

October 25 2022

To the Board of  
Town of Duck

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Duck for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 19, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of Duck are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Town of Duck during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Town of Duck's financial statements was:

Management's estimate of the pension accrual is based on an actuarial study. We evaluated the key factors and assumptions used to develop the accrual in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure relating to pensions in the financial statements involve estimates from a study performed by actuaries.

The financial statement disclosures are neutral, consistent, and clear.

MEMBERS OF AICPA AND NCACPA

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audits.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 25, 2022.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Town of Duck's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

***Other Matters***

We applied certain limited procedures to the Managements' Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension

To the Board of  
Town of Duck  
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Liability (Asset) and Contributions, and the Law Enforcement Officer's Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 obtained during the audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on individual fund financial statements, budgetary schedules, and other schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statement or to the financial statements themselves.

***Restriction on Use***

This information is intended solely for information and the use of the Board of Town of Duck and management of Town of Duck and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

***Johnson, Mizelle, Straub & Murphy, LLP***

Johnson, Mizelle, Straub, & Murphy, LLP  
Certified Public Accountants

**TOWN OF DUCK**  
**NORTH CAROLINA**  
**FINANCIAL STATEMENTS**  
**For the Year Ended**  
**June 30, 2022**

**Town Council Members**

Don Kingston, Mayor  
Monica Thibodeau, Mayor Pro Tempore  
Rob Mooney  
Tony Schiano  
Sandy Whitman

**Administrative Staff**

Drew Havens, Town Manager and Finance Officer  
Jessica Barnes, Finance and Human Resources Administrator  
Lori Ackerman, Town Clerk

**TOWN OF DUCK, NORTH CAROLINA**

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## FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

**Report on the Audit of Financial Statements**

***Opinions***

We have audited the financial statements of the governmental activities and each major fund of the Town of Duck, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Duck's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Duck as of June 30, 2022, and the respective changes in financial position thereof and the respective budgetary comparison for the general funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Responsibility of Management's for the Audit of the Financial Statements***

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

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

***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free



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

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

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

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

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13, and Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 46 through 47, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 42 through 45, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022 on our consideration of the Town of Duck'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 that 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 the effectiveness of the Town of Duck's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Duck's internal control over financial reporting and compliance.

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

*Johnson, Mizelle, Straub & Murphy, LLP*

Kitty Hawk, North Carolina  
October 25, 2022



## Management's Discussion and Analysis

As management of the Town of Duck, North Carolina, we offer readers of the Town of Duck's financial statements this narrative overview and analysis of the financial activities of the Town of Duck for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

## Financial Highlights

- The assets and deferred outflows of resources of the Town of Duck exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$ 26,946,330 (*net position*).
- The government's total net position increased by \$ 1,568,656, primarily due to revenues exceeding expenses, current year capital acquisitions exceeding current year depreciation and a reduction in the actuarially determined local government retirement expense.
- As of the close of the current fiscal year, the Town of Duck's governmental funds reported combined ending fund balances of \$ 15,016,387 with a net increase of \$ 5,072,360 over the prior fiscal year. This large increase is primarily related to the new bonded debt for beach nourishment project unspent at June 30, 2022.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 7,549,154 or 71% of total general fund expenditures. This compares to \$ 6,708,257 and 72% of total general fund expenditures for the prior year.
- At the end of the current fiscal year the beach nourishment capital reserve fund was \$ 2,146,197 compared to \$ 1,649,718 for the prior year.
- The Town of Duck's total debt increased by \$2,956,823 (65%) during the fiscal year. The key factors in this increase were increases in installment finance contracts and compensated absences and decreases in pension obligations.
- During the current fiscal year, the Town made its fifth and final payment on five-year Special Obligation Bonds issued in June 2016, lowering the principal owed by \$1,392,600.
- During the current fiscal year, the Town entered into (2) special obligation bond contracts. The first (2021A) in the amount of \$ 2,374,587 will be repaid over five years and the second (2021B) will be repaid within a year with a reimbursement from the Federal Emergency Management Agency for a grant related to a prior year Hurricane Dorian which caused loss of beach nourishment sand.

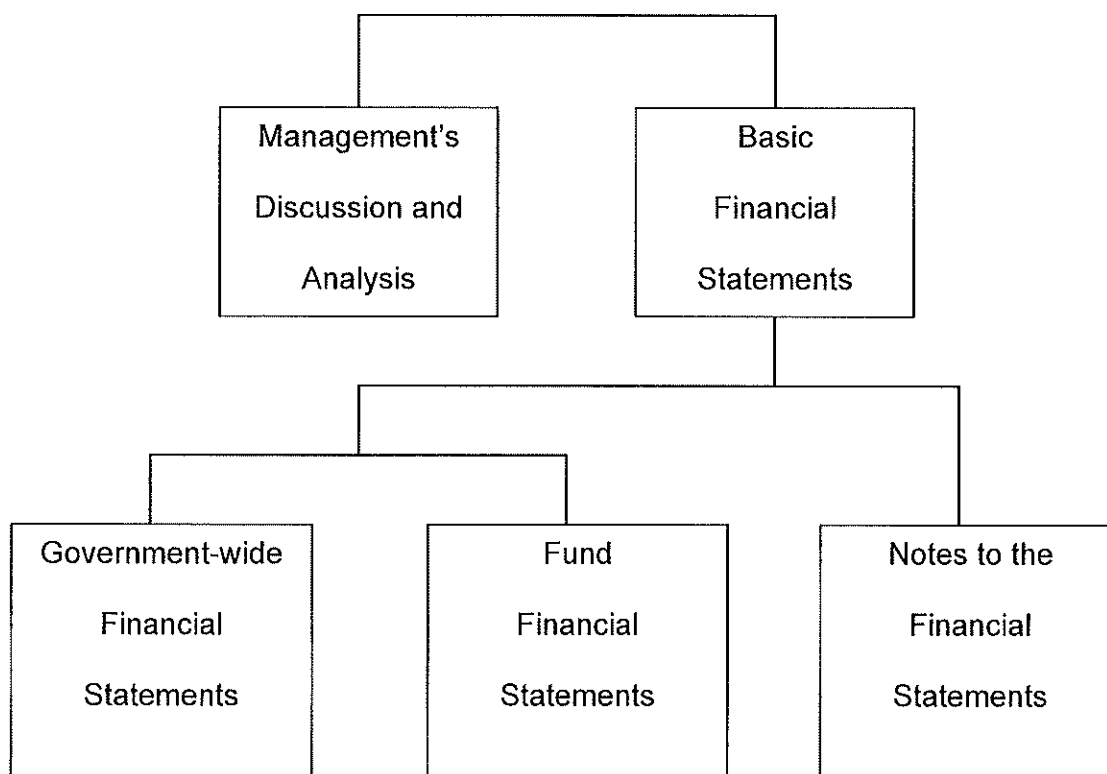
- The Town adopted a town-wide tax rate of 22 cents per hundred dollars of valuation. (Increased from 19.64 cents in the prior fiscal year). The total town-wide valuation increased \$ 6,325,601 or .34%.
- The Town adopted MSD tax rates of 12.96 cents and 28.5 cents per hundred dollars of valuation for properties located in MSD-A and MSD-B respectively (unchanged from the prior year).

## Overview of the Financial Statements

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

### Required Components of Annual Financial Report

Figure 1



Summary —————> Detail

## **Basic Financial Statements**

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

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

## **Government-Wide Financial Statements**

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

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The Town of Duck currently does not have any business-type activities or component units.

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

## **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Duck, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. There are three types of funds that can be utilized by the Town of Duck: governmental funds, proprietary funds, and fiduciary funds. The Town of Duck currently only utilizes governmental funds. For the fiscal year ended June

30, 2022, the Town has three governmental funds; the general fund, the capital reserve fund restricted for beach nourishment and a capital project fund for a current beach nourishment project. The capital reserve fund is combined in the general fund in the basic financial statements.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more, or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Duck adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance, and if the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after the Exhibits section of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Duck's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found after the Notes section of this report.

**Interdependence with Other Entities:** The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

## Government-Wide Financial Analysis

### Town of Duck's Net Position

Figure 2

|  | Governmental<br>Activities |               |
|--|----------------------------|---------------|
|  | 2022                       | 2021          |
| Current and other assets                               | \$ 17,533,850              | \$ 10,572,030 |
| Capital assets   | 19,343,072                 | 19,104,093    |
| Deferred Outflows of Resources                         | 1,029,716                  | 947,039       |
| Total assets and deferred<br>outflows of resources     | 37,906,638                 | 30,623,162    |
| Long-term liabilities outstanding                      | 4,091,761                  | 2,856,614     |
| Other liabilities                                      | 4,389,076                  | 2,324,286     |
| Deferred Inflows of Resources                          | 2,479,471                  | 64,588        |
| Total liabilities and deferred<br>inflows of resources | 10,960,308                 | 5,245,488     |
| Net position:  |                            |               |
| Net investment in capital assets                       | 16,892,375                 | 16,736,462    |
| Restricted   | 3,500,513                  | 3,207,626     |
| Unrestricted   | 6,553,442                  | 5,433,586     |
| Total net position                                     | \$ 26,946,330              | \$ 25,377,674 |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Duck exceeded liabilities and deferred inflows by \$ 26,946,330 as of June 30, 2022. The Town's net position increased by \$1,568,656 over the fiscal year ended June 30, 2021. The largest portion (63%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Duck uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Duck's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Duck's net position \$ 3,500,513, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 6,553,542 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.99% (99.99% for property excluding registered motor vehicles; 100% for registered motor vehicles).
- Dare County experienced another record-breaking tourist season resulting in sales and occupancy taxes in excess of budget and prior year actuals. Additionally, the County experienced continued strong property sales resulting in land transfer taxes consistent with fiscal year 2021 which was more than double fiscal year 2020.
- Stable revenues and overall expenses within budget.

