

**Town of Emerald Isle
Emerald Isle, North Carolina**

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

Town of Emerald Isle, North Carolina
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Introductory Section



Nice Matters!

Town of Emerald Isle
7500 Emerald Drive
Emerald Isle, NC 28594

252-354-3424 voice
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www.emeraldisle-nc.org

Mayor
Eddie Barber

Mayor Pro-Tem
Floyd Messer, Jr.

Board of Commissioners
Candace Dooley
Steve Finch
Jim Normile
Mark Taylor

Interim Town Manager
Randy Martin

rmartin@emeraldisle-nc.org



January 22, 2019

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, 2018, 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 S. Preston Douglas & Associates, 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, emergency medical, 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 and special revenue funds. 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, 2018. 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, 2017 at 3,784. With a significant number of second homes, these population estimates are likely understated 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 just over \$2.7 billion, and represents about 19% of the total Carteret County taxable value. Emerald Isle has the largest tax base of any single municipality in Carteret County, and is second only to the combined tax base of the main permanent population center of the Morehead City / Beaufort / Newport areas 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, taxable value, housing units, and land area. 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, emergency medical services, sanitation, street maintenance, storm water management, parks and recreation, beach and water access, bicycle and pedestrian paths, and beach nourishment. 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 focuses on continuing education and training; maintaining communications and partnerships with other law enforcement agencies; and fostering relationships between the department and businesses and residents.

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 composed of 5 firefighters. The Fire Department maintains an ISO rating of four (4).

Emergency Medical Services – The department’s primary objective is to provide advanced emergency medical care and transport to the Town’s citizens and visitors. The department also provides community outreach programs and public education. The department maintains a high level of commitment and professionalism through continuous training and education, certifications, reliable equipment and the retention of exceptional medical professionals. The department is committed to the continuous improvement of our community relations.

Public Works – The department’s primary objectives are to promote the functionality, safe use, and aesthetics of the Town’s infrastructure. The department coordinates 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. S. Preston Douglas & Associates, 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.

Fiscal Policy. The Town's Board of Commissioners formally adopted its fiscal policy in 2003 and periodically reviews and amends the policy as necessary. The policy established measures in all general areas of fiscal management including the use of available fund balance; a required minimum fund balance percentage of total expenditures; a revenue and fee policy; and maximum debt policy, among other fiscal guidance and requirements. The Town's Fiscal Policy is fundamental to the annual budgeting process and annual review of the financial statements by the Board and Town Management.

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 2018 room occupancy tax collections representing the highest collections in history. Sales tax collections also continue to increase annually. FY 2018 sales tax collections increased 4.08% over the prior year, 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, and the Town's total assessed value is expected to continue to grow in the future. Finally, the stock market continues to experience record highs, which 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.

The Town continuously prepares itself for the possible impacts of inclement weather, in particular with its proximity to the Atlantic Ocean the Town has a potential for the impact of tropical storms and hurricanes. During September, 2018 the Town was impacted by Hurricane Florence, and most significantly impacted in its park amenities including damaged beach access walkways and loss of sand on its beach strand. Because of conservative reserves and careful planning and foresight, impacts from the storm have been mitigated, along with anticipated funding assistance from the Federal Emergency Management Agency (FEMA).

Long-Term Financial Planning and Major Initiatives

The Town continuously maintains a five-year capital replacement and improvement program, along with a five-year forecast for operating costs during its annual budget process. The Town's fiscal policy includes a conservative approach to debt, and therefore careful consideration is done in planning the timing of the replacement of capital items to minimize debt issuance and maintain debt service payments as low as possible. Further, grant funding and fundraising revenues are sought after to supplement major capital projects where feasible. The most significant long-term Fund established by the Town is the Future Beach Nourishment Fund. This special revenue fund was created to capture municipal service district taxes assessed on all ocean-front and inlet-front properties plus an annual transfer from the General Fund. This fund provides for the accumulation of reserves for beach nourishment activities which are anticipated approximately every ten years.

During FY 2018 the Town initiated two major capital projects: The first was the establishment of the Eastern Emerald Isle Beach Nourishment Project with a planned construction timeline of the winter of 2018-2019. The second was a capital project established for the 2018 procurement of an approximate 30 acre tract of land utilizing grant funding, a major donation, and installment purchase financing to create the new McLean-Spell Park.

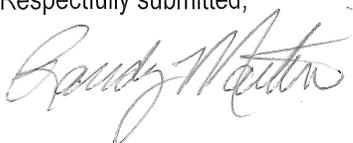
Awards and Acknowledgements

Each year since the fiscal year ended June 30, 2013, the Town has been previously awarded for the Certificate of Achievement for Excellence in Financial Reporting given by the Government Finance Officers Association of the United States and Canada (GFOA). In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable program requirements.

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

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated services and cooperation of S. Preston Douglas & Associates, 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,



Randy Martin
Interim Town Manager



Laura Rotchford
Finance Director

Financial Section

Town of Emerald Isle, North Carolina

List of Principal Officials

June 30, 2018

Board of Commissioners

Honorable Eddie Barber, Mayor

Floyd Messer, Jr., Mayor Pro Tem

Candace Dooley

Steve Finch

Jim Normile

Mark Taylor

Administration

Randy Martin, Interim Town Manager

Laura E. Rotchford, Finance Director

Rhonda C. Ferebee, Town Clerk/Human Resources Officer

James A. Reese, Police Chief

William W. Walker, Fire Chief

David Jones, EMS Chief

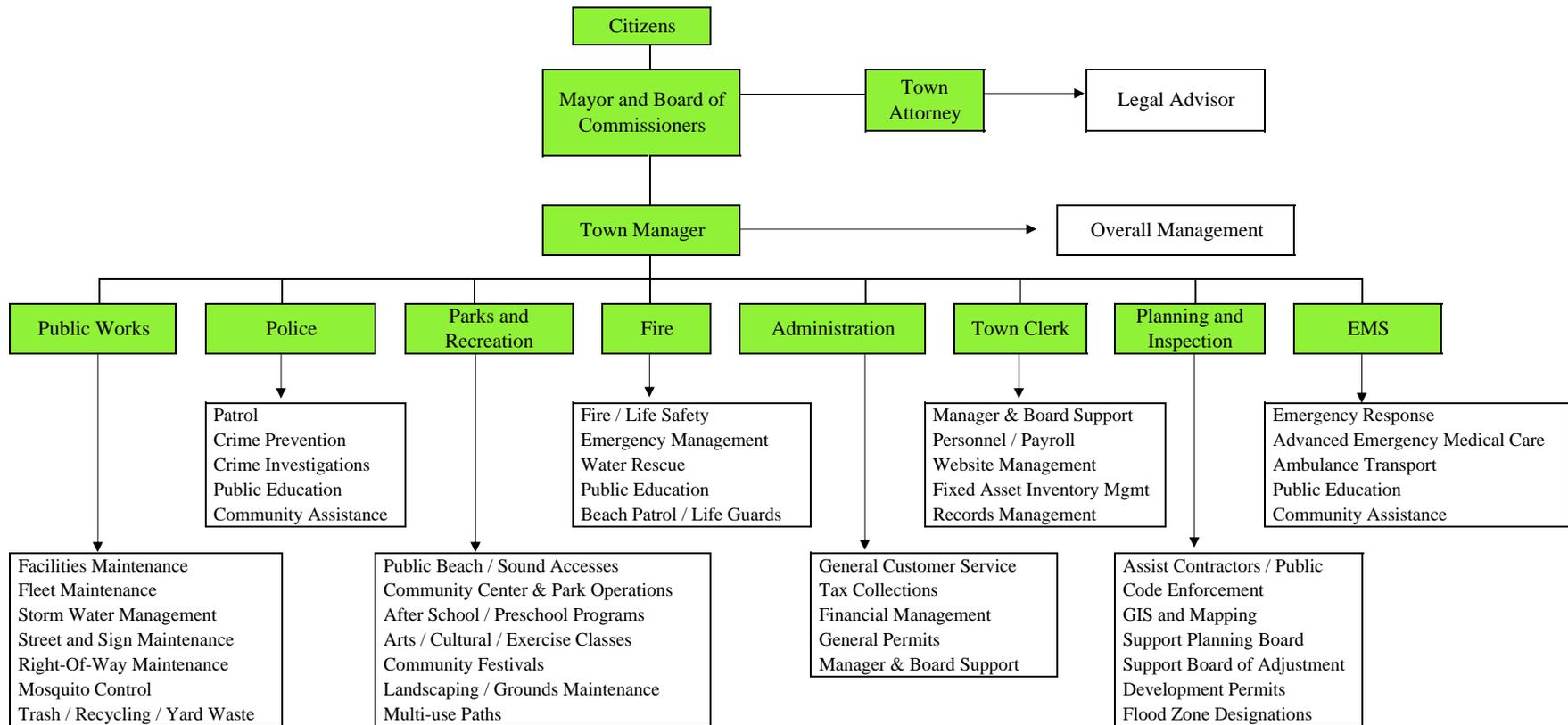
John "Artie" Dunn, Public Works Director

Josh Edmondson, Town Planner

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, 2017

Christopher P. Morrill

Executive Director/CEO



S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Commissioners
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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the 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 financial statement 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, based on our audit, 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, 2018, 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 ended in accordance 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 Management's Discussion and Analysis on pages 2 through 25, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 61 and 62, respectively, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of Proportionate Share of the Net Pension Liability on page 63, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 64 and 65 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Emerald Isle, North Carolina. The combining and individual fund statements, budgetary schedules and other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2019 on our consideration of the Town of Emerald Isle's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Emerald Isle's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "S. Preston Douglas, CPA". The signature is written in a cursive style with a large initial "S".

Lumberton, North Carolina
January 22, 2019

Management Discussion and Analysis



Nice Matters!

Town of Emerald Isle
7500 Emerald Drive
Emerald Isle, NC 28594

252-354-3424 voice
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www.emeraldisle-nc.org

Mayor
Eddie Barber

Mayor Pro-Tem
Floyd Messer, Jr.

Board of Commissioners
Candace Dooley
Steve Finch
Jim Normile
Mark Taylor

Interim Town Manager
Randy Martin
rmartin@emeraldisle-nc.org



MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2018 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, 2018. We encourage readers to review 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 \$5,421,009 of both unrestricted and restricted cash and cash equivalents on hand as of June 30, 2018. The Town also had total net receivables of \$53,076 as of June 30, 2018. Additionally, a total of \$783,244 was due from other governments, which is primarily comprised of sales and utility taxes earned during the 4th quarter.
- The Town had total capital assets, net of depreciation of \$24,509,075 as of June 30, 2018. The bulk of these assets are land, buildings, and other improvements in the community. During FY 2018 the Town acquired a 29.37-acre tract of land for recreational purposes along with the inclusion of assets from Emerald Isle EMS, Inc. for the Town's new EMS department, which added to the Town's overall capital assets on hand.
- The Town's total liabilities as of June 30, 2018 were \$4,130,658. The recognition of pension liabilities account for \$1,307,413 of this amount, whereas, accounts payable and accrued liabilities represent \$353,748. A total of \$2,236,859 of this amount is the Town's outstanding loans as of June 30, 2018.
- The Town reported net position of \$27,080,556 as of June 30, 2018. Total net position increased by \$3,916,457. The overall increase is attributed to the annual increase to the Beach Nourishment Fund, through the collection of special district property taxes held for the purpose of future beach renourishment, along with significant grant funds and contribution for the acquisition of the 29.37-acre tract of land valued at \$3 million.
- The Town had total revenues of \$11,147,763 across all funds during FY 2018. The Town had total expenditures of \$10,731,765 across all funds during FY 2018, resulting in an overall increase in fund balance of \$1,015,998. Additions to the Future Beach Nourishment's fund balance of \$765,766 are associated with reserve funds for future beach nourishment activities, while a transfer from that fund to a new capital project for the Eastern Emerald Isle Beach Renourishment project was established in the amount of \$1.15 million.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$5,809,727, an increase in comparison to the prior year. Increases to fund balance were related to the annual increase in the Future Beach Nourishment Fund from the collection of special district property taxes held for the purpose of future beach renourishment, along with a slight surplus in the General Fund.

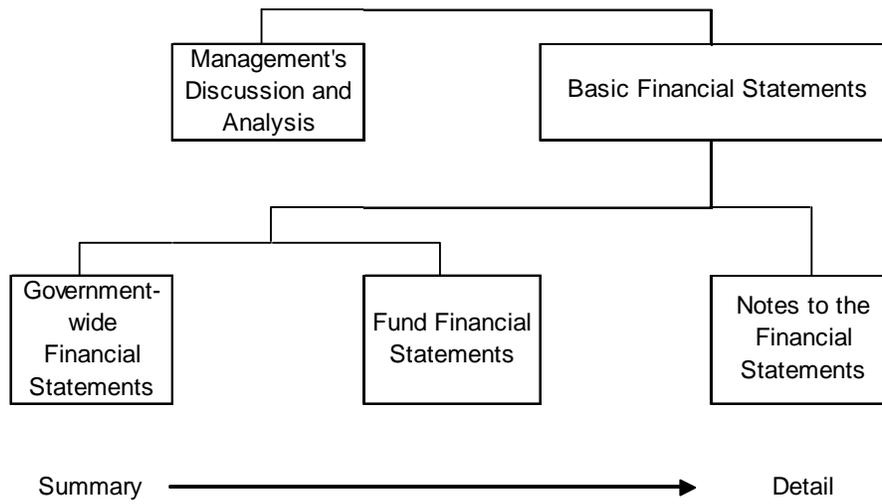
- The General Fund, the Town's primary annual operating fund, had total revenues of \$9,661,514 and total expenditures of \$8,975,635 during FY 2018. After transfers to the Bicycle and Pedestrian Capital Project Fund (\$7,400) and to the Future Beach Nourishment Fund of (\$450,000) the Town's General Fund balance increased by \$229,686. The overall increase in the General Fund was primarily attributed to lower than anticipated expenditures related to the creation of a new Town department for Emergency Medical Services, as opposed to a contracted service. Additionally, other savings in various departments as well as minor increases in development permit fees and other revenues attributed to the increase.
- As of June 30, 2018, the Town's General Fund had a total fund balance of \$2,409,074, of which \$1,494,682 is classified as unassigned fund balance.
- The total General Fund balance of \$2,409,074 is equal to 25.54% of total General Fund expenditures during FY 2018 (\$9,433,035, including transfers out). This percentage is up from the previous year (22.8%), due to two key factors: 1) additional surplus in FY 2018 due to cost savings in the transition to a new EMS department along with other departmental savings, and 2) a decrease in transfers out to capital projects during FY 2018 compared to the prior fiscal year. Total General Fund balance represents 24.05% percent of the FY 18-19 adopted budget of \$10,018,100 (including transfers out).
- The total unassigned General Fund balance amount of \$1,494,682 is equal to 15.85% of total General Fund expenditures during FY 2018 (\$9,433,035, including transfers out). Unassigned General Fund balance represents 14.92% of the FY 18-19 adopted budget of \$10,018,100 (including transfers out).
- The Town's Future Beach Nourishment Fund had a year-end fund balance of \$2,120,793, as the Town collected another year of special district property taxes that are reserved for future beach nourishment activities. Additionally, the Town makes annual transfers from the General Fund to the Future Beach Nourishment Fund to supplement tax receipts from the ocean front-inlet front special district.
- The Town established a new Capital Project Fund from the reserves of the Future Beach Nourishment Fund, transferring \$1,150,000 of the Future Beach Nourishment Fund Balance for a planned renourishment project specific to approximately 3 miles of beach strand along the Eastern Emerald Isle Town limits. Work on the project is planned to begin in FY 2019.
- The Town's total loans outstanding at June 30, 2018 is \$2,236,859. This includes four (4) existing installment purchase agreements. The Town's total outstanding debt is equal to approximately 0.08% of the Town's total assessed valuation at June 30, 2018, which continues to remain 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 NC General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

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

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 NC General Statutes and the Town's budget ordinance. All of the funds of the Town of Emerald Isle are categorized as governmental funds, as the Town does not utilize any proprietary funds, nor any fiduciary 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 remain 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 governmental 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 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. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. In previous years, the Town utilized one fiduciary fund – an agency fund. Upon review and for reasons of immateriality, this agency fund is no longer reported with the Town's financial statements. Total amounts due to the agency are generally less than \$1,000 and are reported as an accounts payable line item in the General 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's net position is \$27,080,556 as of June 30, 2018. The Town's net position increased by \$3,916,457 for the fiscal year ended June 30, 2018. Net position increased primarily due to the grant and contribution funded acquisition of a 29.37 acre tract of land valued at \$3 million plus the accumulation of annual 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 net total of \$765,766 to fund balance in this fund during FY 2018.

