

**TOWN OF MANTEO,
NORTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

MAYOR

Bobby Owens

COMMISSIONERS

Jason Borland

Richard Burke

Darrell Collins

Edward Mann

Betty Selby – Mayor Pro Tem

Christine Walker

FINANCE OFFICER

Shannon Twiddy

TOWN CLERK

Jamie Whitley

TOWN MANAGER

James Ayers II

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For the Year Ended June 30, 2021**

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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, 2021, 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, 2021, 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 September 23, 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

September 23, 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, 2021. 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

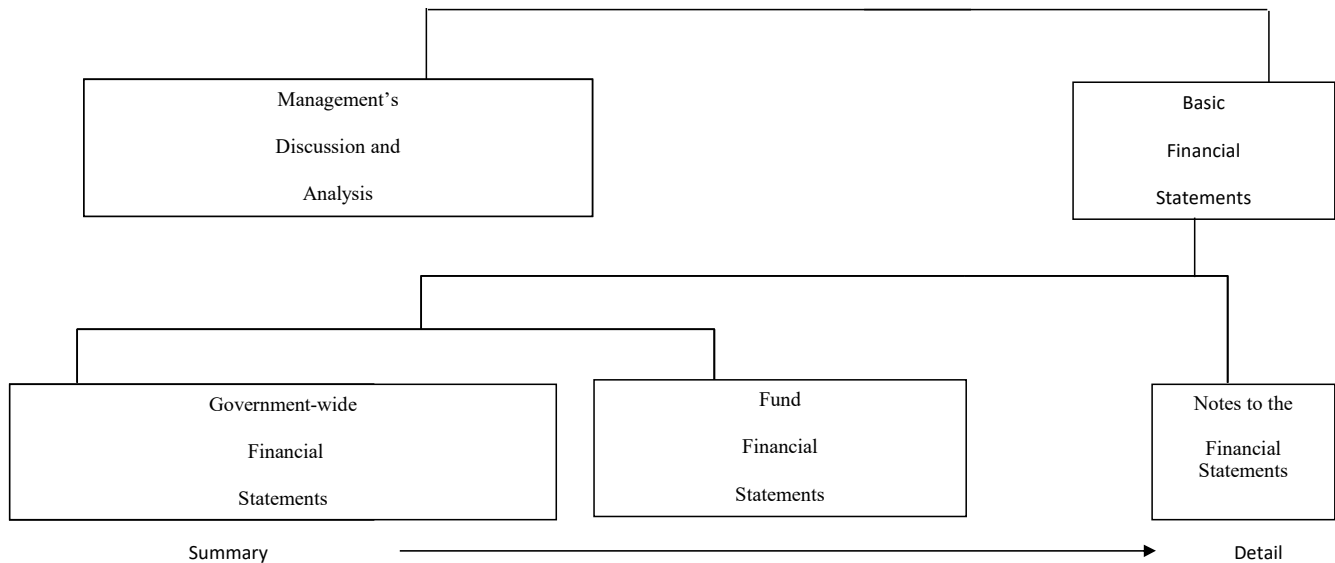
- The assets and deferred outflows of resources of the Town of Manteo exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$19,712,934 (net position).
- The Town's total net position increased by \$1,251,178 primarily due to increase in the governmental and business-type 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 \$7,777,565 an increase of \$1,196,355 in comparison with the prior year. Approximately 82 percent of this total amount, or \$6,361,301 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 \$4,752,117 or 102% 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.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 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 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**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 7,911,399	\$ 6,723,110	\$ 3,560,220	\$ 3,221,981	\$ 11,471,619	\$ 9,945,091
Capital assets	7,523,810	7,330,548	4,925,945	5,118,940	12,449,755	12,449,488
Total assets and deferred outflows of resources	15,435,209	14,053,658	8,486,165	8,340,921	23,921,374	22,394,579
Deferred outflows of resources	980,490	387,433	273,015	121,894	1,253,505	509,327
Long-term liabilities outstanding	3,107,412	2,203,590	1,102,677	1,093,160	4,210,089	3,296,750
Other liabilities	165,031	125,885	305,353	102,244	470,384	228,129
Total liabilities and deferred inflows of resources	3,272,443	2,329,475	1,408,030	1,195,404	4,680,473	3,524,879
Deferred inflows of resources	592,501	696,434	188,971	220,837	781,472	917,271
Net position:						
Net investment in capital assets	7,523,810	7,330,548	4,669,297	4,825,628	12,193,107	12,156,176
Restricted	930,671	431,223	-	-	930,671	431,223
Unrestricted	4,096,274	3,653,411	2,492,882	2,220,946	6,589,156	5,874,357
Total net position	\$ 12,550,755	\$ 11,415,182	\$ 7,162,179	\$ 7,046,574	\$ 19,712,934	\$ 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 \$19,712,934 as of June 30, 2021. The Town’s net position increased by \$1,251,178 for the fiscal year ended June 30, 2021. However, the largest portion \$12,193,107 (62%) 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, \$930,671 (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,589,156 (33%) 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 99.65%.