### Town of Duck's Changes in Net Position

Figure 3

|                                    | Governmental Activities |               |
|------------------------------------|-------------------------|---------------|
|                                    | 2022                    | 2021          |
| Revenues:                          |                         |               |
| Program revenues:                  |                         |               |
| Charges for services               | \$ 201,810              | \$ 205,745    |
| Operating grants and contributions | 28,504                  | 72,118        |
| Capital grants and contributions   | 193,807                 | 234,173       |
| General revenues                   |                         |               |
| Property taxes                     | 5,112,359               | 4,656,926     |
| Other taxes                        | 5,347,657               | 5,155,224     |
| Investment earnings                | 17,213                  | 1,814         |
| Other                              | 88,915                  | 241,204       |
| Total revenues                     | 10,990,265              | 10,567,204    |
| Expenses:                          |                         |               |
| General government                 | 1,489,200               | 1,742,096     |
| Public safety                      | 4,758,191               | 3,712,867     |
| Transportation                     | 295,484                 | 304,785       |
| Environmental protection           | 2,302,946               | 3,755,832     |
| Economic and physical development  | 305,595                 | 348,550       |
| Parks                              | 193,568                 | 295,585       |
| Interest on long-term debt         | 76,625                  | 64,163        |
| Total expenses                     | 9,421,609               | 10,223,878    |
| Increase in net position           | 1,568,656               | 343,326       |
| Net position, beginning            | 25,377,674              | 24,918,628    |
| Prior period adjustment            | -                       | 115,720       |
| Net position, ending               | 26,946,330              | \$ 25,377,674 |

**Governmental activities.** Governmental activities increased the Town's net position by \$ 1,568,656.



Key elements of this increase are as follows:

- Overall revenues increased \$ 423,061 or 4%. This is primarily related to increases in property taxes of \$ 455,433 due to an increase in the town-wide tax rate from 19.64 cents to 22 cents. Additionally, occupancy and sales taxes increased \$ 184,068.
- General government expenses decreased \$ 252,896 or 15% due largely to legal settlements and deductibles paid in the prior year.
- Public safety expenses increased \$ 1,045,324 or 28% due to the addition of 2 patrol officers and 2 firefighters and a one-time payment to the Volunteer Fire Department of \$ 746,165 for the purchase of a fire truck.
- Environmental protection decreased \$ 1,452,886 or 39% due to decreased depreciation of the original beach nourishment project. Beach nourishment is depreciated based on a survey that determines the remaining fill volume. The fill volume decreased 8% in fiscal year 2022(\$ 1,091,077) compared to 19% in fiscal year 2021 (\$ 2,591,308).
- Parks decreased \$ 102,017 or 35% due to \$ 58,202 in lawncare previously posted to Parks and now posted to Government and \$ 25,716 repairs to the amphitheater in the prior fiscal year.

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

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

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

The general fund is the chief operating fund of the Town of Duck. At the end of the current fiscal year, Town of Duck's unassigned fund balance in the General Fund was \$ 7,549,154, while total fund balance reached \$ 9,182,263. The Town Council of the Town of Duck has determined that the Town should strive to maintain an unassigned fund balance of 75% to 100% of the previous year's general fund expenditures less debt service for beach nourishment, in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. As a "beach" community, subject to annual storms, such as hurricanes and nor'easters, the Town Council believes that a healthy unassigned fund balance is necessary to protect the Town's finances. The Town currently has an unassigned fund balance of 71% of general fund expenditures or 84% after excluding debt service for beach nourishment.

The beach nourishment capital reserve fund had a balance of \$ 2,146,197 at the end of the current fiscal year compared to \$ 1,691,718 for the prior year.

**General Fund Budgetary Highlights.** During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in

appropriations that become necessary to maintain services. The Town Council approved amendments to the FY 2022 budget several times during the budget year. The primary changes to the adopted budget were increases of \$ 335,751 to carry over outstanding commitments from the June 30, 2021 fiscal year, primarily for beach nourishment engineering contracts and living shoreline engineering contracts. Other amendments approved include an increase in unbudgeted shared revenues of \$ 732,354 used for the Volunteer Fire Department to purchase a fire truck.

Overall general fund revenues (excluding restricted intergovernmental revenues budgeted and not received) were greater than the budgeted amounts by \$ 486,175. Expenditures were held in check to comply with budgetary requirements and budgeted amounts.

### Capital Asset and Debt Administration

**Capital assets.** The Town of Duck's investment in capital assets for its governmental activities as of June 30, 2022, totals \$ 19,343,072 (net of accumulated depreciation). These assets include buildings, land, beach nourishment/protection, stormwater infrastructure, machinery and equipment, park facilities and vehicles.

Major capital asset transactions during the year include the following:

- Multi use path improvements \$ 264,987
- Living shoreline preliminary costs \$ 147,813
- Capitalized beach nourishment expenses \$ 810,920
- Engineering for pedestrian plan \$ 24,500
- Police and fire radios \$ 406,273
- 5 police vehicles \$ 229,269
- Pedestrian and bicycle counter \$ 14,165

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

|                                  | <b>Governmental Activities</b> |                      |
|----------------------------------|--------------------------------|----------------------|
|                                  | <b>2022</b>                    | <b>2021</b>          |
| Land                             | \$ 6,187,436                   | \$ 6,187,436         |
| Construction in process          | 1,576,053                      | 592,820              |
| Building and systems             | 1,472,316                      | 1,562,849            |
| Beach nourishment                | 6,137,311                      | 7,228,388            |
| Equipment and furniture          | 412,504                        | 26,341               |
| Infrastructure                   | 3,173,517                      | 3,211,324            |
| Vehicles and motorized equipment | 383,935                        | 294,935              |
| <b>Total</b>                     | <b>\$ 19,343,072</b>           | <b>\$ 19,104,093</b> |

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

**Long-term Debt.** As of June 30, 2022, the Town of Duck had total debt outstanding of \$ 7,492,811. Of this, \$ 1,333,152 is debt in the form of installment purchase contracts for equipment and \$ 4,800,098 is in bonds to fund the beach nourishment project. The remainder of the Town's debt represents compensated absences and net pension obligations for general government staff and law enforcement officers.

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

|  | Governmental<br>Activities |              |
|--|----------------------------|--------------|
|  | 2022                       | 2021         |
| Direct borrowing-installment finance contracts | \$ 1,333,152               | \$ 975,031   |
| Direct placement-installment finance contracts | 4,800,098                  | 1,392,600    |
| Compensated Absences                           | 196,225                    | 160,789      |
| Net Pension Obligation (LGERS)                 | 532,925                    | 1,342,893    |
| Total Pension Obligation (LEO)                 | 630,411                    | 664,675      |
| Total  | \$ 7,492,811               | \$ 4,535,988 |

**Town of Duck's Outstanding Debt**

The Town of Duck's total debt increased by \$2,956,823 (65%) during the past fiscal year, due to a new financing contract for beach nourishment (\$ 4,800,098) and equipment (\$ 644,895). The Town paid the final principal payment on its original beach nourishment (\$ 1,392,600).

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Duck is \$ 142,966,205.

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

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

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

- Travel and tourism in Dare County were strong in fiscal year 2022. Overall County occupancy tax collections increased 7.52% and Duck received \$ 44,864 or 2% more than the prior year.
- Duck's portion of sales tax revenues increased \$ 139,204 or 8%.
- Property sales in Dare County were extremely strong with record prices being paid for properties that generated multiples sales offers. Overall land transfer tax collections increased 4.75% and Duck received \$ 27,138

or 3% less than the prior year due to a reduction in its allocation of shared revenues among municipalities in Dare County.

### **Budget Highlights for the Fiscal Year Ending June 30, 2023**

- The Town's adopted budget totals \$ 12,997,125 which represents a 15% decrease from the fiscal year 2022 amended budget of \$ 15,250,401. The major budget reductions include \$889,362 for beach nourishment debt (excluding repayment of FEMA debt not yet budgeted) and \$ 748,165 for the purchase of a fire truck by the Volunteer Fire Department.
- The adopted town-wide tax rate is 22.00 cents per hundred dollars of valuation (unchanged from the prior year).
- The Town adopted an MSD-A tax rate of 12.96 cents per hundred dollars of valuation (unchanged from the prior year). These taxes are restricted for beach nourishment.
- The Town adopted an MSD-B tax rate of 28.5 cent per hundred dollars of valuation (unchanged from prior year). These taxes are restricted for beach nourishment.
- The Town has been pleasantly surprised by the minimal negative impact from COVID to our local economy and the budget contains revenue estimates that, while acknowledging a sense of optimism regarding the current continuation of the economic climate, remains conservative in terms of estimates so as not to create a shortfall in the budget should the climate change.
- The budget continues the Highway 12 elevation project which includes a living shoreline, phase IV of the Duck Village sidewalk project, and the elevation of Highway 12 to mitigate against flooding.
- With the change in inflation, The Town increased the employee merit increase from 1.5% to 3%.
- The budget includes no changes in staffing levels or organizational structure.
- The budget includes recommendations for Pay and Classification Plan adjustments, as well as Police and Fire Career Development.
- The budget includes various scheduled equipment replacements.
- The Town plans to complete a 2<sup>nd</sup> beach renourishment project in Fall 2022.
- The budget includes an appropriation of fund balance of \$ 120,000 directly tied to repaving work on Duck Trail.

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 Drew Havens, Town Manager, P.O. Box 8369, Duck, North Carolina, 27949, (252) 255-1234, [dhavens@townofduck.com](mailto:dhavens@townofduck.com).

