

**Town of Emerald Isle,
North Carolina**

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2014

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Town of Emerald Isle, North Carolina
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June 30, 2014

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INTRODUCTORY SECTION

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Town of Emerald Isle

Mayor
Eddie Barber.

Mayor Pro-Tem
Floyd Messer, Jr.

Board of Commissioners
Tom Hoover, Jr.
Jim Normile
John Wootten
Maripat Wright



Town Manager
Frank A. Rush, Jr.
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October 2, 2014

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, 2014, 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 unmodified 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 Town also utilizes several 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, 2014. 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 2013 at 3,784. 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 approximately \$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 large 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 suppression, fire prevention, sanitation, street maintenance, storm water management, parks and recreation, beach and water access, bicycle and pedestrian paths, 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 services.

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.

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 operates at a high level, has enhanced public safety, and continues to improve community relationships.

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 4 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. Additionally, the close proximity of MCB Camp Lejeune and MCAS Cherry Point also fuels economic growth in our area.

With the continued improvement in the regional and national economies, the Town has experienced steady economic growth in recent years, and this trend is expected to continue. Because of the Town's desirable coastal location, the long-term economic outlook for the Town also 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 Town relies on several key indicators to gauge the status of the local economy and the likely impacts on the Town's budget and financial position, and all of the key indicators indicate significant growth in the past decade (despite the recession in late 2000s) and continue to trend up for the foreseeable future. Room occupancy tax revenues continue to increase significantly, with FY 13-14 room occupancy tax collections representing the highest collections in history. Sales tax collections also continue to increase at an annual rate of 3% or more, reflecting increased spending by our permanent residents and second homeowners, and also increased tourism activity. After experiencing several down-years, the local construction industry appears to be experiencing modest increases, and the continued improvement in the regional and national economies should promote additional new investment in Emerald Isle and the entire area. Real estate values also appear to have finally stabilized, with the Town's total assessed value expected to decrease only slightly in the upcoming 2015 tax revaluation to an estimated \$2.7 billion. Finally, with the stock market now experiencing record highs, this is providing additional disposable income for our numerous retirees, further enhancing the local economy.

The Town effectively managed the economic and financial challenges of the past several years, and maintains a solid financial position. The local economy remains stable and is poised for continued modest growth in the future, and should enable the Town to achieve its community and financial goals.

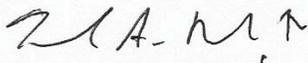
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Emerald Isle for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This was the first year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied 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. However, we believe that our current CAFR continues to meet 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 another 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

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**Town of Emerald Isle, North Carolina
List of Principal Officials
June 30, 2014**

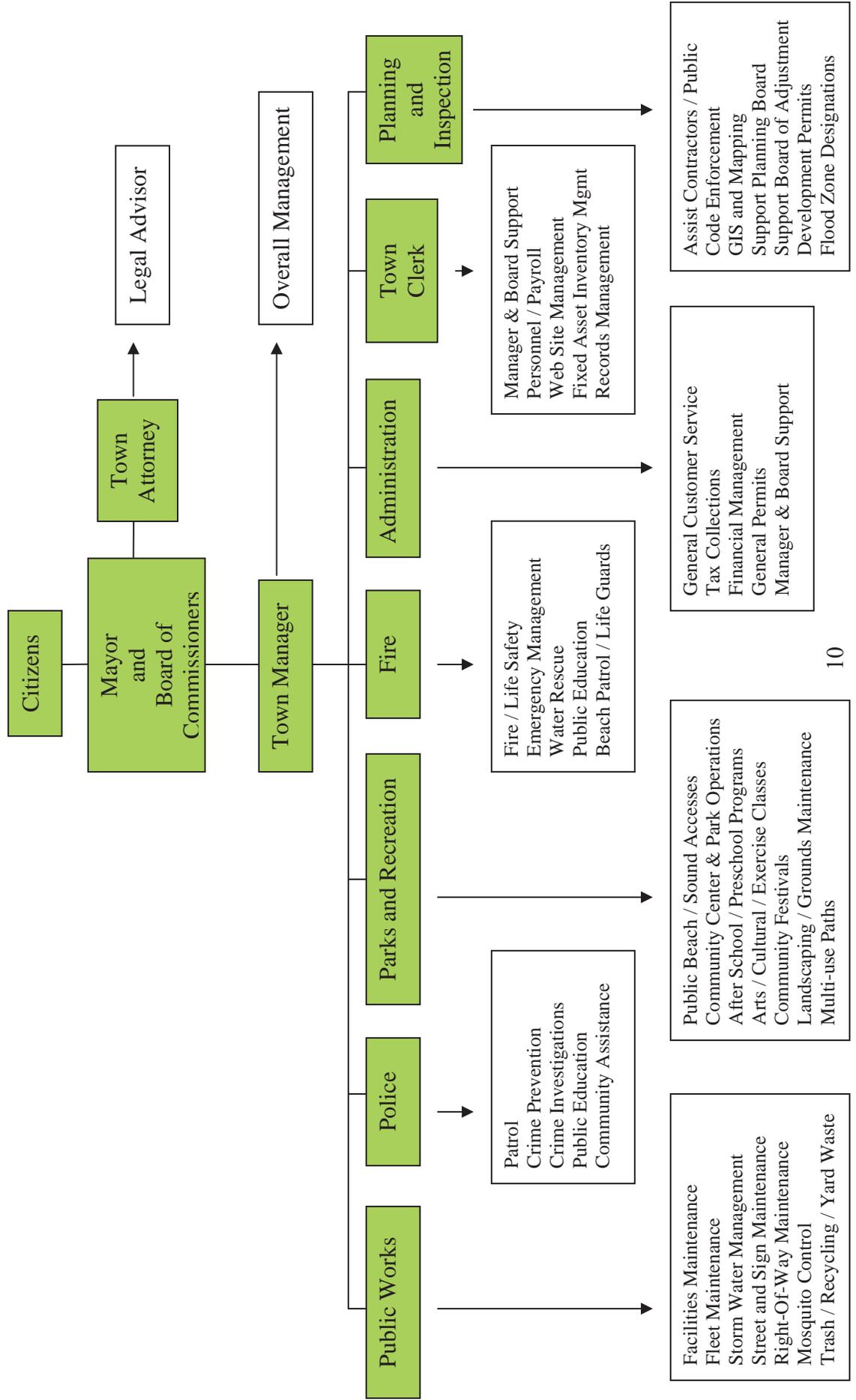
BOARD OF COMMISSIONERS

Honorable Eddie Barber, Mayor
Floyd Messer, Jr., Mayor Pro Tem
Tom Hoover, Jr.
Jim Normile
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
Jim Jennings, Interim Planning and Inspections Director
Alesia F. Sanderson, Parks and Recreation Director
Richard L. Stanley, Town Attorney

Town of Emerald Isle Organizational Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Emerald Isle
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, 2014, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund, and the Future Beach Nourishment Special Revenue 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 Town of Emerald Isle, North Carolina's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, are the responsibility of management and were derived from and relate directly

to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 October 2, 2014, 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
October 2, 2014

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Management Discussion and Analysis

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Town of Emerald Isle

Mayor
Eddie Barber

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Floyd Messer, Jr.

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Maripat Wright



Town Manager
Frank A. Rush, Jr.

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Visit our web site at www.emeraldisle-nc.org !

MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2014 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, 2014. 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

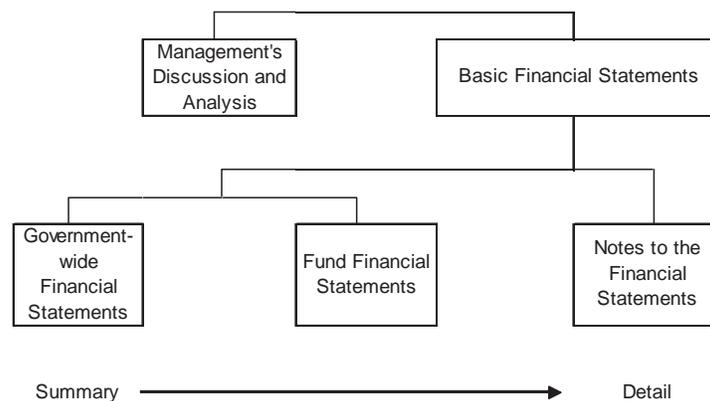
- The Town had \$2,312,948 of cash and cash equivalents on hand as of June 30, 2014. The Town also had net receivables of \$53,536 and \$691,771 of restricted cash and cash equivalents as of June 30, 2014. Additionally, a total of \$841,736 was due from other governments, a portion of which was associated with the final FEMA reimbursement associated with the FEMA Irene Beach Nourishment Project completed in spring 2013.
- The Town had total capital assets of \$20,187,581 as of June 30, 2014. The bulk of these assets are land, buildings, and other improvements in the community.
- The Town's total liabilities as of June 30, 2014 were \$4,885,701. Accounts payable and accrued liabilities represent \$476,704 of this amount, most of which was associated with the timing of construction payments for the Town's bicycle path and stormwater projects that were in various stages of completion at June 30, 2014. A total of \$4,030,771 of this amount is the Town's outstanding debt as of June 30, 2014.
- The Town had an officially reported net position of \$19,201,871 as of June 30, 2014. Total net position increased by \$791,998 from the prior year, due primarily to the collection of special district property taxes that are reserved for future, as-yet-unscheduled beach nourishment activities.
- The Town had total revenues of \$9,152,737 across all funds during FY 13-14, and issued \$2,855,000 of installment financing debt for capital needs. The Town had total expenditures of \$10,517,016 across all funds during FY 13-14, resulting in a \$1,490,721 increase in the Town's total fund balance. Nearly half of this increase in fund balance is associated with reserve funds for future beach nourishment activities, and much of the remaining increase is associated with the timing of construction payments for capital projects, and is temporary in nature.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,422,247, an increase of \$1,490,721 in comparison with the prior year. As noted earlier, much of this increase is associated with the beach nourishment reserve and the timing of construction payments.

- The General Fund, the Town's primary annual operating fund, had total revenues of \$7,902,506 and total expenditures of \$8,209,046 during FY 13-14. After considering installment financing proceeds (\$455,000 for a new Fire truck) and transfers to other funds for capital projects (\$105,168), the Town added \$43,292 to General Fund balance as of June 30, 2014.
- As of June 30, 2014, the Town's General Fund had a total fund balance of \$2,150,245, of which a total of \$1,359,281 is classified as unassigned fund balance.
- The total General Fund balance of \$2,150,245 is equal to 25.9% of total General Fund expenditures during FY 13-14 (\$8,314,214, including transfers out). This percentage is down from the previous year (28.5%), due to the fact that total expenditures include the one-time purchase of a new Fire truck. Total General Fund balance represents 25.4% percent of the FY 14-15 adopted budget of \$8,454,128 (including transfers out). It is important to note that the FY 14-15 adopted budget now includes a \$450,000 transfer to the Future Beach Nourishment Fund (special district property taxes were previously credited directly to that fund), which results in the appearance of a larger General Fund budget and affects the fund balance percentage calculation. If the \$450,000 transfer is not factored in this calculation, the fund balance percentage would be 26.9%.
- The total unassigned General Fund balance amount of \$1,359,281 is equal to 16.3% of total General Fund expenditures during FY 13-14 (\$8,314,214, including transfers out). Unassigned General Fund balance represents 16.1% of the FY 14-15 adopted budget of \$8,454,128 (including transfers out). The \$450,000 transfer to the Future Beach Nourishment Fund has the same impact on this fund balance percentage calculation as described above.
- The Town's Future Beach Nourishment Fund had a year-end fund balance of \$704,627, as the Town collected another year of special district property taxes that are reserved for future beach nourishment activities.
- The Town's Total outstanding debt at June 30, 2014 is \$4,030,771, and includes \$2,400,000 for bicycle path and stormwater projects, \$455,000 for the purchase of a new Fire truck, and \$1,175,771 that is the remaining balance from a 2013 refinancing. The Town's total outstanding debt is equal to approximately 0.13% of the Town's total assessed valuation at June 30, 2014, 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 utilizes 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 \$19,201,871 as of June 30, 2014. The Town's net position increased by \$791,998 for the fiscal year ended June 30, 2014, due primarily to the collection of special district property taxes that are reserved for future, as-yet-unscheduled beach nourishment activities. The Town maintains the Future Beach Nourishment Fund to reserve funds for future activities, and added a total of \$696,987 to fund balance in this fund during FY 13-14.

