

**Town of Emerald Isle,
North Carolina**

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2013

Prepared by:
Town of Emerald Isle Finance Department
and Town Manager

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Town of Emerald Isle, North Carolina
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June 30, 2013

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INTRODUCTORY SECTION

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Town of Emerald Isle

Mayor
Arthur B. Schools, Jr.

Mayor Pro-Tem
Floyd Messer, Jr.

Board of Commissioners
Nita Hedreen
Tom Hoover, Jr.
John Wootten
Maripat Wright



Town Manager
Frank A. Rush, Jr.
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Visit our web site at www.emeraldisle-nc.org !

September 25, 2013

The Honorable Mayor and Members of the Board of Commissioners
Town of Emerald Isle
Emerald Isle, North Carolina

The Comprehensive Annual Financial Report (CAFR) for the Town of Emerald Isle, North Carolina, for the fiscal year ended June 30, 2013, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures within this report rests with the management of the Town of Emerald Isle. The financial statements and supplemental schedules contained herein have been audited by the independent certified public accounting firm of Williams · Scarborough · Smith · Gray, LLP and their unqualified opinion is included in the financial section of the Comprehensive Annual Financial Report.

The Town of Emerald Isle provides a full range of services to its citizens. General Fund services include police, fire, planning and inspections, public works, parks and recreation, and various other services. The Town's significant beach nourishment activities are reflected in the Future Beach Nourishment Fund and the Beach Nourishment Debt Service Fund, and in specific capital projects fund(s). There are no exclusions described herein and all the Town's operations are included within this report.

As demonstrated by the statements and schedules included in the financial section of the report, the Town continues to meet its responsibility for sound financial management. Immediately following the Independent Auditor's report is Management's Discussion and Analysis (MD&A), which provides a narrative overview of the Town's financial performance for fiscal year ended June 30, 2013. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Town of Emerald Isle

Emerald Isle is located on the western 12 miles of Bogue Banks, a ~25 mile barrier island located on North Carolina's central coast in Carteret County. Emerald Isle is located approximately 35 miles southwest of Cape Lookout.

The Town occupies approximately 5.2 square miles, and the corporate limits are entirely on the barrier island. The width of the island at Emerald Isle varies from as narrow as .2 miles on the eastern end of Town, to approximately .8 miles in the central and western areas of the Town. The Town is bounded by the Atlantic Ocean to the south, the Atlantic Intracoastal Waterway to the north, Bogue Inlet to the west, and the Town of Indian Beach to the east. The principal highways serving the Town and the surrounding areas are NC 58, NC 24, and US 70. NC 58 traverses the Atlantic Intracoastal Waterway via a high-rise bridge

that enters western Emerald Isle and serves as the primary means of access to and through the Town. Another high rise bridge serves the barrier island in the Town of Atlantic Beach, located approximately 10 miles east of the eastern corporate limits of the Town.

The Town is a popular oceanfront resort. Visitors come from all over North Carolina, the United States, and foreign countries to enjoy the Town's sandy beaches, excellent water quality, boating and fishing opportunities, and relaxed, family atmosphere. The Town has worked hard to maintain a family beach and small-town atmosphere, and is primarily developed with single family and duplex residential properties. The Town has developed in a low density fashion, with only approximately 2 housing units per acre, and a long-standing requirement to retain approximately 1/3 of each residential lot in its natural condition (no removal of significant trees or alteration of topography). Commercial development is concentrated along a two-mile stretch of NC 58 near the center of Town. The Town limits building heights to 40 or 50 feet throughout the Town, with only two condominium structures taller than 50 feet (approximately 75 feet tall). Almost all structures (single-family residential, multi-family residential, and commercial) in the Town are 1, 2, or 3 stories tall.

According to the US Census, the Town's permanent population has increased from 3,488 in 2000 to 3,655 in 2010. The North Carolina State Demographer estimates the Town's annual population as of July 2012 at 3,717. With a significant number of second homes, these population estimates are likely understated to some degree when one considers that many retired second home owners split their time between Emerald Isle and their original home, with considerable extended amounts of time spent in Emerald Isle all throughout the year. As more second home owners reach retirement in the future, the presence of additional people in the Town is likely to continue to expand, as well as the permanent population estimate.

The total tax base of the Town is nearly \$3 billion, and represents nearly 20% of the total Carteret County taxable value. Emerald Isle has the largest tax base of any municipality in Carteret County, and exceeds the combined tax base of the main permanent population center in the Morehead City / Beaufort / Newport area of Carteret County. Housing units are perhaps a better indicator of the size and complexity of the Town, and according to the 2010 census, there are more than 6,700 housing units in the Town, with approximately 5,000 of these serving as second homes or vacation rental units. During the peak of the summer season, Emerald Isle's population is estimated at more than 40,000 people.

There are 21 oceanfront municipalities in North Carolina, and Emerald Isle ranks at or near the top of nearly all measures of size – including permanent population (4th), taxable value (1st), housing units (2nd), and land area (8th). Because of its beautiful natural environment and commitment to a “family beach” and small-town atmosphere, the Town has developed into a popular vacation and retirement destination, and has also grown into a desirable place for young families.

The Town operates under the council-manager form of government, and has since the Board of Commissioners adopted this form in 1997. The Board of Commissioners consists of five members, elected to serve staggered four-year and two-year terms. The Mayor is elected separately for a four-year term. The Town Manager is appointed by the Board of Commissioners, and serves at the pleasure of the Board. The Town Attorney is also appointed by the Board of Commissioners, and serves at their pleasure. All other Town staff are appointed by the Town Manager.

The Board of Commissioners determines Town priorities, establishes programs and services to address community needs, adopts and amends the annual budget, enacts the annual tax rate and other fees, regulates land use, and provides policy direction to the Town Manager. The Town Manager implements Board policies, performs research on policy issues, provides recommendations to the Board, develops the recommended budget, oversees day-to-day operations, and supervises Town department heads. The

Board of Commissioners approves all agreements and contracts. The Board of Commissioners appoints citizens to various Boards and Committees and represents the Town as the overall leadership entity.

The Town provides the following services to its citizens: law enforcement, emergency management, planning and inspections, fire, sanitation, street maintenance, storm water management, parks and recreation, beach and water access, and beach nourishment. Emergency medical services are provided by a non-profit corporation (utilizing a combination of paid and volunteer staff) under contract to the Town. These Town services are supported by an administrative staff, which provides supervision, finance, tax administration, risk management, data processing, and personnel.

Public water is provided by a private, non-profit corporation. The vast majority of the residential and commercial structures within the Town utilize on-site wastewater (septic) systems, with a few package wastewater treatment plants also in use.

As required by North Carolina General Statutes, the Town adopts an annual budget for all Town activities and departments. Annual appropriations are established for all General Fund activities, beach nourishment activities, and other special revenue funds. All annual appropriations lapse at the fiscal year end. The Town also utilizes several multi-year capital project funds that remain active for the entire planning, design, and construction period of a particular project. All budgets are prepared using the modified accrual basis of accounting.

The Town is organized into the following departments and associated department objectives:

Administration – The department's primary objectives are to lead the Town governmental organization to accomplish important community objectives, to document the Town's official actions and maintain accurate records of the Town, and to safeguard the financial resources of the organization. Additional objectives are to achieve a stable and strong financial position by accurately estimating, prudently allocating, and managing financial resources. The department also provides project leadership for various major capital initiatives, including significant beach nourishment activities.

Police – The department's primary objectives are to continue providing public safety coverage, outstanding public relations, community involvement, and quick emergency response as the Town grows and develops. The department's staff has continued at a high level and has enhanced public safety.

Fire – The department's primary objectives are to protect the public's health and safety and prevent / limit property damages. The department continues its commitment to professionalism through proper training requirements, certifications, reliable equipment, and the retention of quality professionals. Each shift is now composed of four firemen. The Fire Department maintains an ISO rating of four (4).

Public Works – The department's primary objectives are to promote the functionality, safe use, and aesthetics of the Town's infrastructure. The department oversees the Town's solid waste collection efforts, maintains the Town's street and sidewalk network, maintains the Town's storm water management system, and maintains all Town facilities in a quality manner.

Planning and Inspections – The department's primary objectives are to assist in the development of land use regulations and ensure proper enforcement of land use regulations and North Carolina building code requirements to protect the public's health, safety, and welfare, and to promote an attractive community with a high quality of life. The department reviews all development plans in the Town for consistency with the applicable requirements, performs required on-site inspections, and also facilitates new policies or changes in Town policies.

Parks and Recreation – The department’s primary objectives are to develop and manage programs and facilities designed to enhance the public’s enjoyment of the beautiful natural environment in Emerald Isle, promote healthy lifestyles, facilitate athletic endeavors, promote life-long learning opportunities, and promote community interaction and involvement. The department operates a Community Center with various athletic facilities and programs, and other recreation programs, maintains the Town’s beach and sound access facilities and park facilities, provides grounds maintenance in the NC 58 corridor, maintains the Town’s extensive bicycle path network, and coordinates large and small-scale community events.

Financial Management –

Internal Controls. The management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that the objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. Internal control evaluations occur within the above framework, and we believe the Town’s internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budget Controls. In accordance with North Carolina law, the Town’s budget is prepared on the modified accrual basis, and its accounting records are also maintained on that basis. Under modified accrual accounting, revenues are recorded when they are both measurable and available. Expenditures are recorded when a liability is incurred, except for interest on long-term debt and accrued vacation benefits.

Independent Audit. North Carolina General Statutes require an annual independent financial audit of all local government units in the state. Williams · Scarborough · Smith · Gray, LLP, a firm of independent certified public accountants, has audited the financial statements of the Town of Emerald Isle. The auditor’s report on the financial statements is included in the financial section of this report.

Economic Outlook for the Town of Emerald Isle

The local economy is fueled by the tourism, construction, and real estate industries, and also by the accumulated wealth of our many retirees and second home owners. Despite the slower than desired recovery of the regional and national economies, the local economy remains stable and is poised for continued growth, and the community looks forward to a bright economic future.

Because of the Town’s desirable coastal location, the long-term economic outlook for the Town remains very positive. The public demand for coastal living and vacation experiences remains high, and “the beach” remains Americans’ favorite vacation destination. The Town has invested appropriately in its most important asset, the beach, with a strong commitment to beach nourishment. The Town has also worked hard to maintain its competitiveness against other beach communities by adding other amenities to strengthen its position. The Town’s commitment to a small-town, family beach atmosphere and strategic initiatives are all designed to maintain and enhance Emerald Isle’s desirability for both residents and visitors. In addition, the Carteret County Tourism Development Authority operates an aggressive marketing campaign to promote the entire area, including Emerald Isle.

The local tourism industry has experienced significant growth over the past 10 years, despite a brief decline during the “Great Recession” in the late 2000s. Carteret County levies a 5% room occupancy tax (scheduled to increase to 6% on January 1, 2014), and total annual room occupancy tax revenues have increased from approximately \$3.34 million in 2002 to \$4.39 million in 2012, an increase of more than 31%. Annual County room occupancy tax revenues peaked at \$4.75 million in 2007, but have now stabilized at

approximately \$4.4 million annually since that time. Emerald Isle represents approximately 65% of County-wide room occupancy tax collections, and Emerald Isle is almost exclusively served by vacation rental units (as opposed to hotels and motels), and this portion of the room occupancy tax base has grown more significantly over the past 10 years. In 2002, Emerald Isle represented approximately 49% of County-wide room occupancy tax collections, and in 2012 the Town's collections represent approximately 65%. County room occupancy tax collections derived from Emerald Isle have actually increased by approximately 69% from 2002 to 2012. Continued growth is anticipated, and partial year reports from 2013 are generally favorable. We look forward to the 2014 tourism season and beyond with optimism.

The local tourism industry, with approximately 5,000 vacation rental units and second homes, helps to support an extensive retail and service economy in Emerald Isle (and the entire County as a whole). These vacation rental units and second homes rely on locally provided maintenance, landscaping, housekeeping, and other services, and the vacationing and second home visitors frequent our restaurants, gift shops, and other retail establishments. The Town's sales tax revenues are dependent on several factors, however, local retail sales affect the Town's sales tax revenues to some degree. After adjustments for other factors, including muting out the boom years of the mid-2000s, the Town's annual sales tax revenues have increased by approximately 40% over the past 10 years.

The local construction industry remains in a slump, and this is likely a reflection of the slow recovery of the local real estate market and the lag associated with the slow improvement of the regional and national economies. The total value of new construction in the Town in FY 12-13 was approximately \$12.3 million, up from the FY 09-10 amount of \$8.9 million (the least amount in recent memory). The Town permitted a total of 18 new residential structures in FY 12-13, compared with only 14 new residential structures in FY 09-10. The FY 12-13 figures are still down significantly from the peak years in the mid-2000s, when total new construction peaked at \$38.4 million and 114 new residential structures in FY 04-05, and still remain well below typical historical activity levels. Prior to the boom in the mid-2000s, the Town typically experienced approximately 60 - 70 new homes constructed annually at a total annual value of approximately \$20 - \$25 million. As there remains a sufficient quantity of vacant lots to accommodate the construction industry for several decades, we remain hopeful that continued improvement in the regional and national economies and the local real estate market will enable the Town to approach typical annual activity levels over the next few years.

The local real estate industry suffered in Emerald Isle, as it did everywhere, during the "market correction" after the boom of the mid-2000s. Most (but likely not all) of the "market correction" has occurred in Emerald Isle, and there is continued gradual improvement in the local real estate market. On a County-wide basis, total sales volume has increased by approximately 33% over 2007-2008 levels and home prices are nearly at 2007-2008 levels again. Emerald Isle real estate agents report gradually increasing activity, and we expect to return to historical stable activity levels within the next few years. Each of the 6 real estate and vacation rental companies in Emerald Isle prior to the boom of the mid-2000s remains in operation today, having prospered during the boom but also having survived the worst of the "correction" in the late 2000s. The local real estate market appears to have regained some stability, and future improvement is expected due to Emerald Isle's desirable coastal location continued improvement in the regional and national economies.

In Emerald Isle, real estate values increased significantly in the mid-2000s, as evidenced by the dramatic increase in the Town's total assessed value from approximately \$1.5 billion (based on 2001 values) to more than \$4.2 billion (based on 2007 values) in the 2007 revaluation. After significant increases in the mid-2000s, real estate values decreased significantly as the real estate market experienced a "correction". Carteret County completed another tax revaluation in 2011, and the Town's total taxable value remains now at slightly less than \$3 billion, which still represents a nearly 100% increase over the 2001 values. The

next tax revaluation is scheduled for 2015, and we do not expect dramatic changes (up or down) at that time.

Emerald Isle, with its desirable coastal location, is home to many retirees and second home owners with high relative wealth. Like everyone, retirement accounts in Emerald Isle were impacted by the volatility in the stock market in the late 2000s, and this likely impacted the local economy. As the stock market has now recouped all of its earlier losses and is now at record highs, this has likely assisted the local economy to some degree. Continued stability and growth in the stock market is expected to help keep the local economy strong in the future.

Additionally, Emerald Isle and surrounding communities benefit from the presence of two large military installations – Marine Corps Base Camp Lejeune in nearby Jacksonville, and Marine Corps Air Station Cherry Point in nearby Havelock. Many Emerald Isle residents are employed by, are stationed at, or receive retired military benefits from these installations. The presence of these installations, combined with the desirable coastal location of our entire area, has fueled significant retail growth in the entire area. Many “big-box” retail chain stores have opened in Carteret County in recent years, despite the impacts of the “Great Recession”.

In summary, the Town’s economy remains stable and is poised for continued growth in the future. The desirability of Emerald Isle and the high demand for coastal living and vacation experiences should result in stable tourism, construction, and real estate industries, and the Town’s overall long-term financial outlook remains very positive.

Awards and Acknowledgements

The Town will be applying for the Certificate of Achievement for Excellence in Financial Reporting given by the Government Finance Officers Association of the United States and Canada (GFOA). In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current CAFR meets the Certificate of Achievement for Excellence in Financial Reporting Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated services and cooperation of Williams · Scarborough · Smith · Gray, LLP, the Town of Emerald Isle staff, and the support and leadership of the Mayor and Board of Commissioners. It would not have been possible without the combined efforts of everyone involved.

Respectfully submitted,



Frank A. Rush, Jr.
Town Manager

**Town of Emerald Isle, North Carolina
List of Principal Officials
June 30, 2013**

BOARD OF COMMISSIONERS

Honorable Arthur B. Schools, Jr., Mayor

Floyd Messer, Jr., Mayor Pro Tem

Nita Hedreen

Tom Hoover, Jr.

