

**TOWN OF MANTEO,  
NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**MAYOR**

Robert V. Owens

**COMMISSIONERS**

Jason Borland

Richard Burke

Darrell Collins

Edward Mann

Betty Selby

Christine Walker

**FINANCE OFFICER**

Shannon Twiddy

**TOWN CLERK**

Rebecca Breiholz

**TOWN MANAGER**

James Ayers II

**Town of Manteo, North Carolina**  
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**June 30, 2020**

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## FINANCIAL SECTION



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## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Manteo, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Manteo'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 from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Manteo, North Carolina as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

#### ***Supplementary and Other Information***

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

The combining and individual fund financial statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules and, other schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021 on our consideration of the Town of Manteo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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 Manteo's internal control over financial reporting and compliance.

*Thompson, Price, Scott, Adams & Co., PA*

*Wilmington, North Carolina*

*January 15, 2021*



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management’s Discussion and Analysis

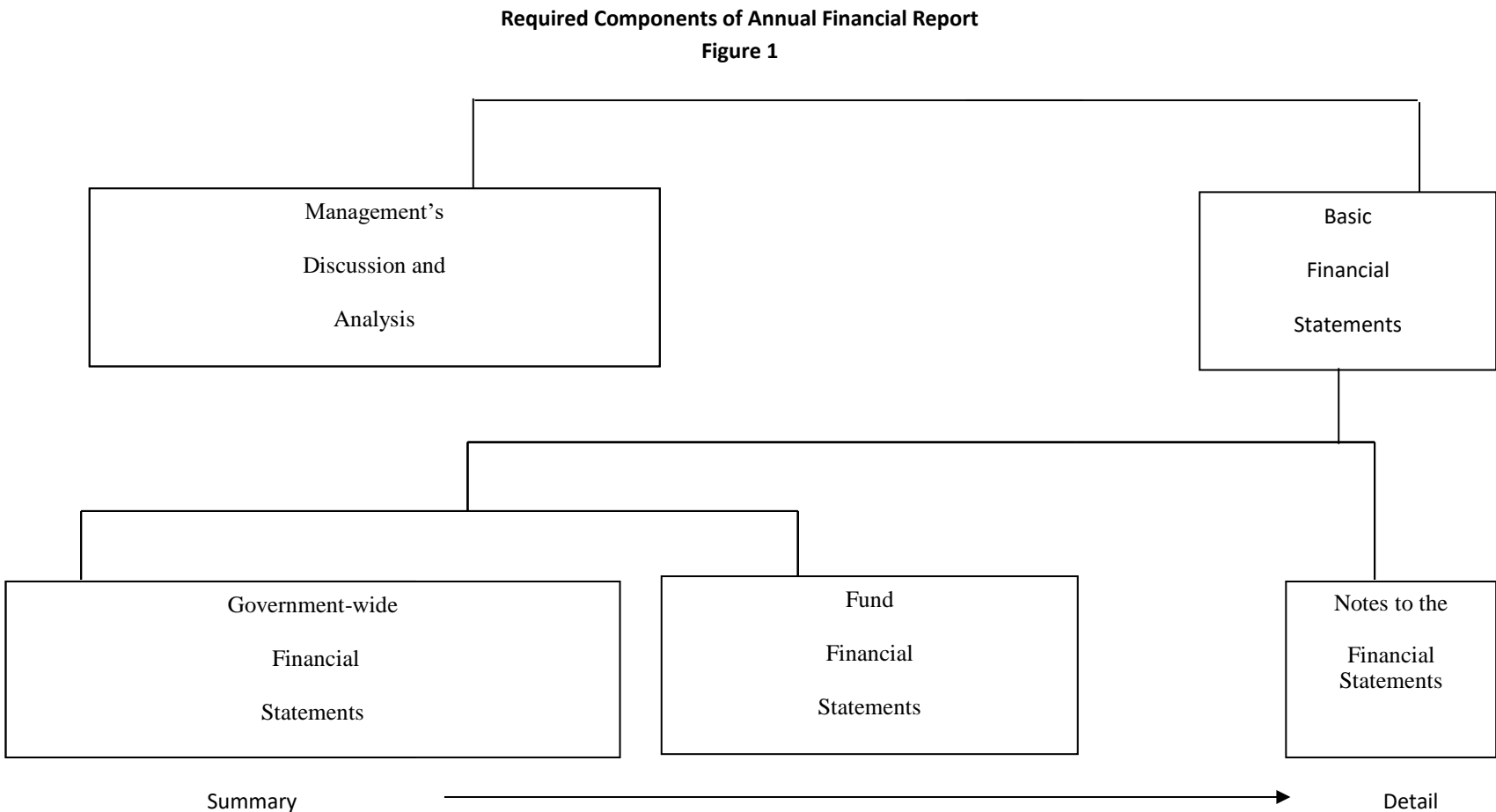
As management of the Town of Manteo (the "Town"), we offer readers of the Town of Manteo’s financial statements this narrative overview and analysis of the financial activities of the Town of Manteo for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in 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 Manteo exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$18,461,756 (net position).
- The Town’s total net position increased by \$89,662 primarily due to increase in the governmental and business-type activities net position.
- As of the close of the current fiscal year, the Town of Manteo’s governmental funds reported combined ending fund balances of \$6,581,210 an increase of \$193,902 in comparison with the prior year. Approximately 70 percent of this total amount, or \$4,615,680 is available for spending at the government’s discretion (unassigned).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,615,680 or 116% of total general fund expenditures for the fiscal year.
- The Town of Manteo’s total debt decreased by \$36,664 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Manteo’s basic financial statements. The Town’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader’s understanding of the financial condition of the Town of Manteo.



## 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 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary 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 additional details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes can also 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, general administration and street and solid waste services. Property taxes, occupancy, sales and land transfer taxes, permit fees and state and federal grant funds finance most of these activities. The business-type activities are those that the town charges customers to provide. These include the water and sewer services offered by the Town of Manteo. The town does not have any component units.

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

## Fund Financial Statements

The Fund Financial Statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Manteo, 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. All of the funds of the Town of Manteo can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. 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 Manteo adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit 8 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the town’s progress in funding its obligation to provide pension benefits and retiree health benefits to its employees. Required supplementary information can be found after the notes.

**Government-Wide Financial Analysis**

**Town of Manteo’s Net Position  
Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>
Current and other assets	\$ 6,558,838	\$ 6,723,110	\$ 2,753,233	\$ 3,221,981	\$ 9,312,071	\$ 9,945,091
Capital assets	7,503,413	7,330,548	5,355,284	5,118,940	12,858,697	12,449,488
Total assets and deferred outflows of resources	14,062,251	14,053,658	8,108,517	8,340,921	22,170,768	22,394,579
Deferred outflows of resources	415,990	387,433	128,005	121,894	543,995	509,327
Long-term liabilities outstanding	2,497,102	2,203,590	1,037,179	1,093,160	3,534,281	3,296,750
Other liabilities	166,078	125,885	375,970	102,244	542,048	228,129
Total liabilities and deferred inflows of resources	2,663,180	2,329,475	1,413,149	1,195,404	4,076,329	3,524,879
Deferred inflows of resources	266,340	696,434	83,624	220,837	349,964	917,271
Net position:						
Net investment in capital assets	7,503,413	7,330,548	5,025,308	4,825,628	12,528,721	12,156,176
Restricted	509,132	431,223	-	-	509,132	431,223
Unrestricted	3,536,176	3,653,411	1,798,065	2,220,946	5,334,241	5,874,357
Total net position	\$ 11,548,721	\$ 11,415,182	\$ 6,823,373	\$ 7,046,574	\$ 18,372,094	\$ 18,461,756

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 Manteo exceeded liabilities and deferred inflows by \$18,461,756 as of June 30, 2020. The Town’s net position increased by \$89,662 for the fiscal year ended June 30, 2020. However, the largest portion \$12,156,176 (66%) reflects the Town’s net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Manteo uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Manteo’s 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 used to liquidate these liabilities. An additional portion of the Town of Manteo’s net position, \$431,223 (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,874,357 (32%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.73%.