The Town's current assets (cash and cash equivalents, net receivables, due from other governments, and restricted cash) were \$6,270,979 as of June 30, 2018. This amount includes \$5,178,982 of unrestricted cash and cash equivalents across all Town funds, and an additional \$242,027 of restricted cash and cash equivalents, primarily attributable to capital projects still in progress at June 30, 2018. This amount also includes \$783,244 due from other governments, the majority of which is from 4th quarter earnings of sales tax and utility tax distributions. The Town's capital assets totaled \$24,509,075, which is an increase of \$3,016,781 over the prior year. This increase is primarily attributed to the 29.37 acre tract of land valued at \$3 million, which was procured with grant funds, a donation, and installment purchase financing.

The Town's total liabilities decreased by \$28,756 during FY 2018 to \$4,130,658. This change was derived from several increases and decreases described as follows: The Town issued a new installment purchase agreement for \$600,000 for the purchase of the 29.37 acre land tract. However, annual debt service payments on the Town's three previously existing installment purchase agreements almost offset the amount of the new debt. The net total installment purchase debt increased by \$86,036. Accounts payable and accrued liabilities increased over the prior year by approximately \$89,000 of which the majority of the increase was caused by several prepayments of property taxes by residents due to potential changes in Federal Income Tax laws for calendar year 2018. While accounts payable and accrued liabilities increased, pension liabilities decreased. The Town's proportionate share of the Local Government Employees' Retirement System (LGERs) net pension liability decreased by \$299,480, however the Town's total pension liability for the Law Enforcement Officers' Special Separation Allowance (LEOSSA) increased by \$75,649.

Town of Emerald Isle's Net Position
Figure 2

	Governmental Activities	
	2018	2017
Current and other assets	\$ 6,270,979	\$ 5,061,766
Capital assets	24,509,075	21,492,294
Total assets	30,780,054	26,554,060
Deferred outflows of resources	589,172	843,921
Long-term liabilities outstanding	3,143,079	3,317,226
Other liabilities	987,579	842,188
Total liabilities	4,130,658	4,159,414
Deferred inflows of resources	158,012	74,468
Net position:		
Net investment in capital assets	22,272,216	19,341,471
Restricted	4,114,380	3,246,185
Unrestricted	693,960	576,443
Total net position	\$ 27,080,556	\$ 23,164,099

Changes in Net Position

As noted in Figure 3 below, the Town had total revenues of \$12,892,257 across all activities, and had total expenses of \$8,975,800 during the year ended June 30, 2018, resulting in an increase in the Town's net position of \$3,916,457. While the Town had less operating grant revenues in FY 2018 than in the prior year, the most significant increase for FY 2018 was from capital grants and a contribution toward the purchase of the 29.37 acre tract of land, now referred to as McLean-Spell Park. State grants were awarded for \$1.045 million along with \$1.5 million contributed via the NC Conservation Fund and the Marine Corps Air Station (MCAS) Cherry Point Readiness and Environmental Protection Integration (REPI) Program. Other minor increases included property tax revenue due to modest growth and local option sales tax revenue due to overall improvements in the economy. Small but steady increases were realized in interest earnings as interest rates continue to rise. The Town had minimal increases in expenses over FY 2017. Key initiatives causing a minor increase in Public Safety expense were the addition of three new firefighter positions partially funded by a Federal grant and the transition from in-car cameras to body cameras for our police officers. Although Fire and Police expenses were up from FY 2017, EMS expenses were down slightly due to the creation of a staffed Town EMS department. In prior years, the Town provided funding to Emerald Isle EMS, Inc., a separate not-for-profit entity for contracted EMS services. Beginning in March 2018 that entity dissolved and the Town hired its full and part-time employees forming a new EMS department. Cultural and Recreation increases included planned initiatives in landscaping improvements throughout the Town and along the gateway area near the bridge.

The increase in net position in FY 2018 is also associated with the accumulation of reserve funds in the Future Beach Nourishment Fund. As there are no current expenses required for beach nourishment activities, and the Town added \$765,766 to the Fund from the collection of Primary Benefit District Taxes and the transfer from General Fund.

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

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 2,445,961	\$ 2,204,394
Operating grants and contributions	262,193	474,494
Capital grants and contributions	2,785,421	8,783
General revenues:		
Property taxes	4,572,027	4,526,187
Local option sales tax	1,924,782	1,849,401
Other taxes and licenses	732,331	744,382
Unrestricted grants and contributions	51,604	150
Unrestricted investment earnings	60,939	18,368
Miscellaneous	56,999	39,986
Total revenues	<u>12,892,257</u>	<u>9,866,145</u>
Expenses:		
General government	1,392,361	1,387,324
Public safety	3,843,612	3,784,052
Environmental protection	2,326,516	2,340,683
Cultural and recreation	1,370,841	1,277,024
Interest on long-term debt	42,470	52,197
Total expenses	<u>8,975,800</u>	<u>8,841,280</u>
Increase (decrease) in net position	3,916,457	1,024,865
Net position, beginning, as previously reported	23,164,099	22,498,262
Restatement for accounting change	-	(359,028)
Net position beginning, as restated	23,164,099	22,139,234
Net position, ending	<u>\$ 27,080,556</u>	<u>\$ 23,164,099</u>

Capital Assets

As of June 30, 2018, the Town of Emerald Isle's investment in capital assets, net of depreciation totaled \$24,509,075, an increase of \$3,016,781 over the previous year. These assets include buildings, furniture and equipment, improvements, land, and vehicles. During FY 2018, the Town acquired a 29.37 acre tract of land located adjacent to the Town Government Complex for the purpose of creating the new McLean-Spell Park. The land was acquired through State grant funding along with a contribution via the NC Conservation Fund and the MCAS Cherry Point's REPI program. The majority of the acreage is to be kept in its natural state and only a portion will be developed for future recreational amenities. The Town also constructed several replacements for beach access walkways; purchased replacement vehicles and equipment; and acquired existing EMS vehicles and equipment during the creation of the new EMS department. Depreciation expense remains relatively consistent year over year with slight increases due to the additions of depreciable assets.

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

Figure 4

	Governmental Activities	
	2018	2017
Land	\$ 15,013,197	\$ 11,911,211
Construction in progress	-	400
Buildings	2,127,843	2,192,746
Improvements	6,093,451	6,272,547
Furniture and equipment	524,216	408,836
Vehicles and motorized equipment	750,368	706,553
	<u>\$ 24,509,075</u>	<u>\$ 21,492,293</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, 2018, the Town of Emerald Isle had total outstanding installment purchase obligations of \$2,236,859. This amount is comprised of four installment financing agreements as described below:

The Town issued \$1.4 million in installment debt during 2013 to refinance previous installment debts, and the remaining balance at June 30, 2018 was \$242,631. The Town issued \$2.4 million in installment debt in FY 2014 to fund bicycle path and storm water projects over a 9-year term, and the remaining balance at fiscal year-end was \$1,333,333. During FY 2015, the Town issued \$86,077 in installment debt for the purchase of a vacant lot adjacent to the Public Boat Launching Facility over a 10-year term and the remaining balance at fiscal year-end was \$60,895. In May 2018, the Town issued \$600,000 in installment debt for the purchase of land for the McLean-Spell Park over a 10-year term, with the first payment due in May 2019. The annual interest rates for these debts are 1.59% for the 2013 refinancing, 2.17% for the bicycle path and storm water projects, 0.82% for the vacant lot, and 3.57% for the new land purchase.

Town of Emerald Isle's Outstanding Long-Term Debt

Figure 5

	Governmental Activities	
	2018	2017
Installment notes	\$ 2,236,859	\$ 2,150,823
Compensated absences	232,638	213,122
Pension liabilities	1,307,413	1,531,244
	<u>\$ 3,776,910</u>	<u>\$ 3,895,189</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 \$2,236,859 is equal to 0.08% of the Town's total assessed valuation of approximately \$2.7 billion as of June 30, 2018. 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 \$218 million, a figure that the Town will never realistically approach.

The remainder of the Town's long-term obligations are comprised of net and total pension liabilities and compensated absences. The Town is a participating employer in the North Carolina Local Governmental Employees' Retirement System (LGERS). The Town's proportionate share of the LGERS net pension liability is \$678,920 for FY 2018, a significant decrease over the prior year's share of \$978,400 in FY 2017. Additionally, the Town administers the Law Enforcement Officers Special Separation Allowance (LEOSSA), a single-employer defined benefit pension plan, for its eligible sworn law enforcement officers. The Town's total pension liability for the LEOSSA is \$628,493 for FY 2018, an increase of 75,649 over the prior year. During FY 2018, one retired officer was eligible for LEOSSA benefits and the Town continues to budget for this benefit on a pay-as-you-go method within the General Fund.

Additional information regarding the Town's long-term debt can be found in Note 3.B. 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 \$9,433,035 of total expenditures (\$8,975,635) and transfers out (\$457,400) in the year ending June 30, 2018. Total revenues of \$9,661,514 plus minimal transfers in from two capital projects exceeded expenditures, resulting in a \$229,686 increase in General Fund balance.

Property tax revenues continue to represent the Town's largest General Fund revenue source, at \$4,294,509, or approximately 44% of total revenues. Sales tax revenues remain the Town's second largest General Fund revenue source, with a total of \$1,924,782 representing 20% of total revenues. Solid waste service fees are the Town's third largest General Fund revenue source, at \$1,498,075 representing 16% of total revenues. Combined, these three revenue sources make up 80% of total General Fund revenues for the fiscal year ended June 30, 2018.

Public safety expenditures (Police, Fire, and EMS) continue to comprise the largest portion of the General Fund, at \$3,716,148, or approximately 39% of total General Fund expenditures and transfers out. Other notable expenditures include Solid Waste (\$1,483,411), and Parks and Recreation (\$1,151,767).

As of June 30, 2018, total General Fund balance is \$2,409,074, an increase of \$229,686 over the prior year's fund balance. The overall increase in fund balance is associated with expenditure savings in several departments. In particular, there were savings associated with the creation of the new EMS department, as compared to the original budget. Additionally certain revenue line items were slightly higher than anticipated including local-use sales tax distributions and development permit fees. The Town's total General Fund balance is equal to 25.54% of total General Fund expenditures (including transfers out) for FY 2018. This percentage is up from the previous year (22.8%), due to the increase in fund balance, as well as a decrease in transfers out to capital project funds, compared to the prior year. It is important to note that beginning in FY 2015 the General Fund includes a significant 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 total expenditure and affects the fund balance % calculation. General Fund balance represents 24.05% percent of the FY 2019 adopted budget of \$10,018,100 (including transfers out).

The total unassigned General Fund balance amount of \$1,494,682 is equal to 15.85% of total General Fund expenditures during FY 2018. Unassigned General Fund balance also represents 14.92% of the FY 2019 adopted budget of \$10,018,100 (including transfers out). The transfer from the General Fund 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 have an overall long-term increasing trend, 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 in reserve.

Future Beach Nourishment Fund

FY 2018 was the seventh 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 no expenditures during the fiscal year, and at June 30, had a fund balance of \$2,120,793. During FY 2018, the Town's Board approved a transfer of \$1,150,000 from the Future Beach Nourishment Fund to a new capital project fund for the Eastern Emerald Isle Beach Renourishment Project. The Town's reserve funds along with funds from Carteret County and State grant funds are to be utilized for the replacement of sand along about a 3-mile section of the Town's eastern limits planned to begin in March 2019.

Beginning in FY 2015, the Town's Board appropriated significant General Fund transfers to the Future Beach Nourishment Fund. FY 2016 and FY 2017 adopted appropriations were \$400,000 respectively. During FY 2017, the Board approved a reduction of the FY 2017 transfer from the General Fund to the Future Beach Nourishment Fund of \$250,000. This same amount was utilized to fund the purchase of land at 203 Islander Drive in 2017. The Town's Board has approved an additional \$50,000 each year from the General Fund to the Future Beach Nourishment Fund, beginning in FY 2018 for a period of five years to accumulate the amount that would have otherwise been transferred during FY 2017. Therefore, in FY 2018 the transfer was \$450,000.

Other Major Funds

During FY 2018, two capital project funds were created and the significance of the size of these funds in terms of revenues and expenditures has qualified these multi-year capital project funds as Major Funds. The first was the establishment of the Eastern Emerald Isle Beach Nourishment Fund, as mentioned above.

Further, a second major multi-year capital project fund was created – The McLean-Spell Park Fund. This capital project fund was established to capture the grant funding from the NC Parks and Recreation Trust Fund and the NC Clean Water Management Trust Fund along with installment purchase financing to purchase a 29.37 acre tract of land for future passive and active recreational purposes. The land was procured with the assistance and contribution from the NC Conservation Fund and MCAS Cherry Point's REPI program. A small fund balance remains in the project in the amount of \$58,747. These remaining funds are intended for the construction of a wooden pedestrian bridge over Archers Creek for visitors to access the park from the Town Government Complex parking areas.

Other Non-Major Funds

The Town utilized several other funds during the fiscal year ended June 30, 2018, most of which are capital project funds established to segregate revenues and expenditures associated with these projects over multiple fiscal years.

During FY 2018, four capital project funds which were established in prior years, were finalized and closed at year-end. The capital project established for the Islander Drive Land Acquisition was complete as of June 30, 2018. The fund had a small remaining balance of \$9,846, which was transferred to the new Island Drive Western Regional Access (WORA) Improvements project. Further, the Cape Emerald Pipe Replacement, the Bogue Inlet Drive Improvements, and the Osprey Ridge Storm Water Pump projects were complete and minimal fund balances were transferred back to the General Fund to close out the projects.

The Town utilized the following non-major capital projects during FY 2018:

- The Bicycle and Pedestrian capital project fund was established following the completion of the Coast Guard Road Multi-Use Path project, in FY 2015. The project has a fund balance of \$55,144, as of June 30, 2018. The fund is used to account for fundraising proceeds and related path capital improvements funded by these proceeds as recommended by the Bicycle and Pedestrian Advisory Committee and authorized by the Board of Commissioners. During FY 2018, the fund invested in the construction of a new section of sidewalk along Old Ferry Road.
- The Islander Drive Western Ocean Regional Access (WORA) Improvements capital project fund was established to construct streetscape and beach access improvements along this section of Islander Drive. This project follows the FY 2017 Islander Drive land acquisition project, which included the removal of an abandoned go-kart track. The project includes grant funding from the NC Department of Commerce's Economic Development Division, and anticipated additional funding from the proceeds from the sale of the Islander Drive tract planned for FY 2019.