**BASIC FINANCIAL STATEMENTS**

Exhibit 1

Town of Duck  
Statement of Net Position  
June 30, 2022

|  | Primary Government<br>Governmental<br>Activities |
|--|--|
| <b>ASSETS</b>  |  |
| Current assets:  |  |
| Cash and cash equivalents  | \$ 8,266,284                                     |
| Taxes receivables (net)  | 3,092  |
| Due from other governments                                       | 1,142,155  |
| Prepaid items  | 158,793  |
| Restricted cash and cash equivalents                             | 7,963,526  |
| Total current assets   | <u>17,533,850</u>                                |
| Non-current assets:  |  |
| Capital assets:  |  |
| Land, non-depreciable improvements, and construction in progress | 7,763,489  |
| Other capital assets, net of depreciation                        | 11,579,583                                       |
| Total capital assets   | <u>19,343,072</u>                                |
| Total assets   | <u>\$ 36,876,922</u>                             |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                            |  |
| Pension deferrals  | 1,029,716  |
| Total deferred outflows of resources                             | <u>1,029,716</u>                                 |
| <b>LIABILITIES</b>   |  |
| Current liabilities:   |  |
| Accounts payable and accrued liabilities                         | \$ 379,595                                       |
| Accounts payable from restricted assets                          | 591,453  |
| Accrued interest payable   | 16,978   |
| Current portion of long-term liabilities                         | 3,401,050  |
| Long-term liabilities:   |  |
| Net pension liability - LGERS                                    | 532,925  |
| Total pension liability - LEOSSA                                 | 630,411  |
| Due in more than one year  | 2,928,425  |
| Total liabilities  | <u>8,480,837</u>                                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                             |  |
| Prepaid grants   | 1,543,323  |
| Pension deferrals  | 936,148  |
| Total deferred inflows of resources                              | <u>2,479,471</u>                                 |
| <b>NET POSITION</b>  |  |
| Net investment in capital assets                                 | 16,892,375                                       |
| Restricted for:  |  |
| Stabilization by state statute                                   | 1,354,316  |
| Capital reserve fund   | 2,146,197  |
| Unrestricted   | 6,553,442  |
| Total net position   | <u>\$ 26,946,330</u>                             |

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

Town of Duck, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2022

| Functions/Programs                | Expenses     | Program Revenues     |                                    |                                  | Total   |
|-----------------------------------|--------------|----------------------|------------------------------------|----------------------------------|---|
|                                   |              | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
| Primary government:               |              |                      |                                    |                                  |   |
| Governmental Activities:          |              |                      |                                    |                                  |   |
| General government                | \$ 1,489,200 | \$ -                 | \$ 4,504                           | \$ -                             | \$ (1,484,696)                                    |
| Public safety                     | 4,758,191    | 201,810              | -                                  | -                                | (4,556,381)                                       |
| Transportation                    | 295,484      | -                    | -                                  | -                                | (295,484)   |
| Economic and physical development | 305,595      | -                    | -                                  | -                                | (305,595)   |
| Environmental protection          | 2,302,946    | -                    | 24,000                             | 193,807                          | (2,085,139)                                       |
| Parks                             | 193,568      | -                    | -                                  | -                                | (193,568)   |
| Interest on long-term debt        | 76,625       | -                    | -                                  | -                                | (76,625)  |
| Total primary government          | \$ 9,421,609 | \$ 201,810           | \$ 28,504                          | \$ 193,807                       | (8,997,488)                                       |

## General revenues:

## Taxes:

|  |            |
|--|------------|
| Property taxes, levied for general purpose | 4,106,778  |
| Municipal service district taxes           | 1,005,581  |
| Other taxes                                | 5,347,657  |
| Unrestricted investment earnings           | 17,213     |
| Miscellaneous                              | 88,915     |
| Total general revenues and transfers       | 10,566,144 |

## Change in net position

|                         |               |
|-------------------------|---------------|
| Change in net position  | 1,568,656     |
| Net position, beginning | 25,377,674    |
| Net position, ending    | \$ 26,946,330 |

## Exhibit 3

Town of Duck  
Balance Sheet  
Governmental Funds  
June 30, 2022

|  | Major Funds   |                      | Total<br>Governmental<br>Funds |
|--|---------------|----------------------|--------------------------------|
|  | General       | Capital Project Fund |                                |
| <b>ASSETS</b>  |               |                      |                                |
| Cash and cash equivalents  | \$ 8,264,375  | \$ 1,909             | \$ 8,266,284                   |
| Taxes receivable   | 3,092         | -                    | 3,092                          |
| Due from other governments   | 1,142,155     | -                    | 1,142,155                      |
| Due from general fund  | -             | 3,465                | 3,465                          |
| Prepaid expenses   | 158,793       | -                    | 158,793                        |
| Restricted cash and cash equivalents                               | 2,238,599     | 5,724,927            | 7,963,526                      |
| Total assets   | 11,807,014    | 5,730,301            | 17,537,315                     |
| <b>LIABILITIES</b>   |               |                      |                                |
| Accounts payable and accrued liabilities                           | 379,595       | -                    | 379,595                        |
| Accounts payable from restricted assets                            | -             | 591,453              | 591,453                        |
| Due to capital project fund  | 3,465         | -                    | 3,465                          |
| Total liabilities  | 383,060       | 591,453              | 974,513                        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                               |               |                      |                                |
| Prepaid grants   | 92,402        | 1,450,921            | 1,543,323                      |
| Property taxes receivable  | 3,092         | -                    | 3,092                          |
| Total deferred inflows of resources                                | 95,494        | 1,450,921            | 1,546,415                      |
| <b>FUND BALANCES</b>   |               |                      |                                |
| Non-Spendable:   |               |                      |                                |
| Prepaid expenses   | 158,793       | -                    | 158,793                        |
| Restricted:  |               |                      |                                |
| Stabilization by State Statute                                     | 1,354,316     | -                    | 1,354,316                      |
| Capital reserve fund   | 2,146,197     | -                    | 2,146,197                      |
| Committed:   |               |                      |                                |
| Beach nourishment capital project                                  | -             | 3,687,927            | 3,687,927                      |
| Assigned:  |               |                      |                                |
| Subsequent years expenditures                                      | 120,000       | -                    | 120,000                        |
| Unassigned   | 7,549,154     | -                    | 7,549,154                      |
| Total fund balances  | 11,328,460    | 3,687,927            | 15,016,387                     |
| Total liabilities, deferred inflows of resources and fund balances | \$ 11,807,014 | \$ 5,730,301         |                                |

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.                   | 19,343,072    |
| Deferred outflows of resources related to pensions/OPEB are not reported in the funds   | 1,029,716     |
| Liabilities for earned revenues considered deferred inflows of resources in fund statements.  | 3,092         |
| Long-term liabilities used in governmental activities are not financial uses and therefore not reported in the funds                      | (6,329,475)   |
| Net pension liability - LGERS   | (532,925)     |
| Total pension liability - LEOSSA  | (630,411)     |
| Pension related deferrals   | (936,148)     |
| Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds. | (16,978)      |
| Net position of governmental activities   | \$ 26,946,330 |

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



**Town of Duck**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2022**

|  | Major Funds   |                      | Total              |
|--|---------------|----------------------|--------------------|
|  | General Fund  | Capital Project Fund | Governmental Funds |
| <b>REVENUES</b>  |               |                      |                    |
| Ad valorem taxes   | \$ 5,111,748  | \$ -                 | \$ 5,111,748       |
| Other taxes and licenses   | 2,958,096     | -                    | 2,958,096          |
| Unrestricted intergovernmental   | 2,389,561     | -                    | 2,389,561          |
| Restricted intergovernmental   | 210,716       | 11,595               | 222,311            |
| Permits and fees   | 201,810       | -                    | 201,810            |
| Investment earnings  | 15,304        | 1,909                | 17,213             |
| Miscellaneous  | 88,915        | -                    | 88,915             |
| Total revenues   | 10,976,150    | 13,504               | 10,989,654         |
| <b>EXPENDITURES</b>  |               |                      |                    |
| Current:   |               |                      |                    |
| General government   | 1,413,822     | -                    | 1,413,822          |
| Public safety  | 4,596,266     | -                    | 4,596,266          |
| Transportation   | 80,108        | -                    | 80,108             |
| Environmental protection   | 1,211,869     | -                    | 1,211,869          |
| Economic and physical development  | 308,578       | -                    | 308,578            |
| Parks  | 89,202        | -                    | 89,202             |
| Debt service   |               |                      | -                  |
| Principal  | 1,679,374     | -                    | 1,679,374          |
| Interest   | 79,038        | -                    | 79,038             |
| Capital outlay   | 1,108,188     | 795,843              | 1,904,031          |
| Total expenditures   | 10,566,445    | 795,843              | 11,362,288         |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b>  | 409,705       | (782,339)            | (372,634)          |
| <b>OTHER FINANCING SOURCES (USES)</b>  |               |                      |                    |
| Transfers between funds  | 329,832       | (329,832)            | -                  |
| Installment purchase debt proceeds   | 644,896       | -                    | 644,896            |
| Private placements bonds issued  | -             | 4,800,098            | 4,800,098          |
| Total other financing sources (uses)   | 974,728       | 4,470,266            | 5,444,994          |
| <b>REVENUES AND OTHER FINANCING SOURCES<br/>OVER EXPENDITURES AND OTHER<br/>FINANCING USES</b> | 1,384,433     | 3,687,927            | 5,072,360          |
| Fund balances, beginning   | 9,944,027     | -                    | 9,944,027          |
| Fund balances, ending  | \$ 11,328,460 | \$ 3,687,927         | \$ 15,016,387      |

**Town of Duck**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2022**

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

|   |              |
|---|--------------|
| Net changes in fund balances - total governmental funds | \$ 5,072,360 |
|---|--------------|

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

|  |                    |         |
|--|--------------------|---------|
| Capital outlay expenditures which were capitalized | 1,904,031          |         |
| Depreciation expense for governmental assets       | <u>(1,665,052)</u> | 238,979 |

|  |         |
|--|---------|
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | 310,641 |
|--|---------|

|   |       |
|---|-------|
| Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities | 9,646 |
|---|-------|

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 | 612 |
|--|-----|

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

|                                      |              |             |
|--------------------------------------|--------------|-------------|
| New borrowings                       | (5,444,994)  |             |
| Principal repayments                 | 1,679,374    |             |
| Decrease in accrued interest payable | <u>2,412</u> | (3,763,208) |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

|                                  |                 |                  |
|----------------------------------|-----------------|------------------|
| Increase in compensated absences | (35,436)        |                  |
| Pension expense - LGERS          | (183,179)       |                  |
| Pension expense - LEOSSA         | <u>(81,759)</u> | <u>(300,374)</u> |

|  |                     |
|--|---------------------|
| Total changes in net position of governmental activities | <u>\$ 1,568,656</u> |
|--|---------------------|

