

TOWN OF DUCK
NORTH CAROLINA
FINANCIAL STATEMENTS
For the Year Ended
June 30, 2025

Town Council Members

Don Kingston, Mayor
Monica Thibodeau, Mayor Pro Tempore
Brenda Chasen
Kevin Lingard
Sandy Whitman

Administrative Staff

Drew Havens, Town Manager and Finance Officer
Lauren Creech, Finance Administrator
Lori Ackerman, Town Clerk

TOWN OF DUCK, NORTH CAROLINA

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Independent Auditor's Report

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

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying 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, 2025, and the related notes to the financial statements, which collectively comprise Town of Duck's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, 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 Town of Duck as of June 30, 2025, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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.

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditor's Responsibilities 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 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 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 the Other Post Employment Benefit and Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 consist 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, other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Wilmington, North Carolina

October 3, 2025



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, 2025. 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 \$ 34,313,932 (*net position*).
- The government's total net position on the full accrual basis decreased by \$ 1,003,197, due to several reasons including 1) depreciation expense exceeded current year capital acquisitions by \$ 1,280,947 and 2) full accrual pension expense was \$ 290,755 more than the amount actually paid for pensions.
- As of the close of the current fiscal year the Town of Duck's governmental funds reported combined ending fund balances of \$ 14,812,301, a net decrease of \$ 712,303 over the prior fiscal year. The general fund decreased \$ 1,705,233 largely because the FEMA beach nourishment grant of \$ 2,425,511 was recognized as revenue in the prior year and the debt repayment of this amount occurred in the current fiscal year. The beach nourishment capital reserve fund increased \$ 992,930 because only a portion of MSD funds were used in the current fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 9,286,798 or 63% of total general fund expenditures for the year. This compares to \$ 6,104,958 and 43% of total general fund expenditures for the prior year. The significant percentage increase is due to a decrease in the portion of total fund balance included in the Stabilization by State Statute reserve from June 30, 2024, to June 30, 2025, which decreased by \$ 3,497,763.
- At the end of the current fiscal year the beach nourishment capital reserve fund was \$ 3,214,855 compared to \$ 2,221,925 for the prior year.
- The Town of Duck's total debt decreased by \$1,351,498 (17%) during the fiscal year. The key factor in this decrease was repayment of the short-term beach nourishment debt of \$ 2,425,511 funded from FEMA grant proceeds and the regularly scheduled beach nourishment debt reduction of \$ 474,917. These reductions were offset by additions to debt of \$ 2,000,000 for the purchase of land. Overall pension liabilities decreased.
- During the current fiscal year, the Town made its third 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 25 cents per hundred dollars of valuation (a three-percent increase from the prior year). The total town-wide valuation increased \$ 17,915,691 or 1.00%.

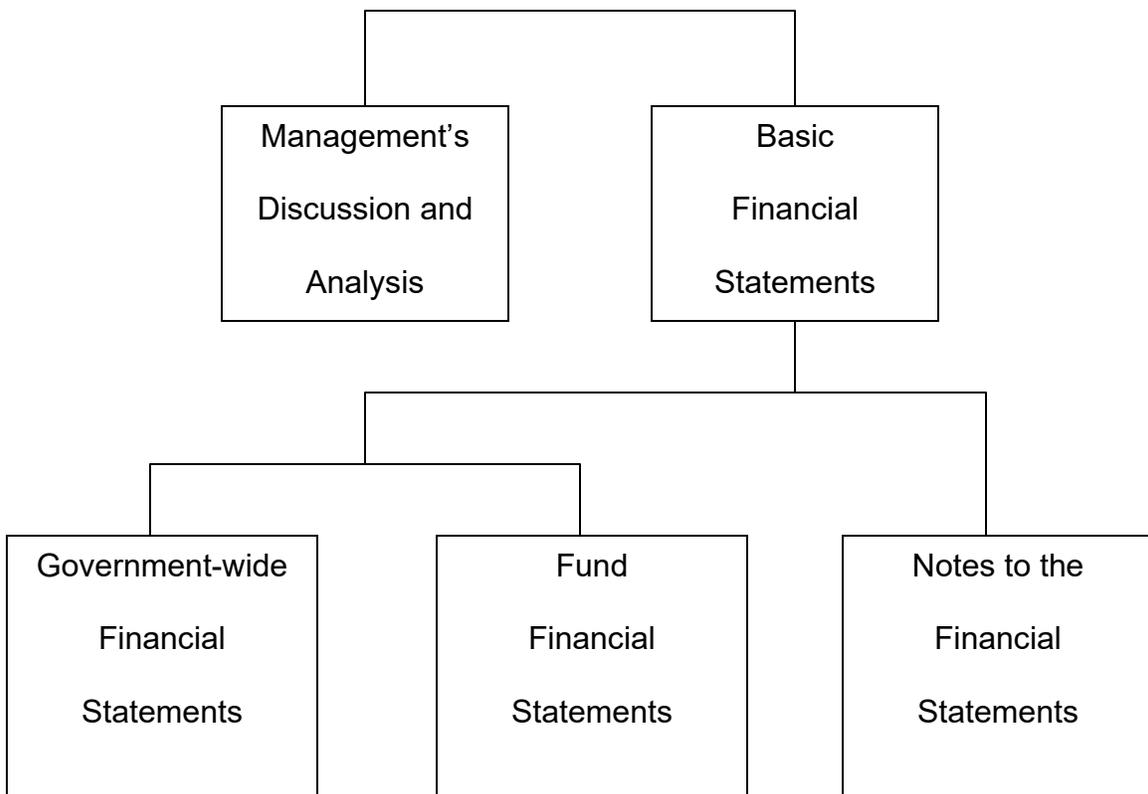
- The Town adopted MSD tax rates of 12.96 cents and 28.5 cents per hundred dollars of valuation for properties located in MSD-A and MSD-B respectively (unchanged from the prior year).