The Town also utilizes four non-major special revenue funds. During FY 2017, the Town established the annual Beach Music Festival Fund. This fund was established to account for revenues and expenditures associated with an annual one-day festival featuring several musicians and bands performing on stage at the Town's Western Ocean Regional Access. The event is free to the public, and funding for the annual festival is primarily received from contributions by the Carteret County Tourism Development Authority and area business sponsorships and event proceeds.

The Special Drug Fund was established to segregate and account for restricted federal and state revenues to be used for expenditures for police department equipment. The Special Drug Fund has a total fund balance of \$174 as of June 30, 2018, and these restricted funds will be used for eligible law enforcement purchases in future fiscal years.

The Town established the Half-Marathon Fund, a special revenue fund, in FY 2014. This annually budgeted 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 used for race expenditures and excess race proceeds were distributed to the Bicycle and Pedestrian capital project fund, as well as charitable organizations, as determined by the volunteer race committee.

Finally, the Town created a new special revenue fund in FY 2018 – the EMS Volunteer Fund. The former not-for-profit entity, Emerald Isle EMS, Inc., relied heavily on the support of volunteers and fundraising activities. The Town created this fund to capture revenues derived from donations and fundraising efforts specific to the new EMS department. Accumulated funds will be used to purchase EMS equipment and supplies as recommended by the EMS volunteers and EMS Chief, with appropriate approval by the Town's Board of Commissioners.

FY 2018 Budget Administration

The Board of Commissioners adopted the FY 2018 budget in June 2017 after a thoughtful and analytical review process over the previous several months.

The total adopted FY 2018 budget for both the General and Future Beach Nourishment Funds was \$10,192,167, which represented a \$409,780, or 4.2% increase over the adopted FY 2017 budget for both funds. During the FY 2018 budget adoption process, the Town's Board elected to maintain the General Fund tax rate at 15.5 cents, its special district (oceanfront and inlet-front properties) rate at 4.0 cents for the Future Beach Nourishment Fund, and the fixed annual fee of \$228 per improved residential property for solid waste collection services. These rates have remained the same since FY 2016.

During the FY 2018 budget adoption, the Town's Board did authorize certain fee schedule increases. These increases included minor increases to building and stormwater permit fees, as well as recreation fees for preschool, afterschool, and summer day camp programs.

The adopted FY 2018 budget included a total General Fund budget of \$9,454,176, a \$350,976, or 3.9% increase over the adopted FY 2017 budget. Overall increases to the FY 2018 budget were attributed to the addition of three new firefighter positions partially funded by a Federal Staffing for Adequate Fire and Emergency Response (SAFER) grant; a 2.2% cost of living adjustment for all Town employees; the addition of a new full-time parks maintenance position; increases in part-time staffing in Police and Recreation departments; and overall increases in departmental capital equipment replacements compared to the prior year budget. During the course of FY 2018, the General Fund budget was amended several times, resulting in a final amended FY 2018 budget of \$9,672,783.

The most significant amendments to General Fund revenues were as follows: an increase of \$60,000 to appropriate EMS services fees beginning in March, 2018 for the creation of the new EMS department; an increase of \$20,000 for legal fees associated with the finalization of a legal issue in the Town's favor, regarding the public's right to use the beach; \$42,000 in contributions for construction of a beach access walkway, golf cart path, and street repaving; and \$78,000 for water rescue equipment, building repairs, and landscaping improvements. The majority of these amendments were appropriated with excess revenues and contributions without the need to appropriate fund balance.

Finally, several special and capital project funds were also established and/or amended during FY 2018. Key projects amended included the Bicycle and Pedestrian Fund to appropriate additional contributions received and the creation of the new capital project funds and special revenue funds, as described above.

Economic Factors and FY 2019 Budget Highlights

The local economy continues to be fueled by the tourism, construction, and real estate industries, and by the accumulated wealth of our many retirees and second homeowners. The Town considers several economic factors that affect each annual budget, and particularly the impacts on its largest revenue sources: property taxes, sales taxes, and solid waste service fees. Additionally, the impact from economic factors can effect development or building permit fees and other fees, such as the Town's golf cart permit program and beach permit program, among others.

The Town considers economic indicators from both North Carolina as well as Carteret County. During FY 2018, North Carolina maintained a low unemployment rate of 4.2%, the same as the prior year ended June 30. Similarly, Carteret County reported 4.0% unadjusted unemployment at June 30, 2018 just up from 3.9% the prior fiscal year end.

Statewide taxable retail sales are another significant indicator for the Town. The Town's second highest General Fund revenue is the receipt of distributions of local option sales tax. As of the end of FY 2018, North Carolina reported taxable retail sales up \$252.3 million over the prior year. The Town receives its sales tax revenues via a complicated formula that is based on statewide sales tax collections, relative population changes, local sales tax collections, and local property tax levies. Overall, FY 2018 sales tax distributions to Carteret County were up 6.7%, and the Town distributions were up 4.08%.

Emerald Isle and Carteret County continue to be a desirable and 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 more than 60% 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 at the end of FY 2018 were over 6% greater than FY 2017 collections, and results show a continuous year-over-year increase during the past 10 years.

With these key economic factors considered, the Town's FY 2019 adopted budgets total \$10,957,600 for both the General and Future Beach Nourishment Funds, a \$765,433, or 7.5% increase from the originally adopted FY 2018 budgets. The FY 2019 adopted budget for the Future Beach Nourishment Fund includes a one-time repayment of \$200,000 related to the FY 2017 authorized delay in transfer from the General Fund. The FY 2019 adopted budget maintains the Town's high service levels and quality, while also maintaining the same tax rate as the prior three fiscal years, with only minimal increases to community center membership fees, and the expansion of fees for parking at two public beach accesses from only Saturdays, Sundays and Holidays to add fees on Fridays.

The Town's adopted FY 2019 General Fund budget is \$10,018,100, which equates to a \$563,924 increase (or 6.0%) over the adopted FY 2018 General Fund budget. Since FY 2014, the General Fund rate of 15.5 cents has included 1.5 cents dedicated for beach renourishment and this calculation derived an annual \$400,000 budgeted transfer from the General Fund to the Future Beach Nourishment Fund. While no tax rate increases were adopted, budgeted revenues were increased in three key areas: property tax revenues, additional local option sales tax distributions, and increases in beach access parking fees and interest earnings. The most significant increase over the FY 2018 budget is the inclusion of 12 months of EMS services fees, anticipated at \$215,000. Because of continued growth in retail sales, the Town budgeted a 4% increase over FY 2018 projected sales tax revenues. Utility sales tax distributions leveled over the past two fiscal years, and therefore were budgeted slightly lower than the prior year. Modest growth is anticipated in the tax base due to continued new construction and renovations. The FY 2018 budget included \$41,006 in additional property tax revenues. Finally, as trends of positive economic growth have been reflected in the past three fiscal years, modest increases in building permit fees, golf cart registrations, beach access parking fees, and community center membership fees are included for the FY 2019 year.

The adopted FY 2019 General Fund budget anticipates a total of \$4,333,600 of property tax revenues, \$2,000,000 of sales tax revenues, and \$1,504,400 of annual solid waste fee revenues. Combined, these three revenue sources represent over 78% of General Fund revenues. On the expenditure side, public safety (Police, Fire, and EMS) represents 41.13% of General Fund expenditures, and solid waste represents 14.81%. The FY 2019 budget invests appropriately in the Town's workforce, provides additional funding in key areas to enhance services and staff efficiency, provides adequate funding to maintain Town infrastructure, and provides sufficient funding to maintain a dependable, attractive, and efficient vehicle fleet. The adopted FY 2019 General Fund budget is structurally sound, and the Town does not anticipate any unmanageable budget deficits in the coming months. The FY 2019 budget includes approximately \$244,000 in the full year transition to a staffed EMS department as opposed to contracted EMS services; the first year debt services payment of \$81,420 for the FY 2018 land purchase for McLean-Spell park; enhancements to the Town's lifeguard program; and additional street lighting expenses; as well as a 2.3% cost of living adjustment for Town employees.

The total adopted budget for the Future Beach Nourishment Fund was \$939,500 for FY 2019. The budget includes a one-time repayment of \$200,000 for a FY 2017 delay in transfer from the General Fund. This repayment was originally planned in \$50,000 annual increments from the General Fund, however, the Town's Board authorized the sale of 203 Islander Drive during 2018 and the appropriation from the expected proceeds of that land sale fulfilled the repayment of funds ultimately from the General Fund. The budget includes the anticipated receipt of \$274,500 of special district property taxes from oceanfront and inlet-front property owners, and the \$400,000 transfer from the General Fund that will be reserved for future, undetermined beach nourishment projects. Additionally, interest revenue of \$65,000 is

budgeted for the fund, as modest increases in interest rates trend upward, and fund balance grows. The Town levies only a separate 4.0 cent property tax rate on all oceanfront and inlet-front properties, the same rate since FY 2016.

Finally, during the first quarter of FY 2019, the Town was significantly impacted by Hurricane Florence beginning on September 13 and continuing for several days to follow. Because of the possibility of such weather events in the region, the Town was prepared with pre-positioned contracts for emergency equipment needs and debris removal. The Town's insurance coverages and anticipated reimbursements from FEMA and matching State funds are expected to fully cover the costs incurred during FY 2019 and FY 2020 to make necessary repairs from the impacts of the storm.

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 Randy Martin, Interim Town Manager (rmartin@emeraldisle-nc.org) or Laura Rotchford, Finance Director (lrotchford@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.

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Basic Financial Statements

Town of Emerald Isle, North Carolina
Statement of Net Position
June 30, 2018

	Primary Government
	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 5,178,982
Restricted cash and cash equivalents	242,027
Taxes receivable, net	20,819
Accounts receivable, net	32,257
Due from other governments	783,244
Prepaid expenses	13,650
Total current assets	6,270,979
Non-current assets:	
Capital assets (Note 3):	
Land and construction in progress	15,013,197
Other capital assets, net of depreciation	9,495,878
Total capital assets	24,509,075
Total assets	30,780,054
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	589,172
Total deferred outflows of resources	589,172
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	353,748
Current portion of long-term liabilities	633,831
Total current liabilities	987,579
Long-term liabilities:	
Net pension liability	678,920
Total pension liability	628,493
Due in more than one year	1,835,666
Total liabilities	4,130,658
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	58,012
Unearned revenue	100,000
Total deferred inflows of resources	158,012
NET POSITION	
Net investment in capital assets	22,272,216
Restricted for:	
Stabilization by State Statute	815,501
Streets	25,937
Public safety	2,149
Environmental protection	3,270,793
Unrestricted	693,960
Total net position	\$ 27,080,556

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, 2018**

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	\$ 1,392,361	\$ 74,682	\$ 945	\$ -	\$ (1,316,734)
Public safety	3,843,612	303,822	77,263	243,442	(3,219,085)
Environmental protection	2,326,516	1,519,879	148,985	-	(657,652)
Cultural and recreation	1,370,841	547,578	35,000	2,541,979	1,753,716
Interest on long-term debt	42,470	-	-	-	(42,470)
Total governmental activities	\$ 8,975,800	\$ 2,445,961	\$ 262,193	\$ 2,785,421	(3,482,225)
 General revenues:					
Taxes:					
Property taxes, levied for general purpose					4,572,027
Local option sales tax					1,924,782
Other taxes and licenses					732,331
Unrestricted grants and contributions					51,604
Unrestricted investment earnings					60,939
Miscellaneous					56,999
Total general revenues					7,398,682
Change in net position					3,916,457
Net position, beginning					23,164,099
Net position, ending					\$ 27,080,556

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, 2018

	<u>Major Funds</u>				<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Future Beach Nourishment Special Revenue Fund</u>	<u>Eastern EI Beach Nourishment Fund</u>	<u>McLean-Spell Park Fund</u>		
<u>ASSETS</u>						
Cash and cash equivalents	\$ 1,896,979	\$ 2,120,793	\$ 1,150,000	\$ -	\$ 11,210	\$ 5,178,982
Restricted cash and cash equivalents	25,937	-	-	58,747	157,343	242,027
Taxes receivable, net	20,157	662	-	-	-	20,819
Accounts receivable, net	32,257	-	-	-	-	32,257
Due from other governments	783,244	-	-	-	-	783,244
Prepays	9,000	-	-	-	4,650	13,650
Total assets	\$ 2,767,574	\$ 2,121,455	\$ 1,150,000	\$ 58,747	\$ 173,203	\$ 6,270,979
<u>LIABILITIES</u>						
Accounts payable and accrued liabilities	\$ 338,343	\$ -	\$ -	\$ -	\$ 2,090	\$ 340,433
Total liabilities	338,343	-	-	-	2,090	340,433
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Property taxes receivable	20,157	662	-	-	-	20,819
Unearned revenue	-	-	-	-	100,000	100,000
Total deferred inflows of resources	20,157	662	-	-	100,000	120,819
<u>FUND BALANCES</u>						
Non-spendable:						
Prepays	9,000	-	-	-	4,650	13,650
Restricted:						
Stabilization by State Statute	815,501	-	-	-	-	815,501
Streets	25,937	-	-	-	-	25,937
Public safety	-	-	-	-	2,149	2,149
Environmental protection	-	2,120,793	1,150,000	-	-	3,270,793
Committed:						
LEO special separation allowance	63,954	-	-	-	-	63,954
Assigned:						
Environmental protection	-	-	-	-	9,846	9,846
Culture and recreation	-	-	-	58,747	55,429	114,176
Unassigned	1,494,682	-	-	-	(961)	1,493,721
Total fund balances	2,409,074	2,120,793	1,150,000	58,747	71,113	5,809,727
Total liabilities, deferred inflows of resources and fund balances	\$ 2,767,574	\$ 2,121,455	\$ 1,150,000	\$ 58,747	\$ 173,203	\$ 6,270,979

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

Town of Emerald Isle, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances, governmental funds		\$ 5,809,727
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$ 31,645,433	
Accumulated depreciation	<u>(7,136,358)</u>	24,509,075
Deferred outflows of resources related to pensions and are not reported in the funds		589,172
Earned revenues considered deferred inflows of resources in fund statements		20,819
Gross long-term debt beginning	\$ (2,363,945)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(105,552)	
Total pension liability	(628,493)	
Net pension liability	<u>(678,920)</u>	(3,776,910)
Deferred inflows of resources related to pensions are not reported in the funds		(58,012)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds		<u>(13,315)</u>
Net position of governmental activities		<u><u>\$ 27,080,556</u></u>

Town of Emerald Isle, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

	Major Funds				Total Non-Major Funds	Total Governmental Funds
	General Fund	Future Beach Nourishment Special Revenue Fund	Eastern EI Beach Nourishment Fund	McLean-Spell Park Fund		
Revenues:						
Ad valorem taxes	\$ 4,294,509	\$ 273,445	\$ -	\$ -	\$ -	\$ 4,567,954
Unrestricted intergovernmental	2,657,113	-	-	-	-	2,657,113
Restricted intergovernmental	226,896	-	-	1,045,000	35,297	1,307,193
Permits and fees	2,142,902	-	-	-	-	2,142,902
Sales and services	212,873	-	-	-	-	212,873
Investment earnings	18,618	42,321	-	-	-	60,939
Miscellaneous	108,603	-	-	-	90,186	198,789
Total revenues	<u>9,661,514</u>	<u>315,766</u>	<u>-</u>	<u>1,045,000</u>	<u>125,483</u>	<u>11,147,763</u>
Expenditures:						
Current:						
General government	1,325,551	-	-	-	-	1,325,551
Public safety	3,530,863	-	-	-	537	3,531,400
Environmental protection	2,137,608	-	-	-	-	2,137,608
Cultural and recreation	970,294	-	-	-	103,777	1,074,071
Capital outlay:						
General government	-	-	-	-	18,753	18,753
Public safety	185,285	-	-	-	-	185,285
Environmental protection	87,685	-	-	-	32,100	119,785
Cultural and recreation	181,473	-	-	1,586,253	14,710	1,782,436
Debt service:						
Principal retirement	513,963	-	-	-	-	513,963
Interest and other charges	42,913	-	-	-	-	42,913
Total expenditures	<u>8,975,635</u>	<u>-</u>	<u>-</u>	<u>1,586,253</u>	<u>169,877</u>	<u>10,731,765</u>
Excess (deficiency) of revenues over expenditures	<u>685,879</u>	<u>315,766</u>	<u>-</u>	<u>(541,253)</u>	<u>(44,394)</u>	<u>415,998</u>
Other financing sources (uses)						
Transfers from other funds	1,207	450,000	1,150,000	-	35,246	1,636,453
Transfers to other funds	(457,400)	(1,150,000)	-	-	(29,053)	(1,636,453)
Installment purchase debt issued	-	-	-	600,000	-	600,000
Total other financing sources (uses)	<u>(456,193)</u>	<u>(700,000)</u>	<u>1,150,000</u>	<u>600,000</u>	<u>6,193</u>	<u>600,000</u>
Net change in fund balances	<u>229,686</u>	<u>(384,234)</u>	<u>1,150,000</u>	<u>58,747</u>	<u>(38,201)</u>	<u>1,015,998</u>
Fund balances, beginning	<u>2,179,388</u>	<u>2,505,027</u>	<u>-</u>	<u>-</u>	<u>109,314</u>	<u>4,793,729</u>
Fund balances, ending	<u>\$ 2,409,074</u>	<u>\$ 2,120,793</u>	<u>\$ 1,150,000</u>	<u>\$ 58,747</u>	<u>\$ 71,113</u>	<u>\$ 5,809,727</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, 2018

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Net change in fund balances - total governmental funds \$ 1,015,998

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	\$ 2,106,659	
Donated capital assets	1,740,421	
Depreciation expense for governmental assets	(796,443)	
Loss on sale of capital assets	<u>(33,856)</u>	3,016,781

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 239,737

Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities 11,437

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

Change in unavailable revenue for tax revenues 4,073

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 an effect on net position.

