 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.

TOWN OF DUCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$2 267 965	\$ 991,598	(\$ 69,322)

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

b. Law Enforcement Officers Special Separation Allowance

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

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

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>12</u>
Total	<u>12</u>

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 and refunds are recognized when due and payable in accordance with the terms of the plan.

TOWN OF DUCK, NORTH CAROLINA
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The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members.

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

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions. The Town is required by Article 12D of §G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The Town has made no contributions.

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

At June 30, 2020, the Town reported a total pension liability of \$429,013. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$51,690.

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	\$ 76,128	\$ -
Changes of assumptions	30,324	16,400
Benefit payments and plan administrative expense made subsequent to the measurement date	<u>332</u>	<u>-</u>
Total	<u>\$ 106,784</u>	<u>\$ 16,400</u>

\$332 reported as deferred outflows of resources related to pensions resulting from administrative expenses incurred subsequent to the measurement date will be recognized as an increase of the

TOWN OF DUCK, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2020

total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 15,963
2022	15,963
2023	15,963
2024	16,450
2025	13,278
Thereafter	12,435

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease	Discount Rate	1% Increase
	<u>(2.26%)</u>	<u>(3.26%)</u>	<u>(4.26%)</u>
Total pension liability	\$ 482,392	\$ 429,013	\$ 381,140

Law Enforcement Officers' Special Allowance

Total pension liability December 31, 2018	\$ 309,088
Changes for the year:	
Service Cost	24,447
Interest on the total pension liability	11,280
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	64,578
Changes of assumptions or other inputs	18,820
Benefit payments	-
Other changes	<u>-</u>
Total pension liability December 31, 2019	<u>\$ 429,013</u>

The plan currently uses mortality tables that vary by age, 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

TOWN OF DUCK, NORTH CAROLINA
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Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of Related to Pensions

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 402,597	\$ 51,690	\$ 454,287
Pension Liability	991,598	429,013	1,420,611
Proportionate share of the net pension liability	.03631%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	169,787	76,128	245,915
Changes of assumptions	161,614	30,324	191,938
Net difference between projected and actual earnings on plan investments	24,187	-	24,187
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	201,814	332	202,146
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	16,400	16,400
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	75,179	-	75,179

c. Supplemental Retirement Income Plan for Law Enforcement Officers and all other Full-Time Employees

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 and all other full-time employees of 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. Article 12E of §G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each law enforcement officer's salaries, and all amounts contributed are vested immediately. The Town voluntarily contributes five percent of all other full-time employee's salaries, and all amounts are vested immediately. All full-time employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$ 185,926, which consisted of \$ 109,944 from the Town and \$ 75,982 from employees.

d. 457 Deferred Compensation

Plan Description. The Town adopted a Supplemental Retirement Income Plan, a defined contribution plan, for all employees beginning August, 2010,

Funding Policy. The town does not match contributions to the 457 deferred compensation plan. Total contributions for the year ended June 30, 2020 were \$ 7,782 from employees.

TOWN OF DUCK, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2020

2. Other Employment Benefits

The Town has also elected to provide death benefits to law-enforcement employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multi-employer, State administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of law enforcement employees who die in active service after one year of contributing membership service 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 payments to beneficiaries are equal to the employees 12 highest months' salary in a row during the 24 months prior to the employee's death. Effective July 1, 2004, the death benefit payments to beneficiaries must be between \$ 25,000 and \$ 50,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees engaged in law enforcement and for employees not engaged in law enforcement. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2020 the town made contributions to the State for death benefits of \$ 115. The Town's contributions for employees engaged in law enforcement represent .14% of covered law enforcement payroll.

The Town has additional death benefits provided through BCBS which provides for the beneficiaries of those employees who die in active service. After one year of service, employees are eligible for death benefits. Lump sum death benefit payments to the beneficiaries are equal to one times the employees' annual salary up to the highest salary of \$100,000 for fiscal year ended June 30, 2020.

