

**TOWN OF DUCK**  
**NORTH CAROLINA**  
**FINANCIAL STATEMENTS**  
**For the Year Ended**  
**June 30, 2023**

**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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## 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, each major fund, and the aggregate remaining fund information of the Town of Duck, North Carolina, as of and for the year ended June 30, 2023, 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, each major fund, and the aggregate remaining fund information of the Town of Duck as of June 30, 2023, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *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.

MEMBERS OF AICPA AND NCACPA

### ***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, and Law Enforcement Officers' Special Separation Allowance Schedules of the Funding Progress and Employer Contributions, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions 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 combining and individual fund financial statements, budgetary schedules, and other schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act 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, based on our audit, the combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards 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 November 10, 2023 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, & CONSOLVO, LLP  
Certified Public Accountants

*Johnson, Mizelle, Straub & Consolvo, LLP*

Kitty Hawk, North Carolina  
November 10, 2023



## 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, 2023. 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

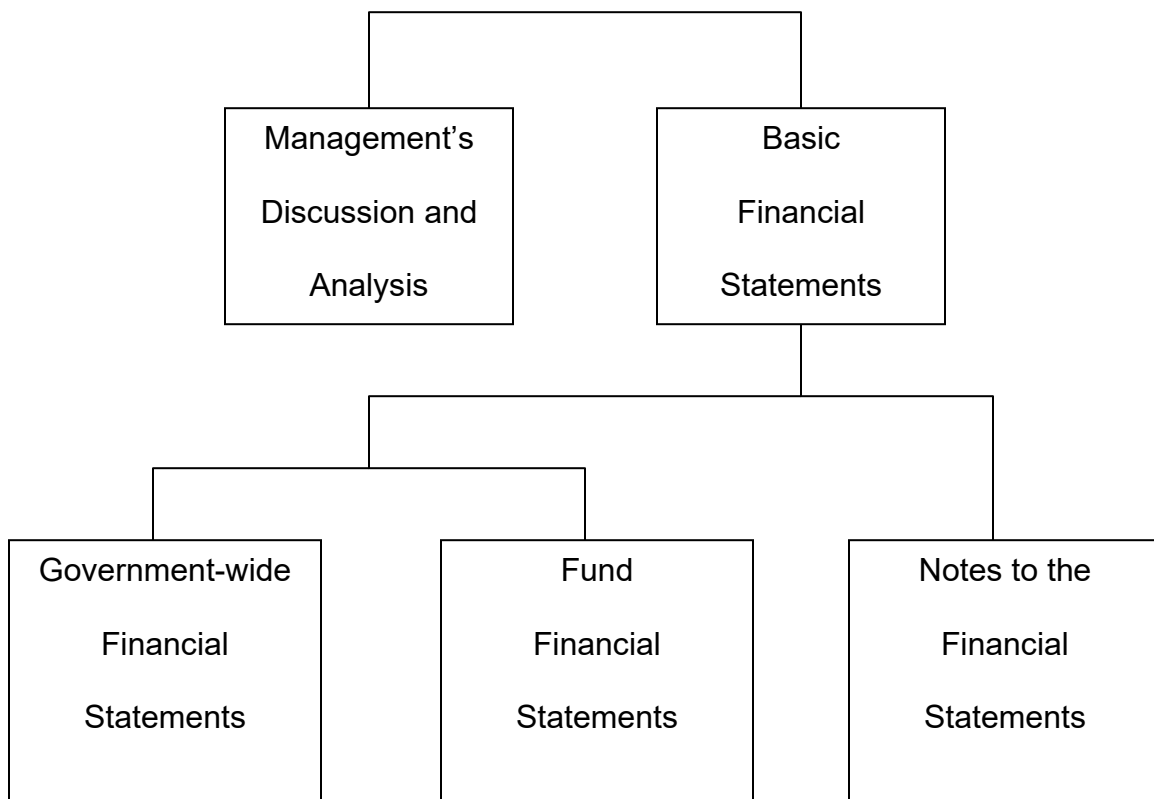
- The assets and deferred outflows of resources of the Town of Duck exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$ 30,187,657 (*net position*).
- The government's total net position increased by \$ 3,241,327, primarily due to revenues exceeding expenses in the general fund and current year capital acquisitions exceeding current year depreciation.
- As of the close of the current fiscal year, the Town of Duck's governmental funds reported combined ending fund balances of \$ 11,694,750 with a net decrease of \$ 3,321,637 over the prior fiscal year. The general fund increased \$ 1,141,781. The beach nourishment capital reserve fund decreased \$ 797,270 and the beach nourishment capital project fund decreased \$ 3,666,148. The beach nourishment decreases were a result of completing the beach nourishment project.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 8,941,067 or 79% of total general fund expenditures for the year. This compares to \$ 7,549,154 and 71% of total general fund expenditures for the prior year.
- At the end of the current fiscal year the beach nourishment capital reserve fund was \$ 1,348,927 compared to \$ 2,146,197 for the prior year.
- The Town of Duck's total debt increased by \$892,588 (12%) during the fiscal year. The key factors in this increase were an increase in pension obligations offset by reductions in installment financing contracts.
- During the current fiscal year, the Town made its first of five payments on five-year special obligation bonds issued in December 2022 for beach nourishment, lowering the principal owed by \$474,917.
- The Town adopted a town-wide tax rate of 22 cents per hundred dollars of valuation (unchanged from the prior year). The total town-wide valuation increased \$ 20,640,454 or 1.11%.
- 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, 2023, 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**

	<b>Governmental Activities</b>	
	<b>2023</b>	<b>2022</b>
Current and other assets	\$ 13,605,357	\$ 17,533,850
Capital assets	25,304,817	19,343,072
Deferred Outflows of Resources	1,831,530	1,029,716
Total assets and deferred outflows of resources	40,741,704	37,906,638
Long-term liabilities outstanding	5,136,683	4,091,761
Other liabilities	5,114,256	4,389,076
Deferred Inflows of Resources	303,108	2,479,471
Total liabilities and deferred inflows of resources	10,554,047	10,960,308
Net position:		
Net investment in capital assets	20,147,106	16,892,375
Restricted	2,706,888	3,500,513
Unrestricted	7,333,663	6,553,442
Total net position	\$ 30,187,657	\$ 26,946,330

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 \$ 30,187,657 as of June 30, 2023. The Town's net position increased by \$3,241,327 over the fiscal year ended June 30, 2022. The largest portion (67%) 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, \$ 2,706,888, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 7,333,663 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 99.96% (99.96% 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, although not at the level of the prior fiscal year.

