Town of Emerald Isle,
North Carolina

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2016

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Town of Emerald Isle, North Carolina
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June 30, 2016

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INTRODUCTORY SECTION

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Nice Matters!

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Emerald Isle, NC 28594

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Mayor
Eddie Barber

Mayor Pro-Tem
Floyd Messer, Jr.

Board of Commissioners
Candace Dooley
Steve Finch
Jim Normile
Maripat Wright

Town Manager
Frank A. Rush, Jr.
frush@emeraldisle-nc.org

October 31, 2016

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, 2016, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures within this report rests with the management of the Town of Emerald Isle. The financial statements and supplemental schedules contained herein have been audited by the independent certified public accounting firm of Williams • Scarborough • Smith • Gray, LLP and their unqualified opinion is included in the financial section of the Comprehensive Annual Financial Report.

The Town of Emerald Isle provides a full range of services to its citizens. General Fund services include police, fire, planning and inspections, public works, parks and recreation, and various other services. The Town's significant beach nourishment activities are reflected in the Future Beach Nourishment Fund, and the Town also utilizes several capital projects 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, 2016. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

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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 andduplex 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, 2015 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 approximately $2.7 billion, and represents about 20% of the total Carteret County taxable value. Emerald Isle has the largest tax base of any municipality in Carteret County, and exceeds the combined tax base of the main permanent population center in the Morehead City / Beaufort / Newport area of Carteret County. Housing units are perhaps a better indicator of the size and complexity of the Town, and according to the 2010 census, there are more than 6,700 housing units in the Town, with approximately 5,000 of these serving as second homes or vacation rental units. During the peak of the summer season, Emerald Isle's population is estimated at more than 40,000 people.

There are 21 oceanfront municipalities in North Carolina, and Emerald Isle ranks at or near the top of nearly all measures of size – including permanent population, 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, sanitation, street maintenance, storm water management, parks and recreation, beach and water access, bicycle and pedestrian paths, and beach nourishment. Emergency medical services are provided by a non-profit corporation (utilizing a combination of paid and volunteer staff) under contract to the Town. These Town services are supported by an administrative staff, which provides supervision, finance, tax administration, risk management, data processing, and personnel services.

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

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

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

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

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

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

Public Works – The department's primary objectives are to promote the functionality, safe use, and aesthetics of the Town's infrastructure. The department 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

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structure is designed to provide reasonable, but not absolute, assurance that the objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. Internal control evaluations occur within the above framework, and we believe the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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

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

Economic Outlook for the Town of Emerald Isle

The local economy is fueled by the tourism, construction, and real estate industries, and also by the accumulated wealth of our many retirees and second home owners. Additionally, the close proximity of MCB Camp Lejeune and MCAS Cherry Point also fuels economic growth in our area.

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

The Town relies on several key indicators to gauge the status of the local economy and the likely impacts on the Town's budget and financial position, and all of the key indicators indicate significant growth in the past decade (despite the recession in late 2000s) and continue to trend up for the foreseeable future. Room occupancy tax revenues continue to increase significantly, with FY 2016 room occupancy tax collections representing the highest collections in history. Sales tax collections also continue to increase annually. FY 2016 sales tax collections increased 2.3% over the prior year, reflecting increased spending by our permanent residents and second homeowners, and also increased tourism activity. After experiencing several down-years, the local construction industry appears to be experiencing modest increases, and the continued improvement in the regional and national economies should promote additional new investment in Emerald Isle and the entire area. Real estate values also appear to have finally stabilized, and the Town's total assessed value is expected to continue to grow in the future. Finally, the stock market continues to experience record highs, which is providing additional disposable income for our numerous retirees, further enhancing the local economy.

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

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

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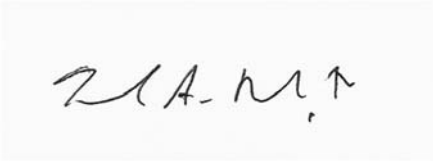
order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable program requirements.

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

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

Respectfully submitted,



Frank A. Rush, Jr.

Town Manager

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Town of Emerald Isle, North Carolina
List of Principal Officials
June 30, 2016

BOARD OF COMMISSIONERS

Honorable Eddie Barber, Mayor

Floyd Messer, Jr., Mayor Pro Tem

Candace Dooley

Steve Finch

Jim Normile

Maripat Wright

ADMINISTRATION

Frank A. Rush, Jr., Town Manager

Laura E. Rotchford / Finance Director

Rhonda C. Ferebee, Town Clerk / Human Resources Officer

Jeffrey D. Waters, Police Chief

William W. Walker, Fire Chief

John "Artie" Dunn, Public Works Director

Josh Edmondson, Town Planner

Alesia F. Sanderson, Parks and Recreation Director

Richard L. Stanley, Town Attorney

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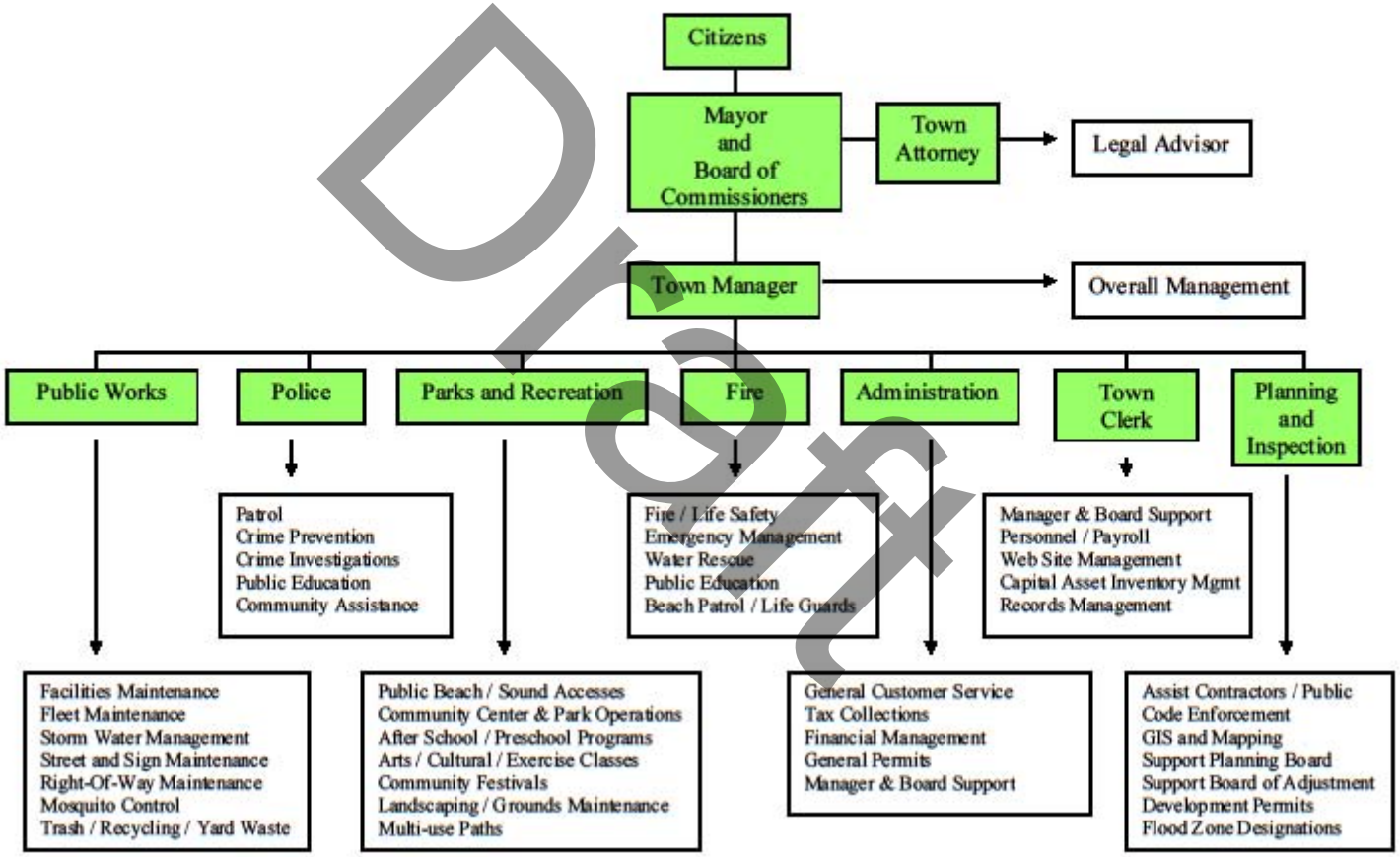
Town of Emerald Isle
Organizational Chart