John Wootten

Maripat Wright

ADMINISTRATION

Frank A. Rush, Jr., Town Manager

Georgia "Mitsy" Overman, Assistant Town Manager / Finance Director

Rhonda C. Ferebee, Town Clerk / Human Resources Officer

Jeffrey D. Waters, Police Chief

William W. Walker, Fire Chief

John "Artie" Dunn, Public Works Director

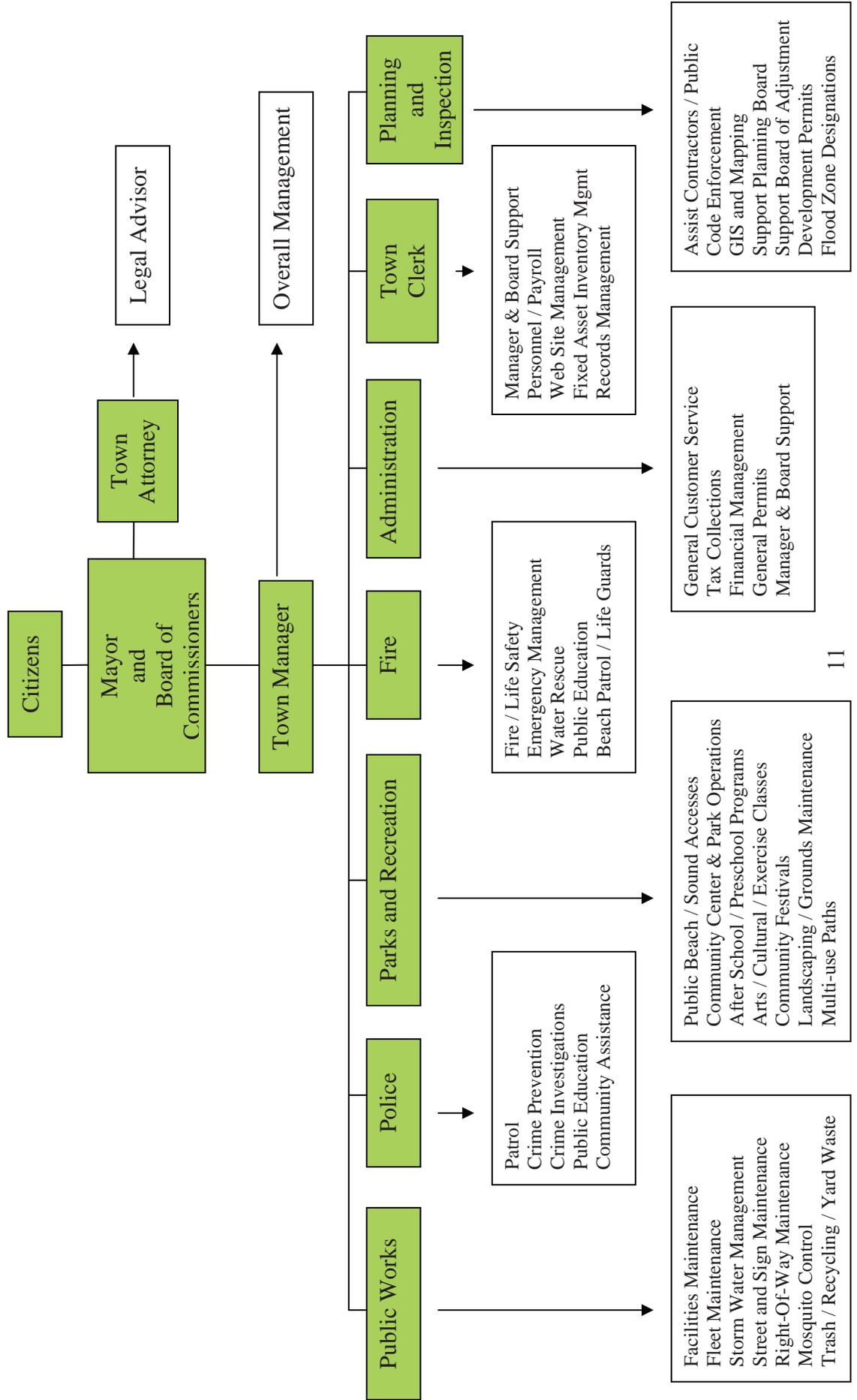
Kevin B. Reed, Planning and Inspections Director

Alesia F. Sanderson, Parks and Recreation Director

Richard L. Stanley, Town Attorney

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Town of Emerald Isle Organizational Chart



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FINANCIAL SECTION

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WILLIAMS · SCARBOROUGH · SMITH · GRAY, LLP
Certified Public Accountants

Christopher K. Williams, CPA
Steven N. Scarborough, CPA
Charles S. Smith, CPA
W. Randall Gray, CPA

Independent Auditor's Report

To the Honorable Mayor
and Members of the Town Commission
Emerald Isle, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Emerald Isle, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Managements' 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 basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Emerald Isle, North Carolina as of June 30, 2013, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund, the Future Beach Nourishment Special Revenue Fund, and the Beach Nourishment Debt Service Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions on pages 21 through 32 and 73 and 74, respectively, 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 such 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 Emerald Isle, North Carolina. The introductory section, combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards 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. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2013, on our consideration of the Town of Emerald Isle, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Town of Emerald Isle, North Carolina's internal control over financial reporting and compliance.



Williams · Scarborough · Smith · Gray, LLP
New Bern, North Carolina
September 25, 2013

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Management Discussion and Analysis

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Town of Emerald Isle

Mayor
Arthur B. Schools, Jr.

Mayor Pro-Tem
Floyd Messer, Jr.

Board of Commissioners
Nita Hedreen
Tom Hoover, Jr.
John Wootten
Maripat Wright



Town Manager
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MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2013 Financial Statements

As management of the Town of Emerald Isle, North Carolina, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Emerald Isle for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The Town had \$2,097,460 of cash and cash equivalents on hand as of June 30, 2013. The Town also had net receivables of \$62,734 and \$111,055 of restricted cash and cash equivalents as of June 30, 2013. Additionally, a total of \$1,507,460 was due from other governments, most of which was associated with anticipated FEMA reimbursements associated with the FEMA Irene Beach Nourishment Project completed in spring 2013.
- The Town had total capital assets of \$18,492,357 as of June 30, 2013. The bulk of these assets are land, buildings, and other improvements in the community.
- The Town's total liabilities as of June 30, 2013 were \$3,289,397. Accounts payable and accrued liabilities represent \$1,553,201 of this amount, most of which was associated with the timing of construction payments for the FEMA Irene Beach Nourishment Project. A total of \$1,400,000 of this amount is the Town's outstanding debt as of June 30, 2013.
- The Town had an officially reported net position of \$18,981,669 as of June 30, 2013. Total net position decreased by \$513,390 from the prior year due primarily to the intentional use of remaining fund balance in the Beach Nourishment Debt Service Reserve Fund for the final principal and interest payments associated with the Town's 2005 beach nourishment project, and also the planned use of fund balance in the Future Beach Nourishment Fund for the Town's portion of costs associated with the FEMA Irene Project.
- The Town had total revenues of \$16,309,462 across all funds during FY 12-13. The Town had total expenditures of \$18,284,099 across all funds during FY 12-13, resulting in the Town's utilization of \$1,974,637 of fund balance. All utilization of fund balance was planned and intentional, and nearly all was associated with the Town's full retirement of the 2005 beach nourishment bonds and the FEMA Irene Project.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,931,526, a decrease of \$1,974,637 in comparison with the prior year. As noted earlier, this decrease is primarily associated with planned and intentional use for beach nourishment purposes. The Town has fully retired the 2005 beach nourishment bonds, and all previously accumulated fund balance for this purpose has been exhausted. The Town also utilized previously accumulated fund balance in the Future Beach Nourishment Fund for the FEMA Irene project, and

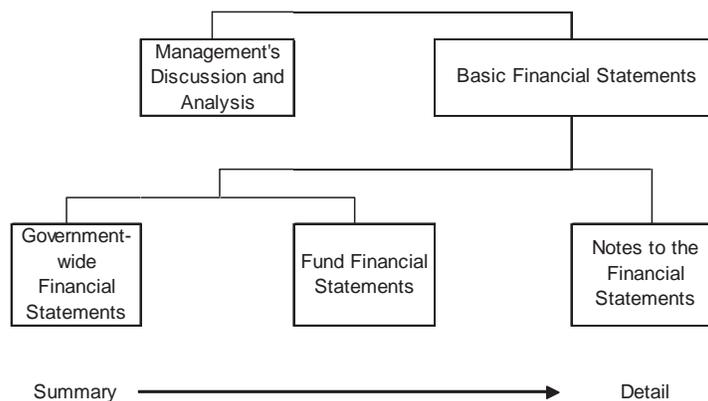
has temporarily drawn that fund down to a near-zero balance (\$7,640). With no currently planned projects, the Future Beach Nourishment Fund is expected to be replenished over the next few years, and is expected to grow by nearly \$700,000 annually.

- The General Fund, the Town's primary annual operating fund, had total revenues of \$7,445,399 and total expenditures of \$7,243,663 during FY 12-13. After considering transfers to other funds for capital projects (\$146,000), the Town added \$55,736 to General Fund balance as of June 30, 2013.
- As of June 30, 2013, the Town's General Fund had a total fund balance of \$2,106,953, of which a total of \$1,414,169 is classified as unassigned fund balance.
- The total General Fund balance of \$2,106,953 is equal to 28.5% of total General Fund expenditures during FY 12-13 (\$7,389,663, including transfers out). This percentage is up from the previous year (26.0%). Total General Fund balance represents 25.4% percent of the FY 13-14 adopted budget of \$8,284,239 (including transfers out).
- The total unassigned General Fund balance amount of \$1,414,169 is equal to 19.1% of total General Fund expenditures during FY 12-13 (\$7,389,663, including transfers out). Unassigned General Fund balance represents 17.1% of the FY 13-14 adopted budget of \$8,284,239 (including transfers out).
- The Town's Beach Nourishment Debt Service Fund had a year-end fund balance of \$0, and this fund is now closed out. The Town made the final payments on the 2005 beach nourishment bonds in February 2013.
- The Town's Future Beach Nourishment Fund had a year-end fund balance of \$7,640, as the Town intentionally utilized fund balance for the Town's portion of costs associated with the FEMA Irene project.
- The Town's Total outstanding debt at June 30, 2013 is \$1,400,000, the principal amount of a January 2013 refinancing that combined previous debt issues into one new debt instrument at a significantly lower interest rate. The Town's total outstanding debt is equal to approximately 0.05% of the Town's total assessed valuation at June 30, 2013, a very low percentage.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Emerald Isle'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. 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 Emerald Isle.

**Required Components of Annual Financial Report
Figure 1**



Basic Financial Statements

The first statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town of Emerald Isle's financial status.

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Emerald Isle, 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 and the Town's budget ordinance. All of the funds of the Town of Emerald Isle can be divided into two categories: governmental funds and fiduciary funds, as the Town does not utilize any proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's services and 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 Emerald Isle adopts an annual budget as required by the North Carolina 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 of Commissioners about which services and programs 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 3 columns: 1) the official budget as adopted and amended by the Board of Commissioners, 2) the actual resources, charges to appropriations, and ending balances in the General Fund; and 3) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds - The Town of Emerald Isle does not utilize any proprietary funds. Public water is supplied by a separate public non-profit corporation for the Town's residents and property owners. The

Town does not operate a sanitary sewer system, as all of the structures in Town are served by either private on-site wastewater (septic) systems or small package treatment plants that are maintained by property owner associations. Electricity is provided by a regional electric cooperative.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Town of Emerald Isle has two fiduciary funds, a pension trust fund and an agency fund.

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.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Emerald Isle's progress in funding its obligation to provide pension benefits to its employees.

Government-Wide Financial Analysis

The Town remains in a solid financial position for a local government unit of its size and complexity. Town management and the elected leadership of the Town have remained vigilant in monitoring financial issues, and have made a special effort to closely monitor revenue sources, minimize expenditures, and aggressively pursue outside grant funding and other contributions for new capital project initiatives.

Net Position

As noted in Figure 2 below, the Town had an officially reported net position of \$18,981,669 as of June 30, 2013. The Town's net position decreased by \$513,390 for the fiscal year ended June 30, 2013, due primarily to the intentional use of remaining fund balance in the Beach Nourishment Debt Service Reserve Fund for the final principal and interest payments associated with the Town's 2005 beach nourishment project (\$978,500 for debt service payment and corresponding use of fund balance), and also the planned use of fund balance in the Future Beach Nourishment Fund (\$659,693) for the Town's portion of costs associated with the FEMA Irene Beach Nourishment Project.

The Town's current assets (cash and cash equivalents, net receivables, due from other governments, and restricted cash) were \$3,778,709 as of June 30, 2013. This amount includes \$1,507,460 due from other governments, primarily in the form of outstanding FEMA reimbursements for the FEMA Irene project, and also \$111,055 of Powell Bill funds reserved for future street maintenance activities. Overall, this amount decreased by \$387,868 from June 30, 2013, and this decrease nets out reductions in beach nourishment-related fund balances, and reflects the timing of FEMA Irene project expenses, FEMA reimbursements, and County funding for the FEMA Irene project. Capital assets increased by only \$7,851 over the prior year to a new total of \$18,492,357.

The Town's total liabilities increased by \$133,373 during FY 12-13 to \$3,289,397. This slight increase roughly nets out the impact of the final debt service payment for the Town's 2005 beach nourishment project and the timing of final payments for the FEMA Irene project that were outstanding at year-end.

**Town of Emerald Isle's Net Position
Figure 2**

	Governmental Activities	
	2013	2012
Current and other assets	\$ 3,778,709	\$ 4,166,577
Capital assets	18,492,357	18,484,506
Total assets	22,271,066	22,651,083
Long-term liabilities outstanding	1,400,000	2,581,281
Other liabilities	1,889,397	574,743
Total liabilities	3,289,397	3,156,024
Net position:		
Net investment in capital assets	17,092,357	15,903,225
Restricted	712,156	2,446,655
Unrestricted	1,177,156	1,145,179
Total net position	\$ 18,981,669	\$ 19,495,059

The change in capital assets, net of related debt primarily reflects the full retirement of the 2005 beach nourishment bonds with a final \$950,000 principal payment in February 2013. The change in restricted net assets primarily reflects the use of Beach Nourishment Debt Service Fund balance for the final 2005 bond payment and the use of Future Beach Nourishment Fund balance for the Town's portion of the FEMA Irene project.

Changes in Net Position

As noted in Figure 3 below, the Town had total revenues of \$16,569,783 across all activities, and had total expenses of \$17,083,173 during the year ended June 30, 2013. The Town's total expenses included \$9,779,553 for the FEMA Irene beach nourishment project, a one-time large expenditure, and were offset by a significant one-time contribution from the Carteret County Beach Commission (\$4,330,820) and associated FEMA reimbursements (\$3,848,546),

The decrease in net position in FY 12-13 was planned and intentional, primarily for beach nourishment-related expenditures. This decrease is primarily associated with the planned use of \$976,488 of fund balance in the Beach Nourishment Debt Service Fund for the final payment on the 2005 beach nourishment bonds, and the use of \$111,952 from the same fund for the FEMA Irene project. This decrease is also associated with the planned use of \$659,693 of fund balance in the Future Beach Nourishment Fund for the FEMA Irene project, and also associated with the delayed receipt of anticipated FEMA reimbursements for the FEMA Irene project in the amount of \$268,926.

Town of Emerald Isle's Changes in Net Position

Figure 3

	Governmental Activities	
	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 1,828,739	\$ 1,740,808
Operating grants and contributions	158,202	536,825
Capital grants and contributions	8,457,159	912,482
General revenues:		
Property taxes	4,129,853	4,124,522
Local option sales tax	1,408,346	1,718,656
Other taxes and licenses	340,656	336,665
Unrestricted grants and contributions	181,517	203,403
Unrestricted investment earnings	2,678	3,878
Miscellaneous	62,633	40,359
Total revenues	<u>16,569,783</u>	<u>9,617,598</u>
Expenses:		
General government	1,296,756	1,555,698
Public safety	3,132,331	3,135,321
Environmental protection	11,708,614	1,915,323
Cultural and recreation	880,615	897,567
Interest on long-term debt	64,857	101,164
Total expenses	<u>17,083,173</u>	<u>7,605,073</u>
Increase (decrease) in net position	(513,390)	2,012,525
Net position, beginning	19,495,059	17,482,534
Net position, ending	<u>\$ 18,981,669</u>	<u>\$ 19,495,059</u>

Capital Assets

As of June 30, 2013, the Town of Emerald Isle investment in capital assets totaled \$18,492,357. These assets include buildings, construction in progress, furniture and equipment, improvements, land, and vehicles.

During the year, the Town completed the stormwater improvements throughout the Town, replaced vehicles and other equipment as planned, and continued improvements along the bicycle path.

Town of Emerald Isle's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities	
	2013	2012
Land	\$ 11,364,946	\$ 11,364,946
Construction in progress	525,680	555,195
Buildings	2,277,583	2,339,025
Improvements	3,421,283	3,264,290
Furniture and equipment	253,697	351,321
Vehicles and motorized equipment	649,168	609,729
	<u>\$ 18,492,357</u>	<u>\$ 18,484,506</u>

Additional information on the Town's capital assets can be found in Note 3.A.4 of this report.

Long-Term Debt

As of June 30, 2013, the Town of Emerald Isle had total outstanding debt of \$1,400,000. This entire amount is in the form a new 2013 installment financing agreement that refinanced all of the Town's outstanding debt into one instrument. The refinancing reduced the interest rate of the Town's outstanding debt from a range of 3.25% - 3.600% to 1.59%. The term of the refinancing is 6 years, and will be fully retired in January 2019.

The refinanced debt was originally issued for public buildings, storm water improvements, and land purchases. The Town had no other outstanding debt as of June 30, 2013.