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, 2025, the Town has two governmental funds; the general fund and the capital reserve fund restricted for beach nourishment. The capital reserve fund is combined in the general fund in the basic financial statements.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the

next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more, or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

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

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

**Government-Wide Financial Analysis
Town of Duck's Net Position
Figure 2**

	Governmental Activities	
	2025	2024 (restated)
Current and other assets	\$ 14,962,091	\$ 16,197,049
Capital assets	25,036,489	26,297,139
Deferred Outflows of Resources	1,486,972	1,861,235
Total assets and deferred outflows of resources	41,485,552	44,355,423
Long-term liabilities outstanding	5,885,791	4,826,005
Other liabilities	955,684	3,904,788
Deferred Inflows of Resources	330,145	327,798
Total liabilities and deferred inflows of resources	7,171,620	9,058,591
 Net position:		
Net investment in capital assets	21,953,322	23,802,063
Restricted	5,075,974	7,580,807
Unrestricted	7,284,636	3,934,259
Total net position	\$ 34,313,932	\$ 35,317,129

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 \$ 34,313,932 as of June 30, 2025. The Town's net position decreased by \$1,0031,97 over the fiscal year ended June 30, 2024. The largest portion (64%) 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, \$ 5,075,974, represents resources that are subject to external restrictions on how they may be used. This decrease of \$2,504,833 primarily includes a reduction in Stabilization by State Statute of \$3,497,763 offset by an increase in beach nourishment capital reserve funds of \$ 992,930. The balance of \$ 7,284,636 is unrestricted. The increase of \$ 3,350,377 is primarily a reduction in Stabilization by State Statute which effectively increased unassigned fund balance.

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

	Governmental Activities	
	2025	2024 (restated)
Revenues:		
Program revenues:		
Charges for services	\$ 197,706	\$ 190,058
Operating grants and contributions	41,431	29,000
Capital grants and contributions	18,000	6,454,185
General revenues		
Property taxes	5,837,619	5,210,524
Other taxes	5,221,097	5,441,666
Investment earnings	463,488	499,966
Other	290,184	239,003
Total revenues	<u>12,069,525</u>	<u>18,064,402</u>
Expenses:		
General government	1,609,466	1,701,352
Public safety	5,339,469	5,422,184
Streets and highways	595,290	329,290
Community development	397,305	373,796
Environmental protection	4,494,898	4,453,548
Communications and special events development	513,120	492,280
Interest on long-term debt	123,174	162,480
Total expenses	<u>13,072,722</u>	<u>12,934,930</u>
Increase in net position	(1,003,197)	5,129,472
Net position, beginning (restated)	<u>35,317,129</u>	<u>30,187,657</u>
Net position, ending	<u>\$ 34,313,932</u>	<u>\$ 35,317,129</u>

Governmental activities. Governmental activities decreased the Town's net position by \$ 1,003,197.

Key elements of this increase are as follows:

- Capital grants and contributions decreased \$ 6,436,185 due primarily to \$ 2,425,511 FEMA grant for beach nourishment and \$ 3,950,674 grant for NC 12 project recognized in prior year.
- Property taxes increased \$ 627,095 due to a three cent townwide tax increase.
- Other taxes decreased \$ 220,569 primarily due to tax increases by two neighboring towns which decreased the Town's proportionate share of revenues distributed based on proportional ad-valorem tax levies.
- Overall expenses increased 1% (\$ 137,792). Included in this increase is \$ 206,905 increase in depreciation along with increases and decreases in other accounts.
- Streets and highways showed the largest increase at \$ 266,000 which includes \$ 233,810 for the first year of depreciation on the NC Living Shoreline Project which was completed at the end of the prior fiscal year.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Duck's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. The Town is currently utilizing two governmental funds, the general fund and a Capital Reserve Fund restricted for beach nourishment. 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 \$ 9,286,798, while total fund balance reached \$ 14,812,301. 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 then completed 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. At year-end the Town had an unassigned fund balance of 63% of general fund expenditures or 79% after excluding debt service for beach nourishment. This 79% exceeds the Town's 75% desired minimum and represents an increase over the prior year percentage of 49%. This significant percentage increase is due to a decrease in the portion of total fund balance included in the Stabilization by State Statute reserve from June 30, 2024, to June 30, 2025, which decreased \$ 3,497,763.

The beach nourishment capital reserve fund had a balance of \$ 3,214,855 at the end of the current fiscal year compared to \$ 2,221,925 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 2025 budget several times during the budget year. The largest three changes were 1) \$ 144,000 to record a State grant for Teresa Court 2)\$ 2,425,511 appropriation of fund balance to account for FEMA grant received/to be received for beach nourishment debt repayment and 3) \$ 2,000,000 to record debt proceeds for purchase of Herron property and \$ 40,800 for first interest payment.

Overall general fund revenues were greater than the budgeted amounts by \$ 283,979. 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, 2025, totals \$ 25,036,489 (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:

- Preliminary engineering for public safety facility \$ 58,028
- Teresa Court improvements \$ 46,500
- (2) police vehicles \$ 125,636
- Purchase of Herron property including related acquisition costs \$ 2,034,692
- Police drone and accessories \$ 33,216
- (2) Police E-bicycles (paid for from a donation) \$ 9,884
- SCBA (fire department air bottles) fill station \$ 14,406
- Town marquee sign \$ 15,460
- Amphitheatre improvements \$ 17,647
- Tuckahoe retaining wall \$ 28,939
- Rope fencing from Resort Realty to Sunset Grill \$ 24,576

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

	Governmental Activities	
	2025	2024
Land	\$ 9,662,414	\$ 7,627,723
Construction in process	194,245	73,500
Building and systems	1,400,544	1,451,639
Beach nourishment	5,794,892	8,726,869
Equipment and furniture	426,439	427,544
Infrastructure	7,247,628	7,687,808
Vehicles and motorized equipment	310,327	322,353
Total	\$ 25,036,489	\$ 26,317,436

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

Long-term Debt. As of June 30, 2025, the Town of Duck had total debt outstanding of \$ 6,738,538. Of this, \$ 2,133,332 is debt in the form of installment purchase contracts for land and equipment and \$ 949,835 is in bonds to fund the beach nourishment project. The remainder of the Town's debt represents compensated absences and net pension obligations for employees.