Town of Manteo
Changes in Net Position
Figure 3

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 250,866	\$ 296,519	\$ 1,982,380	\$ 2,002,022	\$ 2,233,246	\$ 2,298,541
Operating grants and contributions	398,516	148,850	112,041	-	510,557	148,850
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	2,339,493	2,174,643	-	-	2,339,493	2,174,643
Other taxes	2,682,330	1,876,073	-	-	2,682,330	1,876,073
Other	143,796	88,487	1,145	39,119	144,941	127,606
Total revenues	5,815,001	4,584,572	2,095,566	2,041,141	7,910,567	6,625,713
Expenses:						
General government	2,191,295	2,265,828	-	-	2,191,295	2,265,828
Public safety	1,393,501	1,286,744	-	-	1,393,501	1,286,744
Transportation and Environmental prote	1,084,845	1,165,539	-	-	1,084,845	1,165,539
Nondepartmental	9,787	-	-	-	9,787	-
Water and sewer	-	-	1,979,961	1,817,940	1,979,961	1,817,940
Total expenses	4,679,428	4,718,111	1,979,961	1,817,940	6,659,389	6,536,051
Increase in net position	1,135,573	(133,539)	115,605	223,201	1,251,178	89,662
Total net position, beginning	11,415,182	12,550,755	7,046,574	7,162,179	18,461,756	19,712,934
Total net position, ending	\$ 12,550,755	\$ 12,417,216	\$ 7,162,179	\$ 7,385,380	\$ 19,712,934	\$ 19,802,596

Governmental activities. Governmental activities increased the Town's net position by \$1,135,573. Key elements of this decrease are as follows:

- Increase in revenues and decrease in expenses.

Business-type activities. Business-type activities increased the Town of Manteo's net position by \$115,605. 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 \$4,752,117, while total fund balance reached \$7,291,972.

At June 30, 2021 the governmental funds of Town of Manteo reported a combined fund balance of \$7,777,565, with a net increase in fund balance of \$1,196,355.

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 \$2,492,882. The total change in net position was \$115,605. 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, 2021 totals \$12,449,755 (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:

- Commons parking lot
- Lift station

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,318,361	\$ 2,318,361	\$ 229,735	\$ 229,735	\$ 2,548,096	\$ 2,548,096
Buildings and system Improvements	1,118,313	1,167,544	3,713,500	3,932,306	4,831,813	5,099,850
Equipment	929,097	1,007,394	-	-	929,097	1,007,394
Infrastructure	231,192	252,649	181,303	94,713	412,495	347,362
Water lines and improvements	2,476,492	1,973,446	-	-	2,476,492	1,973,446
Vehicles and motorized equipment	450,355	603,194	83,808	75,830	534,163	679,024
Construction in progress	-	7,960	-	-	-	7,960
Water lines and improvements	-	-	717,599	786,356	717,599	786,356
Total	\$ 7,523,810	\$ 7,330,548	\$ 4,925,945	\$ 5,118,940	\$ 12,449,755	\$ 12,449,488

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, 2021 the Town of Manteo had total debt outstanding of \$256,648.

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 \$50,228,649.

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, 2022

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 changed to 3.7% 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, 2021

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 6,956,925	\$ 3,042,056	\$ 9,998,981
Restricted cash and cash equivalents	93,417	194,297	287,714
Taxes Receivable	23,803	-	23,803
Accounts receivables (net)	60,945	323,867	384,812
Due from governmental units	776,309	-	776,309
Non Current Assets:			
Capital assets:			
Land, improvements, and construction in progress	2,318,361	229,735	2,548,096
Other capital assets, net of depreciation	5,205,449	4,696,210	9,901,659
Total capital assets	<u>7,523,810</u>	<u>4,925,945</u>	<u>12,449,755</u>
Total assets	<u>15,435,209</u>	<u>8,486,165</u>	<u>23,921,374</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferral - LGERS	451,002	150,334	601,336
Pension deferral - LEO	161,447	-	161,447
OPEB deferral	368,041	122,681	490,722
Total deferred outflows of resources	<u>980,490</u>	<u>273,015</u>	<u>1,253,505</u>
LIABILITIES			
Current liabilities:			
Accounts payable	110,031	52,892	162,923
Compensated absences payable	55,000	21,500	76,500
Current portion of long-term liabilities	-	36,664	36,664
Liabilities payable from restricted assets:			
Customer deposits	-	194,297	194,297
Long-term liabilities:			
Due in more than one year	3,107,412	1,102,677	4,210,089
Total liabilities	<u>3,272,443</u>	<u>1,408,030</u>	<u>4,680,473</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferral - LGERS	403	135	538
Pension deferral - LEO	25,589	-	25,589
OPEB deferral	566,509	188,836	755,345
Total deferred inflows of resources	<u>592,501</u>	<u>188,971</u>	<u>781,472</u>
NET POSITION			
Net investment in capital assets	7,523,810	4,669,297	12,193,107
Restricted for:			
State stabilization	837,254	-	837,254
Streets	93,417	-	93,417
Unrestricted (deficit)	4,096,274	2,492,882	6,589,156
Total net position	<u>\$ 12,550,755</u>	<u>\$ 7,162,179</u>	<u>\$ 19,712,934</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, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 2,191,295	\$ 250,866	\$ 355,740	\$ -	\$ (1,584,689)	\$ -	\$ (1,584,689)
Public safety	1,393,501	-	10,109	-	(1,383,392)	-	(1,383,392)
Transportation and environmental protection	1,084,845	-	32,667	-	(1,052,178)	-	(1,052,178)
Nondepartmental	9,787	-	-	-	(9,787)	-	(9,787)
Total governmental activities	<u>4,679,428</u>	<u>250,866</u>	<u>398,516</u>	<u>-</u>	<u>(4,030,046)</u>	<u>-</u>	<u>(4,030,046)</u>
Business-type activities:							
Water and Sewer	1,979,961	1,982,380	112,041	-	-	114,460	114,460
Total business-type activities	<u>1,979,961</u>	<u>1,982,380</u>	<u>112,041</u>	<u>-</u>	<u>-</u>	<u>114,460</u>	<u>114,460</u>
Total Primary Government	<u>\$ 6,659,389</u>	<u>\$ 2,233,246</u>	<u>\$ 510,557</u>	<u>-</u>	<u>(4,030,046)</u>	<u>114,460</u>	<u>(3,915,586)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,339,493	-	2,339,493
Local option sales tax					847,815	-	847,815
Other taxes and licenses					1,834,515	-	1,834,515
Investment earnings, unrestricted					143,796	1,145	144,941
Total general revenues					<u>5,165,619</u>	<u>1,145</u>	<u>5,166,764</u>
Change in net position					1,135,573	115,605	1,251,178
Net position, beginning					11,415,182	7,046,574	18,461,756
Net position, ending					<u>\$ 12,550,755</u>	<u>\$ 7,162,179</u>	<u>\$ 19,712,934</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, 2021

