

**Town of Manteo, North Carolina**

**Financial Statements**

**June 30, 2014**

Jamie Daniels, Mayor  
Darrell Collins, Mayor Pro-Tem  
Richie Burke, Commissioner  
Hannon Fry, Commissioner  
Nancy Peele, Commissioner  
Christine Walker, Commissioner  
Martha Wickre, Commissioner

Kermit Skinner, Town Manager  
Shannon Twiddy, Finance Officer  
Wyatt Booth, Town Attorney

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# Dowdy & Osborne LLP

CERTIFIED PUBLIC ACCOUNTANTS

Jeff Dowdy, CPA • Teresa Osborne, CPA

## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Manteo, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### **Opinions**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Manteo, North Carolina as of June 30, 2014, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and Dock/Museum Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

103 W. Woodhill Dr., Suite B • P.O. Box 9 • Nags Head, North Carolina 27959  
Telephone 252.449.4404 • Facsimile 252.449.6976

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

The individual fund statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014 on our consideration of the Town of Manteo's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Manteo's internal control over financial reporting and compliance.

### ***Dowdy & Osborne, LLP***

Dowdy & Osborne, LLP  
Certified Public Accountants  
Nags Head, North Carolina

November 14 2014

# Management Discussion and Analysis

## Town of Manteo

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### Management's Discussion and Analysis

As management of the Town of Manteo, we offer readers of the Town of Manteo's financial statements this narrative overview and analysis of the financial activities of the Town of Manteo for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town of Manteo's financial statements, which follow this narrative.

### Financial Highlights

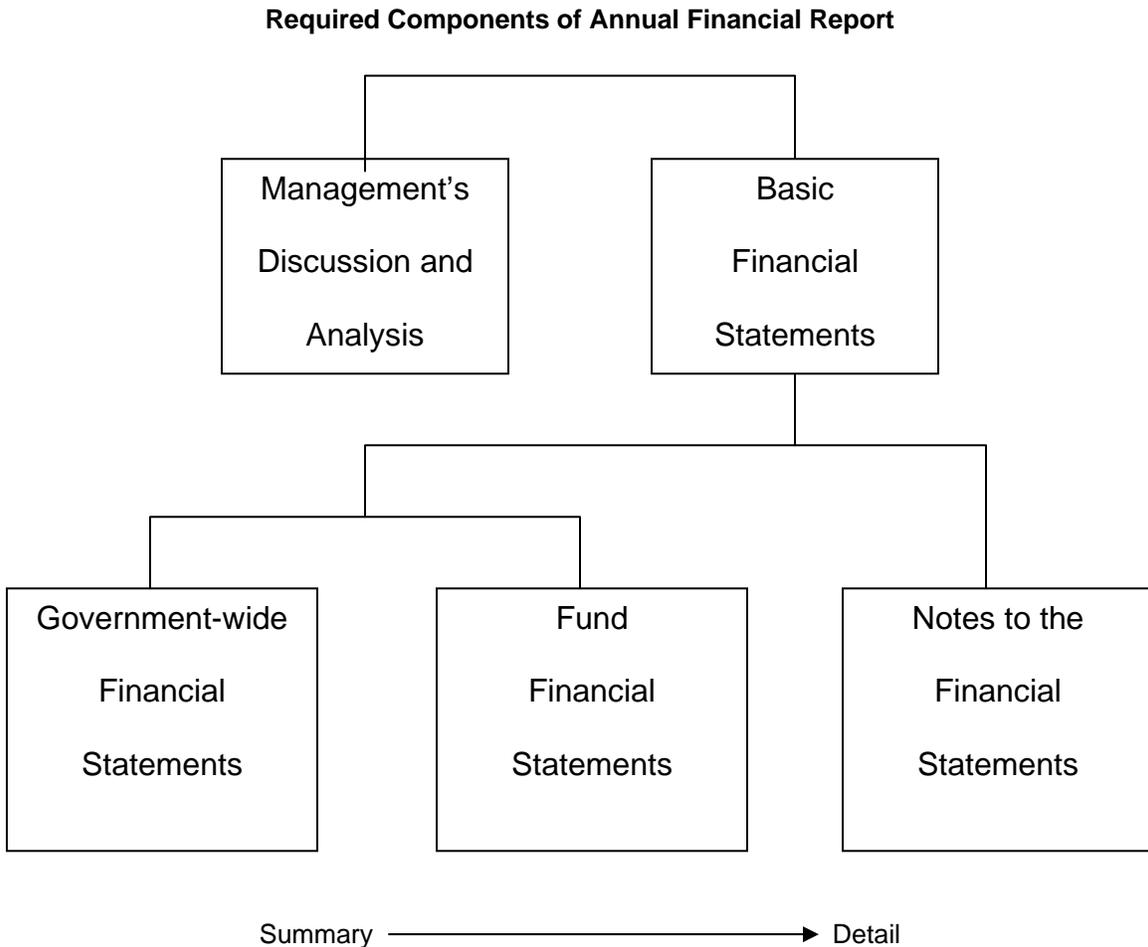
- The assets of the Town of Manteo exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$ 15,513,658 (*net position*).
- The government's total net assets increased by \$ 610,832. This includes an increase in the governmental activities of \$ 386,212 and an increase in the business-type activities of \$ 224,620.
- As of the close of the current fiscal year, the Town of Manteo's governmental funds reported combined ending fund balances of \$ 4,650,641, an increase of \$ 388,929 over the prior year. Approximately 13 percent of this total amount, or \$ 609,293, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 3,231,357, or 98 percent of total general fund expenditures for the fiscal year. This is a \$ 332,508 increase over the prior year. This increase is a result of revenues exceeding expenses during fiscal year 2014.

### Overview of the Financial Statements

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

# Management Discussion and Analysis Town of Manteo

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## **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 7) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

# Management Discussion and Analysis

## Town of Manteo

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### 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 they have changed. Net position is the difference between the town's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the town's basic services such as public safety, general administration and street and solid waste services. Property taxes, occupancy, sales and land transfer taxes, permit fees and state and federal grant funds finance most of these activities. The business-type activities are those that the town charges customers to provide. These include the water and sewer services offered by the Town of Manteo. The town does not have any component units.

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

### Fund Financial Statements

The fund financial statements (see Figure 2) 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, 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 budget ordinance. All of the funds of the Town of Manteo can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Town of Manteo'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* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

## Management Discussion and Analysis

### Town of Manteo

balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

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

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town has one fiduciary fund for its Law Enforcement Officers' Special Separation Allowance.

**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 are on pages 24-41 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the town's progress in funding its obligation to provide pension benefits and retiree health benefits to its employees. Required supplementary information can be found on pages 42-45 of this report.

### Government-Wide Financial Analysis

#### Town of Manteo Net Position June 30, 2014

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 4,880,751	\$ 4,768,046	\$ 1,056,228	\$ 663,800	\$ 5,936,979	\$ 5,431,846
Capital assets	5,754,835	5,542,410	5,969,316	6,005,849	11,724,151	11,548,259
Total assets	10,635,586	10,310,456	7,025,544	6,669,649	17,661,130	16,980,105
Long-term liabilities	535,318	342,311	863,163	810,102	1,398,481	1,152,413
Other liabilities	250,195	471,471	461,362	409,673	711,557	881,144
Deferred inflows of resources	10,909	43,722	26,525	-	37,434	43,722
Total liabilities and deferred inflows of resources	796,422	857,504	1,351,050	1,219,775	2,147,472	2,077,279
Net position:						
Net investment in capital assets	5,615,668	5,521,930	5,148,853	5,253,889	10,764,521	10,775,819
Restricted/Stabilization	460,459	494,174	-	-	460,459	494,174
Restricted for Powell Bill	142,583	132,318	-	-	142,583	132,318
Unrestricted	3,620,454	3,304,530	525,641	195,985	4,146,095	3,500,515
Total net position	\$ 9,839,164	\$ 9,452,952	\$ 5,674,494	\$ 5,449,874	\$ 15,513,658	\$ 14,902,826

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Manteo exceeded liabilities by \$ 15,513,658 as of June 30, 2014. The largest portion of net position (69%) reflects the town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Manteo uses these capital assets to provide

## Management Discussion and Analysis

### Town of Manteo

services to citizens; consequently, these assets are not available for future spending. Although the Town of Manteo's investment in its 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's net position, \$ 603,042 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$ 4,146,095 is unrestricted.

#### Town of Manteo Changes in Net Position June 30, 2014

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 228,332	\$ 259,348	\$ 1,878,446	\$ 1,805,247	\$ 2,106,778	\$ 2,064,595
Operating grants and contributions	72,848	185,958	-	-	72,848	185,958
Capital grants and contributions	41,919	32,961	-	-	41,919	32,961
General revenues:						
Property taxes	1,924,147	1,764,462	-	-	1,924,147	1,764,462
Other taxes	1,298,170	1,201,792	-	-	1,298,170	1,201,792
Intergovernmental revenues	296,696	291,809	-	-	296,696	291,809
Investment earnings	3,370	6,144	151	35	3,521	6,179
Other	51,300	28,902	-	-	51,300	28,902
Total Revenues	3,916,782	3,771,376	1,878,597	1,805,282	5,795,379	5,576,658
Expenses:						
General government	1,675,063	1,736,439	-	-	1,675,063	1,736,439
Public safety	986,090	946,949	-	-	986,090	946,949
Environment protection/ transportation	869,417	845,579	-	-	869,417	845,579
Interest on long-term debt	-	3,171	-	-	-	3,171
Water and sewer	-	-	1,653,977	1,728,789	1,653,977	1,728,789
Total Expenses	3,530,570	3,532,138	1,653,977	1,728,789	5,184,547	5,260,927
Increase in Net Position	386,212	239,238	224,620	76,493	610,832	315,731
Net position – July 1	9,452,952	9,213,714	5,449,874	5,373,381	14,902,826	14,587,095
Net position – June 30	\$ 9,839,164	\$ 9,452,952	\$ 5,674,494	\$ 5,449,874	\$ 15,513,658	\$ 14,902,826

**Governmental activities.** Governmental activities increased the town's net assets by \$ 386,212 primarily because revenues exceeded expenditures by \$ 388,929. Property taxes increased due to revaluation estimates; the actual valuation came in higher than expected. Other taxes and licenses increased due in part to growth and changes in proportionate levies among the Towns. Overall governmental expenses remained the same.