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

	Governmental Activities	
	2025	2024
Direct borrowing-installment finance contracts	\$ 2,133,332	\$ 484,242
Direct placement-installment finance contracts	949,835	3,850,264
Compensated Absences	398,583	390,887
Net Pension Obligation (LGERS)	2,384,526	2,592,925
Total Pension Obligation (LEO)	872,262	771,718
Total	\$ 6,738,538	\$ 8,090,036

Town of Duck's Outstanding Debt

The Town of Duck's total debt decreased by 17% (\$ 1,351,498) during the past fiscal year. The key factor in this decrease is the repayment of the short-term beach nourishment debt of \$ 2,425,511 funded by FEMA grant funds and repayment of the regularly scheduled beach nourishment debt of \$ 474,917. These reductions to debt were offset by an increase of \$ 2,000,000 for the purchase of land. The LGERS pension liability decreased \$ 208,399 and the law enforcement officers' pension liability increased \$ 100,544.

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 \$ 150,588,161.

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.

- Following a couple of years of significant growth in tourism-related revenue, current trends show that these sources of revenue have stabilized. Overall occupancy tax collections decreased 4.24%, however Duck received 10% (\$ 233,109) less than the prior year due to tax rate increases in two neighboring Towns in fiscal year 2024 which decreased Duck's proportionate share of these revenues in the current fiscal year.
- Duck's portion of sales tax decreased \$ 31,584, due to a decrease in Duck's proportionate share of these revenues.
- Overall land transfer tax collections increased 9.22%. Duck received \$ 12,101 or 2.5% more which was less than the growth % due to a decrease in Duck's proportionate share of these revenues.
- Building permit activity for new construction and updates/additions remains strong as owners seek to improve and maintain homes for personal use and vacation rental.

Budget Highlights for the Fiscal Year Ending June 30, 2026

- The Town's adopted budget totals \$13,123,845 which represents an 11% (\$ 1,281,246) increase from the fiscal year 2025 adopted budget of \$11,842,599. The main increases are 1) \$ 300,000 for engineering related to 2027 beach nourishment project, 2) additional \$ 216,800 for shoreline protection, 3) additional \$ 87,500 for beach grass, 4) \$ 130,000 Duck Trail repaving, 5) \$ 277,520 debt for Herron property and 6) \$ 90,312 for new Police Investigator.
- Property values were revalued in Dare County in 2025 which was five years after it was last done in 2020. By state statute this is required to be done at least every eight years. The approved budget sets the rate at \$ 18 cents per \$ 100 in value which is \$ 2.45 cents above the revenue neutral tax rate of \$ 15.55 cents.
- The Town adopted an MSD-A tax rate of \$ 7.98 cents per hundred dollars of valuation which represents the revenue neutral rate. Revenue from these taxes is restricted for expenses related to beach nourishment.
- The Town adopted an MSD-B tax rate of \$ 18.9 cents per hundred dollars of valuation which represents the revenue neutral rate. Revenue from these taxes is restricted for expenses related to beach nourishment.
- The budget includes funds to transition to virtual servers as opposed to investing in on-premises servers that have a limited life span.
- The budget includes funds for a new Police Investigator and the scheduled replacement of two police vehicles.
- The Town is moving away from providing a direct allocation to the Volunteer Fire Department and is transitioning to budgeting and paying for all expenses like all other Town departments.
- Due to the impacts of inflation and in order to remain competitive in the local labor market, the budget contains a merit increase pool of 5% of base salaries and does not contain an automatic COLA increase.
- The budget includes an appropriation of fund balance in the amount of \$ 385,300 to pay for the Town Park shoreline project.

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@ducknc.gov.

**Town of Duck
Statement of Net Position
June 30, 2025**

	Primary Government Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,244,902
Investments	7,703,267
Taxes receivables (net)	6,571
Due from other governments	1,728,267
Prepaid items	64,229
Restricted investments	3,214,855
Total current assets	14,962,091
Non-current assets:	
Capital assets:	
Land and construction in process	9,856,659
Other capital assets, net of depreciation	15,179,830
Total capital assets	25,036,489
Total assets	\$ 39,998,580
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	1,486,972
Total deferred outflows of resources	1,486,972
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 143,220
Accrued interest payable	4,214
Current portion of long-term liabilities	808,250
Long-term liabilities:	
Net pension liability - LGERS	2,384,526
Total pension liability - LEOSSA	872,262
Due in more than one year	2,629,003
Total liabilities	6,841,475
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	330,145
Total deferred inflows of resources	330,145
NET POSITION	
Net investment in capital assets	21,953,322
Restricted for:	
Stabilization by state statute	1,861,119
Capital reserve fund	3,214,855
Unrestricted	7,284,636
Total net position	\$ 34,313,932

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, 2025

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	
Primary government:					
Governmental Activities:					
General government	\$ 1,609,466	\$ -	\$ 15,549	\$ 12,500	\$ (1,581,417)
Public safety	5,339,469	-	1,882	-	(5,337,587)
Streets and highways	595,290	-	-	5,500	(589,790)
Community development	397,305	197,706	-	-	(199,599)
Environmental protection	4,494,898	-	24,000	-	(4,470,898)
Communications and special events	513,120	92,630	-	-	(420,490)
Interest on long-term debt	123,174	-	-	-	(123,174)
Total primary government	\$ 13,072,722	\$ 290,336	\$ 41,431	\$ 18,000	(12,722,955)
General revenues:					
Taxes:					
Property taxes, levied for general purpose					4,810,799
Municipal service district taxes					1,026,820
Other taxes					5,221,097
Unrestricted investment earnings					463,488
Miscellaneous					197,554
Total general revenues and transfers					11,719,758
Change in net position					(1,003,197)
Net position, beginning					35,425,844
Prior period adjustment					(108,715)
Net position, beginning (restated)					35,317,129
Net position, ending					\$ 34,313,932

