Town of Emerald Isle
Emerald Isle, North Carolina

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019

Prepared by the
Town of Emerald Isle
Finance Department

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Introductory Section

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Nice Matters!

Town of Emerald Isle
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Mayor
Eddie Barber

Mayor Pro-Tem
Floyd Messer, Jr.

Board of Commissioners
Candace Dooley
Steve Finch
Jim Normile
Mark Taylor

Town Manager
Matt Zapp

mzapp@emeraldisle-nc.org

November 7, 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, 2019, 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, 2019. 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, 2018 at 3,797. 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 under $2.8 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 and continue to trend up for the foreseeable future. Room occupancy tax revenues continue to increase annually, with FY 2019 room occupancy tax collections representing the highest collections in history. Despite the impacts of Hurricane Florence, occupancy tax revenues were up 1.5% over

the prior year. Sales tax collections also continue to increase annually. FY 2019 sales tax collections increased 6.23% over the prior year, reflecting increased spending by our permanent residents and second homeowners, and strong tourism activity. The local construction industry continues to experience 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 be on the rise, and the Town's total assessed value is expected to continue to grow in the future. Finally, continued upward stock market trends provide 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. Although the Town and area communities were significantly impacted by Hurricane Florence during September, 2018, both residents, and businesses alike, continue to recover. Because of conservative reserves and careful planning and foresight, impacts from the storm have been mitigated, along with funding from the Federal Emergency Management Agency (FEMA), and the public assistance program from the North Carolina Department of Public Safety.

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 2019 the Town redirected staff resources from certain scheduled annual capital projects to hurricane recovery efforts. The largest project was the Eastern Emerald Isle Beach Nourishment Project, which became the first phase of the Post-Florence projects designed to replenish the entire 12-mile beach strand. The Town plans to continue the renourishment of the beach strand in three phases, or regional sections, over the next two fiscal years. The Town continues to plan efforts for an Islander Drive/Western Regional Ocean Access area infrastructure improvement project scheduled for FY 2020. Also during the FY 2020 budget process, the Town created a new capital project for the planning and design efforts of a new multi-department Emergency Service Facility, including replacement fire apparatus.

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,

Matt Zapp

Laura Rotchford

Matt Zapp
Town Manager

Laura Rotchford
Finance Director

Town of Emerald Isle, North Carolina

List of Principal Officials

June 30, 2019

Board of Commissioners

Honorable Eddie Barber, Mayor

Floyd Messer, Jr., Mayor Pro Tem

Candace Dooley

Steve Finch

Jim Normile

Mark Taylor

Administration

Matt Zapp, 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

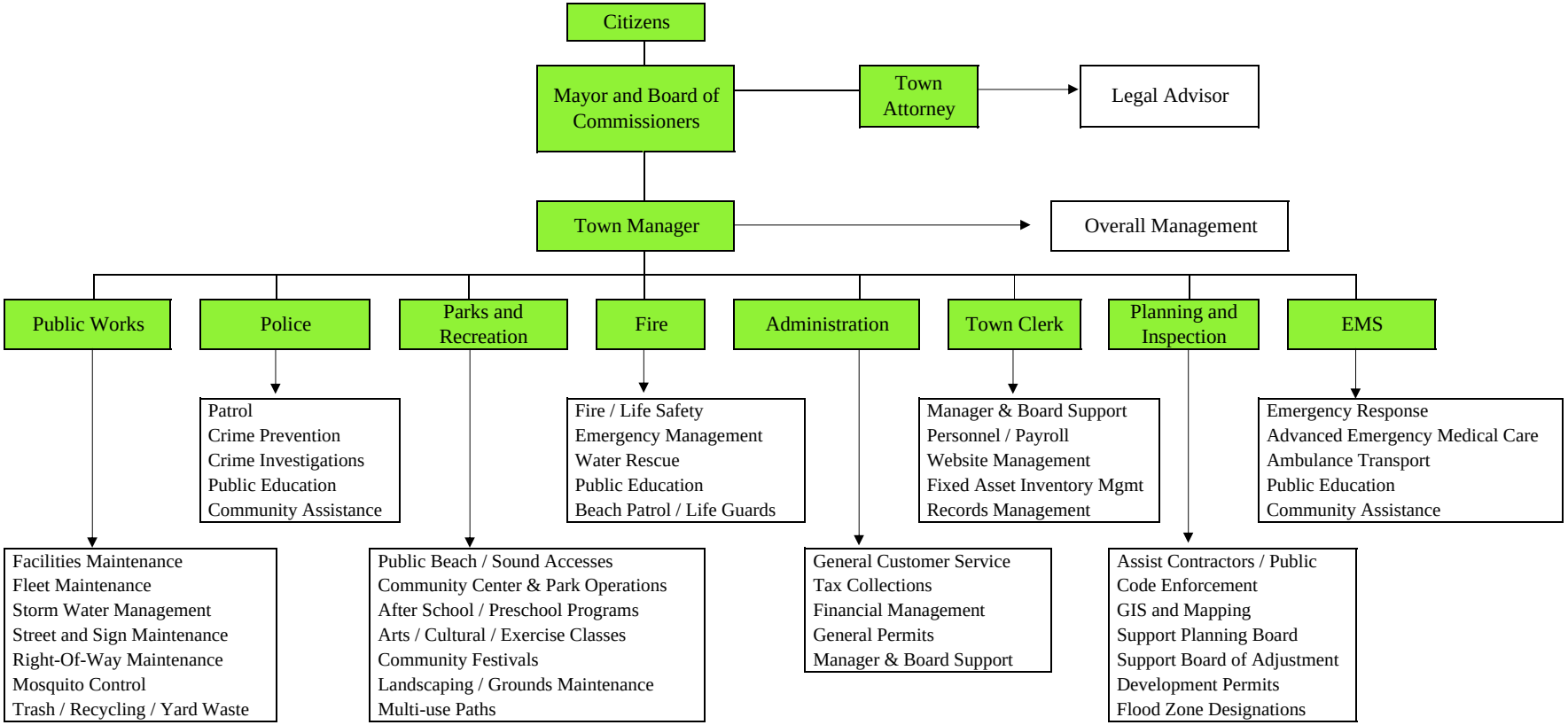
John "Artie" Dunn, Public Works Director

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, 2018

Christopher P. Morrill

Executive Director/CEO

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Financial Section

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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, 2019, 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.

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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, 2019, 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 13 through 26, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 64 and 65, respectively, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of Proportionate Share of the Net Pension Liability on page 66, 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 67 and 68, the Retiree Insurance Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 69 and 70 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 November 7, 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.

S. Preston Douglas & Associates, LLP

Lumberton, North Carolina
November 7, 2019

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Management's Discussion and Analysis

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EMERALD ISLE
NORTH CAROLINA

Nice Matters!

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Mayor
Eddie Barber

Mayor Pro-Tem
Floyd Messer, Jr.

Board of Commissioners
Candace Dooley
Steve Finch
Jim Normile
Mark Taylor

Town Manager
Matt Zapp
mzapp@emeraldisle-nc.org

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019 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, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The Town had $4,087,655 of both unrestricted and restricted cash and cash equivalents on hand as of June 30, 2019. The Town also had total net receivables of $69,855 as of June 30, 2019. Additionally, a total of $3,026,658 was due from other governments, which is primarily comprised of pending reimbursements from the NC Department of Public Safety's Emergency Management Division for FEMA disaster assistance.

- The Town had total capital assets, net of depreciation of $23,890,371 as of June 30, 2019. The bulk of these assets are land, buildings, and other improvements in the community. During FY 2019 the Town added vehicles, equipment, and new playground equipment, while selling and scrapping old vehicles, and equipment at approximately the same cost. The effect of these changes along with annual depreciation resulted in a decrease compared to the prior year.

- The Town's total liabilities as of June 30, 2019 were $6,486,046. The recognition of pension liabilities account for $2,047,321 of this amount, whereas, accounts payable and accrued liabilities represent $577,449. A total of $1,659,028 of this amount is the Town's outstanding short and long-term loans as of June 30, 2019.

- The Town reported net position of $25,519,003 as of June 30, 2019. Total net position decreased by $1,561,553. The overall decrease is attributed to the initial recovery efforts following Hurricane Florence including expenditures for Phase I Eastern Emerald Isle Post-Florence Beach Nourishment.

- The Town had total revenues of $23,477,332 across all funds during FY 2019. The Town had total expenditures of $25,048,070 across all funds during FY 2019, resulting in an overall decrease in fund balance of $1,283,730. While the Town added annual reserves to its Future Beach Nourishment Fund, and delayed annual capital spending in its General Fund, expenditures exceeded revenues for two funds segregated for Hurricane Recovery, pending the approval of FEMA reimbursements.

- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $4,525,997, a decrease in comparison to the prior year. Decreases to fund balance were related to expenditures necessary for recovery efforts from damages caused by Hurricane Florence.

- The General Fund, the Town's primary annual operating fund, had total revenues of $10,458,478 and total expenditures of $9,244,835 during FY 2019. After transfers to Capital Project and Special Revenue Funds ($32,000) and to the Future Beach Nourishment Fund of ($400,000), the Town's General Fund balance increased by $783,792. The overall increase in the General Fund was primarily attributed to delayed capital spending for beach access walkways, postponement of annual street repaving project, and delays in the staffing of two full-time employees. Additionally, the Town received a $370,000 operating grant posted to the General Fund from the NC Department of Public Safety's Office of Recovery and Resiliency for damages caused by Hurricane Florence.

- As of June 30, 2019, the Town's General Fund had a total fund balance of $3,192,866, of which $1,475,611 classified as unassigned fund balance.

- The total General Fund balance of $3,192,866 is equal to 32.99% of total General Fund expenditures during FY 2019 ($9,676,835, including transfers out). This percentage is up from the previous year (25.54%), due to additional operating grant revenues and cost savings derived from delays in capital spending and street repaving projects, as well as vacancies in full-time positions. Total General Fund balance represents 29.36% percent of the FY 19-20 adopted budget of $10,874,284 (including transfers out).

- The total unassigned General Fund balance amount of $1,475,611 is equal to 15.25% of total General Fund expenditures during FY 2019 ($9,676,835, including transfers out). Unassigned General Fund balance represents 13.57% of the FY 19-20 adopted budget of $10,874,284 (including transfers out).

- The Town's Future Beach Nourishment Fund had a year-end fund balance of $4,228,700, 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.

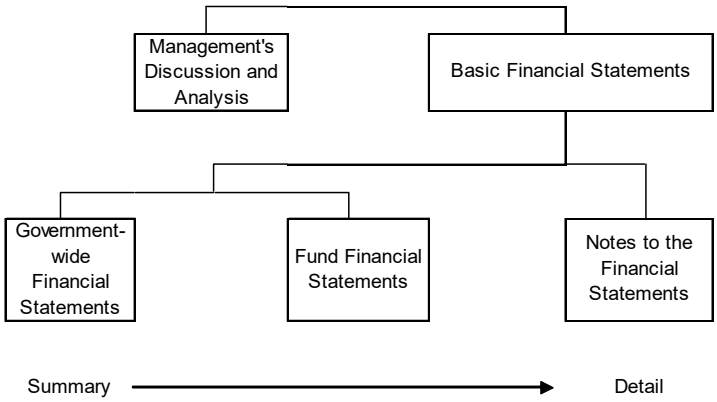
- The Town utilized a short-term, 0% interest, state revolving loan of $2,000,000 from the NC Department of Public Safety's Recovery and Resiliency Office to fund expenditures related to Hurricane Florence during the fiscal year. Repayment of the loan will occur in FY 2020 upon receipt of FEMA reimbursements for those eligible hurricane related expenditures.

- The Town's total long-term loans outstanding at June 30, 2019 is $1,659,028. This includes three (3) existing installment purchase agreements. The Town's total outstanding debt is equal to approximately 0.06% of the Town's total assessed valuation at June 30, 2019, 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 government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Emerald Isle adopts an annual budget as required by 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.

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 on the next page, the Town's net position is $25,519,003 as of June 30, 2019. The Town's net position decreased by $1,561,553 for the fiscal year ended June 30, 2019. Net position decreased primarily due to the use fund balance for the immediate response needs following Hurricane Florence, including debris removal throughout Town limits, as well as significant expenditures related to the first phase of Post-Florence Beach Renourishment in the Eastern limits of the Town.

At fiscal year end, the Town is reporting negative unrestricted net position as a result of utilizing fund balance from its Future Beach Nourishment Fund (Restricted for Environmental Protection) toward the first phase of Post-Florence Beach Renourishment. At fiscal year end, the Town had applied for FEMA reimbursement for this project and future phases of the beach replenishment work related to the storm, however the project had not yet been awarded at year end. The Town anticipates this project will be awarded during FY 2020. If the Town is not successful with an award in FY 2020, the Town will transfer eligible funds from the Future Beach Nourishment Fund to the first phase Post-Florence Beach Renourishment Project.