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 6,471,332	\$ 485,593	\$ 6,956,925
Restricted cash and cash equivalents	93,417	-	93,417
Taxes receivables, net	23,803	-	23,803
Due from governmental units	776,309	-	776,309
Accounts Receivable	60,945	-	60,945
Total assets	<u>\$ 7,425,806</u>	<u>\$ 485,593</u>	<u>\$ 7,911,399</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 110,031	\$ -	\$ 110,031
Total liabilities	<u>110,031</u>	<u>-</u>	<u>110,031</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	23,803	-	23,803
Total deferred inflows of resources	<u>23,803</u>	<u>-</u>	<u>23,803</u>
Fund balances:			
Restricted			
Stabilization by State Statute	837,254	-	837,254
Streets - Powell Bill	93,417	-	93,417
Drug enforcement	11,647	-	11,647
Assigned			
Subsequent year's expenditures	1,597,537	-	1,597,537
Cemetery	-	485,593	485,593
Docks	-	-	-
Unassigned	4,752,117	-	4,752,117
Total fund balances	<u>7,291,972</u>	<u>485,593</u>	<u>7,777,565</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,425,806</u>	<u>\$ 485,593</u>	<u>\$ 7,911,399</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.			7,523,810
Deferred outflows of resources related to pensions are not reported in the funds.			980,490
Earned revenues considered deferred inflows of resources in fund statements.			23,803
Long-term liabilities used in governmental activities are not financials uses and therefore are not reported in the funds.			
Deferred inflows of resources related to pensions are not reported in the funds			(592,501)
Compensated absences			(105,216)
Total OPEB liability			(1,903,629)
Net pension liability - LGERS			(708,878)
Total pension liability - LEOSSA			(444,689)
Net position of governmental activities			<u>\$ 12,550,755</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, 2021

	<u>Major Fund</u>		<u>Total</u>
	<u>General Fund</u>	<u>Total Non-Major Fund</u>	<u>Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 2,360,159	\$ -	\$ 2,360,159
Unrestricted intergovernmental	2,580,514	18,600	2,599,114
Restricted intergovernmental	398,516	113	398,629
Permits and fees	110,784	-	110,784
Sales and services	20,151	-	20,151
Investment earnings	1,141	-	1,141
Other revenues	345,689	-	345,689
Total revenues	<u>5,816,954</u>	<u>18,713</u>	<u>5,835,667</u>
EXPENDITURES			
Current:			
General government	2,536,393	-	2,536,393
Public safety	1,206,081	-	1,206,081
Transportation and environmental protection	887,051	-	887,051
Non departmental	9,787	-	9,787
Total expenditures	<u>4,639,312</u>	<u>-</u>	<u>4,639,312</u>
Excess (deficiency) of revenues over expenditures	<u>1,177,642</u>	<u>18,713</u>	<u>1,196,355</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	16,502	-	16,502
Transfers to other funds	-	(16,502)	(16,502)
Total other financing sources and uses	<u>16,502</u>	<u>(16,502)</u>	<u>-</u>
Net change in fund balance	1,194,144	2,211	1,196,355
Fund balances-beginning	6,097,828	483,382	6,581,210
Fund balances-ending	<u>\$ 7,291,972</u>	<u>\$ 485,593</u>	<u>\$ 7,777,565</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, 2021

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

Net changes in fund balances - total governmental funds		\$ 1,196,355
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	675,617	
Depreciation expense for governmental assets	<u>(482,355)</u>	193,262
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		183,802
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		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		(20,666)
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		(19,855)
Pension expense - LEOSSA, LGERS, OPEB		(413,104)
Total changes in net position of governmental activities		<u><u>\$ 1,135,573</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, 2021

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 2,143,783	\$ 2,361,393	\$ 2,360,159	\$ (1,234)
Unrestricted intergovernmental	1,914,762	2,058,797	2,580,514	521,717
Restricted intergovernmental	259,200	222,636	398,516	175,880
Permits and fees	45,000	45,000	110,784	65,784
Sales and services	140,200	47,711	20,151	(27,560)
Investment earnings	90,000	-	1,141	1,141
Other revenues	3,500	221,395	345,689	124,294
Total revenues	4,596,445	4,956,932	5,816,954	860,022
Expenditures				
Current:				
General government	2,897,067	3,517,897	2,536,393	981,504
Public safety	1,245,135	1,346,479	1,206,081	140,398
Public works and transportation	1,454,150	1,690,004	887,051	802,953
Non departmental	51,000	61,250	9,787	51,463
Total expenditures	5,647,352	6,615,630	4,639,312	1,976,318
Revenues over (under) expenditures	(1,050,907)	(1,658,698)	1,177,642	2,836,340
Other financing sources (uses):				
Fund Balance Appropriated	1,050,907	1,658,698	-	(1,658,698)
Transfers (to)/from	-	-	16,502	(16,502)
Total other financing sources (uses)	1,050,907	1,658,698	16,502	(1,642,196)
Net change in fund balance	\$ -	\$ -	1,194,144	\$ 1,194,144
Fund balances:				
Beginning of year, July 1			6,097,828	
End of year, June 30			<u>\$ 7,291,972</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, 2021