Town of Emerald Isle's Outstanding Debt

Figure 5

	Governmental Activities	
	2013	2012
General obligation bonds	\$ -	\$ 950,000
Installment financing	1,400,000	1,631,281
	<u>\$ 1,400,000</u>	<u>\$ 2,581,281</u>

The Town made the final scheduled principal and interest payments on the 2005 beach nourishment bonds in August 2012 and February 2013. The Town remitted \$950,000 of principal payments, and \$28,500 of interest payments. These payments were financed by fund balance in the Beach Nourishment Debt Service Fund that was specifically accumulated for the final year of bond payments.

The Town's formal policy on debt limits the use of debt to real property purchases, major capital projects, and major equipment purchases (fire apparatus, heavy equipment, etc.), and the Town is fortunate to have a low debt level. The Town's total outstanding debt of \$1,400,000 is equal to 0.05% of the Town's total assessed valuation of nearly \$3 billion as of June 30, 2013. This debt ratio is extremely low, as NC General Statutes allow a local government to issue debt up to 8.00% of the total assessed valuation, and local governments in NC with the greatest amount of debt are often in the 1.00% - 2.00% range. The Town's legal debt margin is in excess of \$237 million, a figure that the Town will never realistically approach.

Additional information regarding the Town's long-term debt can be found in Note 3.B.6 of this report.

Financial Analysis of Individual Funds

As noted earlier, the Town of Emerald Isle uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town utilizes several governmental funds, and the General Fund, Future Beach Nourishment Fund, and Beach Nourishment Debt Service Fund are the Town's most significant funds. The Town also utilizes governmental funds for dedicated special revenues and for various capital projects.

General Fund

The General Fund is the Town's primary operating fund, and had \$7,389,663 of total expenditures and transfers out in the year ending June 30, 2013. Total revenues were \$7,445,399, resulting in a \$55,736 surplus and increase in General Fund balance.

Property tax revenues continue to represent the Town's largest General Fund revenue source, at \$3,460,154, or approximately 46.5% of total revenues. Sales tax revenues remain the Town's second largest General Fund revenue source, with a total of \$1,408,346 representing 18.9% of total revenues. Solid waste service fees are the Town's third largest General Fund revenue source, and were \$1,302,810 representing 17.5% of total revenues. Combined, these three revenue sources make up 82.9% of total General Fund revenues for the year ended June 30, 2013.

Public safety expenditures (Police, Fire, and EMS) continue to comprise the largest portion of the General Fund, at \$3,033,066, or approximately 41.0% of total General Fund expenditures and transfers out. Other notable expenditures include Solid Waste (\$1,418,889), Parks and Recreation (\$749,525), and Public Works (\$523,372).

As of June 30, 2013, total General Fund balance is \$2,106,953, a slight increase over the prior year's ending fund balance of \$2,051,217. The Town added \$55,736 to General Fund balance in FY 12-13, due primarily to lower than estimated expenditures at year-end. The Town's total General Fund balance is equal to 28.5% of total General Fund expenditures (including transfers out) during FY 12-13. This percentage is up from the previous year (26.0%). Total General Fund balance represents 25.4% percent of the FY 13-14 adopted budget of \$8,284,239 (including transfers out). These percentages are consistent with the Town's formal fund balance policy of 25.0%.

The unassigned General Fund balance amount of \$1,414,169 is equal to 19.1% of total General Fund expenditures (including transfers out) during FY 12-13. Unassigned General Fund balance represents 17.1% of the FY 13-14 adopted budget of \$8,284,239 (including transfers out). These percentages are slightly lower than desired, however, the Town's total General Fund balance and unassigned General Fund balance levels continue to increase slightly each year, and the Town has never experienced any cash-flow difficulties in past years, even during periods with significant hurricane impacts. Additionally, in many prior years (although not the year ending June 30, 2013), the Town has had and will continue to have significant fund balances in other Town funds (notably beach nourishment reserve funds) in the future that could be used to address any short-term cash-flow emergencies if necessary.

The reader should note that of the Total General Fund balance amount of \$2,106,953, a total of \$111,055 is restricted for streets (Powell Bill). Of this amount, a total of \$104,973 is appropriated in the FY 13-14 budget for street resurfacing, and will be depleted during FY 13-14.

Future Beach Nourishment Fund

FY 12-13 was the second year of existence for the Future Beach Nourishment Fund, and this fund will continue to be utilized in the future to accumulate municipal service district tax revenues to fund the Town's future beach nourishment projects. The Town's goal is to accumulate sufficient reserve funds over time in order to avoid the issuance of new debt for future projects.

The Future Beach Nourishment Fund had an opening balance of \$667,333, and an additional \$671,962 of revenues was added in FY 12-13. In addition, the remaining balance of \$111,952 in the Beach Nourishment Debt Service Fund was transferred to the Future Beach Nourishment Fund in order to provide \$1,443,607 for the Town's portion of the cost of the FEMA Irene project completed in spring 2013. The use of the fund balance, the FY 12-13 revenues, and the transfer from the Beach Nourishment Debt Service Fund was all planned and intentional.

At June 30, 2013, the Future Beach Nourishment Fund had an ending fund balance of \$7,640. These funds will be added to future years' special district tax revenues, and reserved for future beach nourishment projects.

Beach Nourishment Debt Service Fund

FY 12-13 is the last year that the Beach Nourishment Debt Service Fund will be utilized, as all principal and interest payments associated with the Town's 2003 and 2005 beach nourishment projects have been made and the debt is fully retired.

For the year ended June 30, 2013, this fund had total expenditures of \$978,500, which represented the final principal and interest payments made in August 2012 and February 2013. These final payments were funded by fund balance that had been specifically accumulated for these payments. The Beach Nourishment Debt Service Fund realized additional revenue of \$2,102 in FY 12-13 from prior year tax payments and interest earnings, resulting in a net surplus of \$111,952 in the Beach Nourishment Debt Service Fund. The remaining \$111,952 was transferred to the Future Beach Nourishment Fund during FY 12-13, and was used for the FEMA Irene project.

The Beach Nourishment Debt Service Fund will be formally closed out.

Other Funds

The Town utilized several other funds during the fiscal year ended June 30, 2013, most of which are capital project funds established to segregate revenues and expenditures associated with these projects over multiple fiscal years.

The most significant of these funds is the FEMA Irene Beach Nourishment Project Fund. This fund was established to account for expenses associated with the FEMA Irene project, FEMA reimbursements, County contributions for the project, and the Town's portion of overall project costs. The Town completed the nourishment of approximately 4.5 miles of beach in spring 2013 with more than 625,000 cubic yards of sand. The goal of the project was to replace sand lost during Hurricane Irene, which affected Emerald Isle in August 2011. This capital project fund includes total project expenditures of \$9,891,899, which represent full project completion. The project was funded by a combination of County funds (\$4,330,820), Town funds (a transfer into the capital project account in the amount of \$1,443,607), and FEMA reimbursements. As of June 30, 2013, the Town has received total FEMA reimbursements of \$3,848,546. The Town expects to receive an additional \$268,926 of FEMA reimbursements in FY 13-14, and the expected receipt of this reimbursement in FY 13-14 will eliminate the temporary deficit fund balance (-\$268,926) in this capital project fund.

Other active capital project funds utilized by the Town during FY 12-13 include:

- the Eastern EI Storm Water Outfall capital project fund, which has a temporary deficit fund balance (-\$9,739) due solely to the timing of grant reimbursements. Additional grant reimbursements are anticipated in FY 13-14, and will eliminate the deficit fund balance. This project is not yet complete, however, nearly all grant funds have been exhausted and Town staff are reviewing options for the ultimate completion and financing of the full project scope.
- the NC 58 Bicycle Path Phase 3C capital project fund, which was in progress as of June 30, 2013, and had a fund balance of \$17,064. This project is now complete, and anticipated NCDOT reimbursements are expected during FY 13-14. The capital project fund will likely be closed out at the end of FY 13-14.
- the Archers Creek Storm Water Project capital project fund, which is complete and has a \$0 fund balance. This capital project fund will be closed out.
- the Public Boat Launching Facility capital project fund was established to account for land acquisition expenses, grants, and other contributions associated with the new Emerald Isle Public Boating Access Area. The project includes total expenses of \$4,571,824 since the creation of this capital project fund in 2008. No activity occurred in this fund during FY 12-13, but the fund remains active and includes a total fund balance of \$35,000 that is reserved for the planned construction of a new sound side pier in fall 2013. This capital project fund will likely be closed out at the end of FY 13-14.

- the Coast Guard Road Multi-Use Path capital project fund, which is used to account for fundraising proceeds and path construction expenses. A new segment was completed during FY 12-13, and all project expenses are accounted for as of June 30, 2013. This fund has a balance of \$31,802, and these funds are available for future appropriation for bicycle path expenses.
- the Coast Guard Road Storm Water Phase IV capital project fund, which is complete and has a \$0 fund balance. This capital project fund will be closed out.

The Town also utilizes the Special Drug Fund to account for restricted Police revenues and expenditures for Police equipment. The Town did not assign any expenses to this fund in FY 12-13, but did realize \$1,856 of revenues. The Special Drug Fund has a total fund balance of \$11,732 as of June 30, 2013, and these funds will be used for eligible Police equipment in FY 13-14 and beyond.

The Town also utilizes a Pension Trust Fund to reserve funds for future special separation allowance payments to certain retiring Police Officers in the future. The Town has accumulated a fund balance of \$63,727 in this fund as of June 30, 2013. The Town currently has one officer eligible for these payments, and the FY 13-14 adopted budget includes the appropriation of \$21,831 from this fund. The fund balance in the Pension Trust fund is expected to be sufficient to meet projected liabilities for the next 2 - 3 years, however, the Town must soon consider making additional contributions to this fund in order to insure adequate reserves are available in future years.

FY 12-13 Budget Administration

The Board of Commissioners adopted the FY 12-13 budget in June 2012 after a thoughtful and analytical review process over the previous several months.

The total adopted FY 12-13 budget across all funds was \$8,894,427, which represented a very slight (1.5%) increase over the adopted FY 11-12 budget. The FY 12-13 adopted budget was essentially a "business as usual" budget that maintained the current General Fund (11.5 cents) and Future Beach Nourishment Fund (4.5 cents and 1.5 cents) tax rates, but also included a few items to maintain and enhance service quality, most notably a new yard debris collection truck.

The adopted FY 12-13 budget included a total General Fund budget of \$6,971,385, also a slight increase (2.68%) over the adopted FY 11-12 budget. During the course of FY 12-13, the General Fund budget was amended several times, resulting in an amended FY 12-13 budget of \$7,604,558. Nearly half of this increase in the amended budget was associated with the intentional recombination of the Regional Access Parking Fund (\$115,000) and Powell Bill Fund (\$146,491) into the General Fund in the middle of FY 12-13. The adopted FY 12-13 budget included these revenues and appropriations in separate special revenue funds; however, the amended budget amount includes these revenues and appropriations in the General Fund.

In addition to smaller budget amendments in various Town department budgets, the most significant General Fund budget amendments were for the NC 58 Bicycle Path Phase 3C project (\$90,000 total), the Coast Guard Road Multi-Use Path Project (\$50,000 total), and higher than expected property and liability insurance premiums (\$35,000). In addition to other minor revenue adjustments, the amended General Fund budget relied on an additional \$105,000 of sales tax revenues not originally anticipated when the FY 12-13 budget was adopted and a total General Fund balance appropriation of \$130,000. As noted earlier, due to lower expenditures in several areas, General Fund balance was ultimately not utilized to meet FY 12-13 expenditures, and the Town ended FY 12-13 with a net surplus of \$55,736. The amended FY 12-13 General Fund budget also included \$71,000 in recycling container fee revenues and expenditures for which the Town simply served as a pass-through agent for transactions between a local vendor and the Town's solid waste customers.

The Fiscal Year Ahead - FY 13-14 Budget Highlights

The Town's FY 13-14 adopted budget totals \$8,971,372 across all annual Town funds, a slight increase (1.1%) over the originally adopted FY 12-13 budget. The FY 13-14 adopted budget includes a key initiative to complete several capital improvements in the Town over the course of the next year, with these improvements funded by a 10-year, \$2.65 million debt issue to be retired with the proceeds generated by a 1-cent General Fund tax rate increase (approximately \$299,000). Planned capital improvements include an additional 5+ miles of dedicated bicycle path, storm water improvements, and Community Center improvements.

The Town's adopted FY 13-14 General Fund budget is \$8,284,239, which equates to a \$1,051,365 increase (or 14.5%) over the adopted FY 12-13 General Fund budget. This total includes the additional debt service mentioned above (approximately \$299,000), along with \$455,000 for the replacement of a 25-year old Fire Engine, a total of \$280,000 for the resurfacing of Ocean Drive in eastern Emerald Isle, and other expenditures intended to maintain and enhance service quality. The General Fund tax rate is 12.5 cents (a 1-cent increase over the FY 12-13 rate of 11.5 cents), which still ranks as the 2nd lowest of the 21 oceanfront municipalities in North Carolina. The 1-cent tax rate increase will generate approximately \$299,000, and the new Fire Engine is funded by a new 5-year installment financing agreement (\$455,000). Additional sales tax revenues (\$122,200) and the use of Powell Bill fund balance (\$104,973) are significant other additional revenues used to balance the FY 13-14 adopted budget.

The adopted FY 13-14 General Fund budget anticipates a total of \$3,767,356 of property tax revenues, \$1,387,200 of sales tax revenues, and \$1,322,500 of annual solid waste fee revenues. Combined, these 3 revenue sources represent approximately 78% of General Fund revenues. On the expenditure side, public safety (Police, Fire, and EMS) and solid waste expenses represent more than 55% of General Fund expenditures. The FY 13-14 budget invests appropriately in the Town's workforce, provides additional funding in key areas to enhance services and staff efficiency, provides sufficient funding to maintain Town infrastructure, and provides sufficient funding to maintain a dependable, attractive, and efficient vehicle fleet. The adopted FY 13-14 General Fund budget is structurally sound, and the Town does not anticipate any unmanageable budget deficits in the coming years.

The adopted FY 13-14 budget no longer includes the Beach Nourishment Debt Service Fund, as all bonds have been retired and this fund has been closed out. The adopted FY 13-14 budget for the Future Beach Nourishment Fund includes the anticipated receipt of \$677,203 of special district property taxes that will be reserved for future, undetermined beach nourishment projects. The Town continues to levy a separate 4.5 cent property tax rate on all oceanfront and inlet-front properties and separate 1.5 cent property tax rate on all other properties to generate sufficient funds to meet the Town's future beach nourishment needs, hopefully without the need to issue new debt. The previously utilized Regional Access Fund and Powell Bill Fund have been closed out, and these revenues and expenditures are now included in the General Fund. For the first time, the FY 13-14 adopted budget includes a \$21,831 appropriation to the Separation Allowance Fund to be transferred to the General Fund for the Town's first ever payments to a retired law enforcement officer, and also includes a \$9,930 appropriation to the Special Drug Fund for Police equipment.

Economic and Other Factors Affecting the Town's Future Financial Position

The local economy continues to be fueled by the tourism, construction, and real estate industries, and also by the accumulated wealth of our many retirees and second home owners. As the regional and national economies continue to experience slow but steady growth in the aftermath of the "Great Recession", the outlook for each of these industries continues to improve. Thus, the Town's overall economic outlook remains very positive, and the Town is poised to maintain its solid financial position.

The tourism industry (in Emerald Isle and Carteret County as a whole) has the greatest direct impact on the Town's budget and financial position, as it directly affects sales tax revenues – the Town's second largest revenue source. The construction industry also has direct impact on the Town's budget and financial position, as it directly affects the Town's sales tax revenues, building permit revenues, and additions to the Town's tax base. Due to the Town's relatively large total taxable value (slightly less than \$3 billion), the annual amount of new construction represents a relatively small percentage of the Town's overall tax base and thus fluctuations from year to year have minimal impact on the Town's property tax revenues. The Town's property tax revenues are expected to remain stable and reliable in the future, and the Town works hard to minimize the need for and amount of any property tax rate increases. Because new taxable values are assigned by the County every 4 years (with the last revaluation effective in FY 11-12), the Town's total taxable value does not fluctuate significantly from year to year, and as a result, property tax revenues remain relatively stable. As a result, the health of the real estate industry generally does not have direct impacts on the Town's financial position; instead these impacts are indirect in nature as those who are dependent on this industry have less disposable income to invest in new construction, retail items, etc.

Emerald Isle and Carteret County continue to be a desirable place and a relatively affordable place for family vacations. Carteret County levies a 5% room occupancy tax (will increase to 6% on January 1, 2014, with additional proceeds earmarked for future beach nourishment activities) on all short-term

accommodations in the County, including Emerald Isle, and research indicates that Emerald Isle alone represents approximately 65% of all room occupancy tax revenues in Carteret County. The Town does not receive any revenue from room occupancy taxes levied in Emerald Isle, as these revenues revert to Carteret County and are reserved for tourism promotion and beach nourishment activities that ultimately benefit Emerald Isle. The room occupancy tax figures are useful, however, for gauging the strength of the local tourism industry. Room occupancy tax collections had declined to \$4.22 million in FY 09-10 during the worst impacts of the recession from a peak of \$4.76 million in FY 07-08, but have generally stabilized over the past few years. Room occupancy tax collections had grown to approximately \$4.60 million in FY 11-12, but dipped slightly to approximately \$4.40 million in FY 12-13. This recent drop is primarily attributed to differences in reporting period dates and less than desirable weather conditions during spring and early summer 2013, and is not believed to be major cause for concern. Continued slow but steady improvement is anticipated, and we look forward to the 2014 tourism season with optimism.