- Stable revenues and overall expenses within budget.

**Town of Duck's Changes in Net Position**  
**Figure 3**

	<b>Governmental Activities</b>	
	<b>2023</b>	<b>2022</b>
Revenues:		
Program revenues:		
Charges for services	\$ 216,484	\$ 201,810
Operating grants and contributions	155,204	28,504
Capital grants and contributions	2,485,284	193,807
General revenues		
Property taxes	5,163,946	5,112,359
Other taxes	5,397,855	5,347,657
Investment earnings	500,826	17,213
Other	223,181	88,915
Total revenues	14,142,780	10,990,265
Expenses:		
General government	1,786,011	1,489,200
Public safety	4,865,966	4,758,191
Transportation	297,879	295,484
Environmental protection	3,187,348	2,302,946
Economic and physical development	357,719	305,595
Parks	270,655	193,568
Interest on long-term debt	131,049	76,625
Total expenses	10,901,453	9,421,609
Increase in net position	3,241,327	1,568,656
Net position, beginning	26,946,330	25,377,674
Net position, ending	30,187,657	\$ 26,946,330

**Governmental activities.** Governmental activities increased the Town's net position by \$ 3,241,327.

Key elements of this increase are as follows:

- Operating grants increased \$ 126,700 due to an ARPA grant of \$ 126,204 used to offset staff bonuses.
- Capital grants and contributions increased \$ 2,291,477 due to a \$ 1,450,921 grant from NCDEQ for beach nourishment, \$ 407,136 contributions from Dare County for beach nourishment and \$ 580,324 liquidated damages on the beach nourishment contract passed through Dare County.
- Investment earnings increased \$ 483,613 due to increased interest earning rates.
- Overall expenses increased \$ 422,081 due to the actuarial adjustment for the LGERS pension.
- General government expenses increased \$ 296,811 or 20%. The largest increase was due to a \$ 160,000 transfer to Duck Volunteer Fire Department for building repairs.
- Public safety expenses increased \$ 107,775 due to increases and decreases in several areas: \$ 315,286 increase due to LGERS actuarial adjustment, \$ 353,327 increase in salaries and benefits, \$ 46,500 increase in ocean rescue contract, \$ 20,800 increase in fire protection contract offset by \$ 637,652 reduction in payments to Duck Volunteer Fire Department for equipment and debt payments.
- Environmental protection increased \$ 884,402 or 38% due to increased depreciation of the original beach nourishment project. Due to new beach nourishment overlapping the original project it is more reasonable to depreciate both projects evenly over a 7-year basis.
- Parks increased \$ 77,087 or 40% due to increased events including the return of the Jazz Festival.

## 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 \$ 8,941,067, while total fund balance reached \$ 10,324,044. 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 79% of general fund expenditures or 83% after excluding debt service for beach nourishment.

The beach nourishment capital reserve fund had a balance of \$ 1,348,927 at the end of the current fiscal year compared to \$ 2,146,197 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 2023 budget several times during the budget year. The largest change was a \$ 1,600,000 transfer from the beach nourishment capital reserve fund for the purchase of property. Other amendments include appropriation of fund balance or unbudgeted revenues for the following: \$ 212,161 to carry over outstanding commitments from the June 30, 2022 fiscal year, \$ 228,196 for the purchase and upfitting of four police vehicles, \$ 160,000 for repairs to the public safety building, \$ 80,000 for a west side multi-use path feasibility study, \$ 100,000 for the Town park shoreline protection design, and \$ 61,365 for additional interest on debt service due to an extension of the beach nourishment project.

Overall general fund revenues (excluding restricted intergovernmental revenues budgeted and not received) were greater than the budgeted amounts by \$ 730,342. 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, 2023, totals \$ 25,304,817 (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:

- Paving trail Blue Heron to Waxwing \$ 147,054
- Living shoreline preliminary costs \$ 160,032
- Capitalized beach nourishment expenses \$ 6,189,145
- Purchase of 145 Buffell Head property for beach nourishment access \$ 1,600,318
- Motorola flex software \$ 106,996
- Gear extractor \$ 5,720
- 4 police vehicles \$ 165,659

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

	<b>Governmental Activities</b>	
	<b>2023</b>	<b>2022</b>
Land	\$ 7,627,723	\$ 6,187,436
Construction in process	537,421	1,576,053
Building and systems	1,542,433	1,472,316
Beach nourishment	11,658,848	6,137,311
Equipment and furniture	469,464	412,504
Infrastructure	3,053,188	3,173,517
Vehicles and motorized equipment	415,740	383,935
<b>Total</b>	<b>\$ 25,304,817</b>	<b>\$ 19,343,072</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, 2023, the Town of Duck had total debt outstanding of \$ 8,385,399. Of this, \$ 832,530 is debt in the form of installment purchase contracts for equipment and \$ 4,325,181 is in bonds to fund the beach nourishment project. The remainder of the Town's debt represents compensated absences and net pension obligations for general government staff and law enforcement officers.

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

	Governmental Activities	
	2023	2022
Direct borrowing-installment finance contracts	\$ 832,530	\$ 1,333,152
Direct placement-installment finance contracts	4,325,181	4,800,098
Compensated Absences	211,585	196,225
Net Pension Obligaton (LGERS)	2,372,220	532,925
Total Pension Obligaton (LEO)	643,883	630,411
<b>Total</b>	<b>\$ 8,385,399</b>	<b>\$ 7,492,811</b>

### **Town of Duck's Outstanding Debt**

The Town of Duck's total debt increased by \$892,588 (12%) during the past fiscal year, due primarily to increased in the LGERS pension liability \$ 1,839,295 offset by reductions for principal paid on equipment financing contracts \$ 500,622 and beach nourishment bonds \$ 474,917.