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

**Town of Duck  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2022**

|  | General Fund |             |                      | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|--------------|-------------|----------------------|---|
|  | Original     | Final       | Actual<br>Amounts    |   |
| <b>Revenues:</b>   |              |             |                      |   |
| Ad valorem taxes   | 5,093,275    | 5,093,275   | 5,111,748            | 18,473  |
| Other taxes and licenses   | 1,946,051    | 2,605,211   | 2,958,096            | 352,885   |
| Unrestricted intergovernmental   | 2,056,592    | 2,307,821   | 2,389,561            | 81,740  |
| Restricted intergovernmental   | 2,436,782    | 2,461,282   | 210,716              | (2,250,566)   |
| Permits and fees   | 169,748      | 169,748     | 201,810              | 32,062  |
| Investment earnings  | 1,800        | 1,800       | 14,900               | 13,100  |
| Miscellaneous  | 101,000      | 101,000     | 88,915               | (12,085)  |
| Total revenues   | 11,805,248   | 12,740,137  | 10,975,746           | (1,764,391)   |
| <b>Expenditures:</b>   |              |             |                      |   |
| Current:   |              |             |                      |   |
| General government   | 1,661,948    | 1,788,997   | 1,653,791            | 135,206   |
| Public safety  | 4,533,825    | 5,342,170   | 5,311,019            | 31,151  |
| Transportation   | 2,904,586    | 3,213,586   | 531,573              | 2,682,013   |
| Environmental protection   | 2,949,624    | 3,067,935   | 2,672,282            | 395,653   |
| Economic and physical development  | 304,625      | 304,625     | 308,578              | (3,953)   |
| Parks  | 186,900      | 175,381     | 89,202               | 86,179  |
| Total expenditures   | 12,541,508   | 13,892,694  | 10,566,445           | 3,326,249   |
| Revenues over (under) expenditures   | (736,260)    | (1,152,557) | 409,301              | 1,561,858   |
| <b>Other financing sources (uses):</b>   |              |             |                      |   |
| Transfers from other funds   | 1,476,489    | 1,523,624   | 1,297,508            | (226,116)   |
| Transfers to other funds   | (1,317,349)  | (1,317,349) | (1,418,751)          | (101,402)   |
| Installment purchase debt proceeds   | 650,888      | 650,888     | 644,896              | (5,992)   |
| Contingency  | (73,768)     | (40,358)    | -                    | 40,358  |
| Fund Balance Appropriated  | -            | 335,752     | -                    | (335,752)   |
| Total other financing sources (uses)   | 736,260      | 1,152,557   | 523,653              | (628,904)   |
| Revenues and other sources over (under)<br>expenditures and other uses                                   | \$ -         | \$ -        | 932,954              | \$ 932,954  |
| Fund balances, beginning   |              |             | 8,249,309            |   |
| Fund balances, ending  |              |             | <u>\$ 9,182,263</u>  |   |
| A legally budgeted Capital Reserve Fund is consolidated<br>into the General Fund for reporting purposes: |              |             |                      |   |
| Investment Earnings  |              |             | 404                  |   |
| Transfer from the General Fund   |              |             | 1,418,751            |   |
| Transfer from Capital Project Fund   |              |             | 329,832              |   |
| Transfer to the General Fund   |              |             | (1,297,508)          |   |
| Fund Balance, beginning  |              |             | 1,694,718            |   |
| Fund Balance, ending (Exhibit 4)   |              |             | <u>\$ 11,328,460</u> |   |

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

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The Town of Duck is a municipal corporation that is governed by a five-member Council, including a Council elected Mayor. The Town began operations on May 1, 2002.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. 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 Town only has governmental activities.

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

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

The Town reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad-valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for general government services, public safety, transportation, environmental protection, economic and physical development and parks. Additionally, the Town has legally adopted a **Capital Reserve Fund** designated for beach nourishment. Under GASB 54 guidance the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

**Capital Project Fund.** This fund is used to account for the beach nourishment capital project.

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad-valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicle taxes are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Uncollected taxes that were billed in periods prior to September 1, 2013 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 shared revenue for the Town of Duck because the tax is levied by Dare County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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**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 and Capital Reserve Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds. The Budget Officer may transfer amounts between objects of expenditure within a department. Amendments must be approved by the governing board for any revisions that alter the total expenditures of any department or project or use contingency funds. During the year, several amendments to the original budget were necessary. The primary changes to the adopted budget were increases of \$ 335,751 to carry over outstanding commitments from the June 30, 2021 fiscal year primarily for beach nourishment engineering contracts, living shoreline engineering contracts. Other amendments approved include an increase in unexpected shared revenues of \$ 732,354 used for the Volunteer Fire Department to purchase a fire truck. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The Town's investments are reported at fair value. The NCCMT Government Portfolio is a 2a-7 money market mutual fund is measured at fair value. Because the NCCMT Government Portfolio has a weighted average of less than 90 days, it is 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. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**3. Restricted Assets**

Money in the Capital Reserve Fund is classified as restricted assets because its use is restricted to the Capital Reserve Fund per G.S. 159-18. Unexpended debt proceeds are restricted for beach nourishment; the purpose the debt was issued for. The unexpended grant from the NC Department of Environmental Quality is restricted by the grantor for beach nourishment. Lastly, the Town was allocated funds from the American Rescue Plan Act (ARPA) and received a grant

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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from the Albemarle Commission of North Carolina both of which had not been appropriated or spent as of June 30, 2022 and are therefore restricted.

Town of Duck Restricted Cash:

Governmental Activities:

General Fund:

|                            |                     |
|----------------------------|---------------------|
| Capital reserve fund       | \$ 2,146,197        |
| ARPA funds                 | 63,102              |
| Albemarle Commission grant | <u>29,300</u>       |
| Total General Fund         | <u>\$ 2,238,599</u> |

Capital Project Fund:

|                            |                     |
|----------------------------|---------------------|
| Unexpended debt proceeds   | \$ 4,274,006        |
| NCDEQ grant                | <u>1,450,921</u>    |
| Total Capital Project Fund | <u>\$ 5,724,927</u> |

Total Restricted Cash \$ 7,963,526

**4. Ad-Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad-valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2021.

**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.

**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. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 5,000 or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. 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.

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
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| Capital assets are depreciated<br>using the straight-line method<br>over the following estimated<br>useful lives: Asset Class | Estimated<br>Useful Lives |
|---|---------------------------|
| Infrastructure  | 20 years                  |
| Buildings   | 15-40 years               |
| Improvements  | 10 years                  |
| Vehicles  | 5-10 years                |
| Furniture and equipment   | 5-10 years                |
| Computer equipment  | 5 years                   |

Beach nourishment is depreciated based on an engineering survey which estimates the percentage of the initial fill volume of sand remaining. At June 30, 2022, 45% of the initial fill volume remained from the Town's beach nourishment project completed in 2018.

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has several items that meet this criterion, contributions made to the pension plans in the 2022 fiscal year and other pension deferrals. In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – property taxes receivable, prepaid grants, and pension deferrals.

**9. Long-Term Obligations**

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

**10. Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to 240 hours earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a last-in, first-out method of using accumulated compensated time.

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

**11. Reimbursements for Pandemic-related Expenditures:**

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost



**TOWN OF DUCK**  
**Notes to the Financial Statements**  
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revenue for eligible state, local, territorial, and tribal governments. The Town was allocated \$ 126,204 of fiscal recovery funds to be paid in two equal installments. The first installment of \$ 63,102 was received in July 2021. The second installment will be received in mid-2022. As of June 30, 2022, the Town had not determined what the funds would be used for, so the funds are reported as a prepaid grant at June 30, 2022.

**12. Net Position/Fund Balances**

**Net Position**

Net position in government-wide financial statements are classified as net position in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

**Fund Balances**

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balance as follows:

**Non-spendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid expenses – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses, which are not spendable resources.

**Restricted Fund Balance** – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of governments from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by North Carolina Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by state statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8 (a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaid as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

Restricted for Capital Reserve Fund – portion of fund balance that is restricted for the legally adopted Capital Reserve Fund.

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
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Committed Fund Balance – Portion of fund balance that can only be used for specific purpose imposed by majority vote of the Town's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Committed for beach nourishment capital project – portion of fund balance that has been budgeted by Town Council for a beach nourishment capital project. The governing body approved the capital project.

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

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

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

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

The Town of Duck has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 75% but not greater than 100% of the previous fiscal year's general fund expenditures less debt service for beach nourishment.

### **13. Pensions**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Local Government Employees' Retirement System (LGERs) and additions to/deductions from LGERs' fiduciary net position have been determined on the same basis as they are reported by LGERs. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Duck's employer contributions are recognized when due and the Town of Duck 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. Material Violations of Finance-Related Legal and Contractual Provisions**

No items to report.

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

No items to report.

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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**C. Excess of Expenditures over Appropriations**

No items to report.

**III. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town of Duck, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2022, the Town's deposits had a carrying amount of \$ 8,791,679 and a bank balance of \$ 9,027,799. Of the bank balance, \$ 250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

**2. Investments**

At June 30, 2022, the Town's investments were as follows:

|                              | <u>Valuation</u><br><u>Measurement Method</u> | <u>Book Value</u><br><u>At 6/30/22</u> | <u>Maturity</u> | <u>Rating</u> |
|------------------------------|---|--|-----------------|---------------|
| NC Capital Management Trust: |   |  |                 |               |
| Government Portfolio         | Fair Value Level 1                            | \$ 7,438,131                           | N/A             | AAAm          |
| Total Investments            |   | <u>\$ 7,438,131</u>                    |                 |               |

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

*Interest Rate Risk.* The Town's cash management policy does not address interest rate risk.

*Credit Risk.* The Town's cash management policy does not address credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2022.