**Business-type activities.** Business-type activities increased the town's net assets by \$ 224,620. Charges for services increased 4% and operating expenses decreased 4%.

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

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

**Governmental Funds.** The focus of the Town of Manteo's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Manteo's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

## Management Discussion and Analysis

### Town of Manteo

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The general fund is the chief operating fund of the Manteo. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$ 3,231,357, while total fund balance reached \$ 4,218,783. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 98% of total General Fund expenditures for the 13-14 fiscal year.

At June 30, 2014, the governmental funds of Town of Manteo reported a combined fund balance of \$ 4,650,641, a 9% increase over last year. Included in this change in fund balance is an increase in the General Fund and Cemetery Fund and a decrease in the Dock and Museum Fund.

**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 primary changes to the adopted budget were to appropriate funds for the purchase of a vehicle totaled in an accident, to purchase a piece of land, to recognize a pass through dredging grant and transfers to the dock/museum fund

#### Capital Asset and Debt Administration

**Capital assets.** The Town of Manteo's investment in capital assets for its governmental and business-type activities as of June 30, 2014, totals \$ 11,724,151 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

Major capital asset transactions during the year include the following additions:

- Purchase of an excavation equipped vehicle to be shared between public works and water and sewer departments costing \$ 289,127
- Purchase of two police vehicles costing \$ 58,680
- A boat for the museum department costing \$ 20,000
- Storm water improvements costing \$ 168,470
- Purchase of lot on Sir Walter Raleigh Street costing \$ 56,487
- Purchase of public works truck costing \$ 30,336
- Purchase of water and sewer truck costing \$ 30,604

# Management Discussion and Analysis

## Town of Manteo

### Town of Manteo Capital Assets (net of accumulated depreciation)

June 30, 2014

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 2,248,877	\$ 2,192,390	\$ 229,735	\$ 229,735	\$ 2,478,612	\$ 2,422,125
Buildings and plant Infrastructure	1,078,171	1,101,292	4,362,440	4,491,089	5,440,611	5,592,381
Equipment	611,683	469,805	-	-	611,683	469,805
Vehicles	252,637	264,325	52,915	65,848	305,552	330,173
Other improvements	473,503	350,535	172,734	-	646,237	350,535
Water lines and improvements	1,089,964	1,164,063	-	-	1,089,964	1,164,063
	-	-	1,151,492	1,219,177	1,151,492	1,219,177
<b>Total</b>	<b>\$ 5,754,835</b>	<b>\$ 5,542,410</b>	<b>\$ 5,969,316</b>	<b>\$ 6,005,859</b>	<b>\$ 11,724,151</b>	<b>\$ 11,548,259</b>

Additional information on the town's capital assets can be found on pages 31-32 in the notes to the financial statements.

**Long-term Debt.** As of June 30, 2014 the town had long-term debt totaling \$ 959,630 consisting of capital leases and bonds. \$ 139,167 of this amount is reported in the governmental activities and \$ 820,463 is reported in the business-type activities. During the June 30, 2014 fiscal year the town's long-term debt increased by \$ 187,191 due to a new capital lease for equipment in the amount of \$ 278,334. The town is also reporting a net OPEB obligation in its governmental activities and business-type activities of \$ 388,445 and \$ 137,815 respectively.

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 the Town of Manteo is \$ 42,972,974.

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

- The property tax base decreased 21% (\$ 141,781,669) due to revaluation.
- Current year ad valorem taxes increased \$ 130,441. The revenue neutral tax rate of 34.18 cents was rounded up to 35 cents and the estimated valuation was based on estimated appeals of 5% which did not occur.
- Travel and tourism has remained constant in Dare County, and Manteo realized increases in sales, occupancy and land transfer taxes due in part to growth and changes in proportionate levies among the Towns.

#### Budget Highlights for the Fiscal Year Ending June 30, 2015

- The adopted budget for the June 30, 2015 fiscal year includes a tax rate of thirty-six cents per \$ 100 of valuation (a one cent tax increase over the prior year).
- The adopted budget for the June 30, 2015 includes an appropriation of \$ 378,133 from undesignated fund balance to balance the budget.
- Water and sewer rates are scheduled to remain the same following adjustments made in the prior fiscal year to adjust the minimum for irrigation bills.

# **Management Discussion and Analysis**

## **Town of Manteo**

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### **Requests for Information**

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

**TOWN OF MANTEO, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 4,239,017	\$ 465,714	\$ 4,704,731
Restricted cash and cash equivalents	142,583	136,564	279,147
Taxes receivable	31,294	-	31,294
Prepaid expenses	6,251	-	6,251
Accounts receivable (net)	-	342,629	342,629
Due from water/sewer fund	108,000	-	108,000
Due from governmental units	352,459	111,321	463,780
Total current assets	<u>4,879,604</u>	<u>1,056,228</u>	<u>5,935,832</u>
Capital assets:			
Land	2,248,877	229,735	2,478,612
Other capital assets, net of depreciation	3,505,958	5,739,581	9,245,539
Total capital assets	<u>5,754,835</u>	<u>5,969,316</u>	<u>11,724,151</u>
Other assets:			
Overfunded net pension obligation	<u>1,147</u>	<u>-</u>	<u>1,147</u>
Total assets	<u>10,635,586</u>	<u>7,025,544</u>	<u>17,661,130</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	132,010	76,397	208,407
Accrued salaries and benefits	52,557	15,021	67,578
Security deposit	2,193	2,000	4,193
Due to general fund	-	108,000	108,000
Current portion of long-term liabilities	63,435	123,380	186,815
Liabilities payable from restricted assets:			
Customer deposits	-	136,564	136,564
Total current liabilities	<u>250,195</u>	<u>461,362</u>	<u>711,557</u>
Long-term liabilities:			
Due in more than one year	<u>535,318</u>	<u>863,163</u>	<u>1,398,481</u>
Total liabilities	<u>785,513</u>	<u>1,324,525</u>	<u>2,110,038</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid revenues	<u>10,909</u>	<u>26,525</u>	<u>37,434</u>
Total deferred inflows of resources	<u>10,909</u>	<u>26,525</u>	<u>37,434</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,615,668	5,148,853	10,764,521
Restricted for Stabilization by State Statute	460,459	-	460,459
Restricted for Powell Bill - Streets	142,583	-	142,583
Unrestricted	3,620,454	525,641	4,146,095
Total net position	<u>\$ 9,839,164</u>	<u>\$ 5,674,494</u>	<u>\$ 15,513,658</u>

The accompanying notes are an integral part of the financial statements.

# TOWN OF MANTEO, NORTH CAROLINA

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,675,063	\$ 227,808	\$ 72,825	\$ 8,083
Public safety	986,090	524	23	-
Environmental protection and transportation	869,417	-	-	33,836
<b>Total governmental activities</b>	<b>3,530,570</b>	<b>228,332</b>	<b>72,848</b>	<b>41,919</b>
Business-type activities:				
Water and sewer	1,653,977	1,878,446	-	-
<b>Total primary government</b>	<b>\$ 5,184,547</b>	<b>\$ 2,106,778</b>	<b>\$ 72,848</b>	<b>\$ 41,919</b>

General revenues:

Taxes:  
 Property taxes, levied for general purpose  
 Other taxes  
 Unrestricted intergovernmental revenues  
 Investment earnings, unrestricted  
 Miscellaneous, unrestricted  
 Total general revenues, special items, and transfers  
 Change in net position  
 Net position-beginning (restated)  
 Net position-ending

Exhibit 2

**Net (Expense) Revenue and  
Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,366,347)	\$ -	\$ (1,366,347)
(985,543)	-	(985,543)
(835,581)	-	(835,581)
<u>(3,187,471)</u>	<u>-</u>	<u>(3,187,471)</u>
-	224,469	224,469
<u>\$ (3,187,471)</u>	<u>\$ 224,469</u>	<u>\$ (2,963,002)</u>

1,924,147	-	1,924,147
1,298,170	-	1,298,170
296,696	-	296,696
3,370	151	3,521
51,300	-	51,300
<u>3,573,683</u>	<u>151</u>	<u>3,573,834</u>
386,212	224,620	610,832
9,452,952	5,449,874	14,902,826
<u>\$ 9,839,164</u>	<u>\$ 5,674,494</u>	<u>\$ 15,513,658</u>