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 \$ 145,592,980.

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 remained strong in fiscal year 2023. Overall County occupancy tax collections increased 2.38% and Duck received \$ 101,640 or 5% more than the prior year. The increased percentage of revenue is a result of Duck's tax increase in fiscal year 2022 which increased its proportionate share of tax levies among other Dare County local governments.
- Duck's portion of sales tax revenues increased \$ 211,020 or 10%.
- Property sales in Dare County remained strong but decreased from the pandemic highs experienced in fiscal years 2021 and 2022. Overall land transfer tax decreased 36% but the Town's decrease was slightly less at 35%, again due to an increase in its pro-rata share of this revenue source based on its tax levy.

### **Budget Highlights for the Fiscal Year Ending June 30, 2024**

- The Town's adopted budget totals \$ 14,132,240 which represents a 10.7% decrease from the fiscal year 2023 amended budget of \$ 15,824,396. The major budget reductions include \$1.7 million for expenses related to beach nourishment, a project completed in May of 2023, debt (excluding repayment of FEMA debt not yet budgeted) and \$228,200 to the purchase of four police vehicles.
- 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 cents per hundred dollars of valuation (unchanged from prior year). These taxes are restricted for beach nourishment.
- The Town has been pleasantly surprised by our local economy over the past two years 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.

- Due to the impacts of inflation and in order to remain competitive in the local labor market, the Town applied an across the board 8.5% pay increase to all employees on July 1, 2023, and budgeted for a merit increase that was changed from 3% in the prior year to 6% in the FY 2024 budget.
- 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, a stormwater management plan, improvements to Duck Trail at Ocean Crest and replacing two retaining walls.
- The budget does not include any appropriation of fund balance.

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).



**Town of Duck  
Statement of Net Position  
June 30, 2023**

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 719,845
Investments	8,885,581
Taxes receivables (net)	4,655
Due from other governments	1,082,414
Prepaid items	25,016
Restricted cash and cash equivalents	2,887,846
Total current assets	13,605,357
Non-current assets:	
Capital assets:	
Land, non-depreciable improvements, and construction in progress	7,627,722
Other capital assets, net of depreciation	17,677,095
Total capital assets	25,304,817
Total assets	\$ 38,910,174
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	1,831,530
Total deferred outflows of resources	1,831,530
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 316,262
Accounts payable from restricted assets	1,538,919
Accrued interest payable	10,359
Current portion of long-term liabilities	3,248,716
Long-term liabilities:	
Net pension liability - LGERS	2,372,220
Total pension liability - LEOSA	643,883
Due in more than one year	2,120,580
Total liabilities	10,250,939
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Prepaid revenues	50,771
Pension deferrals	252,337
Total deferred inflows of resources	303,108
<b>NET POSITION</b>	
Net investment in capital assets	20,147,106
Restricted for:	
Stabilization by state statute	1,357,961
Capital reserve fund	1,348,927
Unrestricted	7,333,663
Total net position	\$ 30,187,657

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 Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
Governmental Activities:					
General government	\$ 1,790,837	\$ -	\$ 31,503	\$ -	\$ (1,759,334)
Public safety	4,865,966	-	92,129	-	(4,773,837)
Transportation	297,879	-	-	-	(297,879)
Economic and physical development	357,719	216,484	7,572	-	(133,663)
Environmental protection	3,187,348	-	24,000	2,485,284	(678,064)
Parks	270,655	-	-	-	(270,655)
Interest on long-term debt	131,049	-	-	-	(131,049)
<b>Total primary government</b>	<b>\$ 10,901,453</b>	<b>\$ 216,484</b>	<b>\$ 155,204</b>	<b>\$ 2,485,284</b>	<b>(8,044,481)</b>
General revenues:					
Taxes:					
Property taxes, levied for general purpose					4,151,131
Municipal service district taxes					1,012,815
Other taxes					5,397,855
Unrestricted investment earnings					500,826
Miscellaneous					223,181
Total general revenues and transfers					<u>11,285,808</u>
Change in net position					3,241,327
Net position, beginning					<u>26,946,330</u>
Net position, ending					<u>\$ 30,187,657</u>

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

**Town of Duck  
Balance Sheet  
Governmental Funds  
June 30, 2023**

	Major Funds		Total Governmental Funds
	General	Capital Project Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 693,615	\$ 26,230	\$ 719,845
Investments	8,885,581	-	8,885,581
Taxes receivable	4,655	-	4,655
Due from other governments	1,082,414	-	1,082,414
Prepaid expenses	25,016	-	25,016
Restricted cash and cash equivalents	1,348,927	1,538,919	2,887,846
Total assets	12,040,208	1,565,149	13,605,357
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	311,811	4,451	316,262
Accounts payable from restricted assets	-	1,538,919	1,538,919
Total liabilities	311,811	1,543,370	1,855,181
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid revenues	50,771	-	50,771
Property taxes receivable	4,655	-	4,655
Total deferred inflows of resources	55,426	-	55,426
<b>FUND BALANCES</b>			
Non-Spendable:			
Prepaid expenses	25,016	-	25,016
Restricted:			
Stabilization by State Statute	1,357,961	-	1,357,961
Capital reserve fund	1,348,927	-	1,348,927
Committed:			
Beach nourishment capital project	-	21,779	21,779
Unassigned	8,941,067	-	8,941,067
Total fund balances	11,672,971	21,779	11,694,750
Total liabilities, deferred inflows of resources and fund balances	\$ 12,040,208	\$ 1,565,149	

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.	25,304,817
Deferred outflows of resources related to pensions/OPEB are not reported in the funds	1,831,530
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	4,655
Long-term liabilities used in governmental activities are not financial uses and therefore not reported in the funds	(5,369,296)
Net pension liability - LGERS	(2,372,220)
Total pension liability - LEOSSA	(643,883)
Pension related deferrals (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(252,337)
	(10,359)
Net position of governmental activities	\$ 30,187,657