	<u>Major Enterprise Fund</u> <u>Water and Sewer</u> <u>Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 3,042,056
Restricted cash and cash equivalents	194,297
Accounts Receivable (net)	<u>323,867</u>
Total current assets	<u>3,560,220</u>
Non current assets:	
Land	229,735
Capital assets (net)	<u>4,696,210</u>
Total capital assets	<u>4,925,945</u>
Total assets	<u>8,486,165</u>
Deferred Outflows of Resources	<u>\$ 273,015</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 52,892
Customer Deposits	194,297
Current portion of long-term liabilities	36,664
Compensated absences payable	<u>21,500</u>
Total current liabilities	<u>305,353</u>
Noncurrent liabilities:	
Compensated absences payable	11,857
Net pension liability	236,293
OPEB liability	634,543
Note payable - noncurrent	<u>219,984</u>
Total noncurrent liabilities	<u>1,102,677</u>
Total liabilities	<u>1,408,030</u>
Deferred Inflows of Resources	<u>188,971</u>
Net Position	
Net investment in capital assets	4,669,297
Unrestricted	<u>2,492,882</u>
Total net position	<u>\$ 7,162,179</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, 2021

	Major Enterprise Fund Water and Sewer Fund
Operating revenues:	
Water and sewer charges	\$ 1,893,933
Penalties	16,259
Water taps and connections	61,738
Rent income	9,600
Other operating revenues	850
Total operating revenues	<u>1,982,380</u>
Operating expenses:	
Administration	252,611
Water	578,847
Sewer	816,496
Depreciation	325,363
Total operating expenses	<u>1,973,317</u>
Operating income	<u>9,063</u>
Nonoperating revenues (expenses):	
Investment earnings	1,145
Grants	112,041
Interest expense	(6,644)
Total nonoperating revenues (expenses)	<u>106,542</u>
Change in net position	<u>115,605</u>
Total net position, beginning	7,046,574
Total net position, ending	<u><u>\$ 7,162,179</u></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, 2021

	<u>Major Enterprise Fund</u> <u>Water and Sewer</u> <u>Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,960,737
Cash paid for goods and services	(832,636)
Cash paid to employees for services	(748,676)
Net cash provided by operating activities	<u>379,425</u>
Cash flows from capital and related financing activities:	
Grants	112,041
Acquisition and construction of capital assets	(132,367)
Principal paid on bond maturities and note agreements	(36,664)
Interest and fees paid on bond maturities and notes agreements	(6,644)
Net cash (used) by capital and related financing activities	<u>(63,634)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,145</u>
Net decrease in cash and cash equivalents	316,936
Cash and cash equivalents:	
Beginning of year, July 1	2,919,417
End of year, June 30	<u>\$ 3,236,353</u>
Reconciliation of operating income to net cash provided by operating activities	<u>\$ 9,063</u>
Operating income	
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	325,363
Changes in assets, deferred outflows of resources and liabilities:	
(Increase) decrease in accounts receivable	(21,643)
Increase (decrease) in accounts payable and accrued liabilities	(4,191)
(Increase) decrease in deferred outflows of resources for pensions	(151,121)
Increase (decrease) in net pension liability	64,040
Increase (decrease) in customer deposits	11,125
Increase (decrease) in OPEB liability	177,928
Increase (decrease) in accrued vacation	727
Increase (decrease) in deferred inflows of resources for pensions	(31,866)
Total adjustments	<u>370,362</u>
Net cash provided by operating activities	<u>\$ 379,425</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, 2021

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 Town has no fiduciary funds to report. 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. Fund closed in fiscal period.

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.

Notes to the Financial Statements

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, 2021, 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	\$ 93,417
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Total governmental activities	<u>93,417</u>
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Business-type Activities

Water and Sewer Fund

Customer Deposits	194,297
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Total business-type activities	<u>194,297</u>
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Total Restricted Cash	<u><u>\$ 287,714</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, 2020. 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.

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 three item that meets this criterion, pension deferrals and OPEB deferrals for the 2021 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 and OPEB 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 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 Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, 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, 2021, The Town's deposits had a carrying amount of \$415,990 and a bank balance of \$544,051. 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, 2021, the Town's petty cash fund totaled \$373.

2. Investments

As of June 30, 2021, the Town's investments consisted of \$9,870,332 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, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,318,361	\$ -	\$ -	\$ 2,318,361
Construction in progress	7,960	-	(7,960)	-
Total capital assets not being depreciated	<u>2,326,321</u>	<u>-</u>	<u>(7,960)</u>	<u>2,318,361</u>
Capital assets being depreciated:				
Buildings	1,851,659	-	-	1,851,659
Other improvements	2,381,160	15,000	-	2,396,160
Infrastructure	2,530,865	629,589	-	3,160,454
Equipment	773,845	38,988	-	812,833
Vehicles	1,647,819	-	-	1,647,819
Total capital assets being depreciated	<u>9,185,348</u>	<u>683,577</u>	<u>-</u>	<u>9,868,925</u>
Less accumulated depreciation for:				
Buildings	684,115	49,231	-	733,346
Other improvements	1,373,766	93,297	-	1,467,063
Infrastructure	557,419	126,543	-	683,962
Equipment	521,196	60,445	-	581,641
Vehicles	1,044,625	152,839	-	1,197,464
Total accumulated depreciation	<u>4,181,121</u>	<u>\$ 482,355</u>	<u>\$ -</u>	<u>4,663,476</u>
Total capital assets being depreciated, net	<u>5,004,227</u>			<u>5,205,449</u>
Governmental activity capital assets, net	<u><u>\$ 7,330,548</u></u>			<u><u>\$ 7,523,810</u></u>

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

General Government	\$ 218,545
Public safety	65,630
Environmental protection and transportation	198,180
Total Depreciation Expense	<u><u>\$ 482,355</u></u>

Capital asset activity for the business-type activities for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 229,735	\$ -	\$ -	\$ 229,735
Construction in progress	-	-	-	-
Total capital assets not being depreciated	229,735	-	-	229,735
Capital assets being depreciated:				
Buildings and plants	7,987,925	-	-	7,987,925
Water and sewer lines	2,900,999	-	-	2,900,999
Furniture and equipment	233,313	103,206	-	336,519
Vehicles	334,920	29,161	-	364,081
Total capital assets being depreciated	11,457,157	132,367	-	11,589,524
Less accumulated depreciation for:				
Buildings and plants	4,055,618	218,807	-	4,274,425
Water and sewer lines	2,114,644	68,756	-	2,183,400
Furniture and equipment	138,600	16,616	-	155,216
Vehicles	259,089	21,184	-	280,273
Total accumulated depreciation	6,567,952	\$ 325,363	\$ -	6,893,314
Total capital assets being depreciated, net	4,889,205			4,696,210
Water & Sewer Fund capital assets, net	\$ 5,118,940			\$ 4,925,945

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 Annual Comprehensive Annual Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. 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, 2021, was 10.84% of compensation for law enforcement officers and 10.35% 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 \$213,564 for the year ended June 30, 2021.