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

**3. Capital Assets**

**Primary Government**

Capital asset activity for the primary government for the year ended June 30, 2022 was as follows:

|  | <u>Beginning<br/>Balances</u> | <u>Increases</u>   | <u>Decreases</u>  | <u>Ending<br/>Balances</u> |
|--|-------------------------------|--------------------|-------------------|----------------------------|
| <b>Governmental Activities:</b>                  |                               |                    |                   |                            |
| <b>Capital assets not being depreciated:</b>     |                               |                    |                   |                            |
| Land   | \$ 6,187,436                  | \$ -               | \$ -              | \$ 6,187,436               |
| Construction in process                          | 592,820                       | 983,233            | -                 | 1,576,053                  |
|  | <u>6,780,256</u>              | <u>983,233</u>     | <u>-</u>          | <u>7,763,489</u>           |
| <b>Capital assets being depreciated:</b>         |                               |                    |                   |                            |
| Buildings  | 2,448,233                     | -                  | -                 | 2,448,233                  |
| Equipment  | 557,417                       | 426,542            | 286,855           | 697,104                    |
| Infrastructure                                   | 5,471,402                     | 264,987            | -                 | 5,736,389                  |
| Beach nourishment                                | 13,638,468                    | -                  | -                 | 13,638,468                 |
| Vehicles   | 804,630                       | 229,269            | 136,217           | 897,682                    |
| Total capital assets being depreciated           | <u>22,920,150</u>             | <u>920,798</u>     | <u>423,072</u>    | <u>23,417,876</u>          |
| <b>Less accumulated depreciation for:</b>        |                               |                    |                   |                            |
| Buildings  | 885,384                       | 90,533             | -                 | 975,917                    |
| Equipment  | 531,076                       | 40,379             | 286,855           | 284,600                    |
| Infrastructure                                   | 2,260,079                     | 302,793            | -                 | 2,562,872                  |
| Beach nourishment                                | 6,410,080                     | 1,091,077          | -                 | 7,501,157                  |
| Vehicles   | 509,694                       | 140,270            | 136,217           | 513,747                    |
| Total accumulated depreciation                   | <u>10,596,313</u>             | <u>\$1,665,052</u> | <u>\$ 423,072</u> | <u>11,838,293</u>          |
| Total capital assets being depreciated (net)     | <u>12,323,837</u>             |                    |                   | <u>11,579,583</u>          |
| <b>Governmental activity capital assets, net</b> | <u>\$19,104,093</u>           |                    |                   | <u>\$ 19,343,072</u>       |

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

|  |                    |
|--|--------------------|
| General Government                           | \$ 79,668          |
| Public Safety                                | 168,869            |
| Transportation                               | 215,376            |
| Environmental Protection (Beach Nourishment) | 1,091,077          |
| Economic and Physical Development            | 5,696              |
| Parks  | 104,366            |
|  | <u>\$1,665,052</u> |

**B. Liabilities**

**1. Pension Plan Obligations**

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

*Plan Description*

The Town of Duck is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government 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

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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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 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, or by calling (919) 707-0500 or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided*

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan. LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Duck's employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Duck's contractually required contribution rate for the year ended June 30, 2022, was 11.9% of compensation for law enforcement officers and 11.35% 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 of Duck were \$ 310,641 for the year ended June 30, 2022.

*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.

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**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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

At June 30, 2022, the Town reported a liability of \$ 532,925 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset 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, 2021, the Town's proportion was 0.03475%, which was a decrease of 0.00283% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$183,179. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience  | \$ 169,542                        | \$ -                             |
| Changes of assumptions  | 334,813                           | -                                |
| Net difference between projected and actual earnings on plan investments                                  | -                                 | 761,389                          |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | -                                 | 102,095                          |
| Benefit payments and administrative costs paid subsequent to the measurement date                         | 310,641                           | -                                |
| <b>Total</b>  | <b>\$ 814,996</b>                 | <b>\$ 863,484</b>                |

\$310,641 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

|                     |                     |
|---------------------|---------------------|
| Year ended June 30: |                     |
| 2023                | \$ 7,428            |
| 2024                | (51,494)            |
| 2025                | (82,074)            |
| 2026                | (232,989)           |
| 2027                | -                   |
| Thereafter          | -                   |
|                     | <u>\$ (359,129)</u> |

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
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*Actuarial Assumptions.* The total pension liability in the December 31, 2020 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 8.25 percent, (includes inflation and productivity of 3.25%)              |
| Investment rate of return | 6.5 percent, net of pension plan investment expense, (includes inflation of 2.5%) |

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, 2020, valuation were based on the results of an actuarial experience study for the period January 1, 2015, through December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Fixed Income         | 29.0%                    | 1.4%  |
| Global Equity        | 42.0%                    | 5.3%  |
| Real Estate          | 8.0%                     | 4.3%  |
| Alternatives         | 8.0%                     | 8.9%  |
| Credit               | 7.0%                     | 6.0%  |
| Inflation Protection | 6.0%                     | 4.0%  |
| Total                | 100%                     |   |

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset liability and investment policy study for the North Carolina Retirement

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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 2.50%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

|   | 1% Decrease<br>(5.50%) | Discount Rate<br>(6.50%) | 1% Increase<br>(7.50%) |
|---|------------------------|--------------------------|------------------------|
| Town's proportionate share of the net pension liability (asset) | \$ 2,068,769           | \$ 532,925               | \$ (730,986)           |

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

**b. Law Enforcement Officers Special Separation Allowance**

**1. *Plan Description.***

The Town of Duck administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2020 (the valuation date), the Separation Allowance's membership consisted of:

|                             |           |
|-----------------------------|-----------|
| Retirees receiving benefits | 2         |
| Active plan members         | <u>11</u> |



**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

Total

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*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, 2020 valuation. The total pension liability in the December 31, 2020 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    | 2.25 percent  |

The discount rate used to measure the total pension liability is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2020.

All mortality rates use Pub-2010 amount-weighted tables.

*4. Contributions.*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The Town paid \$ 9,273 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, 2022, the Town reported a total pension liability of \$ 630,411. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, The Town recognized pension expense of \$ 81,759. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience                                | \$ 57,091                         | \$ 45,340                        |
| Changes of assumptions  | 152,878                           | 27,324                           |
| Benefit payments and administrative costs paid subsequent to the measurement date | 4,751                             | -                                |
| Total   | <u>\$ 214,720</u>                 | <u>\$ 72,664</u>                 |

\$ 4,751 reported as deferred outflows of resources related to pension resulting from benefits payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|                     |                  |
|---------------------|------------------|
| Year ended June 30: |                  |
| 2023                | \$ 31,116        |
| 2024                | 31,603           |
| 2025                | 28,431           |
| 2026                | 27,000           |
| 2027                | 15,741           |
| Thereafter          | 3,414            |
| Total               | <u>\$137,305</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 2.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.25 percent) or one percentage point higher (3.25 percent) than the current rate:

|                          | 1% Decrease<br>(1.25%) | Discount Rate<br>(2.25%) | 1% Increase<br>(3.25%) |
|--------------------------|------------------------|--------------------------|------------------------|
| Town's pension liability | \$ 699,756             | \$ 630,411               | \$ 567,517             |

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

Total pension liability December 31, 2020 \$ 664,675

Changes for the year:

|   |                    |
|---|--------------------|
| Service cost at end of year                           | 37,531             |
| Interest  | 12,739             |
| Change in benefit terms                               | 0                  |
| Differences between expected and actuarial experience | (53,815)           |
| Changes of assumptions and other inputs               | (21,471)           |
| Benefit payments                                      | (9,248)            |
| Other changes   | 0                  |
| Net changes   | <u>\$ (34,264)</u> |

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

Total Pension liability December 31, 2021 \$ 630,411  
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 health mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ended December 31, 2020.

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

|  | <u>LGERS</u> | <u>LEOSSA</u> | <u>TOTAL</u> |
|--|--------------|---------------|--------------|
| Pension expense                          | \$ 183,179   | \$ 81,759     | \$ 264,938   |
| Pension liability                        | 532,925      | 630,411       | 1,163,336    |
| Proportionate share of pension liability | .03475%      | N/A           |              |

**Deferred of Outflows of Resources**

|   |         |         |         |
|---|---------|---------|---------|
| Differences between expected and actual experience  | 169,542 | 57,091  | 226,633 |
| Change of assumptions   | 334,813 | 152,878 | 487,691 |
| Net difference between projected and actual earnings on plan investments                                  | -       | -       | -       |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | -       | -       | -       |
| Benefit payments and administrative costs paid subsequent to the measurement date                         | 310,641 | 4,751   | 315,392 |

**Deferred of Inflows of Resources**

|   |         |        |         |
|---|---------|--------|---------|
| Differences between expected and actual experience  | -       | 45,340 | 45,340  |
| Change of assumptions   | -       | 27,324 | 27,324  |
| Net difference between projected and actual earnings on plan investments                                  | 761,389 | -      | 761,389 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 102,095 | -      | 102,095 |

**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 Supplementary Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

Contributions for the year ended June 30, 2022, were \$ 60,819, which consisted of \$ 42,270 from the Town and \$ 18,549 from law enforcement officers.

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

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to non-law enforcement officers employed by the Town. The Town has no requirement or obligation under State statutes to contribute to the plan.

*Funding Policy.* The Town contributes five percent for non-law enforcement officers and all amounts are vested immediately. These employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2022, were \$ 135,407, which consisted of \$ 88,334 from the Town and \$ 47,073 from employees.

**e. 457 Deferred Compensation**

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

*Funding policy.* The Town does not match contributions to the 457 deferred compensation plan. Total contributions for the year ended June 30, 2022 were \$ 7,282 which consisted of \$ 6,354 from regular employees and \$ 928 for law enforcement employees.

**2. Other Employment Benefit**

The Town has also elected to provide death benefits to law enforcement employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death. Effective July 1, 2004, the death benefit payments to beneficiaries must be between \$25,000 and \$50,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2022 the Town made contributions to the State for death benefits of \$ 1,296. The Town's required contributions for law enforcement officers represented 0.14% of covered payroll.