Sales tax revenues, although distributed to the Town via a complicated formula that is based on State-wide sales tax collections, relative population changes, local sales tax collections, and local property tax levies, can also be a helpful indicator of the local economy. The Town's total sales tax revenues have been significantly impacted by non-economic (formula-based) factors in the past few years, however, these impacts are now fully absorbed, and the Town's FY 12-13 sales tax collections were more than \$1.4 million - significantly more than originally projected in the adopted FY 12-13 budget (\$1.265 million). A comparison of recent monthly sales tax revenues after the full absorption of formula-based factors (on a year-over-year basis) indicates growth of approximately 3.5%. A review of overall "point-of-sale" (Article 39) sales tax collections within all of Carteret County, which is a more relevant gauge of the local economy (Article 39 does not factor in the formulas used to distribute sales tax revenues among different counties and municipalities), indicates a 4.5% increase in sales tax collections within Carteret County during FY 12-13 (over FY 11-12). This trend is encouraging, and is believed to reflect continuing improvement in the local economy, including the tourism-based segments.

The local construction industry remains in a slump, and this is likely a reflection of the slow recovery of the local real estate market and the lag associated with the slow improvement of the regional and national economies. The total value of new construction in the Town in FY 12-13 was approximately \$12.3 million, up from the FY 09-10 amount of \$8.9 million (the least amount in recent memory), but slightly down from the FY 11-12 amount of \$14.3 million. The Town permitted a total of 18 new residential structures in FY 12-13, compared with 14 new residential structures in FY 09-10 and 21 new residential structures in FY 11-12. As noted earlier, this slight variation does not have a significant impact on the Town budget due to the fact that new construction results in very little additional property tax revenue due to the Town's relatively high total assessed value and very low property tax rate. With regard to Town building permit revenues, the Town's total annual revenues had decreased to approximately \$107,000 in FY 09-10, but had increased to nearly \$140,000 in FY 11-12. Total FY 12-13 building permit revenues were nearly \$130,000. From a Town budget standpoint, this decrease is minimal and manageable, and does not present any significant budget concerns. Despite the slight regression in FY 12-13, the Town remains hopeful that FY 13-14 will include some modest growth in construction activity and building permit revenues. Over the long-term, construction activity is expected to return to normal annual activity levels, as there remains a sufficient quantity of vacant lots to accommodate the construction industry for several decades. Prior to the boom in the mid-2000s, the Town typically experienced approximately 60 - 70 new homes constructed annually at a total annual value of approximately \$20 - \$25 million. We remain hopeful that we will slowly approach these normal annual activity levels over the next few years.

Real estate values have decreased significantly since the mid-2000s, and the bulk (but likely not all) of the "market correction" appears to have occurred in Emerald Isle. The most established real estate firms and agents in Emerald Isle have survived the dramatic slowdown in the real estate market, and continue to experience minor improvement in the real estate market. The Town's financial position is not directly impacted by the local real estate market, as taxable values are assigned by Carteret County for a 4-year period. The last tax revaluation occurred in 2011, and the Town has utilized those taxable values for the past 2 years, with 2 more years remaining until the 2015 tax revaluation. The Town's property tax rates were adjusted in FY 11-12 to be "revenue-neutral" and have generated similar property tax revenues for the Town both prior to and after the 2011 revaluation. The 4-year cycle allows the Town to maintain relatively stable property tax rates and property tax revenues, and the Town expects future stability. The Town's total taxable value as of June 30, 2013 was nearly \$3 billion, and is expected to remain at this level until FY 15-16 (after the 2015 revaluation). The Board of Commissioners will likely establish a "revenue-neutral" tax rate in FY 15-16 (regardless of whether total taxable values increase or decrease), thus the Town's property tax revenues are not expected to increase or decrease significantly at that time.

Over the long-term, property tax revenues are expected to be the Town's most stable revenue source, with continued minor growth in the overall tax base as a result of the Town's desirable location.

The public demand for coastal living and vacation experiences remains strong, and "the beach" remains Americans' favorite vacation destination. The Town has invested appropriately in its most important asset, the beach, with a strong commitment to beach nourishment. The Town continues to engage in future project planning efforts to promote the aesthetic, recreational, and storm protection values of the beach strand, and has also implemented specific dedicated funding sources to reserve funds for future nourishment activities. The Town remains committed to the small-town, family beach atmosphere that is at the core of its success, and implements various controls and programs to promote and reinforce these values. The Town also continues efforts to improve our residents' quality of life and to maintain our competitiveness against other beach communities by adding new community amenities specifically intended to complement the beach experience. The Town has worked hard in recent years to add a major public boating access facility, expand our popular bicycle path network, offer additional ocean and sound side parks and amenities, maintain attractive public areas, and offer and promote community events. The Board of Commissioners' recent decision to fund several new capital improvements with a 1-cent General Fund tax rate increase represents a calculated effort to enhance the quality of life for our residents and visitors and maintain and enhance Emerald Isle's competitiveness. The "community improvements package will double the Town's bicycle path network from approximately 5 miles to approximately 10 miles, the Community Center will be expanded, and storm water improvements will be completed.

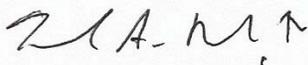
In summary, the Town made appropriate adjustments and has maintained a solid financial position during and after the "Great Recession". The Town budget is structurally sound, and the Town utilizes prudent financial management policies. Its major industries (tourism, construction, and real estate) appear to be stable or trending up, and this bodes well for the Town's future budget and financial position. In the long term, the desirability of Emerald Isle, the high demand for coastal living and vacation experiences, the continuation of sound financial management policies, and strategic capital investment to enhance the Town's competitiveness should result in stable tourism, construction, and real estate industries. Thus, the Town's overall long-term financial outlook remains very positive.

Finally, the lone drawback to living in a highly desirable coastal location like Emerald Isle is the ever-present threat of a major hurricane. Widespread damage caused by a major hurricane could potentially result in dramatic reductions in the Town's total taxable value and temporarily harm the tourism economy. Fortunately, none of the many hurricanes that have affected the Town since the mid-1990s have affected the Town's financial position in a significant manner, and in some instances these hurricane events have actually resulted in positive economic impacts. The Town is well-prepared for future hurricanes and investments in such initiatives as beach nourishment, building code enforcement, and flood prevention ordinance enforcement should help to mitigate future hurricane damages that could negatively affect the Town's financial position. The Town maintains suitable fund balances and has adequate cash on hand to address any short-term hurricane-related expenses, and has emerged from all previous hurricanes with minimal impact on the Town's financial position.

Requests for Information

This report is designed to provide an overview of the Town of Emerald Isle'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 Frank A. Rush, Jr. Town Manager (frush@emeraldisle-nc.org) or Georgia "Mitsy" Overman, Assistant Town Manager / Finance Officer (moverman@emeraldisle-nc.org) at 252-354-3424 or the email addresses listed. Additional information about the Town's activities is available at our website, www.emeraldisle-nc.org.

Respectfully submitted,



Frank A. Rush, Jr.,
Town Manager
September 25, 2013

Basic Financial Statements

Town of Emerald Isle, North Carolina
Statement of Net Position
June 30, 2013

	Primary Government
	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,097,460
Receivables (net)	62,734
Due from other governments	1,507,460
Restricted cash and cash equivalents	111,055
Total current assets	3,778,709
Non Current Assets:	
Capital assets (Note 4):	
Land and construction in progress	11,890,626
Other capital assets, net of depreciation	6,601,731
Total capital assets	18,492,357
Total assets	\$ 22,271,066
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 1,553,201
Current portion of long term liabilities	224,229
Total current liabilities	1,777,430
Long-term liabilities:	
Due in more than one year	1,511,967
Total liabilities	3,289,397
NET POSITION	
Net investment in capital assets	17,092,357
Restricted for	
Streets - Powell Bill	111,055
Stabilization by State Statute	581,729
Public safety	11,732
Environmental protection	7,640
Unrestricted	1,177,156
Total net position	\$ 18,981,669

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

Town of Emerald Isle, North Carolina
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental Activities:					
General government	\$ 1,296,756	\$ 22,720	\$ -	\$ -	\$ (1,274,036)
Public safety	3,132,331	227,246	2,106	-	(2,902,979)
Environmental protection	11,708,614	1,427,452	156,096	8,385,600	(1,739,466)
Cultural and recreation	880,615	151,321	-	71,559	(657,735)
Interest on long-term debt	64,857	-	-	-	(64,857)
Total governmental activities	\$17,083,173	\$ 1,828,739	\$ 158,202	\$ 8,457,159	\$ (6,639,073)
General revenues:					
Taxes:					
Property taxes, levied for general purpose					4,129,853
Local option sales tax					1,408,346
Other taxes and licenses					340,656
Unrestricted grants and contributions					181,517
Unrestricted investment earnings					2,678
Miscellaneous					62,633
Total general revenues					6,125,683
Change in net position					(513,390)
Net position, beginning					19,495,059
Net position, ending					\$ 18,981,669

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

Town of Emerald Isle, North Carolina
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds				
	General Fund	Future Beach Nourishment Special Revenue Fund	Beach Nourishment Debt Service	FEMA - Irene Beach Nourishment Capital Project Fund	Non-Major Funds
ASSETS					
Cash and cash equivalents	\$ 1,507,087	\$ 7,640	\$ -	\$ 437,084	\$ 145,649
Restricted cash and cash equivalents	111,055	-	-	-	-
Taxes receivable, net	27,578	4,781	-	-	-
Accounts receivables, net	28,103	-	-	-	-
Due from other governments	513,764	-	-	974,818	18,878
Due from other funds	39,862	-	-	-	-
Total assets	<u>\$ 2,227,449</u>	<u>\$ 12,421</u>	<u>\$ -</u>	<u>\$ 1,411,902</u>	<u>\$ 164,527</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 92,918	\$ -	\$ -	\$ 1,411,902	\$ 38,806
Due to other funds	-	-	-	-	39,862
Total liabilities	<u>92,918</u>	<u>-</u>	<u>-</u>	<u>1,411,902</u>	<u>78,668</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	27,578	4,781	-	-	-
Deferred revenue	-	-	-	268,926	-
Total deferred inflows of resources	<u>27,578</u>	<u>4,781</u>	<u>-</u>	<u>268,926</u>	<u>-</u>
FUND BALANCES					
Restricted:					
Streets - Powell Bill	111,055	-	-	-	-
Stabilization by State Statute	581,729	-	-	-	-
Public safety	-	-	-	-	11,732
Environmental protection	-	7,640	-	-	-
Assigned:					
Culture and recreation	-	-	-	-	83,866
Unassigned	1,414,169	-	-	(268,926)	(9,739)
Total fund balances	<u>2,106,953</u>	<u>7,640</u>	<u>-</u>	<u>(268,926)</u>	<u>85,859</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,227,449</u>	<u>\$ 12,421</u>	<u>\$ -</u>	<u>\$ 1,411,902</u>	<u>\$ 164,527</u>

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

**Total
Governmental
Funds**

\$ 2,097,460
 111,055
 32,359
 28,103
 1,507,460
 39,862
\$ 3,816,299

\$ 1,543,626
 39,862
1,583,488

32,359
 268,926
301,285

111,055
 581,729
 11,732
 7,640
 83,866
 1,135,504
1,931,526

\$ 3,816,299

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

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Town of Emerald Isle, North Carolina
Balance Sheet
Governmental Funds
June 30, 2013

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances, Governmental Funds	\$ 1,931,526
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	18,492,357
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	301,285
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.	2,272
Long-term liabilities, including, accrued interest, compensated absences and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,745,771)</u>
Net position of governmental activities	<u><u>\$ 18,981,669</u></u>

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

Town of Emerald Isle, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2013

	<u>Major Funds</u>				<u>Total Nonmajor Funds</u>
	<u>General Fund</u>	<u>Future Beach Nourishment Special Revenue Fund</u>	<u>Beach Nourishment Debt Service Fund</u>	<u>FEMA - Irene Beach Nourishment Capital Project Fund</u>	
REVENUES					
Ad valorem taxes	\$ 3,460,154	\$ 671,558	\$ 1,048	\$ -	\$ -
Other taxes and licenses	6,020	-	-	-	-
Restricted intergovernmental	153,769	-	-	8,067,020	51,510
Unrestricted intergovernmental	1,879,955	-	-	-	-
Permits and fees	1,674,645	-	-	-	-
Sales and services	151,321	-	-	-	-
Investment earnings	1,310	404	964	-	-
Miscellaneous	118,225	-	-	-	71,559
Total revenues	<u>7,445,399</u>	<u>671,962</u>	<u>2,012</u>	<u>8,067,020</u>	<u>123,069</u>
EXPENDITURES					
Current:					
General government	1,153,458	-	-	-	-
Public safety	3,033,066	-	-	-	-
Environmental protection	2,006,748	-	-	-	-
Cultural and recreation	749,525	-	-	-	-
Capital outlay:					
Environmental protection	-	-	-	9,779,553	62,609
Cultural and recreation	-	-	-	-	219,774
Debt service:					
Principal	231,282	-	950,000	-	-
Interest and other charges	69,584	-	28,500	-	-
Total expenditures	<u>7,243,663</u>	<u>-</u>	<u>978,500</u>	<u>9,779,553</u>	<u>282,383</u>
Excess (deficiency) of revenues over expenditures	<u>201,736</u>	<u>671,962</u>	<u>(976,488)</u>	<u>(1,712,533)</u>	<u>(159,314)</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	111,952	-	1,443,607	146,129
Transfers to other funds	(146,000)	(1,443,607)	(111,952)	-	(129)
Total other financing sources (uses)	<u>(146,000)</u>	<u>(1,331,655)</u>	<u>(111,952)</u>	<u>1,443,607</u>	<u>146,000</u>
Net change in fund balance	55,736	(659,693)	(1,088,440)	(268,926)	(13,314)
Fund balance, beginning	2,051,217	667,333	1,088,440	-	99,173
Fund balance, ending	<u>\$ 2,106,953</u>	<u>\$ 7,640</u>	<u>\$ -</u>	<u>\$ (268,926)</u>	<u>\$ 85,859</u>

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

**Total
Governmental
Funds**

\$ 4,132,760
 6,020
 8,272,299
 1,879,955
 1,674,645
 151,321
 2,678
 189,784

 16,309,462

1,153,458
 3,033,066
 2,006,748
 749,525

9,842,162
 219,774

1,181,282
 98,084

 18,284,099

 (1,974,637)

1,701,688

 (1,701,688)

 -

(1,974,637)

 3,906,163

 \$ 1,931,526

 (continued)

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

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Town of Emerald Isle, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2013

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

Net changes in fund balances - total governmental funds \$ (1,974,637)

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

Capital outlay expenditures which were capitalized	526,227	
Depreciation expense for governmental assets	<u>(512,678)</u>	
		13,549

Loss on disposal of assets (5,698)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in accrued taxes receivable	(145)
Change in unavailable revenue for tax revenues	(2,762)
Change in deferred revenue for grant revenues	268,926

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

1,181,281

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.

Compensated absences	(7,743)
Accrued interest payable	33,227
Net pension obligation	<u>(19,388)</u>

Total changes in net position of governmental activities \$ (513,390)

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

Town of Emerald Isle, North Carolina
General Fund and Annually Budgeted Major Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	<u>General Fund</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 3,432,903	\$ 3,452,903	\$ 3,460,154	\$ 7,251
Other taxes and licenses	14,000	14,000	6,020	(7,980)
Restricted intergovernmental	146,491	153,191	153,769	578
Unrestricted intergovernmental	1,773,432	1,843,432	1,879,955	36,523
Permits and fees	1,647,950	1,737,950	1,674,645	(63,305)
Sales and services	133,000	148,000	151,321	3,321
Investment earnings	10,000	10,000	1,310	(8,690)
Miscellaneous	75,100	104,100	118,225	14,125
Total revenues	<u>7,232,876</u>	<u>7,463,576</u>	<u>7,445,399</u>	<u>(18,177)</u>
Expenditures:				
Current:				
General government	1,105,370	1,175,370	1,153,458	21,912
Public safety	3,061,827	3,061,827	3,033,066	28,761
Environmental protection	2,008,333	2,145,315	2,006,748	138,567
Cultural and recreation	760,029	775,029	749,525	25,504
Debt service:				
Principal retirement	240,607	277,807	231,282	46,525
Interest and other charges	56,710	23,210	69,584	(46,374)
Total expenditures	<u>7,232,876</u>	<u>7,458,558</u>	<u>7,243,663</u>	<u>214,895</u>
Revenues over (under) expenditures	-	5,018	201,736	196,718
Other Financing Sources (Uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	(146,000)	(146,000)	-
	-	(146,000)	(146,000)	-
Fund balance appropriated	-	140,982	-	(140,982)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,736</u>	<u>\$ 55,736</u>
Fund balance, beginning			<u>2,051,217</u>	
Fund balance, ending			<u>\$ 2,106,953</u>	

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

Future Beach Nourishment Special Revenue Fund				Beach Nourishment Debt Service Fund			
Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ 673,051	\$ 672,274	\$ 671,558	\$ (716)	\$ -	\$ 1,049	\$ 1,048	\$ (1)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,000	500	404	(96)	2,000	775	964	189
-	-	-	-	-	-	-	-
<u>675,051</u>	<u>672,774</u>	<u>671,962</u>	<u>(812)</u>	<u>2,000</u>	<u>1,824</u>	<u>2,012</u>	<u>188</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	950,000	950,000	950,000	-
-	-	-	-	28,500	28,500	28,500	-
-	-	-	-	<u>978,500</u>	<u>978,500</u>	<u>978,500</u>	-
<u>675,051</u>	<u>672,774</u>	<u>671,962</u>	<u>(812)</u>	<u>(976,500)</u>	<u>(976,676)</u>	<u>(976,488)</u>	<u>188</u>
-	111,764	111,952	188	-	-	-	-
-	(1,443,607)	(1,443,607)	-	-	(111,764)	(111,952)	(188)
-	(1,331,843)	(1,331,655)	188	-	(111,764)	(111,952)	(188)
(675,051)	659,069	-	(659,069)	976,500	1,088,440	-	(1,088,440)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (659,693)</u>	<u>\$ (659,693)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,088,440)</u>	<u>\$ (1,088,440)</u>
		<u>667,333</u>				<u>1,088,440</u>	
		<u>\$ 7,640</u>				<u>\$ -</u>	

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

Town of Emerald Isle, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Pension Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 63,727	\$ 837
LIABILITIES		
Accounts payable and accrued liabilities	\$ -	\$ 837
NET POSITION		
Assets held in trust for pension benefits	\$ 63,727	\$ -

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

Town of Emerald Isle, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013

	Pension Trust Fund
Additions:	
Employer contributions	\$ -
Total additions	-
Net position, beginning	63,727
Net position, ending	\$ 63,727

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

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Notes to the Financial Statements

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Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Emerald Isle 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 Emerald Isle is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town.