**TOWN OF MANTEO, NORTH CAROLINA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2014**

Exhibit 3

	Major Funds		Total Non-Major Fund	Total Governmental Funds
	General	Dock/Museum		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,789,849	\$ 33,745	\$ 415,423	\$ 4,239,017
Restricted cash and cash equivalents	142,583	-	-	142,583
Taxes receivable	31,294	-	-	31,294
Prepaid expenses	6,251	-	-	6,251
Due from water/sewer fund	108,000	-	-	108,000
Due from governmental units	352,459	-	-	352,459
<b>Total Assets</b>	<b>4,430,436</b>	<b>33,745</b>	<b>415,423</b>	<b>4,879,604</b>
<b>LIABILITIES</b>				
Accounts payable	120,709	11,301	-	132,010
Accrued salaries and benefits	47,868	4,689	-	52,557
Security deposit	2,193	-	-	2,193
<b>Total Liabilities</b>	<b>170,770</b>	<b>15,990</b>	<b>-</b>	<b>186,760</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	31,294	-	-	31,294
Prepaid grant	9,589	-	-	9,589
Prepaid dock rents	-	1,320	-	1,320
<b>Total Deferred Inflows of Resources</b>	<b>40,883</b>	<b>1,320</b>	<b>-</b>	<b>42,203</b>
<b>FUND BALANCES:</b>				
Nonspendable:				
Prepays	6,251	-	-	6,251
Restricted				
Stabilization by State Statute	460,459	-	-	460,459
Streets - Powell Bill	142,583	-	-	142,583
Assigned				
Subsequent year's expenditures	378,133	-	-	378,133
Cemetery	-	-	415,423	415,423
Docks	-	16,435	-	16,435
Unassigned	3,231,357	-	-	3,231,357
<b>Total Fund Balances</b>	<b>4,218,783</b>	<b>16,435</b>	<b>415,423</b>	<b>4,650,641</b>
<b>TOTAL LAIBILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,430,436</b>	<b>\$ 33,745</b>	<b>\$ 415,423</b>	<b>\$ 4,879,604</b>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds	4,650,641
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,754,835
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	31,294
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	(598,753)
Some assets including overfunded net pension obligation, are not available for use in the current period and therefore are not reported in the net assets of the governmental activities	1,147
	<u>\$ 9,839,164</u>

**TOWN OF MANTEO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2014**

Exhibit 4

	Major Funds		Total Non-Major Fund	Total Governmental Funds
	General	Dock/Museum		
<b>REVENUES:</b>				
Ad valorem taxes	\$ 1,920,725	\$ -	\$ -	\$ 1,920,725
Other taxes and licenses	1,298,170	-	-	1,298,170
Unrestricted intergovernmental revenues	296,696	-	-	296,696
Restricted intergovernmental revenues	106,684	8,083	-	114,767
Permits and fees	22,760	-	-	22,760
Sales and services	3,219	194,703	7,650	205,572
Investment earnings	3,054	-	316	3,370
Other revenue	72,291	-	-	72,291
<b>TOTAL REVENUES</b>	<b>3,723,599</b>	<b>202,786</b>	<b>7,966</b>	<b>3,934,351</b>
<b>EXPENDITURES:</b>				
General government	1,210,586	392,188	97	1,602,871
Public safety	977,289	-	-	977,289
Transportation and environmental protection	1,083,950	-	-	1,083,950
Debt service:				
Principal	20,479	-	-	20,479
<b>TOTAL EXPENDITURES</b>	<b>3,292,304</b>	<b>392,188</b>	<b>97</b>	<b>3,684,589</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>431,295</b>	<b>(189,402)</b>	<b>7,869</b>	<b>249,762</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Lease purchase proceeds	139,167	-	-	139,167
Transfers	(187,552)	185,302	2,250	-
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	<b>(48,385)</b>	<b>185,302</b>	<b>2,250</b>	<b>139,167</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>382,910</b>	<b>(4,100)</b>	<b>10,119</b>	<b>388,929</b>
<b>FUND BALANCES:</b>				
Beginning of year - July 1 (restated)	3,835,873	20,535	405,304	4,261,712
End of year - June 30	\$ 4,218,783	\$ 16,435	\$ 415,423	\$ 4,650,641

**TOWN OF MANTEO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2014**

**Exhibit 4**  
**(continued)**

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net changes in fund balances - total governmental funds \$ 388,929

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	501,853	
Depreciation expense for governmental assets	(268,437)	
Book value of asset disposed of	<u>(20,991)</u>	212,425

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	3,422
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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	126	
Increase in net pension obligation	(38)	
Increase in Net OPEB obligation	<u>(99,964)</u>	(99,876)

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:

Issuance of long-term debt		(139,167)
Principal payments on long-term debt		<u>20,479</u>

Total changes in net position of governmental activities (Exhibit 2)	<u><u>\$ 386,212</u></u>
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**TOWN OF MANTEO, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - ANNUAL BUDGET AND ACTUAL**  
**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND**  
**For the Year Ended June 30, 2014**

	General Fund			Variance With Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUE:</b>				
Ad valorem taxes	\$ 1,738,700	\$ 1,738,700	\$ 1,920,725	\$ 182,025
Other taxes and licenses	1,238,000	1,242,000	1,298,170	56,170
Unrestricted intergovernmental revenues	297,950	297,950	296,696	(1,254)
Restricted intergovernmental revenues	77,350	129,187	106,684	(22,503)
Permits and fees	22,500	22,500	22,760	260
Sales and services	1,100	2,300	3,219	919
Investment earnings	5,500	5,500	3,054	(2,446)
Other revenue	37,360	103,208	72,291	(30,917)
<u>Total Revenues</u>	<u>3,418,460</u>	<u>3,541,345</u>	<u>3,723,599</u>	<u>182,254</u>
<b>EXPENDITURES:</b>				
General government	1,416,895	1,578,479	1,231,065	347,414
Public safety	1,062,105	1,096,221	977,289	118,932
Transportation and environmental protection	1,163,380	1,302,366	1,083,950	218,416
<u>Total Expenditures</u>	<u>3,642,380</u>	<u>3,977,066</u>	<u>3,292,304</u>	<u>684,762</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>				
	(223,920)	(435,721)	431,295	867,016
<b>OTHER FINANCING SOURCES (USES):</b>				
Fund balance appropriated	369,472	645,273	-	(645,273)
Lease purchase proceeds	-	-	139,167	139,167
Operating transfers in (out)	(145,552)	(209,552)	(187,552)	22,000
	<u>223,920</u>	<u>435,721</u>	<u>(48,385)</u>	<u>(484,106)</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>				
	<u>\$ -</u>	<u>\$ -</u>	382,910	<u>\$ 382,910</u>
<b>FUND BALANCES:</b>				
Beginning (restated for dock/museum fund)			<u>3,835,873</u>	
Ending			<u>\$ 4,218,783</u>	

**Exhibit 5**

Dock/Museum Fund			
Original	Final	Actual	Variance With Final Budget- Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
54,600	54,600	8,083	(46,517)
-	-	-	-
230,995	230,995	194,703	(36,292)
15	15	-	(15)
-	-	-	-
<u>285,610</u>	<u>285,610</u>	<u>202,786</u>	<u>(82,824)</u>
428,912	499,124	392,188	106,936
-	-	-	-
-	-	-	-
<u>428,912</u>	<u>499,124</u>	<u>392,188</u>	<u>106,936</u>
<u>(143,302)</u>	<u>(213,514)</u>	<u>(189,402)</u>	<u>24,112</u>
-	6,212	-	(6,212)
-	-	-	-
<u>143,302</u>	<u>207,302</u>	<u>185,302</u>	<u>(22,000)</u>
<u>143,302</u>	<u>213,514</u>	<u>185,302</u>	<u>(28,212)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>(4,100)</u>	<u>\$ (4,100)</u>
		<u>20,535</u>	
		<u>\$ 16,435</u>	

**TOWN OF MANTEO, NORTH CAROLINA**

Exhibit 6

**STATEMENT OF NET POSITION****Water and Sewer Fund****June 30, 2014****With Comparative Totals at June 30, 2013**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 465,714	\$ -
Restricted cash and cash equivalents	136,564	96,705
Prepaid expense	-	7,500
Grants receivable	111,321	238,497
Accounts receivable (net) - billed	113,865	102,518
Accounts receivable (net) - unbilled	228,764	218,580
Total current assets	<u>1,056,228</u>	<u>663,800</u>
Capital assets:		
Land	229,735	229,735
Other capital assets, net of depreciation	5,739,581	5,776,114
Total capital assets	<u>5,969,316</u>	<u>6,005,849</u>
Total assets	<u>7,025,544</u>	<u>6,669,649</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	76,397	75,054
Accrued salaries and benefits	15,021	13,945
Security deposit	2,000	2,000
Deferred revenues	26,525	-
Due to general fund	108,000	108,000
Current portion of long-term debt	123,380	78,296
Liabilities payable from restricted assets:		
Customer deposits	136,564	132,378
Total current liabilities	<u>487,887</u>	<u>409,673</u>
Long-term liabilities:		
General obligation bonds payable	168,000	202,000
NC Revolving loan payable	513,296	549,960
Lease purchase payable	139,167	-
Net OPEB obligation	137,815	105,912
Compensated absences	28,265	30,526
Less current portion	(123,380)	(78,296)
Total long-term liabilities	<u>863,163</u>	<u>810,102</u>
Total Liabilities	<u>1,351,050</u>	<u>1,219,775</u>
<b>NET POSITION</b>		
Net investment in capital assets	5,148,853	5,253,889
Unrestricted	525,641	195,985
Total net position	<u>\$ 5,674,494</u>	<u>\$ 5,449,874</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF MANTEO, NORTH CAROLINA**

Exhibit 7

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION****PROPRIETARY FUND - WATER AND SEWER FUND**

For the Year Ended June 30, 2014

With Comparative Totals For the Year Ended June 30, 2013

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	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<u>OPERATING REVENUES:</u>		
Water and sewer charges	\$ 1,766,482	\$ 1,745,493
Penalties	22,672	20,539
Water taps and connections	73,376	24,000
Other	15,916	15,215
	<u>1,878,446</u>	<u>1,805,247</u>
 <u>OPERATING EXPENSES:</u>		
Water	575,623	702,899
Sewer	787,269	732,436
Depreciation	268,528	262,909
	<u>1,631,420</u>	<u>1,698,244</u>
 <u>OPERATING INCOME (LOSS):</u>	247,026	107,003
 <u>NON-OPERATING REVENUES (EXPENSES):</u>		
Interest earned on investments	151	35
Interest expense	(22,557)	(30,545)
	<u>(22,406)</u>	<u>(30,510)</u>
 <u>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</u>	<u>224,620</u>	<u>76,493</u>
 NET POSITION - BEGINNING	<u>5,449,874</u>	<u>5,373,381</u>
 NET POSITION - ENDING	<u>\$ 5,674,494</u>	<u>\$ 5,449,874</u>