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

**Town of Duck
Balance Sheet
Governmental Funds
June 30, 2025**

	Major Funds		Total Governmental Funds
	General		
ASSETS			
Cash and cash equivalents	\$	2,244,902	\$ 2,244,902
Investments		7,703,267	7,703,267
Taxes receivable		6,571	6,571
Due from other governments		1,728,267	1,728,267
Prepaid expenses		64,229	64,229
Restricted investments		3,214,855	3,214,855
Total assets		14,962,091	14,962,091
LIABILITIES			
Accounts payable and accrued liabilities		143,219	143,219
Total liabilities		143,219	143,219
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable		6,571	6,571
Total deferred inflows of resources		6,571	6,571
FUND BALANCES			
Non-Spendable:			
Prepaid expenses		64,229	64,229
Restricted:			
Stabilization by State Statute		1,861,119	1,861,119
Capital reserve fund		3,214,855	3,214,855
Assigned:			
Subsequent year's expenditures		385,300	385,300
Unassigned		9,286,798	9,286,798
Total fund balances		14,812,301	14,812,301
Total liabilities, deferred inflows of resources and fund balances	\$	14,962,091	

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.	25,036,489
Deferred outflows of resources related to pensions are not reported in the funds	1,486,972
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	6,571
Long-term liabilities used in governmental activities are not financial uses and therefore not reported in the funds	(3,437,253)
Net pension liability - LGERS	(2,384,526)
Total pension liability - LEOSSA	(872,262)
Pension related deferrals	(330,145)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(4,215)
Net position of governmental activities	\$ 34,313,932

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, 2025

	Major Funds	Total
	General Fund	Governmental Funds
REVENUES		
Ad valorem taxes	\$ 5,838,259	\$ 5,838,259
Other taxes and licenses	2,533,698	2,533,698
Unrestricted intergovernmental	2,687,398	2,687,398
Restricted intergovernmental	59,431	59,431
Permits and fees	197,706	197,706
Investment earnings	463,488	463,488
Miscellaneous	290,184	290,184
Total revenues	12,070,164	12,070,164
EXPENDITURES		
Current:		
General government	1,477,448	1,477,448
Public safety	4,916,877	4,916,877
Streets and highways	111,449	111,449
Community development	394,940	394,940
Environmental protection	1,562,919	1,562,919
Communications and special events	506,419	506,419
Debt service		
Principal	3,251,338	3,251,338
Interest	129,176	129,176
Capital outlay	2,431,901	2,431,901
Total expenditures	14,782,467	14,782,467
REVENUES OVER EXPENDITURES	(2,712,303)	(2,712,303)
OTHER FINANCING SOURCES (USES)		
Debt proceeds	2,000,000	2,000,000
Total other financing sources (uses)	2,000,000	2,000,000
Net change in fund balances	(712,303)	(712,303)
Fund balances, beginning	15,524,604	15,524,604
Fund balances, ending	\$ 14,812,301	\$ 14,812,301

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, 2025

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

Net changes in fund balances - total governmental funds \$ (712,303)

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	2,431,901	
Depreciation expense for governmental assets	<u>(3,712,848)</u>	(1,280,947)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	454,840
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	9,622
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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	(640)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt proceeds	(2,000,000)	
Principal repayments	3,251,338	
Decrease in accrued interest payable	<u>6,001</u>	1,257,339

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.

Decrease in compensated absences	24,108	
Pension expense - LGERS	(645,900)	
Pension expense - LEOSSA	<u>(109,316)</u>	<u>(731,108)</u>

Total changes in net position of governmental activities	<u>\$ (1,003,197)</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, 2025**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 5,753,865	\$ 5,753,864	\$ 5,838,259	\$ 84,395
Other taxes and licenses	2,375,000	2,425,400	2,533,698	108,298
Unrestricted intergovernmental	2,402,500	2,533,060	2,687,398	154,338
Restricted intergovernmental	42,549	186,549	59,431	(127,118)
Permits and fees	178,000	178,000	197,706	19,706
Investment earnings	300,000	317,255	354,031	36,776
Miscellaneous	169,160	282,600	290,184	7,584
Total revenues	11,221,074	11,676,728	11,960,707	283,979
Expenditures:				
Current:				
General government	1,747,335	3,926,646	3,787,442	139,204
Public safety	5,322,672	5,450,482	5,320,396	130,086
Streets and highways	137,634	346,319	211,464	134,855
Community development	391,069	400,069	394,940	5,129
Environmental protection	2,288,379	4,808,286	4,561,806	246,480
Communications and special events	511,405	517,204	506,419	10,785
Total expenditures	10,398,494	15,449,006	14,782,467	666,539
Revenues over (under) expenditures	822,580	(3,772,278)	(2,821,760)	950,518
Other financing sources (uses):				
Transfers from other funds	496,764	539,905	557,159	17,254
Transfers to other funds	(1,348,855)	(1,428,855)	(1,440,632)	(11,777)
Debt proceeds	124,762	2,000,000	2,000,000	-
Contingency	(95,251)	(3,000)	-	3,000
Fund Balance Appropriated	-	2,664,228	-	(2,664,228)
Total other financing sources (uses)	(822,580)	3,772,278	1,116,527	(2,655,751)
Revenues and other sources over expenditures and other uses	\$ -	\$ -	(1,705,233)	\$ (1,705,233)
Fund balances, beginning			<u>13,302,679</u>	
Fund balances, ending			<u>\$ 11,597,446</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment Earnings			109,457	
Transfer from the General Fund			1,440,632	
Transfer to the General Fund			(557,159)	
Fund Balance, beginning			<u>2,221,925</u>	
Fund Balance, ending (Exhibit 4)			<u>\$ 14,812,301</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, 2025

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.

TOWN OF DUCK
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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 and IT subscriptions 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, 2025

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. A project ordinance is adopted for the beach nourishment capital project 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 and project level for capital projects. 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 three changes were 1) \$ 144,000 to record a State grant for Teresa Court 2) \$ 2,425,511 appropriation of fund balance to account for FEMA grant received/to be received for beach nourishment debt repayment and 3) \$ 2,000,000 to record debt proceeds for purchase of Herron property and \$ 40,800 for first interest payment. 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.