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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, 2015

Executive Director/CEO

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FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Emerald Isle, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Managements' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Emerald Isle, North Carolina as of June 30, 2016, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund, and the Future Beach Nourishment Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion on pages 21 through 33, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on page 78 and 79, respectively, the Local Government Employees' Retirement System's Schedule of Proportionate Share of the Net Pension Asset and Contributions, on page 80 and 81, respectively, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express such an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Emerald Isle, North Carolina's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary

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schedules, other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016, on our consideration of the Town of Emerald Isle, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Town of Emerald Isle, North Carolina's internal control over financial reporting and compliance.

Williams Scarborough Smith & Gray, LLP

Williams · Scarborough · Smith · Gray, LLP
New Bern, North Carolina
October 31, 2016

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Management Discussion and Analysis

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Nice Matters!

Town of Emerald Isle
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Emerald Isle, NC 28594

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Mayor
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Town Manager
Frank A. Rush, Jr.
frush@emeraldisle-nc.org

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 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, 2016. 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 $3,585,232 of cash and cash equivalents on hand as of June 30, 2016. The Town also had net receivables of $41,126 and $75,724 of restricted cash and cash equivalents as of June 30, 2016. Additionally, a total of $717,135 was due from other governments, which is primarily comprised of sales and utility taxes earned during the 4th quarter.

- The Town had total capital assets, net of depreciation of $21,458,729 as of June 30, 2016. The bulk of these assets are land, buildings, and other improvements in the community. During FY 2016 the Town completed construction of the New Welcome Center project, the Senator Jean Preston Memorial Park & Playground, and acquired several replacement vehicles and equipment, adding to total net capital assets.

- The Town's total liabilities as of June 30, 2016 were $3,709,447. Accounts payable and accrued liabilities represent $191,363 of this amount. A total of $2,938,381 of this amount is the Town's outstanding loans as of June 30, 2016.

- The Town reported net position of $22,498,263 as of June 30, 2016. Total net position increased by $1,430,565. The increase is attributed to the annual payment of principal on the installment purchase obligations related to capital assets, as well as the annual increase to the Beach Nourishment Fund, through the collection of special district property taxes held for the purpose of future beach renourishment.

- The Town had total revenues of $9,701,639 across all funds during FY 2016. The Town had total expenditures of $8,954,059 across all funds during FY 2016, resulting in an overall increase in fund balance of $747,580. Additions to the Future Beach Nourishment's fund balance of $705,884 are associated with reserve funds for future beach nourishment activities, however, the Future Bach Nourishment Fund transferred $276,000 to the Capital Project Fund for the completion of the New Welcome Center. This transfer of fund balance will be repaid to the Future Beach Nourishment Fund annually by the Carteret County Tourism Development Authority over a ten-year period for the construction of the New Welcome Center.

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- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $4,232,270, an increase in comparison to the prior year. Overall increases to fund balance were related to lower than anticipated expenditures in the General Fund, as well as the annual increase in the Future Beach Nourishment Fund from the collection of special district property taxes held for the purpose of future beach renourishment. The General Fund, the Town's primary annual operating fund, had total revenues of $9,057,830 and total expenditures of $8,503,304 during FY 2016. After transfers to other funds for capital projects of ($25,814) and for the Future Beach Nourishment Fund of ($402,429) as well as a transfer from the Coast Guard Road Bicycle Path Extension Project of $8,168 the Town's General Fund balance increased by $134,451.

- As of June 30, 2016, the Town's General Fund had a total fund balance of $2,278,814, of which a total of $1,517,455 is classified as unassigned fund balance.

- The total General Fund balance of $2,278,814 is equal to 25.5% of total General Fund expenditures during FY 2016 ($8,931,547, including transfers out). This percentage is up from the previous year (23.5%), due to two key factors; 1) lower than anticipated expenditures overall, and 2) slightly higher than anticipated revenues in the area of permits and fees. Total General Fund balance represents 25.0% percent of the FY 16-17 adopted budget of $9,103,200 (including transfers out).

- The total unassigned General Fund balance amount of $1,517,455 is equal to 16.98% of total General Fund expenditures during FY 2016 ($8,931,547, including transfers out). Unassigned General Fund balance represents 16.67% of the FY 16-17 adopted budget of $9,103,200 (including transfers out).

- The Town's Future Beach Nourishment Fund had a year-end fund balance of $1,821,465, as the Town collected another year of special district property taxes that are reserved for future beach nourishment activities.

- The Town's total loans outstanding at June 30, 2016 is $2,938,381. This includes four (4) existing installment purchase agreements. The Town's total outstanding debt is equal to approximately 0.11% of the Town's total assessed valuation at June 30, 2016, which remains a very low percentage.

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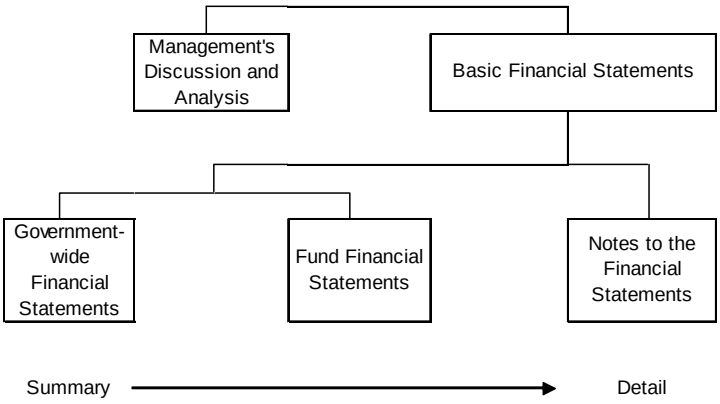
Overview of the Financial Statements

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 three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the fiduciary fund statements.

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

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 the General Statutes and the Town's budget ordinance. All of the funds of the Town of Emerald Isle can be divided into two categories: governmental funds and fiduciary funds, as the Town does not utilize any proprietary funds.

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Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's services and programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Proprietary Funds - The Town of Emerald Isle does not utilize any proprietary funds. Public water is supplied by a separate public non-profit corporation for the Town's residents and property owners. The Town does not operate a sanitary sewer system, as all of the structures in Town are served by either private on-site wastewater (septic) systems or small package treatment plants that are maintained by property owner associations. Electricity is provided by a regional electric cooperative.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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. The Town utilizes one fiduciary fund which is an agency fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

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Government-Wide Financial Analysis

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

Net Position

As noted in Figure 2 below, the Town had an officially reported net position of $22,498,263 as of June 30, 2016. The Town's net position increased by $1,430,565 for the fiscal year ended June 30, 2016, due primarily to an increase in the net investment of capital assets, as well as the collection of special district property taxes that are reserved for future, as-yet-unscheduled beach nourishment activities. The Town maintains the Future Beach Nourishment Fund to reserve funds for future activities, and added a net total of $429,884 to fund balance in this fund during FY 2016.