**TOWN OF MANTEO, NORTH CAROLINA**

Exhibit 8

**STATEMENT OF CASH FLOWS****PROPRIETARY FUND - WATER AND SEWER FUND**

For the Year Ended June 30, 2014

With Comparative Amounts for the Year Ended June 30, 2013

	ENTERPRISE FUNDS	
	2014	2013
Cash Flows from Operating Activities:		
Cash received from customers	\$ 1,867,524	\$ 1,741,811
Cash paid for goods and services	(900,402)	(1,030,571)
Cash paid for salaries	(395,752)	(367,282)
Customer deposits received	4,186	8,225
Other operating grant	-	8,000
Other operating income	15,916	15,215
Net Cash Provided by Operating Activities	<u>591,472</u>	<u>375,398</u>
Cash Flows from Capital and Related Financing Activities:		
Construction of capital assets	(231,996)	(30,334)
Grants-FEMA Hurricane Irene	100,000	-
Loan proceeds	139,167	-
Principal paid on notes	(70,664)	(218,176)
Interest paid on notes	(22,557)	(30,545)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(86,050)</u>	<u>(279,055)</u>
Cash Flows from Investing Activities:		
Interest on investments	151	35
Net Cash Provided By Investing Activities	<u>151</u>	<u>35</u>
Net Increase (Decrease) in Cash and Cash Equivalents	505,573	96,378
Cash and Cash Equivalents - Beginning of year	<u>96,705</u>	<u>327</u>
Cash and Cash Equivalents - End of year	<u>602,278</u>	<u>96,705</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	247,026	107,004
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	268,528	262,909
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(21,531)	(48,221)
(Increase) decrease in inventory	-	50,264
(Increase) decrease in prepaid expenses	7,500	(7,500)
(Increase) decrease in operating grant receivable	27,177	8,000
Increase (decrease) in accounts payable	1,343	(43,773)
Increase (decrease) in customer deposits	4,186	8,225
Increase (decrease) in accrued salaries and benefits	1,076	2,322
Increase (decrease) in net OPEB obligation	31,903	34,327
Increase (decrease) in deferred revenues	26,525	-
Increase (decrease) in accrued vacation pay	(2,261)	1,841
Net Cash Provided by Operating Activities	<u>\$ 591,472</u>	<u>\$ 375,398</u>

**TOWN OF MANTEO, NORTH CAROLINA**

Exhibit 9

**Statement of Fiduciary Net Position**

**Fiduciary Funds**

**June 30, 2014**

---

	<b>Pension Trust</b>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 111,400</u>
Total Assets	<u>111,400</u>
<b>NET POSITION</b>	
Held in trust for pension benefits	<u>111,400</u>
Total Net Position	<u><u>\$ 111,400</u></u>

# TOWN OF MANTEO, NORTH CAROLINA

Exhibit 10

## Statement of Changes in Fiduciary Net Position

### Fiduciary Funds

For the Fiscal Year Ended June 30, 2014

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	<u>Pension Trust</u>
<b>Additions</b>	
Employer contributions	\$ 7,379
Interest income	<u>87</u>
Total additions	<u>7,466</u>
<b>Deductions</b>	
Benefits	-
Administrative expenses	<u>-</u>
Total deductions	<u>-</u>
<b>Change in net position</b>	7,466
<b>Net position - beginning of year</b>	<u>103,934</u>
<b>Net position - end of year</b>	<u><u>\$ 111,400</u></u>

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**I. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

**B. Basis of Presentation**

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

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

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as 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, various other taxes and licenses, and federal and state grants. The primary expenditures are for general government services, public safety and street and sanitation services.

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

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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The Town reports the following non-major governmental funds:

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

The Town reports the following major enterprise funds:

**Water and Sewer Fund.** This fund is used to account for the Town's water and sewer operation.

The Town reports the following fiduciary fund types:

**Pension Trust.** This is a fiduciary fund for the Law Enforcement Officers Special Separation Allowance Retirement.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement and 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.

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad-valorem taxes receivable are not accrued as 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

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North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. 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.

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year funds. During the year, several amendments to the original budget were necessary. The 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 with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.



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recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network, which is not capitalized as the town has not opted to do retroactive reporting for infrastructure. 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	40 years
Vehicles	5-10 years
Furniture and equipment	5-10 years

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

In addition to assets, the statement of financial position will sometime 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 it will not be recognized as an expense or expenditure until then. The Town does not have any items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category, prepaid taxes, prepaid grants, and property taxes receivable

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

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

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
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11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balance as follows:

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

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

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

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

**Committed Fund Balance** – portion of fund balance that can only be used for specific purposes imposed by a majority vote by quorum of Town of Manteo's governing body (highest level of decision making authority). Any changes or removal of specific purpose requires majority action by the governing body.

**Assigned Fund Balance** – portion of fund balance that Town of Manteo intends to use for specific purposes. In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

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.

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
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Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

**II. Stewardship, Compliance, and Accountability**

A. Significant 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 Manteo, 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. The Town has no policy regarding custodial credit risk for deposits.

At June 30, 2014, the Town's deposits had a carrying amount of \$ 532,933 and a bank balance of \$ 554,414. Of the bank balance, \$ 250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2014, the Town's petty cash fund totaled \$373.

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**2. Investments**

At June 30, 2014 the Town's investments were as follows:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust:			
Cash Portfolio	\$ 4,561,972	N/A	AAAm
Total investments	<u>\$ 4,561,972</u>		

*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. The Town's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2014.

**3. Capital Assets**

**Primary Government**

Capital asset activity for the governmental activities for the year ended June 30, 2014 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$2,192,389	\$ 56,487	\$ -	\$ 2,248,876
<b>Total capital assets not being depreciated</b>	<u>2,192,389</u>	<u>56,487</u>	<u>-</u>	<u>\$ 2,248,876</u>
<b>Capital assets being depreciated:</b>				
Buildings	1,463,449	16,612	-	1,480,061
Other improvements	1,984,971	-	-	1,984,971
Infrastructure	531,815	168,470	-	700,285
Equipment	484,139	32,100	19,737	496,502
Vehicles	1,061,502	228,184	81,088	1,208,598
Total capital assets being depreciated	<u>5,525,876</u>	<u>445,366</u>	<u>100,825</u>	<u>5,870,417</u>
<b>Less accumulated depreciation for:</b>				
Buildings	362,157	39,733	-	401,890
Other improvements	820,907	74,099	-	895,006
Infrastructure	62,010	26,591	-	88,601
Equipment	219,814	43,789	19,737	243,866
Vehicles	710,967	84,225	60,097	735,095
Total accumulated depreciation	<u>2,175,855</u>	<u>\$ 268,437</u>	<u>\$ 79,834</u>	<u>2,364,458</u>
Total capital assets being depreciated-net	<u>3,350,021</u>			<u>3,505,959</u>
<b>Governmental activity capital assets, net</b>	<u>\$5,542,410</u>			<u>\$5,754,835</u>

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

General Government	\$ 136,597
Public Safety	30,711
Environmental Protection and Transportation	<u>101,129</u>
	<u>\$ 268,437</u>

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Capital asset activity for the business-type activities for the year ended June 30, 2014 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 229,735	\$ -	\$ -	\$ 229,735
	229,735	-	-	229,735
<b>Capital assets being depreciated:</b>				
Buildings and plant	7,203,241	51,432	-	7,254,673
Water and sewer lines	2,858,067	-	-	2,858,067
Furniture and equipment	192,367	-	-	192,367
Vehicles	102,634	180,563	12,795	270,402
Total capital assets being depreciated	10,356,309	231,995	12,795	10,575,509
<b>Less accumulated depreciation for:</b>				
Buildings and plant	2,712,152	180,081	-	2,892,233
Water and sewer lines	1,638,890	67,682	-	1,706,572
Furniture and equipment	126,519	12,935	-	139,454
Vehicles	102,634	7,830	12,795	97,669
Total accumulated depreciation	4,580,195	\$ 268,528	\$ 12,795	4,835,928
Total capital assets being depreciated net)	5,776,114			5,739,581
<b>Business-type activity capital assets, net</b>	<b>\$ 6,005,849</b>			<b>\$ 5,969,316</b>

**B. Liabilities**

**1. Pension Plan Obligations**

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

*Plan Description.* The Town of Manteo contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.24% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Manteo is established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$ 113,567, \$ 101,645, and \$ 103,074 respectively. The contributions made by the Town equaled the required contributions for each year.

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
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b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town of Manteo administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. 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, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	8
Total	8

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies:*

*Basis of Accounting.* Financial statements for the Separation Allowance are prepared on the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the Town has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

*Method Used to Value Investments.* Investments are reported at fair value. Short term deposits and the North Carolina Capital Management Trust investments are reported at cost, which approximates fair value.

3. *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 by making contributions based on actuarial valuations. For the current year, the Town contributed \$ 7,379 or 2% of annual covered payroll which fully funded the beginning net pension obligation and current year annual pension cost. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25 – 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liabilities are being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2012 was 18 years.

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**For the Fiscal Year Ended June 30, 2014**

*Annual Pension Cost and Net Pension Obligation.* The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$ 7,379
Interest on net pension obligation	(59)
Adjustment to annual required contribution	97
Annual pension cost	<u>7,417</u>
Employer contributions made for fiscal year ended 6/30/014	<u>(7,379)</u>
Increase in net pension obligation	38
Net pension obligation beginning of fiscal year	<u>(1,185)</u>
Overfunded net pension obligation end of fiscal year	<u>\$ (1,147)</u>

The overfunded net pension obligation is reported as an "other asset" on the Statement of Net Position at June 30, 2014.