TOWN OF DUCK
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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.

Town of Duck Restricted Cash and Investments:

Governmental Activities:

General Fund:

Capital reserve fund	\$ 3,214,855
Total General Fund	<u>\$ 3,214,855</u>

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, 2024.

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
Beach nourishment	7 years

TOWN OF DUCK
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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 2025 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 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 vacation leave 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. In accordance with GASB Statement No. 101 for the Town's government-wide funds, an expense and liability for sick leave is recognized using the "practical expedient approach" allowed by the Standard to estimate the amount of sick leave that has been earned and will be used as sick leave over the employee's service period.

11. 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.

TOWN OF DUCK
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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.

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.

12. 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

TOWN OF DUCK
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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.

13. Accounting for Changes

The Town implemented GASB Statement No. 101, Compensated Absences in the current fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The implementation of this Statement required a prior period adjustment to reduce government-wide net position by \$ 108,715 to record the estimated liability for sick leave at June 30, 2024.

The Town implemented GASB Statement No. 102, Certain Risk Disclosures. The disclosures provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

14. Recent Accounting Pronouncements

GASB Statement No. 103, Financial Reporting Model Improvements.

In April 2024, the GASB issued GASB Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections:

(1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

TOWN OF DUCK
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows. This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. The Town is currently reviewing this statement to determine the effect on the financial statements.

GASB Statement No. 104, Disclosure of Certain Capital Assets

In September 2024, the GASB issued GASB Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement

TOWN OF DUCK
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

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.

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, 2025, the Town's deposits had a carrying amount of \$ 2,244,902 and a bank balance of \$ 2,346,881. Of the bank balance, \$ 250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

TOWN OF DUCK
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

2. Investments

At June 30, 2025, the Town's investments were as follows:

	<u>Valuation Measurement Method</u>	<u>Book Value At 6/30/25</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust:				
Government Portfolio	Fair Value Level 1	<u>\$10,918,122</u>	N/A	AAAm
Total Investments		<u>\$10,918,122</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, 2025.

3. Capital Assets

Primary Government

Capital asset activity for the primary government for the year ended June 30, 2025 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 7,627,722	\$ 2,034,692	\$ -	\$ 9,662,414
Construction in process	73,500	120,745	-	194,245
	<u>7,701,222</u>	<u>2,155,437</u>	<u>-</u>	<u>9,856,659</u>
Capital assets being depreciated:				
Buildings	2,608,265	39,807	-	2,648,072
Equipment	683,255	57,506	-	740,761
Infrastructure	10,797,304	53,515	-	10,850,819
Beach nourishment	21,035,294	-	-	21,035,294
Vehicles	931,706	125,636	89,778	967,564
Total capital assets being depreciated	<u>36,055,824</u>	<u>276,464</u>	<u>89,778</u>	<u>36,242,510</u>
Less accumulated depreciation for:				
Buildings	1,156,626	90,902	-	1,247,528
Equipment	255,712	58,610	-	314,322
Infrastructure	3,109,496	493,695	-	3,603,191
Beach nourishment	12,308,424	2,931,978	-	15,240,402
Vehicles	609,352	137,663	89,778	657,237
Total accumulated depreciation	<u>17,439,610</u>	<u>\$ 3,712,848</u>	<u>\$ 89,778</u>	<u>21,062,680</u>
Total capital assets being depreciated (net)	<u>18,616,214</u>			<u>15,179,830</u>
Governmental activity capital assets, net	<u>\$26,317,436</u>			<u>\$ 25,036,489</u>

TOWN OF DUCK
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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

General Government	\$ 105,407
Public Safety	191,622
Transportation	483,841
Environmental Protection (Beach Nourishment)	<u>2,931,978</u>
	<u>\$3,712,848</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 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.

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

TOWN OF DUCK
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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, 2024, was 14.9% of compensation for law enforcement officers and 13.60% 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 \$ 454,840 for the year ended June 30, 2025.

Refunds of Contributions. Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2025, the Town reported a liability of \$ 2,384,526 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024, 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, 2024, the Town's proportion was 0.03517%, which was a decrease of 0.00381% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Town recognized pension expense of \$ 645,900. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 417,859	\$ 2,810
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	324,175	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	41,487	201,119
Benefit payments and administrative costs paid subsequent to the measurement date	454,840	-
Total	\$ 1,238,361	\$ 203,929

TOWN OF DUCK
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

\$454,840 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, 2026. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2026	\$	182,896
2027		395,948
2028		37,403
2029		(36,655)
2030		-
Thereafter		-
	\$	579,592

Actuarial Assumptions. The total pension liability in the December 31, 2023 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, 2023, 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, 2023, are summarized in the following table:

TOWN OF DUCK
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

<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 2023 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 4,225,450	\$ 2,384,526	\$ 870,113

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.

TOWN OF DUCK
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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, 2023 (the valuation date), the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Active plan members	14
Total	16

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, 2023 valuation. The total pension liability in the December 31, 2023 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	4.28 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, 2023.

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

TOWN OF DUCK
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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 \$ 9,248 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, 2025, the Town reported a total pension liability of \$ 872,262. The total pension liability was measured as of December 31, 2024, based on a December 31, 2023, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, The Town recognized pension expense of \$ 109,316. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 168,145	\$ 19,915
Changes of assumptions	75,842	106,301
Benefit payments and administrative costs paid subsequent to the measurement date	4,624	-
Total	\$ 248,611	\$ 126,216

\$ 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	\$ 41,005
2027	29,746
2028	17,419
2029	17,211
2030	9,749
Thereafter	2,641
Total	\$ 117,771

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 4.28 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 (3.28 percent) or one percentage point higher (5.28 percent) than the current rate:

	1% Decrease (3.28%)	Discount Rate (4.28%)	1% Increase (5.28)
Town's pension liability	\$ 958,096	\$ 872,262	\$ 794,101