The Town's current assets (cash and cash equivalents, net receivables, due from other governments, and restricted cash) were $4,697,217 as of June 30, 2016. This amount includes $3,585,232 of unrestricted cash and cash equivalents across all Town funds, and an additional $75,724 of restricted cash and cash equivalents, primarily attributable to capital projects still in progress at June 30, 2016. This amount also includes $717,135 due from other governments, which is primarily the 4th quarter earnings of sales tax and utility tax distributions. The Town's capital assets total $21,458,729, which is a decrease of $271,491 over the prior year. The investment in new vehicle and equipment additions were offset by annual depreciation expense, resulting in a minor decrease.

The Town's total liabilities decreased by $477,541 during FY 2016 to $3,709,447. This decrease is evident from the repayment of principal on the Town's existing installment debt, while the Town did not issue any additional debt during FY 2016.

Finally, the Town implemented GASB Statement 73 this year. With the implementation of this accounting change, the Town had previously reported assets for the Law Enforcement Officers' Special Separation Allowance (LEOSSA), within a separate Fiduciary Fund, specifically a Pension Trust Fund, in the financial statements. Because the Town's assets held for LEOSSA are not held in a GASB defined trust, the Town has made a necessary accounting change in FY 2016. These assets are now reflected in the General Fund as Committed Fund Balance.

Town of Emerald Isle's Net Position

Figure 2

	Governmental Activities	
	2016	2015
Current and other assets	$ 4,697,217	$ 3,989,407
Capital assets	21,458,729	21,730,220
Total assets	26,155,946	25,719,627
Deferred outflows of resources	183,610	191,000
Long-term liabilities outstanding	3,709,447	3,534,306
Other liabilities	477,541	652,682
Total liabilities	4,186,988	4,186,988
Deferred inflows of resources	131,846	719,683
Net position:		
Net investment in capital assets	18,520,348	18,195,914
Restricted	2,519,658	1,907,088
Unrestricted	1,458,257	900,954
Total net position	$ 22,498,263	$ 21,003,956

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Changes in Net Position

As noted in Figure 3 below, the Town had total revenues of $9,694,0688 across all activities, and had total expenses of $8,263,503 during the year ended June 30, 2016, resulting in an increase in the Town's net position of $1,430,565. The Town's total FY 2016 revenues decreased over FY 2015 due to the completion of capital grant funded projects in 2015. Expenses increased over FY 2015, primarily due to increased operating expenses, recognition of pension expenses related to the Local Governmental Employees' Retirement System, and a slight increase in depreciation expense.

The increase in net position in FY 2016 is primarily associated with the accumulation of reserve funds in the Future Beach Nourishment Fund. As there are no current expenses required for beach nourishment activities, and the Town added $705,844 to the Fund from the collection of Primary Benefit District Taxes and the transfer from General Fund. Additionally, actual expenditures in the General Fund were lower than budget, resulting in an addition to fund balance, and ultimately overall net position.

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

	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	$ 2,272,615	$ 2,034,443
Operating grants and contributions	227,824	199,991
Capital grants and contributions	245,472	860,700
General revenues:		
Property taxes	4,499,943	4,442,231
Local option sales tax	1,707,580	1,668,520
Other taxes and licenses	633,718	594,313
Unresticted grants and contributions	51,823	117,820
Unrestricted investment earnings	5,490	1,560
Miscellaneous	49,603	47,898
Total revenues	9,694,068	9,967,476
Expenses:		
General government	1,352,365	1,472,440
Public safety	3,408,496	3,244,183
Environmental protection	2,274,566	2,188,457
Cultural and recreation	1,165,017	774,486
Interest on long-term debt	63,059	74,032
Total expenses	8,263,503	7,753,598
Increase (decrease) in net position	1,430,565	2,213,878
Net position, beginning, as previously reported	21,003,943	18,790,065
Restatement for accounting change	63,755	-
Net position beginning, as restated	21,067,698	-
Net position, ending	$ 22,498,263	$ 21,003,943

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Capital Assets

As of June 30, 2016, the Town of Emerald Isle's investment in capital assets, net of depreciation totaled $21,458,729, a decrease of $271,491 over the previous year. These assets include buildings, construction in progress, furniture and equipment, improvements, land, and vehicles. During FY 2015, the Town completed several capital projects, whereas in FY 2016 the Town's primary capital investment was in smaller investments of replacement vehicles, and equipment. The Town's notable capital project for FY 2016 was the Senator Jean Preston Playground, a $272,104 capital project, primarily funded by a capital grant, and donations.

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

	Governmental Activities	
	2016	2015
Land	$ 11,689,810	$ 11,689,810
Construction in progress	8,775	576,020
Buildings	2,257,650	2,322,553
Improvements	6,164,725	6,034,586
Furniture and equipment	467,824	264,595
Vehicles and motorized equipment	869,945	842,656
	$ 21,458,729	$ 21,730,220

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

Long-Term Debt

As of June 30, 2016, the Town of Emerald Isle had total outstanding installment purchase obligations of $2,938,381. This amount is comprised of four installment financing agreements as described below:

The Town issued $1.4 million in installment debt during 2013 to refinance previous installment debts, and the remaining balance at June 30, 2016 was $716,561. 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 with the first payment in FY 2015. The Town also issued $455,000 for the purchase of a new Fire truck in FY 2014 over a 5-year term, with the first payment in FY 2015. 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, with the first payment due in FY 2016. The annual interest rates for these debts are 1.59% for the 2013 refinancing, 2.17% for the bicycle path and storm water projects, 1.63% for the new Fire truck, and 0.82% for the vacant lot.

Town of Emerald Isle's Outstanding Debt
Figure 5

	Governmental Activities	
	2016	2015
Installment notes	$ 2,938,381	$ 3,534,306
Pension liabilities	378,219	-
	$ 3,316,600	$ 3,534,306

The Town's formal policy on debt limits the use of debt to real property purchases, major capital projects, and major equipment purchases (fire apparatus, heavy equipment, etc.), and the Town is fortunate to have a low debt level. The Town's total outstanding debt of $2,938,381 is equal to 0.11% of the Town's total assessed valuation of approximately $2.7 billion as of June 30, 2016. This debt ratio is extremely low, as NC General Statutes allow a local government to issue debt up to 8.00% of the total assessed valuation, and local governments in NC with the greatest amount of debt are often in the 1.00% - 2.00% range. The Town's legal debt margin is in excess of $237 million, a figure that the Town will never realistically approach.

The remainder of the Town's long-term obligations are comprised of net pension liabilities. 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 $215,288 for FY 2016. Additionally, the Town administers the Law Enforcement Officers Special Separation Allowance (LEOSSA), a single-employer defined benefit pension plan, for its eligible sworn law enforcement officers. The Town's net pension liability for the LEOSSA is $162,931 for FY 2016.

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

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Financial Analysis of Individual Funds

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

General Fund

The General Fund is the Town's primary operating fund, and had $8,931,547 of total expenditures ($8,503,304) and transfers out ($428,243) in the year ending June 30, 2016. Total revenues were $9,057,830 including a minimal transfer in from a capital project, resulting in a $134,451 increase in General Fund balance.

Property tax revenues continue to represent the Town's largest General Fund revenue source, at $4,225,675, or approximately 46% of total revenues. Sales tax revenues remain the Town's second largest General Fund revenue source, with a total of $1,707,580 representing 18% of total revenues. Solid waste service fees are the Town's third largest General Fund revenue source, at $1,489,308 representing 16% of total revenues. Combined, these three revenue sources make up 81% of total General Fund revenues for the fiscal year ended June 30, 2016.

Public safety expenditures (Police, Fire, and EMS) continue to comprise the largest portion of the General Fund, at $3,354,543, or approximately 37% of total General Fund expenditures and transfers out. Other notable expenditures include Solid Waste ($1,564,817) and Parks and Recreation ($943,559).