3-Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	5,913	162.84%	96,919
2013	5,801	1,791.16%	(1,185)
2014	7,417	99.49%	(1,147)

*4. Funded Status and Funding Progress.*

As of December 31, 2013 most recent actuarial valuation date, the plan was fully funded. The actuarial accrued liability for benefits was \$ 58,683 and the actual value of assets was \$ 111,380, resulted in an overfunded accrued actuarial liability of \$ 52,697. The covered payroll (annual payroll of active employees covered by the plan) was \$ 348,197 and the ratio of the UAAL to the covered payroll was minus 15.13 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014, were \$ 22,467, which consisted of \$ 16,783 from the Town and \$ 5,684 from law enforcement officers.

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

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

*Funding Policy.* Beginning July 1, 1995 the Town began making a contribution of five percent for non-law enforcement officers and all amounts contributed are vested immediately. These employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014, were \$ 116,624, which consisted of \$ 61,204 from the Town and \$ 55,420 from employees.

f. Other Postemployment Benefit - Healthcare Benefits

*Plan Description.* Under the terms of a Town policy, the Town administers a single-employer defined Healthcare Benefits Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of the Town who have at least 20 years of creditable service with the town. Town's retirees can purchase coverage for their dependents at the Town group rates. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Employees
Retirees and dependents receiving benefits	0	0
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	22	7
Total	22	7

*Funding Policy.* The Town pays a prorated cost of the coverage for the healthcare benefits paid to qualified retirees under a Town policy that can be amended by the Town Council. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 9.70% of annual covered payroll. For the current year, the Town contributed \$ 5,569 or .39% of annual covered payroll. The Town obtains healthcare coverage through private insurers. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .39% and 0% of covered payroll respectively. Employees contributed \$ 5,569. The Town's obligation to contribute to the HCB Plan is established and may be amended by Town Council.

*Summary of Significant Accounting Policies.* Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting and the Enterprise Fund which is maintained on the accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they become due.

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**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

*Annual OPEB Cost and Net OPEB Obligation.* The town's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

Employer annual required contribution	\$ 136,731
Interest on net OPEB obligation	15,776
Adjustment to annual required contribution	<u>(15,071)</u>
Annual OPEB cost (expense)	137,436
Employer contributions made for fiscal year ended 6/30/14	<u>(5,569)</u>
Increase in net OPEB obligation	131,867
Net OPEB obligation beginning of fiscal year	<u>394,393</u>
Net OPEB obligation end of fiscal year	<u>\$ 526,260</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/12	136,954	0%	261,662
6/30/13	137,198	3.26%	394,393
6/30/14	137,436	4.05%	526,260

*Funding Status and Funding Progress.* As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$ 1,179,345. The covered payroll (annual payroll of active employees covered by the plan) was \$ 1,409,575, and the ratio of the UAAL to the covered payroll was 83.7%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

In the December 31, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's

**TOWN OF MANTEO**  
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own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.5% to 5.00% annually. The investment rate included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011, was 30 years.

**2. Other Employment Benefit**

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$ 25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial. For the fiscal year ended June 30, 2014 the Town made contributions to the State for death benefits of \$ 0. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll respectively. Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established. The period of reprieve is determined separately for law enforcement officers. The Town will have a three year reprieve because it has been contributing more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

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

There are no deferred outflows of resources.

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

	<b><u>Unavailable Revenue</u></b>	<b><u>Unearned Revenue</u></b>
Prepaid grant (General Fund)	-	\$ 9,589
Prepaid dock rents (Dock Fund)	-	1,320
Taxes receivable (General Fund)	\$ 31,294	-
Prepaid revenues (Water Fund)	-	26,525
	<u>\$ 31,294</u>	<u>\$ 37,434</u>

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

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**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 insured values of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

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

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

**5. Long Term Obligations – Changes in Long-Term Liabilities**

**General Fund and Water and Sewer Fund – Installment Financing Contract**

The Town executed a three year installment financing contract in February, 2014 in the amount of \$ 278,334, for the purchase of an excavation equipped vehicle to be shared between the public works and water and sewer departments. The financing agreement requires three annual payments of \$ 95,782 including interest at 1.61%.

**Water and Sewer Fund – North Carolina Water Pollution Control Revolving Fund**

On November 30, 2007 the Town executed a note payable to the State of North Carolina for \$ 733,280. The note proceeds were used to construct the Bowsertown lift station. The terms of the note require 20 annual principal payments of \$ 36,664 on May 1 plus semi-annual interest payments of 2.265% on May 1 and November 1 calculated on the unpaid principal balance.

**Water and Sewer Fund – General Obligation Indebtedness**

The Town's general obligation bonds issued to finance the construction of facilities used in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the town. Principal and interest requirements are appropriated when due. Bonds payable at June 30, 2014 are comprised of the following issues:

\$ 785,000 Water and Sewer bonds issued March 9, 1981 at 5% interest due in increasing annual principal installments through June 30, 2019.

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

A summary of changes in long-term debt follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increase</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Current</u> <u>portion of</u> <u>balance</u>
Governmental activities:					
By type of debt:					
Compensated absences	\$ 71,266	\$ -	\$ 125	\$ 71,141	\$ 17,785
Net pension obligation	-	7,417	7,417	-	-
Net OPEB obligation	288,481	99,964	-	388,445	-
Capital leases	20,479	139,167	20,479	139,167	45,650
Governmental Activity Long-Term Liabilities	<u>\$ 380,226</u>	<u>\$ 246,548</u>	<u>\$ 28,021</u>	<u>\$ 598,753</u>	<u>\$ 63,435</u>
Business-type activities:					
Compensated absences	\$ 30,526	\$ -	\$ 2,261	\$ 28,265	\$ 7,066
Net OPEB obligation	105,912	31,903	-	137,815	-
GO Bonds	202,000	-	34,000	168,000	34,000
NC Revolving Loan	549,960	-	36,664	513,296	36,664
Capital leases	-	139,167	-	139,167	45,650
Business-type Activity Long-Term Liabilities	<u>\$ 888,398</u>	<u>\$ 171,070</u>	<u>\$ 72,925</u>	<u>\$ 986,543</u>	<u>\$ 123,380</u>

A summary of future debt-service obligations is as follows:

	<u>Principal</u>	<u>Interest</u>
Governmental activities:		
2015	45,650	2,240
2016	46,385	1,505
2017	47,132	759
Total	<u>\$ 139,167</u>	<u>\$ 4,504</u>
Business-type activities:		
2015	116,314	22,266
2016	117,049	17,496
2017	117,796	15,725
2018	70,664	12,434
2019	68,664	9,904
2020-2024	183,320	29,067
2025-2028	146,656	8,306
Total	<u>\$ 820,463</u>	<u>\$ 115,198</u>

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

C. Inter-fund Balances and Activity

There is an inter-fund receivable and payable of \$ 108,000 between the general fund and water fund at June 30, 2014 for cash temporarily advanced from the general fund to the water/sewer fund due to cash flow shortages as a result of Hurricane Irene grant funds not received by the water fund at June 30, 2014.

Transfers to/from other funds at June 30, 2014, consist of the following:

From the General Fund to the Dock Fund	\$ 185,302
From the General Fund to the Cemetery Fund	\$ 2,250
From the General Fund to the Pension Trust Fund	\$ 7,379

D. Prior Period Adjustment

A prior period adjustment was made to the government-wide financial statements to restate beginning net position and to the Dock/Museum governmental fund to restate beginning fund balance as a result dock rents in the amount of \$ 28,476 mistakenly recorded in the June 30, 2013 fiscal year that were for the June 30, 2014 fiscal year.

Ending governmental net position – June 30, 2013	\$ 9,481,428
Prior period adjustment	<u>(28,476)</u>
Beginning governmental net position – July 1, 2013	<u>\$ 9,452,952</u>
Ending dock/marina fund balance – June 30, 2013	\$ 49,011
Prior period adjustment	<u>(28,476)</u>
Beginning dock/marina fund balance – July 1, 2013	<u>\$ 20,535</u>

E. Net Investment in Capital Assets

Governmental Activities:

Capital Assets	\$ 5,754,835
Less long-term debt	<u>(139,167)</u>
Net investment in capital assets	<u>\$ 5,615,668</u>

Business-Type Activities:

Capital Assets	\$ 5,969,316
Less long-term debt	<u>(820,463)</u>
Net investment in capital assets	<u>\$ 5,148,853</u>

**TOWN OF MANTEO**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

**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		\$ 4,218,783
Less:		
Prepaid expenses	6,251	
Stabilization by State Statute	460,459	
Appropriated fund balance in FY 15 budget	378,133	
Streets – Powell Bill	142,583	
Working capital/fund balance policy	<u>2,469,228</u>	
Total reductions	\$3,456,654	<u>(3,456,654)</u>
Remaining Fund Balance		<u>\$ 762,129</u>

The Town has a minimum fund balance policy which requires a minimum balance of 75% of the previous fiscal year’s general fund expenditures which is \$ 2,469,228.

Outstanding encumbrances at year-end are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Encumbrances at June 30, 2014, were \$ 0 in the general fund and \$ 50,000 in the water and sewer fund.

**IV. Summary Disclosure of Significant Contingencies**

**Federal and State Assisted Programs**

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

**Water Purchase Contract**

A water purchase contract was executed with Dare County in February, 2012 for a period of 15 years to adjust the wholesale cost of water purchased to be the same as other municipalities in Dare County. The increase in wholesale water rates will be phased in over a three year period. The water rate can be adjusted annually with the increase or decrease in rates to be based on a demonstrable increase or decrease in costs. For the year ended June 30, 2014 the Town purchased water at a rate of \$ 1.541 per thousand gallons for a total cost of \$ 120,816.

**Municipal Waste Management Agreement**

On December 23, 1993, the Town entered into a Municipal Waste Management Agreement with Dare County, a member of the Albemarle Regional Solid Waste Authority, for disposal of solid waste. The contract extends for twenty years. Charges are based on the Town’s actual tonnage of solid waste; the rate in effect for the year ended June 30, 2014 was \$ 72.18 per ton.