The Town's current assets (cash and cash equivalents, net receivables, due from other governments, and restricted cash) were $7,234,957 as of June 30, 2019. This amount includes $3,732,560 of unrestricted cash and cash equivalents across all Town funds, and an additional $355,095 of restricted cash and cash equivalents, primarily attributable to Powell Bill funds for street improvements and capital projects still in progress at June 30, 2019. This amount also includes $3,026,658 due from other governments, the majority of which is from FEMA approved projects pending reimbursement at fiscal year-end. The Town's capital assets totaled $23,890,371, which is a decrease of $618,704 over the prior year. Although the Town added replacement capital assets such as vehicles and equipment, the overall decrease is primarily attributed to the sale of land with a cost of $240,154 along with annual depreciation expense.

The Town's total liabilities increased by $2,355,388 during FY 2019 to $6,486,046. This change was derived from several increases and decreases described as follows: The Town entered into a short-term State Revolving Interest-Free Loan in the amount of $2,000,000 for disaster response expenses caused by Hurricane Florence. This loan is to be repaid upon receipt of FEMA reimbursements during the FY 2020 fiscal year. While the Town decreased its principal balances by $577,831 with annual debt service payments on its existing installment purchase loans, overall pension liabilities increased by $739,908. The Town added a new pension benefit to certain eligible retirees reaching at least 20-years of service with a monthly stipend to assist with the rising costs of medical expenses. Reporting for the benefit falls under the guidance of GASB Statement 73, and the Town's total pension liability for this new benefit is $239,731. The Town's proportionate share of the Local Government Employees' Retirement System (LGERS) net pension liability increased by $443,203, and the Town's total pension liability for the Law Enforcement Officers' Special Separation Allowance (LEOSSA) increased by $56,974.

Town of Emerald Isle's Net Position
Figure 2

	Governmental Activities	
	2019	2018
Current and other assets	$ 7,234,957	$ 6,270,979
Capital assets	23,890,371	24,509,075
Total assets	31,125,328	30,780,054
Deferred outflows of resources	1,035,158	589,172
Long-term liabilities outstanding	3,517,327	3,143,079
Other liabilities	2,968,719	987,579
Total liabilities	6,486,046	4,130,658
Deferred inflows of resources	155,437	158,012
Net position:		
Net investment in capital assets	22,231,343	22,272,216
Restricted	5,870,332	4,114,380
Unrestricted	(2,582,672)	693,960
Total net position	$ 25,519,003	$ 27,080,556

Changes in Net Position

As noted in Figure 3 on the next page, the Town had total revenues of $23,528,587 across all activities, and had total expenses of $25,090,140 during the year ended June 30, 2019, resulting in a decrease in the Town's net position of $1,561,553. Total revenues and expenses for the fiscal year were significantly greater than the prior fiscal year due to the large grant funded projects related to Hurricane Florence recovery efforts. The most significant project was the Eastern Emerald Isle Post-Florence Beach Nourishment Project, a $13.1 million project for the replenishment of approximately 617,000 cubic yards of sand dunes along the Eastern town limits. Additionally, the Town was awarded $2.2 million in FEMA grant funding for immediate emergency efforts including debris removal during the fiscal year.

While the Town did incur some reductions in charges for services due to the effects of the Storm; Building Inspection Fees were temporarily waived and the Town's popular Beach Driving Permit fees were down due to the temporary closure of the beach strand. The Town did see an overall increase in Charges for Services as FY 2019 was the first full 12-month period billing for ambulance transport services provided by the EMS department.

Environmental Protection expenses increased in FY 2019 due to the significant Eastern Emerald Isle Post-Florence Beach Nourishment Project, as mentioned above, along with immediate emergency efforts or operating expenses related to the hurricane. The Town did not recognize FEMA and NC Department of Public Safety (NCDPS) Public Assistance revenues for all expenses during this period as FEMA had not finalized awarding all of the Town's 12 separate eligible projects related to the storm. The remaining eligible projects are expected to be awarded in FY 2020.

Further, Public Safety expenses increased by $553,077 over the prior year due to a full 12-month period of the inclusion of a full-time staffed EMS department, as compared to a contract for EMS services in prior years.

In July, 2018 the Town introduced a new retiree benefit payment (a monthly stipend) to long-serving retirees. The benefit contributions are budgeted on a pay-as-you-go method in the General Fund, however the Town recognized additional pension expense for the establishment of the new program. Total pension expense costs in FY 2019 were $321,244 higher than in the prior year attributing to the decrease in net position.

Although, both the General Fund and the Future Beach Nourishment fund both had increases to fund balance, these increases did not fully offset the other increases in expenses mentioned above, resulting in an overall reduction in net position of $1,561,553.

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

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	$ 2,596,207	$ 2,445,961
Operating grants and contributions	2,841,432	262,193
Capital grants and contributions	10,345,467	2,785,421
General revenues:		
Property taxes	4,618,981	4,572,027
Local option sales tax	2,044,691	1,924,782
Other taxes and licenses	761,168	732,331
Unresticted grants and contributions	81,193	51,604
Unrestricted investment earnings	109,198	60,939
Miscellaneous	130,250	56,999
Total revenues	23,528,587	12,892,257
Expenses:		
General government	1,412,150	1,392,361
Public safety	4,396,689	3,843,612
Environmental protection	17,925,600	2,326,516
Cultural and recreation	1,304,694	1,370,841
Interest on long-term debt	51,007	42,470
Total expenses	25,090,140	8,975,800
Increase (decrease) in net position	(1,561,553)	3,916,457
Net position, beginning	27,080,556	23,164,099
Net position, ending	$ 25,519,003	$ 27,080,556

Capital Assets

As of June 30, 2019, the Town of Emerald Isle's investment in capital assets, net of depreciation totaled $23,890,371, a decrease of $618,704 over the previous year. These assets include buildings, furniture and equipment, improvements, land, and vehicles. During FY 2019, the Town sold a small tract of land located on Islander Drive, adjacent to the Town's Western Ocean Regional Access. The cost of the land was $240,154. While the Town did purchase replacement vehicles and equipment during the year and new playground equipment, overall additions to assets did not exceed annual depreciation expense. The Town elected to delay certain planned beach access walkway replacements during the fiscal year to focus on hurricane clean-up and repairs. Depreciation expense along with the land sale resulted in an overall decrease in net capital assets.

Town of Emerald Isle's Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities	
	2019	2018
Land	$ 14,773,043	$ 15,013,197
Construction in progress	8,360	-
Buildings	2,105,327	2,127,843
Improvements	5,843,017	6,093,451
Furniture and equipment	513,073	524,216
Vehicles and motorized equipment	647,551	750,368
	$ 23,890,371	$ 24,509,075

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, 2019, the Town of Emerald Isle had total outstanding installment purchase obligations of $1,659,028. This amount is comprised of three installment financing agreements as described below:

The Town issued $1.4 million in installment debt during 2013 to refinance previous installment debts, and during FY 2019 this debt was paid in full. 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 $1,066,666. 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 $52,362. 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 and the remaining balance at fiscal year-end was $540,000. The annual interest rates for the remaining debts outstanding are 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	
	2019	2018
Installment notes	$ 1,659,028	$ 2,236,859
Compensated absences	202,248	232,638
Pension liabilities	2,047,321	1,307,413
	$ 3,908,597	$ 3,776,910

The Town’s formal policy on debt limits the use of debt to real property purchases, major capital projects, and major equipment purchases (fire apparatus, heavy equipment, etc.), and the Town is fortunate to have a low debt level. The Town’s total outstanding debt of $1,659,028 is equal to 0.06% of the Town’s total assessed valuation of approximately $2.8 billion as of June 30, 2019. 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 $222 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 $1,122,123 for FY 2019, an increase of $443,203 over the prior year. The increase was attributed to changes in actuarial assumptions and actual experience in the pension program. 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, as required by NC General Statute 143-166.41. The Town's total pension liability for the LEOSSA is $685,467 for FY 2019, an increase of $56,974 over the prior year. During FY 2019, two retired officers were eligible for LEOSSA benefits and the Town continues to budget for this benefit on a pay-as-you-go method within the General Fund. And as mentioned previously, the Town implemented a new pension benefit in FY 2019, the Insurance Allowance. The Town's total pension liability for this new benefit is $239,731.

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 annually budgeted 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 $9,676,835 of total expenditures ($9,244,835) and transfers out ($432,000) in the year ending June 30, 2019. Total revenues of $10,458,478 plus minimal transfers in from two capital projects exceeded expenditures, resulting in a $783,792 increase in General Fund balance.

Property tax revenues continue to represent the Town's largest General Fund revenue source, at $4,324,016, or approximately 41% of total revenues. Sales tax revenues remain the Town's second largest General Fund revenue source, with a total of $2,044,691 representing 20% of total revenues. Solid waste service fees are the Town's third largest General Fund revenue source, at $1,498,647 representing 14% of total revenues. Combined, these three revenue sources make up 75% of total General Fund revenues for the fiscal year ended June 30, 2019.

Public safety expenditures (Police, Fire, and EMS) continue to comprise the largest portion of the General Fund, at $4,106,661, or approximately 42% of total General Fund expenditures and transfers out. Other notable expenditures include Solid Waste ($1,498,858), and Parks and Recreation ($1,081,034).

As of June 30, 2019, total General Fund balance is $3,192,866, an increase of $783,792 over the prior year's fund balance. The overall increase in fund balance was derived from several items, but most notably the effects from Hurricane Florence. In particular, the Town was the recipient of $370,000 operating grant from the NC Office of Recovery and Resiliency for financial impacts caused by Hurricane Florence. The grant funds were received in the latter part of the fiscal year and were appropriated again the FY 2020 budget process, as the Town will continue repairs related to the hurricane into FY 2020. The Town had budgeted for annual Powell Bill funded street resurfacing in the amount of $150,000 along with $90,000 planned for annual beach access walkway replacements, however these initiatives were delayed to allow staff to focus on hurricane recovery activities. Lastly, the Town did experience personnel vacancies for several months throughout the year. The accumulation of these delays in spending along with the operating grant funds increased the General Fund balance. The Town's total General Fund balance is equal to 32.99% of total General Fund expenditures (including transfers out) for FY 2019. This percentage is up from the previous year (25.54%), due to the increase in fund balance, as compared to the prior year. General Fund balance represents 29.36% percent of the FY 2019 adopted budget of $10,874,284 (including transfers out).

The total unassigned General Fund balance amount of $1,475,611 is equal to 15.96% of total General Fund expenditures during FY 2019. Unassigned General Fund balance also represents 13.57% of the FY 2019 adopted budget of $10,874,284 (including transfers out). These percentages are slightly lower than desired; however, the Town's total General Fund balance and unassigned General Fund balance levels continue to 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, including Hurricane Florence. 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 2019 was the eighth 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. This fund accounts for the municipal special district property tax revenues derived from ocean and inlet-front property owners, transfers from the General Fund, and investment earnings.

During FY 2018, the Town transferred $1,150,000 from the Future Beach Nourishment Fund to a newly established capital project fund set to renourish the Eastern Emerald Isle Beach Renourishment Project. However, following Hurricane Florence in September, 2018, Town officials determined the project was directly impacted by the storm and the project scope was amended to address the storm's damages. Because FEMA officials indicated the renourishment work was eligible for Public Assistance grant funding, the Town's Board of Commissioners approved a return of the $1,150,000 transfer back to the Future Beach Nourishment Fund, in anticipation of FEMA Funding.

Further, the Future Beach Nourishment Fund received its annual transfer from the General Fund of $400,000 during FY 2019. This annual transfer began in FY 2015, and is regularly budgeted at this same amount. The Future Beach Nourishment Fund received $200,000 in proceeds from the sale of land. During FY 2017 the Town's Board of Commissioners approved a reduced transfer from the General Fund to the Future Beach Nourishment Fund by $250,000 to purchase a vacant lot on Islander Drive. The Board agreed to "catch-up" the annual transfer by $50,000 each year for five years to accumulate reserve funds that would have normally been transferred in FY 2017. During FY 2019, the lot was sold and Board appropriated $200,000 of the proceeds from the sale to the Future Beach Nourishment Fund for the remaining 4-year additional $50,000 transfer.

Other Major Funds

During FY 2019 the Town identified three capital project funds as qualifying as major funds. These other major funds are detailed below:

- The Eastern Emerald Isle Post-Florence Beach Nourishment Fund. As mentioned above, this project was amended during FY 2019, and includes $10,345,467 in revenue from Carteret County's Beach Nourishment Fund, $13,102,048 in expenditures for engineering, dredging, and restoration of approximately 617,000 cubic yards of sand dunes along approximately 3 miles of the Eastern Emerald Isle town limits. An interfund loan balance is due to the Future Beach Nourishment Fund. The expenditures in this fund are eligible for FEMA Public Assistance, and as of June 30, 2019 this project claimed with FEMA is under the final review process for FEMA obligation.

- 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 $57,180. These remaining funds are intended for the construction park improvements, and will be addressed in FY 2020 or later, again due to the prioritization of projects necessary following Hurricane Florence.