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

**3. Deferred Outflows and Inflows of Resources**

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

|   | <u>Statement of<br/>Net Position</u> |
|---|--------------------------------------|
| Contributions to pension plan in the current fiscal year LGERS  | \$ 310,641                           |
| Benefit payments made for LEOSSA subsequent to measurement date | 4,751                                |
| Differences between expected and actual experience              | 226,633                              |
| Changes of assumptions  | <u>487,691</u>                       |
| Total   | <u>\$1,029,716</u>                   |

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

|   | <u>Statement of<br/>Net Position</u> | <u>Governmental Funds<br/>Balance Sheet</u> |
|---|--------------------------------------|---|
| Taxes receivable (General Fund)   | \$ -                                 | \$ 3,092                                    |
| Prepaid grant   | 1,543,323                            | 1,543,323                                   |
| Differences between expected and actual experience  | 45,340                               | -   |
| Changes of assumptions  | 27,324                               | -   |
| Net difference between projected and actual earnings on<br>plan investments                             | 761,389                              | -   |
| Changes in proportion and differences between contributions<br>and proportionate share of contributions | <u>102,095</u>                       | <u>-</u>                                    |
| Total   | <u>\$ 2,479,471</u>                  | <u>\$ 1,546,415</u>                         |

**4. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence and property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town carries insurance that has special provisions that may apply to flood, earthquake and names windstorm damage purchased through commercial carriers. The Town carries flood

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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insurance coverage in the amount of \$ 500,000 a piece for the Duck Town Hall and the Duck Meeting Hall, and contents coverage in the amount of \$ 150,000 and \$ 100,000 respectively.

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

**5. Long-Term Obligations**

**Installment Finance Purchase Contracts from Direct Borrowings and Direct Placements**

On November 17, 2010, the Town entered into a 15-year direct borrowing contract in the amount of \$ 3,000,000 to finance the construction of the Town Hall and refinancing of another loan for the purchase of 22,999 square feet of real estate located in Duck, North Carolina. Both the land and building are pledged as collateral while the loan is outstanding. The interest rate was 3.21% per annum. The contract requires annual principal and interest payments beginning November 2011. In September 2021 the financing contract was modified to reduce the interest rate to 1.25%.

On October 30, 2019, the Town entered into a 3-year direct borrowing contract in the amount of \$ 211,362 for the purchase of four vehicles which are pledged as collateral while the loan is outstanding. The interest rate is fixed at 2.116% per annum. The contract requires annual principal and interest payments beginning August 2020.

On September 2, 2021, the Town entered into a 3-year direct borrowing contract in the amount of \$ 644,896 for purchase of five vehicles and radio equipment which are pledged as collateral while the loan is outstanding. The interest rate is fixed at 1.22% per annum. The contract requires annual installments of principal and interest, beginning September 2022.

On December 14, 2021, the Town entered into a 5-year direct placement special obligation bond contract (2021A) in the amount of \$ 2,374,587 to finance beach nourishment maintenance. The Town's occupancy tax revenue is pledged as collateral for the debt while the bond is outstanding. The interest rate is 1.84% per annum. The contract requires semi-annual interest payments beginning in June 2022 and annual principal plus interest payments beginning December 2022.

On December 14, 2021, the Town entered into a 1-year direct placement special obligation bond contract (2021B) in the amount of \$ 2,425,511 to finance beach nourishment in the short-term while waiting for the Federal Emergency Management Agency to reimburse the Town for its obligated share of the beach nourishment maintenance project. Amounts to be received from a Federal Emergency Management Agency (FEMA) Grant related to Hurricane Dorian are pledged as collateral for the debt while the bond is outstanding. The interest rate is 1.64% per annum. The contract requires quarterly interest only payments beginning March 2022 with the full principal and remaining interest due December 2022.

At June 30, 2022 the Town had a legal debt margin of \$ 142,966,205

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

Changes in Long-Term Liabilities

|   | Balance<br>July 1,<br>2021 | Increase     | Decreases    | Balance<br>June 30,<br>2022 | Current<br>Portion<br>of Balance |
|---|----------------------------|--------------|--------------|-----------------------------|----------------------------------|
| Governmental activities:                    |                            |              |              |                             |                                  |
| Direct Borrowing                            |                            |              |              |                             |                                  |
| Installment Finance Contract                | \$ 975,031                 | \$ 644,895   | \$ 286,774   | \$ 1,333,152                | \$ 500,622                       |
| Direct Placement                            |                            |              |              |                             |                                  |
| Installment Finance Contract                | 1,392,600                  | 4,800,098    | 1,392,600    | 4,800,098                   | 2,900,428                        |
| Compensated absences                        | 160,789                    | 35,436       | -            | 196,225                     | -                                |
| Net pension liability (LGERS)               | 1,342,893                  | -            | 809,968      | 532,925                     | -                                |
| Total pension liability (LEO)               | 664,675                    | -            | 34,264       | 630,411                     | -                                |
| Governmental Activity Long-Term Liabilities | \$ 4,535,988               | \$ 5,480,429 | \$ 2,523,606 | \$ 7,492,811                | \$ 3,401,050                     |

A summary of general government debt service obligations is as follows:

| <u>Year Ending<br/>June 30</u> | <u>Principal</u>    | <u>Interest</u>  |
|--------------------------------|---------------------|------------------|
| 2023                           | \$ 3,401,050        | \$ 76,303        |
| 2024                           | 823,205             | 40,862           |
| 2025                           | 825,827             | 27,833           |
| 2026                           | 608,250             | 14,776           |
| 2027                           | 474,918             | 4,369            |
| Total                          | <u>\$ 6,133,250</u> | <u>\$164,143</u> |

**6. Commitments**

For the fiscal year ended June 30, 2023, the Town has budgeted to pay at least \$ 251,800 to the Duck Volunteer Fire Department, Inc. as compensation for firefighting services, \$ 57,000 for equipment and \$ 57,721 for Engine 111 debt. This doesn't include amounts for personnel and other operating expenses paid by the Town.

For the fiscal year ended June 30, 2023, the Town has budgeted to pay at least \$ 550,001 to Sandski, LLC as compensation for ocean rescue services.

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

Transfers to/from other funds at June 30, 2022, consist of the following:

|   |              |
|---|--------------|
| From the General Fund to the Capital Reserve Fund for beach nourishment taxes designated for future beach nourishment                       | \$ 1,418,751 |
| From the Capital Reserve Fund to the General Fund for beach nourishment bond interest and principal payments and beach nourishment expenses | \$ 1,297,508 |

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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|   |            |
|---|------------|
| From the Capital Project Fund to the Capital Reserve Fund for reimbursement of expenses paid for beach nourishment project. | \$ 329,832 |
|---|------------|

**D. Net Investment in Capital Assets**

|   |                          |
|---|--------------------------|
| Capital Assets                                  | \$ 19,343,072            |
| Less: Long-term debt                            | (6,133,250)              |
| Less: Liabilities from restricted debt proceeds | ( 591,453)               |
| Add: Unexpended debt proceeds                   | <u>4,274,006</u>         |
| <br>Net investment in Capital Assets            | <br><u>\$ 16,892,375</u> |

**E. 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   | \$ 11,328,460            |
| <br>Less:                           |                          |
| Prepaid expenses                    | \$ 158,793               |
| Stabilization by State Statute      | 1,245,928                |
| Capital reserve fund                | 2,146,197                |
| Subsequent year's budget            | 120,000                  |
| Working capital/fund balance policy | <u>7,657,542</u>         |
| <br>Total Reductions                | <br><u>\$ 11,328,460</u> |
| <br>Remaining Fund Balance          | <br><u>\$ 0</u>          |

The Town Council has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that total general fund balance is greater than 75% but not greater than 100% of the previous fiscal year's general fund expenditures less debt service for beach nourishment. Expenditures for June 30, 2022 of \$ 10,566,445 less debt service for beach nourishment of \$ 1,403,602 leaves a balance of \$ 9,162,843 which represents 84%. Therefore, all unassigned fund balance applies to the minimum working capital/fund balance policy.

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

General Fund - \$ 212,161.

**F. Beach Nourishment**

The Town began preliminary planning for a second beach nourishment project in fiscal year 2020. As a part of an interlocal agreement the Town joined together with Dare County and other surrounding municipalities including Kitty Hawk, Kill Devil Hills and Southern Shores to complete a large-scale beach nourishment project beginning in fiscal year 2022. The total project was bid by Dare County and each Town is responsible for paying its prorated portion of the project. The Town's portion of the project is being financed with two special obligation bonds; one in the amount of \$ 2,374,587 and one in the amount of \$ 2,425,511, a NC Department of Environmental



**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

Quality grant of \$ 1,450,921 and a contribution from Dare County of \$ 796,572 for an estimated total project cost of \$ 7,047,591. The bond for \$ 2,425,511 will be repaid from Federal Emergency Management Agency grant funds allocated for this project. Project expenses are budgeted in a capital project fund.

The Town has two municipal service districts designated for beach nourishment. The amount in the capital reserve fund restricted for future beach nourishment at June 30, 2022 is shown below:

|  |                     |
|--|---------------------|
| Balance June 30, 2021                        | \$ 1,694,719        |
| Municipal service district tax               | 1,006,367           |
| Restricted sales tax                         | 412,384             |
| Reimbursement from capital project fund      | 329,832             |
| Debt service (net of Dare County allocation) | (1,263,125)         |
| Beach nourishment projects                   | (34,384)            |
| Interest earnings                            | 404                 |
|  | <u>2,146,197</u>    |
| Balance June 30, 2022                        | <u>\$ 2,146,197</u> |

**IV. Summary Disclosure of Contingencies**

**Federal and State Assisted Programs**

The Town has received proceeds from several Federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**Subsequent Events**

Management has evaluated subsequent events through October 25, 2022, the date on which the financial statements were available to be issued.