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, 2021, the Town reported an liability of \$945,171 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020 (measurement date), the Town's proportion was 0.02645%, which was an increase of 0.00122% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$355,422. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 119,359	\$ -
Changes of assumptions	70,339	-
Net difference between projected and actual earnings on pension plan investments	133,007	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	65,067	538
Town's contributions subsequent to the measurement date	213,564	-
Total	<u>\$ 601,336</u>	<u>\$ 538</u>

\$213,564 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2022	\$ 114,482
2023	145,136
2024	88,253
2025	39,363
2026	-
Thereafter	-
	<u>\$ 387,234</u>

Actuarial Assumptions. The total pension liability in the December 31, 2019 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, 2019 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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate 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 2019 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 liability 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 liability 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)	\$1,914,649	\$945,171	\$136,973

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Annual Financial Report 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, 2019 the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	7
Total	<u>8</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, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 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, 2019.

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, 2021, the Town reported a total pension liability of \$444,689. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$52,367.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 65,872	\$ 21,146
Changes of assumptions	95,575	4,443
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 161,447</u>	<u>\$ 25,589</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:	
2022	\$ 31,724
2023	26,383
2024	27,568
2025	28,101
2026	22,082
Thereafter	-
Total	<u>\$ 135,858</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 1.93 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 (0.93 percent) or 1-percentage-point-higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 473,992	\$ 444,689	\$ 417,213

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

Beginning balance	\$ 260,077
Service cost	12,422
Interest on the total pension liability	8,221
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	73,790
Changes of assumptions or other inputs	105,958
Benefit payments	(15,779)
Ending balance of the total pension liability	<u>\$ 444,689</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, 2019 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	\$ 355,422	\$ 52,367	\$ 407,789
Pension Liability	945,171	444,689	1,389,860
Proportionate share of the net pension liability	0.02645%	N/A	
Deferred of Outflows of Resources			
Differences between expected and actual experience	119,359	65,872	185,231
Changes of assumptions	70,339	95,575	165,914
Net difference between projected and actual earnings on plan investments	133,007	-	133,007
Changes in proportion and differences between contributions and proportionate share of contributions	65,067	-	65,067
Benefit payments and administrative costs paid subsequent to the measurement date	213,564	-	213,564
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	21,146	21,146
Changes of assumptions	-	4,443	4,443
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	538	-	538

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

The Town made contributions of \$26,390 for the reporting year. No amounts were forfeited.

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.

The Town made contributions of \$75,532 for the reporting year. No amounts were forfeited.

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, 2021 were \$1,620.

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, 2020 date of the latest actuarial valuation.

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

Total OPEB Liability

The Town's total OPEB liability of \$2,538,172 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 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	3.50 percent
Measurement Date	2.21 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

	Total OPEB Liability
Balance at July 1, 2020	
Change for the year	\$ 1,826,461
Service cost	112,510
Interest	67,454
Changes of benefit terms	-
Differences between expected and actual experience	5,933
Changes in assumptions or other inputs	549,443
Benefit payments	(23,629)
Net changes	711,711
Balance at June 30, 2021	\$ 2,538,172

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

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

The actuarial assumptions used in the June 30, 2020 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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 3,115,875	\$ 2,538,172	\$ 2,096,765

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:

	1% Decrease	Discount Rate	1% Increase
Total OPEB liability	\$ 2,025,310	\$ 2,538,172	\$ 3,236,097

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$117,692. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,242	\$ 500,172
Changes of assumptions	485,480	255,173
Total	\$ 490,722	\$ 755,345

\$23,629 reported as deferred outflows of resources related to OPEB 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30

2022	\$ (62,272)
2023	(62,272)
2024	(62,272)
2025	(62,272)
2026	(48,002)
Thereafter	32,467
	<u>\$ (264,623)</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	\$ 213,564
Differences between expected and actual experience	190,473
Changes of assumptions	651,394
Net difference between projected and actual	133,007
Changes in proportion and differences between employer contributions and proportionate share of contributions	65,067
Total	<u>\$ 1,253,505</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)	\$ -	\$ 23,803
Differences between expected and actual experience	521,318	-
Changes in assumptions	259,616	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	538	-
Total	<u>\$ 781,472</u>	<u>\$ 23,803</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, 2021, 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, 2021 is \$256,648.