- The Hurricane Florence Recovery Fund. This capital project fund was established to capture the approximate $3.7 million in costs related to the immediate emergency protective measures, debris removal, and repairs to Town buildings, facilities, and improvements directly related to damages caused by Hurricane Florence.

Other Non-Major Funds

The Town utilized several other funds during the fiscal year ended June 30, 2019, three of which are capital project funds established to segregate revenues and expenditures associated with these projects over multiple fiscal years.

The Town utilized the following non-major capital projects during FY 2019:

- 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 $79,544 as of June 30, 2019. 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 2019, the fund invested in the construction of a wooden pedestrian walkway spanning over Archers Creek for access to the new McLean Spell Park.

- 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 additional funding from the proceeds from the sale of the Islander Drive tract in the amount of $87,008. Further amendments to increase the project scope are anticipated in FY 2020, with construction planned in FY 2020.

- The Golf Cart Infrastructure Improvements capital project fund was established following the ever-increasing popularity of the Town's allowance of permitted golf carts to travel certain Town streets. The Town's Board plans to approve an annual transfer from the General Fund of golf cart fees in excess of $50,000. As fees become available, the fund is used to account for this reserve and related capital improvements for golf cart parking and pathways. Improvements are recommended by the Golf Cart Advisory Committee and authorized by the Board of Commissioners. The project has a fund balance of $18,000 as of June 30, 2019.

The Town also utilizes several non-major special revenue funds. During FY 2019, Town staff recommended the consolidation of these smaller funds to improve the budgeting and financial reporting process. The detail and consolidation of these funds are described below:

During FY 2019, the Town created a Special Events Fund. This fund was established to consolidate the Town's two existing annual special events in existing funds: The Beach Music Festival Fund and the Half-Marathon Fund. The Special Events Fund was also used during the FY 2020 budget process to add new events, such as the Fall Fishing Tournament.

In 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. This separate fund has been closed as of fiscal year-end, and existing fund balance has been transferred to the new Special Events Fund.

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. This separate fund has been closed as of fiscal year-end, and existing fund balance has been transferred to the new Special Events Fund.

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. Generally, revenues in this fund are not accumulated and funds are expended for eligible expenditures in the same year. Therefore, due to the small dollar value received on an annual basis, this fund has been closed as of the fiscal year-end, and existing restricted fund balance has been transferred to the General Fund.

During FY 2018, the Town created the EMS Volunteer Fund, following the transition of the former not-for-profit entity, Emerald Isle EMS, Inc., into a new Town staffed department. Because the former entity relied heavily on the support of volunteers and fundraising activities, 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. For reasons similar to the Special Drug Fund, this fund has been closed as of the fiscal year-end, and existing committed fund balance has been transferred to the General Fund.

FY 2019 Budget Administration

The Board of Commissioners adopted the FY 2019 budget in June 2018 after a thoughtful and analytical review process over the previous several months.

The total adopted FY 2019 budget for both the General and Future Beach Nourishment Funds was $10,957,600, which represented a $765,433, or 7.5% increase over the adopted FY 2018 budget for both funds. During the FY 2019 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 0.04 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 2019 budget adoption, the Town's Board did authorize certain fee schedule increases. These increases included minor increases to recreation fees for annual memberships to the Town's Community Center and the expansion of fees for parking at two public beach accesses from only Saturdays, Sundays and Holidays to add fees on Fridays.

The adopted FY 2019 budget included a total General Fund budget of $10,018,100, a $563,924 or 5.9% increase over the adopted FY 2019 budget. Overall increases to the FY 2019 budget were attributed to the inclusion of a new EMS department for a full 12-month period, a 2.3% cost of living adjustment for all Town employees, the first year debt service payment for the new McLean-Spell Park, additional street lighting improvements, and increases attributed to greater needs in the lifeguard program. During the course of FY 2019, the General Fund budget was amended several times, resulting in a final amended FY 2019 budget of $10,498,766.

The most significant amendments to General Fund revenues were as follows: the appropriation of the $370,000 operating grant from the NC Office of Recovery and Resiliency, the receipt of a $50,000 donation for new playground equipment in Ocean Oaks Park, and the appropriation for several miscellaneous donations of $30,508, among other minor increases. All of amendments were appropriated with excess revenues and contributions without the need to appropriate fund balance, and allowed for minor increases in each department for specific departmental expenditure needs.

Finally, several special and capital project funds were also established and/or amended during FY 2019. 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 2020 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 affect 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 2019, North Carolina maintained a low unemployment rate of 4.4%, just 0.2% higher than the prior year ended June 30. Similarly, Carteret County reported 4.6% unadjusted unemployment at June 30, 2019 just up from 4.0% 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 2019, North Carolina reported taxable retail sales up $724.9 million over the prior year, a continuous upward trend. 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 2019 sales tax distributions to Carteret County were up 7.3%, and the Town distributions were up 6.23%.

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 2019 were over 1.5% greater than FY 2018 collections, which was noteworthy as collections were expected to decrease as a result of the hurricane. Because of the steady year-over-year rise in these collections during the past ten years, the Town anticipates a continued upward trend.

With these key economic factors considered, the Town's FY 2020 adopted budgets total $11,640,843 for both the General and Future Beach Nourishment Funds, a $683,243, or 6.2% increase from the originally adopted FY 2019 budgets. The FY 2020 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 a nominal increase to annual solid waste fees from $228/year to $240/year for residential improved properties.

The Town's adopted FY 2020 General Fund budget is $10,874,284, which equates to a $856,184 increase (or 8.5%) over the adopted FY 2019 General Fund budget. Since FY 2015, the General Fund rate 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 solid waste fees. The most significant increase over the FY 2019 budget is an appropriation for the issuance of installment financing debt of $250,000 for the purchase of a replacement ambulance, and the addition of appropriated fund balance of $36,600 for an increase in eligible retiring sworn officers expected to receive special separation allowance benefits; and the $370,000 derived from the receipt of the FY 2019 operating grant from the NC Office of Recovery and Resiliency. Because of continued growth in retail sales, the Town budgeted a 4.6% increase over FY 2019 projected sales tax revenues. State-shared revenues such as utility sales tax distributions leveled over the past several fiscal years, and therefore were budgeted without growth. Modest growth is anticipated in the tax base due to continued new construction and renovations, despite a small number of residents who received valuation relief from the Carteret County Assessor's office due to hurricane damages to certain homes. The FY 2020 budget included $66,186 in additional property tax revenues. Although, the economic trends have indicated positive trends in disposable spending, following the effects of the hurricane revenues for other recreational service fees, EMS service fees, and development permit fees were projected with no growth.

The adopted FY 2020 General Fund budget anticipates a total of $4,399,786 of property tax revenues, $2,091,853 of sales tax revenues, and $1,585,200 of annual solid waste fee revenues. Combined, these three revenue sources represent over 74% of General Fund revenues. On the expenditure side, public safety (Police, Fire, and EMS) and solid waste expenses represent nearly 59% of General Fund expenditures. The FY 2020 budget invests appropriately in the Town's workforce, provides additional funding in key areas to enhance services and staff efficiency, provides sufficient funding to maintain Town infrastructure, and provides sufficient funding to maintain a dependable, attractive, and efficient vehicle fleet. The adopted FY 2020 General Fund budget is structurally sound, and the Town does not anticipate any unmanageable budget deficits in the coming months. The FY 2020 budget includes $250,000 for the replacement of a 2010 ambulance, $137,981 for contingency for emergency needs as designated by the Board of Commissioners, $48,640 for the investment of new enterprise resource planning software system to replace the Town's aging technology, the establishment of a new full-time Finance Technician position in the Administrative department, increased costs for solid waste disposal services, recycling costs, and tipping fees; and sufficient funding for the three pay-as-you go pensions offered to eligible Town retirees (LGERS, LEOSSA, and the new Insurance Allowance), as well as a 2.0% cost of living adjustment for Town employees.

The total adopted budget for the Future Beach Nourishment Fund is $766,559 for FY 2020. The budget includes the anticipated receipt of $281,559 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 $85,000 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.

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 Matt Zapp, Town Manager (mzapp@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.

Basic Financial Statements

Exhibit 1

Town of Emerald Isle, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government	
	Governmental Activities	
ASSETS		
Current assets:		
Cash and cash equivalents	$	3,732,560
Restricted cash and cash equivalents		355,095
Taxes receivable, net		41,127
Accounts receivable, net		69,855
Due from other governments		3,026,658
Prepaid expenses		9,662
Total current assets		7,234,957
Non-current assets:		
Capital assets (Note 3):		
Land and construction in progress		14,781,403
Other capital assets, net of depreciation		9,108,968
Total capital assets		23,890,371
Total assets		31,125,328
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals		1,035,158
Total deferred outflows of resources		1,035,158
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities		577,449
Due to other governments		2,000,000
Current portion of long-term liabilities		391,270
Total current liabilities		2,968,719
Long-term liabilities:		
Net pension liability		1,122,123
Total pension liability		925,198
Due in more than one year		1,470,006
Total liabilities		6,486,046
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals		55,437
Unearned revenue		100,000
Total deferred inflows of resources		155,437
NET POSITION		
Net investment in capital assets		22,231,343
Restricted for:		
Stabilization by State Statute		1,462,460
Streets		175,551
Public safety		3,621
Environmental protection		4,228,700
Unrestricted		(2,582,672)
Total net position	$	25,519,003

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, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities
Primary government:					
Governmental activities:					
General government	$ 1,412,150	$ 90,258	$ 370,000	$ -	$ (951,892)
Public safety	4,396,689	457,847	131,112	-	(3,807,730)
Environmental protection	17,925,600	1,514,032	2,325,320	10,345,467	(3,740,781)
Cultural and recreation	1,304,694	534,070	15,000	-	(755,624)
Interest on long-term debt	51,007	-	-	-	(51,007)
Total governmental activities	$ 25,090,140	$ 2,596,207	$ 2,841,432	$ 10,345,467	(9,307,034)

General revenues:	
Taxes:	
Property taxes, levied for general purpose	4,618,981
Local option sales tax	2,044,691
Other taxes	761,168
Unrestricted grants and contributions	81,193
Unrestricted investment earnings	109,198
Miscellaneous	130,250
Total general revenues	7,745,481
Change in net position	(1,561,553)
Net position, beginning	27,080,556
Net position, ending	$ 25,519,003

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

Exhibit 3

Town of Emerald Isle, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds						
	General Fund	Future Beach Nourishment Special Revenue Fund	Eastern EI Post-Florence Beach Nourishment Fund	McLean-Spell Park Fund	Hurricane Florence Recovery Fund	Total Non-Major Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 1,944,263	$ 1,608,240	$ -	$ 57,180	$ -	$ 122,877	$ 3,732,560
Restricted cash and cash equivalents	175,551	-	-	-	-	179,544	355,095
Taxes receivable, net	39,730	1,397	-	-	-	-	41,127
Accounts receivable, net	69,855	-	-	-	-	-	69,855
Due from other governments	854,571	-	-	-	2,172,087	-	3,026,658
Due from other funds	538,035	2,620,460	-	-	-	-	3,158,495
Prepaids	9,662	-	-	-	-	-	9,662
Total assets	$ 3,631,667	$ 4,230,097	$ -	$ 57,180	$ 2,172,087	$ 302,421	$ 10,393,452
LIABILITIES							
Accounts payable and accrued liabilities	$ 399,071	$ -	$ 136,121	$ -	$ 25,388	$ 7,253	$ 567,833
Due to other governments	-	-	-	-	2,000,000	-	2,000,000
Due to other funds	-	-	2,620,460	-	538,035	-	3,158,495
Total liabilities	399,071	-	2,756,581	-	2,563,423	7,253	5,726,328
DEFERRED INFLOWS OF RESOURCES							
Property taxes receivable	39,730	1,397	-	-	-	-	41,127
Unearned revenue	-	-	-	-	-	100,000	100,000
Total deferred inflows of resources	39,730	1,397	-	-	-	100,000	141,127
FUND BALANCES							
Non-spendable:							
Prepaids	9,662	-	-	-	-	-	9,662
Restricted:							
Stabilization by State Statute	1,462,460	-	-	-	-	-	1,462,460
Streets	175,551						175,551
Public safety	3,621	-	-	-	-	-	3,621
Environmental protection	-	4,228,700	-	-	-	-	4,228,700
Committed:							
LEO special separation allowance	63,954	-	-	-	-	-	63,954
EMS	2,007	-	-	-	-	-	2,007
Assigned:							
Environmental protection	-	-	-	-	-	88,494	88,494
Culture and recreation	-	-	-	57,180	-	106,674	163,854
Unassigned	1,475,611	-	(2,756,581)	-	(391,336)	-	(1,672,306)
Total fund balances	3,192,866	4,228,700	(2,756,581)	57,180	(391,336)	195,168	4,525,997
Total liabilities, deferred inflows of resources and fund balances	$ 3,631,667	$ 4,230,097	$ -	$ 57,180	$ 2,172,087	$ 302,421	$ 10,393,452