The Town's current assets (cash and cash equivalents, net receivables, due from other governments, and restricted cash) were \$3,899,991 as of June 30, 2014. This amount includes \$2,312,948 of unrestricted cash and cash equivalents across all Town funds, and an additional \$691,771 of restricted cash and cash equivalents, the vast majority of which is associated with bicycle path and stormwater projects still in progress at June 30, 2014. This amount also includes \$841,736 due from other governments, including \$268,926 in the form of outstanding FEMA reimbursements for the FEMA Irene project. The Town's capital assets total \$20,187,581, which is an increase of \$2,267,020 from the prior year, due primarily to the completion of several capital projects.

The Town's total liabilities increased by \$1,596,304 during FY 13-14 to \$4,885,701. This increase is primarily associated with the issuance of \$2.855 million of new installment debt, and is offset by timing issues associated with the FEMA Irene beach nourishment project that impacted the June 30, 2013 financial statements.

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

	Governmental Activities	
	2014	2013
Current and other assets	\$ 3,899,991	\$ 3,778,709
Capital assets	20,187,581	17,920,561
Total assets	<u>24,087,572</u>	<u>21,699,270</u>
Long-term liabilities outstanding	4,030,771	1,400,000
Other liabilities	854,930	1,889,397
Total liabilities	<u>4,885,701</u>	<u>3,289,397</u>
Net position:		
Net investment in capital assets	16,156,810	16,520,561
Restricted	1,923,224	712,156
Unrestricted	1,121,837	1,177,156
Total net position	<u>\$ 19,201,871</u>	<u>\$ 18,409,873</u>

Changes in Net Position

As noted in Figure 3 below, the Town had total revenues of \$8,868,242 across all activities, and had total expenses of \$8,076,244 during the year ended June 30, 2014, resulting in an increase in the Town's net position of \$791,998. The Town's total FY 13-14 expenses and revenues decreased significantly from the previous year because FY 12-13 included the FEMA Irene beach nourishment project, a one-time large expenditure that included significant funding from outside sources and the intentional use of fund balance (from the Future Beach Nourishment Fund).

The increase in net position in FY 13-14 is primarily associated with the accumulation of additional reserve funds in the Future Beach Nourishment Fund. The Town collected additional service district taxes (\$673,289) and realized other minor revenues for future beach nourishment activities in FY 13-14, but did not incur any expenses for beach nourishment activities. Minor surpluses in other Town funds also contributed to the increase in net position.

Town of Emerald Isle's Changes in Net Position
Figure 3

	Governmental Activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 1,980,905	\$ 1,828,739
Operating grants and contributions	169,336	158,202
Capital grants and contributions	240,360	8,457,159
General revenues:		
Property taxes	4,437,811	4,129,853
Local option sales tax	1,469,530	1,408,346
Other taxes and licenses	344,135	340,656
Unrestricted grants and contributions	189,797	181,517
Unrestricted investment earnings	213	2,678
Miscellaneous	36,155	62,633
Total revenues	<u>8,868,242</u>	<u>16,569,783</u>
Expenses:		
General government	1,435,466	1,296,756
Public safety	3,275,447	3,132,331
Environmental protection	2,214,128	11,708,614
Cultural and recreation	1,108,279	880,615
Interest on long-term debt	42,924	64,857
Total expenses	<u>8,076,244</u>	<u>17,083,173</u>
Increase (decrease) in net position	791,998	(513,390)
Net position, beginning	18,409,873	18,923,263
Net position, ending	<u>\$ 19,201,871</u>	<u>\$ 18,409,873</u>

Capital Assets

As of June 30, 2014, the Town of Emerald Isle investment in capital assets totaled \$20,187,581, an increase of \$2,267,020 over the previous year. These assets include buildings, construction in progress, furniture and equipment, improvements, land, and vehicles.

The Town issued \$2.4 million of new installment debt for bicycle path and stormwater projects in FY 13-14, and these projects were in various stages of completion at June 30, 2014. These projects represent the bulk of the increase in the Towns' capital assets. Additionally, the Town purchased a replacement Fire truck during FY 13-14, and issued \$455,000 of new installment debt for this purchase.

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

Figure 4

	Governmental Activities	
	2014	2013
Land	\$ 11,364,946	\$ 11,364,946
Construction in progress	2,343,937	525,680
Buildings	2,387,456	2,277,583
Improvements	2,870,923	2,849,487
Furniture and equipment	255,072	253,697
Vehicles and motorized equipment	965,247	649,168
	<u>\$ 20,187,581</u>	<u>\$ 17,920,561</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, 2014, the Town of Emerald Isle had total outstanding debt of \$4,030,771. This entire amount is comprised of three installment financing agreements entered into in 2013 and 2014.

The Town issued \$1.4 million in new installment debt in 2013 to refinance previous installment debts, and the remaining balance at June 30, 2014 was \$1,175,771 after the first of 6 annual payments was made in FY 13-14. The Town issued \$2.4 million in new installment debt in FY 13-14 to fund bicycle path and stormwater projects, and this new debt has a 9-year term, with the first payment due in FY 14-15. The Town also issued \$455,000 for the purchase of a new Fire truck in FY 13-14, and this new debt has a 5-year term, with the first payment due in FY 14-15. The annual interest rates for these debts are 1.59% for the 2013 refinancing, 2.17% for the bicycle path and stormwater projects, and 1.63% for the new Fire truck.

Town of Emerald Isle's Outstanding Debt

Figure 5

	Governmental Activities	
	2014	2013
Installment notes	\$ 4,030,771	\$ 1,400,000
	<u>\$ 4,030,771</u>	<u>\$ 1,400,000</u>

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 \$4,030,771 is equal to 0.13% of the Town's total assessed valuation of approximately \$3 billion as of June 30, 2014. 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 \$236 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 and Future Beach Nourishment 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 \$8,314,214 of total expenditures (\$8,209,046) and transfers out (\$105,168) in the year ending June 30, 2014. Total revenues, including the proceeds from a new installment debt (\$455,000) were \$8,357,506, resulting in a \$43,292 surplus and increase in General Fund balance.

Property tax revenues continue to represent the Town's largest General Fund revenue source, at \$3,767,874, or approximately 45.1% of total revenues. Sales tax revenues remain the Town's second largest General Fund revenue source, with a total of \$1,469,530 representing 17.6% of total revenues. Solid waste service fees are the Town's third largest General Fund revenue source, at \$1,330,472 representing 15.9% of total revenues. Combined, these three revenue sources make up 78.6% of total General Fund revenues for the fiscal year ended June 30, 2014.

Public safety expenditures (Police, Fire, and EMS) continue to comprise the largest portion of the General Fund, at \$3,549,313, or approximately 42.7% of total General Fund expenditures and transfers out. (This figure includes the one-time purchase of a new Fire truck.) Other notable expenditures include Solid Waste (\$1,363,571) and Parks and Recreation (\$999,302; includes the one-time expenditures for the completion of an expansion of the Community Center and for new playground equipment at Blue Heron Park).

As of June 30, 2014, total General Fund balance is \$2,150,245, a slight increase over the prior year's ending fund balance of \$2,106,953. The Town added \$43,292 to General Fund balance in FY 13-14, due primarily to lower than anticipated expenditures at year-end. The Town's total General Fund balance is equal to 25.9% of total General Fund expenditures (including transfers out) during FY 13-14. This percentage is down from the previous year (28.5%), due to the fact that total expenditures include the one-time purchase of a new Fire truck. Total General Fund balance represents 25.4% percent of the FY 14-15 adopted budget of \$8,454,128 (including transfers out), however, it is important to note that the FY 14-15 adopted budget now includes a \$450,000 transfer to the Future Beach Nourishment Fund (special district property taxes were previously credited directly to that fund), which results in the appearance of a larger General Fund budget and affects the fund balance percentage calculation. If the \$450,000 transfer is not factored in this calculation, the fund balance percentage would be 26.9%.

The total unassigned General Fund balance amount of \$1,359,281 is equal to 16.3% of total General Fund expenditures during FY 13-14. Unassigned General Fund balance represents 16.1% of the FY 14-15 adopted budget of \$8,454,128 (including transfers out). The \$450,000 transfer to the Future Beach Nourishment Fund has the same impact on this fund balance percentage calculation as described above. 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, the Town has had and will likely 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. Finally, the Town's elected officials have historically and continue to place a high priority on the proper balance between the Town's fund balance needs and respect for our taxpayers by not holding an excessive amount of their money.

Future Beach Nourishment Fund

FY 13-14 was the third year of existence for the Future Beach Nourishment Fund, and this fund will continue to be utilized in the future to accumulate reserve funds for 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 \$7,640 after being nearly fully depleted to fund the Town's share of costs associated with the FEMA Irene beach nourishment project in 2013. The Town collected \$673,289 of service district taxes in FY 13-14, and these funds will be reserved for future nourishment activities on an as-needed basis. After considering additional funds associated with

the close out of the FEMA Irene Beach Nourishment Project, the Future Beach Nourishment Fund had a fund balance of \$704,627. This fund balance is expected to increase by a similar amount each year until the next project is scheduled.

Other Funds

The Town utilized several other funds during the fiscal year ended June 30, 2014, most of which are capital project funds established to segregate revenues and expenditures associated with these projects over multiple fiscal years.

As noted, the Town undertook significant bicycle path and stormwater projects in FY 13-14, and used several capital project accounts for these projects. The project with the largest budget is the NC 58 Bicycle Path Extension – EORA – IB (Eastern Ocean Regional Access - Indian Beach), a 2.7 mile segment of the Town's bicycle path network. This project is funded by \$800,000 from the Town's \$2.4 million installment debt, and was not fully complete at June 30, 2014. A fund balance of \$114,434 at June 30, 2014 will likely be fully depleted upon final project completion.

The other largest capital project fund is associated with the FEMA Irene beach nourishment project that was completed in 2013. This capital project fund remained open only due to timing issues associated with a FEMA reimbursement. There is no fund balance in this capital project fund, and it will be closed out.

Other active capital project funds utilized by the Town during FY 13-14 include:

- the Eastern EI Stormwater Outfall capital project fund, which only remained open due to the timing of grant reimbursements. There is no fund balance in this capital project fund, and it will be closed out upon final grant reimbursement.
- the NC 58 Bicycle Path Phase 3C capital project fund, which is now complete and all grant reimbursements have been received. There is no fund balance in this capital project fund, and it 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 \$4,680,804 since the creation of this capital project fund in 2008. This capital project fund was used to record revenues and expenditures associated with the construction of a new pier at this facility during FY 13-14, which is now complete. This fund remains active and includes a total fund balance of \$6,747 that is available for other uses.
- the Island Circle Stormwater Connection capital project fund was utilized for this stormwater project that was primarily financed by \$270,000 from the Town's \$2.4 million installment debt during FY 13-14. This project is now complete, and a total fund balance of \$2,140 is available for other uses.
- the Lands End Stormwater Connection capital project fund was utilized for this stormwater project (that also included additional site work associated with the Coast Guard Road bicycle path) that was primarily financed by \$517,000 from the Town's \$2.4 million installment debt during FY 13-14. This project was not fully complete at June 30, 2014, and had a total fund balance of \$185,758. The majority of these funds have since been expended, however, we expect some remaining fund balance to be available for other uses after all project expenses are recorded.
- the Coast Guard Road Multi-Use Path capital project fund, which is primarily used to account for fundraising proceeds and related path improvements funded by these proceeds. This fund has a balance of \$50,089 at June 30, 2014, and these funds are available for future appropriation for bicycle path expenses as recommended by the Bicycle and Pedestrian Advisory Committee and authorized by the Board of Commissioners.
- the NC 58 Bicycle Path Extension – Fairfax – Ocean Drive capital project fund was utilized for this bicycle path project that was financed by \$440,000 from the Town's \$2.4 million installment debt

during FY 13-14. This project is now complete, and a total fund balance of \$26,050 that is available for other uses.

- the Coast Guard Road Bicycle Path Extension capital project fund was utilized for this 1.1 mile path extension that was primarily financed by \$373,000 from the Town's \$2.4 million installment debt during FY 13-14. This project was not fully complete at June 30, 2014, and had a total fund balance of \$132,356. Only minor expenses occurred after June 30, 2014, and the vast majority of these funds are expected to be available for other uses after all project expenses are recorded.