3. Deferred Outflows and Inflows of Resources

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

	<u>Statement of</u> <u>Net Position</u>
Contributions to pension plan in the current fiscal year LGERS	\$ 201,814
Benefit payments made for LEOSA subsequent to measurement date	332
Differences between expected and actual experience	245,915
Changes of assumptions	191,938
Net difference between projected and actual earnings on plan investments	24,187
Changes in proportion and difference between contributions and proportionate share of contributions	<u>-</u>
Total	<u>\$ 664,186</u>

TOWN OF DUCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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Deferred inflows of resources at year-end is comprised of the following:

	<u>Statement of</u> <u>Net Position</u>	<u>General Fund</u> <u>Balance Sheet</u>
Taxes receivable (General Fund)	\$ -	\$ 7,807
Changes of assumptions	16,400	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and difference between contributions and proportionate share of contributions	<u>75,179</u>	<u>-</u>
Total	<u>\$ 91,579</u>	<u>\$ 7,807</u>

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 coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. These pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, police professionals' liability and public officials' liability in excess of \$ 1,000,000; claims in excess of \$ 1,000,000 and property in excess of \$ 500,000 and \$ 1,000,000 up to statutory limits for workers' compensation. 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 and excess claims 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 benefits. 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 insurance that has special provisions that may apply to flood, earthquake and named windstorm damage purchased through commercial carriers. The Town carries flood insurance coverage in the amount of \$ 500,000 a piece for the Duck Town Hall and the Duck Meeting Hall, and contents coverage in the amount of \$ 150,000 and \$ 100,000, respectively.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$ 50,000 by the League Risk Management Services.

TOWN OF DUCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

5. Long-Term Obligations

Leases

In November 2016, the Town entered a lease agreement for a copier for a sixty-month period beginning November 2016. During the fiscal year ended June 30, 2020, the Town paid \$25,757 on this lease agreement. The lease requires minimum annual payments of \$17,496.

The future minimum rental payments are as follows:

Year Ending	Minimum Rental
<u>June 30</u>	<u>Payments</u>
2021	\$ 17,496
2022	5,832
	<u>\$ 23,328</u>

Installment Purchases

On November 17, 2010, the Town entered into an installment financing contract with the Branch Banking and Trust Company in the amount of \$ 3,000,000 to finance the construction of the Town Hall and refinancing of a loan with PNC Bank for the purchase of 22,999 square feet of real estate located in Duck, North Carolina. The financing contract requires principal payments beginning in the fiscal year 2012 with an interest rate of 3.21%.

Annual debt service payments of the installment purchase as of June 30, 2020, including \$ 105,930 of interest, are as follows:

Year Ending	Principal	Interest
<u>June 30</u>		
2021	\$ 216,667	\$ 33,705
2022	216,667	26,750
2023	216,667	19,795
2024	133,333	12,840
2025	133,333	8,560
2026	<u>133,333</u>	<u>4,280</u>
Total	<u>\$ 1,050,000</u>	<u>\$ 105,930</u>

On August 31, 2017, the Town entered into an installment financing contract with First National Bank in the amount of \$159,547 for the purchase of four vehicles. The interest rate is fixed at 2.2% per annum. The note requires the Town to pay three annual installments of principal in the amount of \$53,182, plus interest, beginning on August 1, 2018.

On October 30, 2019, the Town entered into an installment financing contract with Suntrust in the amount of \$ 211,362 for the purchase of four vehicles. The interest rate is fixed as 2.116% per annum. The note requires the Town to pay three installments of \$ 73,105 including principal and interest, beginning August 1, 2020.