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, 2019

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

Total fund balances, governmental funds		$ 4,525,997
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	$ 31,671,729	
Accumulated depreciation	(7,781,358)	23,890,371
Deferred outflows of resources related to pensions and are not reported in the funds		1,035,158
Earned revenues considered deferred inflows of resources in fund statements		41,127
Gross long-term debt beginning	(2,469,497)	
Long-term debt included as net position below (includes principal payments during the year.)	577,831	
Compensated absences	30,390	
Total pension liability	(925,198)	
Net pension liability	(1,122,123)	(3,908,597)
Deferred inflows of resources related to pensions are not reported in the funds		(55,437)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds		(9,616)
Net position of governmental activities		$ 25,519,003

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

Exhibit 4

Town of Emerald Isle, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	Major Funds						
	General Fund	Future Beach Nourishment Special Revenue Fund	Eastern EI Beach Nourishment Fund	McLean-Spell Park Fund	Hurricane Florence Recovery Fund	Total Non-Major Funds	Total Governmental Funds
Revenues:							
Ad valorem taxes	$ 4,324,016	$ 274,657	$ -	$ -	$ -	$ -	$ 4,598,673
Unrestricted intergovernmental	2,805,859	-	-	-	-	-	2,805,859
Restricted intergovernmental	647,926	-	10,345,467	-	2,216,619	-	13,210,012
Permits and fees	2,094,151	-	-	-	-	-	2,094,151
Sales and services	420,845	-	-	-	-	-	420,845
Investment earnings	25,948	83,250	-	-	-	-	109,198
Miscellaneous	139,733	-	-	-	-	98,861	238,594
Total revenues	10,458,478	357,907	10,345,467	-	2,216,619	98,861	23,477,332
Expenditures:							
Current:							
General government	1,330,031	-	-	-	-	-	1,330,031
Public safety	3,964,277	-	-	-	-	-	3,964,277
Environmental protection	2,054,328	-	13,102,048	-	2,558,762	-	17,715,138
Cultural and recreation	904,181	-	-	-	-	67,839	972,020
Capital outlay:							
Public safety	142,384	-	-	-	-	-	142,384
Environmental protection	40,272	-	-	-	49,193	8,360	97,825
Cultural and recreation	176,853	-	-	1,567	-	15,466	193,886
Debt service:							
Principal retirement	577,831	-	-	-	-	-	577,831
Interest and other charges	54,678	-	-	-	-	-	54,678
Total expenditures	9,244,835	-	13,102,048	1,567	2,607,955	91,665	25,048,070
Excess (deficiency) of revenues over expenditures	1,213,643	357,907	(2,756,581)	(1,567)	(391,336)	7,196	(1,570,738)
Other financing sources (uses)							
Transfers from other funds	2,149	1,550,000	-	-	-	57,974	1,610,123
Transfers to other funds	(432,000)	-	(1,150,000)	-	-	(28,123)	(1,610,123)
Proceeds from sale of property	-	200,000	-	-	-	87,008	287,008
Total other financing sources (uses)	(429,851)	1,750,000	(1,150,000)	-	-	116,859	287,008
Net change in fund balances	783,792	2,107,907	(3,906,581)	(1,567)	(391,336)	124,055	(1,283,730)
Fund balances, beginning	2,409,074	2,120,793	1,150,000	58,747	-	71,113	5,809,727
Fund balances, ending	$ 3,192,866	$ 4,228,700	$ (2,756,581)	$ 57,180	$ (391,336)	$ 195,168	$ 4,525,997

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

Town of Emerald Isle, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds		$ (1,283,730)
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	$ 434,095	
Depreciation expense for governmental assets	(796,738)	
Net gain on sale of capital assets	30,947	
Proceeds from sale of capital assets	(287,008)	(618,704)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		281,214
Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities		14,357
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		20,308
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	577,831	
Decrease in accrued interest payable	3,671	581,502
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	30,390	
Pension expense (LGERS)	(307,252)	
Pension expense (LEOSSA)	(35,063)	
Pension expense (Retiree Insurance Allowance)	(244,575)	(556,500)
Total changes in net position of governmental activities		$ (1,561,553)

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

Exhibit 5

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, 2019

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	$ 4,333,600	$ 4,333,600	$ 4,324,016	$ (9,584)
Unrestricted intergovernmental	2,754,800	2,763,800	2,805,859	42,059
Restricted intergovernmental	276,900	646,900	647,926	1,026
Permits and fees	2,160,400	2,160,400	2,094,151	(66,249)
Sales and services	408,500	408,500	420,845	12,345
Investment earnings	25,000	25,000	25,948	948
Miscellaneous	35,100	134,266	139,733	5,467
Total revenues	9,994,300	10,472,466	10,458,478	(13,988)
Expenditures:				
Current:				
General government	1,496,157	1,730,261	1,330,031	400,230
Public safety	4,120,735	4,212,200	4,106,661	105,539
Environmental protection	2,276,297	2,329,217	2,094,600	234,617
Cultural and recreation	1,150,079	1,162,579	1,081,034	81,545
Debt service:				
Principal retirement	513,963	577,831	577,831	-
Interest and other charges	42,913	54,678	54,678	-
Total expenditures	9,600,144	10,066,766	9,244,835	821,931
Revenues over (under) expenditures	394,156	405,700	1,213,643	807,943
Other financing sources (uses):				
Transfers from other funds	-	-	2,149	(2,149)
Transfers to other funds	(418,000)	(432,000)	(432,000)	-
Proceeds from sale of property	-	-	-	-
Total other financing sources (uses)	(418,000)	(432,000)	(429,851)	2,149
Fund balance appropriated	23,844	26,300	-	(26,300)
Net change in fund balances	$ -	$ -	783,792	$ 783,792
Fund balance, beginning			2,409,074	
Fund balance, ending			$ 3,192,866	

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	$ 274,500	$ 274,500	$ 274,657	$ 157
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	-	-	-	-
Permits and fees	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	65,000	65,000	83,250	18,250
Miscellaneous	-	-	-	-
Total revenues	339,500	339,500	357,907	18,407
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Environmental protection	-	-	-	-
Cultural and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	-	-	-	-
Revenues over (under) expenditures	339,500	339,500	357,907	18,407
Other financing sources (uses):				
Transfers from other funds	1,550,000	1,550,000	1,550,000	-
Transfers to other funds	-	-	-	-
Proceeds from sale of property	200,000	200,000	200,000	-
Total other financing sources (uses)	1,750,000	1,750,000	1,750,000	-
Fund balance appropriated	(2,089,500)	(2,089,500)	-	2,089,500
Net change in fund balances	$ -	$ -	2,107,907	$ 2,107,907
Fund balance, beginning			2,120,793	
Fund balance, ending			$ 4,228,700	

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

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Notes to the Financial Statements

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 Post-Florence Beach Nourishment Fund. This fund was established as a multi-year capital project fund. This fund was amended for eligible reimbursements from FEMA/NC DPS Public Assistance Funding due to Hurricane Florence. 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 following the impacts of Hurricane Florence.

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, with funds available to small park improvements.

Hurricane Florence Recovery Fund. This fund was established as a multi-year capital project fund. This fund accounts for financial resources from FEMA/NC DPS and insurance proceeds for recovery costs and repair expenditures necessary from the impacts of Hurricane Florence, excluding beach replenishment projects.

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 Events Fund, 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. The Town had the following non-major capital project funds: the Bike and Pedestrian Project Fund, the Islander Drive/Western Ocean Regional Access Improvements Fund, and the Golf Cart Infrastructure 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.

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 Post-Florence Beach Nourishment Fund, the McLean-Spell Park Fund, the Bike and Pedestrian Project, and the Islander Drive Western Ocean Regional Access 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. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of 0.11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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 received specific donations for its projects. 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		
Streets	$	175,551
Non-Major Funds		
Islander Drive WORA Fund		
Unearned revenues		100,000
Bike and Pedestrian Fund		
Culture and recreation		79,544
Total Restricted Cash	$	355,095

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, 2018.

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.

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 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 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 related deferrals for the 2019 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 two items that meet the criterion for this category – property taxes receivable and pension related 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.

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.

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

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

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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)

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.

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.

Committed for EMS – portion of fund balance that will be used for EMS services.

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.

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 ACCOUNTABLITY

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 of Individual Funds not appropriated in subsequent year's budget ordinance

None.

C. Excess of Expenditures over Appropriations

None.

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, 2019, the Town's deposits had a carrying amount of $265,151 and a bank balance of $274,142. 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, 2019, the Town's petty cash fund totaled $2,200.

2. Investments

At June 30, 2019, the Town of Emerald Isle had $3,820,304 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables

Receivables at the government-wide level at June 30, 2019, were as follows:

	Accounts	Taxes Receivable	Total
Governmental Activities:			
General	$ 265,453	$ 52,897	$ 318,350
Future Beach Nourishment	-	1,746	1,746
Total receivables	265,453	54,643	320,096
Allowance for doubtful accounts	(195,598)	(13,516)	(209,114)
Total governmental activities	$ 69,855	$ 41,127	$ 110,982

The amounts presented in the Balance Sheet and Statement of Net Position for the year ended June 30, 2019 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	$ 13,516
Solid waste fees receivable	18,741
EMS services receivable	176,857
Total	$ 209,114

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, 2019, was as follows:

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ 15,013,197	$ -	$ (240,154)	$ 14,773,043
Construction in progress	-	8,360	-	8,360
Total capital assets not being depreciated	15,013,197	8,360	(240,154)	14,781,403
Capital assets being depreciated:				
Buildings	3,245,146	49,193	(24,295)	3,270,044
Improvements	8,281,258	141,369	(6,900)	8,415,727
Furniture and equipment	1,783,904	62,294	(30,236)	1,815,962
Vehicles and motorized equipment	3,321,928	172,879	(106,214)	3,388,593
Total capital assets being depreciated	16,632,236	425,735	(167,645)	16,890,326
Less accumulated depreciation for:				
Buildings	1,117,303	64,582	(17,168)	1,164,717
Improvements	2,187,807	391,717	(6,814)	2,572,710
Furniture and equipment	1,259,688	73,437	(30,236)	1,302,889
Vehicles and motorized equipment	2,571,560	267,002	(97,520)	2,741,042
Total accumulated depreciation	7,136,358	796,738	(151,738)	7,781,358
Total capital assets being depreciated, net	9,495,878			9,108,968
Governmental activities capital assets, net	$ 24,509,075			$ 23,890,371

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

General government	$ 63,764
Public safety	234,677
Enviromental Protection	185,934
Cultural and recreational	312,363
Total depreciation expense	$ 796,738

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, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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 $281,214 for the year ended June 30, 2019.

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, 2019, the Town reported a liability of $1,122,123 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the Town's proportion was 0.04730%, which was an increase of 0.00286% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of $307,252. At June 30, 2019, 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	$ 173,116	$ 5,809
Changes of assumptions	297,767	-
Net difference between projected and actual earnings on pension plan investments	154,033	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	25,871	18,310
Town contributions subsequent to the measurement date	281,214	-
Total	$ 932,001	$ 24,119

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

$281,214 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	$ 295,915
2020	195,373
2021	39,482
2022	95,900
2023	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2017 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	7.00 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, 2017 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.

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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 2017 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 7.00%. 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	$ 2,695,424	$ 1,122,123	$ (192,562)

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, 2017 (valuation date) the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	1
Active plan members	18
Total	19

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.

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 normal (EAN) actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 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	3.64 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, 2018.

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 funded through appropriations made in the General Fund operating budget. 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, 2019, the Town reported a total pension liability of $685,467. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of $35,063.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 65,805	$ -
Changes of assumptions	20,616	24,116
Benefit payments and administrative expenses subsequent to the measurement date	14,376	-
Total	$ 100,797	$ 24,116

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)

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

$14,376 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:		
2020	$	13,470
2021		13,470
2022		13,470
2023		14,432
2024		7,170
Thereafter		293

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 3.64% , 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 (2.64%) or 1-percentage-point higher (4.64%) than the current rate:

	1% Decrease (2.64%)	**Discount Rate (3.64%)**	**1% Increase (4.64%)**
Town's proportionate share of the net pension liability (asset)	$ 730,863	$ 685,467	$ 643,431

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

	2019
Beginning balance	$ 628,493
Service cost	24,232
Interest on the total pension liability	19,510
Differences between expected and actual experience in the mesurement of the total pension liability	56,742
Changes of assumptions or other inputs	(21,361)
Benefit payments	(22,149)
Ending balance of the total pension liability	$ 685,467

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officers' Special Allowance (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

c. Retiree Insurance Allowance

1. Plan Description.

The Town administers a retiree benefit system (the "Insurance Allowance"), a single-employer defined benefit pension plan that provides a monthly stipend for employees who retire in good standing form the Town under the following conditions: 1) the employee has completed at least twenty (20) years of full-time service with the Town prior to retirement; and 2) the employee is eligible to retire with the North Carolina Local Government Employees' Retirement System (LGERS).