As of June 30, 2016, total General Fund balance is $2,278,814, an increase of $134,447 over the prior year's fund balance. The overall increase in fund balance, is associated with lower than anticipated expenditures, along with a slight increase in development permit revenues and other fees. The Town's total General Fund balance is equal to 25.5% of total General Fund expenditures (including transfers out) for FY 2016. This percentage is up from the previous year (23.5%), due to the increase in fund balance, as well as a slight decrease in transfers out to the Future Beach Nourishment Fund and other capital project funds. It is important to note that beginning in FY 2015 the General Fund included a significant transfer to the Future Beach Nourishment Fund (special district property taxes were previously credited directly to that fund), which results in the appearance of a larger General Fund total expenditure and affects the fund balance % calculation. For FY 2016 the transfer from the General Fund to the Future Beach Nourishment Fund was $402,429, and if that transfer had not been factored in this calculation, the fund balance % would have been 26.7%. Total General Fund balance represents 25.0% percent of the FY 2017 adopted budget of $9,103,200 (including transfers out).

The total unassigned General Fund balance amount of $1,517,455 is equal to 16.98% of total General Fund expenditures during FY 2016. Unassigned General Fund balance also represents 16.67% of the FY 2017 adopted budget of $9,103,200 (including transfers out). The $402,429 transfer to the Future Beach Nourishment Fund has the same impact on this fund balance % calculation as described above. These percentages are slightly lower than desired, however, the Town's total General Fund balance and unassigned General Fund balance levels continue to increase slightly each year, and the Town has never experienced any cash-flow difficulties in past years, even during periods with significant hurricane impacts. Additionally, the Town has had and will likely continue to have significant fund balances in other Town funds (notably beach nourishment reserve funds) in the future that could be used to address any short-term cash-flow emergencies if necessary. Finally, the Town's elected officials have historically and continue to place a high priority on the proper balance between the Town's fund balance needs and respect for our taxpayers by not holding an excessive amount of their money in reserve.

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Future Beach Nourishment Fund

FY 2016 was the fifth year of existence for the Future Beach Nourishment Fund, and this fund will continue to be utilized in the future to accumulate reserve funds for the Town's future beach nourishment projects. The Town's goal is to accumulate sufficient reserve funds over time in order to avoid the issuance of new debt for future projects.

The Future Beach Nourishment Fund had no expenses during the fiscal year, and at June 30, has a fund balance of $1,821,465. During FY 2015, the Town's Commissioners authorized the use of an interfund loan between the Future Beach Nourishment Fund and the Welcome Center Capital Project Fund in the amount of $276,000 to finance the construction of the new Welcome Center. During FY 2016, construction was completed, and the Town's Commissioners amended the Capital Project Fund Budget Ordinance to reclassify the interfund loan to a transfer from the Future Beach Nourishment Fund. The Commissioners also amended the budget to appropriate lease revenue directly to the Future Beach Nourishment Fund, to repay the original interfund loan of $276,000. The Town has leased the Welcome Center building to the Carteret County Tourism Development Authority for a period of ten years. Monthly lease revenue payments began on September 1, 2015, and this revenue will continue to replenish the one-time transfer of fund balance.

Other Funds

The Town utilized several other funds during the fiscal year ended June 30, 2016, most of which are capital project funds established to segregate revenues and expenditures associated with these projects over multiple fiscal years.

During FY 2016, two capital project funds which were established in prior years, were complete at year end. The capital project for the Coast Guard Road Bicycle Path Extension had a residual fund balance following completion of the project. Those remaining funds were transferred to a new capital project fund for the construction of NC 58 Traffic Signal Poles, and the new fund is described in more detail below. Also, during FY 2016 the New Welcome Center Capital project was finalized. This project budget was amended by the Board of Commissioners during the fiscal year and is funded by a transfer from the Future Beach Nourishment Fund. The newly constructed building is being leased by the Carteret County Tourism Development Authority (TDA), and the lease payments will repay the cost of construction funded by the transfer from the Future Beach Nourishment Fund.

While none of the active capital project funds meet the criteria to be reported as a major fund for the fiscal year, the following non-major capital projects were utilized by the Town during FY 2016:

- the Senator Jean Preston Memorial Playground capital project fund was created during FY 2015 for the construction of a playground to honor the legacy of the late Senator Preston. The inclusive playground has been constructed immediately adjacent to the Emerald Isle Public Boating Access Area, and was funded by a capital grant from Trillium Health Resources along with donations from the community. The project is substantially complete, and has a fund balance of $7,844 at year end to be utilized for additional park improvements.

- 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 $66,599, as of June 30, 2016. The fund will be primarily 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 2016, the fund invested in the installation of decorative lights along the path in the downtown area, as well as improvements to sidewalks, and the purchase of a small decorative statue placed near the path.

- the Osprey Ridge Storm Water Pump capital project fund was created for the design and construction of a new storm water pump station to alleviate street flooding on Osprey Ridge Drive. The project is funded by a transfer from the General Fund. Initial design work began in late FY 2016, and the project has a fund balance of $19,624 at fiscal year-end.

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- the NC 58 Traffic Signal Pole capital project fund was established to reserve $36,000, the Town's match, for a future installation of new steel traffic signal poles, at specific intersections in Emerald Isle by the North Carolina Department of Transportation (NCDOT). The Town has submitted a request for funding from NCDOT in the amount of $684,000, and these funds will be appropriated, if approved, at a later date. The project is funded by a transfer from the remaining fund balance of the capital project for the Coast Guard Road Bicycle Path Extension, which is now complete. No expenditures were incurred for the project during FY 2016.

The Town also utilizes a special revenue fund, The Special Drug Fund to account for restricted Police revenues and expenditures for Police equipment. The Special Drug Fund has a total fund balance of $788 as of June 30, 2016, and these restricted funds will be used for eligible Police equipment in future fiscal years.

The Town established the Half-Marathon Fund, a special revenue fund, in FY 2014. This fund was established to account for revenues and expenditures associated with an annual road race organized by a volunteer committee and held in March each year. Total fund revenues were used for race expenditures and excess race proceeds were distributed to the Bicycle and Pedestrian capital project fund, as well as charitable organizations, as determined by the volunteer race committee.

Finally, the Town utilizes a fiduciary fund, specifically and agency fund, to account for Homeowner's Recovery Fees collected by the Town's building permit process and subsequently disbursed on a quarterly basis to the North Carolina Licensing Board of General Contractors.

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FY 2016 Budget Administration

The Board of Commissioners adopted the FY 2016 budget in June 2015 after a thoughtful and analytical review process over the previous several months.

The total adopted FY 2016 budget for both the General and Future Beach Nourishment Funds was $9,574,939 which represented a $438,824, or 4.8% increase over the adopted FY 2015 budget for both funds. FY 2016, was a property tax revaulation year, with an overall property valuation decrease of nearly 10%. The adopted budget incorporated a General Fund property tax rate of 15.50 cents, an increase of 1.5 cents over the previous fiscal year. This adopted tax rate, however was a revenue-neutral calculated tax rate. As in the prior fiscal year, the General Fund rate also included 1.5-cents associated with Future Beach Nourishment. This amount is factored directly into the transfer from the General Fund to the Future Beach Nourishment Fund. The revenue-neutral property tax rate adopted for the special district (oceanfront and inlet-front properties) was 4.0 cents for FY 2016, an increase of 1.0 cent over the prior fiscal year. The taxes collected for the special district are recognized directly in the Future Beach Nourishment Fund and are restricted for the purpose of beach renourishment.

During the FY 2016 budget process, the service demands of the solid waste program were evaluated, and a fee increase was adopted from $210 per year to $228 per year per residential household. This fee increase resulted in a budgetary revenue increase of $129,875, and was appropriated to cover additional expenditures, particularly related to yard debris removal services.

The adopted FY 2016 budget included a total General Fund budget of $8,902,435, a $448,307, or 5.30% increase over the adopted FY 2015 budget. Overall increases to the FY 2016 budget were attributed to an increase in solid waste services specifically by adding a new yard debris collection truck and associated staffing, a 2% cost of living adjustment for all Town employees, increases in health insurance premiums for full-time employees, and overall inflationary increases in all Town departments. During the course of FY 2016, the General Fund budget was amended several times, resulting in a final amended FY 2016 budget of $9,071,323.