TOWN OF DUCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

Annual debt service payments of the installment purchases as of June 30, 2020, including \$ 9,140 of interest, are as follows:

<u>Year Ending</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 122 846	\$ 4,627
2022	70,107	2,998
2023	71 591	1,515
Total	<u>\$ 264 544</u>	<u>\$ 9,140</u>

General Obligation Indebtedness

The town issued special obligation bonds under a five-year installment financing contract in June, 2016 for funding approximately half the costs of beach nourishment. The amount borrowed was \$ 6,963,000 at an interest rate of 1.58% which is secured by the pledge of occupancy tax revenues. Payments are due semiannually with interest only due in each June and interest plus principal of \$ 1,392,600 due each December through 2021. The outstanding balance at June 30, 2020 is \$ 2,785,200.

Annual debt service requirements to maturity for long-term obligations are as follows:

	<u>Governmental Activities</u>	
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30</u>		
2021	1,392 600	33,005
2022	1,392,600	11,001
Total	<u>\$ 2,785,200</u>	<u>\$ 44,006</u>

Changes in Long-Term Debt -

	<u>Balance</u>			<u>Balance</u>	<u>Current Portion</u>
	<u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>	<u>of Balance</u>
By Type:					
Direct Placement					
Installment purchase	\$ 1,373,031	\$ 211,362	\$ 269,849	\$ 1,314,544	\$ 339,513
Bonded debt	4,177,800	-	1,392,600	2,785,200	1,392,600
Compensated absences	127,935	40,351	-	168,286	-
Net pension liability (LGRS)	892,712	98,886	-	991,598	-
Total pension obligation (LEO)	309,888	119,125	-	429,013	-
	<u>\$ 6,881,366</u>	<u>\$ 469,724</u>	<u>\$ 1,662,449</u>	<u>\$ 5,688,641</u>	<u>\$ 1,732,113</u>

Legal Debt Margin - As of June 30, 2020, the Town has a legal debt margin of \$125,471,420.

6. Commitments

The Town had budgeted to pay at least \$ 209,000 to the Duck Volunteer Fire Department, Inc. for the fiscal year ended June 30, 2021, as compensation for firefighting services. This doesn't include amounts for Town personnel.

**TOWN OF DUCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020**

C. Interfund Balances and Activity

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

From the General Fund to the Capital Reserve Fund for
beach nourishment taxes designated for future beach nourishment. \$ 1,309,083

From the Capital Reserve Fund to the General Fund for bond interest
and principal payment and beach nourishment expenses 1,815,374

D. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

<i>Total fund balance-General Fund</i>	<i>\$ 8,577,291</i>
Less:	
Stabilization by State Statute	1,363,604
Restricted for Capital Reserve Fund	1,578,805
Working Capital / Fund Balance Policy	5,634,882
Remaining Fund Balance	-0-

The Town of Duck has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that total general fund balance is at least equal to or greater than 75% of the previous fiscal year's general fund expenditures.

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end and are included in Stabilization By State Statute. Those amount at year-end are:

\$ 435,379 which includes \$ 428,066 for beach nourishment.

E. Beach Nourishment

The Town originally adopted a capital project ordinance for Beach Nourishment on June 3, 2015, which was amended resulting in a total estimated project cost for the Town of \$14,057,929. The total project cost was financed with \$6,963,000 in special obligation bonds secured by the Town's occupancy tax and \$7,094,929 from Dare County pursuant to an inter-local agreement that includes Town of Kitty Hawk, Town of Kill Devil Hills, and Dare County. The project was completed in fiscal year 2019. The terms of the special obligation bond debt requires annual repayment of principal and interest with the final payment scheduled for the June 30, 2022 fiscal year. Repayment of the bond proceeds and interest is provided by taxes on the properties located in the municipal service districts (MSD) and increased sales taxes resulting from these MSD levies. The Town also received funding through an inter-local agreement with Dare County

TOWN OF DUCK, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

providing an additional \$ 1,131,090 that will be broken down in annual payments of \$ 226,218 over five years to be used towards the repayment of debt.