**V. Subsequent Events**

Management has evaluated subsequent events through November 14, 2014, the date on which the financial statements were available to be issued.

# TOWN OF MANTEO, NORTH CAROLINA

## Law Enforcement Officers' Special Separation Allowance

### Required Supplementary Information

#### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll c	UAAL as a % of Covered Payroll ((b-a)/c)
		Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)			
12/31/07	\$ -	\$ 105,530	\$ 105,530	0.00%	288,065	36.63%
12/31/08	-	49,062	49,062	0.00%	296,480	16.55%
12/31/09	-	59,256	59,256	0.00%	317,407	18.67%
12/31/10	-	48,472	48,472	0.00%	325,207	14.90%
12/31/11	-	44,660	44,660	0.00%	336,083	13.29%
12/31/12	-	48,903	48,903	0.00%	322,358	15.17%
12/31/13	111,380	58,683	(52,697)	189.80%	348,197	-15.13%

# TOWN OF MANTEO, NORTH CAROLINA

## Law Enforcement Officers' Special Separation Allowance

### Required Supplementary Information

#### Schedule of Employer Contributions

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Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	\$ 10,897	88.36%
2009	\$ 10,897	88.36%
2010	\$ 5,668	169.88%
2011	\$ 7,509	128.24%
2012	\$ 6,884	139.88%
2013	\$ 6,986	1487.33%
2014	\$ 7,379	100.00%

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#### Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of an actuarial valuation as follows:

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25-7.85%
*Includes inflation at	3.00%
Cost of living adjustments	N/A

# TOWN OF MANTEO, NORTH CAROLINA

## Other Postemployment Benefits

### Required Supplementary Information

#### Schedule of Funding Progress

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll c	UAAL as a % of Covered Payroll ((b-a)/c)		
		-Projected Unit Credit (b)	Liability (AAL)						
12/31/08	-	504,026	504,026	0.00%	1,349,404	37.40%			
12/31/11	-	1,179,345	1,179,345	0.00%	1,409,575	83.70%			

# TOWN OF MANTEO, NORTH CAROLINA

## Other Postemployment Benefits

### Required Supplementary Information

#### Schedule of Employer Contributions

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Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 62,354	0.00%
2011	62,354	0.00%
2012	136,731	0.00%
2013	136,731	3.27%
2014	136,731	4.07%

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#### Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of an actuarial valuation as follows:

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	9.5% - 5.00%
Year of Ultimate trend rate	2018
 *Includes inflation at	 3.00%

# TOWN OF MANTEO, NORTH CAROLINA

Schedule 1

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN

### FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
<b><u>REVENUES</u></b>				
<b><u>AD VALOREM TAXES:</u></b>				
Current year ad valorem	\$ 1,700,000	\$ 1,851,588	\$ 151,588	\$ 1,721,147
Prior year ad valorem	9,000	6,645	(2,355)	12,889
Motor vehicle taxes	28,000	59,173	31,173	32,944
Late list to BOE, penalties to NC	(1,800)	(1,533)	267	(1,541)
Penalties and interest	3,500	4,852	1,352	4,602
	<u>1,738,700</u>	<u>1,920,725</u>	<u>182,025</u>	<u>1,770,041</u>
<b><u>OTHER TAXES AND LICENSES:</u></b>				
Local option sales tax	495,000	537,525	42,525	495,715
Privilege licenses	19,000	19,735	735	16,351
Occupancy tax	600,000	610,398	10,398	571,874
Land transfer tax	128,000	130,512	2,512	117,852
	<u>1,242,000</u>	<u>1,298,170</u>	<u>56,170</u>	<u>1,201,792</u>
<b><u>UNRESTRICTED INTERGOVERNMENTAL REVENUES:</u></b>				
ABC Revenue	50,500	48,800	(1,700)	46,458
Utilities franchise tax	162,000	114,121	(47,879)	109,988
Telecommunications tax	-	24,072	24,072	25,671
Video programming tax	-	38,831	38,831	39,243
Peg channel revenue	80,000	63,568	(16,432)	63,672
Solid waste tax	850	830	(20)	911
Beer and wine tax	4,600	6,474	1,874	5,866
	<u>297,950</u>	<u>296,696</u>	<u>(1,254)</u>	<u>291,809</u>
<b><u>RESTRICTED INTERGOVERNMENTAL REVENUES:</u></b>				
State and Federal:				
Powell Bill allocation	33,837	33,836	(1)	32,961
NC DENR-Stormwater	-	-	-	24,625
NC DENR-Dredging	60,000	60,000	-	90,000
NC Rural Center-CIP Grant	-	-	-	1,520
Controlled substance reimbursement	100	23	(77)	49
Local:				
Government Access Channel	20,000	3,575	(16,425)	13,997
DCTB-Cycle NC	6,000	-	(6,000)	-
DCTB-Fireworks	9,250	9,250	-	9,250
	<u>129,187</u>	<u>106,684</u>	<u>(22,503)</u>	<u>172,402</u>

# TOWN OF MANTEO, NORTH CAROLINA

Schedule 1

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN

### FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
<b>PERMITS AND FEES:</b>				
Building permits and review fees	22,500	22,760	260	28,469
	<u>22,500</u>	<u>22,760</u>	<u>260</u>	<u>28,469</u>
<b>SALES AND SERVICES:</b>				
Court costs	600	524	(76)	466
Violations	1,700	2,695	995	625
	<u>2,300</u>	<u>3,219</u>	<u>919</u>	<u>1,091</u>
<b>INVESTMENT EARNINGS</b>	<u>5,500</u>	<u>3,054</u>	<u>(2,446)</u>	<u>5,601</u>
<b>OTHER REVENUES:</b>				
Rents	7,560	10,265	2,705	10,067
Vendor fees	9,800	7,110	(2,690)	4,450
Cable franchise fee	6,000	6,722	722	6,343
Sales of fixed assets and dumpsters	18,500	19,193	693	5,474
Contribution	1,000	1,000	-	-
Miscellaneous	60,348	28,001	(32,347)	2,568
	<u>103,208</u>	<u>72,291</u>	<u>(30,917)</u>	<u>28,902</u>
<b>TOTAL REVENUES</b>	<b>\$ 3,541,345</b>	<b>\$ 3,723,599</b>	<b>\$ 182,254</b>	<b>\$ 3,500,107</b>
 <b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT:</b>				
Governing body:				
Salaries		\$ 46,100		\$ 38,400
Fringe benefits		4,026		4,337
BOC Discretionary fund		7,717		9,150
Travel		4,142		2,352
Advertising		2,401		2,394
Contributions		150		156
Government access programming		1,000		1,000
Student laptop program		-		8,440
Government Access Channel grant		3,575		14,260
Information technology		6,065		5,432
Fax line reimbursement		288		288
	<u>115,621</u>	<u>75,464</u>	<u>40,157</u>	<u>86,209</u>
Planning Board:				
Salaries		9,000		8,550
Fringe benefits		1,189		1,254
Board of adjustment fees		108		-
Miscellaneous		629		41
	<u>14,745</u>	<u>10,926</u>	<u>3,819</u>	<u>9,845</u>

# TOWN OF MANTEO, NORTH CAROLINA

Schedule 1

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN

### FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
Public Buildings:				
Telephone and postage		21,320		21,418
Utilities		22,202		27,838
Dues and subscriptions		-		147
Maintenance and repairs		20,815		20,838
Contracted services		5,622		3,710
Information technology		208		115
Supplies		3,121		1,152
Copier lease		520		641
Debt service		20,479		20,546
Skateboard Park		720		1,535
C/O-Cook House boat shed		-		9,778
Capital outlay-land		56,487		-
Pirate's Cove dredging project		92,000		149,225
	<u>358,000</u>	<u>243,494</u>	<u>114,506</u>	<u>256,943</u>
Administration:				
Salaries		201,936		194,054
Fringe benefits		75,499		67,303
Professional services		1,613		2,468
Legal fees		32,506		28,583
Recodification and minute restoration		6,618		681
Election		2,799		-
Travel and training		8,746		8,123
Advertising		7,914		1,922
Public relations supplies		13,661		8,271
Vehicle supplies		1,002		724
Department supplies		3,455		6,101
Maintenance and repair		172		-
Dues and subscriptions		5,631		5,176
Insurance and bonds		21,427		23,892
Audit contract		5,875		10,750
Information technology		17,550		12,032
Software maintenance		2,548		2,648
Wellness program		1,733		42
PEG Channel to Dare County		63,568		63,672
OSHA compliance		1,282		-
Ordinance fine remittance to BOE		2,695		-
Capital improvement plan		-		1,520
	<u>562,723</u>	<u>478,230</u>	<u>84,493</u>	<u>437,962</u>

**TOWN OF MANTEO, NORTH CAROLINA**

Schedule 1

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**

**FUND BALANCE - BUDGET AND ACTUAL**

**For the Year Ended June 30, 2014**

**With Comparative Actual Amounts for the Year Ended June 30, 2013**

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
Finance:				
Salaries		97,975		88,756
Fringe benefits		42,990		38,585
Dare County for tax collections		29,687		26,571
Travel & training		2,871		3,890
Maintenance and repair		1,314		1,509
Information technology		255		1,995
Bank fees		2,676		1,178
Professional services		2,976		2,400
Supplies		3,885		2,526
Dues and subscriptions		305		330
	<u>202,388</u>	<u>184,934</u>	<u>17,454</u>	<u>167,740</u>
Planning Department:				
Salaries		114,422		107,407
Fringe benefits		44,158		37,667
Professional services		2,122		1,780
Maintenance and repairs		263		1,561
Advertising		188		424
Auto supplies		1,415		3,684
Travel and training		1,661		5,414
Supplies		2,409		1,155
Printing		-		375
Information technology		912		4,000
Dues and subscriptions		343		60
Permits and fees		(200)		200
Stormwater improvements		3,540		99,307
Long range planning study		596		403
20 year plan implementation		15,778		22,309
	<u>270,602</u>	<u>187,607</u>	<u>82,995</u>	<u>285,746</u>