In addition to several budget amendments in various Town department budgets, the most significant amendments increased the General Fund budget by $21,875 for consulting fees for the Town's Land Use Plan; a $25,000 appropriation to transfer funds for the creation of the Osprey Ridge Storm Water Pump capital project; and an additional $29,000 for expenditures related to yard debris removal.

Several special and capital project funds were also established and/or amended during FY 2016. This included amending the Half Marathon Fund, the Bicycle and Pedestrian Fund, and the Welcome Center Capital Project Fund; and the creation of both the Osprey Ridge Storm Water Pump and the NC 58 Traffic Signal Pole Capital Project Funds.

Economic Factors and FY 2017 Budget Highlights

The local economy continues to be fueled by the tourism, construction, and real estate industries, and also by the accumulated wealth of our many retirees and second home owners. The Town considers several economic factors which 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 2016, North Carolina experienced a moderate but steady decline in unemployment rates, along with Carteret County. As of June 30, 2016, North Carolina was at 4.9% unemployment, down about just under 1.0% from the prior year, while Carteret County also reported the same rate of 4.9%.

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 2016, North Carolina reported taxable retail sales up $625.2 million over the prior year. The Town receives its sales tax revenues via a complicated formula that is based on state-wide sales tax collections, relative population changes, local sales tax collections, and local property tax levies. Overall, FY 2016 sales tax distributions to Carteret County were up 5.7%, and for the Town distributions were up 2.3%.

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 approximately 63% of all room occupancy tax revenues in Carteret County. The Town does not receive any revenue from room occupancy taxes levied in Emerald Isle, as these revenues revert to Carteret County and are reserved for tourism promotion and beach nourishment activities that ultimately benefit Emerald Isle. The room occupancy tax figures are useful, however, for gauging the strength of the local tourism industry. Room occupancy tax collections at the end of FY 2016 were up just over 5% compared to FY 2015, and results show an overall moderate but steady trend upward over the past 10 years.

With these key economic factors considered, the Town's FY 2017 adopted budgets total $9,782,387 for both the General and Future Beach Nourishment Funds, a $207,448, or 2.1% increase from the originally adopted FY 2016 budgets. The FY 2017 adopted budget maintains the Town's high service levels and quality, while also maintaining the same tax rate and fee structure as FY 2016.

The Town's adopted FY 2017 General Fund budget is $9,103,200, which equates to a $448,307 increase (or 2.2%) over the adopted FY 2016 General Fund budget. Since FY 2014, the General Fund rate has included 1.5 cents dedicated for beach renourishment, and this calculation derived an $400,000 budgeted transfer from the General Fund to the Future Beach Nourishment Fund. Although no rate increases were adopted, budgeted revenues were increased in three key areas: utility sales tax distributions; property tax revenues; and increases in permits and fees. Although indications show growth in the area of taxable retail sales, the Town conservatively budgeted local option sales tax revenues only slightly above actual FY 2016 distributions. Utility sales tax distributions continue to be strong since FY 2015, and were budgeted $99,300 over the FY 2016 adopted budget. Modest growth is anticipated in the tax base due to new construction during FY 2016. The FY 2017 budget included $35,758 in additional property tax revenues. Finally, as the trends of positive

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economic growth have been reflected in the FY 2016 actual results in the area of building permit fees, beach driving and golf cart permit fees, the Town adopted an increase in these revenue lines over the prior year budget of $70,000.

The adopted FY 2017 General Fund budget anticipates a total of $4,242,000 of property tax revenues, $1,749,000 of sales tax revenues, and $1,496,500 of annual solid waste fee revenues. Combined, these 3 revenue sources represent nearly 82% of General Fund revenues. On the expenditure side, public safety (Police, Fire, and EMS) and solid waste expenses represent nearly 38% of General Fund expenditures. The FY 2017 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 2017 General Fund budget is structurally sound, and the Town does not anticipate any unmanageable budget deficits in the coming months. The FY 2017 budget includes approximately $167,500 in transfers to capital projects, including the Osprey Ridge Storm Water Pump project, increases in the police department for a community resources officer; increases in the lifeguard program; additional funding for small capital improvements and purchases; and a 1% cost of living adjustment for Town employees.

Finally, the total adopted budget for the Future Beach Nourishment Fund was $679,187 for FY 2017. The budget includes the anticipated receipt of $271,703 of special district property taxes from oceanfront and inlet-front property owners, and also the $400,000 transfer from the General Fund that will be reserved for future, undetermined beach nourishment projects. Additionally, a small but increasing amount of interest revenue 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.

Requests for Information

This report is designed to provide an overview of the Town of Emerald Isle's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Frank A. Rush, Jr. Town Manager (frush@emeraldisle-nc.org) or Laura Rotchford, Finance Director (lrotchford@emeraldisle-nc.org) at 252-354-3424 or the email addresses listed. Additional information about the Town's activities is available at our website, www.emeraldisle-nc.org.

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Basic Financial Statements

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Town of Emerald Isle, North Carolina **Exhibit 1**

Statement of Net Position

June 30, 2016

	Primary Government	
	Governmental Activities	
ASSETS		
Current assets:		
Cash and cash equivalents	$	3,585,232
Restricted cash and cash equivalents		75,724
Receivables (net)		41,126
Lease receivable		278,000
Due from other governments		717,135
Total current assets		4,697,217
Non Current Assets:		
Capital assets (Note 4):		
Land and construction in progress		11,698,585
Other capital assets, net of depreciation		9,760,144
Total capital assets		21,458,729
Total assets		26,155,946
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan in current fiscal year		183,610
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	$	191,763
Current portion of long term liabilities		621,122
Total current liabilities		812,885
Long-term liabilities:		
Net pension liability		378,219
Due in more than one year		2,518,343
Total liabilities		3,709,447
DEFERRED INFLOW OF RESOURCES		
Pension deferrals		131,846
Lease receivable		-
Total deferred inflows of resources		131,846
NET POSITION		
Net investment in capital assets		18,520,348
Restricted for		
Stabilization by State Statute		697,405
Public safety		788
Environmental protection		1,821,465
Unrestricted		1,458,257
Total net position	$	22,498,263

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

Town of Emerald Isle, North Carolina **Exhibit 2**

Statement of Activities

For the Year Ended June 30, 2016

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	$ 1,352,365	$ 50,091	$ -	$ -	$ (1,302,274)
Public safety	3,408,496	330,039	11,404	-	(3,067,053)
Environmental protection	2,274,566	1,631,638	181,471	-	(461,457)
Cultural and recreation	1,165,017	260,847	34,949	245,472	(623,749)
Interest on long-term debt	63,059	-	-	-	(63,059)
Total governmental activities	$ 8,263,503	$ 2,272,615	$ 227,824	$ 245,472	$ (5,517,592)

General revenues:	
Taxes:	
Property taxes, levied for general purpose	4,499,943
Local option sales tax	1,707,580
Other taxes and licenses	633,718
Unrestricted grants and contributions	51,823
Unrestricted investment earnings	5,490
Miscellaneous	49,603
Total general revenues	6,948,157
Change in net position	1,430,565
Net position, beginning, previously reported	21,003,943
Restatement	63,755
Net position, beginning, restated	21,067,698
Net position, ending	$ 22,498,263