Annual debt service payments of the installment purchase as of June 30, 2021, including \$23,255 of interest, are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2022	\$ 36,664	\$ 5,814
2023	36,664	4,983
2024	36,664	4,152
2025	36,664	3,247
2026	36,664	3,247
2027-2028	73,328	1,812
Total	<u>\$ 256,648</u>	<u>\$ 23,255</u>

Notes to the Financial Statements

b. Changes in Long-Term Liabilities

A summary of changes in long-term debt follows:

	Balance 07/01/20	Increases	Decreases	Balance 06/30/21	Current Portion
Governmental activities:					
Compensated absences	\$ 85,362	\$ 85,809	\$ (65,955)	\$ 105,216	\$ 55,000
Net pension liability (LGRS)	516,759	192,119	-	708,878	-
Total pension obligation (LEO)	260,077	184,612	-	444,689	-
Total OPEB Liability	1,369,846	533,783	-	1,903,629	-
Governmental activity long-term liabilities	<u>\$ 2,232,044</u>	<u>\$ 996,323</u>	<u>\$ (65,955)</u>	<u>\$ 3,162,412</u>	<u>\$ 55,000</u>
Business-type activities:					
Direct placement notes payable	\$ 293,312	\$ -	\$ (36,664)	\$ 256,648	\$ 36,664
Compensated absences	32,630	23,733	(23,006)	33,357	21,500
Net pension liability (LGRS)	172,253	64,040	-	236,293	-
Total OPEB Liability	456,615	177,928	-	634,543	-
Business-type activity long-term liabilities	<u>\$ 661,498</u>	<u>\$ 265,701</u>	<u>\$ (23,006)</u>	<u>\$ 1,160,841</u>	<u>\$ 58,164</u>

C. Interfund Balances and Activities

Transfers to/from other funds at June 30, 2021 consist of the following:

From the Dock Fund to the General Fund to close out fund. \$ 16,502

D. Fund Balance

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

Total fund balance - General Fund	\$ 7,291,972
Less:	
Stabilization by State Statute	837,254
Streets - Powell Bill	93,417
Drug enforcement	11,647
Subsequent year's expenditures	1,597,537
Remaining Fund Balance	\$ 4,752,117

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain 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, 2021 the Town purchased water at a rate of \$1.891 per thousand gallons for a total cost of \$178,920.

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, 2021 was \$73.15 per ton.

V. Subsequent Events

Management has evaluated subsequent events through September 23, 2021, the date on which the financial statements were available to be issued.

Required
Supplementary Financial Data

This section contains additional information required by generally accepted accounting principals

- 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
- Schedule of Total Pension Liability as a Percentage of Covered
- 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 Eight Fiscal Years*

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.02645%	0.02523%	0.02358%	0.02183%	0.02476%	0.02405%	0.02498%	0.02400%
Town's proportion of the net pension liability (asset) (\$)	\$ 945,171	\$ 689,012	\$ 559,398	\$ 333,502	\$ 525,490	\$ 107,935	\$ (147,319)	292,908
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	1,489,789
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.80%	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**	88.61%	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 Eight Fiscal Years

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 213,564	\$ 191,402	\$ 147,052	\$ 134,242	\$ 122,239	\$ 117,237	\$ 117,536	113,058
Contributions in relation to the contractually required contribution	213,564	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>	<u>\$ -</u>
Town's covered-employee payroll	\$ 2,038,439	\$ 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	10.48%	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, 2021

	2021	2020	2019	2018	2017
Beginning balance	\$ 260,077	\$ 275,144	\$ 287,725	\$ 245,148	\$ 249,422
Service Cost	12,422	11,524	10,618	10,012	7,576
Interest on the total pension liability	8,221	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	73,790	(26,787)	(7,554)	21,821	-
Changes of assumptions or other inputs	105,958	6,247	(8,709)	17,365	(4,694)
Benefit payments	(15,779)	(15,779)	(15,779)	(15,779)	(15,779)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 444,689</u>	<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, 2021

	2021	2020	2019	2018	2017
Total pension liability	\$ 444,689	\$ 260,077	\$ 275,144	\$ 287,725	\$ 245,148
Covered payroll	527,791	444,888	442,755	431,416	319,350
Total pension liability as a percentage of covered payroll	84.25%	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, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	112,510	124,351	132,331	150,542
Interest	67,454	89,522	80,284	69,509
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	5,933	(650,347)	(1,057)	(1,052)
Changes of assumptions	549,443	(28,868)	(148,114)	(257,981)
Benefit payments	(23,629)	(18,892)	(15,700)	(14,554)
Net change in total OPEB liability	711,711	(484,234)	47,744	(53,536)
Total OPEB liability - beginning	1,826,461	2,310,695	2,262,951	2,316,487
Total OPEB liability - ending	2,538,172	1,826,461	2,310,695	2,262,951
Covered payroll	1,714,959	1,714,959	1,537,256	1,537,256
Total OPEB liability as a percentage of covered payroll	148.00%	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:

<u>Fiscal year</u>	<u>Rate</u>
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

GENERAL FUND

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

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, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ -	\$ 2,267,094	\$ -
Motor vehicle taxes		87,481	
Penalties and interest		5,584	
Total	<u>2,361,393</u>	<u>2,360,159</u>	<u>(1,234)</u>
Unrestricted intergovernmental:			
ABC Revenue		55,568	
Local option sales taxes		847,815	
Occupancy tax		979,234	
Land transfer tax		394,732	
Franchise tax		241,773	
Beer and wine tax		6,758	
Peg channel revenue		53,435	
Solid waste tax		1,199	
Total	<u>2,058,797</u>	<u>2,580,514</u>	<u>521,717</u>
Restricted intergovernmental:			
Controlled substance reimbursement		5,109	
Government access channel		5,000	
Powell Bill allocation		32,667	
Local grants		355,740	
Total	<u>222,636</u>	<u>398,516</u>	<u>175,880</u>
Permits and fees:			
Building permit fees and review fees		110,784	
Total	<u>45,000</u>	<u>110,784</u>	<u>65,784</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, 2021

Sales and services:

Court costs		896	
Violations		1,950	
Museum events		200	
Museum registration fees		16,400	
Museum donations		305	
Museum sponsorship	-	400	
Total	47,711	20,151	(27,560)

Investment earnings

-	1,141	1,141
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Other revenues

Rents		201,893	
Vendor fees		75	
Surplus property sales		70,895	
Trash container/rain barrels		19,213	
Miscellaneous		53,613	
Total	221,395	345,689	124,294