Eligible employees under the age of 65 receive a benefit payment of $10 per month, per completed year of full-time service with the Town of Emerald Isle. The benefit payment becomes effective with the first day of retirement, as determined by the LGERS, and is paid to the eligible retired employee, as determined by the Town. The benefit payment is not retroactive or pro-rated.

The purpose and intent of the fixed monthly benefit payment is to assist the retiree with the costs of medical expenses until becoming eligible for Medicare, however, the employee may spend the benefit payment on any expense.

Retired employees are no longer eligible to receive this benefit upon the first occurrence of the following: 1) the last day of the month in which the retiree turns 65 years of age, or the first day of the month in which the retiree becomes eligible for Medicare, whichever comes first; 2) the first day the retiree is covered under another employer sponsored group health plan; or 3) the death of the retired employee. Once the benefit is discontinued it cannot be reinstated.

2. Summary of Significant Accounting Policies.

Basis of Accounting. The Town has chosen to fund the Insurance 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 Insurance Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73.

At December 31, 2018 (valuation date) the Insurance Allowance's membership consisted of:

Inactive members currently receiving benefits	1
Active plan members	66
Total	67

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

c. Retiree Insurance Allowance (continued)

3. Actuarial Assumptions.

The entry age normal (EAN) actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 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 7.75 percent, including inflation and productivity factor
Investment rate of return	3.64 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, 2018.

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

4. Contributions.

The Town voluntarily provides 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. Administration costs of the Insurance Allowance are funded through appropriations made in the General Fund operating budget. At June 30, 2019, the Town had contributed $1,200.

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

At June 30, 2019, the Town reported a total pension liability of $239,731. The total pension liability was measured as of December 31, 2018. For the year ended June 30, 2019, the Town recognized pension expense of $244,575.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 7,202
Benefit payments and administrative expenses subsequent to the measurement date	2,360	-
Total	$ 2,360	$ 7,202

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

c. Retiree Insurance Allowance (continued)

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

$2,360 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:		
2020	$	(1,341)
2021		(1,341)
2022		(1,341)
2023		(1,341)
2024		(1,341)
Thereafter		(499)

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 3.64% , 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 (2.64%) or 1-percentage-point higher (4.64%) than the current rate:

	1% Decrease (2.64%)	**Discount Rate (3.64%)**	**1% Increase (4.64%)**
Town's proportionate share of the net pension liability (asset)	$ 257,913	$ 239,731	$ 222,983

Schedule of Changes in Total Pension Liability
Retiree Insurance Allowance

	2019
Beginning balance	$ -
Service cost	11,972
Interest on the total pension liability	7,257
Changes of assumptions or other inputs	(8,545)
Benefit payments	(1,200)
Other changes	230,247
Ending balance of the total pension liability	$ 239,731

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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

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	RIA	Total
Pension Expense	$ 307,252	$ 35,063	$ 244,575	$ 586,890
Pension Liability	1,122,123	685,467	239,731	2,047,321
Proportionate share of the net pension liability	0.04730%	N/A	N/A	
Deferred Outflows of Resources				
Differences between expected and actual experience	173,116	65,805	-	238,921
Changes of assumptions	297,767	20,616	-	318,383
Net difference between projected and actual earnings on plan investments	154,052	-	-	154,052
Changes in proportion and differences between contributions and proportionate share of contributions	25,871	-	-	25,871
Benefit payments and administrative costs paid subsequent to the measurement date	281,214	14,357	2,360	297,931
Deferred Inflows of Resources				
Differences between expected and actual experience	5,809	-	-	5,809
Changes of assumptions	-	24,116	7,202	31,318
Changes in proportion and differences between contributions and proportionate share of contributions	18,310	-	-	18,310

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

d. 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. In addition to law enforcement, the Town elects to contribute five percent of each full-time general employee's salary. Also, the law enforcement officers and general employees may make voluntary contributions to the plan. Contributions by the Town for the year ended June 30, 2019 were $175,024, which consisted of $50,160 for law enforcement officers and $124,864 for general employees. Voluntary contributions by all employees for the fiscal year were $113,372.

e. 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 has two departments participating in the plan – Fire and EMS. The Town contributes $10 per EMS eligible plan member, and the Firemen's Relief Fund (a separate organization) has elected to contribute for the eligible Fire 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, 2018, the State contributed $17,952,000 to the plan. The Town of Emerald Isle's proportionate share of the State's contribution is $11,748.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

e. 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, 2019, 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 $31,962. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018 and at June 30, 2017 was 0%.

For the year ended June 30, 2019, the Town recognized pension expense of $9,089 and revenue of $9,089 for support provided by the State. At June 30, 2019, 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, 2017 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	7.00 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including morality 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 7.00%. 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.

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 employees 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
Differences between expected and actual experience	$ 238,921
Changes of assumptions	318,383
Net difference between projected and actual earnings on pension plan investments	154,052
Changes in proportion and differences between Town contributions and proportionate share of contributions	25,871
Town contributions subsequent to the measurement date	297,931
Total	$ 1,035,158

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

	Statement of Net Postion	Governmental Funds Balance Sheet
Unearned grant revenue	$ 100,000	$ 100,000
Taxes receivable, less penalites (General Fund)	-	41,127
Changes of assumptions	31,318	-
Differences between expected and actual experience	5,809	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	18,310	-
Total	$ 155,437	$ 141,127

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, 2019, 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. Short-Term Obligations

In May, 2019 the Town entered into a Memorandum of Agreement with the NC Office of Recovery and Resiliency (NCORR) for a $2,000,000 State Revolving Loan for Temporary Cash Assistance to Local Government. This loan is limited only to federally reimbursable expenses, and was made available to NC local governments following the impacts of Hurricane Florence. The loan is a 0% loan, and the loan is to be repaid at the time of reimbursement by the respective federal agency. The short-term debt balance at fiscal year-end was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
NCORR short term loan	$ -	$ 2,000,000	$ -	$ 2,000,000

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

7. Long-Term Obligations

a. Installment Purchase

Governmental Activities

On March 12, 2014, the Town entered into a direct borrowings contract 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, 2019 was $1,066,666.

On September 15, 2014, the Town entered into a direct borrowings contract for the purchase of land adjacent to the Public Boating Access Area for future recreational uses. The financing contact with 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, 2019 was $52,362.

On May 11, 2018, the Town entered into a direct borrowing contract for the purchase of land for the creation of McLean – Spell Park. The financing contact with 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, 2019 was $540,000.

The future minimum payments of the installment purchases as of June 30, 2019 are as follows:

	Governmental-Type Activities	
Years Ending June 30:	Principal	Interest
2020	$ 335,270	$ 42,822
2021	335,340	34,822
2022	335,412	26,822
2023	335,484	18,822
2024	68,890	10,820
2025-2028	248,632	21,457
Total	$ 1,659,028	$ 155,565

At June 30, 2019, the Town of Emerald Isle had a legal debt margin of $222,271,604.

b. Changes in Debt

Compensated absences for governmental activities have generally been liquidated in the General Fund.

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Direct borrowing installment purchase	$ 2,236,859	$ -	$ (577,831)	$ 1,659,028	$ 335,270
Compensated absences	232,638	45,012	(75,402)	202,248	56,000
Net pension liability (LGERS)	678,920	443,203	-	1,122,123	-
Total pension liability (RIA)	-	239,731	-	239,731	-
Total pension liability (LEO)	628,493	56,974	-	685,467	-
Governmental activity long-term liabilities	$ 3,776,910	$ 784,920	$ (653,233)	$ 3,908,597	$ 391,270

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2019 consist of the following:

		Amount
From the General Fund to the Bike and Pedestrian Fund	$	11,500
From the General Fund to the Future Beach Nourishment Fund		400,000
From the General Fund to the Golf Cart Infrastructure Improvements Fund		18,000
From the General Fund to the Special Events Fund		2,500
From the EMS Volunteer Fund to the General Fund		1,975
From the Special Drug Fund to the General Fund		174
From the Eastern Emerald Isle Nourishment Fund to the Future Beach Nourishment Fund		1,150,000
From the Beach Music Festival Fund to the Special Events Fund		3,689
From the Half Marathon Fund to the Special Events Fund		285
From the Special Events Fund to the Bike and Pedestrian Fund		22,000
	$	1,610,123

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 2019 fiscal year, the Town made a transfer from the General Fund to the Bike and Pedestrian Fund of $11,500 to match the portion contributed by the Bike and Pedestrian Fund per the terms of the project.

During the 2019 fiscal year, the Town made a transfer from the General Fund to the Future Beach Nourishment Fund of $400,000 for the funds allocated for use for future beach nourishment projects.

During the 2019 fiscal year, the Town made a transfer from the General Fund to the Golf Cart Infrastructure Improvements Fund of $18,000 for the accumulation of funds for future construction projects related to golf cart specific infrastructure.

During the 2019 fiscal year, the Town made a transfer from the General Fund of $2,500 to establish a new Special Events Fund for the annual Fall Fishing Tournament.

During the 2019 fiscal year, the Town made a one-time transfer of $1,975 to close the EMS Volunteer Fund to consolidate the committed fund balance within the General Fund for more efficient and streamlined financial reporting.

During the 2019 fiscal year, the Town made a one-time transfer of $174 to close the Special Drug Fund to consolidate the restricted fund balance within the General Fund for more efficient and streamlined financial reporting.

During the 2019 fiscal year, the Town made a transfer from the Eastern Emerald Isle Post-Florence Beach Nourishment Fund of $1,150,000 to the Future Beach Nourishment Fund, as the project was reclassified as nourishment necessary due to the effects of Hurricane Florence.

During the 2019 fiscal year, the Town made a one-time transfer of $3,689 to close the Beach Music Festival Fund to consolidate the assigned fund balance within the new Special Events Fund for more efficient and streamlined financial reporting.

During the 2019 fiscal year, the Town made a one-time transfer of $285 to close the Half Marathon Fund to consolidate the assigned fund balance within the new Special Events Fund for more efficient and streamlined financial reporting.

During the 2019 fiscal year, the Town made a one-time transfer from the Special Events Fund, raised by the annual Marathon event to the Bike and Pedestrian Fund of $22,000 to accumulate funds for the future construction of bicycle and pedestrian pathways throughout Town.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

D. Net Investment in Capital Assets

		Governmental
Capital assets	$	23,890,371
less: long-term debt		(1,659,028)
Net investment in capital asset	$	22,231,343

E. Fund Balance

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

Total fund balance - General Fund	$	3,192,866
Less:		
Stabilization by State Statute		1,462,460
Streets		175,551
Public Safety		3,621
EMS		2,007
Prepaid Expenses		9,662
LEO Special Separation Allowance		63,954
Remaining fund balance	$	1,475,611

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, 2019, 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, 2019. 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.

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 November 7, 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. As a result from the impacts of the storm, various Town owned structures and buildings incurred damage. Particularly affected were beach and sound access walkways, as well as loss of sand along the Town's 12-mile beach strand.

During FY 2019, the Town worked closely with the Federal Emergency Management Agency (FEMA) and identified agreed upon cost estimates to repair the Town's damaged property and renourish the Town's beach strand for a total of $50,030,630 across all projects. This cost estimate includes both actual expenditures through June 30, 2019, as well as planned expenditures for the next two – three fiscal years. The majority of this cost estimate is derived for the renourishment of the Town's beach strand in the amount of $46,401,061, with the balance of $3,629,569 estimated for other emergency response measures, debris removal, and repairs to damaged facilities.

During FY 2019 FEMA approved $2,178,506 of work performed during the fiscal year. Subsequent to that date FEMA has approved an additional $553,680 of reimbursable repairs. As of the financial statement date, the Town's remaining Hurricane Florence Projects are under FEMA's Environmental Planning and Historic Preservation Department and Expert Panel Review processes.