**TOWN OF DUCK, NORTH CAROLINA**

**Required Supplementary Financial Data**

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

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

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

Local Government Employees' Retirement System

|   | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Town's proportion of the net pension liability (asset) (%)  | 0.03475%     | 0.03758%     | 0.03631%     | 0.03763%     | 0.03601%     | 0.03363%     | 0.03775%     | 0.03680%     | 0.03690%     |
| Town's proportion of the net pension liability (asset) (\$)   | \$ 532,925   | \$ 1,342,893 | \$ 991,598   | \$ 892,712   | \$ 550,133   | \$ 713,741   | \$ 169,420   | \$ (217,026) | \$ 444,787   |
| Town's covered-employee payroll   | \$ 2,198,577 | \$ 2,198,880 | \$ 2,047,298 | \$ 1,729,201 | \$ 1,601,444 | \$ 1,471,565 | \$ 1,364,303 | \$ 1,278,175 | \$ 1,281,813 |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 24.24%       | 61.07%       | 48.43%       | 51.63%       | 34.35%       | 48.50%       | 12.42%       | ( 16.98%)    | 34.70%       |
| Plan fiduciary net position as a percentage of the total pension liability**                                    | 95.51%       | 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's Contributions  
Required Supplementary Information  
Last Nine Fiscal Years

Local Government Employees' Retirement System

|  | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution                                  | \$ 310,641   | \$ 227,291   | \$ 201,814   | \$ 164,989   | \$ 136,641   | \$ 123,091   | \$ 102,581   | \$ 100,188   | \$ 97,570    |
| Contributions in relation to the contractually required contribution | 310,641      | 227,291      | 201,814      | 164,989      | 136,641      | 123,091      | 102,581      | 100,188      | 97,570       |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| Town's covered-employee payroll                                      | \$ 2,692,081 | \$ 2,198,577 | \$ 2,198,880 | \$ 2,047,298 | \$ 1,729,201 | \$ 1,601,444 | \$ 1,471,565 | \$ 1,364,303 | \$ 1,278,175 |
| Contributions as a percentage of covered-employee payroll            | 11.54%       | 10.34%       | 9.18%        | 8.06%        | 7.90%        | 7.69%        | 6.97%        | 7.34%        | 7.53%        |

Town of Duck  
Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance  
June 30, 2022

|  | 2022       | 2021       | 2020       | 2019       | 2018       | 2017       |
|--|------------|------------|------------|------------|------------|------------|
| Beginning balance  | \$ 654,675 | \$ 429,013 | \$ 309,888 | \$ 276,022 | \$ 217,350 | \$ 201,315 |
| Service Cost   | 37,531     | 28,302     | 24,447     | 21,214     | 16,850     | 16,961     |
| Interest on the total pension liability  | 12,739     | 13,934     | 11,280     | 8,722      | 8,390      | 7,187      |
| Changes of benefit terms   | -          | -          | -          | -          | -          | -          |
| Differences between expected and actual experience in the measurement of the total pension liability | (53,815)   | 10,983     | 64,578     | 21,533     | 9,112      | -          |
| Changes of assumptions or other inputs   | (21,471)   | 185,664    | 18,820     | (17,603)   | 24,320     | (8,113)    |
| Benefit payments   | (9,248)    | (3,201)    | -          | -          | -          | -          |
| Other changes  | -          | -          | -          | -          | -          | -          |
| Ending balance of the total pension liability  | \$ 630,411 | \$ 664,675 | \$ 429,013 | \$ 309,888 | \$ 276,022 | \$ 217,350 |

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

**Town of Duck**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2022**

|  | 2022       | 2021       | 2020       | 2019       | 2018       | 2017       |
|--|------------|------------|------------|------------|------------|------------|
| Total pension liability                                    | \$ 630,411 | \$ 664,675 | \$ 429,013 | \$ 309,888 | \$ 276,022 | \$ 217,350 |
| Covered payroll  | 793,399    | 908,550    | 838,985    | 682,673    | 610,247    | 577,323    |
| Total pension liability as a percentage of covered payroll | 79.46%     | 73.32%     | 51.13%     | 45.39%     | 45.23%     | 37.65%     |

**Notes to the schedules:**

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

**TOWN OF DUCK, NORTH CAROLINA**

**Supplementary Statements and Schedules**

**Town of Duck, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2022**

|  | Budget            | Actual            | Variance<br>Positive<br>(Negative) |
|--|-------------------|-------------------|------------------------------------|
| <b>Revenues:</b>                       |                   |                   |                                    |
| Ad valorem taxes:                      |                   |                   |                                    |
| Taxes                                  | \$ 4,092,304      | \$ 4,101,779      | \$ 9,475                           |
| Municipal service district taxes       | 1,000,971         | 1,005,581         | 4,610                              |
| Interest                               |                   | 4,388             | 4,388                              |
| Total                                  | <u>5,093,275</u>  | <u>5,111,748</u>  | <u>18,473</u>                      |
| Other taxes and licenses:              |                   |                   |                                    |
| Land Transfer Tax                      | 800,000           | 826,337           | 26,337                             |
| Occupancy tax                          | 1,805,211         | 2,131,759         | 326,548                            |
| Total                                  | <u>2,605,211</u>  | <u>2,958,096</u>  | <u>352,885</u>                     |
| Unrestricted intergovernmental:        |                   |                   |                                    |
| Local option sales taxes               | 1,833,118         | 1,913,101         | 79,983                             |
| Utility franchise tax                  | 409,790           | 389,091           | (20,699)                           |
| Beer and wine tax                      | 1,700             | 2,953             | 1,253                              |
| ABC/Mixed Beverage profit distribution | 63,213            | 84,416            | 21,203                             |
| Total                                  | <u>2,307,821</u>  | <u>2,389,561</u>  | <u>81,740</u>                      |
| Restricted intergovernmental:          |                   |                   |                                    |
| Federal grants                         | 1,654,326         | -                 | (1,654,326)                        |
| State grants                           | 447,938           | -                 | (447,938)                          |
| Local grants                           | 359,018           | 210,716           | (148,302)                          |
| Total                                  | <u>2,461,282</u>  | <u>210,716</u>    | <u>(2,250,566)</u>                 |
| Permits and fees:                      |                   |                   |                                    |
| Building permits                       | 160,094           | 184,423           | 24,329                             |
| Other permits                          | 9,654             | 17,387            | 7,733                              |
| Total                                  | <u>169,748</u>    | <u>201,810</u>    | <u>32,062</u>                      |
| Investment earnings                    | <u>1,800</u>      | <u>14,900</u>     | <u>13,100</u>                      |
| Miscellaneous:                         |                   |                   |                                    |
| Miscellaneous                          | 101,000           | 88,915            | (12,085)                           |
| Total                                  | <u>101,000</u>    | <u>88,915</u>     | <u>(12,085)</u>                    |
| Total revenues                         | <u>12,740,137</u> | <u>10,975,746</u> | <u>(1,764,391)</u>                 |



**Town of Duck, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2022**

|                                | Budget    | Actual    | Variance<br>Positive<br>(Negative) |
|--------------------------------|-----------|-----------|------------------------------------|
| <b>Expenditures:</b>           |           |           |                                    |
| General government:            |           |           |                                    |
| Governing Body:                |           |           |                                    |
| Salaries and employee benefits |           | 25,190    |                                    |
| Insurance                      |           | 66,781    |                                    |
| Other operating expenditures   |           | 35,530    |                                    |
| Total                          | 146,159   | 127,501   | 18,658                             |
| Administration:                |           |           |                                    |
| Salaries and employee benefits |           | 571,011   |                                    |
| Other operating expenditures   |           | 75,861    |                                    |
| Total                          | 666,391   | 646,872   | 19,519                             |
| Finance:                       |           |           |                                    |
| Tax collection fees            |           | 80,119    |                                    |
| Other operating expenditures   |           | 49,848    |                                    |
| Total                          | 125,425   | 129,967   | (4,542)                            |
| Legal:                         |           |           |                                    |
| Professional services          | 82,200    | 61,055    | 21,145                             |
| Public Buildings:              |           |           |                                    |
| Salaries and employee benefits |           | 71,555    |                                    |
| Other operating expenditures   |           | 232,806   |                                    |
| Debt service                   |           | 239,969   |                                    |
| Total                          | 581,207   | 544,330   | 36,877                             |
| Information Technology:        |           |           |                                    |
| Other operating expenditures   |           | 118,091   |                                    |
| Cable access channel           |           | 25,975    |                                    |
| Total                          | 187,615   | 144,066   | 43,549                             |
| Total general government       | 1,788,997 | 1,653,791 | 135,206                            |

Town of Duck, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2022

|  | Budget    | Actual    | Variance<br>Positive<br>(Negative) |
|--|-----------|-----------|------------------------------------|
| Public safety:                           |           |           |                                    |
| Police:                                  |           |           |                                    |
| Salaries and employee benefits           |           | 1,257,699 |                                    |
| Other operating expenditures             |           | 274,812   |                                    |
| Capital outlay                           |           | 386,383   |                                    |
| Debt service                             |           | 48,093    |                                    |
| Total                                    | 1,967,477 | 1,966,987 | 490                                |
| Fire:                                    |           |           |                                    |
| Salaries and employee benefits           |           | 1,247,336 |                                    |
| Other operating expenditures             |           | 73,088    |                                    |
| Fire Protection contract                 |           | 231,000   |                                    |
| Subsidy to Volunteer Dept. for Equipment |           | 803,886   |                                    |
| Debt service                             |           | 25,013    |                                    |
| Capital outlay                           |           | 255,264   |                                    |
| Total                                    | 2,634,726 | 2,635,587 | (861)                              |
| Inspections:                             |           |           |                                    |
| Salaries and employee benefits           |           | 155,828   |                                    |
| Other operating expenditures             |           | 17,277    |                                    |
| Total                                    | 204,767   | 173,105   | 31,662                             |
| Rescue units:                            |           |           |                                    |
| Ocean rescue                             |           | 531,500   |                                    |
| Other operating expenditures             |           | 3,840     |                                    |
| Total                                    | 535,200   | 535,340   | (140)                              |
| Total public safety                      | 5,342,170 | 5,311,019 | 31,151                             |
| Transportation:                          |           |           |                                    |
| Streets:                                 |           |           |                                    |
| Other operating expenditures             |           | 80,108    |                                    |
| Capital outlay                           |           | 451,465   |                                    |
| Total transportation                     | 3,213,586 | 531,573   | 2,682,013                          |