The Town also utilizes the Special Drug Fund to account for restricted Police revenues and expenditures for Police equipment. The Special Drug Fund has a total fund balance of \$4,266 as of June 30, 2014, and these funds will be used for eligible Police equipment in FY 14-15 and beyond.

For the first time in FY 13-14, the Town utilized the Half-Marathon Fund. This fund was established to account for revenues and expenditures associated with an annual road race organized by a volunteer committee and held in March each year. Total fund revenues were \$65,511, and total expenditures were \$19,976. The fund balance of \$45,535 in this fund is reserved for future bicycle path improvements in the Town.

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 had accumulated a fund balance of \$63,727 in this fund as of June 30, 2013, and the FY 13-14 budget included the appropriation of \$21,831 from this fund to be transferred to the General Fund for payments to the Town's first eligible retired officer. Because the General Fund experienced a surplus in FY 13-14, the \$21,831 appropriation was not ultimately transferred to the General Fund, and the Pension Trust Fund maintains a fund balance of \$63,731 (minor adjustment included) as of June 30, 2014. This fund balance is available for future separation allowance payments, including FY 14-15. The FY 14-15 budget includes a new \$21,831 transfer from the Separation Allowance Fund to the General Fund.

FY 13-14 Budget Administration

The Board of Commissioners adopted the FY 13-14 budget in June 2013 after a thoughtful and analytical review process over the previous several months.

The total adopted FY 13-14 budget across all funds was \$8,971,372, which represented a \$76,945, or 0.9% increase over the adopted FY 12-13 budget for all funds. The FY 13-14 adopted budget relied on a General Fund property tax rate of 12.5 cents (a 1-cent increase) and Future Beach Nourishment Fund tax rates of 4.5 cents (oceanfront and inlet-front properties) and 1.5 cents (all other properties).

The adopted FY 13-14 budget included a total General Fund budget of \$8,284,239, a \$1,051,365, or 14.5% increase over the adopted FY 12-13 budget. The main contributing factors to this increase were the appropriation of installment debt proceeds for the one-time purchase of a new Fire truck (\$455,000), the enactment of a 1-cent General Fund property tax rate increase to fund future debt service payments associated with the \$2.4 million installment debt for bicycle path and stormwater projects (\$298,887), and the intentional use of Powell Bill reserves (\$113,509) for a portion of the cost associated with a 2.7 mile street resurfacing project. During the course of FY 13-14, the General Fund budget was amended several times, resulting in an amended FY 13-14 budget of \$8,474,980.

The \$2.4 million installment debt for bicycle path and stormwater projects was originally envisioned as a \$2.7 million installment debt for these projects and initially included the expansion of the Community Center and the new playground equipment at Blue Heron Park. The original plan called for a 10-year term, to be serviced by the proceeds of the 1-cent tax rate increase. The General Fund budget was amended during FY 13-14 to allocate most of the funding for the first year of debt service payments for the Community Center expansion and playground equipment, and some pre-construction expenses for the bicycle path and stormwater projects (\$295,000). The principal amount of the installment debt was then reduced from \$2.7 million to \$2.4 million, and the term was reduced from 10 years to 9 years.

In addition to smaller budget amendments in various Town department budgets, the other most significant amendments increased the General Fund budget by \$48,000 to recognize recycling container fees and associated expenditures, and also increased the NonDepartmental budget by \$35,000 for information technology services.

The Fiscal Year Ahead - FY 14-15 Budget Highlights

The Town's FY 14-15 adopted budget totals \$8,686,115 across all annual Town funds, a \$285,257, or 3.2% decrease from the originally adopted FY 13-14 budget. The FY 14-15 adopted budget maintains the Town's high service levels and quality, and relies on outside funding for two key capital project initiatives in FY 14-15 (construction of a new Welcome Center and parking lot improvements at the Eastern Ocean Regional Access facility).

The FY 14-15 budget relies on the same net property tax rate for all property taxpayers, but does include adjustments to the General Fund property tax rate and special service district tax rates that are intended to simplify the billing and collection of property taxes. The General Fund property tax rate was increased from 12.5 cents to 14 cents, however, the special service district tax rate for oceanfront and inlet-front properties (for beach nourishment) was decreased from 4.5 cents to 3 cents. The special service district tax rate for all other properties (for beach nourishment) was eliminated altogether (was previously 1.5 cents.) This adjustment results in approximately \$450,000 of additional revenue for the General Fund, which will simply be transferred to the Future Beach Nourishment Fund, thereby maintaining the same historical appropriation (approximately \$682,000) in the Future Beach Nourishment Fund.

The Town's adopted FY 14-15 General Fund budget is \$8,454,128, which equates to a \$169,890 increase (or 2.1%) over the adopted FY 13-14 General Fund budget. This total includes the \$450,000 transfer to the Future Beach Nourishment Fund mentioned above; otherwise the General Fund budget would have been slightly more than \$8 million. Most General Fund revenues are expected to remain stable or increase slightly from FY 13-14 amounts, with a few exceptions. Sales tax revenues are projected to increase to approximately \$1,552,000 in FY 14-15 (up from \$1,469,530 actual in FY 13-14) due to continued improvement in the local economy and due to distribution formula impacts. Fee increases for the Town's annual solid waste fee and for beach driving permits are also expected to generate an additional \$63,000 of revenue in FY 14-15. On the expenditure side, the budgets for Town departments are relatively constant, however, the FY 14-15 budget includes additional funds for information technology services and the first year of debt service payments (\$95,498) for the new Fire truck financed in 2013.

The adopted FY 14-15 General Fund budget anticipates a total of \$4,222,682 of property tax revenues, \$1,552,000 of sales tax revenues, and \$1,370,625 of annual solid waste fee revenues. Combined, these 3 revenue sources represent nearly 85% of General Fund revenues. On the expenditure side, public safety (Police, Fire, and EMS) and solid waste expenses represent nearly 54% of General Fund expenditures. The FY 14-15 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 14-15 General Fund budget is structurally sound, and the Town does not anticipate any unmanageable budget deficits in the coming years.

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 rebound, 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 (approximately \$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, 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 more or 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 6% room occupancy tax on all short-term accommodations in the County, including Emerald Isle, and research indicates that Emerald Isle alone represents approximately 63% 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 now fully recovered. Room occupancy tax collections for FY 13-14 were \$4.83 million (adjusted to account for change in rate from 5% to 6% in January; actual total FY 13-14 collections were \$5.18 million), the highest total in history. Several local businesses have indicated that the 2014 season was their best ever, and we continue to look forward to the future 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 were significantly impacted by non-economic (formula-based) factors in FY 12-13, however, these impacts are now fully absorbed, and the Town's FY 13-14 sales tax collections were nearly \$1.47 million, significantly more than originally projected in the adopted FY 13-14 budget (\$1.39 million) and actually received in FY 12-13 (\$1.41 million). A comparison of the Town's recent monthly sales tax revenues (on a year-over-year basis) indicates annual growth of more than 4%. 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 the County and municipalities), indicates a nearly 3% increase in sales tax collections within Carteret County annually. 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 below historical averages, and this is likely due to the fact that new construction is among the last segments of the economy to fully recover after a recession. There are some encouraging signs, however, and we hope to realize continued growth in the local construction industry in the next few years. The total value of new construction in the Town in FY 13-14 was approximately \$16.1 million, up from the FY 09-10 amount of \$8.9 million (the least amount in recent memory), and also up from the 12-13 amount of \$12.3 million. The Town permitted a total of 24 new residential structures in FY 13-14, compared with 14 new residential structures in FY 09-10 and 18 new residential structures in FY 12-13. 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 have steadily increased to nearly \$149,000 in FY 13-14. The Town remains hopeful that FY 14-15 will include additional 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 50 - 60 new homes constructed annually with a total annual value of approximately \$20 - \$25 million.

Real estate values have decreased significantly since the boom of the mid-2000s. The Town's total assessed value was more than \$4.2 billion in the 2007 tax revaluation (at the height of the boom), and decreased to slightly less than \$3 billion in the 2011 tax revaluation. Carteret County recently released preliminary figures for the 2015 tax revaluation, and we expect that the total taxable value of the Town will decrease to approximately \$2.7 billion. We believe, however, that we have seen the end of decreasing values and look forward to modest appreciation in the coming years. The most established real estate firms and agents in Emerald Isle have survived the slowdown in the real estate market, and we continue to experience modest improvement in the local 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, and the Town has historically adopted "revenue-neutral" tax rates following previous tax revaluations. The Town will likely establish a "revenue-neutral" tax rate in FY 15-16 (after the 2015 tax revaluation), 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.

Emerald Isle is the permanent home and a part-time residence for many retirees, and a portion of the local economy is fueled by the accumulated wealth of this group. As the market continues to experience significant growth, the investment earnings of this group increase, providing more disposable income for retail activity in the local economy. With the leading market indices at all time highs, this also bodes well for the Town's budget and financial position.

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 Town's capital investment decisions have and will continue to reflect deliberate and calculated efforts to enhance the quality of life for our residents and visitors and maintain and enhance Emerald Isle's competitiveness as a tourism and retirement destination.

In summary, the Town has maintained a solid financial position over the past decade, and is poised to maintain that solid financial position over the next decade and beyond. The Town budget is structurally sound, and the Town utilizes prudent financial management policies. Its major industries (tourism, construction, and real estate) are all now stable and 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.

Basic Financial Statements

Town of Emerald Isle, North Carolina
Statement of Net Position
June 30, 2014

	Primary Government
	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,312,948
Receivables (net)	53,536
Due from other governments	841,736
Restricted cash and cash equivalents	691,771
Total current assets	3,899,991
Non Current Assets:	
Capital assets (Note 4):	
Land and construction in progress	13,708,883
Other capital assets, net of depreciation	6,478,698
Total capital assets	20,187,581
Total assets	\$ 24,087,572
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 476,704
Current portion of long term liabilities	604,251
Total current liabilities	1,080,955
Long-term liabilities:	
Due in more than one year	3,804,746
Total liabilities	4,885,701
NET POSITION	
Net investment in capital assets	16,156,810
Restricted for	
Streets - Powell Bill	36,056
Stabilization by State Statute	754,908
Public safety	4,266
Environmental protection	858,768
Culture and recreation	269,226
Unrestricted	1,121,837
Total net position	\$ 19,201,871

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

**Town of Emerald Isle, North Carolina
Statement of Activities
For the Year Ended June 30, 2014**

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	\$ 1,435,466	\$ 32,017	\$ -	\$ -	\$ (1,403,449)
Public safety	3,275,447	279,029	4,505	-	(2,991,913)
Environmental protection	2,214,128	1,486,316	153,040	38,443	(536,329)
Cultural and recreation	1,108,279	183,543	11,791	201,917	(711,028)
Interest on long-term debt	42,924	-	-	-	(42,924)
Total governmental activities	\$ 8,076,244	\$ 1,980,905	\$ 169,336	\$ 240,360	\$ (5,685,643)

General revenues:

Taxes:

Property taxes, levied for general purpose	4,437,811
Local option sales tax	1,469,530
Other taxes and licenses	344,135
Unrestricted grants and contributions	189,797
Unrestricted investment earnings	213
Miscellaneous	36,155
Total general revenues	6,477,641
Change in net position	791,998
Net position, beginning as restated	18,409,873
Net position, ending	\$ 19,201,871