TOWN OF DUCK
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For the Fiscal Year Ended June 30, 2025

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

Total pension liability December 31, 2023	\$ 771,718
Changes for the year:	
Service cost at end of year	35,823
Interest	30,684
Change in benefit terms	0
Differences between expected and actuarial experience	66,525
Changes of assumptions and other inputs	(23,240)
Benefit payments	(9,248)
Other changes	0
Net changes	<u>\$ 100,544</u>
Total Pension liability December 31, 2024	<u>\$ 872,262</u>

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

The actuarial assumptions used in the December 31, 2023 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	\$ 645,900	\$ 109,316	\$ 755,216
Pension liability	2,384,526	872,262	3,256,788
Proportionate share of pension liability	.03517%	N/A	

Deferred of Outflows of Resources

Differences between expected and actual experience	417,859	168,145	586,004
Change of assumptions	-	75,842	75,842
Net difference between projected and actual earnings on plan investments	324,175	-	324,175
Changes in proportion and differences between Town contributions and proportionate share of contributions	41,487	-	41,487
Benefit payments and administrative costs paid subsequent to the measurement date	454,840	4,624	459,464

Deferred of Inflows of Resources

Differences between expected and actual experience	2,810	19,915	22,725
Change of assumptions	-	106,301	106,301
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	201,119	-	201,119

TOWN OF DUCK
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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.

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, 2025, were \$ 83,914, which consisted of \$ 57,701 from the Town and \$ 26,213 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, 2025, were \$ 207,578, which consisted of \$ 104,914 from the Town and \$ 102,664 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, 2025, were \$ 12,088 which consisted of \$ 10,730 from regular employees and \$ 1,358 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

TOWN OF DUCK
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For the Fiscal Year Ended June 30, 2025

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, 2025, the Town made contributions to the State for death benefits of \$ 1,603. The Town's required contributions for law enforcement officers represented 0.14% of covered payroll.

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	\$ 454,840
Benefit payments made for LEOSSA subsequent to measurement date	4,624
Differences between expected and actual experience	586,004
Changes of assumptions	75,842
Net difference between projected and actual earnings on plan investments	324,175
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>41,487</u>
Total	<u>\$1,486,972</u>

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)	\$ -	\$ 6,571
Differences between expected and actual experience	22,725	-
Changes of assumptions	106,301	
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>201,119</u>	<u>-</u>
Total	<u>\$ 330,145</u>	<u>\$ 29,211</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence and property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the

TOWN OF DUCK
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For the Fiscal Year Ended June 30, 2025

reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town carries insurance that has special provisions that may apply to flood, earthquake and names windstorm damage purchased through commercial carriers. The Town carries flood 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 is covered for employee dishonesty, forgery or alteration with limits of \$ 20,000 per occurrence and for theft of money and securities with limits of \$ 5,000 per occurrence. The finance officer is bonded with \$ 1,000,000 limits of coverage.

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 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 19, 2024, the Town entered into a 10-year direct borrowing contract in the amount of \$ 2,000,000 for the purchase of land which is pledged as collateral while the loan is outstanding. The interest rate is fixed at 4.08% per annum. The contract requires semi-annual interest payments beginning in June 2025 and annual principal plus interest payments beginning December 2025.

At June 30, 2025 the Town had a legal debt margin of \$ 150,588,161.

TOWN OF DUCK
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

Changes in Long-Term Liabilities

	Balance <u>July 1,</u> <u>2024</u>	<u>Increase</u>	<u>Decreases</u>	Balance <u>June 30,</u> <u>2025</u>	Current Portion of Balance
Governmental activities:					
Direct Borrowing					
Installment Finance Contract	\$ 484,242	\$ 2,000,000	\$ 350,910	\$ 2,133,332	\$ 333,333
Direct Placement					
Installment Finance Contract	3,850,264	-	2,900,429	949,835	474,917
Compensated absences	378,194	-	24,108	354,086	-
Net pension liability (LGERS)	2,592,925	-	208,399	2,384,526	-
Total pension liability (LEO)	771,718	100,544	-	872,262	-
Governmental Activity Long-Term Liabilities	\$ 8,077,343	\$ 2,100,544	\$ 3,483,846	\$ 6,694,041	\$ 808,250

*The change in the compensated absences liability is presented as a net change.

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>
2026	\$ 808,250	\$ 93,961
2027	674,917	73,729
2028	200,000	61,200
2029	200,000	53,040
2030	200,000	44,880
Thereafter	<u>1,000,000</u>	<u>102,000</u>
Total	<u>\$ 3,083,167</u>	<u>\$428,810</u>

6. Commitments

For the fiscal year ended June 30, 2026, the Town has budgeted to pay at least \$ 780,000 to Sandski, LLC as compensation for ocean rescue services.

C. Inter-fund Balances and Activity

Transfers to/from other funds at June 30, 2025, consist of the following:

From the General Fund to the Capital Reserve Fund for beach nourishment taxes designated for future beach nourishment	\$ 1,440,632
From the Capital Reserve Fund to the General Fund for beach nourishment bond interest, bond principal payments, and other beach nourishment expenses	\$ 557,159

TOWN OF DUCK
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

D. Net Investment in Capital Assets

Capital Assets	\$ 25,036,489
Less: Long-term debt	<u>(3,083,167)</u>
Net investment in Capital Assets	<u>\$ 21,953,322</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	\$ 14,812,301
Less:	
Prepaid expenses	\$ 64,229
Stabilization by State Statute	1,861,119
Capital reserve fund	3,214,855
Subsequent year's budget	385,300
Working capital/fund balance policy	<u>9,286,798</u>
Total Reductions	<u>\$ 14,812,301</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 current fiscal year's general fund expenditures less debt service for beach nourishment. Expenditures for June 30, 2025, of \$ 14,782,467 less debt service for beach nourishment of \$ 2,982,670 is \$ 11,799,797. The working capital/fund balance policy amount of \$ 9,286,798 represents 79% of the current fiscal year's general fund expenditures less debt service for beach nourishment.

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 \$ 132,852.