**Town of Manteo**  
**Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Revenues:						
Program revenues:						
Charges for services	\$ 257,991	\$ 296,519	\$ 1,979,197	\$ 2,002,022	\$ 2,237,188	\$ 2,298,541
Operating grants and contributions	121,997	148,850	12,177	-	134,174	148,850
Capital grants and contributions	34,189	-	-	-	34,189	-
General revenues:						
Property taxes	2,146,632	2,174,643	-	-	2,146,632	2,174,643
Other taxes	1,534,794	1,876,073	-	-	1,534,794	1,876,073
Other	639,022	88,487	48,925	39,119	687,947	127,606
Total revenues	4,734,625	4,584,572	2,040,299	2,041,141	6,774,924	6,625,713
Expenses:						
General government	2,198,437	2,265,828	-	-	2,198,437	2,265,828
Public safety	1,196,401	1,286,744	-	-	1,196,401	1,286,744
Transportation	-	925,436	-	-	-	925,436
Environmental protections	1,114,392	240,103	-	-	1,114,392	240,103
Water and sewer	-	-	1,895,410	1,817,940	1,895,410	1,817,940
Total expenses	4,509,230	4,718,111	1,895,410	1,817,940	6,404,640	6,536,051
Increase in net position	225,395	(133,539)	144,889	223,201	370,284	89,662
Total net position, beginning	11,323,326	11,548,721	6,678,484	6,823,373	18,001,810	18,372,094
Total net position, ending	\$ 11,548,721	\$ 11,415,182	\$ 6,823,373	\$ 7,046,574	\$ 18,372,094	\$ 18,461,756

**Governmental activities.** Governmental activities decrease the Town's net position by \$133,539. Key elements of this decrease are as follows:

- Decrease in revenues and increase in expenses.

**Business-type activities.** Business-type activities increased the Town of Manteo's net position by \$223,201. Key elements of this increase are as follows:

- Increase in revenues and decrease in expenses.

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

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

**Governmental Funds.** The focus of the Town of Manteo's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Manteo's financing requirements.

The general fund is the chief operating fund of the Town of Manteo. At the end of the current fiscal year, the Town of Manteo's unassigned fund balance available in the General Fund was \$4,615,680, while total fund balance reached \$6,097,828.

At June 30, 2020 the governmental funds of Town of Manteo reported a combined fund balance of \$6,581,210, with a net increase in fund balance of \$193,902.

**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.

**Proprietary Funds.** The Town of Manteo's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to 2,220,946. The total change in net position was \$223,201. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Manteo's business-type activities.

#### Capital Asset and Debt Administration

Capital assets. The Town of Manteo's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totals \$12,449,488 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital assets transactions during the year include the following:

- Pump repairs to the Queen Elizabeth Lift Station
- Land Purchase

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

	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Land	\$ 2,248,876	\$ 2,318,361	\$ 229,735	\$ 229,735	\$ 2,478,611	\$ 2,548,096
Buildings and system Improvements	1,216,775	1,167,544	4,089,379	3,932,306	5,306,154	\$ 5,099,850
Equipment	949,256	1,007,394	-	-	949,256	\$ 1,007,394
Infrastructure	281,254	252,649	84,048	94,713	365,302	\$ 347,362
Vehicles and motorized equipment	2,099,987	1,973,446	-	-	2,099,987	\$ 1,973,446
Construction in progress	699,305	603,194	97,014	75,830	796,319	\$ 679,024
Water lines and improvements	7,960	7,960	-	-	7,960	\$ 7,960
	-	-	855,108	786,356	855,108	\$ 786,356
<b>Total</b>	<b>\$ 7,503,413</b>	<b>\$ 7,330,548</b>	<b>\$ 5,355,284</b>	<b>\$ 5,118,940</b>	<b>\$ 12,858,697</b>	<b>\$ 12,449,488</b>

Additional information on the Town's capital assets can be found in the notes of the Basic Financial Statements.

Long-term Debt. As of June 30, 2020 the Town of Manteo had total debt outstanding of \$293,312.

#### Town of Manteo's Outstanding Debt

The Town of Manteo's total debt decreased by \$36,664 during the current fiscal year, due to scheduled loan payments.

North Carolina General Statutes limits the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Manteo is \$46,963,805.

Additional information regarding the Town of Manteo's long-term debt can be found in the notes of the Basic Financial Statements.

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

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

- Unemployment remained steady.

**Budget Highlights for the Fiscal Year Ending June 30, 2021**

**Governmental Activities:** Property taxes are expected to remain the same as the current tax rate. The Town will continue to finance programs currently in place.

**Business–type Activities:** The water and sewer rates in the Town where left unchanged for the coming year.

**Requests for Information**

This report is designed to provide an overview of the Town’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Town of Manteo, P.O. Box 246, Manteo, North Carolina 27954.

## BASIC FINANCIAL STATEMENTS



**Town of Manteo, North Carolina**  
**Statement of Net Position**  
**June 30, 2020**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 6,246,155	\$ 2,736,585	\$ 8,982,740
Restricted cash and cash equivalents	67,699	183,172	250,871
Taxes Receivable	44,469	-	44,469
Accounts receivables (net)	47,602	302,224	349,826
Prepaid expenses	18	-	18
Due from governmental units	317,167	-	317,167
Non Current Assets:			
Capital assets:			
Land, improvements, and construction in progress	2,326,321	229,735	2,556,056
Other capital assets, net of depreciation	5,004,227	4,889,205	9,893,432
Total capital assets	<u>7,330,548</u>	<u>5,118,940</u>	<u>12,449,488</u>
Total assets	<u>14,053,658</u>	<u>8,340,921</u>	<u>22,394,579</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>387,433</u>	<u>\$ 121,894</u>	<u>509,327</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	97,431	\$ 57,422	154,853
Compensated absences payable	28,454	8,158	36,612
Current portion of long-term liabilities	-	36,664	36,664
Liabilities payable from restricted assets:			
Customer deposits	-	183,172	183,172
Long-term liabilities:			
Due in more than one year	<u>2,203,590</u>	<u>909,988</u>	<u>3,113,578</u>
Total liabilities	<u>2,329,475</u>	<u>1,195,404</u>	<u>3,524,879</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>696,434</u>	<u>220,837</u>	<u>917,271</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,330,548	4,825,628	12,156,176
Restricted for:			
State stabilization	364,769	-	364,769
Streets	61,161	-	61,161
Public safety	6,538	-	6,538
Unrestricted (deficit)	<u>3,652,165</u>	<u>2,220,946</u>	<u>5,873,111</u>
Total net position	<u>\$ 11,415,182</u>	<u>\$ 7,046,574</u>	<u>\$ 18,461,756</u>