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 (LEOSSA)
- Schedule of Total Pension Liability as a Percentage of Covered Payroll (LEOSSA)
- Schedule of Changes in Total Pension Liability (RIA)
- Schedule of Total Pension Liability as a Percentage of Covered Payroll (RIA)

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

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Emerald Isle's proportion of the net pension liability (asset) (%)	0.0473%	0.0444%	0.0461%	0.0497%	0.0495%	0.0499%
Emerald Isle's proportion of the net pension liability (asset) ($)	$ 1,122,123	$ 678,920	$ 978,400	$ 215,288	$ (219,748)	$ 601,487
Emerald Isle's covered payroll	$ 3,105,746	$ 3,180,140	$ 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 payroll	36.13%	21.35%	36.34%	8.05%	-8.93%	20.80%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	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 Six Fiscal Years *

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 281,214	$ 239,737	$ 206,521	$ 183,610	$ 191,000	$ 189,681
Contributions in relation to the contractually required contribution	281,214	239,737	206,521	183,610	191,000	189,681
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Emerald Isle's covered payroll	$ 3,529,677	$ 3,105,746	$ 3,180,140	$ 2,692,600	$ 2,673,931	$ 2,459,431
Contributions as a percentage of covered payroll	7.97%	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 Five Fiscal Years *

Firefighters' and Rescue Squad Workers' Pension

	2019	2018	2017	2016	2015
Emerald Isle's proportionate share of the net pension liability (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Emerald Isle's proprotionate share of the net pension liability ($)	$ -	$ -	$ -	$ -	$ -
State's proportionate share of the net pension liability associated with Town of Emerald Isle	31,962	32,002	19,529	13,487	10,384
Total	$ 31,962	$ 32,002	$ 19,529	$ 13,487	$ 10,384
Emerald Isle's covered payroll	$ 761,680	$ 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	4.20%	4.53%	3.10%	2.20%	1.66%
Plan fiduciary net postion as a percentage of the total pension liability	84.94%	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, 2019 *

	2019	2018	2017
Beginning balance	$ 628,493	$ 552,844	$ 531,161
Service Cost	24,232	18,960	23,624
Interest on the total pension liability	19,510	20,912	18,801
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	56,742	27,352	-
Changes of assumptions or other inputs	(21,361)	30,574	(11,722)
Benefit payments	(22,149)	(22,149)	(9,020)
Other changes	-	-	-
Ending balance of the total pension liability	$ 685,467	$ 628,493	$ 552,844

* 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, 2019

	2019	2018	2017
Total pension liability	$ 685,467	$ 628,493	$ 552,844
Covered payroll	921,056	795,169	877,590
Total pension liability as a percentage of covered payroll	74.42%	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.

Town of Emerald Isle, North Carolina
Schedule of Changes in Total Pension Liability
Retiree Insurance Allowance
June 30, 2019

	2019
Beginning balance	$ -
Service cost	11,972
Interest on the total pension liability	7,257
Changes of assumptions or other inputs	(8,545)
Benefit payments	(1,200)
Other changes	230,247
Ending balance of the total pension liability	$ 239,731

* 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
Retiree Insurance Allowance
June 30, 2019

		2019
Total pension liability	$	239,731
Covered payroll		3,095,790
Total pension liability as a percentage of covered payroll		7.74%

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.

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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, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Collections of tax levy	$	$ 4,314,367	$
Penalties and interest		9,649	
Total	4,333,600	4,324,016	(9,584)
Unrestricted intergovernmental:			
Local option sales tax		2,044,691	
Utility sales tax		478,250	
Beer/wine tax		16,350	
Video programming		99,741	
Telecommunications tax		30,149	
ABC revenues		136,678	
Total	2,763,800	2,805,859	42,059
Restricted intergovernmental:			
Grants		501,112	
Powell Bill allocation		146,814	
Total	646,900	647,926	1,026
Permits and fees and assessments:			
Solid waste fees		1,498,647	
Building inspection fees		171,354	
Development fees		1,250	
CAMA permits		6,655	
Dunes and vegetation permits		2,670	
Beach vehicular permits		108,600	
Storm water permits		6,060	
Parking fees and fines/officer fees		168,020	
Solid waste disposal tax		2,650	
Reentry fees		38,190	
Golf cart permits		90,055	
Total	2,160,400	2,094,151	(66,249)
Sales and services:			
Recreation revenues		185,418	
EMS service fees		235,427	
Total	408,500	420,845	12,345
Investment earnings	$ 25,000	$ 25,948	$ 948

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, 2019

	Budget	Actual	Variance Positive (Negative)
Miscellaneous revenues:			
Insurance proceeds/refunds	$	$ 18,659	$
DOT mowing reimbursement		5,100	
Donations		81,193	
Miscellaneous		13,650	
Sale of surplus property		21,131	
Total	134,266	139,733	5,467
Total revenues	10,472,466	10,458,478	(13,988)
Expenditures:			
General government:			
Board of Commissioners:			
Salaries and benefits		63,067	
Professional services		10,498	
Other operating expenditures		16,110	
Total	98,906	89,675	9,231
Administration and finance:			
Salaries and employee benefits		505,884	
Other operating expenditures		97,014	
Total	627,554	602,898	24,656
Inspection:			
Salaries and benefits		98,021	
Other operating expenditures		65,398	
Total	184,270	163,419	20,851
Non-departmental:			
Contract services		456,789	
Other operating expenditures		17,250	
Total	819,531	474,039	345,492
Total general government	$ 1,730,261	$ 1,330,031	$ 400,230

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, 2019

	Budget	Actual	Variance Positive (Negative)
Public safety:			
Emergency medical services:			
Salaries and employee benefits	$	$ 548,064	$
Other operating expenditures		106,500	
Total	683,482	654,564	28,918
Police department:			
Salaries and employee benefits		1,530,446	
Other operating expenditures		202,342	
Capital outlay		100,913	
Total	1,860,412	1,833,701	26,711
Fire:			
Salaries and employee benefits		1,404,502	
Other operating expenditures		172,423	
Capital outlay		41,471	
Total	1,668,306	1,618,396	49,910
Total public safety	4,212,200	4,106,661	105,539
Environmental protection:			
Public works:			
Salaries and employee benefits		295,051	
Other operating expenditures		228,699	
Street maintenance		31,720	
Capital outlay		40,272	
Total	818,587	595,742	222,845
Solid waste:			
Salaries and employee benefits		193,114	
Other operating expenditures		1,305,744	
Total	1,510,630	1,498,858	11,772
Total environmental protection	$ 2,329,217	$ 2,094,600	$ 234,617

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, 2019

	Budget	Actual	Variance Positive (Negative)
Cultural and recreational:			
Parks and recreation:			
Salaries and employee benefits	$	$ 672,916	$
Other operating expenditures		231,265	
Capital outlay		176,853	
Total culture and recreation	1,162,579	1,081,034	81,545
Debt service:			
Principal		577,831	
Interest		54,678	
Total	632,509	632,509	-
Total expenditures	10,066,766	9,244,835	821,931
Revenues over (under) expenditures	405,700	1,213,643	807,943
Other financing sources (uses):			
Transfers:			
From Special Drug Fund		174	
From EMS Volunteer Fund		1,975	
To Special Events Fund		(2,500)	
To Golf Cart Improvement Fund		(18,000)	
To Bike and Pedestrian Fund		(11,500)	
To Future Beach Nourishment Fund		(400,000)	
Total other financing sources (uses)	(432,000)	(429,851)	2,149
Fund balance appropriated	26,300	-	(26,300)
Net change in fund balances	$ -	783,792	$ 783,792
Fund balances, beginning		2,409,074	
Fund balances, ending		$ 3,192,866	

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, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Benefit taxes	$ 274,500	$ 274,657	$ 157
Investment earnings	65,000	83,250	18,250
Total revenues	339,500	357,907	18,407
Revenues over (under) expenditures	339,500	357,907	18,407
Other financing sources (uses):			
Transfers:			
From General Fund	400,000	400,000	-
From Eastern EI Beach Nourishment Func	1,150,000	1,150,000	-
Proceeds from sale of property	200,000	200,000	-
Total other financing sources (uses)	1,750,000	1,750,000	-
Fund balance appropriated	(2,089,500)	-	2,089,500
Net change in fund balance	$ -	2,107,907	$ 2,107,907
Fund balance, beginning		2,120,793	
Fund balance, ending		$ 4,228,700	

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, 2019

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total to Date	Variance Positive (Negative)
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	1,045,000	1,045,000	-	1,045,000	-
Expenditures:					
Land acquisition	1,503,021	1,503,021	-	1,503,021	-
Park improvements	58,479	-	1,567	1,567	56,912
Miscellaneous	83,500	83,232	-	83,232	268
Total expenditures	1,645,000	1,586,253	1,567	1,587,820	57,180
Revenues over (under) expenditures	(600,000)	(541,253)	(1,567)	(542,820)	57,180
Other financing sources (uses):					
Installment purchase debt issued	600,000	600,000	-	600,000	-
Total other sources (uses)	600,000	600,000	-	600,000	-
Net change in fund balance	$ -	$ 58,747	(1,567)	$ 57,180	$ 57,180
Fund balance, beginning			58,747		
Fund balance, ending			$ 57,180		

Town of Emerald Isle, North Carolina
Eastern Emerald Isle Post-Florence Beach Nourishment Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
FEMA/NC DPS	$ 13,738,414	$ -	$ -	$ -	$ (13,738,414)
Carteret County	-	-	10,345,467	10,345,467	10,345,467
Total revenues	13,738,414	-	10,345,467	10,345,467	(3,392,947)
Expenditures:					
Design services	270,000	-	259,872	259,872	10,128
Construction	13,468,414	-	12,842,176	12,842,176	626,238
Total expenditures	13,738,414	-	13,102,048	13,102,048	636,366
Revenues over (under) expenditures	-	-	(2,756,581)	(2,756,581)	(2,756,581)
Other financing sources (uses):					
Transfers:					
From Future Beach Nour Fund	1,150,000	1,150,000	-	1,150,000	-
To Future Beach Nour Fund	(1,150,000)	-	(1,150,000)	(1,150,000)	-
Total other sources (uses)	-	1,150,000	(1,150,000)	-	-
Net change in fund balance	$ -	$ 1,150,000	(3,906,581)	$ (2,756,581)	$ (2,756,581)
Fund balance, beginning			1,150,000		
Fund balance, ending			$ (2,756,581)		

Town of Emerald Isle, North Carolina
Hurricane Florence Recovery Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ending June 30, 2019

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:					
Restricted intergovernmental:					
FEMA/NC DPS	$ 3,720,200	$ -	$ 2,178,506	$ 2,178,506	$ (1,541,694)
Insurance proceeds	11,200	-	35,930	35,930	24,730
Miscellaneous	1,600	-	2,183	2,183	583
Total revenues	3,733,000	-	2,216,619	2,216,619	(1,516,381)
Expenditures:					
Salaries and benefits	240,000	-	208,027	208,027	31,973
Repairs and maintenance	1,118,000	-	142,495	142,495	975,505
Equipment rental	100,000	-	76,627	76,627	23,373
Supplies	25,000	-	34,239	34,239	(9,239)
Debris removal and monitoring	2,250,000	-	2,146,567	2,146,567	103,433
Total expenditures	3,733,000	-	2,607,955	2,607,955	1,125,045
Revenues over (under) expenditures	-	-	(391,336)	(391,336)	(391,336)
Net change in fund balance	$ -	$ -	(391,336)	$ (391,336)	$ (391,336)
Fund balance, beginning			-		
Fund balance, ending			$ (391,336)		

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Non-Major Governmental Funds

Town of Emerald Isle, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2019

	Special Revenue Funds				
	Beach Music Festival Fund	**Special Drug Fund**	**Half Marathon Fund**	**EMS Volunteer Fund**	**Special Events Fund**
Assets:					
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ 16,383
Restricted cash and cash equivalents:	-	-	-	-	-
Total assets	$ -	$ -	$ -	$ -	$ 16,383
Liabilities:					
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ -	$ 7,253
Deferred Inflows of Resources:					
Unearned revenue	-	-	-	-	-
Fund balances:					
Assigned:					
Environmental protection	-	-	-	-	-
Culture and recreation	-	-	-	-	9,130
Total fund balances	-	-	-	-	9,130
Total liabilities, deferred inflows of resources and fund balances	$ -	$ -	$ -	$ -	$ 16,383

	Capital Project Funds			
	Bike and Pedestrian Project	Islander Dr WORA Improvements	Golf Cart Infrastructure Recovery Fund	Total Nonmajor Governmental Funds
Assets:				
Cash and cash equivalents	$ -	$ 88,494	$ 18,000	$ 122,877
Restricted cash and cash equivalents:	79,544	100,000	-	179,544
Total assets	$ 79,544	$ 188,494	$ 18,000	$ 302,421
Liabilities:				
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ 7,253
Deferred Inflows of Resources:				
Unearned revenue	-	100,000	-	100,000
Fund balances:				
Assigned:				
Environmental protection	-	88,494	-	88,494
Culture and recreation	79,544	-	18,000	106,674
Total fund balances	79,544	88,494	18,000	195,168
Total liabilities, deferred inflows of resources and fund balances	$ 79,544	$ 188,494	$ 18,000	$ 302,421

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, 2019

	Special Revenue Funds				
	Beach Music Festival Fund	**Special Drug Fund**	**Half Marathon Fund**	**EMS Volunteer Fund**	**Special Events Fund**
Revenues:					
Miscellaneous	$ -	$ -	$ -	$ -	$ 90,364
Total revenues	-	-	-	-	90,364
Expenditures:					
Current:					
Cultural and recreation	-	-	-	-	65,708
Capital outlay:					
Cultural and recreation	-	-	-	-	-
Environmental protection	-	-	-	-	-
Total expenditures	-	-	-	-	65,708
Revenues over (under) expenditures	-	-	-	-	24,656
Other financing sources (uses):					
Transfer from other Funds	-	-	-	-	6,474
Transfer to other Funds	(3,689)	(174)	(285)	(1,975)	(22,000)
Proceeds from land sale	-	-	-	-	-
Total other sources (uses)	(3,689)	(174)	(285)	(1,975)	(15,526)
Net change in fund balance	(3,689)	(174)	(285)	(1,975)	9,130
Fund balance, beginning	3,689	174	285	1,975	-
Fund balance, ending	$ -	$ -	$ -	$ -	$ 9,130