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 the *governmental activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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 including fiduciary fund. Separate statements for each fund category – *governmental and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, solid waste fees, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, parks and recreation, and general government services.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

Future Beach Nourishment Special Revenue Fund. This fund accounts for financial resources collected from ad valorem assessments to be used for expenditures associated with future beach nourishment activities.

Beach Nourishment Debt Service Fund. This fund accounts for the debt service of the Town's beach nourishment activities. Funds are transferred or collected to pay the Town's general obligation bonds.

FEMA - Irene Beach Nourishment Capital Project Fund. This fund accounts for financial resources to be used for expenditures associated with the rehabilitation of beaches damaged during Hurricane Irene.

The Town reports the following non-major governmental funds:

Special Revenue Fund. This fund accounts for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes. The Town maintains the following Special Revenue Fund: The Special Drug Fund.

Capital Project Funds. These funds account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The Town had the following non-major capital project funds: the Eastern EI Stormwater Outfall Project Fund, the NC 58 Bicycle Path Phase 3C Project Fund, the Archers Creek Stormwater Project Fund, the Public Boat Launching Facility Project Fund, the Coast Guard Road Multiuse Path Project Fund, and the Coast Guard Road Stormwater Phase IV Project Fund.

The Town reports the additional following fund types:

Pension Trust Fund. The Town has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the Law Enforcement Officer's Special Separation Allowance, a single-employer, public retirement system.

Agency Fund. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the Town holds on behalf of others. The Town maintains the following agency fund: Homeowner's Recovery Fund.

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 Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Carteret County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Emerald Isle. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Carteret County from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period 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, restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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, the Future Beach Nourishment Special Revenue Fund, the Beach Nourishment Debt Service Fund, and the Special Drug Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the FEMA - Irene Beach Nourishment Capital Project Fund, the Eastern EI Stormwater Project Fund, the NC 58 Bicycle Path Phase 3C Project Fund, the Archers Creek Stormwater Project Fund, the Public Boat Launching Facility Project Fund, the Coast Guard Road Multiuse Path Project Fund, and the Coast Guard Road Stormwater Phase IV Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. The Town Manager is authorized to transfer appropriations within each department; however, any revision that alters total departmental expenditures must be approved by the governing board. 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 body must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

3. Restricted Assets

Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2012.

5. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs for the Town's assets are \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network that was acquired or that received substantial improvements and are reported at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings	50
Improvements	20
Vehicles	5
Furniture and equipment	10
Computer equipment and software	3

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. 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 only two items that meet the criterion for this category - property taxes receivable and deferred revenue.

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 statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

11. Net Position/Fund Balances

Net Position

Net position in government-wide financial statements is 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 balances as follows:

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

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

Restricted for 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.

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

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for certain public safety expenditures.

Restricted for Environmental Protection – portion of fund balance that is restricted by revenue source for certain environmental activities and projects.

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

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

Assigned Fund Balance – portion of fund balance that the Town of Emerald Isle intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. The governing body assigns fund balance through the adoption of the budget and planned use of resources in capital project funds.

Assigned for Culture and Recreation – portion of fund balance that has been budgeted by the Board for activities related to regional access parking facilities and the completion of ongoing capital projects.

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

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

The Town of Emerald Isle has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures. Any portion of the general fund balance in excess of 25% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

II. Stewardship, Compliance, and Accountability

A. Deficit in Fund Balance of Individual Funds

The following funds recognized fund balance deficits at June 30, 2013:

The FEMA - Irene Beach Nourishment Capital Project Fund reported a fund balance deficit of \$268,926 at June 30, 2013. This deficit was created as a result of the timing of expenditures related to grant activities versus the timing of reimbursement. This deficit is expected to be recovered through grant proceeds.

The Eastern EI Stormwater Outfall Project Fund reported a fund balance deficit of \$9,739 at June 30, 2013. This deficit has been financed through interfund advances and is expected to be repaid from future grant collections.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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 the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, 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 formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2013, the Town's deposits had a carrying amount of \$340,521 and a bank balance of \$1,030,404. Of the bank balance, \$370,676 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2013, the Town's petty cash fund totaled \$900. The fiduciary funds had a cash balance of \$64,564.

2. Investments

At June 30, 2013, the Town had \$1,867,094 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no formal policy regarding interest rate risk or credit risk.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

3. Receivables

Receivables at the government-wide level at June 30, 2013, were as follows:

	Accounts	Taxes Receivable	Accrued Interest Receivable	Total
Governmental Activities:				
General	\$ 30,395	\$ 34,518	\$ 2,272	\$ 67,185
Future Beach Nourishment	-	4,781	-	4,781
Total receivables	30,395	39,299	2,272	71,966
Allowance for doubtful accounts	(2,292)	(6,940)	-	(9,232)
 Total-governmental activities	 \$ 28,103	 \$ 32,359	 \$ 2,272	 \$ 62,734

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 11,364,946	\$ -	\$ -	\$ 11,364,946
Construction in progress	555,195	272,880	302,395	525,680
Total capital assets not being depreciated	11,920,141	272,880	302,395	11,890,626
Capital assets being depreciated:				
Buildings	3,072,081	-	-	3,072,081
Improvements	3,831,182	302,395	-	4,133,577
Furniture and equipment	1,568,353	-	56,880	1,511,473
Vehicles and motorized equipment	2,421,899	253,347	206,809	2,468,437
Total capital assets being depreciated	10,893,515	555,742	263,689	11,185,568
Less accumulated depreciation for:				
Buildings	733,056	61,442	-	794,498
Improvements	566,892	145,402	-	712,294
Furniture and equipment	1,217,032	97,624	56,880	1,257,776
Vehicles and motorized equipment	1,812,170	208,210	201,111	1,819,269
Total accumulated depreciation	4,329,150	512,678	257,991	4,583,837
Total capital assets being depreciated, net	6,564,365			6,601,731
Governmental activity capital assets, net	\$ 18,484,506			\$ 18,492,357

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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

General government	\$ 137,122
Public safety	200,111
Environmental protection	98,342
Cultural and recreation	77,103
Total depreciation expense	<u><u>\$ 512,678</u></u>

Construction Commitments

The government has active construction projects as of June 30, 2013. At year-end, the government's commitments with contractors are as follows:

Project	Spent to date	Remaining Commitment
Eastern EI Stormwater Outfall	\$ 92,088	\$ 4,912
NC 58 Bicycle Path Phase 3C	72,936	117,064
Public Boat Launching Facility	4,572,268	34,556
Total	<u><u>\$ 4,737,292</u></u>	<u><u>\$ 156,532</u></u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town 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 6.74% and 6.77% respectively, of annual covered payroll. The contribution requirement of members and of the Town is established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$171,256, \$176,627, and \$160,866. The contributions made by the Town equaled the required contributions for each year.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town 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, 2012 the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>17</u>
Total	<u><u>17</u></u>

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 using 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 money market debt instruments, deposits, and repurchase agreements are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

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 benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. 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.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85%. Both (a) and (b) included an inflation component of 3%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012 was 18 years.

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:

Annual required contribution	\$ 20,875
Interest on net pension obligation	6,078
Adjustment to annual required contribution	<u>(7,565)</u>
Annual pension cost	19,388
Contributions made	<u>-</u>
Increase (decrease) in net pension obligation	19,388
Net pension obligation beginning of year	<u>121,564</u>
Net pension obligation end of year	<u><u>\$ 140,952</u></u>

3 Year Trend Information			
For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 21,948	0.00%	\$ 102,084
2012	19,480	0.00%	121,564
2013	19,388	0.00%	140,952

4. Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 29.03 percent funded. The actuarial accrued liability for benefits was \$219,529 and the actuarial value of assets was \$63,727, resulting in an unfunded actuarial liability of (UAAL) of \$155,802. The covered payroll (annual payroll of active employees covered by the plan) was \$729,926, and the ratio of the UAAL to the covered payroll was 21.34 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 and Other Employees

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 and other

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

employees 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 and Other Employees 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 and Other Employees. The report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The Town has also elected to contribute each month an amount equal to five percent of each employee's salary. Also, the law enforcement officers and other employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2013 were \$183,529, which consisted of \$124,533 from the Town and \$58,996 from the law enforcement officers and other employees.

d. Firemen's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town of Emerald Isle, to the Firemen's Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund 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 the Firemen's and Rescue Squad Workers' Pension Fund. 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 \$10 per month to the Fund; however, the Town has elected to fund this amount on behalf of the individual members. Total contributions by the Town on behalf of the members totaled \$2,250 for the year ended June 30, 2013. The State, a non-employer contributor, funds the plan through appropriations. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

2. Other Employment Benefits

The Town has also elected to provide death benefits to law enforcement employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

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. All death benefit payments are made from the Death Benefit Plan. 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. The Town considers these contributions to be immaterial.

3. Deferred / Unearned Revenues

The balance in deferred / unearned revenues at year-end is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Taxes receivable:		
General Fund	\$ 27,578	\$ -
Future Beach Nourishment	4,781	-
Grants receivable:		
FEMA - Irene Beach Nourishment	268,926	-
Total	\$ 301,285	\$ -

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 \$2 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. Police professional and public officials' liability coverage of \$2 million per claim with a \$3 million aggregate are also obtained from the League. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries employee health coverage through a commercial carrier with an unlimited lifetime limit.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous 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) on four properties with structures and contents being covered.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000, and the tax collector is bonded for \$20,000. The remaining employees that have access to funds are bonded under a blanket bond for \$20,000.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2013, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate fact of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

a. General Obligation Indebtedness

At June 30, 2013, the Town of Emerald Isle had a legal debt margin of \$237,929,747.

b. Installment Note

On January 24, 2013, the Town entered into an installment agreement to refinance its prior debt for the purchase of land, stormwater improvements, and the construction of an administration building. This financing contract will be paid in annual installments of \$246,489 including interest at 1.59% for six years. The original amount financed was \$1,400,000. The balance due at June 30, 2013 was \$1,400,000.

The future minimum payments of the installment note as of June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 224,229	\$ 22,260
2015	227,794	18,695
2016	231,416	15,073
2017	235,096	11,393
2018	238,834	7,655
2019	242,631	3,858
Total	<u>\$ 1,400,000</u>	<u>\$ 78,934</u>

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

c. Changes in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Governmental activities:					
General obligation bonds	\$ 950,000	\$ -	\$ 950,000	\$ -	\$ -
Installment purchases	1,631,281	-	231,281	1,400,000	224,229
Net pension obligation	121,564	19,388	-	140,952	-
Compensated absences	187,501	64,350	56,607	195,244	-
Total	<u>\$ 2,890,346</u>	<u>\$ 83,738</u>	<u>\$ 1,237,888</u>	<u>\$ 1,736,196</u>	<u>\$ 224,229</u>

Pension obligations and compensated absences are typically liquidated in the General Fund.

C. Interfund Balances and Activity

Due to/from at June 30, 2013 consists of the following:

Due to the General Fund from the Eastern EI Stormwater Outfall Fund	\$ 28,617
Due to the General Fund from the Public Boat Launching Facility Fund	11,245
	<u>\$ 39,862</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from other funds at June 30, 2013 consist of the following:

From the General Fund to the NC 58 Bicycle Path Phase 3C Fund	\$ 90,000
From the General Fund to the Coast Guard Road Multiuse Path Fund	50,000
From the General Fund to the Coast Guard Road Stormwater Phase IV Fund	6,000
From the Future Beach Nourishment Special Revenue Fund to the FEMA - Irene Beach Nourishment Capital Project Fund	1,443,607
From the Beach Nourishment Debt Service Fund to the Future Beach Nourishment Special Revenue Fund	111,952
From the Archers Creek Stormwater Fund to the Eastern EI Stormwater Outfall Fund	126
From the Coast Guard Stormwater Phase IV Fund to the Eastern EI Stormwater Outfall Fund	3
	<u>\$ 1,701,688</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

D. Fund Balance

The Town of Emerald Isle has adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures.

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	\$ 2,106,953
Less:	
Streets - Powell Bill	111,055
Stabilization by State Statute	581,729
Working Capital/Fund Balance Policy	<u>1,414,169</u>
Remaining Fund Balance	<u><u>\$ -</u></u>

IV. Joint Venture

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The Funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Firemen's Relief Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2013, there were no payments made through the Firemen's Relief Fund on-behalf of the Town. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2013. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

V. Summary Disclosure of Significant Contingencies

Federal and State Assistance 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 moneys.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2013

VI. Significant Effects of Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through September 25, 2013, the date the financial statements were available to be issued. The following item was found to be of significance:

On August 14, 2013, the Town entered into an installment purchase agreement for the purchase of a fire pumper truck in the amount of \$455,000. This financing contract will be paid in annual installments of \$95,498 including interest at 1.63% for five years.

VII. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously Reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

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Required Supplementary Financial Data

- Schedule of Funding Progress for Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

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Town of Emerald Isle, 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 Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2007	\$ 63,727	\$ 150,213	\$ 86,486	42.42%	\$ 712,616	12.14%
12/31/2008	63,727	169,630	105,903	37.57%	734,128	14.43%
12/31/2009	63,727	207,575	143,848	30.70%	751,739	19.14%
12/31/2010	63,727	199,078	135,351	32.01%	636,285	21.27%
12/31/2011	63,727	203,590	139,863	31.30%	610,921	22.89%
12/31/2012	63,727	219,529	155,802	29.03%	729,926	21.34%

Town of Emerald Isle, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2008	14,169	0.00%
2009	15,878	0.00%
2010	17,267	0.00%
2011	22,231	0.00%
2012	20,466	0.00%
2013	20,875	0.00%

Individual Fund Statements and Schedules

Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Collections of tax levy		3,449,827	
Penalties and interest		10,327	
	<u>3,452,903</u>	<u>3,460,154</u>	<u>7,251</u>
Other taxes and licenses:			
Privilege licenses	14,000	6,020	(7,980)
Total taxes	<u>3,466,903</u>	<u>3,466,174</u>	<u>(729)</u>
Unrestricted intergovernmental:			
Local option sales tax		1,408,346	
Utility franchise tax		272,306	
Beer/wine tax		14,983	
Video programming		115,845	
Telecommunications tax		47,347	
Refunds		21,128	
	<u>1,843,432</u>	<u>1,879,955</u>	<u>36,523</u>
Restricted intergovernmental:			
Grants		4,576	
Powell Bill allocation		149,193	
	<u>153,191</u>	<u>153,769</u>	<u>578</u>
Total intergovernmental	<u>1,996,623</u>	<u>2,033,724</u>	<u>37,101</u>
Permits, fees and assessments:			
Solid waste fees		1,302,810	
Solid waste container fees		31,532	
Administration fees		70	
Building and trailer permits		129,753	
CAMA permits		9,560	
Dunes and vegetation permits		4,050	
Beach vehicular permits		70,200	
Parking fees and fines/officer fees		97,493	
Solid waste disposal tax		2,327	
Reentry fees		4,200	
Golf cart permits		22,650	
Total permits, fees and assessments	<u>1,737,950</u>	<u>1,674,645</u>	<u>(63,305)</u>

Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sales and services:			
Recreation revenues		136,583	
Miscellaneous		14,738	
Total sales and services	<u>148,000</u>	<u>151,321</u>	<u>3,321</u>
Investment Earnings:	<u>10,000</u>	<u>1,310</u>	<u>(8,690)</u>
Miscellaneous revenue:			
Insurance proceeds/refunds		9,867	
DOT mowing reimbursement		5,100	
ABC revenues		64,716	
Donations		1,206	
Miscellaneous		257	
Sale of fixed assets		37,079	
Total miscellaneous	<u>104,100</u>	<u>118,225</u>	<u>14,125</u>
Total revenue	<u>7,463,576</u>	<u>7,445,399</u>	<u>(18,177)</u>
Expenditures:			
General Government:			
Board of Commissioners:			
Salaries and benefits		56,360	
Professional services		17,348	
Operating expense		25,220	
	<u>105,934</u>	<u>98,928</u>	<u>7,006</u>
Administrative and finance:			
Salaries and employee benefits		419,259	
Operating expense		70,030	
Capital outlay		2,291	
	<u>493,586</u>	<u>491,580</u>	<u>2,006</u>
Inspection:			
Salaries and benefits		209,100	
Operating expense		24,099	
	<u>237,400</u>	<u>233,199</u>	<u>4,201</u>

Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Non-departmental:			
Contract services		14,375	
Operating expense		315,376	
	<u>338,450</u>	<u>329,751</u>	<u>8,699</u>
Total general government	<u>1,175,370</u>	<u>1,153,458</u>	<u>21,912</u>
Public safety:			
Police:			
Salaries and benefits		1,219,056	
Operating expense		161,252	
Capital outlay		83,045	
	<u>1,475,842</u>	<u>1,463,353</u>	<u>12,489</u>
Emergency medical services:			
Appropriations to Emerald Isle EMS		300,000	
	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Fire department:			
Salaries and benefits		1,036,590	
Operating expense		150,873	
Capital outlay		82,250	
	<u>1,285,985</u>	<u>1,269,713</u>	<u>16,272</u>
Total public safety	<u>3,061,827</u>	<u>3,033,066</u>	<u>28,761</u>
Environmental protection:			
Public works:			
Salaries and benefits		282,325	
Operating expense		234,017	
Capital outlay		7,030	
	<u>531,651</u>	<u>523,372</u>	<u>8,279</u>
Solid waste:			
Salaries and benefits		118,333	
Operating expense		1,165,292	
Capital outlay		135,264	
	<u>1,456,240</u>	<u>1,418,889</u>	<u>37,351</u>

Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Street improvements:			
Street maintenance	157,424	64,487	92,937
Total environmental protection	<u>2,145,315</u>	<u>2,006,748</u>	<u>138,567</u>
Cultural and recreation:			
Parks and recreation:			
Salaries and benefits		498,309	
Operating expense		235,637	
Capital outlay		15,579	
	<u>775,029</u>	<u>749,525</u>	<u>25,504</u>
Total cultural and recreation	<u>775,029</u>	<u>749,525</u>	<u>25,504</u>
Debt service:			
Principal		231,282	
Interest		69,584	
	<u>301,017</u>	<u>300,866</u>	<u>151</u>
Total expenditures	<u>7,458,558</u>	<u>7,243,663</u>	<u>214,895</u>
Revenue over (under) expenditures	<u>5,018</u>	<u>201,736</u>	<u>196,718</u>
Other financing sources (uses):			
Transfers:			
To NC 58 Bicycle Path Phase 3C Project Fund	(90,000)	(90,000)	-
To Coast Guard Road Multiuse Path Project Fund	(50,000)	(50,000)	-
To Coast Guard Road Stormwater Phase IV Project Fund	(6,000)	(6,000)	-
Total other financing sources (uses)	<u>(146,000)</u>	<u>(146,000)</u>	<u>-</u>
Fund balance appropriated	<u>140,982</u>	<u>-</u>	<u>(140,982)</u>
Net change in fund balance	<u>\$ -</u>	<u>55,736</u>	<u>\$ 55,736</u>
Fund balance, beginning		<u>2,051,217</u>	
Fund balance, ending		<u>\$ 2,106,953</u>	

Town of Emerald Isle, North Carolina
Future Beach Nourishment Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Benefit taxes	\$ 672,274	\$ 671,558	\$ (716)
Investment earnings	500	404	(96)
	672,774	671,962	(812)
 Revenues over (under) expenditures	 672,774	 671,962	 (812)
 Other financing sources (uses):			
Transfers:			
From Beach Nourishment Debt Service Fund	111,764	111,952	188
To FEMA - Irene Beach Nourishment Project Fund	(1,443,607)	(1,443,607)	-
	(1,331,843)	(1,331,655)	188
 Fund balance appropriated	 659,069	 -	 (659,069)
 Net change in fund balance	 \$ -	 \$ (659,693)	 \$ (659,693)
 Fund balance, beginning		 667,333	
Fund balance, ending		\$ 7,640	

**Town of Emerald Isle, North Carolina
Beach Nourishment Debt Service Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes	\$ 1,049	\$ 1,048	\$ (1)
Investment earnings	775	964	189
Total revenue	<u>1,824</u>	<u>2,012</u>	<u>188</u>
Expenditures:			
Debt service:			
Principal retirement	950,000	950,000	-
Interest and fees	28,500	28,500	-
Total expenditures	<u>978,500</u>	<u>978,500</u>	<u>-</u>
Revenues over (under) expenditures	<u>(976,676)</u>	<u>(976,488)</u>	<u>188</u>
Other financing sources (uses):			
Transfers:			
To Future Beach Nourishment Special Revenue Fund	<u>(111,764)</u>	<u>(111,952)</u>	<u>(188)</u>
Total other financing sources (uses)	(111,764)	(111,952)	(188)
Fund balance appropriated	<u>1,088,440</u>	<u>-</u>	<u>(1,088,440)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,088,440)</u>	<u>\$ (1,088,440)</u>
Fund balance, beginning		<u>1,088,440</u>	
Fund balance, ending		<u>\$ -</u>	

Town of Emerald Isle, North Carolina
FEMA - Irene Beach Nourishment Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Grants	\$ 4,117,574	\$ 112,346	\$ 3,736,200	\$ 3,848,546	\$ (269,028)
Carteret County contribution	4,496,068	-	4,330,820	4,330,820	(165,248)
Total revenue	<u>8,613,642</u>	<u>112,346</u>	<u>8,067,020</u>	<u>8,179,366</u>	<u>(434,276)</u>
Expenditures:					
Permitting, engineering, and administration	300,102	112,346	187,654	300,000	102
Construction	7,741,899	-	7,741,899	7,741,899	-
Mobilization	1,850,000	-	1,850,000	1,850,000	-
Contingency	165,248	-	-	-	165,248
Total expenditures	<u>10,057,249</u>	<u>112,346</u>	<u>9,779,553</u>	<u>9,891,899</u>	<u>165,350</u>
Revenues under expenditures	<u>(1,443,607)</u>	<u>-</u>	<u>(1,712,533)</u>	<u>(1,712,533)</u>	<u>(268,926)</u>
Other financing sources:					
Transfers:					
From Future Beach Nourishment Fund	1,443,607	-	1,443,607	1,443,607	-
Total other financing sources	<u>1,443,607</u>	<u>-</u>	<u>1,443,607</u>	<u>1,443,607</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (268,926)</u>	<u>\$ (268,926)</u>	<u>\$ (268,926)</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ (268,926)</u>		

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Town of Emerald Isle, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2013

	Special Revenue Fund	Capital Project Funds		
	Special Drug Fund	Eastern EI Stormwater Outfall	NC 58 Bicycle Path Phase 3C	Archers Creek Stormwater
Assets:				
Cash and investments	\$ 11,732	\$ -	\$ 55,870	\$ -
Due from other governments	-	18,878	-	-
Total assets	<u>\$ 11,732</u>	<u>\$ 18,878</u>	<u>\$ 55,870</u>	<u>\$ -</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 38,806	\$ -
Due to other funds	-	28,617	-	-
Total liabilities	<u>-</u>	<u>28,617</u>	<u>38,806</u>	<u>-</u>
Fund Balances:				
Restricted:				
Public safety	11,732	-	-	-
Assigned:				
Culture and recreation	-	-	17,064	-
Unassigned	-	(9,739)	-	-
Total fund balances	<u>11,732</u>	<u>(9,739)</u>	<u>17,064</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 11,732</u>	<u>\$ 18,878</u>	<u>\$ 55,870</u>	<u>\$ -</u>

Capital Project Funds

Public Boat Launching Facility	Coast Guard Road Multiuse Path	Coast Guard Road Stormwater Phase IV	Total Nonmajor Governmental Funds
\$ 46,245	\$ 31,802	\$ -	\$ 145,649
-	-	-	18,878
<u>\$ 46,245</u>	<u>\$ 31,802</u>	<u>\$ -</u>	<u>\$ 164,527</u>
\$ -	\$ -	\$ -	\$ 38,806
11,245	-	-	39,862
<u>11,245</u>	<u>-</u>	<u>-</u>	<u>78,668</u>
-	-	-	11,732
35,000	31,802	-	83,866
-	-	-	(9,739)
<u>35,000</u>	<u>31,802</u>	<u>-</u>	<u>85,859</u>
<u>\$ 46,245</u>	<u>\$ 31,802</u>	<u>\$ -</u>	<u>\$ 164,527</u>

Town of Emerald Isle, North Carolina
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2013

	Special Revenue Fund	Capital Project Funds		
	Special Drug Fund	Eastern EI Stormwater Outfall	NC 58 Bicycle Path Phase 3C	Archers Creek Stormwater
Revenues:				
Restricted intergovernmental	\$ 1,856	\$ 42,614	\$ -	\$ 7,040
Miscellaneous	-	-	-	-
Total revenue	<u>1,856</u>	<u>42,614</u>	<u>-</u>	<u>7,040</u>
Expenditures:				
Capital outlay:				
Environmental protection	-	53,222	-	9,387
Cultural and recreation	-	-	72,936	-
Total expenditures	<u>-</u>	<u>53,222</u>	<u>72,936</u>	<u>9,387</u>
Revenues over (under) expenditures	<u>1,856</u>	<u>(10,608)</u>	<u>(72,936)</u>	<u>(2,347)</u>
Other financing sources (uses):				
Transfers from other funds	-	129	90,000	-
Transfer to other funds	-	-	-	(126)
Total other financing sources (uses)	<u>-</u>	<u>129</u>	<u>90,000</u>	<u>(126)</u>
Net change in fund balance	<u>\$ 1,856</u>	<u>\$ (10,479)</u>	<u>\$ 17,064</u>	<u>\$ (2,473)</u>
Fund balance, beginning	<u>9,876</u>	<u>740</u>	<u>-</u>	<u>2,473</u>
Fund balance, ending	<u>\$ 11,732</u>	<u>\$ (9,739)</u>	<u>\$ 17,064</u>	<u>\$ -</u>

Capital Project Funds

Public Boat Launching Facility	Coast Guard Road Multiuse Path	Coast Guard Road Stormwater Phase IV	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 51,510
-	71,559	-	71,559
-	71,559	-	123,069
-	-	-	62,609
-	98,334	48,504	219,774
-	98,334	48,504	282,383
-	(26,775)	(48,504)	(159,314)
-	50,000	6,000	146,129
-	-	(3)	(129)
-	50,000	5,997	146,000
\$ -	\$ 23,225	\$ (42,507)	\$ (13,314)
35,000	8,577	42,507	99,173
\$ 35,000	\$ 31,802	\$ -	\$ 85,859

Town of Emerald Isle, North Carolina
Special Drug Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental:			
Control substance tax	\$ 8,000	\$ 1,856	\$ (6,144)
Total revenue	8,000	1,856	(6,144)
Expenditures:			
Capital outlay	8,000	-	8,000
Total expenditures	8,000	-	8,000
Net change in fund balance	\$ -	\$ 1,856	\$ 1,856
Fund balance, beginning		9,876	
Fund balance, ending		\$ 11,732	

**Town of Emerald Isle, North Carolina
Eastern EI Stormwater Outfall Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2013**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Grants	\$ 97,000	\$ 39,606	\$ 42,614	\$ 82,220	\$ (14,780)
Total revenue	97,000	39,606	42,614	82,220	(14,780)
Expenditures:					
Detailed design and engineering	23,925	33,091	-	33,091	(9,166)
Construction and improvements	73,075	5,775	53,222	58,997	14,078
Total expenditures	97,000	38,866	53,222	92,088	4,912
Revenues under expenditures	-	740	(10,608)	(9,868)	(9,868)
Other financing sources:					
Transfers:					
From Archers Creek					
Stormwater Project Fund	-	-	126	126	126
From Coast Guard Stormwater					
Phase IV Project Fund	-	-	3	3	3
Total other financing sources	-	-	129	129	129
Net change in fund balance	\$ -	\$ 740	\$ (10,479)	\$ (9,739)	\$ (9,739)
Fund balance, beginning			740		
Fund balance, ending			\$ (9,739)		

**Town of Emerald Isle, North Carolina
NC 58 Bicycle Path Phase 3C Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2013**

	Project Authorization	Actual		Variance Positive (Negative)	
		Prior Years	Current Year		Total to Date
Revenues:					
Restricted intergovernmental:					
Grants	\$ 100,000	\$ -	\$ -	\$ -	\$ (100,000)
Total revenue	100,000	-	-	-	(100,000)
Expenditures:					
Engineering, design, and permitting	18,000	-	18,340	18,340	(340)
Construction	170,000	-	54,596	54,596	115,404
Utility relocation	2,000	-	-	-	2,000
Total expenditures	190,000	-	72,936	72,936	117,064
Revenues under expenditures	(90,000)	-	(72,936)	(72,936)	17,064
Other financing sources:					
Transfers:					
From General Fund	90,000	-	90,000	90,000	-
Total other financing sources	90,000	-	90,000	90,000	-
Net change in fund balance	\$ -	\$ -	\$ 17,064	\$ 17,064	\$ 17,064
Fund balance, beginning			-		
Fund balance, ending			\$ 17,064		

Town of Emerald Isle, North Carolina
Archers Creek Stormwater Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental:					
Clean Water Mgmt Trust					
Fund Grant	\$ 75,000	\$ 63,360	\$ 7,040	\$ 70,400	\$ (4,600)
Total revenue	75,000	63,360	7,040	70,400	(4,600)
Expenditures:					
Engineering, design, and permitting	100,000	85,887	9,387	95,274	4,726
Total expenditures	100,000	85,887	9,387	95,274	4,726
Revenues over (under) expenditures	(25,000)	(22,527)	(2,347)	(24,874)	126
Other financing sources (uses):					
Transfers:					
From General Fund	25,000	25,000	-	25,000	-
To Eastern EI Stormwater Outfall Project Fund	-	-	(126)	(126)	(126)
Total other financing sources (uses)	25,000	25,000	(126)	24,874	(126)
Net change in fund balance	\$ -	\$ 2,473	\$ (2,473)	\$ -	\$ -
Fund balance, beginning			2,473		
Fund balance, ending			\$ -		

**Town of Emerald Isle, North Carolina
Public Boat Launching Facility Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2013**

	Project Authorization	Actual		Variance Positive (Negative)	
		Prior Years	Current Year		Total to Date
Revenues:					
Restricted intergovernmental:					
Grants	\$ 3,077,993	\$ 3,077,993	\$ -	\$ 3,077,993	\$ -
Carteret County contribution	658,125	658,125	-	658,125	-
Investment earnings	381	381	-	381	-
Total revenue	3,736,499	3,736,499	-	3,736,499	-
Expenditures:					
Construction and improvements	4,606,824	4,571,824	-	4,571,824	35,000
Total expenditures	4,606,824	4,571,824	-	4,571,824	35,000
Revenues under expenditures	(870,325)	(835,325)	-	(835,325)	35,000
Other financing sources:					
Proceeds from installment purchase	512,154	512,154	-	512,154	-
Transfers:					
From Regional Access Fund	46,828	46,828	-	46,828	-
From General Fund	232,741	232,741	-	232,741	-
From Coast Guard Road Stormwater Phase IV Project Fund	78,602	78,602	-	78,602	-
Total other financing sources	870,325	870,325	-	870,325	-
Net change in fund balance	\$ -	\$ 35,000	\$ -	\$ 35,000	\$ 35,000
Fund balance, beginning			35,000		
Fund balance, ending			\$ 35,000		

**Town of Emerald Isle, North Carolina
Coast Guard Road Multiuse Path Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2013**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Donations	\$ 104,180	\$ 62,558	\$ 71,559	\$ 134,117	\$ 29,937
Total revenue	104,180	62,558	71,559	134,117	29,937
Expenditures:					
Construction	213,180	113,034	98,334	211,368	1,812
Total expenditures	213,180	113,034	98,334	211,368	1,812
Revenues over (under) expenditures	(109,000)	(50,476)	(26,775)	(77,251)	31,749
Other financing sources:					
Transfers:					
From General Fund	109,000	59,000	50,000	109,000	-
From Bicycle Path and Sidewalks Project Fund	-	53	-	53	53
Total other financing sources	109,000	59,053	50,000	109,053	53
Net change in fund balance	\$ -	\$ 8,577	\$ 23,225	\$ 31,802	\$ 31,802
Fund balance, beginning			8,577		
Fund balance, ending			\$ 31,802		

Town of Emerald Isle, North Carolina
Coast Guard Road Stormwater Phase IV Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2013