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, 2014

	Major Funds				
	General Fund	Future Beach Nourishment Special Revenue Fund	NC 58 Bicycle Path Extension - EORA-IB Capital Project Fund	FEMA - Irene Beach Nourishment Capital Project Fund	Non-Major Funds
ASSETS					
Cash and cash equivalents	\$ 1,464,313	\$ 704,627	\$ -	\$ -	\$ 144,008
Restricted cash and cash equivalents	36,056	-	344,236	-	311,479
Taxes receivable, net	23,873	4,808	-	-	-
Accounts receivables, net	22,257	-	-	-	-
Due from other governments	565,210	-	-	268,926	7,600
Due from other funds	167,441	-	-	-	-
Total assets	<u>\$ 2,279,150</u>	<u>\$ 709,435</u>	<u>\$ 344,236</u>	<u>\$ 268,926</u>	<u>\$ 463,087</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 105,032	\$ -	\$ 199,848	\$ 141,585	\$ -
Due to other funds	-	-	29,954	127,341	10,146
Total liabilities	<u>105,032</u>	<u>-</u>	<u>229,802</u>	<u>268,926</u>	<u>10,146</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	23,873	4,808	-	-	-
Total deferred inflows of resources	<u>23,873</u>	<u>4,808</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted:					
Streets - Powell Bill	36,056	-	-	-	-
Stabilization by State Statute	754,908	-	-	-	-
Public safety	-	-	-	-	4,266
Environmental protection	-	704,627	-	-	154,141
Culture and recreation	-	-	114,434	-	154,792
Assigned:					
Environmental protection	-	-	-	-	33,757
Culture and recreation	-	-	-	-	105,985
Unassigned	1,359,281	-	-	-	-
Total fund balances	<u>2,150,245</u>	<u>704,627</u>	<u>114,434</u>	<u>-</u>	<u>452,941</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,279,150</u>	<u>\$ 709,435</u>	<u>\$ 344,236</u>	<u>\$ 268,926</u>	<u>\$ 463,087</u>

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

**Total
Governmental
Funds**

\$ 2,312,948
 691,771
 28,681
 22,257
 841,736
 167,441

 \$ 4,064,834

\$ 446,465
 167,441

 613,906

28,681

 28,681

36,056
 754,908
 4,266
 858,768
 269,226

33,757
 105,985
 1,359,281

 3,422,247

\$ 4,064,834

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, 2014

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

Total fund balances, Governmental Funds	\$ 3,422,247
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,187,581
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	28,681
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.	2,598
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>(4,439,236)</u>
Net position of governmental activities	<u><u>\$ 19,201,871</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, 2014

	Major Funds				Total Nonmajor Funds
	General Fund	Future Beach Nourishment Special Revenue Fund	NC 58 Bicycle Path Extension - EORA-IB Capital Project Fund	FEMA - Irene Beach Nourishment Capital Project Fund	
REVENUES					
Ad valorem taxes	\$ 3,767,874	\$ 673,289	\$ -	\$ -	\$ -
Restricted intergovernmental	152,951	-	-	292,589	191,890
Unrestricted intergovernmental	2,025,954	-	-	-	-
Permits and fees	1,794,351	-	-	-	-
Sales and services	125,455	-	-	-	-
Investment earnings	178	35	-	-	-
Miscellaneous	35,743	-	-	-	92,428
Total revenues	7,902,506	673,324	-	292,589	284,318
EXPENDITURES					
Current:					
General government	1,293,196	-	-	-	-
Public safety	3,549,313	-	-	-	9,576
Environmental protection	2,120,746	-	-	-	-
Cultural and recreation	999,302	-	-	-	19,976
Capital outlay:					
Environmental protection	-	-	-	-	672,965
Cultural and recreation	-	-	685,566	-	919,887
Debt service:					
Principal	224,229	-	-	-	-
Interest and other charges	22,260	-	-	-	-
Total expenditures	8,209,046	-	685,566	-	1,622,404
Excess (deficiency) of revenues over expenditures	(306,540)	673,324	(685,566)	292,589	(1,338,086)
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of debt	455,000	-	800,000	-	1,600,000
Transfers from other funds	-	23,663	-	-	105,168
Transfers to other funds	(105,168)	-	-	(23,663)	-
Total other financing sources (uses)	349,832	23,663	800,000	(23,663)	1,705,168
Net change in fund balance	43,292	696,987	114,434	268,926	367,082
Fund balance, beginning	2,106,953	7,640	-	(268,926)	85,859
Fund balance, ending	\$ 2,150,245	\$ 704,627	\$ 114,434	\$ -	\$ 452,941

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

**Total
Governmental
Funds**

\$ 4,441,163
 637,430
 2,025,954
 1,794,351
 125,455
 213
128,171
9,152,737

1,293,196
 3,558,889
 2,120,746
 1,019,278

672,965
 1,605,453

224,229
 22,260

10,517,016

(1,364,279)

2,855,000
 128,831

(128,831)
2,855,000

1,490,721

1,931,526

\$ 3,422,247

(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, 2014

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

Net changes in fund balances - total governmental funds \$ 1,490,721

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

Capital outlay expenditures which were capitalized	2,828,473	
Depreciation expense for governmental assets	<u>(549,236)</u>	
		2,279,237

Loss on disposal of assets (12,217)

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	326	
Change in unavailable revenue for tax revenues	(3,678)	
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. (2,630,771)

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	(21,841)	
Accrued interest payable	(20,664)	
Net pension obligation	<u>(20,189)</u>	

Total changes in net position of governmental activities \$ 791,998

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, 2014

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 3,767,356	\$ 3,781,356	\$ 3,767,874	\$ (13,482)
Restricted intergovernmental	148,549	151,049	152,951	1,902
Unrestricted intergovernmental	1,912,930	2,002,671	2,025,954	23,283
Permits and fees	1,693,000	1,774,000	1,794,351	20,351
Sales and services	137,500	137,500	125,455	(12,045)
Investment earnings	1,000	1,000	178	(822)
Miscellaneous	42,100	45,600	35,743	(9,857)
Total revenues	<u>7,702,435</u>	<u>7,893,176</u>	<u>7,902,506</u>	<u>9,330</u>
Expenditures:				
Current:				
General government	1,230,112	1,320,684	1,293,196	27,488
Public safety	3,594,611	3,604,611	3,549,313	55,298
Environmental protection	2,091,744	2,179,744	2,120,746	58,998
Cultural and recreation	813,246	1,018,246	999,302	18,944
Debt service:				
Principal retirement	471,923	224,229	224,229	-
Interest and other charges	82,603	22,297	22,260	37
Total expenditures	<u>8,284,239</u>	<u>8,369,811</u>	<u>8,209,046</u>	<u>160,765</u>
Revenues over (under) expenditures	<u>(581,804)</u>	<u>(476,635)</u>	<u>(306,540)</u>	<u>170,095</u>
Other Financing Sources (Uses):				
Proceeds from installment financing	455,000	455,000	455,000	-
Transfers from other funds	21,831	21,831	-	(21,831)
Transfers to other funds	-	(105,169)	(105,168)	1
	<u>476,831</u>	<u>371,662</u>	<u>349,832</u>	<u>(21,830)</u>
Fund balance appropriated	104,973	104,973	-	(104,973)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,292</u>	<u>\$ 43,292</u>
Fund balance, beginning			<u>2,106,953</u>	
Fund balance, ending			<u>\$ 2,150,245</u>	

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

Future Beach Nourishment Special Revenue Fund

Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
\$ 676,703	\$ 676,703	\$ 673,289	\$ (3,414)
-	-	-	-
-	-	-	-
-	-	-	-
500	500	35	(465)
-	-	-	-
<u>677,203</u>	<u>677,203</u>	<u>673,324</u>	<u>(3,879)</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>677,203</u>	<u>677,203</u>	<u>673,324</u>	<u>(3,879)</u>
-	-	-	-
-	-	23,663	23,663
-	-	-	-
<u>-</u>	<u>-</u>	<u>23,663</u>	<u>23,663</u>
(677,203)	(677,203)	-	677,203
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 696,987</u>	<u>\$ 696,987</u>
		7,640	
		<u>\$ 704,627</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, 2014

	Pension Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 63,731	\$ 622
LIABILITIES		
Accounts payable and accrued liabilities	\$ -	\$ 622
NET POSITION		
Assets held in trust for pension benefits	\$ 63,731	\$ -

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, 2014

	Pension Trust Fund
Additions:	
Investment income:	
Interest	\$ 4
Total additions	4
Net position, beginning	63,727
Net position, ending	\$ 63,731

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, 2014

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 board of commissioners. 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, sales taxes, 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, 2014

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.

NC 58 Bicycle Path Extension – EORA-IB Capital Project Fund. This fund accounts for financial resources to be used for expenditures associated with the extension of the multi-use path from the Eastern Ocean Regional Access (EORA) to Indian Beach (IB).

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 Funds. These funds account for specific revenue sources (other than expendable trusts or major capital projects) that are restricted or assigned to expenditures for specific purposes. The Town maintains the following Special Revenue Funds: the Special Drug Fund and the Half Marathon 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 Public Boat Launching Facility Project Fund, the Island Circle Stormwater Connection Project Fund, the Lands End Stormwater Connection Project Fund, the Coast Guard Road Multiuse Path Project Fund, the NC 58 Bicycle Path Extension – Fairfax-Ocean Project Fund, and the Coast Guard Road Bicycle Path Extension 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-

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, 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, 2014

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 Special Drug Fund, and the Half Marathon Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the NC 58 Bicycle Path Extension – EORA-IB Project Fund, the FEMA - Irene Beach Nourishment Project Fund, the Eastern EI Stormwater Outfall Project Fund, the NC 58 Bicycle Path Phase 3C Project Fund, the Public Boat Launching Facility Project Fund, the Island Circle Stormwater Connection Project Fund, the Lands End Stormwater Connection Project Fund, the Coast Guard Road Multiuse Path Project Fund, the NC 58 Bicycle Path Extension – Fairfax-Ocean Project Fund, and the Coast Guard Road Bicycle Path Extension 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, 2014

3. Restricted Assets

The unexpended proceeds from the issuance of the 2013 Community Improvements Package debt are classified as restricted assets for the respective capital project funds because the use of these funds is restricted to the purpose of the debt. 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, 2013.

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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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, 2014

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 one item that meets the criterion for this category - property taxes receivable.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities 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, 2014

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.

Restricted for Culture and Recreation – portion of fund balance that is restricted by revenue source for certain culture and recreation 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, 2014

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 Environmental Protection – portion of fund balance that has been budgeted by the Board for activities related to the completion of ongoing capital projects.

Assigned for Culture and Recreation – portion of fund balance that has been budgeted by the Board for activities related to parks and recreation 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. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2014, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for the Solid Waste department by \$2,789. This over-expenditure occurred because of unexpected increases in the costs of debris disposal. Management and the Board will more closely review the budget reports to ensure compliance in future years.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014, the Town's deposits had a carrying amount of \$1,512,845 and a bank balance of \$1,761,444. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2014, the Town's petty cash fund totaled \$900. The fiduciary funds had a cash balance of \$64,353.

2. Investments

At June 30, 2014, the Town had \$1,490,973 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, 2014

3. Receivables

Receivables at the government-wide level at June 30, 2014, were as follows:

	Accounts	Taxes Receivable	Accrued Interest Receivable	Total
Governmental Activities:				
General	\$ 22,588	\$ 31,635	\$ 2,598	\$ 56,821
Future Beach Nourishment	-	4,808	-	4,808
Total receivables	22,588	36,443	2,598	61,629
Allowance for doubtful accounts	(331)	(7,762)	-	(8,093)
Total-governmental activities	\$ 22,257	\$ 28,681	\$ 2,598	\$ 53,536

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2014, 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	525,680	2,076,641	258,384	2,343,937
Total capital assets not being depreciated	11,890,626	2,076,641	258,384	13,708,883
Capital assets being depreciated:				
Buildings	3,072,081	173,065	-	3,245,146
Improvements	3,561,781	187,961	-	3,749,742
Furniture and equipment	1,511,473	100,450	-	1,611,923
Vehicles and motorized equipment	2,468,437	548,740	184,798	2,832,379
Total capital assets being depreciated	10,613,772	1,010,216	184,798	11,439,190
Less accumulated depreciation for:				
Buildings	794,498	63,192	-	857,690
Improvements	712,294	166,525	-	878,819
Furniture and equipment	1,257,776	99,075	-	1,356,851
Vehicles and motorized equipment	1,819,269	220,444	172,581	1,867,132
Total accumulated depreciation	4,583,837	549,236	172,581	4,960,492
Total capital assets being depreciated, net	6,029,935			6,478,698
Governmental activity capital assets, net	<u>\$ 17,920,561</u>			<u>\$ 20,187,581</u>

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

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

General government	\$ 135,638
Public safety	207,349
Environmental protection	117,012
Cultural and recreation	89,237
Total depreciation expense	\$ 549,236

Construction Commitments

The government has active construction projects as of June 30, 2014. At year-end, the government's commitments with contractors are as follows:

Project	Spent to date	Remaining Commitment
NC 58 Bicycle Path Extension - EORA-IB	\$ 685,566	\$ 114,434
Island Circle Stormwater Connection	297,860	2,140
Lands End Stormwater Connection	366,242	185,758
NC 58 Bicycle Path Extension - Fairfax-Ocean	414,249	25,751
Coast Guard Road Bicycle Path Extension	270,644	132,356
Total	\$ 2,034,561	\$ 460,439

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 7.07% and 7.28% 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, 2014, 2013, and 2012 were \$189,681, \$171,256, and \$176,627. 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, 2014

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, 2013 the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>16</u>
Total	<u><u>16</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. The Town has partially funded the net pension obligation in prior years, but has chosen to fund the pension expenditures related to the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds 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 current benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town has partially funded the obligation through contributions in prior years. 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, 2014

The annual required contribution for the current year was determined as part of the December 31, 2013 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 dollar on a closed basis. The remaining amortization period at December 31, 2013 was 17 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	\$ 24,625
Interest on net pension obligation	7,048
Adjustment to annual required contribution	(11,484)
Annual pension cost	20,189
Contributions made	-
Increase (decrease) in net pension obligation	20,189
Net pension obligation beginning of year	140,952
Net pension obligation end of year	\$ 161,141

3 Year Trend Information			
For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 19,480	0.00%	\$ 121,564
2013	19,388	0.00%	140,952
2014	20,189	0.00%	161,141

4. Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 24.79 percent funded. The actuarial accrued liability for benefits was \$257,025 and the actuarial value of assets was \$63,727, resulting in an unfunded actuarial liability of (UAAL) of \$193,298. The covered payroll (annual payroll of active employees covered by the plan) was \$691,866, and the ratio of the UAAL to the covered payroll was 27.94 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, 2014

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, 2014 were \$186,497, which consisted of \$130,525 from the Town and \$55,972 from the law enforcement officers and other employees.

d. Firefighter'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 Firefighter's and 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 Firefighter'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 Firefighter'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. The State, a non-employer contributor, funds the plan through appropriations. The Town elected to contribute the \$10 per month for the eligible plan members. Contributions totaled \$1,690 during the year. No on-behalf payments for pension contributions made by the State were recognized in the Town's financials due to not being able to determine the total amount contributed by the State for eligible members. Management has determined that these amounts would be immaterial with respect to the financial statements. 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

Town of Emerald Isle, North Carolina
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For the Fiscal Year Ended June 30, 2014

(Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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	\$ 23,873	\$ -
Future Beach Nourishment	4,808	-
Total	\$ 28,681	\$ -

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, 2014

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, 2014, the Town was a defendant to one lawsuit. In the opinion of the Town's management and the Town attorney, the ultimate fact of this legal matter will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

a. General Obligation Indebtedness

At June 30, 2014, the Town of Emerald Isle had a legal debt margin of \$236,420,698.

b. Installment Notes

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, 2014 was \$1,175,771.

On August 14, 2013, the Town entered into an installment agreement for the purchase of a fire truck. This financing contract will be paid in annual installments of \$95,498 including interest at 1.63% for five years. The original amount financed was \$455,000. The balance due at June 30, 2014 was \$455,000.

On March 12, 2014, the Town entered into an installment agreement to finance several improvements throughout the Town, including the completion of the multi-use path and stormwater infrastructure. This financing contract will be paid in annual installments of \$266,667 plus interest at 2.17% for nine years. The original amount financed was \$2,400,000. The balance due at June 30, 2014 was \$2,400,000.

The future minimum payments of the installment notes as of June 30, 2014 are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 582,542	\$ 78,192
2016	587,600	67,347
2017	592,739	56,422
2018	597,960	45,414
2019	603,262	34,322
2020 - 2023	1,066,668	57,867
Total	\$ 4,030,771	\$ 339,564

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

c. Changes in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Governmental activities:					
Installment notes	\$ 1,400,000	\$ 2,855,000	\$ 224,229	\$ 4,030,771	\$ 582,542
Net pension obligation	140,952	20,189	-	161,141	-
Compensated absences	195,244	77,421	55,580	217,085	21,709
Total	<u>\$ 1,736,196</u>	<u>\$ 2,952,610</u>	<u>\$ 279,809</u>	<u>\$ 4,408,997</u>	<u>\$ 604,251</u>

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

C. Interfund Balances and Activity

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

Due to the General Fund from the:

NC 58 Bicycle Path Extension - EORA-IB Capital Project Fund	\$ 29,954
FEMA - Irene Beach Nourishment Capital Project Fund	127,341
Eastern EI Stormwater Outfall Project Fund	7,600
Coast Guard Road Bicycle Path Extension Project Fund	2,546
	<u>\$ 167,441</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, 2014 consist of the following:

From the General Fund to the:

Eastern EI Stormwater Outfall Project Fund	\$ 3,822
NC 58 Bicycle Path Phase 3C Project Fund	6,346
Island Circle Stormwater Connection Project Fund	30,000
Lands End Stormwater Connection Project Fund	35,000
Coast Guard Road Bicycle Path Extension Project Fund	30,000

From the FEMA-Irene Beach Nourishment Project Fund to the:

Future Beach Nourishment Special Revenue Fund	23,663
	<u>\$ 128,831</u>

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

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

D. Net Investment in Capital Assets – Governmental Activities

Capital assets	\$ 20,187,581
Less:	
Long-term debt	4,030,771
Net investment in capital assets	\$ 16,156,810

E. 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	\$ 2,150,245
Less:	
Streets - Powell Bill	36,056
Stabilization by State Statute	754,908
Working Capital/Fund Balance Policy	1,359,281
Remaining Fund Balance	\$ -

F. Prior Period Adjustment

During the fiscal year ended June 30, 2014, it was determined that a capital asset had been recorded twice in the government-wide general ledger in a prior year. Therefore, an adjustment to beginning net position has been recorded to account for this overstatement in prior years, the net effect of which decreased beginning net position by \$571,796. Capital assets used in governmental activities are not financial resources and are not reported in the individual funds; therefore, beginning fund balances were not affected.

Governmental Activities

Net position, beginning as previously reported	\$ 18,981,669
Prior period adjustments due to an overstatement of fixed assets	(571,796)
Net position, beginning as restated	\$ 18,409,873

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

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014

members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2014, 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, 2014. 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.

VI. Significant Effects of Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through October 2, 2014, the date the financial statements were available to be issued. The following item was found to be of significance:

On September 15, 2014, the Town purchased a lot in the amount of \$172,154 for the future development of the Jean Preston Memorial Playground. The Town made an initial payment of \$86,077, and entered into an installment agreement with the previous owner in the amount of \$86,077. This financing contract will be paid in monthly installments of \$750 starting June 15, 2015, including interest at 0.82% for ten years. The Town was awarded a \$75,000 grant from the North Carolina Parks and Recreation Trust Fund for assistance with the purchase of this lot.

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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)
12/31/2008	\$ 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%
12/31/2013	63,727	257,025	193,298	24.79%	691,866	27.94%

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
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%
2014	24,625	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, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Collections of tax levy		3,759,174	
Penalties and interest		8,700	
Total taxes	<u>3,781,356</u>	<u>3,767,874</u>	<u>(13,482)</u>
Unrestricted intergovernmental:			
Local option sales tax		1,469,530	
Utility franchise tax		283,081	
Beer/wine tax		16,259	
Video programming		114,189	
Telecommunications tax		44,795	
ABC revenues		75,608	
Refunds		22,492	
	<u>2,002,671</u>	<u>2,025,954</u>	<u>23,283</u>
Restricted intergovernmental:			
Grants		2,000	
Powell Bill allocation		150,951	
	<u>151,049</u>	<u>152,951</u>	<u>1,902</u>
Total intergovernmental	<u>2,153,720</u>	<u>2,178,905</u>	<u>25,185</u>
Permits, fees and assessments:			
Solid waste fees		1,330,472	
Solid waste container fees		52,723	
Administration fees		142	
Building and trailer permits		148,896	
CAMA permits		8,245	
Dunes and vegetation permits		3,750	
Beach vehicular permits		81,481	
Parking fees and fines/officer fees		130,133	
Solid waste disposal tax		2,089	
Reentry fees		4,545	
Golf cart permits		31,875	
Total permits, fees and assessments	<u>1,774,000</u>	<u>1,794,351</u>	<u>20,351</u>
Sales and services:			
Recreation revenues		125,455	
Total sales and services	<u>137,500</u>	<u>125,455</u>	<u>(12,045)</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Investment Earnings:	1,000	178	(822)
Miscellaneous revenue:			
Insurance proceeds/refunds		19,277	
DOT mowing reimbursement		5,100	
Donations		648	
Miscellaneous		5,792	
Sale of fixed assets		4,926	
Total miscellaneous	<u>45,600</u>	<u>35,743</u>	<u>(9,857)</u>
Total revenue	<u>7,893,176</u>	<u>7,902,506</u>	<u>9,330</u>
Expenditures:			
General Government:			
Board of Commissioners:			
Salaries and benefits		58,390	
Professional services		21,408	
Operating expense		31,666	
	<u>113,580</u>	<u>111,464</u>	<u>2,116</u>
Administrative and finance:			
Salaries and employee benefits		432,036	
Operating expense		63,170	
Capital outlay		548	
	<u>495,834</u>	<u>495,754</u>	<u>80</u>
Inspection:			
Salaries and benefits		217,499	
Operating expense		20,348	
	<u>262,520</u>	<u>237,847</u>	<u>24,673</u>
Non-departmental:			
Contract services		15,000	
Operating expense		433,131	
	<u>448,750</u>	<u>448,131</u>	<u>619</u>
Total general government	<u>1,320,684</u>	<u>1,293,196</u>	<u>27,488</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Police:			
Salaries and benefits		1,291,485	
Operating expense		165,523	
Capital outlay		81,056	
	<u>1,552,772</u>	<u>1,538,064</u>	<u>14,708</u>
Emergency medical services:			
Appropriations to Emerald Isle EMS		315,000	
	<u>315,000</u>	<u>315,000</u>	<u>-</u>
Fire department:			
Salaries and benefits		1,073,750	
Operating expense		145,437	
Capital outlay		477,062	
	<u>1,736,839</u>	<u>1,696,249</u>	<u>40,590</u>
Total public safety	<u>3,604,611</u>	<u>3,549,313</u>	<u>55,298</u>
Environmental protection:			
Public works:			
Salaries and benefits		288,484	
Operating expense		215,197	
Capital outlay		25,269	
	<u>531,962</u>	<u>528,950</u>	<u>3,012</u>
Solid waste:			
Salaries and benefits		134,100	
Operating expense		1,229,471	
	<u>1,360,782</u>	<u>1,363,571</u>	<u>(2,789)</u>
Street improvements:			
Street maintenance	287,000	228,225	58,775
Total environmental protection	<u>2,179,744</u>	<u>2,120,746</u>	<u>58,998</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and recreation:			
Parks and recreation:			
Salaries and benefits		565,962	
Operating expense		221,803	
Capital outlay		211,537	
	<u>1,018,246</u>	<u>999,302</u>	<u>18,944</u>
Total cultural and recreation	<u>1,018,246</u>	<u>999,302</u>	<u>18,944</u>
Debt service:			
Principal		224,229	
Interest		22,260	
	<u>246,526</u>	<u>246,489</u>	<u>37</u>
Total expenditures	<u>8,369,811</u>	<u>8,209,046</u>	<u>160,765</u>
Revenue over (under) expenditures	<u>(476,635)</u>	<u>(306,540)</u>	<u>170,095</u>
Other financing sources (uses):			
Proceeds from installment financing	455,000	455,000	-
Transfers:			
From Pension Trust Fund	21,831	-	(21,831)
To Eastern EI Stormwater Outfall Project Fund	(3,822)	(3,822)	-
To NC 58 Bicycle Path Phase 3C Project Fund	(6,347)	(6,346)	1
To Coast Guard Road Bicycle Path Extension Project Fund	(30,000)	(30,000)	-
To Island Circle Stormwater Connection Project Fund	(30,000)	(30,000)	-
To Lands End Stormwater Connection Project Fund	(35,000)	(35,000)	-
Total other financing sources (uses)	<u>371,662</u>	<u>349,832</u>	<u>(21,830)</u>
Fund balance appropriated	<u>104,973</u>	<u>-</u>	<u>(104,973)</u>
Net change in fund balance	<u>\$ -</u>	<u>43,292</u>	<u>\$ 43,292</u>
Fund balance, beginning		<u>2,106,953</u>	
Fund balance, ending		<u>\$ 2,150,245</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, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Benefit taxes	\$ 676,703	\$ 673,289	\$ (3,414)
Investment earnings	500	35	(465)
Total revenue	677,203	673,324	(3,879)
Revenues over (under) expenditures	677,203	673,324	(3,879)
Other financing sources (uses):			
Transfers:			
From FEMA - Irene Beach Nourishment Project Fund	-	23,663	23,663
Total other financing sources (uses)	-	23,663	23,663
Fund balance appropriated	(677,203)	-	677,203
Net change in fund balance	\$ -	\$ 696,987	\$ 696,987
Fund balance, beginning		7,640	
Fund balance, ending		\$ 704,627	