This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	513,963	
New long-term debt issued	(600,000)	
Increase in accrued interest payable	<u>(350)</u>	(86,387)

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	(19,516)	
Pension expense (LGERS)	(217,809)	
Pension expense (LEOSSA)	<u>(47,857)</u>	<u>(285,182)</u>

Total changes in net position of governmental activities \$ 3,916,457

Town of Emerald Isle, North Carolina
General Fund and Annually Budgeted Major Funds
Statements of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual
For the Year Ended June 30, 2018

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 4,292,594	\$ 4,292,594	\$ 4,294,509	\$ 1,915
Unrestricted intergovernmental	2,620,000	2,627,500	2,657,113	29,613
Restricted intergovernmental	272,158	272,158	226,896	(45,262)
Permits and fees	2,049,980	2,088,105	2,142,902	54,797
Sales and services	161,500	236,732	212,873	(23,859)
Investment earnings	5,000	17,500	18,618	1,118
Miscellaneous	29,100	94,350	108,603	14,253
Total revenues	<u>9,430,332</u>	<u>9,628,939</u>	<u>9,661,514</u>	<u>32,575</u>
Expenditures:				
Current:				
General government	1,334,038	1,382,538	1,325,551	56,987
Public safety	3,788,746	3,843,046	3,716,148	126,898
Environmental protection	2,210,268	2,273,486	2,225,293	48,193
Cultural and recreation	1,099,248	1,159,437	1,151,767	7,670
Debt service:				
Principal retirement	513,963	513,963	513,963	-
Interest and other charges	42,913	42,913	42,913	-
Total expenditures	<u>8,989,176</u>	<u>9,215,383</u>	<u>8,975,635</u>	<u>239,748</u>
Revenues over (under) expenditures	<u>441,156</u>	<u>413,556</u>	<u>685,879</u>	<u>272,323</u>
Other financing sources (uses):				
Transfers from other funds	-	1,207	1,207	-
Transfers to other funds	(465,000)	(457,400)	(457,400)	-
Total other financing sources (uses)	<u>(465,000)</u>	<u>(456,193)</u>	<u>(456,193)</u>	<u>-</u>
Fund balance appropriated	23,844	42,637	-	(42,637)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	229,686	<u>\$ 229,686</u>
Fund balance, beginning			<u>2,179,388</u>	
Fund balance, ending			<u>\$ 2,409,074</u>	

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

Future Beach Nourishment Special Revenue Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 272,991	\$ 272,991	\$ 273,445	\$ 454
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	-	-	-	-
Permits and fees	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	15,000	15,000	42,321	27,321
Miscellaneous	-	-	-	-
Total revenues	<u>287,991</u>	<u>287,991</u>	<u>315,766</u>	<u>27,775</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Environmental protection	-	-	-	-
Cultural and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>287,991</u>	<u>287,991</u>	<u>315,766</u>	<u>27,775</u>
Other financing sources (uses):				
Transfers from other funds	450,000	450,000	450,000	-
Transfers to other funds	-	(1,150,000)	(1,150,000)	-
Total other financing sources (uses)	<u>450,000</u>	<u>(700,000)</u>	<u>(700,000)</u>	<u>-</u>
Fund balance appropriated	(737,991)	412,009	-	(412,009)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(384,234)	<u>\$ (384,234)</u>
Fund balance, beginning			<u>2,505,027</u>	
Fund balance, ending			<u>\$ 2,120,793</u>	

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

Notes to the Financial Statements

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Emerald Isle is a municipal corporation that is governed by an elected mayor and a five-member board of commissioners. As required by 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. Separate statements for each fund category 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.

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.

Eastern Emerald Isle Beach Nourishment Fund. This fund was established as a multi-year capital project fund. This fund accounts for financial resources transferred from the Future Beach Nourishment Special Revenue Fund and restricted intergovernmental funds provided. The financial resources are to be used for expenditures associated with the renourishment of approximately 617,000 cubic yards of beach fill-material along the beach strand located in the eastern portion of the Town.

McLean-Spell Park Fund. This fund was established as a multi-year capital project fund. This fund accounts for restricted financial resources provided by grant agencies and an installment purchase obligation for the procurement of a 29 acre tract of land located adjacent to the Town Government Complex. The vacant land was acquired for the purpose of future park development.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The Town reports the following non-major governmental funds:

Special Revenue Funds. These funds are used to account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted or assigned to expenditures for specific purposes. The Town maintains the following Special Revenue Funds: the Special Drug Fund, the Half Marathon Fund, the Beach Music Festival Fund, and the EMS Volunteer Fund.

Capital Projects Funds. These funds are used to 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 Osprey Ridge Storm Water Pump Project Fund, the Bike and Pedestrian Project Fund, the Cape Emerald Pipe Replacement Fund, the Islander Drive Land Acquisition Fund the Islander Drive Western Ocean Regional Access Improvements Fund, and the Bogue Inlet Drive Improvements 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 financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. Issuance 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.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

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. Sales taxes are considered a shared revenue for the Town of Emerald Isle because the tax is levied by Carteret County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Future Beach Nourishment Special Revenue Fund, the Special Drug Fund, and the Half Marathon Fund, the EMS Volunteer Fund, and the Beach Music Festival Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Eastern Emerald Isle Beach Nourishment Fund, the McLean-Spell Park Fund, the Osprey Ridge Storm Water Pump Fund, the Bike and Pedestrian Project, the Cape Emerald Pipe Replacement Fund, the Islander Drive Land Acquisition Fund, the Islander Drive Western Ocean Regional Access Improvements Fund, and the Bogue Inlet Drive Improvements Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Town Manager is authorized to transfer appropriation 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 Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

2. Cash and Cash Equivalents

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

3. Restricted Assets

The Bike and Pedestrian Project Fund and the EMS Volunteer Fund have received specific donations for their projects. The McLean-Spell Park Fund, the Special Drug Fund and the Islander Drive/Western Ocean Regional Access Improvements fund can only be used for certain approved expenditures provided by the funding source.

Town of Emerald Isle's Restricted Cash

Major Funds		\$	
	General Fund		25,937
	McLean-Spell Park Fund		58,747
Non-Major Funds			
	Special Drug Fund		174
	EMS Volunteer Fund		1,976
	Islander Drive WORA Fund		100,000
	Bike and Pedestrian Fund		55,193
Total Restricted Cash		\$	242,027

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, 2017.

5. Allowances for Doubtful Accounts

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

6. Prepaid Items

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

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

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 received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network that was acquired or that received substantial improvements and are reported at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2018 fiscal year. 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 several items that meet the criterion for this category – prepaid taxes, property taxes receivable, and pension deferrals.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, 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.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

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.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to close 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 Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets – portion of fund balance that is restricted by State Statute [G.S. 136-41.1 – 136-41.4] through the Powell Bill program.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for expenditures specific to law enforcement operations and police investigations.

Restricted for Environmental Protection – portion of fund balance that is restricted by revenue source for projects specific to beach renourishment.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

11. Net Position/Fund Balances (continued)

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). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for LEO pension obligation – portion of fund balance that will be used for the Law Enforcement Officers’ Special Separation Allowance obligations.

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

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

Assigned for Environmental Protection – portion of fund balance that has been budgeted by the Board for activities related to the completion of an ongoing beach access improvement capital project.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, however, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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. The Town’s policy defines available fund balance as unassigned plus stabilization by state statute. 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.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Emerald Isle's employer contributions are recognized when due and the Town of Emerald Isle has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additional to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

B. Deficit in Fund Balance or Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

None.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 3 - 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, 2018, the Town's deposits had a carrying amount of \$443,895 and a bank balance of \$443,688. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2018, the Town's petty cash fund totaled \$2,000.

2. Investments

The Town has no formal policy regarding credit risk. At June 30, 2018, the Town's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2018	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 949,804	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	4,025,310	.09 years ^a	Unrated
Total:		\$ 4,975,114		

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A. Assets (continued)

2. Investments (continued)

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

^a *This is the duration for the Term Portfolios*

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk.

Credit risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2018. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

3. Receivables

Receivables at the government-wide level at June 30, 2018, were as follows:

	Accounts	Taxes Receivable	Total
Governmental Activities:			
General	\$ 46,029	\$ 20,157	\$ 66,186
Future Beach Nourishment	-	662	662
Total receivables	46,029	29,883	66,848
Allowance for Doubtful Accounts	(13,772)	(9,064)	(22,836)
Total-governmental activities	\$ 32,257	\$ 20,819	\$ 44,012

The amounts presented in the Balance Sheet and Statement of Net Position for the year ended June 30, 2018 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 9,064
Solid waste fees receivable	13,772
Total	\$ 22,836

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A. Assets (continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2018, was as follows:

Governmental activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 11,911,211	\$ 3,101,986	\$ -	\$ 15,013,197
Construction in progress	400	-	(400)	-
Total capital assets not being depreciated	<u>11,911,611</u>	<u>3,101,986</u>	<u>(400)</u>	<u>15,013,197</u>
Capital assets being depreciated:				
Buildings	3,245,146	-	-	3,245,146
Improvements	8,076,254	205,004	-	8,281,258
Furniture and equipment	1,604,231	223,704	(44,031)	1,783,904
Vehicles and motorized equipment	3,135,897	316,386	(130,355)	3,321,928
Total capital assets being depreciated	<u>16,061,528</u>	<u>745,094</u>	<u>(174,386)</u>	<u>16,632,236</u>
Less accumulated depreciation for:				
Buildings	1,052,400	64,903	-	1,117,303
Improvements	1,803,707	384,100	-	2,187,807
Furniture and equipment	1,195,395	64,293	-	1,259,688
Vehicles and motorized equipment	2,429,343	283,147	(140,930)	2,571,560
Total accumulated depreciation	<u>6,480,845</u>	<u>796,443</u>	<u>(140,930)</u>	<u>7,136,358</u>
Total capital assets being depreciated, net	<u>9,580,683</u>			<u>9,495,878</u>
Governmental activities capital assets, net	<u>\$ 21,492,294</u>			<u>\$ 24,509,075</u>

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

General government	\$ 65,380
Public safety	244,017
Environmental Protection	189,964
Cultural and recreational	297,082
Total depreciation expense	<u>\$ 796,443</u>

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members: nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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) 707-0707, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of services and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gain of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed five years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Emerald Isle employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Emerald Isle's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Emerald Isle were \$239,737 for the year ended June 30, 2018.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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

At June 30, 2018, the Town reported a liability of \$678,920 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.04444%, which was a decrease of 0.00166% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$217,809. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,141	\$ 19,218
Changes of assumptions	96,959	-
Net difference between projected and actual earnings on pension plan investments	164,843	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	30,696
Town contributions subsequent to the measurement date	239,737	-
Total	\$ 540,680	\$ 49,914

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

\$239,737 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	23,733
2020		187,340
2021		93,087
2022		(53,160)
2023		-
Thereafter		-

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation		3.0 percent
Salary increases		3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return		7.20 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 2,038,133	\$ 678,920	\$ (455,594)

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officer's 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, 2016 (valuation date) the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	1
Active plan members	16
Total	17

2. Summary of Significant Accounting Policies.

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officer's Special Separation Allowance (continued)

3. *Actuarial Assumptions.*

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Investment rate of return	3.16 percent, net of pension plan investment expense, including inflation

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. *Contributions.*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$22,149 for the reporting period.

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

At June 30, 2018, the Town reported a total pension liability of \$628,493. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$47,857.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,897	\$ -
Changes of assumptions	25,595	8,098
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	\$ 48,492	\$ 8,098

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officer's Special Separation Allowance (continued)

No payment was reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	9,434
2020		9,434
2021		9,434
2022		9,434
2023		9,434
Thereafter		1,322

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.16 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Town's proportionate share of the net pension liability (asset)	\$ 673,047	\$ 628,493	\$ 587,323

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

	2018
Beginning balance	\$ 552,844
Service cost	18,960
Interest on the total pension liability	20,912
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	27,352
Changes of assumptions or other inputs	30,574
Benefit payments	(22,149)
Other changes	-
Ending balance of the total pension liability	\$ 628,493

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officers' Special Allowance (continued)

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014

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

The following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 217,809	\$ 47,857	\$ 265,666
Pension Liability	678,920	628,493	1,307,413
Proportionate share of the net pension liability	0.04040%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	39,141	22,897	62,038
Changes of assumptions	96,959	25,595	122,554
Net difference between projected and actual earnings on plan investments	164,843	-	164,843
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	239,737	-	239,737
			-
Deferred Inflows of Resources			
Differences between expected and actual experience	19,218	-	19,218
Changes of assumptions	-	8,098	8,098
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	30,696	-	30,696

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

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 employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 707-0500.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2018 were \$154,194, which consisted of \$154,194 from the Town and \$24,055 from the law enforcement officers. General employees of the Town are also permitted to make voluntary contributions to the Plan. Contribution made by general employees for the year ended June 30, 2018 was \$54,986.

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 (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Plan provides pension benefits for eligible fire and rescue squad workers who 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House or Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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) 707-0500.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. 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 does not contribute to the plan. The Firemen's Relief Fund has elected to contribute for the eligible plan members. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2017, the State contributed \$17,602,000 to the plan. The Town of Emerald Isle's proportionate share of the State's contribution is \$11,612.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

d. Firefighter's and Rescue Squad Workers' Pension Fund (continued)

Refunds of Contributions. Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2018, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$32,002. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2017 and at June 30, 2016 was 0%.