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, 2023**

	Major Funds		Total Governmental Funds
	General Fund	Capital Project Fund	
<b>REVENUES</b>			
Ad valorem taxes	\$ 5,162,383	\$ -	\$ 5,162,383
Other taxes and licenses	2,768,881	-	2,768,881
Unrestricted intergovernmental	2,628,974	-	2,628,974
Restricted intergovernmental	213,701	2,426,787	2,640,488
Permits and fees	216,484	-	216,484
Investment earnings	427,194	73,632	500,826
Miscellaneous	223,181	-	223,181
Total revenues	11,640,798	2,500,419	14,141,217
<b>EXPENDITURES</b>			
Current:			
General government	1,649,384	-	1,649,384
Public safety	4,390,308	-	4,390,308
Transportation	65,730	-	65,730
Environmental protection	1,312,059	-	1,312,059
Economic and physical development	330,636	-	330,636
Parks	217,589	-	217,589
Debt service			
Principal	975,539	-	975,539
Interest	137,668	-	137,668
Capital outlay	2,217,374	6,166,567	8,383,941
Total expenditures	11,296,287	6,166,567	17,462,854
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	344,511	(3,666,148)	(3,321,637)
Fund balances, beginning	11,328,460	3,687,927	15,016,387
Fund balances, ending	\$ 11,672,971	\$ 21,779	\$ 11,694,750

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**

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

Net changes in fund balances - total governmental funds \$ (3,321,637)

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	8,383,941	
Depreciation expense for governmental assets	<u>(2,422,197)</u>	5,961,744

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		362,338
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		9,626
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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		1,563

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.

Principal repayments	975,539	
Decrease in accrued interest payable	<u>6,619</u>	982,158

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	(15,360)	
Pension expense - LGERS	(656,957)	
Pension expense - LEOSSA	<u>(82,148)</u>	<u>(754,465)</u>

Total changes in net position of governmental activities		<u>\$ 3,241,327</u>
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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, 2023**

	<b>General Fund</b>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 5,100,112	\$ 5,100,113	\$ 5,162,383	\$ 62,270
Other taxes and licenses	2,350,000	2,450,000	2,768,881	318,881
Unrestricted intergovernmental	2,274,700	2,413,604	2,628,974	215,370
Restricted intergovernmental	2,362,172	2,425,274	213,701	(2,211,573)
Permits and fees	166,500	166,000	216,484	50,484
Investment earnings	6,000	415,317	397,176	(18,141)
Miscellaneous	43,510	121,703	223,181	101,478
Total revenues	<u>12,302,994</u>	<u>13,092,011</u>	<u>11,610,780</u>	<u>(1,481,231)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,630,864	1,995,597	1,873,759	121,838
Public safety	4,473,640	4,955,270	4,962,020	(6,750)
Transportation	2,871,820	3,069,108	381,833	2,687,275
Environmental protection	2,047,490	3,869,855	3,530,450	339,405
Economic and physical development	325,383	336,517	330,636	5,881
Parks	212,700	225,449	217,589	7,860
Total expenditures	<u>11,561,897</u>	<u>14,451,796</u>	<u>11,296,287</u>	<u>3,155,509</u>
Revenues over (under) expenditures	<u>741,097</u>	<u>(1,359,785)</u>	<u>314,493</u>	<u>1,674,278</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	574,130	2,235,130	2,257,396	22,266
Transfers to other funds	(1,359,928)	(1,439,928)	(1,430,108)	9,820
Contingency	(75,299)	(75,299)	-	75,299
Fund Balance Appropriated	120,000	639,882	-	(639,882)
Total other financing sources (uses)	<u>(741,097)</u>	<u>1,359,785</u>	<u>827,288</u>	<u>(532,497)</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>1,141,781</u>	<u>\$ 1,141,781</u>
Fund balances, beginning			<u>9,182,263</u>	
Fund balances, ending			<u>\$ 10,324,044</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment Earnings			30,018	
Transfer from the General Fund			1,430,108	
Transfer to the General Fund			(2,257,396)	
Fund Balance, beginning			<u>2,146,197</u>	
Fund Balance, ending (Exhibit 4)			<u>\$ 11,672,971</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, 2023**

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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, 2023**

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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, 2023**

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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 largest change was a \$ 1,600,000 transfer from the beach nourishment capital reserve fund for the purchase of property. Other amendments include appropriation of fund balance or unbudgeted revenues for the following: \$ 212,161 to carry over outstanding commitments from the June 30, 2022 fiscal year, \$ 228,196 for the purchase and upfitting of four police vehicles, \$ 160,000 for repairs to the public safety building, \$ 80,000 for a west side multi-use path feasibility study, \$ 100,000 for the Town park shoreline protection design, and \$ 61,365 for additional interest on debt service due to an extension of the beach nourishment project. 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.

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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Town of Duck Restricted Cash:

Governmental Activities:

General Fund:

Capital reserve fund	\$ 1,348,927
Total General Fund	<u>\$ 1,348,927</u>

Capital Project Fund:

Unexpended debt proceeds	\$ 87,998
NCDEQ grant	<u>1,450,921</u>
Total Capital Project Fund	<u>\$ 1,538,919</u>

Total Restricted Cash	<u>\$ 2,887,846</u>
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4. Ad-Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad-valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2022.

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.

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

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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The 2018 beach nourishment project was depreciated based on an engineering survey which estimates the percentage of the initial fill volume of sand remaining. With the added 2023 project the Town switched to depreciating both projects over 7 years.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has several items that meet this criterion, contributions made to the pension plans in the 2023 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 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 was received in July 2022. Town staff and the Town Council have elected to claim the standard allowance and use the full amount of the funding received to supplant staff bonuses for the period of July 1, 2022, through June 30, 2023.

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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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.

**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.

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**Notes to the Financial Statements**  
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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. Defined Benefit Cost-Sharing Plans

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.

C. Excess of Expenditures over Appropriations

No items to report.

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**Notes to the Financial Statements**  
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**III. Detail Notes on All Funds**

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town of 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, 2023, the Town's deposits had a carrying amount of \$ 3,607,691 and a bank balance of \$ 3,771,536. 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, 2023, the Town's investments were as follows:

	<u>Valuation</u> <u>Measurement Method</u>	<u>Book Value</u> <u>At 6/30/23</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust:				
Government Portfolio	Fair Value Level 1	<u>\$ 8,885,581</u>	N/A	AAAm
Total Investments		<u>\$ 8,885,581</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, 2023.