	Capital Project Funds			
	Bike and Pedestrian Project	Islander Dr WORA Improvements	Golf Cart Infrastructure Recovery Fund	Total Nonmajor Governmental Funds
Revenues:				
Miscellaneous	$ 8,497	$ -	$ -	$ 98,861
Total revenues	8,497	-	-	98,861
Expenditures:				
Current:				
Cultural and recreation	2,131	-	-	67,839
Capital outlay:				
Cultural and recreation	15,466	-	-	15,466
Environmental protection	-	8,360	-	8,360
Total expenditures	17,597	8,360	-	91,665
Revenues over (under) expenditures	(9,100)	(8,360)	-	7,196
Other financing sources (uses):				
Transfer from other Funds	33,500	-	18,000	57,974
Transfer to other Funds	-	-	-	(28,123)
Proceeds from land sale	-	87,008	-	87,008
Total other sources (uses)	33,500	87,008	18,000	116,859
Net change in fund balance	24,400	78,648	18,000	124,055
Fund balance, beginning	55,144	9,846	-	71,113
Fund balance, ending	$ 79,544	$ 88,494	$ 18,000	$ 195,168

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, 2019

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfers:			
To Special Events Fund	$	$ (3,689)	$
Total other sources (uses)	(3,689)	(3,689)	-
Fund balance appropriated	3,689	-	3,689
Net change in fund balance	$ -	(3,689)	$ (3,689)
Fund balance, beginning		3,689	
Fund balance, ending		$ -	

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, 2019

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfers:			
To General Fund	$	$ (174)	$
Total other sources (uses)	(174)	(174)	-
Fund balance appropriated	174	-	(174)
Net change in fund balance	$ -	(174)	(174)
Fund balance, beginning		174	
Fund balance, ending		$ -	

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, 2019

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfers:			
To Special Events Fund	$	$ (285)	$
Total other sources (uses)	(285)	(285)	-
Fund balance appropriated	285	-	285
Net change in fund balance	$ -	(285)	$ (285)
Fund balance, beginning		285	
Fund balance, ending		$ -	

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, 2019

	Budget	Actual	Variance Positive (Negative)
Other financing sources (uses):			
Transfer to other Funds	$	$ (1,975)	$
Total other sources (uses)	(1,975)	(1,975)	-
Fund balance appropriated	1,975	-	1,975
Net change in fund balance	$ -	(1,975)	$ (1,975)
Fund balance, beginning		1,975	
Fund balance, ending		$ -	

Town of Emerald Isle, North Carolina
Special Events Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ending June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Miscellaneous:			
Vendor fees	$ 56,500	$ 56,454	$ (46)
Sponsorships	27,450	14,250	(13,200)
T-shirt sales	500	4,660	4,160
Carteret County TDA	15,000	15,000	-
Total revenues	99,450	90,364	(9,086)
Expenditures:			
Operating	79,950	65,708	14,242
Total expenditures	79,950	65,708	14,242
Revenues over (under) expenditures	19,500	24,656	5,156
Other financing sources (uses):			
Transfers:			
From General Fund	2,500	2,500	-
From Beach Music Festival Fund	-	3,689	3,689
From Half Marathon Fund	-	285	285
To Bicycle and Pedestrian Fund	(22,000)	(22,000)	-
Total other sources (uses)	(19,500)	(15,526)	3,974
Fund balance appropriated	-	-	3,689
Net change in fund balance	$ -	9,130	$ 9,130
Fund balance, beginning		-	
Fund balance, ending		$ 9,130	

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, 2019

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:					
Miscellaneous:					
Entry fees	$ 33,836	$ 24,486	$ 8,288	$ 32,774	$ (1,062)
Donations	25,000	19,789	209	19,998	(5,002)
Total revenues	58,836	44,275	8,497	52,772	(6,064)
Expenditures:					
Miscellaneous	19,788	9,763	2,131	11,894	7,894
Construction	230,126	136,946	15,466	152,412	77,714
Total expenditures	249,914	146,709	17,597	164,306	85,608
Revenues over (under) expenditures	(191,078)	(102,434)	(9,100)	(111,534)	79,544
Other financing sources (uses):					
Transfers:					
From Coast Guard Road Multi-use Path	48,485	48,485	-	48,485	-
From Half Marathon Fund	162,000	140,000	22,000	162,000	-
From General Fund	22,593	11,093	11,500	22,593	-
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)	191,078	157,578	33,500	191,078	-
Net change in fund balance	$ -	$ 55,144	24,400	$ 79,544	$ 79,544
Fund balance, beginning			55,144		
Fund balance, ending			$ 79,544		

Town of Emerald Isle, North Carolina
Golf Cart Infrastructure Improvements Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Expenditures:					
Construction	$ 18,000	$ -	$ -	$ -	$ 18,000
Total expenditures	18,000	-	-	-	18,000
Revenues over (under) expenditures	(18,000)	-	-	-	18,000
Other financing sources (uses):					
Transfers:					
From General Fund	18,000	-	18,000	18,000	-
Total other sources (uses)	18,000	-	18,000	18,000	-
Net change in fund balance	$ -	$ -	18,000	$ 18,000	$ 18,000
Fund balance, beginning			-		
Fund balance, ending			$ 18,000		

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, 2019

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:					
Restricted intergovernmental:					
NC Dept of Commerce	$ 100,000	$ -	$ -	$ -	$ (100,000)
Total revenues	100,000	-	-	-	(100,000)
Expenditures:					
Construction	263,846	-	8,360	8,360	255,486
Total expenditures	263,846	-	8,360	8,360	255,486
Revenues over (under) expenditures	(163,846)	-	(8,360)	(8,360)	155,486
Other financing sources (uses):					
Transfers:					
From CPO-Islander Dr.	9,846	9,846	-	9,846	-
Proceeds from land sale	154,000	-	87,008	87,008	66,992
Total other sources (uses)	163,846	9,846	87,008	96,854	66,992
Net change in fund balance	$ -	$ 9,846	78,648	$ 88,494	$ 88,494
Fund balance, beginning			9,846		
Fund balance, ending			$ 88,494		

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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, 2019

Fiscal Year	Uncollected Balances June 30, 2018	Additions	Collections and Credits	Uncollected Balances June 30, 2019
2018-2019	$ -	$ 4,614,187	$ (4,576,501)	$ 37,686
2017-2018	19,545	-	(10,665)	8,880
2016-2017	4,892	-	(1,482)	3,410
2015-2016	1,328	-	(371)	957
2014-2015	1,040	-	(322)	718
2013-2014	650	-	(7)	643
2012-2013	781	-	(25)	756
2011-2012	413	-	-	413
2010-2011	1,003	-	(2)	1,001
2009-2010	204	-	(25)	179
2008-2009	27	-	(27)	-
	$ 29,883	$ 4,614,187	$ (4,589,427)	$ 54,643

Less: allowance for uncollectible accounts - General Fund	(13,516)
Ad valorem taxes receivable - net	$ 41,127

Reconciliation with revenues:

Ad valorem taxes - General Fund	$ 4,324,016
Ad valorem taxes - Future Beach Nourishment Special Revenue Fund	274,657
Reconciling items:	
Interest collected	(9,649)
Discounts, releases, and other credits	403
Subtotal	(9,246)
Total collections and credits	$ 4,589,427

Town of Emerald Isle, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2019

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	$ 2,790,183,871	0.155	$ 4,324,785	$ 4,213,266	$ 111,519
Special District Taxes	-	0.040	275,531	275,531	-
Total	2,790,183,871		4,600,316	4,488,797	111,519
Discoveries:					
Current and prior years	21,723,226		33,671	33,671	-
Releases:					
Current and prior years	(12,774,194)		(19,800)	(19,800)	-
Total property valuation	$ 2,799,132,903				
Net levy			4,614,187	4,502,668	111,519
Uncollected taxes at June 30, 2019			(37,686)	(37,686)	-
Current year's taxes collected			$ 4,576,501	$ 4,464,982	$ 111,519
Current levy collection percentage			99.18%	99.16%	100.00%

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Statistical Section
Unaudited

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Statistical Section
Unaudited

Description of the Statistical Schedules

Contents **Pages**

Financial Trends 93-96

These schedules contain trend information to assist users in understanding and assessing how the Town's financial position has changed over time.

Revenue Capacity 97-100

These schedules contain information to assist users in understanding and assessing the factors affecting the Town's ability to generate its own-source revenues.

Debt Capacity 101-104

These schedules present information to assist users in understanding and assessing the Town's debt burden and its ability to issue additional debt.

Demographic and Economic Information 105-107

These schedules offer demographic and economic information to assist users in understanding the environment within which the Town operates.

Operating Information 108-110

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.

Sources: Unless otherwise noted, the information in theses 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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental Activities / Primary Government:										
Net investment in capital assets	$ 22,231,343	$ 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
Restricted	5,870,332	4,088,443	3,246,185	2,519,657	1,907,088	1,923,224	712,156	2,446,655	914,076	12,807
Unrestricted	(2,582,672)	719,897	576,443	1,458,257	900,941	710,031	1,177,156	1,145,179	3,117,680	3,263,737
Total governmental activities / primary government net position	$ 25,519,003	$ 27,080,556	$ 23,164,099	$ 22,498,262	$ 21,003,943	$ 18,790,065	$ 18,409,873	$ 18,923,263	$ 17,482,533	$ 14,172,407

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses										
Governmental Activities:										
General government	$ 1,412,150	$ 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
Public safety	4,396,689	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
Environmental protection	17,925,600	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
Cultural and recreation	1,304,694	1,370,841	1,277,024	1,165,017	774,486	1,108,279	880,615	897,567	750,860	234,078
Economic and physical development		-	-	-	-	-	-	-	23,055	927,040
Interest on long-term debt	51,007	42,470	52,197	63,059	74,032	42,924	64,857	101,164	175,995	282,275
Total expenses	$ 25,090,140	$ 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
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	$ 90,258	$ 74,682	$ 54,537	$ 50,091	$ 41,275	$ 32,017	$ 22,720	$ 16,260	$ 140,891	$ 5,655
Public safety	457,847	303,822	222,669	330,039	249,428	279,029	227,246	258,725	88,361	115,258
Environmental protection	1,514,032	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
Cultural and recreation	534,070	547,578	431,061	260,847	239,799	183,543	151,321	135,151	191,449	147,009
Operating grants and contributions	2,841,432	262,193	474,494	227,824	199,991	169,336	158,202	536,825	204,719	170,692
Capital grants and contributions	10,345,467	2,785,421	8,783	245,472	860,700	240,360	8,457,159	912,482	821,472	2,374,134
Total program revenues	$ 15,783,106	$ 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
Net (Expense) / Revenue										
Total governmental activities / primary government net expense	$ (9,307,034)	$ (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)
General Revenues										
Governmental Activities:										
Property taxes	$ 4,618,981	$ 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
Local option sales tax	2,044,691	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
Other taxes and licenses	761,168	732,331	744,382	633,718	594,313	344,135	340,656	336,665	822,806	511,385
Unrestricted grants and contributions	81,193	51,604	150	51,823	117,820	189,797	181,517	203,403	-	-
Unrestricted investment earnings	109,198	60,939	18,368	5,490	1,560	213	2,678	3,878	20,941	10,288
Miscellaneous	130,250	56,999	39,986	49,603	47,898	36,155	62,633	40,360	-	-
Special items	-	-	-	-	-	-	-	-	-	-
Total program revenues	$ 7,745,481	$ 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
Change in Net Position										
Total governmental activities / primary government change in net position	$ (1,561,553)	$ 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

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011 [1]	2010
General Fund:										
Non-spendable	$ 9,662	$ 9,000	$ 15,765	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restricted	1,641,632	815,501	741,027	697,405	695,281	790,964	692,784	678,533	914,076	-
Committed	65,961	63,954	63,954	63,954	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	24,009	-	-
Unassigned	1,475,611	1,520,619	1,358,642	1,517,455	1,385,327	1,359,281	1,414,169	1,348,675	981,088	-
Reserved	-	-	-	-	-	-	-	-	-	565,964
Unreserved	-	-	-	-	-	-	-	-	-	1,245,643
Total general fund	$ 3,192,866	$ 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
All other government funds:										
Non-spendable	$ -	$ 4,650	$ 7,650	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restricted	4,228,700	3,272,942	2,505,158	1,822,252	1,211,807	1,132,260	19,372	1,768,122	-	-
Assigned	252,348	124,022	101,533	131,203	128,519	139,742	83,866	86,824	-	-
Unassigned	(3,147,917)	(961)	-	-	-	-	(278,665)	-	2,465,687	-
Reserved	-	-	-	-	-	-	-	-	-	(1,245)
Unreserved	-	-	-	-	-	-	-	-	-	2,135,818
Total all other governmental funds	$ 1,333,131	$ 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