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures:					
Design and permitting	\$ 67,223	\$ 82,101	\$ 1,622	\$ 83,723	\$ (16,500)
Construction	235,175	171,790	46,882	218,672	16,503
Total expenditures	302,398	253,891	48,504	302,395	3
Revenues over (under) expenditures	(302,398)	(253,891)	(48,504)	(302,395)	3
Other financing sources (uses):					
Transfers:					
From General Fund	381,000	375,000	6,000	381,000	-
To Public Boat Launching Facility Capital Project Fund	(78,602)	(78,602)	-	(78,602)	-
To Eastern EI Stormwater Outfall Project Fund	-	-	(3)	(3)	(3)
Total other financing sources (uses)	302,398	296,398	5,997	302,395	(3)
Net change in fund balance	\$ -	\$ 42,507	\$ (42,507)	\$ -	\$ -
Fund balance, beginning			42,507		
Fund balance, ending			\$ -		

Town of Emerald Isle, North Carolina
Homeowner's Recovery Fund
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2013

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Assets, cash and investments	\$ 607	\$ 930	\$ 700	\$ 837
Liabilities, accounts payable, and accrued liabilities	\$ 607	\$ 930	\$ 700	\$ 837

Town of Emerald Isle, North Carolina
Homeowner's Recovery Fund
Statement of Cash Receipts and Disbursements
For the Fiscal Year Ended June 30, 2013

Cash receipts:

Collection of homeowner's recovery fees	\$	<u>930</u>
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Cash disbursements:

General fund administration fee	\$	70
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Remittance to NC licensing board		<u>630</u>
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Total disbursements		<u>700</u>
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Net cash receipts over cash disbursements		230
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Beginning cash balance		<u>607</u>
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Ending cash balance	\$	<u><u>837</u></u>
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Other Schedules

This section contains additional financial information that provides detailed analysis of particular aspects of the Town's financial position or results of operation.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

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Town of Emerald Isle, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2013

Fiscal Year	Uncollected Balance June 30, 2012	Additions	Collections And Credits	Uncollected Balance June 30, 2013
2011-2012	\$ -	\$ 4,113,287	\$ (4,084,700)	\$ 28,587
2010-2011	31,549	-	(25,330)	6,219
2009-2010	7,842	-	(4,564)	3,278
2008-2009	624	-	(409)	215
2007-2008	191	-	-	191
2006-2007	227	-	(21)	206
2005-2006	1,078	-	(1,012)	66
2004-2005	208	-	(8)	200
2003-2004	258	-	-	258
2002-2003	79	-	-	79
2001-2002	112	-	(112)	-
	\$ 42,168	\$ 4,113,287	\$ (4,116,156)	\$ 39,299
				(6,940)
				\$ 32,359
Reconciliation with revenues:				
				\$ 3,460,154
				671,558
				1,048
				(10,327)
				(6,277)
				\$ 4,116,156

Town of Emerald Isle, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2013

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding registered motor vehicles	Registered motor vehicles
Original levy:					
Property taxed at current year's rate	\$ 2,981,695,040	0.115	\$ 3,428,949	\$ 3,369,600	\$ 59,349
Special district taxes			671,030	663,552	7,478
Total	<u>2,981,695,040</u>		<u>4,099,979</u>	<u>4,033,152</u>	<u>66,827</u>
Discoveries:					
Current year taxes	16,440,188	0.115	18,906	18,449	457
Special district taxes			2,420	2,353	67
Total	<u>16,440,188</u>		<u>21,326</u>	<u>20,802</u>	<u>524</u>
Abatements:					
Current year taxes	(6,513,395)	0.115	(7,490)	(4,110)	(3,380)
Special district taxes			(528)	(64)	(464)
Total	<u>(6,513,395)</u>		<u>(8,018)</u>	<u>(4,174)</u>	<u>(3,844)</u>
Total property valuation	<u><u>\$ 2,991,621,833</u></u>				
Net levy			4,113,287	4,049,780	63,507
Uncollected taxes at June 30, 2013			<u>(28,587)</u>	<u>(23,689)</u>	<u>(4,898)</u>
Current year's taxes collected			<u><u>\$ 4,084,700</u></u>	<u><u>\$ 4,026,091</u></u>	<u><u>\$ 58,609</u></u>
Current levy collection percentage			<u><u>99.31%</u></u>	<u><u>99.42%</u></u>	<u><u>92.29%</u></u>

**Statistical Section
Unaudited**

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**Statistical Section
Unaudited**

Description of the Statistical Schedules

Contents	Pages
Financial Trends	104 - 107
<p style="padding-left: 40px;">These schedules contain trend information to assist users in understanding and assessing how the Town's financial position has changed over time.</p>	
Revenue Capacity	108 - 111
<p style="padding-left: 40px;">These schedules contain information to assist users in understanding and assessing the factors affecting the Town's ability to generate its own-source revenues.</p>	
Debt Capacity	112 - 115
<p style="padding-left: 40px;">These schedules present information to assist users in understanding and assessing the Town's debt burden and its ability to issue additional debt.</p>	
Demographic and Economic Information	116 - 117
<p style="padding-left: 40px;">These schedules offer demographic and economic information to assist users in understanding the environment within which the Town operates.</p>	
Operating Information	118 - 120
<p style="padding-left: 40px;">These schedules contain service and infrastructure data to assist readers in understanding and assessing how the Town's financial report relates to the services the Town provides and the activities it performs.</p>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years.

Town of Emerald Isle, North Carolina
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities / Primary Government:										
Net investment in capital assets	\$ 17,092,357	\$ 15,903,225	\$ 13,450,777	\$ 10,895,863	\$ 5,416,071	\$ 9,619,515	\$ 10,353,017	\$ 10,510,840	\$ 9,198,304	\$ 8,333,777
Restricted	712,156	2,446,655	912,931	12,807	6,713	5,537	3,360	19,921	5,306	31,677
Unrestricted	1,177,156	1,145,179	3,117,680	3,533,737	4,639,907	(2,409,680)	(5,505,092)	(7,447,999)	(9,066,174)	(5,286,965)
Total governmental activities / primary government net position	\$ 18,981,669	\$ 19,495,059	\$ 17,482,533	\$ 14,262,407	\$ 10,062,691	\$ 7,215,372	\$ 4,851,285	\$ 3,082,762	\$ 137,436	\$ 3,078,489

Governmental Activities / Primary Government:
Net investment in capital assets
 Restricted
 Unrestricted
Total governmental activities / primary
government net position

Town of Emerald Isle, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental Activities:										
General government	\$ 1,296,756	\$ 1,555,698	\$ 1,275,278	\$ 850,392	\$ 1,083,138	\$ 1,102,725	\$ 1,214,235	\$ 864,567	\$ 954,935	\$ 2,822,429
Public safety	3,132,331	3,135,321	3,214,020	2,896,166	2,838,315	2,745,444	2,709,149	2,562,203	2,337,825	2,208,876
Environmental protection	11,708,614	1,915,323	1,926,458	1,932,303	1,017,812	2,134,890	9,332,749	2,417,520	11,557,118	2,455,728
Cultural and recreation	880,615	897,567	750,860	234,078	750,645	691,291	662,452	611,657	510,415	443,507
Economic and physical development	-	-	23,055	927,040	1,325,214	335,843	3,190	-	-	-
Interest on long-term debt	64,857	101,164	175,995	282,275	310,114	305,563	366,375	434,295	311,101	307,910
Total expenses	\$ 17,083,173	\$ 7,605,073	\$ 7,365,666	\$ 7,122,254	\$ 7,325,238	\$ 7,315,756	\$ 14,288,150	\$ 6,890,242	\$ 15,671,394	\$ 8,238,450
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 22,720	\$ 16,260	\$ 140,891	\$ 5,655	\$ 19,892	\$ 49,157	\$ 108,172	\$ 68,359	\$ 68,393	\$ 958,796
Public safety	227,246	258,725	88,361	115,258	113,219	139,727	170,078	226,089	283,849	255,826
Environmental protection	1,427,452	1,330,672	1,171,139	1,228,879	1,216,357	1,165,255	1,140,390	994,217	956,010	36,532
Cultural and recreation	151,321	135,151	191,449	147,009	113,285	118,846	117,470	133,511	124,370	108,673
Operating grants and contributions	158,202	536,825	204,719	170,692	242,900	204,264	7,144,616	278,075	8,710	9,851
Capital grants and contributions	8,457,159	912,482	821,472	2,374,134	567,187	27,633	147,737	581,469	3,973,939	2,451,940
Total program revenues	\$ 10,444,100	\$ 3,190,115	\$ 2,618,031	\$ 4,041,627	\$ 2,272,840	\$ 1,704,882	\$ 8,828,463	\$ 2,281,720	\$ 5,415,271	\$ 3,821,618
Net (Expense) / Revenue										
Total governmental activities / primary government net expense	\$ (6,639,073)	\$ (4,414,958)	\$ (4,747,635)	\$ (3,080,627)	\$ (5,052,398)	\$ (5,610,874)	\$ (5,459,687)	\$ (4,608,522)	\$ (10,256,123)	\$ (4,416,832)
General Revenues										
Governmental Activities:										
Property taxes	\$ 4,129,853	\$ 4,124,522	\$ 5,645,506	\$ 5,245,901	\$ 5,229,632	\$ 5,090,200	\$ 2,376,652	\$ 2,315,832	\$ 2,381,106	\$ 2,503,304
Local option sales tax	1,408,346	1,718,656	1,568,508	1,512,769	1,564,978	1,826,516	-	-	-	-
Other taxes and licenses	340,656	336,665	822,806	511,385	540,767	832,583	4,540,229	4,851,069	4,671,709	4,615,790
Unrestricted grants and contributions	181,517	203,403	-	-	-	-	-	-	-	-
Unrestricted investment earnings	2,678	3,878	20,941	10,288	82,864	225,662	249,707	236,411	201,137	53,745
Miscellaneous	62,633	40,359	-	118,173	118,173	-	61,622	150,536	86,651	51,658
Special items	-	-	-	400,000	-	-	-	-	-	250,000
Total program revenues	\$ 6,125,683	\$ 6,427,483	\$ 8,057,761	\$ 7,280,343	\$ 7,936,414	\$ 7,974,961	\$ 7,228,210	\$ 7,553,848	\$ 7,340,603	\$ 7,474,497
Change in Net Position										
Total governmental activities / primary government change in net position	\$ (513,390)	\$ 2,012,525	\$ 3,310,126	\$ 4,199,716	\$ 2,884,016	\$ 2,364,087	\$ 1,768,523	\$ 2,945,326	\$ (2,915,520)	\$ 3,057,665

Town of Emerald Isle, North Carolina
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2013	2012	2011 (1)	2010	2009	2008	2007	2006	2005	2004
General Fund:										
Restricted	\$ 692,784	\$ 678,533	\$ 914,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	-	24,009	-	-	-	-	-	-	-	-
Unassigned	1,414,169	1,348,675	981,088	-	-	-	-	-	-	-
Reserved	-	-	-	565,964	594,591	595,987	699,877	607,408	629,554	591,920
Unreserved	-	-	-	1,245,643	1,350,780	1,471,921	1,171,972	1,370,167	1,652,796	1,501,390
Total general fund	\$ 2,106,953	\$ 2,051,217	\$ 1,895,164	\$ 1,811,607	\$ 1,945,371	\$ 2,067,908	\$ 1,871,849	\$ 1,977,575	\$ 2,282,350	\$ 2,093,310
All other government funds:										
Restricted	\$ 19,372	\$ 1,768,122	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	83,866	86,824	-	-	-	-	-	-	-	-
Unassigned	(278,665)	-	2,465,687	-	-	-	-	-	-	-
Reserved	-	-	-	(1,245)	612,058	-	-	443,587	(2,361)	28,061
Unreserved	-	-	-	2,135,818	2,260,558	3,994,490	3,213,052	2,846,362	3,475,190	4,078,946
Total all other governmental funds	\$ (175,427)	\$ 1,854,946	\$ 2,465,687	\$ 2,134,573	\$ 2,872,616	\$ 3,994,490	\$ 3,213,052	\$ 3,289,949	\$ 3,472,829	\$ 4,107,007

Notes:
(1) GASB 54 was implemented in Fiscal Year 2011.

Town of Emerald Isle, North Carolina
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Ad valorem taxes	\$ 4,132,760	\$ 4,128,232	\$ 5,654,506	\$ 5,280,318	\$ 5,182,859	\$ 5,077,474	\$ 4,495,573	\$ 4,386,874	\$ 4,408,465	\$ 4,470,190
Other taxes and licenses	6,020	14,659	14,001	14,289	14,792	17,750	12,054	634,832	575,050	559,701
Restricted intergovernmental	8,272,299	1,396,005	1,013,493	2,522,746	805,573	231,897	7,260,616	859,543	3,982,648	2,473,101
Unrestricted intergovernmental	1,879,955	2,186,384	2,087,501	2,028,237	2,083,586	2,278,095	2,430,162	2,142,999	2,066,206	1,990,803
Permits and fees	1,674,645	1,603,118	1,456,219	1,346,171	1,329,576	1,354,139	1,389,316	1,318,545	1,321,975	1,321,975
Sales and services	151,321	135,151	139,622	147,009	135,444	118,846	117,471	103,631	97,690	82,431
Investment earnings	2,678	6,552	20,941	10,288	87,964	225,662	249,707	236,411	201,137	53,745
Miscellaneous	189,784	153,881	268,813	404,579	122,687	367,827	120,424	150,536	96,851	71,169
Total revenues	16,309,462	9,623,982	10,655,096	11,753,637	9,762,481	9,671,690	16,075,323	9,833,371	12,749,245	11,023,115
Expenditures:										
Current:										
General government	1,153,458	1,420,074	1,134,539	1,092,261	1,139,237	1,015,981	1,104,169	1,167,585	918,056	2,831,793
Public safety	3,033,066	3,073,814	3,077,051	2,743,496	3,195,292	2,737,641	2,711,928	2,554,633	2,728,711	2,231,654
Environmental protection	2,006,748	2,090,011	1,858,539	1,864,557	2,051,725	2,179,281	9,297,100	3,144,324	12,232,663	2,807,556
Economic development	-	-	852,220	3,970,129	1,732,615	1,568,934	3,190	-	-	-
Cultural and recreational	749,525	651,744	699,922	690,629	701,393	646,793	650,184	645,189	522,556	481,804
Capital Outlay	10,061,936	1,436,252	-	-	-	-	-	-	-	-
Debt service:										
Principal	1,181,282	1,440,294	2,430,543	2,777,555	2,759,338	2,125,000	2,125,000	2,375,000	7,528,865	4,572,681
Interest and other charges	98,084	118,635	187,611	278,995	310,114	305,563	366,375	434,295	311,101	307,910
Total expenditures	18,284,099	10,230,824	10,240,425	13,417,622	11,889,714	10,579,193	16,257,946	10,321,026	24,241,952	13,233,398
Excess (Deficiency) of revenues over (under) expenditures	(1,974,637)	(606,842)	414,671	(1,663,985)	(2,127,233)	(907,503)	(182,623)	(487,655)	(11,492,707)	(2,210,283)
Other Financing Sources (Uses):										
Transfers from other funds	1,701,688	134,641	511,133	158,316	401,984	1,240,545	7,541,834	808,038	3,000,026	(391,750)
Transfers to other funds	(1,701,688)	(134,641)	(511,133)	(158,316)	(401,984)	(1,240,545)	(7,541,834)	(808,038)	(3,000,026)	391,750
Proceeds from issuance of debt	-	152,154	-	792,178	882,822	1,885,000	-	-	11,047,569	3,176,170
Total other financing sources (uses)	-	152,154	-	792,178	882,822	1,885,000	-	-	11,047,569	3,176,170
Net change in fund balance	\$ (1,974,637)	\$ (454,688)	\$ 414,671	\$ (871,807)	\$ (1,244,411)	\$ 977,497	\$ (182,623)	\$ (487,655)	\$ (445,138)	\$ 965,887
Debt service as a percentage of noncapital expenditures	7.20%	18.08%	28.14%	30.92%	33.04%	26.78%	15.47%	31.43%	34.15%	39.53%

Town of Emerald Isle, North Carolina
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Taxable Assessed Value	Total Direct Tax Rate (5) (6)	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Estimated Actual Value
2004	\$ 1,397,827,412	0.205	\$ 1,511,982,057	92.45%
2005	1,431,683,479	0.195	1,652,832,462	86.62%
2006	1,476,161,308	0.185	1,897,623,484	77.79%
2007	1,519,926,452	0.185	2,514,769,113	60.44%
2008	4,260,237,313	0.078	4,260,237,313	100.00%
2009	4,274,157,143	0.081	4,343,655,633	98.40%
2010	4,278,074,286	0.081	3,797,669,140	112.65%
2011	4,238,566,515	0.091	4,323,744,277	98.03%
2012	2,974,241,884	0.130	2,719,679,850	109.36%
2013	2,991,621,833	0.130	Not available	Not available

Source: Emerald Isle Financial Statements and N.C. Treasurer Website

Notes:

- (1) The NC General Statutes require a revaluation of real property at least every 8 years. Real property is valued at 100% of estimated value as of the date of the latest revaluation. Revaluations were effective for the fiscal year ending June 30, 2008 and 2012.
- (2) Personal property is valued at 100% of estimated value.
- (3) Public service property is generally valued at 100% of estimated value. It may be valued at less than 100% in years in which the County's sales to assessment ratio on real property is less than 80%.
- (4) The Town bills and collects property taxes for real, public service, non-registered motor vehicles and personal property. Carteret County bills and collects property taxes for registered motor vehicles on behalf of the Town. The values reported above include property taxes billed and collected by the Town and County.
- (5) Per \$100 of value.
- (6) Direct Rate presented for Emerald Isle Non-Oceanfront properties; see the Property Tax Rates - Direct and Overlapping Governments schedule at page 109 for more information.