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
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**3. Capital Assets**

**Primary Government**

Capital asset activity for the primary government for the year ended June 30, 2023 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 6,187,436	\$ 1,440,286	\$ -	\$ 7,627,722
Construction in process	1,576,053	169,049	1,207,680	537,422
	<u>7,763,489</u>	<u>1,609,335</u>	<u>1,207,680</u>	<u>8,165,144</u>
<b>Capital assets being depreciated:</b>				
Buildings	2,448,233	160,032	-	2,608,265
Equipment	697,104	112,716	103,091	706,729
Infrastructure	5,736,389	147,055	-	5,883,444
Beach nourishment	13,638,468	7,396,826	-	21,035,294
Vehicles	897,682	165,659	16,593	1,046,748
Total capital assets being depreciated	<u>23,417,876</u>	<u>7,982,288</u>	<u>119,684</u>	<u>31,280,480</u>
<b>Less accumulated depreciation for:</b>				
Buildings	975,917	89,915	-	1,065,832
Equipment	284,600	55,757	103,091	237,266
Infrastructure	2,562,872	267,384	-	2,830,256
Beach nourishment	7,501,157	1,875,289	-	9,376,446
Vehicles	513,747	133,853	16,593	631,007
Total accumulated depreciation	<u>11,838,293</u>	<u>\$ 2,422,198</u>	<u>\$ 119,684</u>	<u>14,140,807</u>
Total capital assets being depreciated (net)	<u>11,579,583</u>			<u>17,139,673</u>
<b>Governmental activity capital assets, net</b>	<u><u>\$19,343,072</u></u>			<u><u>\$ 25,304,817</u></u>

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

General Government	\$ 85,828
Public Safety	173,968
Transportation	232,149
Environmental Protection (Beach Nourishment)	1,875,288
Economic and Physical Development	1,899
Parks	53,066
	<u>\$2,422,198</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**  
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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, 2023, was 12.90% of compensation for law enforcement officers and 12.10% 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 \$ 362,328 for the year ended June 30, 2023.

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

At June 30, 2023, the Town reported a liability of \$ 2,372,320 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, 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, 2022, the Town's proportion was 0.04205%, which was an increase of 0.00730% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$ 656,957. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 102,217	\$ 10,022
Changes of assumptions	236,694	-
Net difference between projected and actual earnings on plan investments	784,044	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	80,733	59,816
Benefit payments and administrative costs paid subsequent to the measurement date	362,338	-
<b>Total</b>	<b>\$ 1,566,026</b>	<b>\$ 69,838</b>

\$362,338 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, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ 342,249
2025	302,898
2026	115,170
2027	373,533
2028	-
Thereafter	-
	<b>\$ 1,133,850</b>

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
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*Actuarial Assumptions.* The total pension liability in the December 31, 2022 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, including inflation and productivity factor
Investment rate of return	6.5 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2021, 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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 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:

	<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 4,281,552	\$ 2,372,220	\$ 798,820

*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, 2021 (the valuation date), the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Active plan members	13
Total	15

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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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, 2021 valuation. The total pension liability in the December 31, 2021 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	4.31 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, 2021.

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, 2023, the Town reported a total pension liability of \$ 643,883. The total pension liability was measured as of December 31, 2022, based on a December 31, 2021, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, The Town recognized pension expense of \$ 82,148. At June 30, 2023, 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**  
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	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 139,557	\$ 36,865
Changes of assumptions	121,323	145,634
Benefit payments and administrative costs paid subsequent to the measurement date	4,624	-
<b>Total</b>	<b>\$ 265,504</b>	<b>\$ 182,499</b>

\$ 4,624 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ 26,434
2025	23,262
2026	21,831
2027	10,572
2028	(1,755)
Thereafter	(1,963)
<b>Total</b>	<b>\$78,381</b>

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 4.31 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 (3.31 percent) or one percentage point higher (5.31 percent) than the current rate:

	<b>1% Decrease (3.31%)</b>	<b>Discount Rate (4.31%)</b>	<b>1% Increase (5.31)</b>
Town's pension liability	\$ 712,284	\$ 643,883	\$ 582,062

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

Total pension liability December 31, 2021	\$ 630,411
Changes for the year:	
Service cost at end of year	41,617
Interest	14,080
Change in benefit terms	0
Differences between expected and actuarial experience	115,582
Changes of assumptions and other inputs	(148,559)
Benefit payments	(9,248)
Other changes	0
<b>Net changes</b>	<b>\$ 13,472</b>
Total Pension liability December 31, 2022	<b>\$ 643,883</b>

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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, 2021 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, 2019.

***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	\$ 656,957	\$ 82,148	\$ 739,105
Pension liability	2,372,220	643,883	3,016,103
Proportionate share of pension liability	.04205%	N/A	

**Deferred of Outflows of Resources**

Differences between expected and actual experience	102,217	139,557	241,774
Change of assumptions	236,694	121,323	358,017
Net difference between projected and actual earnings on plan investments	784,044	-	784,044
Changes in proportion and differences between Town contributions and proportionate share of contributions	80,733	-	80,733
Benefit payments and administrative costs paid subsequent to the measurement date	362,338	4,624	366,962

**Deferred of Inflows of Resources**

Differences between expected and actual experience	10,022	36,865	46,887
Change of assumptions	-	145,634	145,634
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	59,816	-	59,816

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**  
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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, 2023, were \$ 60,664, which consisted of \$ 51,136 from the Town and \$ 9,528 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, 2023, were \$ 186,902, which consisted of \$ 94,402 from the Town and \$ 92,500 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, 2023, were \$ 11,144 which consisted of \$ 9,182 from regular employees and \$ 1,962 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, 2023, the Town made contributions to the State for death benefits of \$ 1,432. The Town's required contributions for law enforcement officers represented 0.14% of covered payroll.