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues:										
Ad valorem taxes	$ 4,598,673	$ 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
Other taxes and licenses	-	-	-	-	-	-	6,020	14,659	14,001	14,289
Unrestricted intergovernmental	2,805,859	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
Restricted intergovernmental	13,210,012	1,307,193	316,529	383,399	995,258	637,430	8,272,299	1,396,005	1,013,493	2,522,746
Permits and fees	2,094,151	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
Sales and services	420,845	212,873	167,771	146,081	135,652	125,455	151,321	135,151	139,622	147,009
Investment earnings	109,198	60,939	18,368	5,490	1,560	213	2,678	6,552	20,941	10,288
Miscellaneous	238,594	198,789	448,237	202,422	186,072	128,171	189,784	153,881	268,813	404,579
Total revenues	23,477,332	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
Expenditures:										
Current:										
General government	$ 1,330,031	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
Public safety	3,964,277	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
Environmental protection	17,715,138	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
Economic development	-	-	-	-	-	-	-	-	852,220	3,970,129
Cultural and recreational	972,020	1,074,071	992,130	1,070,113	933,934	1,019,278	749,525	651,744	699,922	690,629
Capital Outlay	434,095	2,106,259	825,289	323,701	1,620,843	2,278,418	10,061,936	1,436,252	-	-
Debt service:										
Principal	577,831	513,963	787,558	595,925	582,542	224,229	1,181,282	1,440,294	2,430,543	2,777,555
Interest and other charges	54,678	42,913	59,557	68,022	78,191	22,260	98,084	118,635	187,611	278,995
Total expenditures	25,048,070	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
Excess (Deficiency) of revenues over (under) expenditures	(1,570,738)	415,998	561,460	747,580	(87,390)	(1,364,279)	(1,974,637)	(606,842)	414,671	(1,663,985)
Other Financing Sources (Uses):										
Transfers from other funds	1,610,123	1,636,453	847,414	778,411	674,362	128,831	1,701,688	134,641	511,133	158,316
Transfers to other funds	(1,610,123)	(1,636,453)	(847,414)	(778,411)	(674,362)	(128,831)	(1,701,688)	(134,641)	(511,133)	(158,316)
Proceeds from sale of property	287,008	-	-	-	-	-	-	-	-	-
Issuance of debt	-	600,000	-	-	86,077	2,855,000	-	152,154	-	792,178
Total other financing sources (uses)	287,008	600,000	-	-	86,077	2,855,000	-	152,154	-	792,178
Net change in fund balance	$ (1,283,730)	$ 1,015,998	$ 561,460	$ 747,580	$ (1,313)	$ 1,490,721	$ (1,974,637)	$ (454,688)	$ 414,671	$ (871,807)
Debt service as a percentage of noncapital expenditures	2.57%	6.46%	9.67%	8.06%	8.39%	3.21%	7.20%	18.08%	28.14%	30.92%

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)
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%
2019	2,799,132,903	0.155	3,080,031,804	90.88%

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 avove 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 98 for more information.

(7) Sales assessement 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		
2010	0.070	(1)	0.011	0.081	0.230	0.311
		(2)	0.162	0.232		0.462
2011	0.080	(1)	0.011	0.091	0.230	0.321
		(2)	0.162	0.242		0.472
2012	0.115	(1)	0.015	0.130	0.300	0.430
		(2)	0.045	0.160		0.460
2013	0.115	(1)	0.015	0.130	0.290	0.420
		(2)	0.045	0.160		0.450
2014	0.125	(1)	0.015	0.140	0.290	0.430
		(2)	0.045	0.170		0.460
2015	0.140	(1)	0.000	0.140	0.300	0.440
		(2)	0.030	0.170		0.470
2016	0.155	(1)	0.000	0.155	0.300	0.455
		(2)	0.040	0.195		0.495
2017	0.155	(1)	0.000	0.155	0.310	0.465
		(2)	0.040	0.195		0.505
2018	0.155	(1)	0.000	0.155	0.310	0.465
		(2)	0.040	0.195		0.505
2019	0.155	(1)	0.000	0.155	0.310	0.465
		(2)	0.040	0.195		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

	2019			2010		
Taxpayer	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	0.31%	$ 7,421,746	4	0.17%
Watsons, Inc.	7,015,215	2	0.25	8,700,000	2	0.20
Carteret Craven Electric Management Cooperative	6,706,650	3	0.24	6,029,023	5	
McCabe and Company d/b/a	5,848,000	4	0.21			0.00
Publix North Carolina LP	4,375,817	5	0.16			0.00
McCabe and Company d/b/a	3,929,577	6	0.14			
The Stanley Corporation	3,089,924	7	0.11			
Werner, Thomas E Etux Deborah	2,741,586	7	0.10			
Thatsawful, LLC	2,730,538	8	0.10			
Bogue Fishing Pier, Inc.	2,617,486	10	0.09			
Maritime Siblings LLC				9,894,092	1	
Watersedge Corporation d/b/a				8,689,202	3	
Surfside Realty Company, Inc.				3,786,750	6	0.09
Seaside Siblings, LLC				3,717,437	7	0.09
Santoni, Crista				3,712,929	8	0.09
Stanley, Joseph Michael				3,560,456	9	0.08
Herring, Gene F Etux Faye				3,356,243	10	0.08
	$ 47,804,793		1.71%	$ 58,867,878		1.38%

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
2010	$ 5,230,886	$ 5,201,280	99.43%	$ 29,427	$ 5,230,707	100.00%
2011	5,667,835	5,626,940	99.28%	39,894	5,666,834	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%	27,831	4,112,531	99.98%
2014	4,430,349	4,409,097	99.52%	20,609	4,429,706	99.99%
2015	4,441,488	4,429,183	99.72%	11,587	4,440,770	99.98%
2016	4,486,669	4,477,230	99.79%	8,482	4,485,712	99.98%
2017	4,519,449	4,503,342	99.64%	12,697	4,516,039	99.92%
2018	4,559,350	4,539,805	99.57%	10,665	4,550,470	99.81%
2019	4,614,187	4,576,501	99.18%	-	4,576,501	99.18%

Source: Town of Emerald Isle Finance Department

Town of Emerald Isle, North Carolina
Legal Debt Margin Information
June 30, 2019

Total Assessed Valuation	$ 2,799,132,903
Legal Debt Margin:	
Debt Limit 8% of Total Assessed Value	223,930,632
Amount of Debt Applicable to Debt Limit	1,659,028
Legal Debt Margin	$ 222,271,604

Town of Emerald Isle, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019

	Debt Outstanding	Percentage Applicable to Town [1]	Amount Applicable to Town
Direct:			
Town of Emerald Isle	$ 1,659,028	100.00%	$ 1,659,028
Overlapping:			
Carteret County	30,646,617	18.54%	5,682,801
	$ 32,305,645		$ 7,341,829

Town's assessed value	$ 2,799,132,903
County's assessed value	$ 15,095,364,194

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)
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%	-
2019	-	-	-	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)
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
2019	-	1,659,028	1,659,028	3,797	437		6,735	246

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)
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
2019	3,797	4.66%	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 (unadjusted rate - 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

	2019			2010		
Employer	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	3	
Wal-Mart Associates, Inc.	250-499	4		250-499	4	
Lowes Home Improvements	250-499	5		-	-	
Carteret Community College	250-499	6		250-499	5	
Big Rock Sports, LLC	250-499	7		100-249	9	
Food Lion	250-499	8		100-249	8	
Lowes Food Stores	100-249	9		100-249	10	
Bally Refrigerated Boxes, Inc.	100-249	10		-	-	
SSA Security, Inc.				250-499	6	
NC Dept of Environmental				250-499	7	

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 Employement 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)
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%
2019	7,689,128	1.50%

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 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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Full-time										
General Government:										
Administration	5	5	5	5	5	5	5	5	5	5
Planning and Inspections	1	1	1	1	1	3	3	3	3	3
Public Safety:										
Police	19	19	19	18	18	19	19	19	21	21
Fire	17	17	14	14	14	14	14	14	14	14
EMS	8	7	-	-	-	-	-	-	-	-
Environmental Protection:										
Public Works	5	5	5	5	5	5	5	5	5	5
Solid Waste	4	4	4	4	3	3	2	2	2	2
Culture and Recreation:										
Parks and Recreation	10	10	9	8	8	8	7	7	8	8
Total	69	68	57	55	54	57	55	55	58	58
Part-time/Seasonal										
General Government:										
Administration		-	-	-	-	1	1	1	2	1
Planning and Inspections		-	-	-	-	1	1	1	1	1
Public Safety:										
Police	22	22	20	18	17	14	14	14	10	8
Fire	28	28	23	23	21	21	21	20	14	14
EMS	30	23	-	-	-	-	-	-	-	-
Environmental Protection:										
Public Works	-	-	-	-	-	-	-	-	1	1
Solid Waste	1	1	1	1	1	-	1	1	1	1
Culture and Recreation:										
Parks and Recreation	40	40	38	38	37	37	35	34	27	26
Total	121	114	82	80	76	74	73	71	56	52
Inmate Laborers										
Parks Maintenance	2	2	2	2	2	2	2	2	2	-
Public Works	4	4	4	4	4	4	4	4	4	3
Total	6	6	6	6	6	6	6	6	6	3

Source: Town of Emerald Isle Administration

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Public Safety:										
Police dispatch calls answered	14,004	12,782	13,697	12,509	8,481	8,457	8,574	9,432	9,108	7,133
Fire calls answered	1,272	1,122	1,073	965	917	866	807	822	798	816
EMS calls involving transport	398	474	476	396	420	399	403	386	N/A	N/A
Transportation (Streets and Highways):										
Miles of streets maintained	45.50	45.50	45.50	45.50	45.50	45.50	45.5	45.54	45.54	45.54
Environmental Protection (Solid Waste):										
Refuse collected (tons)	3,805	3,426	3,435	3,356	3,275	3,259	3,279	3,414	3,392	3,371
Recyclables collected (tons)	704	764	764	774	823	723	657	632	627	591

Source: Town of Emerald Isle Administration

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Public Safety:										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of police vehicles	22	22	22	22	20	21	21	21	21	21
Number of police beach patrol UTV units	2	2	2	2	3	2	2	2	2	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	5	4	4	3	3	2	2	2	2	2
Number of rescue boats	1	1	1	1	1	1	1	1	1	1
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	2	-	-	-	-	-	-	-	-
Transportation (Streets and Highways):										
Miles of streets maintained	45.50	45.50	45.50	45.50	45.50	45.50	45.5	45.54	45.54	45.54
Environmental Protection (Solid Waste):										
Number of yard waste trucks	2	2	2	2	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	12	11	11	10	10	10	10	10	9
Miles of bicycle and pedestrian path	11.20	11.20	11.20	11.00	11.00	11.00	5.80	5.10	4.90	4.40

Source: Town of Emerald Isle Administration

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Compliance Section

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S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2019, 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 November 7, 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.

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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
November 7, 2019

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Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance;
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 Federal Program

We have audited the Town of Emerald Isle's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Emerald Isle's major federal programs for the year ended June 30, 2019. The Town of Emerald Isle's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal statutes and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Emerald Isle's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the 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 federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Emerald Isle's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

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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 federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of 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 Town of Emerald Isle's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the 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 Town of Emerald Isle's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

S. Preston Douglas & Associates, LLP

Lumberton, North Carolina
November 7, 2019

Town of Emerald Isle, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes ___X___ no
- Significant deficiency(s) identified that are not considered to be material weaknesses _____ yes ___X___ none reported
- Noncompliance material to financial statements _____ yes ___X___ no

Federal Awards

Internal control over major federal programs

- Material weakness(es) identified? ____ yes ___X___ no
- Significant deficiency(s) identified that are not considered to be material weaknesses ____ yes ___X___ no

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ____ yes ___X___ no

Identification of major federal programs:

Names of Federal Program or Cluster	CFDA Numbers
Disaster Grants – Public Assistance Program	97.036

Dollar threshold used to distinguish between Type A And Type B programs $750,000

Auditee qualified as low-risk auditee? ___X___ yes ___ no

Section II. Financial Statement Findings

None reported

Section III. Federal 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, 2019

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:				
Direct Programs:				
US Department of Homeland Security				
Staffing for Adequate Fire and Emergency Response	97.083		$ 127,665	$ -
Pass Through:				
US Department of Homeland Security				
North Carolina Department of Public Safety				
Disaster Grants - Public Assistance Program	97.036	FEMA-4393-DR-NC	1,633,880	544,626
State Grants:				
Direct Programs:				
North Carolina Department of Public Safety				
Office of Recovery and Resiliency				
State Grants for Financially Distressed Local Governments		S.L. 2018-136	-	370,000
Total assistance			$ 1,761,545	$ 914,626

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, 2019. 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.