For the year ended June 30, 2018, the Town recognized pension expense of \$7,003 and revenue of \$7,003 for support provided by the State. At June 30, 2018, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multi-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 month's 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 the 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 Outflows and Inflows of Resources

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

	Deferred Outflows of Resources
Benefit payments made for LEOSSA	\$ -
Differences between expected and actual experience	62,038
Changes of assumptions	122,554
Net difference between projected and actual earnings on pension plan investments	164,843
Changes in proportion and differences between Town contributions and proportionate share of contributions	-
Town contributions subsequent to the measurement date	239,737
Total	\$ 589,172

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

	Statement of Net Position	Governmental Funds Balance Sheet
Unearned grant revenue	\$ 100,000	\$ 100,000
Taxes receivable, less penalties (General Fund)	-	20,819
Changes of assumptions	8,098	-
Differences between expected and actual experience	19,218	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-
	30,696	-
Total	\$ 158,012	\$ 120,819

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

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 insurance for all Fire Department operations, including liability and property coverage through VFIS (Code 3 Insurance Services.) General liability limits through VFIS are \$1 million per occurrence and \$3 million general aggregate.

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.

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, 2018, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate fact of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

a. Installment Purchase

Governmental Activities

On January 24, 2013, the Town entered into an installment purchase 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, 2018 was \$242,631.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

6. Long-Term Obligations (continued)

a. Installment Purchase (continued)

On March 12, 2014, the Town entered into an installment purchase 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, 2018 was \$1,333,333.

On September 15, 2014, the Town entered into an installment purchase agreement for the purchase of land adjacent to the Public Boating Access Area for future recreational uses. The financing contract will be paid in monthly installments, beginning on July 15, 2015, of \$750 including interest at 0.82% for ten years. The original amount financed was \$86,077. The balance due at June 30, 2018 was \$60,895.

On May 11, 2018, the Town entered into an installment purchase agreement for the purchase of land for the creation of McLean – Spell Park. The financing contract will be paid in annual installments, beginning on May 11, 2019 of \$60,000 not including interest at 3.57% for ten years. The original amount financed was \$600,000. The balance due at June 30, 2018 was \$600,000.

The future minimum payments of the installment purchases as of June 30, 2018 are as follows:

Years Ending June 30:	Governmental-Type Activities	
	Principal	Interest
2019	\$ 577,831	\$ 54,678
2020	335,270	42,822
2021	335,340	34,822
2022	335,412	26,822
2023	335,484	18,822
2024-2028	317,522	32,277
Total	\$ 2,236,859	\$ 210,243

At June 30, 2018, the Town of Emerald Isle had a legal debt margin of \$218,971,141.

b. Changes in Debt

Pension obligations and compensated absences for governmental activities have generally been liquidated in the General Fund.

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Installment purchase	\$ 2,150,823	\$ 600,000	\$ (513,964)	\$ 2,236,859	\$ 577,831
Compensated absences	213,122	75,250	(55,734)	232,638	56,000
Net pension liability (LGRS)	978,400	545,100	(844,580)	678,920	-
Total pension liability (LEO)	552,844	75,649	-	628,493	-
Governmental activity long-term liabilities	\$ 3,895,189	\$ 1,295,999	\$ (1,414,278)	\$ 3,776,910	\$ 633,831

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2018 consist of the following:

	Amount
From the General Fund to the Bike and Pedestrian Fund	\$ 7,400
From the General Fund to the Future Beach Nourishment Fund	450,000
From the Bogue Inlet Drive Improvements Fund to the General Fund	371
From the Osprey Ridge Stormwater Pump Fund to the General Fund	836
From the Future Beach Nourishment Fund to the Eastern Emerald Isle Nourishment Fund	1,150,000
From the Half Marathon Fund to the Bike and Pedestrian Fund	18,000
From the Islander Drive Land Acquisition Fund to the Islander Drive Western Ocean Regional Access Improvements Fund	9,846
	\$ 1,636,453

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.

During the 2018 fiscal year, the Town made a one-time transfer from the General Fund to the Bike and Pedestrian Fund of \$7,400 to match the portion contributed by the Bike and Pedestrian Fund per the terms of the project.

During the 2018 fiscal year, the Town made a transfer from the General Fund to the Future Beach Nourishment Fund of \$450,000 for the funds allocated for use for future beach nourishment projects.

During the 2018 fiscal year, the Town made a one-time transfer from the Bogue Inlet Drive Improvements Fund to the General Fund of \$371 to close the capital project fund.

During the 2018 fiscal year, the Town made a one-time transfer from the Osprey Ridge Stormwater Fund to the General Fund of \$836 to close the capital project fund.

During the 2018 fiscal year, the Town made a transfer from the Future Beach Nourishment Fund of \$1,150,000 for the establishment of a new capital project for beach renourishment along the Eastern end of Emerald Isle.

During the 2018 fiscal year, the Town made a one-time transfer from the Half Marathon Fund to the Bike and Pedestrian Fund of \$18,000 to accumulate funds for the future construction of bicycle and pedestrian pathways throughout Town.

During the 2018 fiscal year, the Town made a one-time transfer from the Islander Drive Land Acquisition Fund to the Western Ocean Regional Access Improvements Fund of \$9,846 to close the capital project fund, and establish a new capital project fund for construction and improvements at the regional access.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

D. Net Investment in Capital Assets

	Governmental
Capital assets	\$ 24,509,075
less: long-term debt	(2,236,859)
Net investment in capital asset	\$ 22,272,216

E. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

<i>Total fund balance - General Fund</i>	\$ 2,409,074
Less:	
Stabilization by State Statute	815,501
Streets	25,937
Prepaid Expenses	9,000
LEO Special Separation Allowance	63,954
Remaining fund balance	\$ 1,494,682

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 Town's policy defines available fund balance as unassigned plus stabilization by state statute.

NOTE 4 - 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 monies to the local board of the Firemen's Relief Fund. The Funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Firemen's Relief Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2018, 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, 2018. 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 3101 Industrial Drive, Suite 200, Raleigh, North Carolina 27609.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

NOTE 5 - 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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

NOTE 6 - SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through January 22, 2019, the date the financial statements were available to be issued.

Hurricane Florence

Hurricane Florence impacted the Town over several days during the month of September, 2018. Various Town owned structures and buildings incurred significant damage. Particularly affected were beach and sound access walkways, as well as a significant loss of sand along the Town's 12-mile beach strand. The Town has estimated the damages to the structures and buildings to be approximately \$1.3 million and estimated the cost of extensive debris removal from the Town's rights-of-way to be approximately \$2.5 million. The most significant damage incurred was from the loss of nearly 2.2 million cubic yards of sand along the Town's 11 miles of engineered beach strand. Cost estimates to replace the sand are approximately \$56 million. All the expenses related to these damages are expected to be recovered through insurance or through Federal Emergency Management Agency (FEMA) reimbursements.

Post Retirement Benefit

In July 2018, the Town's Board of Commissioners approved a new retiree benefit to long-serving employees who have served the Town of Emerald for 20 years or more. Beginning in FY 2019, the Town will provide a fixed monthly payment to eligible retirees based on the number of years of service from their retirement date until the age of 65. The fixed monthly payment is intended to offset the rising costs of healthcare. There are several stipulations to the benefit and the Town intends to budget for the benefit on a pay-as-you-go basis, projecting that only 5-10 retirees per year would receive the benefit with an average annual cost not to exceed \$24,000. The Town will formalize the new benefit with an actuarial calculation and report the total liability in its FY 2019 financial statements.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Proportionate Share of Net Pension Liability for Firefighter's and Rescue Squad Worker's Pension Plan
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

Town of Emerald Isle, North Carolina
Town of Emerald Isle's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Five Fiscal Years *

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Emerald Isle's proportion of the net pension liability (asset) (%)	0.0444%	0.0461%	0.0497%	0.0495%	0.0499%
Emerald Isle's proportion of the net pension liability (asset) (\$)	\$ 678,920	\$ 978,400	\$ 215,288	\$ (219,748)	\$ 601,487
Emerald Isle's covered-employee payroll	\$3,105,746	\$2,692,600	\$2,673,931	\$2,459,431	\$2,891,933
Emerald Isle's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	21.86%	36.34%	8.05%	-8.93%	20.80%
Plan fiduciary net position as a percentage of the total pension liability **	94.18%	91.47%	98.09%	102.64%	94.35%

* The schedule above is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

Town of Emerald Isle, North Carolina
Town of Emerald Isle's Contributions
Required Supplementary Information
Last Five Fiscal Years *

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 239,737	\$ 206,521	\$ 183,610	\$ 191,000	\$ 189,681
Contributions in relation to the contractually required contribution	<u>239,737</u>	<u>206,521</u>	<u>183,610</u>	<u>191,000</u>	<u>189,681</u>
Contribution deficiency (excess)	<u>\$ -</u>				
 Emerald Isle's covered-employee payroll	 \$3,105,746	 \$3,180,140	 \$2,692,600	 \$2,673,931	 \$2,459,431
 Contributions as a percentage of covered-employee payroll	 7.72%	 6.49%	 6.82%	 7.14%	 7.71%

* The schedule above is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Emerald Isle, North Carolina
Town of Emerald Isle's Share of Net Pension Liability
Required Supplementary Information
Last Four Fiscal Years *

Firefighters' and Rescue Squad Workers' Pension

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Emerald Isle's proportionate share of the net pension liability (%)	0.0000%	0.0000%	0.0000%	0.0000%
Emerald Isle's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with Town of Emerald Isle	<u>32,002</u>	<u>19,529</u>	<u>13,487</u>	<u>10,384</u>
Total	<u>\$ 32,002</u>	<u>\$ 19,529</u>	<u>\$ 13,487</u>	<u>\$ 10,384</u>
Emerald Isle's covered-employee payroll	\$ 706,681	\$ 630,760	\$ 614,082	\$ 624,047
Emerald Isle's proportionate share of the net pension liability as a percentage of its covered payroll	4.53%	3.10%	2.20%	1.66%
Plan fiduciary net position as a percentage of the total pension liability	84.94%	84.94%	91.40%	93.42%

* The schedule above is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Emerald Isle, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2018 *

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 552,844	\$ 531,161
Service Cost	18,960	23,624
Interest on the total pension liability	20,912	18,801
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	27,352	-
Changes of assumptions or other inputs	30,574	(11,722)
Benefit payments	(22,149)	(9,020)
Other changes	-	-
Ending balance of the total pension liability	<u><u>\$ 628,493</u></u>	<u><u>\$ 552,844</u></u>

* The schedule above is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Town of Emerald Isle, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2018 **

	2018	2017
Total pension liability	\$ 628,493	\$ 552,844
Covered payroll	795,169	877,590
Total pension liability as a percentage of covered payroll	79.04%	63.00%

Notes to the schedules:

* Town of Emerald Isle has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

** The schedule above is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Individual Fund Statements and Schedules

Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Collections of tax levy	\$	\$ 4,285,583	\$
Penalties and interest		8,926	
Total	<u>4,292,594</u>	<u>4,294,509</u>	<u>1,915</u>
Unrestricted intergovernmental:			
Local option sales tax		1,924,782	
Utility sales tax		459,414	
Beer/wine tax		16,420	
Video programming		107,175	
Telecommunications tax		32,916	
ABC revenues		116,406	
Total	<u>2,627,500</u>	<u>2,657,113</u>	<u>29,613</u>
Restricted intergovernmental:			
Grants		77,911	
Powell Bill allocation		148,985	
Total	<u>272,158</u>	<u>226,896</u>	<u>(45,262)</u>
Permits and fees and assessments:			
Solid waste fees		1,498,075	
Administration fees		257	
Building and trailer permits		250,957	
CAMA permits		8,910	
Dunes and vegetation permits		5,475	
Beach vehicular permits		138,200	
Storm water permits		4,830	
Parking fees and fines/officer fees		148,759	
Solid waste disposal tax		2,589	
Reentry fees		10,425	
Golf cart permits		74,425	
Total	<u>2,088,105</u>	<u>2,142,902</u>	<u>54,797</u>
Sales and services:			
Recreation revenues		179,939	
EMS service fees		32,934	
Total	<u>236,732</u>	<u>212,873</u>	<u>(23,859)</u>
Investment earnings	<u>\$ 17,500</u>	<u>\$ 18,618</u>	<u>\$ 1,118</u>

Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (continued)
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous revenues:			
Insurance proceeds/refunds	\$	\$ 7,721	\$
DOT mowing reimbursement		5,100	
Donations		51,604	
Miscellaneous		10,488	
Sale of surplus property		33,690	
Total	<u>94,350</u>	<u>108,603</u>	<u>14,253</u>
Total revenues	<u>9,628,939</u>	<u>9,661,514</u>	<u>32,575</u>
Expenditures:			
General government:			
Board of Commissioners:			
Salaries and benefits		62,443	
Professional services		36,442	
Other operating expenditures		21,532	
Total	<u>127,693</u>	<u>120,417</u>	<u>7,276</u>
Administration and finance:			
Salaries and employee benefits		516,573	
Other operating expenditures		64,973	
Total	<u>614,624</u>	<u>581,546</u>	<u>33,078</u>
Inspection:			
Salaries and benefits		96,879	
Other operating expenditures		72,298	
Total	<u>185,671</u>	<u>169,177</u>	<u>16,494</u>
Non-departmental:			
Contract services		14,000	
Other operating expenditures		440,411	
Total	<u>454,550</u>	<u>454,411</u>	<u>139</u>
Total general government	<u>\$ 1,382,538</u>	<u>\$ 1,325,551</u>	<u>\$ 56,987</u>

Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (continued)
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Emergency medical services:			
Salaries and employee benefits	\$	\$ 178,260	\$
Other operating expenditures		39,939	
Appropriations to Emerald Isle EMS		133,753	
Capital outlay		31,810	
Total	<u>439,000</u>	<u>383,762</u>	<u>55,238</u>
Police department:			
Salaries and employee benefits		1,476,773	
Other operating expenditures		185,953	
Capital outlay		111,615	
Total	<u>1,814,813</u>	<u>1,774,341</u>	<u>40,472</u>
Fire:			
Salaries and employee benefits		1,309,979	
Other operating expenditures		206,206	
Capital outlay		41,860	
Total	<u>1,589,233</u>	<u>1,558,045</u>	<u>31,188</u>
Total public safety	<u>3,843,046</u>	<u>3,716,148</u>	<u>126,898</u>
Environmental protection:			
Public works:			
Salaries and employee benefits		302,198	
Other operating expenditures		205,015	
Street maintenance		174,437	
Capital outlay		60,232	
Total	<u>787,928</u>	<u>741,882</u>	<u>46,046</u>
Solid waste:			
Salaries and employee benefits		219,818	
Other operating expenditures		1,236,140	
Capital outlay		27,453	
Total	<u>1,485,558</u>	<u>1,483,411</u>	<u>2,147</u>
Total environmental protection	<u>\$ 2,273,486</u>	<u>\$ 2,225,293</u>	<u>\$ 48,193</u>

Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (continued)
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and recreational:			
Parks and recreation:			
Salaries and employee benefits	\$	715,152	\$
Other operating expenditures		255,142	
Capital outlay		181,473	
Total culture and recreation	<u>1,159,437</u>	<u>1,151,767</u>	<u>7,670</u>
.			
Debt service:			
Principal		513,963	
Interest		42,913	
Total	<u>556,876</u>	<u>556,876</u>	<u>-</u>
Total expenditures	<u>9,215,383</u>	<u>8,975,635</u>	<u>239,748</u>
Revenues over (under) expenditures	<u>413,556</u>	<u>685,879</u>	<u>272,323</u>
Other financing sources (uses):			
Transfers:			
From Osprey Ridge SW Pump		836	
From Bogue Inlet Drive Improvements		371	
To Bike and Pedestrian Fund		(7,400)	
To Future Beach Nourishment Fund		(450,000)	
Total other financing sources (uses)	<u>(456,193)</u>	<u>(456,193)</u>	<u>-</u>
Fund balance appropriated	<u>42,637</u>	<u>-</u>	<u>(42,637)</u>
Net change in fund balances	<u>\$ -</u>	<u>229,686</u>	<u>\$ 229,686</u>
Fund balances, beginning		<u>2,179,388</u>	
Fund balances, ending		<u>\$ 2,409,074</u>	