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
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3. Deferred Outflows and Inflows of Resources

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

	<u>Statement of Net Position</u>
Contributions to pension plan in the current fiscal year LGERS	\$ 362,338
Benefit payments made for LEOSA subsequent to measurement date	4,624
Differences between expected and actual experience	241,774
Changes of assumptions	358,017
Net difference between projected and actual earnings on plan investments	784,044
Changes in proportion and differences between Town contributions and proportionate share of contributions	80,733
<b>Total</b>	<b><u>\$1,831,530</u></b>

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

	<u>Statement of Net Position</u>	<u>Governmental Funds Balance Sheet</u>
Taxes receivable (General Fund)	\$ -	\$ 4,655
Prepaid revenue	50,771	50,771
Differences between expected and actual experience	46,887	-
Changes of assumptions	145,634	
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>59,816</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 303,108</u></b>	<b><u>\$ 55,426</u></b>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence and property coverage up to the total 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.



**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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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 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. Due to a delay in the completion of the beach nourishment project this debt contract was extended to December 2023 with an interest rate of 5.06%.

At June 30, 2023 the Town had a legal debt margin of \$ 145,592,980

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

Changes in Long-Term Liabilities

	Balance <u>July 1,</u> <u>2022</u>	<u>Increase</u>	<u>Decreases</u>	Balance <u>June 30,</u> <u>2023</u>	Current Portion <u>of Balance</u>
Governmental activities:					
Direct Borrowing					
Installment Finance Contract	\$ 1,333,152	\$ -	\$ 500,622	\$ 832,530	\$ 348,288
Direct Placement					
Installment Finance Contract	4,800,098	-	474,917	4,325,181	2,900,428
Compensated absences	196,225	15,360	-	211,585	-
Net pension liability (LGERS)	532,925	1,839,295	-	2,372,220	-
Total pension liability (LEO)	630,411	13,472	-	643,883	-
Governmental Activity Long-Term Liabilities	\$ 7,492,811	\$ 1,868,127	\$ 975,539	\$ 8,385,399	\$ 3,248,716

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 3,248,716	\$ 102,227
2025	825,827	27,833
2026	608,250	14,776
2027	474,918	4,369
Total	<u>\$ 5,157,711</u>	<u>\$149,205</u>

6. Commitments

For the fiscal year ended June 30, 2024, the Town has budgeted to pay at least \$ 286,200 to the Duck Volunteer Fire Department, Inc. as compensation for firefighting services, \$ 45,000 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, 2024, the Town has budgeted to pay at least \$ 626,000 to Sandski, LLC as compensation for ocean rescue services.

C. Inter-fund Balances and Activity

Transfers to/from other funds at June 30, 2023, consist of the following:

From the General Fund to the Capital Reserve Fund for beach nourishment taxes designated for future beach nourishment	\$ 1,430,108
From the Capital Reserve Fund to the General Fund for beach nourishment bond interest, bond principal payments, purchase of land and other beach nourishment expenses	\$ 2,257,396

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

D. Net Investment in Capital Assets

Capital Assets	\$ 25,304,817
Less: Long-term debt	<u>(5,157,711)</u>
Net investment in Capital Assets	<u>\$ 20,147,106</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	\$ 11,672,971
Less:	
Prepaid expenses	\$ 25,016
Stabilization by State Statute	1,357,961
Capital reserve fund	1,348,927
Subsequent year’s budget	-
Working capital/fund balance policy	<u>8,941,067</u>
Total Reductions	<u>\$ 11,672,971</u>
Remaining Fund Balance	<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, 2023 of \$ 11,296,287 less debt service for beach nourishment of \$ 474,917 leaves a balance of \$ 10,821,370 which represents 83%. 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 - \$ 275,547.

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 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.

**TOWN OF DUCK**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2023**

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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, 2023 is shown below:

Balance June 30, 2022	\$	2,146,197
Municipal service district tax		1,013,347
Restricted sales tax		416,760
Debt service (net of Dare County allocation)		(595,495)
Beach nourishment projects		(39,583)
Land purchase for beach access		(1,600,318)
Beach access		(22,000)
Interest earnings		<u>30,019</u>
Balance June 30, 2023	\$	<u>1,348,927</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 monies 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 November 10, 2023, the date on which the financial statements were available to be issued.

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

**Local Government Employees' Retirement System**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town's proportion of the net pension liability (asset) (%)	0.04205%	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) (\$)	\$ 2,372,220	\$ 532,925	\$ 1,342,893	\$ 991,598	\$ 892,712	\$ 550,133	\$ 713,741	\$ 169,420	\$ (217,026)	\$ 444,787
Town's covered-employee payroll	\$ 2,692,081	\$ 2,198,577	\$ 2,198,880	\$ 2,047,298	\$1,729,201	\$1,601,444	\$1,471,565	\$1,364,303	\$1,278,175	\$ 1,281,813
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	88.12%	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**	84.14%	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 Ten Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 362,338	\$ 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	362,338	310,641	227,291	201,814	164,989	136,641	123,091	102,581	100,188	97,570
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 2,915,076	\$ 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	12.43%	11.54%	10.34%	9.18%	8.06%	7.90%	7.69%	6.97%	7.34%	7.63%

**Town of Duck**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**Last Seven Fiscal Years**

	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 630,411	\$ 664,675	\$ 429,013	\$ 309,888	\$ 276,022	\$ 217,350	\$ 201,315
Service Cost	41,617	37,531	28,302	24,447	21,214	16,850	16,961
Interest on the total pension liability	14,080	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	115,582	(53,815)	10,963	64,578	21,533	9,112	-
Changes of assumptions or other inputs	(148,559)	(21,471)	185,664	18,820	(17,603)	24,320	(8,113)
Benefit payments	(9,248)	(9,248)	(3,201)	-	-	-	-
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 643,883</u>	<u>\$ 630,411</u>	<u>\$ 664,675</u>	<u>\$ 429,013</u>	<u>\$ 309,888</u>	<u>\$ 276,022</u>	<u>\$ 217,350</u>