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

**Town of Manteo, North Carolina**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and	Capital Grants and	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 2,265,828	\$ 294,273	\$ 65,448	\$ -	\$ (1,906,107)	\$ -	\$ (1,906,107)
Public safety	1,286,744	2,246	49,800	-	(1,234,698)	-	(1,234,698)
Transportation	925,436	-	33,602	-	(891,834)	-	(891,834)
Environmental protection	240,103	-	-	-	(240,103)	-	(240,103)
Total governmental activities	<u>4,718,111</u>	<u>296,519</u>	<u>148,850</u>	<u>-</u>	<u>(4,272,742)</u>	<u>-</u>	<u>(4,272,742)</u>
Business-type activities:							
Water and Sewer	1,817,940	2,002,022	-	-	-	184,082	184,082
Total business-type activities	<u>1,817,940</u>	<u>2,002,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,082</u>	<u>184,082</u>
Total Primary Government	<u>\$ 6,536,051</u>	<u>\$ 2,298,541</u>	<u>\$ 148,850</u>	<u>\$ -</u>	<u>(4,272,742)</u>	<u>184,082</u>	<u>(4,088,660)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,174,643	-	2,174,643
Local option sales tax					663,900	-	663,900
Other taxes and licenses					1,212,173	-	1,212,173
Investment earnings, unrestricted					88,487	39,119	127,606
Total general revenues					<u>4,139,203</u>	<u>39,119</u>	<u>4,178,322</u>
Change in net position					(133,539)	223,201	89,662
Net position, beginning					11,548,721	6,823,373	18,372,094
Net position, ending					<u>\$ 11,415,182</u>	<u>\$ 7,046,574</u>	<u>\$ 18,461,756</u>

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

**Town of Manteo, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,760,391	\$ 485,764	\$ 6,246,155
Restricted cash and cash equivalents	67,699	-	67,699
Taxes receivables, net	44,469	-	44,469
Due from governmental units	315,921	1,246	317,167
Prepaid expenses	18	-	18
Accounts Receivable	47,602	-	47,602
Total assets	<u>\$ 6,236,100</u>	<u>\$ 487,010</u>	<u>\$ 6,723,110</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 93,803	\$ 3,628	\$ 97,431
Compensated absences payable	-	-	-
Total liabilities	<u>93,803</u>	<u>3,628</u>	<u>97,431</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	44,469	-	44,469
Total deferred inflows of resources	<u>44,469</u>	<u>-</u>	<u>44,469</u>
Fund balances:			
Non Spendable			
Prepays	18	-	18
Restricted			
Stabilization by State Statute	363,523	1,246	364,769
Streets - Powell Bill	61,161	-	61,161
Drug enforcement	6,538	-	6,538
Assigned			
Subsequent year's expenditures	1,050,907	-	1,050,907
Cemetery	-	466,880	466,880
Docks	-	15,256	15,256
Unassigned	4,615,680	-	4,615,680
Total fund balances	<u>6,097,828</u>	<u>483,382</u>	<u>6,581,210</u>
Total liabilities, deferred inflows of resources and fund balances			
	<u>\$ 6,236,100</u>	<u>\$ 487,010</u>	<u>\$ 6,723,110</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			7,330,548
Deferred outflows of resources related to pensions are not reported in the funds.			387,433
Earned revenues considered deferred inflows of resources in fund statements.			44,469
Long-term liabilities used in governmental activities are not financials uses and therefore are not reported in the funds.			(85,362)
Deferred inflows of resources related to pensions are not reported in the funds			(696,434)
OPEB liability.			(1,369,846)
Net pension liability - LGERS.			(516,759)
Total pension liability - LEOSA.			<u>(260,077)</u>
Net position of governmental activities			<u>\$ 11,415,182</u>

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

**Town of Manteo, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2020**

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Total Non-Major Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 2,158,756	\$ -	\$ 2,158,756
Unrestricted intergovernmental	1,876,073	18,350	1,894,423
Restricted intergovernmental	129,428	7,035	136,463
Permits and fees	37,709	-	37,709
Sales and services	18,466	193,620	212,086
Investment earnings	81,452	-	81,452
Other revenues	47,796		47,796
Total revenues	<u>4,349,680</u>	<u>219,005</u>	<u>4,568,685</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,782,904	405,119	2,188,023
Public safety	1,252,115	-	1,252,115
Transportation and environmental protection	925,436	-	925,436
Non departmental	9,209	-	9,209
Total expenditures	<u>3,969,664</u>	<u>405,119</u>	<u>4,374,783</u>
Excess (deficiency) of revenues over expenditures	<u>380,016</u>	<u>(186,114)</u>	<u>193,902</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	(193,542)	-	(193,542)
Transfers to other funds	-	193,542	193,542
Total other financing sources and uses	<u>(193,542)</u>	<u>193,542</u>	<u>-</u>
Net change in fund balance	186,474	7,428	193,902
Fund balances-beginning	5,911,354	475,954	6,387,308
Fund balances-ending	<u>\$ 6,097,828</u>	<u>\$ 483,382</u>	<u>\$ 6,581,210</u>

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

**Town of Manteo, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds to the Statement of Activities**  
**For the Fiscal 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	\$ 193,902
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	311,845
Depreciation expense for governmental assets	<u>(484,710)</u>
	(172,865)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	143,552
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of	15,779
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	15,887
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:	
Change in compensated absences	(7,157)
Pension expense - LEOSSA, LGERS, OPEB	(322,637)
	<u>                    </u>
Total changes in net position of governmental activities	<u><u>\$ (133,539)</u></u>

**Town of Manteo, North Carolina**  
**General Fund and Annually Budgeted Special Revenue Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,136,332	\$ 2,136,332	\$ 2,158,756	\$ 22,424
Unrestricted intergovernmental	1,991,319	1,991,319	1,876,073	(115,246)
Restricted intergovernmental	109,040	109,040	129,428	20,388
Permits and fees	43,700	43,700	37,709	(5,991)
Sales and services	28,300	28,300	18,466	(9,834)
Investment earnings	128,000	128,000	81,452	(46,548)
Other revenues	77,700	77,700	47,796	(29,904)
Total revenues	<u>4,514,391</u>	<u>4,514,391</u>	<u>4,349,680</u>	<u>(164,711)</u>
Expenditures				
Current:				
General government	2,084,375	2,184,875	1,782,904	401,971
Public safety	1,382,213	1,372,213	1,252,115	120,098
Public works and transportation	1,200,305	1,185,305	925,436	259,869
Non departmental	67,400	10,400	9,209	1,191
Total expenditures	<u>4,734,293</u>	<u>4,752,793</u>	<u>3,969,664</u>	<u>783,129</u>
Revenues over (under) expenditures	(219,902)	(238,402)	380,016	618,418
Other financing sources (uses):				
Fund Balance Appropriated	363,444	431,944	-	
Transfers (to)/from	<u>(143,542)</u>	<u>(193,542)</u>	<u>(193,542)</u>	
Total other financing sources (uses)	<u>219,902</u>	<u>238,402</u>	<u>(193,542)</u>	<u>(431,944)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	186,474	<u>\$ 186,474</u>
Fund balances:				
Beginning of year, July 1			5,911,354	
End of year, June 30			<u>\$ 6,097,828</u>	

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

**Town of Manteo, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Fund**  
**June 30, 2020**

	<u>Major Enterprise Fund</u> <u>Water and Sewer</u> <u>Fund</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 2,736,585
Restricted cash and cash equivalents	183,172
Accounts Receivable (net)	<u>302,224</u>
Total current assets	<u>3,221,981</u>
Non current assets:	
Land	229,735
Capital assets (net)	<u>4,889,205</u>
Total capital assets	<u>5,118,940</u>
Total assets	<u>8,340,921</u>
Deferred Outflows of Resources	\$ <u>121,894</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 57,422
Customer Deposits	183,172
Current portion of long-term liabilities	36,664
Compensated absences payable	<u>8,158</u>
Total	<u>285,416</u>
Noncurrent liabilities:	
Compensated absences payable	24,472
Net pension liability	172,253
OPEB liability	456,615
Note payable - noncurrent	<u>256,648</u>
Total	<u>909,988</u>
Total liabilities	<u>1,195,404</u>
Deferred Inflows of Resources	<u>220,837</u>
<b>Net Position</b>	
Net investment in capital assets	4,825,628
Unrestricted	<u>2,220,946</u>
Total net position	<u>\$ 7,046,574</u>