# TOWN OF MANTEO, NORTH CAROLINA

Schedule 1

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN

### FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
Cultural Projects:				
Special event Chairman		1,292		-
Christmas		11,793		12,810
Dare Days		5,000		5,129
Farmer's Market		1,420		812
First Friday, Terrific Tuesday		2,400		4,800
Special events		2,817		1,836
July 4th		25,688		22,274
Total Cultural and Recreational	54,400	50,410	3,990	47,661
TOTAL GENERAL GOVERNMENT	1,578,479	1,231,065	347,414	1,292,106
PUBLIC SAFETY:				
Police Department:				
Salaries		371,386		371,096
Fringe benefits		187,531		169,881
Separation allowance		7,379		103,905
Advertising		1,249		974
Travel and training		4,366		3,017
Maintenance and repair		15,649		17,041
Telephone and postage		12,451		11,343
Auto supplies		19,079		20,060
Department supplies		13,405		9,768
Copier lease		2,417		2,337
Contracted services		864		1,502
Information technology		22,747		9,948
Community policing		2,205		2,391
Uniforms		7,723		4,372
Dues and subscriptions		200		280
Medical		799		40
Firing range		1,000		686
K-9 expenses		12,159		-
Capital outlay		58,680		53,176
	860,221	741,289	118,932	781,817
Fire Department:				
Contracted services	236,000	236,000	-	232,000
	236,000	236,000	-	232,000
TOTAL PUBLIC SAFETY	1,096,221	977,289	118,932	1,013,817

# TOWN OF MANTEO, NORTH CAROLINA

Schedule 1

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN

### FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
TRANSPORTATION AND ENVIRONMENTAL PROTECTION:				
Streets and Sanitation:				
Salaries		274,306		263,060
Fringe benefits		124,443		105,519
Uniforms		6,430		6,975
Utilities		35,805		36,398
Contracted services		22,072		8,715
Information technology		2,207		1,234
Maintenance and repair		42,237		40,436
Repair and maintenance-streets		7,682		36,073
Repair and maintenance-docks/parks		8,954		4,628
Auto supplies		29,768		27,013
Telephone and postage		3,399		3,400
Advertising		-		220
Travel and training		5,122		3,276
Medical services		790		305
Purchase for resale		2,721		6,646
Dues and subscription		209		319
Supplies		15,109		14,140
Garbage disposal		140,788		141,500
Catch basin cleaning		-		7,119
Capital Outlay		169,504		151,386
	<u>980,866</u>	<u>891,546</u>	<u>89,320</u>	<u>858,362</u>
Powell Bill:				
Professional services		12,074		543
Maintenance and repairs		11,860		33,000
	<u>121,500</u>	<u>23,934</u>	<u>97,566</u>	<u>33,543</u>
Stormwater:				
Construction		136,727		275,381
Engineering and planning		31,743		26,128
	<u>200,000</u>	<u>168,470</u>	<u>31,530</u>	<u>301,509</u>
TOTAL TRANSPORTATION AND ENVIRONMENTAL PROTECTION				
	<u>1,302,366</u>	<u>1,083,950</u>	<u>218,416</u>	<u>1,193,414</u>
<b>TOTAL EXPENDITURES</b>	<b>3,977,066</b>	<b>3,292,304</b>	<b>684,762</b>	<b>3,499,337</b>

**TOWN OF MANTEO, NORTH CAROLINA**

Schedule 1

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**

**FUND BALANCE - BUDGET AND ACTUAL**

**For the Year Ended June 30, 2014**

**With Comparative Actual Amounts for the Year Ended June 30, 2013**

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(435,721)</b>	<b>431,295</b>	<b>867,016</b>	<b>770</b>
OTHER FINANCING SOURCES (USES):				
Fund balance appropriated	645,273	-	(645,273)	-
Debt proceeds	-	139,167	139,167	-
Operating transfers:				
To Special Revenue Fund	(209,552)	(187,552)	22,000	(176,000)
	<u>435,721</u>	<u>(48,385)</u>	<u>(484,106)</u>	<u>(176,000)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ -</b>	<b>382,910</b>	<b>\$ 382,910</b>	<b>(175,230)</b>
<b>FUND BALANCE:</b>				
Beginning of year, July 1		<u>3,835,873</u>		<u>4,011,103</u>
End of year, June 30		<u>\$ 4,218,783</u>		<u>\$ 3,835,873</u>

**TOWN OF MANTEO, NORTH CAROLINA**  
**CEMETERY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2014**  
**With Comparative Actual Amounts for the Year Ended June 30, 2013**

Schedule 2

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
<b><u>REVENUES:</u></b>				
Internment fees	\$ -	\$ 1,650	\$ 1,650	\$ 2,400
Lot sales	-	6,000	6,000	10,800
Interest income	550	316	(234)	542
	<u>550</u>	<u>7,966</u>	<u>7,416</u>	<u>13,742</u>
<b><u>EXPENDITURES:</u></b>				
Cemetery operations	2,800	97	2,703	2,046
	<u>2,800</u>	<u>97</u>	<u>2,703</u>	<u>2,046</u>
<b><u>REVENUES OVER EXPENDITURES</u></b>	<u>(2,250)</u>	<u>7,869</u>	<u>10,119</u>	<u>11,696</u>
<b><u>OTHER FINANCING SOURCES</u></b>				
<b><u>(USES):</u></b>				
Transfer from (to) General Fund	2,250	2,250	-	-
	<u>2,250</u>	<u>2,250</u>	<u>-</u>	<u>-</u>
<b><u>EXCESS OF REVENUES AND</u></b>				
<b><u>OTHER SOURCES (USES)</u></b>				
<b><u>OVER EXPENDITURES</u></b>	<u>\$ -</u>	<u>10,119</u>	<u>\$ 10,119</u>	<u>11,696</u>
<b><u>FUND BALANCE:</u></b>				
Beginning of year, July 1		<u>405,304</u>		<u>393,608</u>
End of year, June 30		<u>\$ 415,423</u>		<u>\$ 405,304</u>

# TOWN OF MANTEO, NORTH CAROLINA

Schedule 3

## DOCK AND MUSEUM FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
<b><u>REVENUES:</u></b>				
Dock rent	\$ 186,540	\$ 176,307	\$ (10,233)	\$ 187,611
Wedding administration	15,000	6,800	(8,200)	10,300
Contributions	1,520	-	(1,520)	1,650
Tuition and events income	24,935	10,121	(14,814)	13,727
Miscellaneous	3,000	1,475	(1,525)	3,300
DCTB grant - Net Shed/Video	54,600	8,083	(46,517)	46,517
Interest income	15	-	(15)	1
	<u>285,610</u>	<u>202,786</u>	<u>(82,824)</u>	<u>263,106</u>
<b><u>EXPENDITURES:</u></b>				
<b><u>DOCK</u></b>				
Salaries		58,563		57,204
Fringe benefits		20,954		18,984
Professional services		3,072		230
Audit		5,875		4,000
Uniforms		607		603
Supplies		6,628		10,738
Telephone and postage		3,270		3,498
Utilities		39,769		39,948
Repair and maintance		24,232		55,628
Advertising		9,809		14,541
Information tehnology		24,074		11,971
Travel and training		849		498
Cleaning services		4,264		4,346
Contracted services		5,196		7,039
Insurance		2,254		2,500
Dock office rent		-		4,612
Waterfront condo fee		5,112		3,181
Bank fees		3,954		4,011
Capital outlay		-		81,415
	<u>288,070</u>	<u>218,482</u>	<u>69,588</u>	<u>324,947</u>
<b><u>MUSEUM</u></b>				
Salaries		55,596		52,648
Fringe benefits		26,045		23,632
Sailing instructors		8,543		7,485
Uniforms		799		1,298
Supplies		6,596		6,918
Events		2,493		2,988
Utilities		7,119		5,311
Advertising		977		-
Telephone and postage		336		-
Repair and maintance		20,979		8,489
Information tehnology		297		1,952
Travel and training		1,710		1,270

# TOWN OF MANTEO, NORTH CAROLINA

Schedule 3

## DOCK AND MUSEUM FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2014

With Comparative Actual Amounts for the Year Ended June 30, 2013

	2014		Variance Favorable (Unfavorable)	2013
	Budget	Actual		Actual
Contracted services		2,980		2,178
Insurance		2,254		3,500
Dues and subscriptions		370		476
Net shed/video project		16,612		46,517
Capital outlay		20,000		-
	<u>211,054</u>	<u>173,706</u>	<u>37,348</u>	<u>164,662</u>
<b><u>TOTAL EXPENDITURES</u></b>	<u>499,124</u>	<u>392,188</u>	<u>106,936</u>	<u>489,609</u>
<b><u>REVENUE OVER (UNDER) EXPENDITURES</u></b>	(213,514)	(189,402)	24,112	(226,503)
<b><u>OTHER FINANCING SOURCES</u></b>				
Transfer From General Fund	207,302	185,302	(22,000)	176,000
Fund Balance Appropriated	<u>6,212</u>	<u>-</u>	<u>(6,212)</u>	<u>-</u>
<b><u>TOTAL OTHER FINANCING SOURCES</u></b>	<u>213,514</u>	<u>185,302</u>	<u>(28,212)</u>	<u>176,000</u>
<b><u>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u></b>	<u>\$ -</u>	<u>\$ (4,100)</u>	<u>\$ (4,100)</u>	<u>\$ (50,503)</u>
<b><u>FUND BALANCE:</u></b>				
Beginning of year, July 1 (restated)		<u>20,535</u>		<u>71,038</u>
End of year, June 30		<u>\$ 16,435</u>		<u>\$ 20,535</u>