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

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

	2023	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 643,883	\$ 630,411	\$ 664,675	\$ 429,013	\$ 309,888	\$ 276,022	\$ 217,350
Covered payroll	932,470	793,399	906,550	838,985	682,673	610,247	577,323
Total pension liability as a percentage of covered payroll	69.05%	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**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2023**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ 4,096,830	\$ 4,146,185	\$ 49,355
Municipal service district taxes	1,003,283	1,012,815	9,532
Interest	-	3,383	3,383
Total	<u>5,100,113</u>	<u>5,162,383</u>	<u>62,270</u>
Other taxes and licenses:			
Land Transfer Tax	500,000	535,483	35,483
Occupancy tax	1,950,000	2,233,398	283,398
Total	<u>2,450,000</u>	<u>2,768,881</u>	<u>318,881</u>
Unrestricted intergovernmental:			
Local option sales taxes	1,938,904	2,124,121	185,217
Utility franchise tax	403,000	419,868	16,868
Beer and wine tax	1,700	3,445	1,745
ABC/Mixed Beverage profit distribution	70,000	81,540	11,540
Total	<u>2,413,604</u>	<u>2,628,974</u>	<u>215,370</u>
Restricted intergovernmental:			
Federal grants	2,203,968	126,204	(2,077,764)
State grants	44,500	58,497	13,997
Local grants	176,806	29,000	(147,806)
Total	<u>2,425,274</u>	<u>213,701</u>	<u>(2,211,573)</u>
Permits and fees:			
Building permits	160,000	203,524	43,524
Other permits	6,000	12,960	6,960
Total	<u>166,000</u>	<u>216,484</u>	<u>50,484</u>
Investment earnings	<u>415,317</u>	<u>397,176</u>	<u>(18,141)</u>
Miscellaneous:			
Miscellaneous	121,703	223,181	101,478
Total	<u>121,703</u>	<u>223,181</u>	<u>101,478</u>
Total revenues	<u>13,092,011</u>	<u>11,610,780</u>	<u>(1,481,231)</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, 2023**

	Budget	Actual	Variance Positive (Negative)
<b>Expenditures:</b>			
General government:			
Governing Body:			
Salaries and employee benefits		25,190	
Insurance		80,699	
Other operating expenditures		34,758	
Total	145,981	140,647	5,334
Administration:			
Salaries and employee benefits		615,541	
Other operating expenditures		79,784	
Total	694,225	695,325	(1,100)
Finance:			
Tax collection fees		80,771	
Other operating expenditures		43,317	
Total	129,238	124,088	5,150
Legal:			
Professional services	66,760	66,859	(99)
Public Buildings:			
Salaries and employee benefits		83,568	
Other operating expenditures		405,211	
Debt service		224,375	
Total	780,584	713,154	67,430
Information Technology:			
Other operating expenditures		108,086	
Cable access channel		25,600	
Total	178,809	133,686	45,123
Total general government	1,995,597	1,873,759	121,838

**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, 2023**

	Budget	Actual	Variance Positive (Negative)
Public safety:			
Police:			
Salaries and employee benefits		1,443,079	
Other operating expenditures		321,869	
Capital outlay		272,655	
Debt service		179,938	
Total	<u>2,227,253</u>	<u>2,217,541</u>	<u>9,712</u>
Fire:			
Salaries and employee benefits		1,381,677	
Other operating expenditures		41,422	
Fire Protection contract		251,800	
Subsidy to Volunteer Dept. for equipment/debt		166,234	
Debt service		113,399	
Capital outlay		5,720	
Total	<u>1,934,735</u>	<u>1,960,252</u>	<u>(25,517)</u>
Inspections:			
Salaries and employee benefits		189,434	
Other operating expenditures		14,724	
Total	<u>213,181</u>	<u>204,158</u>	<u>9,023</u>
Rescue units:			
Ocean rescue		578,000	
Other operating expenditures		2,069	
Total	<u>580,101</u>	<u>580,069</u>	<u>32</u>
Total public safety	<u>4,955,270</u>	<u>4,962,020</u>	<u>(6,750)</u>
Transportation:			
Streets:			
Other operating expenditures		65,730	
Capital outlay		316,103	
Total transportation	<u>3,069,108</u>	<u>381,833</u>	<u>2,687,275</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, 2023**

	Budget	Actual	Variance Positive (Negative)
Environmental protection:			
Solid waste:			
Contracted services		1,146,553	
Dune maintenance		41,005	
Operations		124,501	
Capital outlay-beach nourishment		22,578	
Capital outlay-land and building		1,600,318	
Debt service		595,495	
Total environmental protection	<u>3,869,855</u>	<u>3,530,450</u>	<u>339,405</u>
Economic and physical development:			
Planning and Zoning			
Salaries and employee benefits		295,049	
Other operating expenditures		35,587	
Total economic and physical development	<u>336,517</u>	<u>330,636</u>	<u>5,881</u>
Parks			
Other operating expenditures		217,589	
	<u>225,449</u>	<u>217,589</u>	<u>7,860</u>
Total expenditures	<u>14,451,796</u>	<u>11,296,287</u>	<u>3,155,509</u>
Revenues over (under) expenditures	<u>(1,359,785)</u>	<u>314,493</u>	<u>1,674,278</u>
Other financing sources (uses):			
Contingency	(75,299)	-	75,299
Installment purchase debt proceeds	-	-	-
Transfers from other funds	2,235,130	2,257,396	22,266
Transfers to other funds	(1,439,928)	(1,430,108)	9,820
Fund Balance Appropriated	<u>639,882</u>	<u>-</u>	<u>(639,882)</u>
Total	<u>1,359,785</u>	<u>827,288</u>	<u>(532,497)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	1,141,781	\$ 1,141,781
Fund balances, beginning		<u>9,182,263</u>	
Fund balances, ending		<u>\$ 10,324,044</u>	