**Town of Duck, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2022**

|   | Budget       | Actual       | Variance<br>Positive<br>(Negative) |
|---|--------------|--------------|------------------------------------|
| Environmental protection:   |              |              |                                    |
| Solid waste:  |              |              |                                    |
| Contracted services   |              | 1,097,385    |                                    |
| Dune maintenance  |              | 114,484      |                                    |
| Capital outlay-beach nourishment  |              | 15,076       |                                    |
| Debt service  |              | 1,445,337    |                                    |
| Total environmental protection  | 3,067,935    | 2,672,282    | 395,653                            |
| Economic and physical development:  |              |              |                                    |
| Planning and Zoning   |              |              |                                    |
| Salaries and employee benefits  |              | 267,012      |                                    |
| Other operating expenditures  |              | 41,566       |                                    |
| Total economic and physical development   | 304,625      | 308,578      | (3,953)                            |
| Parks   |              |              |                                    |
| Other operating expenditures  |              | 89,202       |                                    |
|   | 175,381      | 89,202       | 86,179                             |
| Total expenditures  | 13,892,694   | 10,566,445   | 3,326,249                          |
| Revenues over (under) expenditures  | (1,152,557)  | 409,301      | 1,561,857                          |
| Other financing sources (uses):   |              |              |                                    |
| Contingency   | (40,358)     | -            | 40,358                             |
| Installment purchase debt proceeds  | 650,888      | 644,896      | (5,992)                            |
| Transfers from other funds  | 1,523,624    | 1,297,508    | (226,116)                          |
| Transfers to other funds  | (1,317,349)  | (1,418,751)  | (101,402)                          |
| Fund Balance Appropriated   | 335,752      | -            | (335,752)                          |
| Total   | \$ 1,152,557 | \$ 523,653   | \$ (628,904)                       |
| Revenues and other financing sources<br>over expenditures and other<br>financing uses | \$ -         | 932,954      | 932,953                            |
| Fund balances, beginning  |              | 8,249,309    |                                    |
| Fund balances, ending   |              | \$ 9,182,263 |                                    |

**Town of Duck**  
**Capital Reserve Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2022**

|                                 | Budget      | Actual              | Variance<br>Positive<br>(Negative) |
|---------------------------------|-------------|---------------------|------------------------------------|
| <b>Revenues:</b>                |             |                     |                                    |
| Investment earnings             | -           | 404                 | 404                                |
| Total revenues                  | -           | 404                 | 404                                |
| Other financing sources (uses): |             |                     |                                    |
| Transfers from other funds      | 1,317,349   | 1,748,583           | 431,234                            |
| Transfers to other funds        | (1,523,624) | (1,297,508)         | 226,116                            |
| Appropriated fund balance       | 206,275     | -                   | (206,275)                          |
| Total                           | -           | 451,075             | 451,075                            |
| Net change in fund balance      | \$ -        | 451,479             | \$ 451,479                         |
| Fund balances, beginning        |             | 1,694,718           |                                    |
| Fund balances, ending           |             | <u>\$ 2,146,197</u> |                                    |

**Town of Duck, North Carolina**  
**Beach Nourishment Capital Project Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2022**

|  | Project<br>Authorization | Prior<br>Years | Actual<br>Current<br>Year | Total to<br>Date    | Variance<br>Positive<br>(Negative) |
|--|--------------------------|----------------|---------------------------|---------------------|------------------------------------|
| <b>Revenues:</b>                       |                          |                |                           |                     |                                    |
| Beach Nourishment Project:             |                          |                |                           |                     |                                    |
| Restricted intergovernmental           | 2,247,493                | -              | 11,595                    | 11,595              | (2,235,898)                        |
| Investment earnings                    | -                        | -              | 1,909                     | 1,909               | 1,909                              |
| Total revenues                         | <u>2,247,493</u>         | <u>-</u>       | <u>13,504</u>             | <u>13,504</u>       | <u>(2,233,989)</u>                 |
| <b>Expenditures:</b>                   |                          |                |                           |                     |                                    |
| Beach Nourishment Project:             |                          |                |                           |                     |                                    |
| Construction                           | 5,991,814                | -              | 591,453                   | 591,453             | 5,400,361                          |
| Construction management                | 174,900                  | -              | 10,210                    | 10,210              | 164,690                            |
| Turtle monitoring                      | 8,304                    | -              | 1,052                     | 1,052               | 7,252                              |
| Preconstruction costs                  | 33,996                   | -              | 42,131                    | 42,131              | (8,135)                            |
| Benthic monitoring                     | 40,000                   | -              | 332                       | 332                 | 39,668                             |
| Planting                               | 76,500                   | -              | -                         | -                   | 76,500                             |
| Beach maintenance                      | 4,000                    | -              | -                         | -                   | 4,000                              |
| Cost of issuance                       | 87,500                   | -              | 150,665                   | 150,665             | (63,165)                           |
| Contingency                            | 300,535                  | -              | -                         | -                   | 300,535                            |
| Total expenditures                     | <u>6,717,549</u>         | <u>-</u>       | <u>795,843</u>            | <u>795,843</u>      | <u>5,921,706</u>                   |
| Revenues over (under) expenditures     | <u>(4,470,056)</u>       | <u>-</u>       | <u>(782,339)</u>          | <u>(782,339)</u>    | <u>3,687,717</u>                   |
| <b>Other financing sources (uses):</b> |                          |                |                           |                     |                                    |
| Bonds issued                           | 4,800,098                | -              | 4,800,098                 | 4,800,098           | -                                  |
| Transfer to general fund               | (330,042)                | -              | (329,832)                 | (329,832)           | 210                                |
| Total other financing sources          | <u>4,470,056</u>         | <u>-</u>       | <u>4,470,266</u>          | <u>4,470,266</u>    | <u>210</u>                         |
| Net change in fund balance             | <u>\$ -</u>              | <u>\$ -</u>    | <u>3,687,927</u>          | <u>\$ 3,687,927</u> | <u>\$ 3,687,927</u>                |
| Fund balances, beginning               |                          |                | -                         |                     |                                    |
| Fund balances, ending                  |                          |                | <u>\$ 3,687,927</u>       |                     |                                    |

Town of Duck, North Carolina  
Analysis of Current Tax Levy  
Town - Wide Levy  
For the Fiscal Year Ended June 30, 2022

| Fiscal Year   | Uncollected<br>Balance<br>June 30, 2021 | Additions           | Collections         | Adjustments     | Uncollected<br>Balance<br>June 30, 2022 |
|---------------|---|---------------------|---------------------|-----------------|---|
| 2021-2022     | \$ -                                    | \$ 4,102,603        | \$ 4,101,806        | \$ (300)        | \$ 497                                  |
| 2021-2022 MSD | -                                       | 1,005,797           | 1,005,576           | (16)            | 205                                     |
| 2020-2021     | 460                                     | -                   | (29)                | (86)            | 403                                     |
| 2020-2021 MSD | 215                                     | -                   | 5                   | -               | 210                                     |
| 2019-2020     | 568                                     | -                   | -                   | -               | 568                                     |
| 2019-2020 MSD | 327                                     | -                   | -                   | -               | 327                                     |
| 2018-2019     | 32                                      | -                   | -                   | -               | 32                                      |
| 2018-2019 MSD | -                                       | -                   | -                   | -               | -                                       |
| 2017-2018     | 94                                      | -                   | -                   | -               | 94                                      |
| 2016-2017     | 231                                     | -                   | -                   | -               | 231                                     |
| 2015-2016     | 128                                     | -                   | -                   | -               | 128                                     |
| 2014-2015     | 98                                      | -                   | -                   | -               | 98                                      |
| 2013-2014     | 175                                     | -                   | -                   | -               | 175                                     |
| 2012-2013     | 125                                     | -                   | -                   | -               | 125                                     |
| 2011-2012     | 28                                      | -                   | -                   | (28)            | -                                       |
|               | <u>\$ 2,481</u>                         | <u>\$ 5,108,400</u> | <u>\$ 5,107,358</u> | <u>\$ (430)</u> | <u>\$ 3,093</u>                         |

Reconciliation with revenues:

|   |                     |
|---|---------------------|
| Ad valorem taxes - General Fund (Statement 1) | \$ 5,111,748        |
| Reconciling items:                            |                     |
| Interest and penalties collected              | (4,388)             |
| Total collections and credits                 | <u>\$ 5,107,358</u> |

## Schedule 2

Town of Duck, North Carolina  
Analysis of Current Tax Levy  
Town - Wide Levy  
For the Fiscal Year Ended June 30, 2022

|                                    | Town - Wide             |        |                  | Total Levy   |                                 |
|------------------------------------|-------------------------|--------|------------------|--|---------------------------------|
|                                    | Property<br>Valuation   | Rate   | Total<br>Levy    | Property<br>excluding<br>Registered<br>Motor<br>Vehicles | Registered<br>Motor<br>Vehicles |
| Original levy:                     |                         |        |                  |  |                                 |
| Property taxed                     | \$ 1,863,870,909        | 0.2200 | \$ 4,100,516     | \$4,063,854  | \$ 36,662                       |
| Penalties                          | -                       |        | 2,087            | 2,087  | -                               |
| Total                              | 1,863,870,909           |        | 4,102,603        | 4,065,941  | 36,662                          |
| Adjustments:                       |                         |        |                  |  |                                 |
| Adjustments                        | -                       |        | (3)              | (3)  | -                               |
| Penalty releases                   | -                       |        | (16)             | (16)   | -                               |
| Releases/Abatements-Property       | (127,727)               | 0.2200 | (281)            | (281)  | -                               |
|                                    |                         |        | (300)            | (300)  | -                               |
| Total property valuation           | <u>\$ 1,863,743,182</u> |        |                  |  |                                 |
| Net levy                           |                         |        | 4,102,303        | 4,065,641  | 36,662                          |
| Uncollected taxes at June 30, 2022 |                         |        | (497)            | (497)  | -                               |
| Current year's taxes collected     |                         |        | <u>4,101,806</u> | <u>4,065,144</u>   | <u>36,662</u>                   |
| Current levy collection percentage |                         |        | <u>99.99%</u>    | <u>99.99%</u>  | <u>100.00%</u>                  |

**Supplementary Information:**  
**Compliance Section**



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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and each major fund of the Town of Duck, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated October 25, 2022.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

*Johnson, Mizelle, Straub & Murphy, LLP*

Kitty Hawk, North Carolina  
October 25, 2022