**Town of Emerald Isle, North Carolina
Future Beach Nourishment Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Benefit taxes	\$ 272,991	\$ 273,445	\$ 454
Investment earnings	15,000	42,321	27,321
Total revenues	287,991	315,766	27,775
 Revenues over (under) expenditures	287,991	315,766	27,775
 Other financing sources (uses):			
Transfers:			
From General Fund		450,000	
To Eastern EI Beach Nourishment Fund		(1,150,000)	
Total other financing sources (uses)	(700,000)	(700,000)	-
 Fund balance appropriated	412,009	-	-
 Net change in fund balance	\$ -	(384,234)	\$ 27,775
 Fund balance, beginning		2,505,027	
Fund balance, ending		\$ 2,120,793	

Town of Emerald Isle, North Carolina
McLean-Spell Park Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
NC Parks & Rec Trust Grant	\$ 500,000	\$ -	\$ 500,000	\$ 500,000	\$ -
Clean Water Mgmt Trust Grant	545,000	-	545,000	545,000	-
Total revenues	<u>1,045,000</u>	<u>-</u>	<u>1,045,000</u>	<u>1,045,000</u>	<u>-</u>
Expenditures:					
Land acquisition	1,503,021	-	1,503,021	1,503,021	-
Park improvements	58,479	-	-	-	58,479
Miscellaneous	83,500	-	83,232	83,232	268
Total expenditures	<u>1,645,000</u>	<u>-</u>	<u>1,586,253</u>	<u>1,586,253</u>	<u>58,747</u>
Revenues over (under) expenditures	<u>(600,000)</u>	<u>-</u>	<u>(541,253)</u>	<u>(541,253)</u>	<u>58,747</u>
Other financing sources (uses):					
Installment purchase debt issued	600,000	-	600,000	600,000	-
Total other sources (uses)	<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	58,747	<u>\$ 58,747</u>	<u>\$ 58,747</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 58,747</u>		

Town of Emerald Isle, North Carolina
Eastern Emerald Isle Beach Nourishment Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
State of NC	\$ 4,600,000	\$ -	\$ -	\$ -	\$ (4,600,000)
Carteret County	3,450,000	-	-	-	(3,450,000)
Total revenues	<u>8,050,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,450,000)</u>
Expenditures:					
Design services	270,000	-	-	-	270,000
Construction	8,725,000	-	-	-	8,725,000
Contingency	205,000	-	-	-	205,000
Total expenditures	<u>9,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,200,000</u>
Revenues over (under) expenditures	<u>(1,150,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,150,000</u>
Other financing sources (uses):					
Transfers:					
From Future Beach Nour Fund	1,150,000	-	1,150,000	1,150,000	-
Total other sources (uses)	<u>1,150,000</u>	<u>-</u>	<u>1,150,000</u>	<u>1,150,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,150,000	<u>\$ 1,150,000</u>	<u>\$ 1,150,000</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 1,150,000</u>		

Non-Major Governmental Funds

Town of Emerald Isle, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018

	<u>Special Revenue Funds</u>				<u>Capital Project Funds</u>	
	<u>Beach Music Festival Fund</u>	<u>Special Drug Fund</u>	<u>Half Marathon Fund</u>	<u>EMS Volunteer Fund</u>	<u>Bike and Pedestrian Project</u>	<u>Islander Drive Land Acquisition</u>
Assets:						
Cash and cash equivalents	\$ -	\$ -	\$ 1,364	\$ -	\$ -	\$ -
Restricted cash and cash equivalents:	-	174	-	1,976	55,193	-
Prepays	4,650	-	-	-	-	-
Total assets	<u>\$ 4,650</u>	<u>\$ 174</u>	<u>\$ 1,364</u>	<u>\$ 1,976</u>	<u>\$ 55,193</u>	<u>\$ -</u>
Liabilities:						
Accounts payable and accrued liabilities	\$ 961	\$ -	\$ 1,079	\$ 1	\$ 49	\$ -
Deferred Inflows of Resources:						
Unearned revenue	-	-	-	-	-	-
Fund balances:						
Non-spendable:						
Prepays	4,650	-	-	-	-	-
Restricted:						
Public safety	-	174	-	1,975	-	-
Assigned:						
Environmental protection	-	-	-	-	-	-
Culture and recreation	-	-	285	-	55,144	-
Unassigned	(961)	-	-	-	-	-
Total fund balances	<u>3,689</u>	<u>174</u>	<u>285</u>	<u>1,975</u>	<u>55,144</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,650</u>	<u>\$ 174</u>	<u>\$ 1,364</u>	<u>\$ 1,976</u>	<u>\$ 55,193</u>	<u>\$ -</u>

	Capital Project Funds				Total
	Cape Emerald Pipe Replacement	Bogue Inlet Drive Improvements	Osprey Ridge Storm Water Pump	Islander Dr WORA Improvements	Nonmajor Governmental Funds
Assets:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 9,846	\$ 11,210
Restricted cash and cash equivalents:	-	-	-	100,000	157,343
Prepays	-	-	-	-	4,650
Total assets	\$ -	\$ -	\$ -	\$ 109,846	\$ 173,203
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 2,090
Deferred Inflows of Resources:					
Unearned revenue	-	-	-	100,000	100,000
Fund balances:					
Non-spendable:					
Prepays	-	-	-	-	4,650
Restricted:					
Public safety	-	-	-	-	2,149
Assigned:					
Environmental protection	-	-	-	9,846	9,846
Culture and recreation	-	-	-	-	55,429
Unassigned	-	-	-	-	(961)
Total fund balances	-	-	-	9,846	71,113
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ -	\$ -	\$ 109,846	\$ 173,203

Town of Emerald Isle, North Carolina
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	<u>Special Revenue Funds</u>				<u>Capital Project Funds</u>	
	<u>Beach Music Festival Fund</u>	<u>Special Drug Fund</u>	<u>Half Marathon Fund</u>	<u>EMS Volunteer Fund</u>	<u>Bike and Pedestrian Project</u>	<u>Islander Drive Land Acquisition</u>
Revenues:						
Restricted intergovernmental	\$ 20,000	\$ 297	\$ 15,000	\$ -	\$ -	\$ -
Miscellaneous	26,806	-	52,694	2,258	8,428	-
Total revenues	<u>46,806</u>	<u>297</u>	<u>67,694</u>	<u>2,258</u>	<u>8,428</u>	<u>-</u>
Expenditures:						
Current:						
Public safety	-	254	-	283	-	-
Cultural and recreation	52,106	-	49,489	-	2,182	-
Capital outlay:						
General government	-	-	-	-	-	18,753
Cultural and recreation	-	-	-	-	14,710	-
Environmental protection	-	-	-	-	-	-
Total expenditures	<u>52,106</u>	<u>254</u>	<u>49,489</u>	<u>283</u>	<u>16,892</u>	<u>18,753</u>
Revenues over (under) expenditures	<u>(5,300)</u>	<u>43</u>	<u>18,205</u>	<u>1,975</u>	<u>(8,464)</u>	<u>(18,753)</u>
Other financing sources (uses):						
Transfer from other Funds	-	-	-	-	25,400	-
Transfer to other Funds	-	-	(18,000)	-	-	(9,846)
Total other sources (uses)	<u>-</u>	<u>-</u>	<u>(18,000)</u>	<u>-</u>	<u>25,400</u>	<u>(9,846)</u>
Net change in fund balance	<u>(5,300)</u>	<u>43</u>	<u>205</u>	<u>1,975</u>	<u>16,936</u>	<u>(28,599)</u>
Fund balance, beginning	8,989	131	80	-	38,208	28,599
Fund balance, ending	<u>\$ 3,689</u>	<u>\$ 174</u>	<u>\$ 285</u>	<u>\$ 1,975</u>	<u>\$ 55,144</u>	<u>\$ -</u>

	Capital Project Funds				Total Nonmajor Governmental Funds
	Cape Emerald Pipe Replacement	Bogue Inlet Drive Improvements	Osprey Ridge Storm Water Pump	Islander Dr WORA Improvements	
Revenues:					
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 35,297
Miscellaneous	-	-	-	-	90,186
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,483</u>
Expenditures:					
Current:					
Public safety	-	-	-	-	537
Cultural and recreation	-	-	-	-	103,777
Capital outlay:					
General government	-	-	-	-	18,753
Cultural and recreation	-	-	-	-	14,710
Environmental protection	32,100	-	-	-	32,100
Total expenditures	<u>32,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,877</u>
Revenues over (under) expenditures	<u>(32,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,394)</u>
Other financing sources (uses):					
Transfer from other Funds	-	-	-	9,846	35,246
Transfer to other Funds	-	(371)	(836)	-	(29,053)
Total other sources (uses)	<u>-</u>	<u>(371)</u>	<u>(836)</u>	<u>9,846</u>	<u>(3,653)</u>
Net change in fund balance	<u>(32,100)</u>	<u>(371)</u>	<u>(836)</u>	<u>9,846</u>	<u>(38,201)</u>
Fund balance, beginning	<u>32,100</u>	<u>371</u>	<u>836</u>	<u>-</u>	<u>109,314</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,846</u>	<u>\$ 71,113</u>

Town of Emerald Isle, North Carolina
Beach Music Festival Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Miscellaneous:			
Vendor fees	\$ 2,500	\$ 2,200	\$ 2,200
Sponsorships	15,000	18,350	15,850
T-shirt sales	8,000	6,256	(1,744)
Carteret County TDA	20,000	20,000	-
Total revenues	<u>45,500</u>	<u>46,806</u>	<u>1,306</u>
Expenditures:			
Operating	<u>54,000</u>	<u>52,106</u>	<u>1,894</u>
Total expenditures	<u>54,000</u>	<u>52,106</u>	<u>1,894</u>
Revenues over (under) expenditures	<u>(8,500)</u>	<u>(5,300)</u>	<u>3,200</u>
Fund balance appropriated	8,500	-	(8,500)
Net change in fund balance	<u>\$ -</u>	(5,300)	<u>\$ (5,300)</u>
Fund balance, beginning		<u>8,989</u>	
Fund balance, ending		<u>\$ 3,689</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, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental:			
Controlled substance tax	\$ 124	\$ 297	\$ 173
Total revenues	124	297	173
Expenditures:			
Operating	255	254	1
Total expenditures	255	254	1
Revenues over (under) expenditures	(131)	43	174
Fund balance appropriated	131	-	(131)
Net change in fund balance	\$ -	43	\$ 43
Fund balance, beginning		131	
Fund balance, ending		\$ 174	

Town of Emerald Isle, North Carolina
Half Marathon Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Miscellaneous:			
Entry fees	\$ 75,000	\$ 39,811	\$ (35,189)
Carteret County TDA	-	15,000	15,000
Sponsorships/donations	15,000	12,883	(2,117)
Total revenues	<u>90,000</u>	<u>67,694</u>	<u>(22,306)</u>
Expenditures:			
Operating	<u>65,000</u>	<u>49,489</u>	<u>15,511</u>
Total expenditures	<u>65,000</u>	<u>49,489</u>	<u>15,511</u>
Revenues over (under) expenditures	<u>25,000</u>	<u>18,205</u>	<u>(6,795)</u>
Other financing sources (uses):			
Transfers:			
To Bike and Pedestrian Fund	<u>(25,000)</u>	<u>(18,000)</u>	<u>7,000</u>
Total other sources (uses)	<u>(25,000)</u>	<u>(18,000)</u>	<u>7,000</u>
Net change in fund balance	<u>\$ -</u>	205	<u>\$ 205</u>
Fund balance, beginning		80	
Fund balance, ending		<u>\$ 285</u>	

Town of Emerald Isle, North Carolina
EMS Volunteer Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Miscellaneous:			
Donations	\$ 2,500	\$ 2,164	\$ 336
Other	2,500	94	2,406
Total revenues	<u>5,000</u>	<u>2,258</u>	<u>(2,742)</u>
Expenditures:			
Operating	5,000	283	4,717
Total expenditures	<u>5,000</u>	<u>283</u>	<u>4,717</u>
Revenues over (under) expenditures	<u>-</u>	<u>1,975</u>	<u>1,975</u>
Net change in fund balance	<u>\$ -</u>	1,975	<u>\$ 1,975</u>
Fund balance, beginning		-	
Fund balance, ending		<u>\$ 1,975</u>	

Town of Emerald Isle, North Carolina
Bike and Pedestrian Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ending June 30, 2018

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:					
Miscellaneous:					
Entry fees	\$ 13,836	\$ 16,525	\$ 7,961	\$ 24,486	\$ 10,650
Donations	30,099	19,322	467	19,789	(10,310)
Total revenues	<u>43,935</u>	<u>35,847</u>	<u>8,428</u>	<u>44,275</u>	<u>340</u>
Expenditures:					
Miscellaneous	15,788	7,581	2,182	9,763	6,025
Construction	185,725	122,236	14,710	136,946	48,779
Total expenditures	<u>201,513</u>	<u>129,817</u>	<u>16,892</u>	<u>146,709</u>	<u>54,804</u>
Revenues over (under) expenditures	<u>(157,578)</u>	<u>(93,970)</u>	<u>(8,464)</u>	<u>(102,434)</u>	<u>55,144</u>
Other financing sources (uses):					
Transfers:					
From Coast Guard Road					
Multi-use Path	48,485	48,485	-	48,485	-
From Half Marathon Fund	140,000	122,000	18,000	140,000	-
From General Fund	11,093	3,693	7,400	11,093	-
From NC 58 Traffic Signal Fund	36,000	36,000	-	36,000	-
To Bogue Inlet Drive Fund	(78,000)	(78,000)	-	(78,000)	-
Total other sources (uses)	<u>157,578</u>	<u>132,178</u>	<u>25,400</u>	<u>157,578</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 38,208</u>	16,936	<u>\$ 55,144</u>	<u>\$ 55,144</u>
Fund balance, beginning			38,208		
Fund balance, ending			<u>\$ 55,144</u>		

Town of Emerald Isle, North Carolina
Islander Drive Land Acquisition
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ending June 30, 2018

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:					
Restricted intergovernmental:					
Carteret County	\$ 450,000	\$ -	\$ -	\$ -	\$ (450,000)
Total revenues	<u>450,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(450,000)</u>
Expenditures:					
Land acquisition	630,000	178,857	-	178,857	451,143
Miscellaneous	70,000	42,544	18,753	61,297	8,703
Total expenditures	<u>700,000</u>	<u>221,401</u>	<u>18,753</u>	<u>240,154</u>	<u>459,846</u>
Revenues over (under) expenditures	<u>(250,000)</u>	<u>(221,401)</u>	<u>(18,753)</u>	<u>(240,154)</u>	<u>9,846</u>
Other financing sources (uses):					
Transfers:					
From General Fund	250,000	250,000	(9,846)	240,154	9,846
Total other sources (uses)	<u>250,000</u>	<u>250,000</u>	<u>(9,846)</u>	<u>240,154</u>	<u>9,846</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 28,599</u>	<u>(28,599)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>28,599</u>		
Fund balance, ending			<u>\$ -</u>		

Town of Emerald Isle, North Carolina
Cape Emerald Pipe Replacement
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2018