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

**Town of Manteo, North Carolina**  
**Statement of Revenues, Expenses, and**  
**Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Fiscal Year Ended June 30, 2020**

	Major Enterprise Fund
	Water and Sewer
	Fund
Operating revenues:	
Water and sewer charges	\$ 1,866,679
Penalties	17,681
Water taps and connections	29,080
FEMA reimbursements	75,107
Other operating revenues	13,475
Total operating revenues	<u>2,002,022</u>
Operating expenses:	
Administration	317,052
Water	522,704
Sewer	646,540
Depreciation	324,170
Total operating expenses	<u>1,810,466</u>
Operating income	<u>191,556</u>
Nonoperating revenues (expenses):	
Investment earnings	39,119
Interest and fees	(7,474)
Total nonoperating revenues	<u>31,645</u>
(expenses)	<u>31,645</u>
Change in net position	<u>223,201</u>
Total net position, beginning	<u>6,823,373</u>
Total net position, ending	<u>\$ 7,046,574</u>

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



**Town of Manteo, North Carolina**  
**Proprietary Fund**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2020**

	<u>Major Enterprise Fun</u> <u>Water and Sewer</u> <u>Fund</u>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 2,033,614
Cash paid for goods and services	(727,025)
Cash paid to employees for services	(713,403)
Net cash provided by operating activities	<u>593,186</u>
<b>Cash flows from capital and related financing activities:</b>	
Capital Contributions	-
Insurance proceeds	-
Acquisition and construction of capital assets	(87,827)
Principal paid on bond maturities and note agreements	(36,664)
Interest and fees paid on bond maturities and notes agreements	(7,474)
Net cash (used) by capital and related financing activities	<u>(131,965)</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	<u>39,119</u>
Net decrease in cash and cash equivalents	500,340
Cash and cash equivalents:	
Beginning of year, July 1	2,419,417
End of year, June 30	<u>\$ 2,919,757</u>

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

**Town of Manteo, North Carolina**  
**Proprietary Fund**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2020**

	<u>Major Enterprise Fun</u> <u>Water and Sewer</u> <u>Fund</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ <u>191,556</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	324,170
Changes in assets, deferred outflows of resources and liabilities:	
(Increase) decrease in accounts receivable	31,592
Increase (decrease) in accounts payable and accrued liabilities	(13,205)
(Increase) decrease in deferred outflows of resources for pensions	6,111
Increase (decrease) in net pension liability	32,402
Increase (decrease) in customer deposits	6,900
Increase (decrease) in OPEB liability	(121,059)
Increase (decrease) in accrued vacation	(2,494)
Increase (decrease) in deferred inflows of resources for pensions	<u>137,213</u>
Total adjustments	<u>401,630</u>
Net cash provided by operating activities	\$ <u><u>593,186</u></u>

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

## NOTES TO THE FINANCIAL STATEMENTS

**Town of Manteo, 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 Manteo conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

B. Basis of Presentation

*Government-wide Statements*: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements*: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies result from the non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental fund:

**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, street maintenance and construction, sanitation services, parks and recreation, and general government services.

The Town reports the following non-major governmental funds:

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

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

The Town reports the following major enterprise funds:

**Water and Sewer Fund.** This fund is used to account for the Town's water and sewer operations. A Water and Sewer Capital Projects Fund has been consolidated into the Water Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Funds 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 and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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.

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Manteo because the tax is levied by the 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 are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and Super-NOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments generally are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. At 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.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

3. Restricted Assets

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

Town of Manteo Restricted Cash

## Governmental Activities

## General Fund

Streets	\$	61,161
Drug enforcement		6,538

Total governmental activities	\$	<u>67,699</u>
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## Business-type Activities

## Water and Sewer Fund

Customer Deposits	\$	<u>183,172</u>
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Total Restricted Cash	\$	<u><u>250,871</u></u>
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. Allowance for doubtful accounts in the water/sewer fund is \$26,564. Allowance for doubtful accounts in the dock fund is \$1,947.

6. Prepaid Items

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

7. Inventory

The Town has no inventory.

## 8. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20 years
Buildings	40 years
Furniture and Equipment	5-10 years
Vehicles	5 years
Improvements	10-20 years

## 9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2020 fiscal year. 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 meets the criterion for this category- prepaid taxes, property taxes receivable, and pension deferrals.

## 10. Long-Term Obligations

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

## 11. Compensated Absences

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

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



## 12. Net Position/Fund Balances

### Net Position

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are externally imposed either 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 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 with RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the balance sheet.

**Restricted for Streets - Powell Bill** portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of total unexpended Powell Bill funds.

**Restricted for Public Safety** - portion of fund balance that is restricted by revenue source for certain public safety expenditures.

**Committed Fund Balance** - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Manteo's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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

Subsequent year's expenditure - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation. State law [G.S. 159-13(b)(16)] restricted appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

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

### 13. Pension

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, and 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. Significant Violations of Finance-Related Legal and Contractual Provisions

#### 1. Noncompliance with North Carolina General Statutes

None.

#### 2. Contractual Violations

None.

### B. Deficit in Fund Balance or Net Position of Individual Funds

None.

### C. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All FundsA. Assets1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. 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 formal 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 \$624,040 and a bank balance of \$646,250. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$373.

2. Investments

As of June 30, 2020, the Town's investments consisted of \$8,609,198 in the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no formal policy on credit risk.

3. Capital Assets**Primary Government**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 2,248,876	\$ 69,485	\$ -	\$ 2,318,361
Construction in progress	7,960	-	-	7,960
Total capital assets not being depreciated	2,256,836	69,485	-	2,326,321
<b>Capital assets being depreciated:</b>				
Buildings	1,851,659	-	-	1,851,659
Other improvements	2,235,405	145,755	-	2,381,160
Infrastructure	2,530,865	-	-	2,530,865
Equipment	743,656	30,189	-	773,845
Vehicles	1,581,403	66,416	-	1,647,819
Total capital assets being depreciated	8,942,988	242,360	-	9,185,348

**Less accumulated depreciation for:**

Buildings	634,884	49,231	-	684,115
Other improvements	1,286,150	87,616	-	1,373,766
Infrastructure	430,876	126,543	-	557,419
Equipment	462,403	58,793	-	521,196
Vehicles	882,098	162,527	-	1,044,625
Total accumulated depreciation	3,696,411	\$ 484,710	\$ -	4,181,121
Total capital assets being depreciated, net	5,246,577			5,004,227
<b>Governmental activity capital assets, net</b>	<b>\$ 7,503,413</b>			<b>\$ 7,330,548</b>

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

General Government	\$ 217,293
Public safety	64,568
Environmental protection and transportation	202,849
Total Depreciation Expense	<u>\$ 484,710</u>

Capital asset activity for the business-type activities for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 229,735	\$ -	\$ -	\$ 229,735
Construction in progress	-	-	-	-
Total capital assets not being depreciated	229,735	-	-	229,735
<b>Capital assets being depreciated:</b>				
Buildings and plants	7,926,910	61,015	-	7,987,925
Water and sewer lines	2,900,999	-	-	2,900,999
Furniture and equipment	206,502	26,811	-	233,313
Vehicles	334,920	-	-	334,920
Total capital assets being depreciated	11,369,331	87,826	-	11,457,157
<b>Less accumulated depreciation for:</b>				
Buildings and plants	3,837,532	218,086	-	4,055,618
Water and sewer lines	2,045,888	68,756	-	2,114,645
Furniture and equipment	122,456	16,144	-	138,600
Vehicles	237,906	21,183	-	259,089
Total accumulated depreciation	6,243,782	\$ 324,169	\$ -	6,567,952
Total capital assets being depreciated, net	5,125,549			4,889,205
<b>Water &amp; Sewer Fund capital assets, net</b>	<b>\$ 5,355,284</b>			<b>\$ 5,118,940</b>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