Draft

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

Town of Emerald Isle, North Carolina **Exhibit 3**

Balance Sheet

June 30, 2016

	Major Funds			
	General Fund	**Future Beach Nourishment Special Revenue Fund**	**Non-Major Funds**	**Total Governmental Funds**
ASSETS				
Cash and cash equivalents	$ 1,700,916	1,821,465	$ 62,851	$ 3,585,232
Restricted cash and cash equivalents	-	-	75,724	75,724
Taxes receivable, net	14,863	615	-	15,478
Accounts receivables, net	24,824	-	-	24,824
Lease receivable	29,600	248,400	-	278,000
Due from other governments	717,135	-	-	717,135
Total assets	$ 2,487,338	$ 2,070,480	$ 138,575	$ 4,696,393
LIABILITIES				
Accounts payable and accrued liabilities	164,061	$ -	$ 6,584	$ 170,645
Total liabilities	164,061	-	6,584	170,645
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	14,863	615	-	15,478
Lease receivable	29,600	248,400	-	278,000
Total deferred inflows of resources	44,463	249,015	-	293,478
FUND BALANCES				
Restricted:				
Stabilization by State Statute	697,405	-	-	697,405
Public safety	-	-	788	788
Environmental protection	-	1,821,465	-	1,821,465
Committed:				
LEO Special Separation Allowance	63,954			63,954
Assigned:				
Environmental protection	-	-	19,624	19,624
Public works	-	-	36,000	36,000
Culture and recreation	-	-	75,579	75,579
Unassigned	1,517,455	-	-	1,517,455
Total fund balances	2,278,814	1,821,465	131,991	4,232,270
Total liabilities, deferred inflows of resources and fund balances	$ 2,487,338	$ 2,070,480	$ 138,575	$ 4,696,393

Draft

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

Town of Emerald Isle, North Carolina **Exhibit 3**
Balance Sheet
June 30, 2016

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

Total fund balances, Governmental Funds	$ 4,232,270
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,458,729
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	15,478
Net pension liability	(378,219)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	183,610
Other long-term assets (accrued interest from taxes and long-term receivables) are not available to pay current period expenditures and therefore are deferred in the funds.	278,824
Pension related deferrals	(131,846)
Long-term liabilities, including, accrued interest, compensated absences and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	(3,160,583)
Net position of governmental activities	$ 22,498,263

Draft

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

Town of Emerald Isle, North Carolina **Exhibit 4**

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds			
	General Fund	Future Beach Nourishment Special Revenue Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Ad valorem taxes	$ 4,225,675	$ 271,963	$ -	$ 4,497,638
Restricted intergovernmental	158,388	-	225,011	383,399
Unrestricted intergovernmental	2,452,440	-	-	2,452,440
Permits and fees	2,014,169	-	-	2,014,169
Sales and services	146,081	-	-	146,081
Investment earnings	1,598	3,892	-	5,490
Miscellaneous	59,479	27,600	115,343	202,422
Total revenues	9,057,830	303,455	340,354	9,701,639
EXPENDITURES				
Current:				
General government	1,279,520	-	-	1,279,520
Public safety	3,354,543	-	500	3,355,043
Environmental protection	2,261,735	-	-	2,261,735
Cultural and recreation	943,559	-	126,554	1,070,113
Capital outlay:				
Cultural and recreation	-	-	323,701	323,701
Debt service:				
Principal	595,925	-	-	595,925
Interest and other charges	68,022	-	-	68,022
Total expenditures	8,503,304	-	450,755	8,954,059
Excess (deficiency) of revenues over expenditures	554,526	303,455	(110,401)	747,580
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	8,168	402,429	367,814	778,411
Transfers to other funds	(428,243)	(276,000)	(74,168)	(778,411)
Total other financing sources (uses)	(420,075)	126,429	293,646	-
Net change in fund balance	134,451	429,884	183,245	747,580
Fund balance, beginning as previously reported	2,080,608	1,391,581	(51,254)	3,420,935
Restatement	63,755	-	-	63,755
Fund balance, beginning as restated	2,144,363	1,391,581	(51,254)	3,484,690
Fund balance, ending	$ 2,278,814	$ 1,821,465	$ 131,991	$ 4,232,270

Draft

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

Town of Emerald Isle, North Carolina **Exhibit 4**

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

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

Net changes in fund balances - total governmental funds		$ 747,580
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	457,270	
Capital outlay expenditures which were recorded as lease receivable	276,814	
Depreciation expense for governmental assets	(717,806)	
		16,278
Cost of capital assets disposed of during the year, not recognized on modified accrual basis		(10,950)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		183,610
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in accrued taxes receivable		(63)
Change in unavailable revenue for tax revenues		2,372
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		595,925
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		4,363
Pension expense		(110,202)
Accrued interest payable		4,963
Net pension obligation (LEO)		(3,311)
Total changes in net position of governmental activities		$ 1,430,565

Draft

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

Town of Emerald Isle, North Carolina **Exhibit 5**

General Fund and Annually Budgeted Major Funds

Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget to Actual

For the Year Ended June 30, 2016

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	$ 4,206,242	$ 4,206,242	$ 4,225,675	$ 19,433
Restricted intergovernmental	164,800	164,800	158,388	(6,412)
Unrestricted intergovernmental	2,410,500	2,487,532	2,452,440	(35,092)
Permits and fees	1,895,400	1,940,775	2,014,169	73,394
Sales and services	181,100	153,500	146,081	(7,419)
Investment earnings	500	500	1,598	1,098
Miscellaneous	27,100	54,993	59,479	4,486
Total revenues	8,885,642	9,008,342	9,057,830	49,488
Expenditures:				
Current:				
General government	1,301,423	1,326,787	1,279,520	47,267
Public safety	3,397,095	3,414,886	3,354,543	60,343
Environmental protection	2,198,893	2,271,393	2,261,735	9,658
Cultural and recreation	911,766	966,067	943,559	22,508
Debt service:				
Principal retirement	623,525.00	595,925	595,925	-
Interest and other charges	69,733.00	68,022	68,022	-
Total expenditures	8,502,435	8,643,080	8,503,304	139,776
Revenues over (under) expenditures	383,207	365,262	554,526	189,264
Other Financing Sources (Uses):				
Transfers from other funds	16,793	16,793	8,168	(8,625)
Transfers to other funds	(400,000)	(420,075)	(428,243)	(8,168)
	(383,207)	(403,282)	(420,075)	(16,793)
Fund balance appropriated	-	38,020	-	(38,020)
Net change in fund balance	$ -	$ -	$ 134,451	$ 134,451
Fund balance, beginning as previously reported			2,080,608	
Restatement			63,755	
Fund balance, beginning as restated			2,144,363	
Fund balance, ending			$ 2,278,814	

Draft

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

Future Beach Nourishment Special Revenue Fund

Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
270,043	$ 270,043	$ 271,963	$ 1,920
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2,461	32	3,892	3,860
-	27,600	27,600	-
272,504	297,675	303,455	5,780
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
272,504	297,675	303,455	5,780
400,000	402,429	402,429	-
-	(276,000)	(276,000)	-
400,000	126,429	126,429	-
(672,504)	(424,104)	-	424,104
$ -	$ -	$ 429,884	$ 429,884
		1,391,581	
		-	
		1,391,581	
		$ 1,821,465	

Draft

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

Town of Emerald Isle, North Carolina **Exhibit 6**

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

	Agency Fund
ASSETS	
Cash and cash equivalents	$ 963
LIABILITIES	
Accounts payable and accrued liabilities	$ 963
NET POSITION	
Assets held in trust for pension benefits	$ -

Draft

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

Notes to the Financial Statements

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I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish the *governmental activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds including fiduciary fund. Separate statements for each fund category – *governmental and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

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

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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.

The Town reports the following non-major governmental funds:

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

Capital Project Funds. These funds account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The Town had the following non-major capital project funds: The Osprey Ridge Storm Water Pump Project Fund, the NC 58 Traffic Signal Project Fund, the Bike and Pedestrian Project Fund, the Jean Preston Memorial Playground Project Fund, the Welcome Center Project Fund, and the Coast Guard Road Bicycle Path Extension Project Fund..

The Town reports the additional following fund types:

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

C. Measurement Focus and Basis of Accounting

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

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus, with the exception of Agency Funds. Due to the custodial nature or Agency Funds, there is no measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual 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.