The Town established two municipal service districts designated for beach nourishment. Funds received from the town municipal services district tax in the amount of \$997,406 was transferred from the General Fund to the Capital Reserve Fund and are restricted for beach nourishment. An additional contribution of \$ 311,677 was made from increased sales tax revenues resulting from the municipal service district tax levies. During the June 30, 2020 fiscal year \$ 1,221,390 was used for debt service with the remaining \$ 226,218 debt service provided by the contribution from Dare County. Additionally, during the year the Town allocated reserved funds of \$ 593,984 towards several beach nourishment projects including post Dorian related projects, annual monitoring and 2022 beach nourishment project permitting and design. The amount in the capital reserve fund restricted for future beach nourishment at June 30, 2020 is shown below:

Balance June 30, 2019	\$	2,065,216
Municipal service district tax		997,406
Restricted sales tax		311,677
Debt service		(1,221,390)
Beach nourishment projects		(593,984)
Interest earnings		19,880
Balance June 30, 2020	\$	<u>1,578,805</u>

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town has received proceeds from 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 moneys.

TOWN OF DUCK, NORTH CAROLINA

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability – Law Enforcement Officer's Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

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

	Local Government Employees' Retirement System						
	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.03631%	0.03763%	0.03601%	0.03363%	0.03775%	0.03680%	0.03690%
Town's proportion of the net pension liability (asset) (\$)	\$ 991,598	\$ 892,712	\$ 550,133	\$ 713,741	\$ 169,420	\$ (217,026)	\$ 444,787
Town's covered-employee payroll	\$ 2,047,298	\$ 1,729,201	\$ 1,601,444	\$ 1,471,565	\$ 1,364,303	\$ 1,278,175	\$ 1,281,813
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	48.43%	51.63%	34.35%	48.50%	12.42%	(16.98%)	34.70%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

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

**Town of Duck
Town's Contributions
Required Supplementary Information
Last Seven Fiscal Years**

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 201,814	\$ 164,989	\$ 136,641	\$ 123,091	\$ 102,581	\$ 100,188	\$ 97,570
Contributions in relation to the contractually required contribution	201,814	164,989	136,641	123,091	102,581	100,188	97,570
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 2,198,880	\$ 2,047,298	\$ 1,729,201	\$ 1,601,444	\$ 1,471,565	\$ 1,364,303	\$ 1,278,175
Contributions as a percentage of covered-employee payroll	9.18%	8.06%	7.90%	7.69%	6.97%	7.34%	7.63%

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

	2020	2019	2018	2017
Beginning balance	\$ 309,888	\$ 276,022	\$ 217,350	\$ 201,315
Service Cost	24,447	21,214	16,850	16,961
Interest on the total pension liability	11,280	8,722	8,390	7,187
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	64,578	21,533	9,112	-
Changes of assumptions or other inputs	18,820	(17,603)	24,320	(8,113)
Benefit payments	-	-	-	-
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 429,013</u>	<u>\$ 309,888</u>	<u>\$ 276,022</u>	<u>\$ 217,350</u>

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

Town of Duck
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2020

	2020		2019		2018		2017
Total pension liability	\$ 429,013	\$	309,888	\$	276,022	\$	217,350
Covered payroll	838,985		682,673		610,247		577,323
Total pension liability as a percentage of covered payroll	51.13%		45.39%		45.23%		37.65%

Notes to the schedules:

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

TOWN OF DUCK, NORTH CAROLINA

Supplementary Statements and Schedules

Town of Duck, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 3,591,618	\$ 3,643,194	\$ 51,576
Municipal service district taxes	981,978	996,542	14,564
Interest	-	4,820	4,820
Total	<u>4,573,596</u>	<u>4,644,556</u>	<u>70,960</u>
Other taxes and licenses:			
Land Transfer Tax	375,271	374,793	(478)
Occupancy tax	1,459,286	1,427,438	(31,848)
Total	<u>1,834,557</u>	<u>1,802,231</u>	<u>(32,326)</u>
Unrestricted intergovernmental:			
Local option sales taxes	1,408,287	1,451,274	42,987
Utility franchise tax	385,000	405,733	20,733
Beer and wine tax	1,500	1,720	220
ABC/Mixed Beverage profit distribution	51,000	61,794	10,794
Total	<u>1,845,787</u>	<u>1,920,521</u>	<u>74,734</u>
Restricted intergovernmental:			
Federal grants	104,966	89,040	(15,926)
State grants	22,400	61,691	39,291
Local grants	576,507	565,672	(10,835)
Total	<u>703,873</u>	<u>716,403</u>	<u>12,530</u>
Permits and fees:			
Building permits	100,000	93,583	(6,417)
Inspection fees	38,000	47,271	9,271
Other permits	15,000	9,465	(5,535)
Total	<u>153,000</u>	<u>150,319</u>	<u>(2,681)</u>
Investment earnings	-	75,608	75,608
Miscellaneous:			
Miscellaneous	218,200	119,443	(98,757)
Total	<u>218,200</u>	<u>119,443</u>	<u>(98,757)</u>
Total revenues	<u>9,329,013</u>	<u>9,429,081</u>	<u>100,068</u>

Town of Duck, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Governing Body:			
Salaries and employee benefits		25,534	
Insurance		113,060	
Professional services		30,592	
Other operating expenditures		33,283	
Total	212,350	202,469	9,881
Administration:			
Salaries and employee benefits		478,709	
Supplies and materials		1,847	
Other operating expenditures		51,320	
Total	569,619	531,876	37,743
Finance:			
Subsidies and allocations	73,000	72,439	561
Legal:			
Professional services	82,000	82,631	(631)
Public Buildings:			
Professional services		24,747	
Supplies and materials		5,444	
Other operating expenditures		134,017	
Boardwalk repairs		11,672	
Debt service		257,327	
Total	457,126	433,207	23,919
Information Technology:			
Subsidies and allocations		63,189	
Fixed charges		42,628	
Cable access channel		27,307	
Other operating expenditures		28,680	
Total	153,000	161,804	(8,804)
Total general government	1,547,095	1,484,426	62,669

Town of Duck, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Public safety:			
Police:			
Salaries and employee benefits		1,141,059	
Police supplies and materials		39,518	
Vehicle maintenance and operation		53,826	
Other operating expenditures		173,059	
Capital outlay		188,828	
Debt service		37,267	
Total	1,637,838	1,633,557	4,281
Fire:			
Salaries and employee benefits		965,545	
Other operating expenditures		65,595	
Capital outlay		70,511	
Fire Protection contract		263,721	
Total	1,326,449	1,365,372	(38,923)
Inspections:			
Salaries and employee benefits		143,406	
Professional services		76	
Supplies and maintenance		206	
Other operating expenditures		13,297	
Capital outlay		22,318	
Total	179,474	179,303	171
Rescue units:			
Ocean rescue		486,000	
Total	486,000	486,000	-
Total public safety	3,629,761	3,664,232	(34,471)
Transportation:			
Streets:			
Temporary services		36,085	
Professional services		10,550	
Repairs and maintenance		40,153	
Utilities		4,170	
Other operating expenditures		10,784	
Capital outlay		930,760	
Total transportation	1,104,531	1,032,502	72,029

Town of Duck, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Environmental protection:			
Solid waste:			
Subsidies and allocations		1,087,979	
Dune preservation		189,918	
Debt service		1,447,608	
Total environmental protection	3,154,940	2,725,505	429,435
Economic and physical development:			
Planning and Zoning			
Salaries and employee benefits		257,750	
Professional services		56,622	
Supplies and materials		823	
Other operating expenditures		25,680	
Debt service		18,355	
Total economic and physical development	371,287	359,230	12,057
Parks			
Temporary help services		68,498	
Professional services		41,203	
Supplies and materials		512	
Other operating expenditures		202,559	
	324,050	312,772	11,278
Total expenditures	10,131,664	9,578,667	552,997
Revenues over (under) expenditures	(802,651)	(149,586)	653,064
Other financing sources (uses):			
Transfers from other funds	1,941,826	1,815,374	(126,452)
Transfers to other funds	(1,447,608)	(1,309,083)	138,525
Fund Balance Appropriated	91,609	-	(91,609)
Installment purchase obligations issued	216,824	211,362	(5,462)
Total	\$ 802,651	\$ 717,653	\$ (84,998)
Revenues and other financing sources over expenditures and other financing uses	\$ -	568,067	\$ 568,066
Fund balances, beginning		6,430,419	
Fund balances, ending		\$ 6,998,486	