*Plan Description.* The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. 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 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.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The 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 9.70% of compensation for law enforcement officers and 9.15% 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 were \$191,402 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 an liability of \$689,012 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 0.02523%, which was an increase of 0.00165% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$325,231. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 117,976	\$ -
Changes of assumptions	112,297	-
Net difference between projected and actual earnings on pension plan investments	16,806	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	49,093	1,078
Town's contributions subsequent to the measurement date	191,402	-
Total	<u>\$ 487,574</u>	<u>\$ 1,078</u>

\$191,402 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 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:

<b>Year Ended June 30</b>	
2021	\$ 139,242
2022	50,633
2023	79,898
2024	25,321
2025	-
Thereafter	-
	<u>\$ 295,094</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.

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 as is 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:

Asset Class	Long-Term Expected Real Rate	
	Target Allocation	of Return
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Credit	7%	6.0%
Inflation Protection	6%	4.0%
Total	100%	

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.

*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)	\$1,575,896	\$689,012	(\$48,169)

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

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

The Town of Manteo administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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	1
Active plan members	8
Total	<u>9</u>

2. *Summary of Significant Accounting Policies*

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

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

3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 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	2.5 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-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.



#### 4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$15,779 as benefits came due for the reporting period.

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

At June 30, 2020, the Town reported a total pension liability of \$260,077. 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 \$21,496.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 9,206	\$ 27,013
Changes of assumptions	12,547	6,909
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 21,753</u>	<u>\$ 33,922</u>

\$0 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 244
2022	244
2023	(5,097)
2024	(3,912)
2025	(3,379)
Thereafter	(269)
Total	<u>\$ (12,169)</u>

*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 (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 277,437	\$ 260,077	\$ 244,036

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

Beginning balance	\$ 275,144
Service cost	11,524
Interest on the total pension liability	9,728
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(26,787)
Changes of assumptions or other inputs	6,247
Benefit payments	(15,779)
Ending balance of the total pension liability	<u>\$ 260,077</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.

**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	\$ 325,231	\$ 21,496	\$ 346,727
Pension Liability	689,012	260,077	949,089
Proportionate share of the net pension liability	0.02523%	N/A	
Deferred of Outflows of Resources			
Differences between expected and actual experience	117,976	9,206	127,182
Changes of assumptions	112,297	12,547	124,844
Net difference between projected and actual earnings on plan investments	16,806	-	16,806
Changes in proportion and differences between contributions and proportionate share of contributions	49,093	-	49,093
Benefit payments and administrative costs paid subsequent to the measurement date	191,402	-	191,402
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	27,013	27,013
Changes of assumptions	-	6,909	6,909
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,078	-	1,078

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

*Plan Description* . The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-01410, or by calling (919) 707-0500.

*Funding Policy* . Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officers' salary and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020, were \$43,185, which consisted of \$23,585 from the Town and \$19,600 from law enforcement officers.

**d. Supplemental Retirement Income Plan for Non-Law Enforcement Officers**

*Plan Description* . The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to non-law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

*Funding Policy* . Beginning July 1, 1995, the Town began making a contribution of five percent for non-law enforcement officers and all amounts contributed are vested immediately. These employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020, were \$110,791, which consisted of \$79,589 from the Town and \$31,202 from employees.

e. 457 Deferred Compensation

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

*Funding Policy* . The Town does not match contributions to the 457 deferred compensation plan. Total contributions for the year ended June 30, 2020 were \$9,245.

3. Other Post-Employment Benefits (OPEB)

Healthcare Benefits

*Plan Description*. Under the terms of a Town resolution, the Town administers a single employer defined benefit Healthcare Benefits Plan (the HCB Plan). The plan provides 100% of group health insurance to retirees who have completed 25 years of service with the Town and 50% to retirees who have completed 20 years of service with the Town. The Town will also provide a Medicare Supplement equivalent to Plan F to retirees who have completed 15 years of service with the Town and begun to receive benefits from the NC Local Government Employees Retirement System and Social Security upon retirement. The Town's retirees can purchase coverage for their dependents at the Town group rates. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2019 date of the latest actuarial valuation.

	Employees:
Retirees and dependents receiving benefits	<u>2</u>
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>31</u>
Total	<u><u>33</u></u>

**Total OPEB Liability**

The Town's total OPEB liability of \$1,826,461 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs* . The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.00 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	
General Employees	3.50 to 7.75 percent
Law Enforcement Officers	3.50 to 7.35 percent
Municipal Bond Index Rate	
Prior Measurement Date	3.89 percent
Measurement Date	3.50 percent
Healthcare cost trend rates	
Pre-Medicare Medical and Prescription Drug	7.00 percent for 2019 decreasing to an ultimate rate of 4.50 percent by 2026
Medicare Medical and Prescription Drug	5.00 percent for 2019 decreasing to an ultimate rate of 4.50 percent by 2021
Dental	4.00 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

**Change in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2019</b>	
<b>Change for the year</b>	\$ 2,310,695
Service cost	124,351
Interest	89,522
Changes of benefit terms	-
Differences between expected and actual experience	(650,347)
Changes in assumptions or other inputs	(28,868)
Benefit payments	(18,892)
<b>Net changes</b>	<b>(484,234)</b>
<b>Balance at June 30, 2020</b>	<b>\$ 1,826,461</b>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

*Sensitivity of the total OPEB liability to changes in the discount rate*. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	<b>1% Decrease (2.50%)</b>	<b>Discount Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
Total OPEB liability	\$ 1,498,517	\$ 1,826,461	\$ 2,260,575

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates*. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
Total OPEB liability	\$ 2,204,221	\$ 1,826,461	\$ 1,532,624

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$90,557. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows Of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 576,129
Changes of assumptions	-	306,142
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	\$ -	\$ 882,271

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30</b>	
2021	\$ (126,926)
2022	(126,926)
2023	(126,926)
2024	(126,926)
2025	(126,926)
Thereafter	(247,641)
	<u>\$ (882,271)</u>

### 3. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row doing the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

### 4. Deferred Outflows and Inflows of Resources

Deferred outflow of resources reported on the Statement of Net Position is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 191,402
Benefit payments and administrative expenses for LEOSA made subsequent to measurement date	-
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	-
Differences between expected and actual experience	127,182
Changes of assumptions	124,844
Net difference between projected and actual	16,806
Changes in proportion and differences between employer contributions and proportionate share of contributions	49,093
Total	<u>\$ 509,327</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 44,469
Differences between expected and actual experience	603,142	-
Changes in assumptions	313,051	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,078	-
Total	<u>\$ 917,271</u>	<u>\$ 44,469</u>

## 5. 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 three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss including employee health coverage. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area designated an "AE" area (a special flood hazard area) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP and has done so for its town hall building.

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

## 6. Claims, Judgments, and Contingent Liabilities

At June 30, 2020, there were no lawsuits against the Town that materially impacts its financial statements.

## 7. Long Term Obligations

### a. Installment Purchase

Water and Sewer Fund - North Carolina Water Pollution Control Revolving Fund

On November 30, 2007 the Town entered into a \$733,280 direct placement contract with the State of North Carolina to construct the Bowsertown lift station. This note is not secured by a pledge of the faith and credit of the State of North Carolina or of the Town, but is payable solely from the revenues of the Project or benefited systems, or other available funds. The terms of the note require 20 annual principal payments of \$36,664 on May 1 plus semi-annual interest payments of 2.265% on May 1 and November 1 calculated on the unpaid principal balance. Balance at June 30, 2020 is \$293,312.