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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. 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 sales 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. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Future Beach Nourishment Special Revenue Fund, the Special Drug Fund, and the Half Marathon Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Osprey Ridge Storm Water Pump, the NC 58 Traffic Signal Project, the Bike and Pedestrian Project, the Jean Preston Memorial Playground Project, the Welcome Center Project, and the Coast Guard Road Bicycle Path Extension Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. The Town Manager is authorized to transfer appropriations within each department; however, any revision that alters total departmental expenditures must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing body must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

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3. Restricted Assets

The Bike and Pedestrian Project as well as the Jean Preston Memorial Playground have received specific donations for their particular project. The special drug fund can only be used for certain approved expenditures provided by the funding source.

Town of Emerald Isle Restricted Cash

Non-Major Funds		
	Special Drug Fund	$ 788
	Bike and Pedestrian Project	66,599
	Jean Preston Memorial Playground	8,337
Total Restricted Cash		$ 75,724

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, 2014.

5. Allowance for Doubtful Accounts

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs for the Town's assets are $5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network that was acquired or that received substantial improvements and are reported at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Draft

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category - property taxes receivable, lease receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

8. Long-Term Obligations

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

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

Draft

9. 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.

10. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Emerald Isle's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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

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.

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11. Pensions

For purposes of measuring the net pension asset, 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.

II. Stewardship, Compliance, and Accountability

No issues relating to stewardship, compliance, and accountability for the Town.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to

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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, 2016, the Town's deposits had a carrying amount of $2,247,758 and a bank balance of $2,444,787. Of the bank balance, $500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2016, the Town's petty cash fund totaled $1,993. The fiduciary funds had a cash balance of $64,212.

2. Investments

At June 30, 2016, the Town had $1,213,733 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no formal policy regarding interest rate risk or credit risk.

3. Receivables

Receivables at the government-wide level at June 30, 2016, were as follows:

	Accounts	Taxes Receivable	Accrued Interest Receivable	Total
Governmental Activities:				
General	$ 24,824	$ 19,588	$ 824	$ 45,236
Future Beach Nourishment	-	615	-	615
Total receivables	24,824	20,203	824	45,851
Allowance for doubtful accounts	-	(4,725)	-	(4,725)
Total-governmental activities	$ 24,824	$ 15,478	$ 824	$ 41,126

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4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 11,689,810	$ -	$ -	$ 11,689,810
Construction in Progress	576,020	332,476	899,721	8,775
Total capital assets not being depreciated	12,265,830	332,476	899,721	11,698,585
Capital assets being depreciated:				
Buildings	3,245,146	276,814	276,814	3,245,146
Improvements	7,164,444	476,814	33,747	7,607,511
Furniture and equipment	1,699,066	249,859	331,494	1,617,431
Vehicles and motorized equipment	2,865,619	297,842	53,078	3,110,383
Total capital assets being depreciated	14,974,275	1,301,329	695,133	15,580,471
Less accumulated depreciation for:				
Buildings	922,593	64,903	-	987,496
Improvements	1,129,858	337,699	24,771	1,442,786
Furniture and equipment	1,434,471	44,651	329,515	1,149,607
Vehicles and motorized equipment	2,022,963	270,553	53,078	2,240,438
Total accumulated depreciation	5,509,885	717,806	407,364	5,820,327
Total capital assets being depreciated, net	9,464,390			9,760,144
Governmental activity capital assets, net	$ 21,730,220			$ 21,458,729

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

General government	$ 65,410
Public safety	227,556
Environmental protection	193,725
Cultural and recreation	231,115
Total depreciation expense	$ 717,806

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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.

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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, 2015, was 7.410% of compensation for law enforcement officers and 7.070% 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 $183,609 for the year ended June 30, 2015.

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, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Town reported a liability of $215,288 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset 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, 2015, the Town's proportion was 0.04947%, which was a decrease of 0.003% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of $110,202. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 50,604
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	61,291
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	19,951
Town contributions subsequent to the measurement date	183,609	-
Total	$ 183,609	$ 131,846

$ 191,000 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	$ (77,107)
2017	(77,107)
2018	(77,008)
2019	99,376
2020	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 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, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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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. 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, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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 7.25%. 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.

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Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of net pension liability (asset)	$ 1,501,219	$ 215,286	$ (868,084)

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 Officers Special Separation Allowance

1. Plan Description.

The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2015 the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	17
Total	18

A separate report was not issued for the plan.

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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 67 and 68:

- Contributions to the pension plan and earning on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. The Town has partially funded the obligation through contributions in prior years. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2015 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85%. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial liability is being amortized on the level dollar method on a closed basis. The remaining amortization period at December 31, 2015 was 15 years.

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

Annual required contribution	$ 42,859
Interest on net pension obligation	7,058
Adjustment to annual required contribution	(12,405)
Annual pension cost	37,512
Contributions made	15,746
Increase (decrease) in net pension obligation	21,766
Net pension obligation beginning of year	141,165
Net pension obligation end of year	$ 162,931

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	$ 20,410	99.30%	$ 134,079
2015	27,353	74.09%	141,165
2016	37,512	41.98%	162,931

4. Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was $531,161 and the actuarial value of assets was $0.00, resulting in an unfunded actuarial liability of (UAAL) of $531,161. The covered payroll (annual payroll of active employees covered by the plan) was $877,590, and the ratio of the UAAL to the covered payroll was 60.52 percent.

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees

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

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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. The Town has also elected to contribute each month an amount equal to five percent of each employee's salary. Also, the law enforcement officers and other employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2016 were $189,399, which consisted of $133,203 from the Town and $56,196 from the law enforcement officers and other employees.

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

Plan Description. The State of North Carolina contributes, on behalf of the Town of Emerald Isle, to the Firefighter's and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House or Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighter's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 707-0500

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

Contributions. Plan members are required to contribute $10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. The Firemen's Relief Fund has elected to contribute for the eligible plan members. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2015, the State contributed $13,900,000 to the plan. The Town of Emerald Isle's proportionate share of the State's contributions is $5,156.

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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, 2016, 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 $13,487. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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 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, 2015 and at June 30, 2014 was 0%.

For the year ended June 30, 2016, the Town recognized pension expense of $1,079 and revenue of $1,079 for support provided by the State. At June 30, 2016, 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, 2014 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	7.25 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the 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.

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Discount rate. The discount rate used to measure the total pension liability was 7.25%. 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.

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.

2. Other Employment Benefits

The Town has also elected to provide death benefits to law enforcement employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed $50,000 or be less than $25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source		Amount
Contributions to pension plan in current fiscal year	$	183,610
Total	$	183,610

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

Taxes Receivable, less penalties (General Fund)	$	15,478
Lease receivable		278,000
Pension deferrals		131,846
		425,324

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 for 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.

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5. Claims, Judgments and Contingent Liabilities

At June 30, 2016, the Town was a defendant to two lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate fact of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

a. General Obligation Indebtedness

At June 30, 2016, the Town of Emerald Isle had a legal debt margin of $214,567,580.

b. Installment Notes

On January 24, 2013, the Town entered into an installment agreement to refinance its prior debt for the purchase of land, stormwater improvements, and the construction of an administration building. This financing contract will be paid in annual installments of $246,489 including interest at 1.59% for six years. The original amount financed was $1,400,000. The balance due at June 30, 2016 was $716,561.

On August 14, 2013, the Town entered into an installment agreement for the purchase of a fire truck. This financing contract will be paid in annual installments of $95,498 including interest at 1.63% for five years. The original amount financed was $455,000. The balance due at June 30, 2016 was $277,402.

On March 12, 2014, the Town entered into an installment agreement to finance several improvements throughout the Town, including the completion of the multi-use path and stormwater infrastructure. This financing contract will be paid in annual installments of $266,667 plus interest at 2.17% for nine years. The original amount financed was $2,400,000. The balance due at June 30, 2016 was $1,866,666.