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures:					
Engineering, design, and permitting	\$ 400	\$ 400	\$ -	\$ 400	\$ -
Construction	32,100	-	32,100	32,100	-
Total expenditures	<u>32,500</u>	<u>400</u>	<u>32,100</u>	<u>32,500</u>	<u>-</u>
Revenues over (under) expenditures	<u>(32,500)</u>	<u>(400)</u>	<u>(32,100)</u>	<u>(32,500)</u>	<u>-</u>
Other financing sources (uses):					
Transfers:					
From General Fund	32,500	32,500	-	32,500	-
Total other sources (uses)	<u>32,500</u>	<u>32,500</u>	<u>-</u>	<u>32,500</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 32,100</u>	<u>(32,100)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>32,100</u>		
Fund balance, ending			<u>\$ -</u>		

Town of Emerald Isle, North Carolina
Bogue Inlet Drive Improvements Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for Year Ended June 30, 2018

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Expenditures:					
Engineering, design, and permitting	\$ 200	\$ 200	\$ -	\$ 200	\$ -
Construction	162,875	162,504	-	162,504	371
Total expenditures	<u>163,075</u>	<u>162,704</u>	<u>-</u>	<u>162,704</u>	<u>371</u>
Revenues over (under) expenditures	<u>(163,075)</u>	<u>(162,704)</u>	<u>-</u>	<u>(162,704)</u>	<u>371</u>
Other financing sources (uses):					
Transfers:					
From (to) General Fund	85,075	85,075	(371)	84,704	371
From Bike and Pedestrian Fund	78,000	78,000	-	78,000	-
Total other sources (uses)	<u>163,075</u>	<u>163,075</u>	<u>(371)</u>	<u>162,704</u>	<u>371</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 371</u>	<u>(371)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>371</u>		
Fund balance, ending			<u>\$ -</u>		

Town of Emerald Isle, North Carolina
Osprey Ridge Storm Water Pump
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Year Ended June 30, 2018

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenditures:					
Engineering, design, and permitting	\$ 38,031	\$ 39,570	\$ -	\$ 39,570	\$ (1,539)
Construction	163,787	161,412	-	161,412	2,375
Total expenditures	<u>201,818</u>	<u>39,570</u>	<u>-</u>	<u>200,982</u>	<u>836</u>
Revenues over (under) expenditures	<u>(201,818)</u>	<u>(39,570)</u>	<u>-</u>	<u>(200,982)</u>	<u>836</u>
Other financing sources (uses):					
Transfers:					
From (to) General Fund	201,818	201,818	(836)	200,982	836
Total other sources (uses)	<u>201,818</u>	<u>201,818</u>	<u>(836)</u>	<u>200,982</u>	<u>836</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 162,248</u>	<u>(836)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>836</u>		
Fund balance, ending			<u>\$ -</u>		

**Town of Emerald Isle, North Carolina
Islander Dr WORA Improvements Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Year Ended June 30, 2018**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
NC Dept of Commerce	\$ 100,000	\$ -	\$ -	\$ -	\$ (100,000)
Total revenues	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Expenditures:					
Construction	263,846	-	-	-	263,846
Total expenditures	<u>263,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,846</u>
Revenues over (under) expenditures	<u>(163,846)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,846</u>
Other financing sources (uses):					
Transfers:					
From CPO-Islander Dr.	9,846	-	9,846	9,846	-
Proceeds from land sale	154,000	-	-	-	154,000
Total other sources (uses)	<u>163,846</u>	<u>-</u>	<u>9,846</u>	<u>9,846</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>9,846</u>	<u>\$ 9,846</u>	<u>\$ 9,846</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 9,846</u>		

Other Schedules

This section contains additional information on property taxes.

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

Town of Emerald Isle, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2018

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2017</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2018</u>
2017-2018	\$ -	\$ 4,559,350	\$ (4,539,805)	\$ 19,545
2016-2017	16,107		(11,215)	4,892
2015-2016	2,650		(1,322)	1,328
2014-2015	2,133		(1,093)	1,040
2013-2014	1,605		(955)	650
2012-2013	962		(181)	781
2011-2012	596		(183)	413
2010-2011	1,004		(1)	1,003
2009-2010	206		(2)	204
2008-2009	88	-	(61)	27
2007-2008	60		(60)	-
	<u>\$ 25,411</u>	<u>\$ 4,559,350</u>	<u>\$ (4,554,878)</u>	<u>\$ 29,883</u>

Less: allowance for uncollectible accounts - General Fund (9,064)

Ad valorem taxes receivable - net \$ 20,819

Reconciliation with revenues:

Ad valorem taxes - General Fund \$ 4,294,509
Ad valorem taxes - Future Beach Nourishment Special Revenue Fund 273,445

Reconciling items:

Interest collected (8,926)
Discounts, releases, and other credits (4,150)
Subtotal (13,076)

Total collections and credits \$ 4,554,878

Town of Emerald Isle, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2018

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current rate	\$ 2,757,205,806	0.155	\$ 4,273,669	\$ 4,173,001	\$ 100,668
Special District Taxes	-		273,445	273,445	-
Total	<u>2,757,205,806</u>		<u>4,547,114</u>	<u>4,446,446</u>	<u>100,668</u>
Discoveries:					
Current and prior years	17,609,032		27,294	27,294	-
Releases:					
Current and prior years	<u>(9,714,839)</u>		<u>(15,058)</u>	<u>(15,058)</u>	<u>-</u>
Total property valuation	<u><u>\$ 2,765,100,000</u></u>				
Net levy			4,559,350	4,458,682	100,668
Uncollected taxes at June 30, 2018			<u>(19,545)</u>	<u>(19,545)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 4,539,805</u>	<u>\$ 4,439,137</u>	<u>\$ 100,668</u>
Current levy collection percentage			<u>99.57%</u>	<u>99.56%</u>	<u>100.00%</u>

**Statistical Section
Unaudited**

**Statistical Section
Unaudited**

Description of the Statistical Schedules

Contents	Pages
Financial Trends	89-92
<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	93-96
<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	97-100
<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	101-103
<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	104-106
<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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities / Primary Government:										
Net investment in capital assets	\$ 22,272,216	\$ 19,341,471	\$ 18,520,348	\$ 18,195,914	\$ 16,156,810	\$ 16,520,561	\$ 15,331,429	\$ 13,450,777	\$ 10,895,863	\$ 5,416,071
Restricted	4,114,380	3,246,185	2,519,657	1,907,088	1,923,224	712,156	2,446,655	914,076	12,807	6,713
Unrestricted	693,960	576,443	1,458,257	900,941	710,031	1,177,156	1,145,179	3,117,680	3,263,737	4,639,907
Total governmental activities / primary government net position	<u>\$ 27,080,556</u>	<u>\$ 23,164,099</u>	<u>\$ 22,498,262</u>	<u>\$ 21,003,943</u>	<u>\$ 18,790,065</u>	<u>\$ 18,409,873</u>	<u>\$ 18,923,263</u>	<u>\$ 17,482,533</u>	<u>\$ 14,172,407</u>	<u>\$ 10,062,691</u>

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental Activities:										
General government	\$ 1,392,361	\$ 1,387,324	\$ 1,352,365	\$ 1,472,440	\$ 1,435,466	\$ 1,296,756	\$ 1,555,698	\$ 1,275,278	\$ 850,392	\$ 1,083,138
Public safety	3,843,612	3,784,052	3,408,496	3,244,183	3,275,447	3,132,331	3,135,321	3,214,020	2,896,166	2,838,315
Environmental protection	2,326,516	2,340,683	2,274,567	2,188,457	2,214,128	11,708,614	2,487,119	1,926,458	2,022,303	1,017,812
Cultural and recreation	1,370,841	1,277,024	1,165,017	774,486	1,108,279	880,615	897,567	750,860	234,078	750,645
Economic and physical development	-	-	-	-	-	-	-	23,055	927,040	1,325,214
Interest on long-term debt	42,470	52,197	63,059	74,032	42,924	64,857	101,164	175,995	282,275	310,114
Total expenses	\$ 8,975,800	\$ 8,841,280	\$ 8,263,504	\$ 7,753,598	\$ 8,076,244	\$ 17,083,173	\$ 8,176,869	\$ 7,365,666	\$ 7,212,254	\$ 7,325,238
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 74,682	\$ 54,537	\$ 50,091	\$ 41,275	\$ 32,017	\$ 22,720	\$ 16,260	\$ 140,891	\$ 5,655	\$ 19,892
Public safety	303,822	222,669	330,039	249,428	279,029	227,246	258,725	88,361	115,258	113,219
Environmental protection	1,519,879	1,496,127	1,631,638	1,503,941	1,486,316	1,427,452	1,330,672	1,171,139	1,228,879	1,216,357
Cultural and recreation	547,578	431,061	260,847	239,799	183,543	151,321	135,151	191,449	147,009	113,285
Operating grants and contributions	262,193	474,494	227,824	199,991	169,336	158,202	536,825	204,719	170,692	242,900
Capital grants and contributions	2,785,421	8,783	245,472	860,700	240,360	8,457,159	912,482	821,472	2,374,134	567,187
Total program revenues	\$ 5,493,575	\$ 2,687,671	\$ 2,745,911	\$ 3,095,134	\$ 2,390,601	\$ 10,444,100	\$ 3,190,115	\$ 2,618,031	\$ 4,041,627	\$ 2,272,840
Net (Expense) / Revenue										
Total governmental activities / primary government net expense	\$ (3,482,225)	\$ (6,153,609)	\$ (5,517,593)	\$ (4,658,464)	\$ (5,685,643)	\$ (6,639,073)	\$ (4,986,754)	\$ (4,747,635)	\$ (3,170,627)	\$ (5,052,398)
General Revenues										
Governmental Activities:										
Property taxes	\$ 4,572,027	\$ 4,526,187	\$ 4,499,943	\$ 4,442,244	\$ 4,437,811	\$ 4,129,853	\$ 4,124,522	\$ 5,645,506	\$ 5,245,901	\$ 5,229,632
Local option sales tax	1,924,782	1,849,401	1,707,580	1,668,520	1,469,530	1,408,346	1,718,656	1,568,508	1,512,769	1,564,978
Other taxes and licenses	732,331	744,382	633,718	594,313	344,135	340,656	336,665	822,806	511,385	540,767
Unrestricted grants and contributions	51,604	150	51,823	117,820	189,797	181,517	203,403	-	-	-
Unrestricted investment earnings	60,939	18,368	5,490	1,560	213	2,678	3,878	20,941	10,288	82,864
Miscellaneous	56,999	39,986	49,603	47,898	36,155	62,633	40,360	-	-	81,476
Special items	-	-	-	-	-	-	-	-	-	400,000
Total program revenues	\$ 7,398,682	\$ 7,178,474	\$ 6,948,157	\$ 6,872,355	\$ 6,477,641	\$ 6,125,683	\$ 6,427,484	\$ 8,057,761	\$ 7,280,343	\$ 7,899,717
Change in Net Position										
Total governmental activities / primary government change in net position	\$ 3,916,457	\$ 1,024,865	\$ 1,430,564	\$ 2,213,891	\$ 791,998	\$ (513,390)	\$ 1,440,730	\$ 3,310,126	\$ 4,109,716	\$ 2,847,319

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011 ⁽¹⁾	2010	2009
General Fund:										
Non-spendable	\$ 9,000	\$ 15,765	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	841,438	741,027	697,405	695,281	790,964	692,784	678,533	914,076	-	-
Committed	63,954	63,954	63,954	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	24,009	-	-	-
Unassigned	1,494,682	1,358,642	1,517,455	1,385,327	1,359,281	1,414,169	1,348,675	981,088	-	-
Reserved	-	-	-	-	-	-	-	-	565,964	594,591
Unreserved	-	-	-	-	-	-	-	-	1,245,643	1,350,780
Total general fund	\$ 2,409,074	\$ 2,179,388	\$ 2,278,814	\$ 2,080,608	\$ 2,150,245	\$ 2,106,953	\$ 2,051,217	\$ 1,895,164	\$ 1,811,607	\$ 1,945,371
All other government funds:										
Non-spendable	\$ 4,650	\$ 7,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,272,942	2,505,158	1,822,252	1,211,807	1,132,260	19,372	1,768,122	-	-	-
Assigned	124,022	101,533	131,203	128,519	139,742	83,866	86,824	-	-	-
Unassigned	(961)	-	-	-	-	(278,665)	-	2,465,687	-	-
Reserved	-	-	-	-	-	-	-	-	(1,245)	612,058
Unreserved	-	-	-	-	-	-	-	-	2,135,818	2,260,558
Total all other governmental funds	\$ 3,400,653	\$ 2,614,341	\$ 1,953,455	\$ 1,340,326	\$ 1,272,002	\$ (175,427)	\$ 1,854,946	\$ 2,465,687	\$ 2,134,573	\$ 2,872,616

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Ad valorem taxes	\$ 4,567,954	\$ 4,524,919	\$ 4,497,638	\$ 4,459,517	\$ 4,441,163	\$ 4,132,760	\$ 4,128,232	\$ 5,654,506	\$ 5,280,318	\$ 5,182,859
Other taxes and licenses	-	-	-	-	-	6,020	14,659	14,001	14,289	14,792
Unrestricted intergovernmental	2,657,113	2,593,783	2,452,440	2,409,556	2,025,954	1,879,955	2,186,384	2,087,501	2,028,237	2,083,586
Restricted intergovernmental	1,307,193	316,529	383,399	995,258	637,430	8,272,299	1,396,005	1,013,493	2,522,746	805,573
Permits and fees	2,142,902	2,073,270	2,014,169	1,797,147	1,794,351	1,674,645	1,603,118	1,456,219	1,346,171	1,329,576
Sales and services	212,873	167,771	146,081	135,652	125,455	151,321	135,151	139,622	147,009	135,444
Investment earnings	60,939	18,368	5,490	1,560	213	2,678	6,552	20,941	10,288	87,964
Miscellaneous	198,789	448,237	202,422	186,072	128,171	189,784	153,881	268,813	404,579	122,687
Total revenues	11,147,763	10,142,877	9,701,639	9,984,762	9,152,737	16,309,462	9,623,982	10,655,096	11,753,637	9,762,481
Expenditures:										
Current:										
General government	1,325,551	1,304,192	1,279,520	1,448,034	1,293,196	1,153,458	1,420,074	1,134,539	1,092,261	1,139,237
Public safety	3,531,400	3,475,560	3,355,043	3,303,312	3,558,889	3,033,066	3,073,814	3,077,051	2,743,496	3,195,292
Environmental protection	2,137,608	2,137,131	2,261,735	2,105,296	2,120,746	2,006,748	2,090,011	1,858,539	1,864,557	2,051,725
Economic development	-	-	-	-	-	-	-	852,220	3,970,129	1,732,615
Cultural and recreational	1,074,071	992,130	1,070,113	933,934	1,019,278	749,525	651,744	699,922	690,629	701,393
Capital Outlay	2,106,259	825,289	323,701	1,620,843	2,278,418	10,061,936	1,436,252	-	-	-
Debt service:										
Principal	513,963	787,558	595,925	582,542	224,229	1,181,282	1,440,294	2,430,543	2,777,555	2,759,338
Interest and other charges	42,913	59,557	68,022	78,191	22,260	98,084	118,635	187,611	278,995	310,114
Total expenditures	10,731,765	9,581,417	8,954,059	10,072,152	10,517,016	18,284,099	10,230,824	10,240,425	13,417,622	11,889,714
Excess (Deficiency) of revenues over (under) expenditures	415,998	561,460	747,580	(87,390)	(1,364,279)	(1,974,637)	(606,842)	414,671	(1,663,985)	(2,127,233)
Other Financing Sources (Uses):										
Transfers from other funds	1,636,453	847,414	778,411	674,362	128,831	1,701,688	134,641	511,133	158,316	401,984
Transfers to other funds	(1,636,453)	(847,414)	(778,411)	(674,362)	(128,831)	(1,701,688)	(134,641)	(511,133)	(158,316)	(401,984)
Issuance of debt	600,000	-	-	86,077	2,855,000	-	152,154	-	792,178	882,822
Total other financing sources (uses)	600,000	-	-	86,077	2,855,000	-	152,154	-	792,178	882,822
Net change in fund balance	\$ 1,015,998	\$ 561,460	\$ 747,580	\$ (1,313)	\$ 1,490,721	\$ (1,974,637)	\$ (454,688)	\$ 414,671	\$ (871,807)	\$ (1,244,411)
Debt service as a percentage of noncapital expenditures	6.46%	9.67%	8.06%	8.39%	3.21%	7.20%	18.08%	28.14%	30.92%	33.04%

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 ⁽⁷⁾
2009	\$ 4,274,157,143	0.081	\$ 4,010,656,979	106.57%
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	2,759,289,645	108.42%
2014	3,005,643,363	0.140	2,772,733,730	108.40%
2015	3,006,859,084	0.140	3,008,062,309	99.96%
2016	2,718,824,516	0.155	2,742,962,587	99.12%
2017	2,743,074,381	0.155	2,784,281,751	98.52%
2018	2,765,100,000	0.155	2,950,698,965	93.71%

Sources: Town of Emerald Isle Finance Department and NC Department of Revenue

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 years ending June 30, 2008, 2012, and 2016.
- (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 collects property taxes for registered motor vehicles on behalf of the Town via the North Carolina Division of Motor Vehicle's Tax and Tag Program. 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 94 for more information.
- (7) Sales assesement ratios as provided by the NC Department of Revenue- Property Tax Division.