Annual debt service payments of the installment purchase as of June 30, 2020, including \$29,899 of interest, are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2021	\$ 36,664	\$ 6,644
2022	36,664	5,814
2023	36,664	4,983
2024	36,664	4,152
2025	36,664	3,247
2026-2028	109,992	5,059
Total	<u>\$ 293,312</u>	<u>\$ 29,899</u>



b. Changes in Long-Term Liabilities

A summary of changes in long-term debt follows:

	Balance 07/01/19	Increases	Decreases	Balance 06/30/20	Current Portion
Governmental activities:					
Compensated absences	\$ 92,519	\$ 62,268	\$ (69,425)	\$ 85,362	\$ 28,454
Net pension liability (LGRS)	419,548	97,211	-	516,759	-
Total pension obligation (LEO)	275,144	-	(15,067)	260,077	-
Total OPEB Liability	1,733,021	-	(363,175)	1,369,846	-
Governmental activity long-term liabilities	\$ 2,520,232	\$ 159,479	\$ (447,667)	\$ 2,232,044	\$ 28,454
Business-type activities:					
Compensated absences	\$ 35,124	\$ -	\$ (2,494)	\$ 32,630	\$ 8,158
Direct placement notes payable	329,976	-	(36,664)	293,312	36,664
Net pension liability (LGRS)	139,851	32,402	-	172,253	-
Total OPEB Liability	577,674	-	(121,059)	456,615	-
Business-type activity long-term liabilities	\$ 1,082,625	\$ 32,402	\$ (160,217)	\$ 954,810	\$ 44,822

C. Interfund Balances and Activities

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

From the General Fund to the Dock Fund (for dock operations) \$ 193,542

D. Fund Balance

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

<b>Total fund balance - General Fund</b>	<b>\$ 6,097,828</b>
<b>Less:</b>	
<b>Non Spendable - Prepaids</b>	18
<b>Stabilization by State Statute</b>	363,523
<b>Streets - Powell Bill</b>	61,161
<b>Subsequent year's expenditures</b>	1,050,907
<b>Drug enforcement</b>	6,538
<b>Working capital/fund balance policy</b>	3,027,323
<b>Remaining Fund Balance</b>	<b>\$ 1,588,358</b>

The Town has a minimum fund balance policy which requires a minimum balance of 75% of the previous fiscal year's General Fund expenditures which is \$3,027,323. This is a decrease in the dollar amount over the prior year of \$30,000.

IV. Summary Disclosure of Significant ContingenciesFederal and State Assisted Programs

The Town has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain cost 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.

Water Purchase Contract

A water purchase contract was executed with Dare County in February 2012 for a period of 15 years to adjust the wholesale cost of water purchased to be the same as other municipalities in Dare County. The water rate can be adjusted annually with the increase or decrease in rates to be based on a demonstrable increase or decrease in costs. For the year ended June 30, 2020 the Town purchased water at a rate of \$1.891 per thousand gallons for a total cost of \$153,108.

Municipal Waste Management Agreement

On January 30, 2009, the Town renewed its Municipal Waste Management Agreement with Dare County, a member of the Albemarle Regional Solid Waste Authority, for disposal of solid waste. Charges are based on the Town's actual tonnage of solid waste; the rate in effect for the year ended June 30, 2020 was \$73.15 per ton.

**V. Subsequent Events**

Management has evaluated subsequent events through January 15, 2021, the date on which the financial statements were available to be issued.

REQUIRED  
SUPPLEMENTAL FINANCIAL DATA

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

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Schedule of the Proportionate Share of the Net Pension  
Liability – Local Government Employees’ Retirement  
System

Schedule of Contributions – Local Government  
Employees’ Retirement System

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

Schedule of Total Pension Liability as a Percentage of  
Covered Payroll - Law Enforcement Officers' Special  
Separation Allowance

Schedule of Changes in Total OPEB Liability and  
Related Ratios

**Town of Manteo, North Carolina**  
**Town of Manteo's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Seven Fiscal Years\***

**Local Government Employees' Retirement System**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town's proportion of the net pension liability (asset) (%)	0.02523%	0.02358%	0.02183%	0.02476%	0.02405%	0.02498%	0.02400%
Town's proportion of the net pension liability (asset) (\$)	\$ 689,012	\$ 559,398	\$ 333,502	\$ 525,490	\$ 107,935	\$ (147,319)	292,908
Town's covered-employee payroll	\$ 1,865,623	\$ 1,755,942	\$ 1,650,932	\$ 1,763,768	\$ 1,611,154	\$ 1,559,730	1,489,789
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.93%	31.86%	20.20%	29.79%	6.70%	( 9.45%)	19.66%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**Town of Manteo, North Carolina  
Town of Manteo's Contributions  
Required Supplementary Information  
Last Seven Fiscal Years**

**Local Government Employees' Retirement System**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 191,402	\$ 147,052	\$ 134,242	\$ 122,239	\$ 117,237	\$ 117,536	113,058
Contributions in relation to the contractually required contribution	191,402	147,052	134,242	122,239	117,237	117,536	113,058
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 2,063,475	\$ 1,865,623	\$ 1,755,942	\$ 1,650,932	\$ 1,763,768	\$ 1,611,154	1,559,730
Contributions as a percentage of covered- employee payroll	9.28%	7.88%	7.65%	7.40%	6.65%	7.30%	7.25%

**Town of Manteo, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2020**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 275,144	\$ 287,725	\$ 245,148	\$ 249,422
Service Cost	11,524	10,618	10,012	7,576
Interest on the total pension liability	9,728	8,843	9,158	8,623
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(26,787)	(7,554)	21,821	-
Changes of assumptions or other inputs	6,247	(8,709)	17,365	(4,694)
Benefit payments	(15,779)	(15,779)	(15,779)	(15,779)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 260,077</u>	<u>\$ 275,144</u>	<u>\$ 287,725</u>	<u>\$ 245,148</u>

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

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 260,077	\$ 275,144	\$ 287,725	\$ 245,148
Covered payroll	444,888	442,755	431,416	319,350
Total pension liability as a percentage of covered payroll	58.46%	62.14%	66.69%	76.76%

Notes to the schedules:

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

**Town of Manteo, North Carolina**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**For the Year Ended June 30, 2020**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>			
Service cost	124,351	132,331	150,542
Interest	89,522	80,284	69,509
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(650,347)	(1,057)	(1,052)
Changes of assumptions	(28,868)	(148,114)	(257,981)
Benefit payments	(18,892)	(15,700)	(14,554)
<b>Net change in total OPEB liability</b>	(484,234)	47,744	(53,536)
<b>Total OPEB liability - beginning</b>	2,310,695	2,262,951	2,316,487
<b>Total OPEB liability - ending</b>	1,826,461	2,310,695	2,262,951
Covered payroll	1,714,959	1,537,256	1,537,256
Total OPEB liability as a percentage of covered payroll	106.50%	150.31%	147.21%