Town of Emerald Isle, North Carolina
NC 58 Bicycle Path Extension - EORA-IB Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2014

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures:					
Construction	\$ 700,000	\$ -	\$ 685,146	\$ 685,146	\$ 14,854
Miscellaneous	100,000	-	420	420	99,580
Total expenditures	800,000	-	685,566	685,566	114,434
Revenues over (under) expenditures	(800,000)	-	(685,566)	(685,566)	114,434
Other financing sources:					
Proceeds from installment financing	800,000	-	800,000	800,000	-
Total other financing sources	800,000	-	800,000	800,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	\$ 114,434	<u>\$ 114,434</u>	<u>\$ 114,434</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 114,434</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, 2014

	Project Authorization	Actual		Variance Positive (Negative)	
		Prior Years	Current Year		Total to Date
Revenues:					
Restricted intergovernmental:					
Grants	\$ 4,117,574	\$ 3,848,546	\$ 268,926	\$ 4,117,472	\$ (102)
Carteret County contribution	4,496,068	4,330,820	23,663	4,354,483	(141,585)
Total revenue	<u>8,613,642</u>	<u>8,179,366</u>	<u>292,589</u>	<u>8,471,955</u>	<u>(141,687)</u>
Expenditures:					
Permitting, engineering, and administration	300,102	300,000	-	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>9,891,899</u>	<u>-</u>	<u>9,891,899</u>	<u>165,350</u>
Revenues over (under) expenditures	<u>(1,443,607)</u>	<u>(1,712,533)</u>	<u>292,589</u>	<u>(1,419,944)</u>	<u>23,663</u>
Other financing sources:					
Transfers:					
From Future Beach Nourishment Fund	1,443,607	1,443,607	-	1,443,607	-
To Future Beach Nourishment Fund	-	-	(23,663)	(23,663)	(23,663)
Total other financing sources	<u>1,443,607</u>	<u>1,443,607</u>	<u>(23,663)</u>	<u>1,419,944</u>	<u>(23,663)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (268,926)</u>	<u>\$ 268,926</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			(268,926)		
Fund balance, ending			<u>\$ -</u>		

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Town of Emerald Isle, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds		Capital Project Funds	
	Special Drug Fund	Half Marathon Fund	Eastern EI Stormwater Outfall	NC 58 Bicycle Path Phase 3C
Assets:				
Cash and cash equivalents	\$ 4,266	\$ 45,535	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	-
Due from other governments	-	-	7,600	-
Total assets	\$ 4,266	\$ 45,535	\$ 7,600	\$ -
Liabilities:				
Due to other funds	\$ -	\$ -	\$ 7,600	\$ -
Total liabilities	-	-	7,600	-
Fund Balances:				
Restricted:				
Public safety	4,266	-	-	-
Environmental protection	-	-	-	-
Culture and recreation	-	-	-	-
Assigned:				
Environmental protection	-	-	-	-
Culture and recreation	-	45,535	-	-
Total fund balances	4,266	45,535	-	-
Total liabilities and fund balances	\$ 4,266	\$ 45,535	\$ 7,600	\$ -

Capital Project Funds

Public Boat Launching Facility	Island Circle Stormwater Connection	Lands End Stormwater Connection	Coast Guard Road Multiuse Path	NC 58 Bicycle Path Extension - Fairfax- Ocean	Coast Guard Road Bicycle Path Extension	Total Nonmajor Governmental Funds
\$ 6,747	\$ 2,140	\$ 31,617	\$ 50,089	\$ 3,614	\$ -	\$ 144,008
-	-	154,141	-	22,436	134,902	311,479
-	-	-	-	-	-	7,600
<u>\$ 6,747</u>	<u>\$ 2,140</u>	<u>\$ 185,758</u>	<u>\$ 50,089</u>	<u>\$ 26,050</u>	<u>\$ 134,902</u>	<u>\$ 463,087</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,546	\$ 10,146
-	-	-	-	-	2,546	10,146
-	-	-	-	-	-	4,266
-	-	154,141	-	-	-	154,141
-	-	-	-	22,436	132,356	154,792
-	2,140	31,617	-	-	-	33,757
<u>6,747</u>	<u>-</u>	<u>-</u>	<u>50,089</u>	<u>3,614</u>	<u>-</u>	<u>105,985</u>
<u>6,747</u>	<u>2,140</u>	<u>185,758</u>	<u>50,089</u>	<u>26,050</u>	<u>132,356</u>	<u>452,941</u>
<u>\$ 6,747</u>	<u>\$ 2,140</u>	<u>\$ 185,758</u>	<u>\$ 50,089</u>	<u>\$ 26,050</u>	<u>\$ 134,902</u>	<u>\$ 463,087</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, 2014

	Special Revenue Funds		Capital Project Funds	
	Special Drug Fund	Half Marathon Fund	Eastern EI Stormwater Outfall	NC 58 Bicycle Path Phase 3C
Revenues:				
Restricted intergovernmental	\$ 2,110	\$ -	\$ 14,780	\$ 100,000
Miscellaneous	-	65,511	-	-
Total revenue	2,110	65,511	14,780	100,000
Expenditures:				
Current:				
Public safety	9,576	-	-	-
Cultural and recreation	-	19,976	-	-
Capital outlay:				
Environmental protection	-	-	8,863	-
Cultural and recreation	-	-	-	123,410
Total expenditures	9,576	19,976	8,863	123,410
Revenues over (under) expenditures	(7,466)	45,535	5,917	(23,410)
Other financing sources (uses):				
Proceeds from issuance of debt	-	-	-	-
Transfers from other funds	-	-	3,822	6,346
Total other financing sources (uses)	-	-	3,822	6,346
Net change in fund balance	\$ (7,466)	\$ 45,535	\$ 9,739	\$ (17,064)
Fund balance, beginning	11,732	-	(9,739)	17,064
Fund balance, ending	\$ 4,266	\$ 45,535	\$ -	\$ -

Capital Project Funds

Public Boat Launching Facility	Island Circle Stormwater Connection	Lands End Stormwater Connection	Coast Guard Road Multiuse Path	NC 58 Bicycle Path Extension - Fairfax- Ocean	Coast Guard Road Bicycle Path Extension	Total Nonmajor Governmental Funds
\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 191,890
5,727	-	-	20,891	299	-	92,428
<u>80,727</u>	<u>-</u>	<u>-</u>	<u>20,891</u>	<u>299</u>	<u>-</u>	<u>284,318</u>
-	-	-	-	-	-	9,576
-	-	-	-	-	-	19,976
-	297,860	366,242	-	-	-	672,965
108,980	-	-	2,604	414,249	270,644	919,887
<u>108,980</u>	<u>297,860</u>	<u>366,242</u>	<u>2,604</u>	<u>414,249</u>	<u>270,644</u>	<u>1,622,404</u>
<u>(28,253)</u>	<u>(297,860)</u>	<u>(366,242)</u>	<u>18,287</u>	<u>(413,950)</u>	<u>(270,644)</u>	<u>(1,338,086)</u>
-	270,000	517,000	-	440,000	373,000	1,600,000
-	30,000	35,000	-	-	30,000	105,168
<u>-</u>	<u>300,000</u>	<u>552,000</u>	<u>-</u>	<u>440,000</u>	<u>403,000</u>	<u>1,705,168</u>
<u>\$ (28,253)</u>	<u>\$ 2,140</u>	<u>\$ 185,758</u>	<u>\$ 18,287</u>	<u>\$ 26,050</u>	<u>\$ 132,356</u>	<u>\$ 367,082</u>
35,000	-	-	31,802	-	-	85,859
<u>\$ 6,747</u>	<u>\$ 2,140</u>	<u>\$ 185,758</u>	<u>\$ 50,089</u>	<u>\$ 26,050</u>	<u>\$ 132,356</u>	<u>\$ 452,941</u>

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, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental:			
Control substance tax	\$ -	\$ 2,110	\$ 2,110
Total revenue	-	2,110	2,110
Expenditures:			
Capital outlay	9,930	9,576	354
Total expenditures	9,930	9,576	354
Revenues over (under) expenditures	(9,930)	(7,466)	2,464
Fund balance appropriated	9,930	-	(9,930)
Net change in fund balance	\$ -	\$ (7,466)	\$ (7,466)
Fund balance, beginning		11,732	
Fund balance, ending		\$ 4,266	

Town of Emerald Isle, North Carolina
Half Marathon Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Miscellaneous:			
Entry fees	\$ 10,500	\$ 53,973	\$ 43,473
Sponsorships / donations	9,500	11,538	2,038
	<u>20,000</u>	<u>65,511</u>	<u>45,511</u>
Total revenue			
Expenditures:			
Operating	<u>20,000</u>	<u>19,976</u>	<u>24</u>
	<u>20,000</u>	<u>19,976</u>	<u>24</u>
Total expenditures			
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>\$ 45,535</u></u>	<u><u>\$ 45,535</u></u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u><u>\$ 45,535</u></u>	

**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, 2014**

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental:					
Grants	\$ 97,000	\$ 82,220	\$ 14,780	\$ 97,000	\$ -
Total revenue	97,000	82,220	14,780	97,000	-
Expenditures:					
Detailed design and engineering	41,954	33,091	8,863	41,954	-
Construction and improvements	58,997	58,997	-	58,997	-
Total expenditures	100,951	92,088	8,863	100,951	-
Revenues over (under) expenditures	(3,951)	(9,868)	5,917	(3,951)	-
Other financing sources:					
Transfers:					
From General Fund	3,822	-	3,822	3,822	-
From Archers Creek Stormwater Project Fund	126	126	-	126	-
From Coast Guard Stormwater Phase IV Project Fund	3	3	-	3	-
Total other financing sources	3,951	129	3,822	3,951	-
Net change in fund balance	\$ -	\$ (9,739)	\$ 9,739	\$ -	\$ -
Fund balance, beginning			(9,739)		
Fund balance, ending			\$ -		

**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, 2014**

	Project Authorization	Actual		Variance Positive (Negative)	
		Prior Years	Current Year		Total to Date
Revenues:					
Restricted intergovernmental:					
Grants	\$ 100,000	\$ -	\$ 100,000	\$ 100,000	\$ -
Total revenue	100,000	-	100,000	100,000	-
Expenditures:					
Engineering, design, and permitting	19,693	18,340	1,353	19,693	-
Construction	171,169	54,596	116,573	171,169	-
Utility relocation	3,602	-	3,602	3,602	-
Miscellaneous	1,883	-	1,882	1,882	1
Total expenditures	196,347	72,936	123,410	196,346	1
Revenues over (under) expenditures	(96,347)	(72,936)	(23,410)	(96,346)	1
Other financing sources:					
Transfers:					
From General Fund	96,347	90,000	6,346	96,346	(1)
Total other financing sources	96,347	90,000	6,346	96,346	(1)
Net change in fund balance	\$ -	\$ 17,064	\$ (17,064)	\$ -	\$ -
Fund balance, beginning			17,064		
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, 2014**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Grants	\$ 3,152,993	\$ 3,077,993	\$ 75,000	\$ 3,152,993	\$ -
Carteret County contribution	658,125	658,125	-	658,125	-
Donations	-	-	5,727	5,727	5,727
Investment earnings	381	381	-	381	-
Total revenue	3,811,499	3,736,499	80,727	3,817,226	5,727
Expenditures:					
Construction and improvements	4,681,824	4,571,824	108,980	4,680,804	1,020
Total expenditures	4,681,824	4,571,824	108,980	4,680,804	1,020
Revenues over (under) expenditures	(870,325)	(835,325)	(28,253)	(863,578)	6,747
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	\$ (28,253)	\$ 6,747	\$ 6,747
Fund balance, beginning			35,000		
Fund balance, ending			\$ 6,747		