F. Beach Nourishment

The Town has completed two beach nourishment projects. 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, 2025, is shown below:

Balance June 30, 2024	\$ 2,221,925
Municipal service district tax	1,027,935
Restricted sales tax	412,697
Debt service	(557,159)
Interest earnings	<u>109,457</u>
Balance June 30, 2025	<u>\$ 3,214,855</u>

TOWN OF DUCK
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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 October 3, 2025, the date on which the financial statements were available to be issued.

V. Change in Accounting Principle

The Town implemented Government Accounting Standards Board (GASB) Statement No. 101, Compensated Absences, July 1, 2024. The objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. As a result, the Town recognized an additional \$ 108,715 in compensated absences for sick leave as of June 30, 2024, resulting in a decrease in beginning net position of the same amount.

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

Local Government Employees' Retirement System

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Town's proportion of the net pension liability (asset) (%)	0.03537%	0.03918%	0.04205%	0.03475%	0.03758%	0.03631%	0.03763%	0.03601%	0.03363%	0.03775%
Town's proportion of the net pension liability (asset) (\$)	\$ 2,384,526	\$ 2,594,925	\$ 2,372,220	\$ 532,925	\$ 1,342,893	\$ 991,598	\$ 892,712	\$ 550,133	\$ 713,741	\$ 169,420
Town's covered-employee payroll	\$ 3,164,921	\$ 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
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.34%	89.02%	88.12%	24.24%	61.07%	48.43%	51.63%	34.35%	48.50%	12.42%
Plan fiduciary net position as a percentage of the total pension liability**	83.30%	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%

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

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

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

Local Government Employees' Retirement System

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 456,443	\$ 420,093	\$ 362,338	\$ 310,641	\$ 227,291	\$ 201,814	\$ 164,989	\$ 136,641	\$ 123,091	\$ 102,581
Contributions in relation to the contractually required contribution	456,443	420,093	362,338	310,641	227,291	201,814	164,989	136,641	123,091	102,581
Contribution deficiency (excess)	<u>\$ -</u>									
Town's covered-employee payroll	\$ 3,234,959	\$ 3,164,921	\$ 2,915,076	\$ 2,692,081	\$ 2,198,577	\$ 2,198,880	\$ 2,047,298	\$ 1,729,201	\$ 1,601,444	\$ 1,471,565
Contributions as a percentage of covered-employee payroll	14.11%	13.27%	12.43%	11.54%	10.34%	9.18%	8.06%	7.90%	7.69%	6.97%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 771,718	\$ 643,883	\$ 630,411	\$ 664,675	\$ 429,013	\$ 309,888	\$ 276,022	\$ 217,350	\$ 201,315
Service Cost	35,823	32,156	41,617	37,531	28,302	24,447	21,214	16,850	16,961
Interest on the total pension liability	30,684	27,552	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	66,525	55,458	115,582	(53,815)	10,963	64,578	21,533	9,112	-
Changes of assumptions or other inputs	(23,240)	21,917	(148,559)	(21,471)	185,664	18,820	(17,603)	24,320	(8,113)
Benefit payments	(9,248)	(9,248)	(9,248)	(9,248)	(3,201)	-	-	-	-
Other changes	-	-	-	-	-	-	-	-	-
Ending balance of the total pension liability	\$ 872,262	\$ 771,718	\$ 643,883	\$ 630,411	\$ 664,675	\$ 429,013	\$ 309,888	\$ 276,022	\$ 217,350

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 872,262	\$ 771,718	\$ 643,883	\$ 630,411	\$ 664,675	\$ 429,013	\$ 309,888	\$ 276,022	\$ 217,350
Covered payroll	1,121,003	1,058,913	932,470	793,399	906,550	838,985	682,673	610,247	577,323
Total pension liability as a percentage of covered payroll	77.81%	72.88%	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, 2025

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$ 4,741,190	\$ 4,805,011	\$ 63,821
Municipal service district taxes	1,012,674	1,026,820	14,146
Interest	-	6,428	6,428
Total	<u>5,753,864</u>	<u>5,838,259</u>	<u>84,395</u>
Other taxes and licenses:			
Land Transfer Tax	425,400	501,391	75,991
Occupancy tax	2,000,000	2,032,307	32,307
Total	<u>2,425,400</u>	<u>2,533,698</u>	<u>108,298</u>
Unrestricted intergovernmental:			
Local option sales taxes	2,000,000	2,112,138	112,138
Utility franchise tax	440,000	495,502	55,502
Beer and wine tax	2,500	3,095	595
Solid waste disposal tax	560	598	38
ABC/Mixed Beverage profit distribution	90,000	76,065	(13,935)
Total	<u>2,533,060</u>	<u>2,687,398</u>	<u>154,338</u>
Restricted intergovernmental:			
State grants	144,000	7,382	(136,618)
Local grants	42,549	52,049	9,500
Total	<u>186,549</u>	<u>59,431</u>	<u>(127,118)</u>
Permits and fees:			
Building permits	172,000	182,037	10,037
Other permits	6,000	15,669	9,669
Total	<u>178,000</u>	<u>197,706</u>	<u>19,706</u>
Investment earnings	<u>317,255</u>	<u>354,031</u>	<u>36,776</u>
Miscellaneous:			
Miscellaneous	282,600	290,184	7,584
Total	<u>282,600</u>	<u>290,184</u>	<u>7,584</u>
Total revenues	<u>11,676,728</u>	<u>11,960,707</u>	<u>283,979</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, 2025

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Governing Body:			
Salaries and employee benefits		25,237	
Insurance		107,256	
Other operating expenditures		22,725	
Total	158,251	155,218	3,033
Administration:			
Salaries and employee benefits		398,002	
Other operating expenditures		29,679	
Total	431,390	427,681	3,709
Finance:			
Salaries and employee benefits		73,123	
Tax collection fees		90,891	
Other operating expenditures		77,468	
Total	251,261	241,482	9,779
Legal:			
Other operating expenditures	65,460	64,544	916
Public Facilities:			
Salaries and employee benefits		115,033	
Other operating expenditures		314,816	
Capital outlay		2,132,527	
Debt service		177,467	
Total	2,837,853	2,739,843	98,010
Information Technology:			
Other operating expenditures		132,739	
Cable access channel		25,935	
Total	182,431	158,674	23,757
Total General Government	3,926,646	3,787,442	139,204