**Notes to Schedule**

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

<b><u>Fiscal year</u></b>	<b><u>Rate</u></b>
2020	3.50%
2019	3.89%
2018	3.56%



## INDIVIDUAL FUND SCHEDULES

- Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - General Fund

**Town of Manteo, North Carolina**  
**General 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>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	\$ 2,070,366	\$
Motor vehicle taxes		85,031	
Penalties and interest		3,359	
Total	<u>2,136,332</u>	<u>2,158,756</u>	<u>22,424</u>
Unrestricted intergovernmental:			
ABC Revenue		61,794	
Local option sales taxes		663,900	
Occupancy tax		660,190	
Land transfer tax		173,342	
Franchise tax		254,163	
Beer and wine tax		6,860	
Peg channel revenue		54,613	
Solid waste tax		1,211	
Total	<u>1,991,319</u>	<u>1,876,073</u>	<u>(115,246)</u>
Restricted intergovernmental:			
Controlled substance reimbursement		3,561	
Government access channel		10,000	
Powell Bill allocation		33,602	
State and federal grants		46,239	
Local grants		36,026	
Total	<u>109,040</u>	<u>129,428</u>	<u>20,388</u>
Permits and fees:			
Building permit fees and review fees		37,709	
Total	<u>43,700</u>	<u>37,709</u>	<u>(5,991)</u>
Sales and services:			
Court costs		621	
Violations		1,625	
Museum events		2,295	
Museum registration fees		13,825	
Museum donations		100	
Total	<u>28,300</u>	<u>18,466</u>	<u>(9,834)</u>

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

Investment earnings	<u>128,000</u>	<u>81,452</u>	<u>(46,548)</u>
Other revenues			
Rents		-	
Vendor fees		985	
Cable franchise fee		-	
Sale of fixed assets		4,518	
Trash container/rain barrels		22,619	
Dare Days income		-	
New Year's contributions		3,750	
Miscellaneous		15,924	
Total	<u>77,700</u>	<u>47,796</u>	<u>(29,904)</u>
Total Revenues	<u>4,514,391</u>	<u>4,349,680</u>	<u>(164,711)</u>
<b>Expenditures:</b>			
General government:			
Administration:			
Salaries & benefits		380,432	
Operating expense		162,638	
Wellness project		415	
Information technology		48,966	
PEG Channel to Dare County		54,613	
Copier lease		5,174	
Ordinance fine remittance BOE		1,625	
Total	<u>775,181</u>	<u>653,863</u>	<u>121,318</u>
Finance and Taxes:			
Salaries & benefits		190,191	
Operating expense		71,647	
Total	<u>288,575</u>	<u>261,838</u>	<u>26,737</u>
Governing board:			
Salaries & benefits		83,092	
Operating expense		12,673	
Total	<u>126,176</u>	<u>95,765</u>	<u>30,411</u>

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

<hr/>			
Planning department:			
Salaries & benefits		165,259	
Operating expense		24,944	
Total	<u>228,810</u>	<u>190,203</u>	<u>38,607</u>
Planning board:			
Salaries & benefits		9,509	
Operating expense		586	
Total	<u>12,800</u>	<u>10,095</u>	<u>2,705</u>
Public buildings:			
Operating expense		124,786	
Capital Outlay		75,021	
Total	<u>266,190</u>	<u>199,807</u>	<u>66,383</u>
Museum:			
Salaries & benefits		130,956	
Operating expense		42,059	
Total	<u>209,500</u>	<u>173,015</u>	<u>36,485</u>
Cultural projects:			
Salaries & benefits		30,875	
Operating expense		167,443	
Total	<u>277,643</u>	<u>198,318</u>	<u>79,325</u>
Total General Government	<u>2,184,875</u>	<u>1,782,904</u>	<u>401,971</u>
Transportation and Environmental Protection			
Streets and sanitation:			
Salaries & benefits		508,229	
Operating expense		406,252	
Capital Outlay		-	
Total	<u>1,049,805</u>	<u>914,481</u>	<u>135,324</u>
Powell Bill:			
Operating expense		1,855	
Capital Outlay		-	
Total	<u>34,500</u>	<u>1,855</u>	<u>32,645</u>

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

Stormwater:			
Construction and engineering		9,100	
Capital Outlay		-	
Total	<u>101,000</u>	<u>9,100</u>	<u>91,900</u>
Total Transportation and Environmental Protection	<u>1,185,305</u>	<u>925,436</u>	<u>259,869</u>
Public Safety:			
Police:			
Salaries & benefits		816,412	
Operating expense		111,938	
Capital Outlay		89,765	
Total	<u>1,138,213</u>	<u>1,018,115</u>	<u>120,098</u>
Fire:			
Operating expense		234,000	
Total	<u>234,000</u>	<u>234,000</u>	<u>-</u>
Total Public Safety	<u>1,372,213</u>	<u>1,252,115</u>	<u>120,098</u>
Nondepartmental	<u>10,400</u>	<u>9,209</u>	<u>1,191</u>
Total Expenditures	<u>4,752,793</u>	<u>3,969,664</u>	<u>783,129</u>
Revenues over (under) expenditures	<u>(238,402)</u>	<u>380,016</u>	<u>618,418</u>
Other financing sources (uses):			
Transfers (to)/from other funds	<u>(193,542)</u>	<u>(193,542)</u>	
Total	<u>\$ (193,542)</u>	<u>(193,542)</u>	<u>\$ -</u>
Fund Balance Appropriated	431,944	-	(431,944)
Net change in fund balance	<u>\$ -</u>	<u>186,474</u>	<u>\$ 186,474</u>
Fund balances:			
Beginning of year, July 1		5,911,354	
End of year, June 30		<u>\$ 6,097,828</u>	

**Town of Manteo, North Carolina**  
**Combining Balance Sheet**  
**Non Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2020**

	Cemetery Fund	Dock Fund	Totals
<b>Assets</b>			
Cash and Cash Equivalents	\$ 466,880	\$ 18,884	\$ 485,764
Accounts Receivable	-	1,246	1,246
Total Assets	<u>466,880</u>	<u>20,130</u>	<u>487,010</u>
<b>Liabilities and Fund Balances</b>			
Accounts payable	-	3,628	3,628
Accrued salaries and benefits	-	-	-
Total liabilities	<u>-</u>	<u>3,628</u>	<u>3,628</u>
<b>Fund Balances:</b>			
Restricted			
Stabilization by State Statute	-	1,246	1,246
Assigned			
Cemetery	466,880	-	466,880
Docks	-	15,256	15,256
Total Fund Balance	<u>466,880</u>	<u>16,502</u>	<u>483,382</u>
Total Liabilities and Fund Equity	<u>\$ 466,880</u>	<u>\$ 20,130</u>	<u>\$ 487,010</u>

**Town of Manteo, North Carolina**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Non Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2020**

	Cemetery Fund	Dock Fund	Totals
Revenues:			
Cemetery revenues	\$ 18,350	\$ -	\$ 18,350
Dock Revenues	-	193,620	193,620
Investment earnings	7,035	-	7,035
Total Revenues	<u>25,385</u>	<u>193,620</u>	<u>219,005</u>
Expenditures:			
General government	<u>1,275</u>	<u>403,844</u>	<u>405,119</u>
Revenues over expenditures	24,110	(210,224)	(186,114)
Other Financing Sources (Uses):			
Transfers In (Out)	<u>-</u>	<u>193,542</u>	<u>193,542</u>
Fund balances:			
Beginning of year, July 1	442,770	33,184	475,954
End of year, June 30	<u>\$ 466,880</u>	<u>\$ 16,502</u>	<u>\$ 483,382</u>

**Town of Manteo, North Carolina**  
**Special Revenue Fund - Cemetery 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>	<u>Variance Positive (Negative)</u>
Revenues:			
Internment fees	\$ 1,800	\$ 1,350	\$
Lot sales	13,000	17,000	
Grant income	-	-	
Interest income	<u>7,000</u>	<u>7,035</u>	
Total	<u>21,800</u>	<u>25,385</u>	<u>3,585</u>
Expenditures:			
Cemetery operations	<u>21,800</u>	<u>1,275</u>	
Total expenditures	<u>21,800</u>	<u>1,275</u>	<u>20,525</u>
Revenues over expenditures	-	24,110	24,110
Fund Balance Appropriated	-	-	-
Other Financing Sources (Uses):			
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	24,110	\$ <u>24,110</u>
Fund balances:			
Beginning of year, July 1		<u>442,770</u>	
End of year, June 30		\$ <u>466,880</u>	