Total Revenues

4,956,932	5,816,954	860,022
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Expenditures:

General government:

Administration:

Salaries & benefits		321,507	
Operating expense		158,936	
Information technology		157,757	
PEG Channel to Dare County		53,435	
Copier lease		5,236	
Ordinance fine remittance BOE		1,950	
Capital outlay		74,393	
Total	777,961	773,214	4,747

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, 2021

Finance and Taxes:			
Salaries & benefits		183,768	
Operating expense		78,771	
Total	310,043	262,539	47,504
Governing board:			
Salaries & benefits		77,931	
Operating expense		3,911	
Total	91,328	81,842	9,486
Planning department:			
Salaries & benefits		175,763	
Operating expense		31,201	
Total	671,746	206,964	464,782
Planning board:			
Salaries & benefits		10,765	
Operating expense		27	
Total	12,300	10,792	1,508
Public buildings:			
Operating expense		103,115	
Capital Outlay		578,827	
Total	792,390	681,942	110,448
Museum:			
Salaries & benefits		147,596	
Operating expense		101,067	
Total	308,125	248,663	59,462
Cultural projects:			
Salaries & benefits		805	
Operating expense		40,552	
Total	206,386	41,357	165,029

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, 2021

Economic development			
Salaries & benefits		96,568	
Operating expense		7,111	
Total	<u>166,869</u>	<u>103,679</u>	<u>63,190</u>
Information technology			
Salaries & benefits		90,341	
Operating expense		35,060	
Total	<u>180,749</u>	<u>125,401</u>	<u>55,348</u>
Total General Government	<u>3,517,897</u>	<u>2,536,393</u>	<u>981,504</u>
Public Safety:			
Police:			
Salaries & benefits		883,973	
Operating expense		74,697	
Capital Outlay		13,411	
Total	<u>1,112,479</u>	<u>972,081</u>	<u>140,398</u>
Fire:			
Operating expense		234,000	
Total	<u>234,000</u>	<u>234,000</u>	<u>-</u>
Total Public Safety	<u>1,346,479</u>	<u>1,206,081</u>	<u>140,398</u>
Transportation and Environmental Protection			
Streets and sanitation:			
Salaries & benefits		492,582	
Operating expense		378,584	
Capital Outlay		8,986	
Total	<u>1,367,843</u>	<u>880,152</u>	<u>487,691</u>
Powell Bill:			
Operating expense		700	
Total	<u>61,161</u>	<u>700</u>	<u>60,461</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, 2021

<hr/>			
Stormwater:			
Construction and engineering		6,199	
Total	<u>261,000</u>	<u>6,199</u>	<u>254,801</u>
Total Transportation and			
Environmental Protection	<u>1,690,004</u>	<u>887,051</u>	<u>802,953</u>
Nondepartmental	<u>61,250</u>	<u>9,787</u>	<u>51,463</u>
Total Expenditures	<u>6,615,630</u>	<u>4,639,312</u>	<u>1,976,318</u>
Revenues over (under) expenditures	(1,658,698)	1,177,642	2,836,340
Other financing sources (uses):			
Transfers (to)/from other funds	<u>-</u>	<u>16,502</u>	
Total	<u>-</u>	<u>16,502</u>	<u>16,502</u>
Fund Balance Appropriated	1,658,698	-	(1,658,698)
Net change in fund balance	<u>\$ -</u>	1,194,144	<u>\$ 1,194,144</u>
Fund balances:			
Beginning of year, July 1		<u>6,097,828</u>	
End of year, June 30		<u>\$ 7,291,972</u>	

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Town of Manteo, North Carolina
Combining Balance Sheet
Non Major Governmental Funds
For the Fiscal Year Ended June 30, 2021

	Cemetery Fund	Dock Fund	Totals
Assets			
Cash and Cash Equivalents	\$ 485,593	\$ -	\$ 485,593
Accounts Receivable	-	-	-
Total Assets	<u>485,593</u>	<u>-</u>	<u>485,593</u>
Liabilities and Fund Balances			
Accounts payable	-	-	-
Accrued salaries and benefits	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted			
Stabilization by State Statute	-	-	-
Assigned			
Cemetery	<u>485,593</u>	<u>-</u>	<u>485,593</u>
Total Fund Balance	<u>485,593</u>	<u>-</u>	<u>485,593</u>
Total Liabilities and Fund Equity	<u>\$ 485,593</u>	<u>\$ -</u>	<u>\$ 485,593</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, 2021

	Cemetery Fund	Dock Fund	Totals
Revenues:			
Cemetery revenues	\$ 18,600	\$ -	\$ 18,600
Dock Revenues	-	-	-
Investment earnings	113	-	113
Total Revenues	<u>18,713</u>	<u>-</u>	<u>18,713</u>
Expenditures:			
General government	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	18,713	-	18,713
Other Financing Sources (Uses):			
Transfers In (Out)	<u>-</u>	<u>(16,502)</u>	<u>(16,502)</u>
Fund balances:			
Beginning of year, July 1	466,880	16,502	483,382
End of year, June 30	<u>\$ 485,593</u>	<u>\$ -</u>	<u>\$ 485,593</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, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Internment fees	\$ -	\$ 2,700	\$ -
Lot sales		15,900	
Interest income		113	
Total	<u>15,035</u>	<u>18,713</u>	<u>3,678</u>
Expenditures:			
Cemetery operations		-	
Total expenditures	<u>54,450</u>	<u>-</u>	<u>54,450</u>
Revenues over expenditures	(39,415)	18,713	58,128
Fund Balance Appropriated	39,415	-	(39,415)
Other Financing Sources (Uses):			
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	18,713	<u>\$ 18,713</u>
Fund balances:			
Beginning of year, July 1		466,880	
End of year, June 30		<u>\$ 485,593</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, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Dock rent	\$ -	\$ -	\$ -
Event income	-	-	
Total	-	-	-
Expenditures:			
Salaries and other employment benefits	-	-	
Other operating expenditures	-	-	
Total expenditures	-	-	-
Revenues over expenditures	-	-	-
Fund Balance Appropriated	-	-	-
Other Financing Sources (Uses):			
Transfers In (Out)	-	(16,502)	-
Net change in fund balance	\$ -	(16,502)	\$ -
Fund balances:			
Beginning of year, July 1		16,502	
End of year, June 30		\$ -	