**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, 2023**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues:</b>			
Investment earnings	<u>\$ -</u>	<u>\$ 30,018</u>	<u>\$ 30,018</u>
Total revenues	<u>-</u>	<u>30,018</u>	<u>30,018</u>
Other financing sources (uses):			
Transfers from other funds	1,439,928	1,430,108	(9,820)
Transfers to other funds	(2,235,130)	(2,257,396)	(22,266)
Appropriated fund balance	<u>795,202</u>	<u>-</u>	<u>(795,202)</u>
Total	<u>-</u>	<u>(827,288)</u>	<u>(827,288)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>(797,270)</u>	<u><u>\$ (797,270)</u></u>
Fund balances, beginning		<u>2,146,197</u>	
Fund balances, ending		<u><u>\$ 1,348,927</u></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, 2023**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Beach Nourishment Project:					
Restricted intergovernmental	\$ 2,247,493	\$ 11,595	\$ 2,426,787	\$ 2,438,382	\$ 190,889
Investment earnings	-	1,909	73,632	75,541	75,541
Total revenues	<u>2,247,493</u>	<u>13,504</u>	<u>2,500,419</u>	<u>2,513,923</u>	<u>266,430</u>
<b>Expenditures:</b>					
Beach Nourishment Project:					
Construction	5,991,814	591,453	5,981,418	6,572,871	(581,057)
Construction management	174,900	10,210	154,200	164,410	10,490
Turtle monitoring	8,304	1,052	7,693	8,745	(441)
Preconstruction costs	33,996	42,131	100	42,231	(8,235)
Benthic monitoring	40,000	332	19,961	20,293	19,707
Planting	76,500	-	-	-	76,500
Beach maintenance	4,000	-	3,195	3,195	805
Cost of issuance	87,500	150,665	-	150,665	(63,165)
Contingency	300,535	-	-	-	300,535
Total expenditures	<u>6,717,549</u>	<u>795,843</u>	<u>6,166,567</u>	<u>6,962,410</u>	<u>(244,861)</u>
Revenues over (under) expenditures	<u>(4,470,056)</u>	<u>(782,339)</u>	<u>(3,666,148)</u>	<u>(4,448,487)</u>	<u>21,569</u>
Other financing sources (uses):					
Bonds issued	4,800,098	-	-	-	(4,800,098)
Transfer to general fund	(330,042)	-	-	-	330,042
Total other financing sources	<u>4,470,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,470,056)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (782,339)</u>	<u>(3,666,148)</u>	<u>\$ (4,448,487)</u>	<u>\$ (4,448,487)</u>
Fund balances, beginning			<u>3,687,927</u>		
Fund balances, ending			<u>\$ 21,779</u>		

**Town of Duck, North Carolina  
Analysis of Current Tax Levy  
Town - Wide Levy  
For the Fiscal Year Ended June 30, 2023**

Fiscal Year	Uncollected	Additions	Collections	Adjustments	Uncollected
	Balance June 30, 2022				Balance June 30, 2023
2022-2023	\$ -	\$ 4,147,680	\$ 4,146,112	\$ (61)	\$ 1,507
2022-2023 MSD	-	1,013,259	1,012,798	(16)	445
2021-2022	497	-	43	(1)	453
2021-2022 MSD	205	-	-	-	205
2020-2021	403	-	18	(1)	384
2020-2021 MSD	210	-	-	-	210
2019-2020	568	-	-	-	568
2019-2020 MSD	327	-	-	-	327
2018-2019	32	-	27	-	5
2017-2018	94	-	-	-	94
2016-2017	231	-	-	-	231
2015-2016	128	-	-	-	128
2014-2015	98	-	-	-	98
2013-2014	175	-	-	(175)	-
2012-2013	125	-	-	(125)	-
	<u>\$ 3,093</u>	<u>\$ 5,160,939</u>	<u>\$ 5,158,998</u>	<u>\$ (379)</u>	<u>\$ 4,655</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund (Statement 1)	\$ 5,162,383
Reconciling items:	
Interest and penalties collected	<u>(3,383)</u>
Total collections and credits	<u>\$ 5,158,998</u>

**Town of Duck, North Carolina  
Analysis of Current Tax Levy  
Town - Wide Levy  
For the Fiscal Year Ended June 30, 2023**

	Town - Wide		Total Levy			
			Property excluding Registered Motor Vehicles	Registered Motor Vehicles		
	Property Valuation	Rate	Total Levy			
Original levy:						
Property taxed	\$ 1,884,406,364	0.2200	\$ 4,145,694	\$ 4,102,829	\$	42,865
Penalties	-		1,986	1,986		-
Total	<u>1,884,406,364</u>		<u>4,147,680</u>	<u>4,104,815</u>		<u>42,865</u>
Adjustments:						
Adjustments	-		(2)	(2)		-
Penalty releases	-		(8)	(8)		-
Releases/Abatements-Property	<u>(22,727)</u>	0.2200	<u>(50)</u>	<u>(50)</u>		-
			<u>(60)</u>	<u>(60)</u>		-
Total property valuation	<u>\$ 1,884,383,636</u>					
Net levy			4,147,620	4,104,755		42,865
Uncollected taxes at June 30, 2023			<u>(1,508)</u>	<u>(1,508)</u>		-
Current year's taxes collected			<u>4,146,112</u>	<u>4,103,247</u>		<u>42,865</u>
Current levy collection percentage			<u>99.96%</u>	<u>99.96%</u>		<u>100.00%</u>



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

**INDEPENDENT AUDITOR'S REPORT**

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, each major fund, and the aggregated remaining fund information of the Town of Duck, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated November 10, 2023.

**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 of Duck'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 & CONSOLVO, LLP  
Certified Public Accountants

*Johnson, Mizelle, Straub & Consolvo, LLP*

Kitty Hawk, North Carolina  
November 10, 2023

**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance With OMB Uniform Guidance and the State Single Audit Implementation Act**

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Town of Duck, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Duck's major federal programs for the year ended June 30, 2023. The Town of Duck's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Duck complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Duck's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Duck's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Duck's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Duck's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Town of Duck's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town of Duck's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Duck's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be

material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

*Johnson, Mizelle, Straub & Consolvo, LLP*

Kitty Hawk, North Carolina  
November 10, 2023

**Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance With OMB Uniform Guidance and the State Single Audit Implementation Act**

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Compliance for Each Major State Program**

***Opinion on Each Major State Program***

We have audited the Town of Duck, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Duck's major State programs for the year ended June 30, 2023. The Town of Duck's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Duck complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Town of Duck's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Duck's State programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Duck's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Duck's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Town of Duck's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town of Duck's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Duck's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be

material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

*Johnson, Mizelle, Straub & Consolvo, LLP*

Kitty Hawk, North Carolina  
November 10, 2023