**Town of Emerald Isle, North Carolina
Island Circle Stormwater Connection Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2014**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures:					
Design and construction	\$ 300,000	\$ -	\$ 297,860	\$ 297,860	\$ 2,140
Total expenditures	300,000	-	297,860	297,860	2,140
Revenues over (under) expenditures	(300,000)	-	(297,860)	(297,860)	2,140
Other financing sources (uses):					
Proceeds from installment financing	270,000	-	270,000	270,000	-
Transfers:					
From General Fund	30,000	-	30,000	30,000	-
Total other financing sources	300,000	-	300,000	300,000	-
Net change in fund balance	\$ -	\$ -	\$ 2,140	\$ 2,140	\$ 2,140
Fund balance, beginning			-		
Fund balance, ending			\$ 2,140		

**Town of Emerald Isle, North Carolina
Lands End Stormwater Connection Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2014**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures:					
Design and construction	\$ 552,000	\$ -	\$ 366,242	\$ 366,242	\$ 185,758
Total expenditures	552,000	-	366,242	366,242	185,758
Revenues over (under) expenditures	(552,000)	-	(366,242)	(366,242)	185,758
Other financing sources:					
Proceeds from installment financing	517,000	-	517,000	517,000	-
Transfers:					
From General Fund	35,000	-	35,000	35,000	-
Total other financing sources	552,000	-	552,000	552,000	-
Net change in fund balance	\$ -	\$ -	\$ 185,758	\$ 185,758	\$ 185,758
Fund balance, beginning			-		
Fund balance, ending			\$ 185,758		

**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, 2014**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Donations	\$ 196,000	\$ 134,117	\$ 20,891	\$ 155,008	\$ (40,992)
Total revenue	196,000	134,117	20,891	155,008	(40,992)
Expenditures:					
Construction	305,000	211,368	2,604	213,972	91,028
Total expenditures	305,000	211,368	2,604	213,972	91,028
Revenues over (under) expenditures	(109,000)	(77,251)	18,287	(58,964)	50,036
Other financing sources:					
Transfers:					
From General Fund	109,000	109,000	-	109,000	-
From Bicycle Path and Sidewalks Project Fund	-	53	-	53	53
Total other financing sources	109,000	109,053	-	109,053	53
Net change in fund balance	\$ -	\$ 31,802	\$ 18,287	\$ 50,089	\$ 50,089
Fund balance, beginning			31,802		
Fund balance, ending			\$ 50,089		

Town of Emerald Isle, North Carolina
NC 58 Bicycle Path Extension - Fairfax-Ocean Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2014

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Miscellaneous	\$ -	\$ -	\$ 299	\$ 299	\$ 299
Total revenue	-	-	299	299	299
Expenditures:					
Construction	430,000	-	406,380	406,380	23,620
Miscellaneous	10,000	-	7,869	7,869	2,131
Total expenditures	440,000	-	414,249	414,249	25,751
Revenues over (under) expenditures	(440,000)	-	(413,950)	(413,950)	26,050
Other financing sources (uses):					
Proceeds from installment financing	440,000	-	440,000	440,000	-
Total other financing sources (uses)	440,000	-	440,000	440,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,050</u>	<u>\$ 26,050</u>	<u>\$ 26,050</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 26,050</u>		

**Town of Emerald Isle, North Carolina
Coast Guard Road Bicycle Path Extension Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2014**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures:					
Construction	\$ 373,000	\$ -	\$ 180,666	\$ 180,666	\$ 192,334
Miscellaneous	30,000	-	89,978	89,978	(59,978)
Total expenditures	403,000	-	270,644	270,644	132,356
Revenues over (under) expenditures	(403,000)	-	(270,644)	(270,644)	132,356
Other financing sources (uses):					
Proceeds from installment financing	373,000	-	373,000	373,000	-
Transfers:					
From General Fund	30,000	-	30,000	30,000	-
Total other financing sources (uses)	403,000	-	403,000	403,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,356</u>	<u>\$ 132,356</u>	<u>\$ 132,356</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 132,356</u>		

Town of Emerald Isle, North Carolina
Homeowner's Recovery Fund
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Assets, cash and investments	\$ 837	\$ 1,205	\$ 1,420	\$ 622
Liabilities, accounts payable, and accrued liabilities	\$ 837	\$ 1,205	\$ 1,420	\$ 622

Town of Emerald Isle, North Carolina
Homeowner's Recovery Fund
Statement of Cash Receipts and Disbursements
For the Fiscal Year Ended June 30, 2014

Cash receipts:

Collection of homeowner's recovery fees	\$	1,205
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Cash disbursements:

General fund administration fee	\$	142
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Remittance to NC licensing board		1,278
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Total disbursements		1,420
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Net cash receipts over cash disbursements		(215)
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Beginning cash balance		837
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Ending cash balance	\$	622
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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, 2014

Fiscal Year	Uncollected Balance June 30, 2013	Additions	Collections And Credits	Uncollected Balance June 30, 2014
2014	\$ -	\$ 4,430,349	\$ (4,409,097)	\$ 21,252
2013	28,587	-	(19,268)	9,319
2012	6,219	-	(3,494)	2,725
2011	3,278	-	(1,108)	2,170
2010	215	-	(1)	214
2009	191	-	-	191
2008	206	-	(158)	48
2007	66	-	-	66
2006	200	-	-	200
2005	258	-	-	258
2004	79	-	(79)	-
	\$ 39,299	\$ 4,430,349	\$ (4,433,205)	\$ 36,443
				(7,762)
				\$ 28,681
Reconciliation with revenues:				
				\$ 3,767,874
				673,289
				(8,700)
				742
				\$ 4,433,205

Town of Emerald Isle, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2014

	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	\$ 3,006,447,471	0.125	\$ 3,758,059	\$ 3,680,382	\$ 77,677
Special district taxes			673,265	663,163	10,102
Total	<u>3,006,447,471</u>		<u>4,431,324</u>	<u>4,343,545</u>	<u>87,779</u>
Discoveries:					
Current year taxes	4,362,191	0.125	5,453	5,404	49
Special district taxes			628	566	62
Total	<u>4,362,191</u>		<u>6,081</u>	<u>5,970</u>	<u>111</u>
Abatements:					
Current year taxes	(5,166,299)	0.125	(6,458)	(4,801)	(1,657)
Special district taxes			(598)	(364)	(234)
Total	<u>(5,166,299)</u>		<u>(7,056)</u>	<u>(5,165)</u>	<u>(1,891)</u>
Total property valuation	<u>\$ 3,005,643,363</u>				
Net levy			4,430,349	4,344,350	85,999
Uncollected taxes at June 30, 2014			<u>(21,252)</u>	<u>(19,956)</u>	<u>(1,296)</u>
Current year's taxes collected			<u>\$ 4,409,097</u>	<u>\$ 4,324,394</u>	<u>\$ 84,703</u>
Current levy collection percentage			<u>99.52%</u>	<u>99.54%</u>	<u>98.49%</u>

**Statistical Section
Unaudited**

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**Statistical Section
Unaudited**

Description of the Statistical Schedules

Contents	Pages
Financial Trends	108 - 111
<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	112 - 115
<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	116 - 119
<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	120 - 121
<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	122 - 124
<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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental Activities / Primary Government:										
Net investment in capital assets	\$ 16,156,810	\$ 16,520,561	\$ 15,331,429	\$ 13,450,777	\$ 10,895,863	\$ 5,416,071	\$ 9,619,515	\$ 10,353,017	\$ 10,510,840	\$ 9,198,304
Restricted	1,923,224	712,156	2,446,655	914,076	12,807	6,713	5,537	3,360	19,921	5,306
Unrestricted	1,121,837	1,177,156	1,145,179	3,117,680	3,263,737	4,639,907	(2,409,680)	(5,505,092)	(7,447,999)	(9,066,174)
Total governmental activities / primary government net position	\$ 19,201,871	\$ 18,409,873	\$ 18,923,263	\$ 17,482,533	\$ 14,172,407	\$ 10,062,691	\$ 7,215,372	\$ 4,851,285	\$ 3,082,762	\$ 137,436

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental Activities:										
General government	\$ 1,435,466	\$ 1,296,756	\$ 1,555,698	\$ 1,275,278	\$ 850,392	\$ 1,083,138	\$ 1,102,725	\$ 1,214,235	\$ 864,567	\$ 954,935
Public safety	3,275,447	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
Environmental protection	2,214,128	11,708,614	2,487,119	1,926,458	2,022,303	1,017,812	2,134,890	9,332,749	2,417,520	11,557,118
Cultural and recreation	1,108,279	880,615	897,567	750,860	234,078	750,645	691,291	662,452	611,657	510,415
Economic and physical development	-	-	-	23,055	927,040	1,325,214	335,843	3,190	-	-
Interest on long-term debt	42,924	64,857	101,164	175,995	282,275	310,114	305,563	366,375	434,295	311,101
Total expenses	\$ 8,076,244	\$ 17,083,173	\$ 8,176,869	\$ 7,365,666	\$ 7,212,254	\$ 7,325,238	\$ 7,315,756	\$ 14,288,150	\$ 6,890,242	\$ 15,671,394
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 32,017	\$ 22,720	\$ 16,260	\$ 140,891	\$ 5,655	\$ 19,892	\$ 49,157	\$ 108,172	\$ 68,359	\$ 68,393
Public safety	279,029	227,246	258,725	88,361	115,258	113,219	139,727	170,078	226,089	283,849
Environmental protection	1,486,316	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
Cultural and recreation	183,543	151,321	135,151	191,449	147,009	113,285	118,846	117,470	133,511	124,370
Operating grants and contributions	169,336	158,202	536,825	204,719	170,692	242,900	204,264	7,144,616	278,075	8,710
Capital grants and contributions	240,360	8,457,159	912,482	821,472	2,374,134	567,187	27,633	147,737	581,469	3,973,939
Total program revenues	\$ 2,390,601	\$ 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
Net (Expense) / Revenue										
Total governmental activities / primary government net expense	\$ (5,685,643)	\$ (6,639,073)	\$ (4,986,754)	\$ (4,747,635)	\$ (3,170,627)	\$ (5,052,398)	\$ (5,610,874)	\$ (5,459,687)	\$ (4,608,522)	\$ (10,256,123)
General Revenues										
Governmental Activities:										
Property taxes	\$ 4,437,811	\$ 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
Local option sales tax	1,469,530	1,408,346	1,718,656	1,568,508	1,512,769	1,564,978	1,826,516	-	-	-
Other taxes and licenses	344,135	340,656	336,665	822,806	511,385	540,767	832,583	4,540,229	4,851,069	4,671,709
Unrestricted grants and contributions	189,797	181,517	203,403	-	-	-	-	-	-	-
Unrestricted investment earnings	213	2,678	3,878	20,941	10,288	82,864	225,662	249,707	236,411	201,137
Miscellaneous	36,155	62,633	40,360	-	-	81,476	-	61,622	150,536	86,651
Special items	-	-	-	-	-	400,000	-	-	-	-
Total program revenues	\$ 6,477,641	\$ 6,125,683	\$ 6,427,484	\$ 8,057,761	\$ 7,280,343	\$ 7,899,717	\$ 7,974,961	\$ 7,228,210	\$ 7,553,848	\$ 7,340,603
Change in Net Position										
Total governmental activities / primary government change in net position	\$ 791,998	\$ (513,390)	\$ 1,440,730	\$ 3,310,126	\$ 4,109,716	\$ 2,847,319	\$ 2,364,087	\$ 1,768,523	\$ 2,945,326	\$ (2,915,520)

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

	Fiscal Year									
	2014	2013	2012	2011 (1)	2010	2009	2008	2007	2006	2005
General Fund:										
Restricted	\$ 790,964	\$ 692,784	\$ 678,533	\$ 914,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	24,009	-	-	-	-	-	-	-
Unassigned	1,359,281	1,414,169	1,348,675	981,088	-	-	-	-	-	-
Reserved	-	-	-	-	565,964	594,591	595,987	699,877	607,408	629,554
Unreserved	-	-	-	-	1,245,643	1,350,780	1,471,921	1,171,972	1,370,167	1,652,796
Total general fund	\$ 2,150,245	\$ 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
All other government funds:										
Restricted	\$ 1,132,260	\$ 19,372	\$ 1,768,122	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	139,742	83,866	86,824	-	-	-	-	-	-	-
Unassigned	-	(278,665)	-	2,465,687	-	-	-	-	-	-
Reserved	-	-	-	(1,245)	612,058	-	-	-	443,587	(2,361)
Unreserved	-	-	-	2,135,818	2,260,558	3,994,490	3,213,052	2,846,362	3,475,190	
Total all other governmental funds	\$ 1,272,002	\$ (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