ENTERPRISE FUNDS

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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services:			
Water charges	\$ -	832,704	\$ -
Sewer charges		1,061,229	
Total	<u>2,018,540</u>	<u>1,893,933</u>	<u>(124,607)</u>
Taps and connections		59,138	
Reconnections		2,600	
Penalties		16,259	
Rent income		9,600	
Other operating revenues		850	
Total	<u>673,454</u>	<u>88,447</u>	<u>(585,007)</u>
Total Operating Revenues	<u>2,691,994</u>	<u>1,982,380</u>	<u>(709,614)</u>
Nonoperating revenues:			
Grants		112,041	
Interest income		1,145	
Total nonoperating	<u>225,600</u>	<u>113,186</u>	<u>(112,414)</u>
Total Revenues	<u>2,917,594</u>	<u>2,095,566</u>	<u>(822,028)</u>
Expenditures:			
Administration:			
Salaries and benefits		237,327	
Operating Expenses		15,284	
Total administration	<u>305,469</u>	<u>252,611</u>	<u>52,858</u>
Water Operations:			
Salaries and benefits		330,985	
Repairs and maintenance		2,375	
System maintenance		31,731	
Information technology		21,774	
Supplies		9,115	
Operating expenditures		241,848	
Total	<u>1,352,790</u>	<u>637,828</u>	<u>714,962</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, 2021

Sewer Operations:			
Salaries and benefits		251,197	
Repairs and maintenance		2,694	
System maintenance		154,113	
Utilities		47,857	
Supplies		69,500	
Contract services		60,050	
Operating expenditures		231,085	
Capital outlay		132,367	
Total	<u>2,743,407</u>	<u>948,863</u>	<u>1,794,544</u>
Total expenditures	<u>4,401,666</u>	<u>1,839,302</u>	<u>2,562,364</u>
Other financing sources (uses):			
Principal retirement		36,664	
Interest and fees		6,644	
Total other financing sources (uses):	<u>43,500</u>	<u>43,308</u>	<u>192</u>
Fund balance appropriated	<u>1,527,572</u>	<u>-</u>	<u>(1,527,572)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 212,956</u>	<u>\$ 212,956</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over expenditures		<u>\$ 212,956</u>	
Reconciling items:			
Principal retirement		36,664	
Capital outlay		132,367	
Depreciation		(325,363)	
Increase (decrease) in net pension liability		64,040	
Increase (decrease) in OPEB liability		177,928	
(Increase) decrease in deferred outflows of resources - pensions		(787)	
(Increase) decrease in deferred outflows of resources - OPEB		(150,334)	
Increase (decrease) in deferred inflows of resources - pensions		(31,000)	
Increase (decrease) in deferred inflows of resources - OPEB		(866)	
Total reconciling items		<u>(97,351)</u>	
Change in net position		<u>\$ 115,605</u>	

OTHER SCHEDULES

This section includes additional information on property taxes.

- 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, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 2,334,945	\$ (2,326,789)	\$ 8,156
2019-2020	27,591	-	(22,163)	5,428
2018-2019	5,144	-	(2,953)	2,191
2017-2018	1,660	-	(806)	854
2016-2017	844	-	(366)	478
2015-2016	992	-	(300)	692
2014-2015	510	-	(155)	355
2013-2014	345	-	(147)	198
2012-2013	397	-	(205)	192
2011-2012	5,447	-	(188)	5,259
2010-2011	1,539	-	(1,539)	-
	<u>\$ 44,469</u>	<u>\$ 2,334,945</u>	<u>\$ (2,355,611)</u>	<u>23,803</u>

Ad valorem taxes receivable - net \$ 23,803

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 2,360,159
Reconciling items:	
Discounts, Releases, Refunds	1,036
Interest collected	<u>(5,584)</u>
Total collections and credits	<u>\$ 2,355,611</u>

Town of Manteo, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2021

	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	\$ 638,371,892	0.37	\$ 2,361,976	\$ 2,274,495	\$ 87,481
Penalties	-		-	5,378	-
Total	<u>638,371,892</u>		<u>2,361,976</u>	<u>2,279,873</u>	<u>87,481</u>
Discoveries:					
Current year taxes	311,081	0.37	<u>1,151</u>	<u>1,151</u>	<u>-</u>
Releases:	<u>(7,616,757)</u>	0.37	<u>(28,182)</u>	<u>(28,182)</u>	<u>-</u>
Total property valuation	<u>\$ 631,066,216</u>				
Net levy			2,334,945	2,252,842	87,481
Uncollected taxes at June 30, 2021			<u>(8,156)</u>	<u>(8,156)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,326,789</u>	<u>\$ 2,244,686</u>	<u>\$ 87,481</u>
Current levy collection percentage			<u>99.65%</u>	<u>99.64%</u>	<u>100.00%</u>

COMPLIANCE SECTION



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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 the Town of Manteo, North Carolina, as of and for the year ended June 30, 2021, 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 September 23, 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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

September 23, 2021

Town of Manteo, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021

Section I.	Summary of Auditor's Results
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Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance to GAAP: Unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant Deficiency(s) identified ☐ yes ☒ no

Noncompliance material to financial
statements noted ☐ yes ☒ no

Town of Manteo, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021

Section II – Financial Statement Findings

None reported.

Town of Manteo, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021

Section II – Financial Statement Findings

Finding: 2020 – 001

Status: Corrected.