**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		
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
2015	0.140	(1)	0.000	0.300	0.440
		(2)	0.030		0.470
2016	0.155	(1)	0.000	0.300	0.455
		(2)	0.040		0.495
2017	0.155	(1)	0.000	0.310	0.465
		(2)	0.040		0.505
2018	0.155	(1)	0.000	0.310	0.465
		(2)	0.040		0.505

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 Fiscal Year and Nine Years Ago**

Taxpayer	2018			2009		
	Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Total Assessed Value	Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Total Assessed Value
Emerald Plantation Partner, LLC	\$ 8,750,000	1	0.32%	\$ -		0.00%
Watsons, Inc.	7,015,215	2	0.25	8,700,000	2	0.20
Carteret Craven Electric Management Cooperative	6,721,839	3	0.24	5,707,659	5	0.13
McCabe and Company d/b/a	5,848,000	4	0.21	4,331,908	9	0.10
McCabe and Company d/b/a	3,929,577	5	0.14	4,708,651	7	0.11
The Stanley Corporation	3,089,924	6	0.11			
Thatsawful LLC	2,730,538	7	0.10			
Bogue Fishing Pier, Inc.	2,617,486	8	0.09			
Malik, Stephen N. Etux Kathleen	2,614,978	9	0.09			
Surfside Realty Co., Inc.	2,423,520	10	0.09			
Spell, Louise Etal Howe d/b/a				14,395,354	1	0.34
Watersedge Corporation d/b/a				8,689,202	3	0.20
Emerald Plantation Delaware, LLC				7,421,746	4	0.17
Seaside Siblings, LLC				4,933,720	6	0.12
Holz, Paxon M.				4,455,558	8	0.10
Spell, G. F. Est. Etal Ricks d/b/a				4,297,029	10	0.10
	<u>\$ 45,741,077</u>		<u>1.65%</u>	<u>\$ 67,640,827</u>		<u>1.58%</u>

Source: Town of Emerald Isle Finance Department

Notes:

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

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
2009	\$ 5,223,832	\$ 5,162,169	98.82%	\$ 61,636	\$ 5,223,805	100.00%
2010	5,230,886	5,201,280	99.43%	29,402	5,230,682	100.00%
2011	5,667,835	5,626,940	99.28%	39,892	5,666,832	99.98%
2012	4,092,181	4,060,632	99.23%	31,136	4,091,768	99.99%
2013	4,113,287	4,084,700	99.31%	27,806	4,112,506	99.98%
2014	4,430,349	4,409,097	99.52%	20,602	4,429,699	99.99%
2015	4,441,488	4,429,183	99.72%	11,265	4,440,448	99.98%
2016	4,486,669	4,477,230	99.79%	8,111	4,485,341	99.97%
2017	4,519,449	4,503,342	99.64%	11,215	4,514,557	99.89%
2018	4,559,350	4,539,805	99.57%	-	4,539,805	99.57%

Source: Town of Emerald Isle Finance Department

Town of Emerald Isle, North Carolina
Legal Debt Margin Information
June 30, 2018

Total Assessed Valuation	\$ 2,765,100,000
Legal Debt Margin:	
Debt Limit 8% of Total Assessed Value	221,208,000
Amount of Debt Applicable to Debt Limit	<u>2,236,859</u>
Legal Debt Margin	<u><u>\$ 218,971,141</u></u>

Town of Emerald Isle, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2018

	Debt Outstanding	Percentage Applicable to Town ⁽¹⁾	Amount Applicable to Town
Direct:			
Town of Emerald Isle	\$ 2,236,859	100.00%	\$ 2,236,859
Overlapping:			
Carteret County	36,437,365	18.57%	6,765,148
	\$ 38,674,224		\$ 9,002,007
Town's assessed value	\$ 2,765,100,000		
County's assessed value	\$ 14,892,942,258		

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⁾
2009	\$ 6,150,000	\$ 2,125,000	\$ 4,025,000	0.10%	\$ 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%	-
2015	-	-	-	0.00%	-
2016	-	-	-	0.00%	-
2017	-	-	-	0.00%	-
2018	-	-	-	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⁾
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
2015	-	3,534,306	3,534,306	3,775	936		6,735	525
2016	-	2,938,381	2,938,381	3,797	774		6,735	436
2017	-	2,150,823	2,150,823	3,791	567		6,735	319
2018	-	2,236,859	2,236,859	3,784	591		6,735	332

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

Notes:

- (1) NCOSBM Certified Municipal Population Estimates
- (2) Information is not available at Town level.
- (3) Data from 2000 US Census and 2010 US Census
- (4) Emerald Isle is a beach community with many second home owners. Therefore, debt per citizen is not a meaningful measurement. Debt per housing unit is a better measurement of relative debt.

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

Fiscal Year Ended June 30,	Estimated Population ⁽¹⁾	Unemployment Ratio ⁽²⁾	Per Capita Income ⁽³⁾	Personal Income ⁽³⁾ (in thousands)
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%	42,214	2,888,870
2014	3,784	6.50%	43,903	3,021,043
2015	3,775	6.00%	44,199	3,044,352
2016	3,797	5.63%	46,654	3,212,372
2017	3,791	4.93%	47,871	3,297,436
2018	3,784	4.33%	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	2018			2009		
	Employees (FTE's)	Rank (²)	Percentage of Total Employment (³)	Employees (FTE's)	Rank (²)	Percentage of Total Employment (³)
Carteret County Board of Education	1,000+	1		1,000+	1	
Carteret General Hospital	1,000+	2		1,000+	2	
Carteret County	500-999	3		250-499	4	
Wal-Mart Associates, Inc.	250-499	4		250-499	3	
Carteret Community College	250-499	5		250-499	5	
Big Rock Sports, LLC	250-499	6		-	-	
Lowe's Home Centers, Inc.	250-499	7		-	-	
Food Lion	250-499	8		100-249	8	
Town of Morehead City	100-249	9		-	-	
Bally Refrigerated Boxes, Inc.	100-249	10		100-249	9	
State of North Carolina				250-499	6	
SSA Security, Inc.				250-499	7	
Atlantic Veneer Corp.				100-249	10	

Source: NC Employment Security Commission

Notes:

- (1) Information presented for Carteret County because information is not available for the Town.
- (2) Actual number of employees is not available; therefore the range/ranking provided by the Employment Security Commission is used.
- (3) Information not available.

**Town of Emerald Isle, North Carolina
Carteret County Occupancy Tax Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	County Collections	Percent Increase/(Decrease)
2009	4,407,398	-7.49%
2010	4,223,147	-4.18%
2011	4,427,940	4.85%
2012	4,596,069	3.80%
2013	4,436,856	-3.46%
2014	5,185,512	16.87%
2015	6,349,850	22.45%
2016	6,671,689	5.07%
2017	7,089,678	6.27%
2018	7,575,723	6.86%

Sources:

- (1) Occupancy Tax Rate increased to 6%, effective January, 2014. Prior years rate was 5%.
- (2) Carteret County County collects an occupancy tax from all lodging rental guests.
Tax proceeds are restricted for 50% use for tourism advertising and promotion and 50% use for beach renourishment.
- (3) Over 60% of the occupancy taxes collected are derived from lodging rentals located within the Town of Emerald Isle.

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Full-time										
General Government:										
Administration	5	5	5	5	5	5	5	5	5	5
Planning and Inspections	1	1	1	1	3	3	3	3	3	4
Public Safety:										
Police	19	19	18	18	19	19	19	21	21	22
Fire	17	14	14	14	14	14	14	14	14	14
EMS	7	-	-	-	-	-	-	-	-	-
Environmental Protection:										
Public Works	5	5	5	5	5	5	5	5	5	5
Solid Waste	4	4	4	3	3	2	2	2	2	3
Culture and Recreation:										
Parks and Recreation	10	9	8	8	8	7	7	8	8	8
Total	68	57	55	54	57	55	55	58	58	61
Part-time/Seasonal										
General Government:										
Administration	-	-	-	-	1	1	1	2	1	1
Planning and Inspections	-	-	-	-	1	1	1	1	1	1
Public Safety:										
Police	22	20	18	17	14	14	14	10	8	8
Fire	28	23	23	21	21	21	20	14	14	14
EMS	23	-	-	-	-	-	-	-	-	-
Environmental Protection:										
Public Works	-	-	-	-	-	-	-	1	1	1
Solid Waste	1	1	1	1	-	1	1	1	1	2
Culture and Recreation:										
Parks and Recreation	40	38	38	37	37	35	34	27	26	34
Total	114	82	80	76	74	73	71	56	52	61
Inmate Laborers										
Parks Maintenance	2	2	2	2	2	2	2	2	-	-
Public Works	4	4	4	4	4	4	4	4	3	3
Total	6	6	6	6	6	6	6	6	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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety:										
Police dispatch calls answered	12,782	13,697	12,509	8,481	8,457	8,574	9,432	9,108	7,133	5,696
Fire calls answered	1,122	1,073	965	917	866	807	822	798	816	697
Transportation (Streets and Highways):										
Miles of streets maintained	45.50	45.50	45.50	45.50	45.50	45.5	45.54	45.54	45.54	45.91
Environmental Protection (Solid Waste):										
Refuse collected (tons)	3,426	3,435	3,356	3,275	3,259	3,279	3,414	3,392	3,371	3,412
Recyclables collected (tons)	764	764	774	823	723	657	632	627	591	507

Source: Town of Emerald Isle Administration

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety:										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of police vehicles	22	22	22	20	21	21	21	21	21	21
Number of police beach patrol UTV units	2	2	2	3	2	2	2	2	1	1
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Number of fire engines/aerial truck	4	4	4	4	4	4	4	4	4	4
Number of lifeguard UTV units	4	4	3	3	2	2	2	2	2	2
Number of rescue boats	1	1	1	1	1	1	1	1	1	2
Number of rescue 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
Number of Ambulances	2	-	-	-	-	-	-	-	-	-
Transportation (Streets and Highways):										
Miles of streets maintained	45.50	45.50	45.50	45.50	45.50	45.5	45.54	45.54	45.54	45.91
Environmental Protection (Solid Waste):										
Number of yard waste trucks	2	2	2	1	1	1	1	1	1	1
Cultural and recreation:										
Number of community centers	1	1	1	1	1	1	1	1	1	1
Number of park facilities	12	11	11	10	10	10	10	10	9	9
Miles of bicycle and pedestrian path	11.20	11.20	11.00	11.00	11.00	5.80	5.10	4.90	4.40	2.40

Source: Town of Emerald Isle Administration

Compliance Section



S. Preston Douglas & Associates, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

**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 Board of Commissioners
Town of Emerald Isle, North Carolina

We have audited, 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, 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, 2018, and the related notes to the financial statements, which collectively comprises the Town of Emerald Isle's basic financial statements and have issued our report thereon dated January 22, 2019.

Internal Control over Financial Reporting

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

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

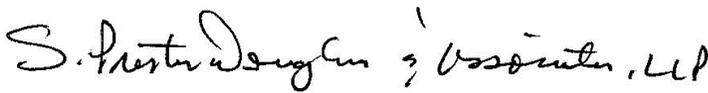
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

Compliance and Other Matters

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

Purpose of this Report

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



S. Preston Douglas & Associates, LLP

Lumberton, North Carolina
January 22, 2019



S. Preston Douglas & Associates, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

**Independent Auditor's Report On Compliance For Each Major State Program;
Report on Internal Control Over Compliance;
In Accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act**

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

Report on Compliance for Each Major State Program

We have audited the Town of Emerald Isle, North Carolina, compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Emerald Isle's major State programs for the year ended June 30, 2018. The Town of Emerald Isle's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Emerald Isle's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Emerald Isle's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

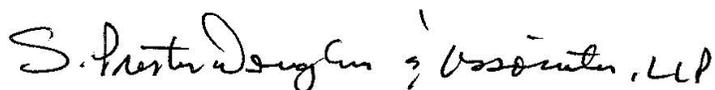
In our opinion, the Town of Emerald Isle complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and correct, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Lumberton, North Carolina
January 22, 2019

**Town of Emerald Isle, North Carolina
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2018**

Section I. Summary of Auditor's Results
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Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
<ul style="list-style-type: none"> • Material weakness(es) identified? _____ yes <u> X </u> no • Significant deficiency(s) identified that are not considered to be material weaknesses _____ yes <u> X </u> none reported • Noncompliance material to financial statements _____ yes <u> X </u> no 	

State Awards

Type of auditor's report issued on compliance for major federal programs:	Unmodified
Internal control over major federal programs:	
<ul style="list-style-type: none"> • Material weakness(es) identified? _____ yes <u> X </u> no • Significant deficiency(s) identified that are not considered to be material weaknesses _____ yes <u> X </u> none reported 	
Type of auditor's reports issued on compliance for major State programs:	Unmodified
Any audit finding disclosed that is required to be reported in accordance with the State Single Audit Implementation Act	_____ yes <u> X </u> no

Identification of major State programs:

Program Name

- Clean Water Management Trust Fund
- The Parks and Recreation Trust Fund

Town of Emerald Isle, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Fiscal Year Ended June 30, 2018

Section II. Financial Statement Findings

None reported

Section III. State Award Findings and Questioned Costs

None reported

Town of Emerald Isle, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2018

Grantor/Pass-through Grant/Program Title	Federal CFDA Number	Award Number/State Pass-through Grantor's Number	Federal (Direct Pass- through) Expenditures	State Expenditures
Federal Grants:				
Cash Programs:				
<u>US Department of Homeland Security</u>				
Staffing for Adequate Fire and Emergency Response	97.083		\$ 76,966	\$ -
State Grants:				
Cash Assistance:				
<u>N.C. Department of Natural and Cultural Resources</u>				
Parks and Recreation Trust Fund		2018-LA2	-	500,000
Clean Water Management Trust Fund		2017-022	-	545,000
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-4	-	123,869
Total assistance			<u>\$ 76,966</u>	<u>\$ 1,168,869</u>

Notes to the Schedule of Expenditures of federal and State Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Emerald Isle under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Emerald Isle, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Emerald Isle.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Town of Emerald Isle has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.