**Town of Manteo, North Carolina**  
**Special Revenue Fund - Waterfront Docks 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:			
Dock rent	\$ 200,000	\$ 171,913	\$
Event income	7,000	1,000	
FEMA reimbursements	-	19,422	
CAMA grant	96,903	-	
Miscellaneous	2,000	1,285	
Total	<u>305,903</u>	<u>193,620</u>	<u>(112,283)</u>
Expenditures:			
Salaries and other employment benefits	155,532	148,526	
Other operating expenditures	204,850	119,177	
Capital Outlay	150,000	136,141	
Total expenditures	<u>510,382</u>	<u>403,844</u>	<u>106,538</u>
Revenues over expenditures	(204,479)	(210,224)	(5,745)
Fund Balance Appropriated	10,937	-	(10,937)
Other Financing Sources (Uses):			
Transfers In (Out)	<u>193,542</u>	<u>193,542</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	(16,682)	\$ <u>(16,682)</u>
Fund balances:			
Beginning of year, July 1		33,184	
End of year, June 30		\$ <u>16,502</u>	

## PROPRIETARY FUNDS

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Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

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**Town of Manteo, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services:			
Water charges	\$	\$ 813,916	\$
Sewer charges		1,052,762	
Total	<u>1,946,928</u>	<u>1,866,678</u>	<u>(80,250)</u>
Taps and connections		29,080	
Reconnections		2,850	
Penalties		17,681	
Other operating revenues		1,025	
Total	<u>82,732</u>	<u>50,636</u>	<u>(32,096)</u>
Total Operating Revenues	<u>2,029,660</u>	<u>1,917,314</u>	<u>(112,346)</u>
Nonoperating revenues:			
Rent income		9,600	
FEMA reimbursements		75,107	
Interest income		39,119	
Total nonoperating	<u>203,100</u>	<u>123,826</u>	<u>(79,274)</u>
Total Revenues	<u>2,232,760</u>	<u>2,041,140</u>	<u>(191,620)</u>
Expenditures:			
Administration:			
Salaries and benefits		236,970	
Operating Expenses		80,083	
Total administration	<u>317,475</u>	<u>317,053</u>	<u>422</u>
Water Operations:			
Salaries and benefits		243,808	
Repairs and maintenance		5,685	
System maintenance		10,948	
Information technology		1,348	
Supplies		8,927	
Operating expenditures		208,915	
Capital outlay		2,371	
Total	<u>855,660</u>	<u>482,002</u>	<u>373,658</u>

**Town of Manteo, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Fiscal Year Ended June 30, 2020**

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Sewer Operations:			
Salaries and benefits		232,625	
Repairs and maintenance		6,033	
System maintenance		101,529	
Utilities		52,645	
Information technology		2,601	
Supplies		70,083	
Contract services		46,572	
Operating expenditures		86,192	
Capital outlay		85,456	
Total	<u>1,311,625</u>	<u>683,736</u>	<u>627,889</u>
Total expenditures	<u>2,484,760</u>	<u>1,482,791</u>	<u>1,001,969</u>
Other financing sources (uses):			
Interest and fees		7,474	
Principal retirement		36,664	
Total other financing sources (uses):	<u>45,000</u>	<u>44,138</u>	<u>862</u>
Fund balance appropriated	<u>297,000</u>	<u>-</u>	<u>(297,000)</u>
Revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>514,211</u>	\$ <u>514,211</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Revenues over expenditures		\$ <u>514,211</u>	
Reconciling items:			
Principal retirement		36,664	
Capital outlay		87,827	
Depreciation		(324,170)	
Increase (decrease) in net pension liability		(32,402)	
Increase (decrease) in OPEB liability		121,059	
(Increase) decrease in deferred outflows of resources for pensions		(6,111)	
Increase (decrease) in deferred inflows of resources for pensions		<u>(137,213)</u>	
Total reconciling items		<u>(291,010)</u>	
Change in net position		\$ <u>223,201</u>	

## OTHER SCHEDULES

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This section includes additional information on property taxes.

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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

**Town of Manteo, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2020**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$	\$ 2,172,076	\$ (2,144,485)	\$ 27,591
2018-2019	11,583	-	(6,439)	5,144
2017-2018	3,207	-	(1,547)	1,660
2016-2017	1,601	-	(757)	844
2015-2016	1,109	-	(117)	992
2014-2015	538	-	(28)	510
2013-2014	1,244	-	(899)	345
2012-2013	1,041	-	(644)	397
2011-2012	5,737	-	(290)	5,447
2010-2011	1,935	-	(396)	1,539
2009-2010	587	-	(587)	-
	\$ <u>28,582</u>	\$ <u>2,172,076</u>	\$ <u>(2,156,189)</u>	<u>44,469</u>

Ad valorem taxes receivable - net \$ 44,469

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 2,158,756
Reconciling items:	
Discounts, Releases, Refunds	792
Interest collected	(3,359)
Total collections and credits	\$ <u>2,156,189</u>

**Town of Manteo, 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 at current year's rate	\$ 591,149,459	0.37	\$ 2,187,253	\$ 2,102,222	\$ 85,031
Penalties	-		-	7,057	-
Total	<u>591,149,459</u>		<u>2,187,253</u>	<u>2,109,279</u>	<u>85,031</u>
Discoveries:					
Current year taxes	4,131,351	0.37	\$ 15,286	\$ 15,286	-
Releases:	<u>(8,233,243)</u>	0.37	<u>(30,463)</u>	<u>(30,463)</u>	-
Total property valuation	\$ <u>587,047,568</u>				
Net levy			2,172,076	2,094,102	85,031
Uncollected taxes at June 30, 2020			<u>(27,591)</u>	<u>(27,591)</u>	-
Current year's taxes collected			\$ <u>2,144,485</u>	\$ <u>2,066,511</u>	\$ <u>85,031</u>
Current levy collection percentage			<u>98.73%</u>	<u>98.68%</u>	<u>100.00%</u>

## COMPLIANCE SECTION





Thompson, Price, Scott, Adams & Co., P.A.  
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**Report On Internal Control Over Financial Reporting And On Compliance and Other  
Matters Based On An Audit Of Financial Statements Performed In Accordance With  
*Government Auditing Standards***

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to 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, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Manteo, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Manteo's basic financial statements, and have issued our report thereon dated January 15, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies, listed as 2020-001.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Manteo'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*.

#### Town of Manteo's Response to Findings

The Town of Manteo's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### 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 result 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.

*Thompson, Price, Scott, Adams & Co., PA*

*Wilmington, North Carolina*

*January 15, 2021*

<b>Section I.</b>	<b>Summary of Auditor's Results</b>
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Noncompliance material to financial statements noted   yes     X  no

Town of Manteo, North Carolina  
Schedule of Findings and Responses  
For the Fiscal Year Ended June 30, 2020

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**Section II – Financial Statement Findings**

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**SIGNIFICANT DEFICIENCIES**

2020 – 001      Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among Town personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the corrective action plan to follow.



Town of Manteo, North Carolina  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2020

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**Section II – Financial Statement Findings**

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Finding: 2020 – 001      Segregation of Duties

Name of contact person:      Shannon Twiddy, Finance Officer

Corrective Action:      The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date:      The Board will implement the above procedure immediately.