Town of Duck
Capital Reserve Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Investment earnings	<u>-</u>	<u>19,880</u>	<u>19,880</u>
Total revenues	<u>-</u>	<u>19,880</u>	<u>19,880</u>
Other financing sources (uses):			
Transfers from other funds	1,447,608	1,309,083	(138,525)
Transfers to other funds	(1,941,826)	(1,815,374)	126,452
Appropriated fund balance	<u>494,218</u>	<u>-</u>	<u>(494,218)</u>
Total	<u>-</u>	<u>(506,291)</u>	<u>(506,291)</u>
Net change in fund balance	<u>\$ -</u>	<u>(486,411)</u>	<u>\$ (486,411)</u>
Fund balances, beginning		<u>2,065,216</u>	
Fund balances, ending		<u>\$ 1,578,805</u>	

Town of Duck, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections	Pickups & Adjustments	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 3,646,094	\$ 3,640,529	\$ -	\$ 5,565
2019-2020 MSD		997,061	996,517	(22)	522
2018-2019	2,666	-	2,515	-	151
2018-2019 MSD	152	-	4	-	148
2017-2018	645	-	44	-	601
2017-2018 MSD	22	-	22	-	-
2016-2017	236	-	1	-	235
2016-2017 MSD	-	-	-	-	-
2015-2016	238	-	106	-	132
2014-2015	98	-	-	-	98
2013-2014	175	-	-	-	175
2012-2013	125	-	-	-	125
2011-2012	28	-	-	-	28
2010-2011	27	-	-	-	27
2009-2010	75	-	-	(75)	-
	<u>\$ 4,487</u>	<u>\$ 4,643,155</u>	<u>\$ 4,639,738</u>	<u>\$ (97)</u>	<u>\$ 7,807</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 4,644,556
Reconciling items:	
Interest and penalties collected	(4,820)
Total collections and credits	<u>\$ 4,639,734</u>

Town of Duck, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2020

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed	\$ 1,619,601,778	0.225	\$ 3,644,104	\$ 3,613,856	\$ 30,248
Penalties	-		1,919	1,919	-
Total	1,619,601,778		3,646,023	3,615,775	30,248
Adjustments:					
Discoveries	14,955	0.225	34	34	-
Releases/Abatements-Property	(14,955)	0.225	(34)	(34)	-
Discoveries taxed at prior year rates	34,022		71	71	-
			71	71	-
Total property valuation	<u>\$ 1,619,635,800</u>				
Net levy			3,646,094	3,615,846	30,248
Uncollected taxes at June 30, 2020			(5,565)	(5,565)	-
Current year's taxes collected			<u>3,640,529</u>	<u>3,610,281</u>	<u>30,248</u>
Current levy collection percentage			<u>99.85%</u>	<u>99.85%</u>	<u>100.00%</u>

TOWN OF DUCK, NORTH CAROLINA

Supplementary Information:

Compliance Section

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and each major fund of the Town of Duck, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated October 22, 2020.

Internal Control Over Financial Reporting

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

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

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

The Honorable Mayor and
Members of the Town Council
Town of Duck, North Carolina
Page Two

Compliance and Other Matters

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

Purpose of this Report

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

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

Johnson, Mizelle, Straub & Murphy, LLP

Kitty Hawk, North Carolina
October 22, 2020