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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Ad valorem taxes	\$ 4,441,163	\$ 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
Other taxes and licenses	-	6,020	14,659	14,001	14,289	14,792	17,750	12,054	634,832	575,050
Restricted intergovernmental	637,430	8,272,299	1,396,005	1,013,493	2,522,746	805,573	231,897	7,260,616	859,543	3,982,648
Unrestricted intergovernmental	2,025,954	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
Permits and fees	1,794,351	1,674,645	1,603,118	1,456,219	1,346,171	1,329,576	1,354,139	1,389,316	1,318,545	1,321,198
Sales and services	125,455	151,321	135,151	139,622	147,009	135,444	118,846	117,471	103,631	97,690
Investment earnings	213	2,678	6,552	20,941	10,288	87,964	225,662	249,707	236,411	201,137
Miscellaneous	128,171	189,784	153,881	268,813	404,579	122,687	367,827	120,424	150,536	96,851
Total revenues	9,152,737	16,309,462	9,623,982	10,655,096	11,753,637	9,762,481	9,671,690	16,075,323	9,853,371	12,749,245
Expenditures:										
Current:										
General government	1,293,196	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
Public safety	3,558,889	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
Environmental protection	2,120,746	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
Economic development	-	-	-	852,220	3,970,129	1,732,615	1,568,934	3,190	-	-
Cultural and recreational	1,019,278	749,525	651,744	699,922	690,629	701,393	646,793	650,184	645,189	522,556
Capital Outlay	2,278,418	10,061,936	1,436,252	-	-	-	-	-	-	-
Debt service:										
Principal	224,229	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
Interest and other charges	22,260	98,084	118,635	187,611	278,995	310,114	305,563	366,375	434,295	311,101
Total expenditures	10,517,016	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
Excess (Deficiency) of revenues over (under) expenditures	(1,364,279)	(1,974,637)	(606,842)	414,671	(1,663,985)	(2,127,233)	(907,503)	(182,623)	(487,655)	(11,492,707)
Other Financing Sources (Uses):										
Transfers from other funds	128,831	1,701,688	134,641	511,133	158,316	401,984	1,240,545	7,541,834	808,038	3,000,026
Transfers to other funds	(128,831)	(1,701,688)	(134,641)	(511,133)	(158,316)	(401,984)	(1,240,545)	(7,541,834)	(808,038)	(3,000,026)
Proceeds from issuance of debt	2,855,000	-	152,154	-	792,178	882,822	1,885,000	-	-	11,047,569
Total other financing sources (uses)	2,855,000	-	152,154	-	792,178	882,822	1,885,000	-	-	11,047,569
Net change in fund balance	\$ 1,490,721	\$ (1,974,637)	\$ (454,688)	\$ 414,671	\$ (871,807)	\$ (1,244,411)	\$ 977,497	\$ (182,623)	\$ (487,655)	\$ (445,138)
Debt service as a percentage of noncapital expenditures	3.21%	7.20%	18.08%	28.14%	30.92%	33.04%	26.78%	15.47%	31.43%	34.15%

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
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	2,988,072,206	100.12%
2014	3,005,643,363	0.140	Not available	Not available

Sources: 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		
2005	0.165	(1)	0.030	0.420	0.615
		(2)	0.480		1.065
2006	0.155	(1)	0.030	0.420	0.605
		(2)	0.480		1.055
2007	0.155	(1)	0.030	0.440	0.625
		(2)	0.480		1.075
2008	0.067	(1)	0.011	0.230	0.308
		(2)	0.162		0.459
2009	0.070	(1)	0.011	0.230	0.311
		(2)	0.162		0.462
2010	0.070	(1)	0.011	0.230	0.311
		(2)	0.162		0.462
2011	0.080	(1)	0.011	0.230	0.321
		(2)	0.162		0.472
2012	0.115	(1)	0.015	0.300	0.430
		(2)	0.045		0.460
2013	0.115	(1)	0.015	0.290	0.420
		(2)	0.045		0.450
2014	0.125	(1)	0.015	0.290	0.430
		(2)	0.045		0.460

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	2014		
	Taxable Assessed Value (1)	Rank	Percentage of Total Assessed Value
Watson's Inc.	\$ 6,420,000	1	0.21%
Carteret Craven Electric Management Cooperative	5,794,762	2	0.19%
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%
Steven Jones	2,827,249	7	0.09%
Stephen Malik	2,542,678	8	0.08%
Timothy Dolan	2,309,922	9	0.08%
Robert Rees-Jones	2,273,350	10	0.08%
	<u>\$ 40,784,898</u>		<u>1.36%</u>

Source: Town of Emerald Isle Finance Department

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
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%	17,798	5,075,377	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%	29,392	5,230,672	100.00%
2011	5,667,835	\$ 5,626,940	99.28%	38,725	5,665,665	99.96%
2012	4,092,181	\$ 4,060,632	99.23%	28,824	4,089,456	99.93%
2013	4,113,287	\$ 4,084,700	99.31%	19,268	4,103,968	99.77%
2013	4,430,349	\$ 4,409,097	99.52%	-	4,409,097	99.52%

Source: Town of Emerald Isle Finance Department

Town of Emerald Isle, North Carolina
Legal Debt Margin Information
June 30, 2014

Total Assessed Valuation	\$ 3,005,643,363
Legal Debt Margin:	
Debt Limit 8% of Total Assessed Value	240,451,469
Amount of Debt Applicable to Debt Limit	<u>4,030,771</u>
Legal Debt Margin	<u><u>\$ 236,420,698</u></u>

Town of Emerald Isle, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

	<u>Debt Outstanding</u>	<u>Percentage Applicable to Town (1)</u>	<u>Amount Applicable to Town</u>
Direct:			
Town of Emerald Isle	\$ 4,030,771	100.00%	\$ 4,030,771
Overlapping:			
Carteret County	56,570,864	19.36%	10,953,137
	<u>\$ 60,601,635</u>		<u>\$ 14,983,908</u>
Town's assessed value	\$ 2,991,621,833		
County's assessed value	\$ 15,451,156,552		

Sources: Town of Emerald Isle Finance Department and Carteret County Finance Department

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)
2005	\$ 14,650,000	\$ 2,125,000	\$ 12,525,000	0.76%	\$ 3,367
2006	12,525,000	2,125,000	10,400,000	0.55%	2,735
2007	10,400,000	2,125,000	8,275,000	0.33%	2,143
2008	8,275,000	2,125,000	6,150,000	0.14%	1,595
2009	6,150,000	2,125,000	4,025,000	0.09%	1,038
2010	4,025,000	2,091,751	1,933,249	0.05%	485
2011	1,900,000	1,900,000	-	0.00%	-
2012	950,000	950,000	-	0.00%	-
2013	-	-	-	0.00%	-
2014	-	-	-	0.00%	-

Source: Town of Emerald Isle Finance Department

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 for property value data.
- (3) Population data can be found in the Schedule of Demographic and Economic Statistics.

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)
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
2014	-	4,030,771	4,030,771	3,784	1,065		6,735	598

Sources: Town of Emerald Isle Finance Department and (1) NCOSBM Certified Municipal Population Estimates

Notes:

(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 Income (3)	Personal Income (3) (in thousands)
2005	3,720	4.59%	\$30,961	\$1,946,000
2006	3,803	4.22%	32,086	2,029,585
2007	3,861	4.02%	34,241	2,162,444
2008	3,855	4.74%	37,796	2,401,852
2009	3,877	7.42%	38,455	2,477,362
2010	3,982	8.39%	40,304	2,583,758
2011	3,669	8.35%	39,174	2,639,299
2012	3,711	9.30%	41,761	2,824,360
2013	3,717	8.48%	N/A	N/A
2014	3,784	6.50%	N/A	N/A

Sources:

(1) NCOSBM Certified Municipal Population Estimates

(2) N.C. Division of Employment Security; information is available at the county level and presented on that basis (average for fiscal year)..

(3) U.S. Bureau of Economic Analysis; information is available at the county level and presented on that basis (not adjusted for inflation).

Notes:

N/A - information not yet available.

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

Employer	2014			2005		
	Employees (FTE's)	Rank	Percentage of Total Employment	Employees (FTE's)	Rank	Percentage of Total Employment
Carteret County Public Schools	1,120	1	4.65%	1,418	1	4.42%
Carteret General Hospital	755	2	3.14%	842	2	2.62%
N.C. Dept. of Transportation	441	3	1.83%	-	-	-
Carteret County	386	4	1.60%	372	4	1.16%
U.S. Coast Guard	300	5	1.25%	201	9	0.63%
Wal-Mart	282	6	1.17%	563	3	1.75
Lowe's Home Improvements	174	7	0.72%	-	-	-
Carteret Community College	168	8	0.70%	350	6	1.09%
Town of Morehead City	151	9	0.63%	-	-	-
Bluewater Real Estate	125	10	0.52%	-	-	-
Food Lion				270	7	0.84%
Atlantic Veneer Corp.				363	5	1.13%
Henry's Tackle & Sporting Goods				205	8	0.64%
N.C. Natural Resources and Community Development				173	10	0.54%

Source: Carteret County Economic Development Council

Notes:

(1) Information presented for Carteret County because information is not available for the Town.

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Full-time										
General Government:										
Administration	5	5	5	5	5	5	5	5	5	5
Planning and Inspections	3	3	3	3	3	4	4	4	4	4
Public Safety:										
Police	19	19	19	21	21	22	24	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	3	2	2	2	2	3	3	3	3	3
Culture and Recreation:										
Parks and Recreation	8	7	7	8	8	8	8	8	7	6
Total	57	55	55	58	58	61	63	61	60	59
Part-time/Seasonal										
General Government:										
Administration	1	1	1	2	1	1	1	1	1	1
Planning and Inspections	1	1	1	1	1	1	1	1	1	1
Public Safety:										
Police	14	14	14	10	8	8	8	8	6	6
Fire	21	21	20	14	14	14	14	14	14	10
Environmental Protection:										
Public Works	-	-	-	1	1	1	-	1	1	1
Solid Waste	-	1	1	1	1	2	2	2	2	2
Culture and Recreation:										
Parks and Recreation	37	35	34	27	26	34	37	34	22	22
Total	74	73	71	56	52	61	63	61	46	42
Inmate Laborers										
Parks Maintenance	2	2	2	2	-	-	-	-	-	-
Public Works	4	4	4	4	3	3	-	3	3	3
Total	6	6	6	6	3	3	-	3	3	3

Source: Town of Emerald Isle Administration

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public Safety:										
Police dispatch calls answered	8,457	8,574	9,432	9,108	7,133	5,696	6,778	7,553	7,446	7,309
Fire calls answered	866	832	822	798	816	697	683	675	614	571
Transportation (Streets and Highways):										
Miles of streets maintained	45.37	45.37	45.54	45.54	45.54	45.91	45.91	45.91	45.91	45.91
Environmental Protection (Solid Waste):										
Refuse collected (tons)	3,259	3,279	3,414	3,392	3,371	3,412	3,624	3,610	3,633	3,368
Recyclables collected (tons)	723	657	632	627	591	507	501	444	507	511

Source: Town of Emerald Isle Administration

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
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	1	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	45.37	45.54	45.54	45.54	45.91	45.91	45.91	45.91	45.91
Environmental Protection (Solid Waste):										
Number of yard waste trucks	1	1	1	1	1	1	1	1	1	1

Source: Town of Emerald Isle Administration

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

Independent Auditor's 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, 2014, and the related notes to the financial statements, which collectively comprise the Town of Emerald Isle, North Carolina's basic financial statements, and have issued our report thereon dated October 2, 2014.

Internal Control Over Financial Reporting

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

Purpose of this Report

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

Williams Scarborough Smith Gray, LLP

Williams · Scarborough · Smith · Gray, LLP
New Bern, North Carolina
October 2, 2014

**Town of Emerald Isle, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2014**

No matters reportable from prior year.