**TOWN OF MANTEO, NORTH CAROLINA**

Schedule 4

**WATER AND SEWER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

**BUDGET AND ACTUAL (NON-GAAP)**

**For the Year Ended June 30, 2014**

**With Comparative Actual Amounts for the Year Ended June 30, 2013**

	2014		Variance Favorable Unfavorable	2013
	Budget	Actual		
<b>REVENUES:</b>				
<u>Operating Revenues:</u>				
Water charges	\$ 900,000	\$ 783,865	\$ (116,135)	\$ 713,105
Sewer charges	1,000,000	982,617	(17,383)	1,032,388
Taps and connections	30,000	73,376	43,376	24,000
Reconnections	6,000	5,450	(550)	4,950
Penalties	19,500	22,672	3,172	20,539
Other revenue	2,000	866	(1,134)	1,465
	<u>1,957,500</u>	<u>1,868,846</u>	<u>(88,654)</u>	<u>1,796,447</u>
<u>Non-operating Revenues:</u>				
Rent income	9,600	9,600	-	8,800
Interest income	200	151	(49)	35
	<u>9,800</u>	<u>9,751</u>	<u>(49)</u>	<u>8,835</u>
<b>TOTAL REVENUES</b>	<u>1,967,300</u>	<u>1,878,597</u>	<u>(88,703)</u>	<u>1,805,282</u>
<b>EXPENDITURES:</b>				
<u>WATER:</u>				
Administration:				
Salaries		49,973		45,079
Fringe benefits		20,688		17,041
Audit		5,875		5,375
Contracted services		986		26
Postage		2,062		2,016
Travel and training		1,740		736
Department supplies		142		428
Software maintenance		2,036		2,086
Information technology		1,126		1,276
Repairs and maintenance		-		247
Bad debts		465		2,967
	<u>99,737</u>	<u>85,093</u>	<u>14,644</u>	<u>77,277</u>
<u>WATER:</u>				
Operations:				
Salaries		144,114		140,263
Fringe benefits		69,895		62,596
Professional fees		13		150
Dues and subscriptions		130		505
Printing		444		-
Advertising		122		54
Permits and fines		360		-
Repairs and maintenance-equipment		2,641		2,525
Repairs and maintenance-lines		31,840		19,857
Telephone and postage		5,502		4,038
Auto supplies		4,053		3,798
Plant supplies		17,528		18,614
Travel and training		755		1,087
Information technology		215		1,463
Insurance and bonds		14,628		9,750
Lab tests		22,190		23,383
Bulk water		120,816		109,171

**TOWN OF MANTEO, NORTH CAROLINA**

Schedule 4

**WATER AND SEWER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

**BUDGET AND ACTUAL (NON-GAAP)**

**For the Year Ended June 30, 2014**

**With Comparative Actual Amounts for the Year Ended June 30, 2013**

	2014		Variance Favorable Unfavorable	2013
	Budget	Actual		
Uniforms		3,444		1,923
Copier lease		1,582		1,478
Contracted services		205		64,628
Meter installation		31,636		115,678
Capital outlay		73,180		6,646
	<u>599,912</u>	<u>545,293</u>	<u>54,619</u>	<u>587,607</u>
<u>Total Water</u>	<u>699,649</u>	<u>630,386</u>	<u>69,263</u>	<u>664,884</u>
<b>SEWER:</b>				
Administration:				
Salaries		49,973		45,079
Fringe benefits		20,688		17,041
Audit		5,875		5,375
Contracted services		986		26
Postage		2,062		2,016
Travel and training		1,740		736
Department supplies		142		428
Software maintenance		2,036		2,086
Information technology		1,126		1,276
Repairs and maintenance		-		247
Bad debts		465		2,967
	<u>99,737</u>	<u>85,093</u>	<u>14,644</u>	<u>77,277</u>
<b>SEWER:</b>				
Operations:				
Salaries		148,117		142,070
Fringe benefits		67,017		62,846
Professional fees		233		275
Dues and subscriptions		-		120
Advertising		122		54
Utilities		44,859		44,955
Repairs and maintenance-equipment		8,286		1,576
Repairs and maintenance - plant		78,310		67,444
Repairs and maintenance - collection system		69,821		66,636
Repairs and maintenance-lines		20,866		19,513
Repairs and maintenance - contracted services		-		24,228
Telephone and postage		11,286		8,540
Auto supplies		4,053		3,798
Plant supplies		16,171		26,351
Chemicals		59,645		42,925
Contracted services-sludge removal		83,658		61,635
Travel and training		1,134		2,655
Insurance and bonds		14,628		9,750
Lab tests		22,192		23,383
Uniforms		3,107		2,666
Permits, fees and fines		5,090		5,900
Information technology		25		2,634
Copier lease		1,582		1,478
Hurricane Irene grant write off		27,176		-
Capital outlay		162,412		15,643
	<u>938,217</u>	<u>849,790</u>	<u>88,427</u>	<u>637,075</u>
<u>Total Sewer</u>	<u>1,037,954</u>	<u>934,883</u>	<u>103,071</u>	<u>714,352</u>

**BUDGETARY APPROPRIATIONS:**

**TOWN OF MANTEO, NORTH CAROLINA**

Schedule 4

**WATER AND SEWER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES**

**BUDGET AND ACTUAL (NON-GAAP)**

**For the Year Ended June 30, 2014**

**With Comparative Actual Amounts for the Year Ended June 30, 2013**

	2014		Variance Favorable Unfavorable	2013
	Budget	Actual		
Interest	-	22,557	-	30,545
Debt principal	-	70,664	-	218,176
	<u>252,000</u>	<u>93,221</u>	<u>158,779</u>	<u>248,721</u>
<b><u>TOTAL EXPENDITURES</u></b>	<b><u>\$ 1,989,603</u></b>	<b><u>\$ 1,658,490</u></b>	<b><u>\$ 331,113</u></b>	<b><u>\$ 1,627,957</u></b>
<b>REVENUES UNDER EXPENDITURES</b>	<u>(22,303)</u>	<u>220,107</u>	<u>197,804</u>	<u>177,325</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Lease purchase proceeds	-	139,167	139,167	-
Fund balance appropriated	<u>22,303</u>	<u>-</u>	<u>22,303</u>	<u>-</u>
	<u>22,303</u>	<u>139,167</u>	<u>161,470</u>	<u>-</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b><u>\$ -</u></b>	<b><u>\$ 359,274</u></b>	<b><u>\$ 359,274</u></b>	<b><u>\$ 177,325</u></b>

Reconciliation of modified accrual basis to full accrual basis:

Revenues over expenditures	\$ 359,297	\$ 177,325
Principal retirement	70,664	218,176
Loan proceeds	(139,167)	-
Capital outlay	231,996	30,334
Depreciation	(268,528)	(262,909)
Increase (decrease) in inventory	-	(50,264)
(Increase) in net OPEB obligation	(31,903)	(34,327)
(Increase) decrease in compensated absences	2,261	(1,842)
Change In Net Assets	<u>\$ 224,620</u>	<u>\$ 76,493</u>

**TOWN OF MANTEO, NORTH CAROLINA**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2014**

Schedule 5

Fiscal Year	Uncollected Balance June 30, 2013	Additions	Releases/ Adjustments	Collections and Credits	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 1,923,382	\$ (1,153)	\$ 1,907,216	15,013
2012-2013	12,141	-	(401)	8,517	3,223
2011-2012	7,937	-	(261)	1,195	6,481
2010-2011	2,641	-	-	196	2,445
2009-2010	714	-	-	89	625
2008-2009	684	-	-	68	616
2007-2008	783	-	-	68	715
2006-2007	783	-	-	12	771
2005-2006	884	-	-	-	884
2004-2005	505	-	-	41	464
2003-2004	799	-	(799)	-	-
	\$ 27,871	\$ 1,923,382	\$ (2,614)	\$ 1,917,402	\$ 31,237

Reconciliation with revenues:

Ad valorem taxes - general fund (Statement 1)	\$ 1,920,725
Less penalties and interest	(4,856)
Penalties to Board of Education/State	1,533
	\$ 1,917,402

**TOWN OF MANTEO, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**June 30, 2014**

Schedule 6

	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$ 547,669,037	0.350	\$ 1,916,842	\$ 1,864,181	\$ 52,661
Registered motor vehicles taxed at prior year's rate	\$ 1,902,890	0.255	4,852	-	4,852
Abatements:	(414,380)	0.350	(1,057)	(1,057)	-
Late list penalties	-		1,592	1,592	-
Total property valuation	<u>\$ 549,157,547</u>				
Net levy			<u>1,922,229</u>	<u>1,864,716</u>	<u>57,513</u>
Uncollected taxes at June 30, 2014			<u>15,013</u>	<u>13,128</u>	<u>1,885</u>
Current year's taxes collected			<u>\$ 1,907,216</u>	<u>\$ 1,851,588</u>	<u>\$ 55,628</u>
Current levy collection percentage			<u>99.22%</u>	<u>99.30%</u>	<u>96.72%</u>

# Dowdy & Osborne LLP

CERTIFIED PUBLIC ACCOUNTANTS

Jeff Dowdy, CPA • Teresa Osborne, CPA

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

### INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregated remaining fund information of the Town of Manteo, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Manteo's basic financial statements, and have issued our report thereon dated November 14, 2014.

#### Internal Control Over Financial Reporting

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

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

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

103 W. Woodhill Dr., Suite B • P.O. Box 9 • Nags Head, North Carolina 27959  
Telephone 252.449.4404 • Facsimile 252.449.6976

### Compliance and Other Matters

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

### Purpose of this Report

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

### ***Dowdy & Osborne, LLP***

Dowdy & Osborne, LLP  
Certified Public Accountants

Nags Head, North Carolina

November 14, 2014