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, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Police:			
Salaries and employee benefits		1,687,906	
Other operating expenditures		304,799	
Capital outlay		168,736	
Debt service		132,692	
Total	<u>2,358,651</u>	<u>2,294,133</u>	<u>64,518</u>
Fire:			
Salaries and employee benefits		1,599,800	
Other operating expenditures		25,311	
Fire Protection contract		299,000	
Capital outlay		14,406	
Debt service		87,685	
Total	<u>2,073,852</u>	<u>2,026,202</u>	<u>47,650</u>
Inspections:			
Salaries and employee benefits		217,807	
Other operating expenditures		17,971	
Total	<u>253,479</u>	<u>235,778</u>	<u>17,701</u>
Rescue units:			
Ocean rescue		760,000	
Other operating expenditures		4,283	
Total	<u>764,500</u>	<u>764,283</u>	<u>217</u>
Total Public Safety	<u>5,450,482</u>	<u>5,320,396</u>	<u>130,086</u>
Streets and Highways:			
Other operating expenditures		111,449	
Capital outlay		100,015	
Total Streets and Highways	<u>346,319</u>	<u>211,464</u>	<u>134,855</u>
Community Development:			
Salaries and employee benefits		360,453	
Other operating expenditures		34,487	
Total Community Development	<u>400,069</u>	<u>394,940</u>	<u>5,129</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, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Environmental Protection:			
Solid waste:			
Other operating expenditures	1,476,775	1,445,702	31,073
Shoreline Protection:			
Other operating expenditures		117,217	
Capital outlay		16,217	
Debt service		2,982,670	
Total	<u>3,331,511</u>	<u>3,116,104</u>	<u>215,407</u>
Total Environmental Protection	<u>4,808,286</u>	<u>4,561,806</u>	<u>246,480</u>
Communications and Special Events:			
Salaries and employee benefits		231,240	
Other operating expenditures		275,179	
Total Communications and Special Events	<u>517,204</u>	<u>506,419</u>	<u>10,785</u>
Total Expenditures	<u>15,449,006</u>	<u>14,782,467</u>	<u>666,539</u>
Revenues over (under) expenditures	<u>(3,772,278)</u>	<u>(2,821,760)</u>	<u>950,518</u>
Other financing sources (uses):			
Contingency	(3,000)	-	3,000
Debt proceeds	2,000,000	2,000,000	-
Transfers from other funds	539,905	557,159	17,254
Transfers to other funds	(1,428,855)	(1,440,632)	(11,777)
Fund balance appropriated	2,664,228	-	(2,664,228)
Total	<u>3,772,278</u>	<u>1,116,527</u>	<u>(2,655,751)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	(1,705,233)	\$ (1,705,233)
Fund balances, beginning		<u>13,302,679</u>	
Fund balances, ending		<u>\$ 11,597,446</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, 2025**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 109,457	\$ 109,457
Total revenues	<u>-</u>	<u>109,457</u>	<u>109,457</u>
Other financing sources (uses):			
Transfers from other funds	1,348,855	1,440,632	91,777
Transfers to other funds	(606,687)	(557,159)	49,528
Reserved for future expenditures	(742,168)	-	742,168
Appropriated fund balance	-	-	-
Total	<u>-</u>	<u>883,473</u>	<u>883,473</u>
Net change in fund balance	<u>\$ -</u>	992,930	<u>\$ 992,930</u>
Fund balances, beginning		<u>2,221,925</u>	
Fund balances, ending		<u>\$ 3,214,855</u>	

Town of Duck, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2025

Fiscal Year	Uncollected Balance June 30, 2024	Additions	Collections	Adjustments	Uncollected Balance June 30, 2025
2024-2025	\$ -	\$ 4,804,567	\$ 4,802,406	\$ -	\$ 2,161
2024-2025 MSD	-	1,026,721	1,026,584	(1)	136
2023-2024	2,523	-	1,870	-	653
2023-2024 MSD	204	-	-	-	204
2022-2023	1,340	-	715	-	625
2022-2023 MSD	441	-	236	-	205
2021-2022	453	-	-	-	453
2021-2022 MSD	205	-	-	-	205
2020-2021	384	-	18	-	366
2020-2021 MSD	210	-	-	-	210
2019-2020	568	-	-	-	568
2019-2020 MSD	327	-	-	-	327
2018-2019	5	-	-	-	5
2017-2018	94	-	-	-	94
2016-2017	231	-	-	-	231
2015-2016	128	-	-	-	128
2014-2015	98	-	-	(98)	-
	<u>\$ 7,211</u>	<u>\$ 5,831,288</u>	<u>\$ 5,831,829</u>	<u>\$ (99)</u>	<u>\$ 6,571</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund (Statement 1)	\$ 5,838,259
Reconciling items:	
Interest and penalties collected	<u>(6,428)</u>
Total collections and credits	<u>\$ 5,831,829</u>

Town of Duck, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2025

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed	\$ 1,920,935,200	0.2500	\$ 4,802,338	\$ 4,748,475	\$ 53,863
Penalties	-		2,373	2,373	-
Total	1,920,935,200		4,804,711	4,750,848	53,863
Adjustments:					
Adjustments	-		(3)	(3)	-
Penalty discoveries/releases	-		(32)	(32)	-
Discoveries Property	-	0.2500	-	-	-
Releases/Abatements-Property	(43,600)	0.2500	(109)	(109)	-
			(144)	(144)	-
Total property valuation	\$ 1,920,891,600				
Net levy			4,804,567	4,750,704	53,863
Uncollected taxes at June 30, 2025			(2,161)	(2,161)	-
Current year's taxes collected			4,802,406	4,748,543	53,863
Current levy collection percentage			99.96%	99.95%	100.00%