Town of Emerald Isle, North Carolina
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Town of Emerald Isle			Carteret County	Total Direct and Overlapping
	Operating	Special Districts	Total Direct Rate		
2004	0.175	(2)	0.030	0.420	0.625
		(3)	0.480		1.075
2005	0.165	(2)	0.030	0.420	0.615
		(3)	0.480		1.065
2006	0.155	(2)	0.030	0.420	0.605
		(3)	0.480		1.055
2007	0.155	(2)	0.030	0.440	0.625
		(3)	0.480		1.075
2008	0.067	(2)	0.011	0.230	0.308
		(3)	0.162		0.459
2009	0.070	(2)	0.011	0.230	0.311
		(3)	0.162		0.462
2010	0.070	(2)	0.011	0.230	0.311
		(3)	0.162		0.462
2011	0.080	(2)	0.011	0.230	0.321
		(3)	0.162		0.472
2012	0.115	(2)	0.015	0.300	0.430
		(3)	0.045		0.460
2013	0.115	(2)	0.015	0.290	0.420
		(3)	0.045		0.450

Source: Carteret County Tax Office

Notes:

(1) Emerald Isle Non-Oceanfront properties

(2) Emerald Isle Oceanfront properties

Town of Emerald Isle, North Carolina
Principal Property Tax Payers
Current Year and Nine Years Ago (2)

Taxpayer	2013		
	Taxable Assessed Value (1)	Rank	Percentage of Total Assessed Value
Watson's Inc	\$ 6,420,000	1	0.21%
Carteret Craven Electric Management Cooperative	5,864,907	2	0.20%
Emerald LLC	5,427,942	3	0.18%
McCabe and Company d/b/a	4,931,224	4	0.16%
The Stanley Corporation	4,600,000	5	0.15%
McCabe and Company d/b/a	3,657,771	6	0.12%
Crista Santoni	2,827,249	7	0.09%
Maritime Siblings LLC	2,795,475	8	0.09%
Seaside Siblings LLC	2,430,000	9	0.08%
Stephen Malik	2,357,443	10	0.08%
	<u>\$ 41,312,011</u>		<u>1.38%</u>

Notes:

(1) Values reported above include amounts for property billed and collected by the Town. It excludes values for registered motor vehicles billed and collected by Carteret County on behalf of the Town.

(2) Data not available for prior years.

Town of Emerald Isle, North Carolina
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June, 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 4,443,416	\$ 4,430,806	99.72%	\$ 12,531	\$ 4,443,337	100.00%
2005	4,398,602	\$ 4,383,350	99.65%	14,994	4,398,344	99.99%
2006	4,380,782	\$ 4,366,399	99.67%	14,183	4,380,582	100.00%
2007	4,490,748	\$ 4,481,747	99.80%	8,935	4,490,682	100.00%
2008	5,075,425	\$ 5,057,579	99.65%	17,640	5,075,219	100.00%
2009	5,223,832	\$ 5,162,169	98.82%	61,472	5,223,641	100.00%
2010	5,230,886	\$ 5,201,280	99.43%	29,391	5,230,671	100.00%
2011	5,667,835	\$ 5,626,940	99.28%	37,617	5,664,557	99.94%
2012	4,092,181	\$ 4,060,632	99.23%	25,330	4,085,962	99.85%
2013	4,113,287	\$ 4,084,700	99.31%	-	4,084,700	99.31%

Source: Town of Emerald Isle Annual Finance Department

Town of Emerald Isle, North Carolina
Computation of Legal Debt Margin
June 30, 2013

Total Assessed Valuation	\$ 2,991,621,833
Legal Debt Margin:	
Debt Limit 8% of Total Assessed Value	239,329,747
Amount of Debt Applicable to Debt Limit	<u>1,400,000</u>
Legal Debt Margin	<u><u>\$ 237,929,747</u></u>

Town of Emerald Isle, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013

	<u>Net General Obligation Bonded Debt</u>	<u>Percentage Applicable to Town (1)</u>	<u>Amount Applicable to Town</u>
Direct:			
Town of Emerald Isle	\$ -	100.00%	\$ -
Overlapping:			
Carteret County	40,605,000	19.71%	8,003,129
	<u>\$ 40,605,000</u>		<u>\$ 8,003,129</u>

Town's assessed value	\$ 2,991,621,833
County's assessed value	\$ 15,178,413,206

Notes:

(1) The percentage of indebtedness of the Town's overlapping political units is determined by dividing the Town's assessed valuation by the total assessed valuation of the County.

Town of Emerald Isle, North Carolina
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Bonded Debt Outstanding	Less: Amounts Available in Debt Service Fund (1)	Total	Percentage of Est. Actual Taxable Value of Property (2)	Per Capita (3)
2004	\$ 11,325,000	\$ 3,300,000	\$ 8,025,000	0.53%	\$ 2,252
2005	14,650,000	2,125,000	12,525,000	0.76%	3,470
2006	12,525,000	2,125,000	10,400,000	0.55%	2,796
2007	10,400,000	2,125,000	8,275,000	0.33%	2,176
2008	8,275,000	2,125,000	6,150,000	0.14%	1,593
2009	6,150,000	2,125,000	4,025,000	0.09%	1,044
2010	4,025,000	2,091,751	1,933,249	0.05%	499
2011	1,900,000	1,900,000	-	0.00%	-
2012	950,000	950,000	-	0.00%	-
2013	-	-	-	0.00%	-

Notes:

(1) This is the amount restricted for debt service principal payments.

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 108 for property value data.

(3) Population data can be found in the Schedule of Demographic and Economic Statistics on page 116.

Town of Emerald Isle, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Bonded Debt Outstanding	Installment Contracts	Total Primary Government	Population Estimate (1)	Total Debt Per Capita	Personal Income (2)	Total Housing Units (3)	Total Debt Per Housing Unit (4)
2004	\$ 11,325,000	\$ 56,296	\$ 11,381,296	3,609	\$ 3,154		6,017	\$ 1,892
2005	14,650,000	250,000	14,900,000	3,720	4,005		6,017	2,476
2006	12,525,000	-	12,525,000	3,803	3,293		6,017	2,082
2007	10,400,000	-	10,400,000	3,861	2,694		6,017	1,728
2008	8,275,000	1,885,000	10,160,000	3,855	2,636		6,017	1,689
2009	6,150,000	2,135,564	8,285,564	3,877	2,137		6,017	1,377
2010	4,025,000	1,915,187	5,940,187	3,982	1,492		6,017	987
2011	1,900,000	1,699,733	3,599,733	3,669	981		6,735	534
2012	950,000	1,631,281	2,581,281	3,711	696		6,735	383
2013	-	1,400,000	1,400,000	3,717	377		6,735	208

Notes:

(1) NCOSBM Certified Municipal Population Estimates

(2) Information is not available at Town level.

(3) Data from 2000 US Census and 2010 US Census

(4) Emerald Isle is a beach community with many second home owners. Therefore, debt per citizen is not a meaningful measurement. Debt per housing unit is a better measurement of relative debt.

**Town of Emerald Isle, North Carolina
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Estimated Population (1)	Unemployment Ratio (2)	Per Capita Personal Income (3)	Personal Income (3)
2003	3,564	4.8	29,067	1,768,350
2004	3,609	2.8	30,563	1,886,052
2005	3,720	4.0	32,148	2,001,938
2006	3,803	3.6	33,975	2,149,577
2007	3,861	4.1	36,255	2,330,297
2008	3,855	4.3	38,476	2,489,408
2009	3,877	7.4	37,638	2,490,138
2010	3,982	8.4	37,950	2,583,758
2011	3,669	8.1	39,174	2,639,299
2012	3,711	8.4	N/A	N/A
2013	3,717	7.7	N/A	N/A

Notes:

- (1) NCOSBM Certified Municipal Population Estimates
- (2) Employment Security Commission. Information is available at the county level and presented on that basis (average for fiscal year)..
- (3) US Bureau of Economic Analysis. Information is available at the county level and presented on that basis (in thousands, not adjusted for inflation).
- (4) N/A - information not yet available for the year listed.

Town of Emerald Isle, North Carolina
Principal Employers
Current Year and Nine Years Ago

Employer	Calendar Year 2012			Calendar Year 2004		
	Employees (FTE's)	Rank	Percentage of Total Employment	Employees (FTE's)	Rank	Percentage of Total Employment
Carteret County Board of Education	1000 +	1	N/A	1000 +	1	N/A
Carteret General Hospital	500 - 999	2	N/A	500 - 999	2	N/A
County of Carteret	250 - 499	3	N/A	250 - 499	5	N/A
Wal-Mart Associates, Inc.	250 - 499	4	N/A	500 - 999	3	N/A
Carteret Community College	250 - 499	5	N/A	250 - 499	6	N/A
Century Employer Organization LLC	250 - 499	6	N/A			
Food Lion	250 - 499	7	N/A	100 - 249	9	N/A
N.C. Dept. of Env. & Natural Resources	250 - 499	8	N/A			
Lowe's Home Centers, Inc.	250 - 499	9	N/A			
Big Rock Sports LLC	100 - 249	10	N/A			
SSA Security, Inc.				250 - 499	4	N/A
State of North Carolina				250 - 499	7	N/A
Atlantic Veneer Corp.				250 - 499	8	N/A
Lowe's Food Stores, Inc.				100 - 249	10	N/A

Notes:

- (1) 2012 is the most recent year for which information is available and includes full-time and part-time workers.
- (2) Information provided by Employment Security Commission of North Carolina.
- (3) Information presented for Carteret County because information is not available for the Town.

**Town of Emerald Isle, North Carolina
Employees by Function
Last Ten Fiscal Years**

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Full-time										
General Government:										
Administration	5	5	5	5	5	5	5	5	5	5
Planning and Inspections	3	3	3	3	4	4	4	4	4	4
Public Safety:										
Police	19	19	21	21	22	24	22	22	22	22
Fire	14	14	14	14	14	14	14	14	14	14
Environmental Protection:										
Public Works	5	5	5	5	5	5	5	5	5	5
Solid Waste	2	2	2	2	3	3	3	3	3	3
Culture and Recreation:										
Parks and Recreation	7	7	8	8	8	8	8	7	6	6
Total	55	55	58	58	61	63	61	60	59	59

Part-time/Seasonal										
General Government:										
Administration	1	1	2	1	1	1	1	1	1	1
Planning and Inspections	1	1	1	1	1	1	1			
Public Safety:										
Police	14	14	10	8	8	8	8	6	6	6
Fire	21	20	14	14	14	14	14	14	10	10
Environmental Protection:										
Public Works	-	-	1	1	1	-	1	1	1	1
Solid Waste	1	1	1	1	2	2	2	2	2	2
Culture and Recreation:										
Parks and Recreation	35	34	27	26	34	37	34	22	22	20
Total	73	71	56	52	61	63	61	46	42	40

Inmate Laborers										
Parks Maintenance	2	2	2	-	-	-	-	-	-	-
Public Works	4	4	4	3	3	-	3	3	3	3
Total	6	6	6	3	3	-	3	3	3	3

Town of Emerald Isle, North Carolina
Operating Indicators by Function/Programs
Last Ten Fiscal Years

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Public Safety:										
Police dispatch calls answered	8,574	9,432	9,108	7,133	5,696	6,778	7,553	7,446	7,309	5,449
Fire calls answered	832	822	798	816	697	683	675	614	571	575
Transportation (Streets and Highways):										
Miles of streets maintained	45.37	45.54	45.54	45.54	45.91	45.91	45.91	45.91	45.91	45.02
Environmental Protection (Solid Waste):										
Refuse collected (tons)	3,279	3,414	3,392	3,371	3,412	3,624	3,610	3,633	3,368	3,361
Recyclables collected (tons)	657	632	627	591	507	501	444	507	511	474

Town of Emerald Isle, North Carolina
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Public Safety:										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	21	21	21	21	21	21	21	21	21	21
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Number of fire engines	4	4	4	4	4	4	4	4	4	4
Number of rescue boats	1	1	1	1	2	2	2	2	2	2
Jetskis	2	2	2	2	2	2	2	2	2	2
Number of EMS stations	1	1	1	1	1	1	1	1	1	1
Transportation (Streets and Highways):										
Miles of streets maintained	45.37	45.54	45.54	45.54	45.91	45.91	45.91	45.91	45.91	45.02
Environmental Protection (Solid Waste):										
Number of yard waste trucks	1	1	1	1	1	1	1	1	1	1

Compliance Section

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WILLIAMS · SCARBOROUGH · SMITH · GRAY, LLP
Certified Public Accountants

Christopher K. Williams, CPA
Steven N. Scarborough, CPA
Charles S. Smith, CPA
W. Randall Gray, 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***

To the Honorable Mayor
and Members of the Town Commission
Emerald Isle, 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, each major fund, and the aggregate remaining fund information of the Town of Emerald Isle, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Emerald Isle's basic financial statements, and have issued our report thereon dated September 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Emerald Isle'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 Emerald Isle's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of the internal control over financial reporting 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Emerald Isle'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.

Williams Scarborough Smith Gray, LLP

Williams · Scarborough · Smith · Gray, LLP
New Bern, North Carolina
September 25, 2013



WILLIAMS · SCARBOROUGH · SMITH · GRAY, LLP
Certified Public Accountants

Christopher K. Williams, CPA
Steven N. Scarborough, CPA
Charles S. Smith, CPA
W. Randall Gray, CPA

Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act

To the Honorable Mayor
and Members of the Town Commission
Emerald Isle, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Town of Emerald Isle, North Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Emerald Isle's major federal programs for the year ended June 30, 2013. The Town of Emerald Isle's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Emerald Isle's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Emerald Isle's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Emerald Isle's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Emerald Isle complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town of Emerald Isle is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Emerald Isle's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Williams Scarborough Smith Gray, LLP

Williams · Scarborough · Smith · Gray, LLP
New Bern, North Carolina
September 25, 2013

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WILLIAMS · SCARBOROUGH · SMITH · GRAY, LLP
Certified Public Accountants

Christopher K. Williams, CPA
Steven N. Scarborough, CPA
Charles S. Smith, CPA
W. Randall Gray, CPA

Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act

To the Honorable Mayor
and Members of the Town Commission
Emerald Isle, North Carolina

Report on Compliance for Each Major State Program

We have audited the Town of Emerald Isle, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Emerald Isle's major State programs for the year ended June 30, 2013. The Town of Emerald Isle's major State programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Emerald Isle's major State programs based on our audit. We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Town of Emerald Isle's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the Town of Emerald Isle's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Emerald Isle complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town of Emerald Isle is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Emerald Isle's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Williams Scarborough Smith Gray, LLP

Williams · Scarborough · Smith · Gray, LLP
New Bern, North Carolina
September 25, 2013

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**Town of Emerald Isle, North Carolina
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2013**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes X no
- Significant Deficiency(ies) identified that are not considered to be material weaknesses? _____yes X none reported

Noncompliance material to financial statements noted _____yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____yes X no
- Significant Deficiency(ies) identified that are not considered to be material weaknesses? _____yes X none reported

Type of auditor’s report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 _____yes X no

Identification of major Federal program:

<u>CFDA No.</u>	<u>Program Name</u>
97.036	Disaster Grants - Public Assistance

Dollar threshold used to distinguish Between Type A and Type B Programs \$ 300,000

Auditee qualified as low-risk auditee? _____yes X no

**Town of Emerald Isle, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013**

Section I – Summary of Auditor’s Results (continued)

State Awards

The only major State program for the Town of Emerald Isle is Disaster Grants - Public Assistance, which is a State match on a federal program. Therefore, this program has been included in the list of major federal programs above.

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

**Town of Emerald Isle, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2013**

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

**Town of Emerald Isle, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2013**

No matters reportable from prior year.

Town of Emerald Isle, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2013

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Grants:					
Cash Programs:					
<u>U.S. Department of Homeland Security</u>					
Passed-through N.C. Department of Crime Control and Public Safety:					
Disaster Grants - Public Assistance:					
Hurricane Irene (FEMA)	97.036	PA-04-NC-4019	\$ 3,004,421	\$ 1,001,282	\$ 5,774,426
<u>U.S. Department of the Interior</u>					
Fish and Wildlife Services:					
Beach Vitex Eradication		401819G573	4,000	-	4,000
Total assistance - federal programs			3,008,421	1,001,282	5,778,426
State Grants:					
Cash Assistance:					
<u>N.C. Department of Environment and Natural Resources</u>					
Clean Water Management Trust Fund		2008-703	-	42,614	54,192
Clean Water Management Trust Fund		2008-816	-	7,040	2,347
<u>N.C. Department of Transportation</u>					
Powell Bill		DOT-4 / 32570	-	38,148	-
Total assistance - State programs			-	87,802	56,539
Total assistance			\$ 3,008,421	\$ 1,089,084	\$ 5,834,965

Notes to the Schedule of Expenditures of Federal and State Financial Awards

- The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Emerald Isle and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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