On September 15, 2014, the Town entered into an installment agreement 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, 2016 was $77,752

The future minimum payments of the installment notes as of June 30, 2016 are as follows:

	Governmental Activities	
Year Ending June 30,	Principal	Interest
2017	$ 601,133	$ 57,028
2018	606,423	45,951
2019	611,797	34,790
2020	275,270	23,544
2021	275,340	17,686
2022-2025	568,418	17,945
	$ 2,938,381	$ 196,944

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c. Changes in Long-Term Liabilities

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

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Governmental activities					
Installment notes	$ 3,534,306	$ -	$ 595,925	2,938,381	$ 601,133
Compensated absences	196,587	73,116	69,805	199,898	19,990
Net pension obligation (LEO)	167,294	11,383	15,746	162,931	-
Net pension liability (LGERS)	-	215,288	-	215,288	-
Total	$ 3,898,187	$ 299,787	$ 681,476	$ 3,516,498	$ 621,122

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2016 consist of the following:

From the Coast Guard Road Bike Path Extension Project to the General Fund	$ 8,168
From the General Fund to the:	
Beach Nourishment Fund	$ 402,429
Osprey Ridge Storm Water Pump	25,000
Welcome Center Project Fund	814
	$ 428,243

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.

Draft

D. 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	*$ 2,278,814*
Less:	
Stabilization by State Statute	697,405
Working Capital/Fund Balance Policy	1,581,409
Remaining Fund Balance	-

The Town of Emerald Isle has adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures. The Town's policy defines available fund balance as unassigned plus stabilization by state statute.

IV. Joint Venture

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The Funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Firemen's Relief Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2016, 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, 2016. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

V. Summary Disclosure of Significant Contingencies

Federal and State Assistance Programs

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

Draft

VI. Significant Effects of Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through October 31, 2016, the date the financial statements were available to be issued.

VII. Change in Accounting Principles / Restatement

In accordance with Governmental Accounting Standards Board (GASB) statement 73, the Town reclassified the Law Enforcement Officers' Special Separation Allowance trust fund to the General Fund. As a result, net position for the governmental activities increased by $63,755.

Draft

Required Supplementary Financial Data

- Schedule of Funding Progress for Law Enforcement Officers' Special Separation Allowance
- Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Plan

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Town of Emerald Isle, North Carolina
Law Enforcement Offices' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2010	63,727	199,078	135,351	32.01%	636,285	21.27%
12/31/2011	63,727	203,590	139,863	31.30%	610,921	22.89%
12/31/2012	63,727	219,529	155,802	29.03%	729,926	21.34%
12/31/2013	63,727	257,025	193,298	24.79%	691,866	27.94%
12/31/2014	63,731	340,894	277,163	18.70%	784,802	35.32%
12/31/2015	-	531,161	531,161	0.00%	877,590	60.52%

Draft

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

Local Government Employees' Retirement System

	2016	2015	2014
Emerald Isle's proportion of the net pension liability (asset) (%)	0.04947%	0.0495%	0.0499%
Emerald Isle's proportion of the net pension liability (asset) ($)	$ 215,287	$ (219,748)	$ 601,487
Emerald Isle's covered-employee payroll	$ 2,673,931	$ 2,459,431	$ 2,891,933
Emerald Isle's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.05%	(8.93%)	20.80%
Plan fiduciary net position as a percentage of the total pension liability **	98.09%	102.64%	94.35%

Draft

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

Local Government Employees' Retirement System

	2016	2015	2014
Contractually required contribution	$ 183,610	$ 191,000	$ 189,681
Contributions in relation to the contractually required contribution	183,610	191,000	189,681
Contribution deficiency (excess)	$ -	$ -	$ -
Emerald Isle's covered-employee payroll	$ 2,692,600	$ 2,673,931	$ 2,459,431
Contributions as a percentage of covered-employee payroll	6.82%	7.14%	7.71%

Draft

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

Firefighters' and Rescue Squad Workers' Pension

	2016	2015
Emerald Isle's proportionate share of the net pension liability (%)	0.0000%	0.0000%
Emerald Isle's proportionate share of the net pension liability ($)	$ -	$ -
State's proportionate share of the net pension liability associated with Town of Emerald Isle	13,487	10,384
Total	$ 13,487	$ 10,384
Emerald Isle's covered-employee payroll	$ 614,082	$ 624,047
Emerald Isle's proportionate share of the net pension liability as a percentage of its covered-employee payroll	2.196%	1.664%
Plan fiduciary net position as a percentage of the total pension liability	91.40%	93.42%

* The amounts presented for the prior fiscal year

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Individual Fund Statements and Schedules

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Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Collections of tax levy	$	4,216,305	$
Penalties and interest		9,370	
	4,206,242	4,225,675	19,433
Unrestricted intergovernmental:			
Local option sales tax		1,707,580	
Utility sales tax		476,915	
Beer/wine tax		16,606	
Video programming		111,142	
Telecommunications tax		36,210	
ABC revenues		103,987	
	2,487,532	2,452,440	(35,092)
Restricted intergovernmental:			
Grants		6,918	
Powell Bill allocation		151,470	
	164,800	158,388	(6,412)
Total intergovernmental	2,652,332	2,610,828	(41,504)
Permits, fees and assessments:			
Solid waste fees		1,489,308	
Administration fees		366	
Building and trailer permits		200,143	
CAMA permits		12,630	
Dunes and vegetation permits		3,650	
Beach vehicular permits		115,975	
Storm water permits		2,300	
Parking fees and fines/officer fees		129,896	
Solid waste disposal tax		2,401	
Reentry fees		7,775	
Golf cart permits		49,725	
Total permits, fees and assessments	1,940,775	2,014,169	73,394
Sales and services:			
Recreation revenues		146,081	
Total sales and services	153,500	146,081	(7,419)

Draft

Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Investment Earnings:	500	1,598	1,098
Miscellaneous revenue:			
Insurance proceeds/refunds		12,010	
DOT mowing reimbursement		5,100	
Donations		19,493	
Miscellaneous		12,976	
Sale of surplus property		9,900	
Total miscellaneous	54,993	59,479	4,486
Total revenue	9,008,342	9,057,830	49,488
Expenditures:			
General Government:			
Board of Commissioners:			
Salaries and benefits		61,163	
Professional services		8,191	
Operating expense		32,720	
	106,207	102,074	4,133
Administrative and finance:			
Salaries and benefits		490,414	
Operating expense		68,509	
	564,355	558,923	5,432
Inspection:			
Salaries and benefits		88,768	
Operating expense		104,777	
	217,995	193,545	24,450
Non-departmental:			
Contract services		15,150	
Operating expense		409,828	
	438,230	424,978	13,252
Total general government	1,326,787	1,279,520	47,267
Public safety:			
Police:			
Salaries and benefits		1,392,510	
Operating expense		155,041	
Capital outlay		109,015	
	1,673,043	1,656,566	16,477

Draft

Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Emergency medical services:			
Appropriations to Emerald Isle EMS		377,000	
	377,000	377,000	-
Fire department:			
Salaries and benefits		1,120,646	
Operating expense		192,549	
Capital outlay		7,782	
	1,364,843	1,320,977	43,866
Total public safety	3,414,886	3,354,543	60,343
Environmental protection:			
Public works:			
Salaries and benefits		277,787	
Operating expense		241,434	
Street maintenance		169,826	
Capital outlay		7,871	
	700,503	696,918	3,585
Solid waste:			
Salaries and benefits		191,438	
Operating expense		1,220,626	
Capital outlay		152,753	
	1,570,890	1,564,817	6,073
Total environmental protection	2,271,393	2,261,735	9,658
Cultural and recreation:			
Parks and recreation:			
Salaries and benefits		595,555	
Operating expense		234,026	
Capital outlay		113,978	
	966,067	943,559	22,508
Total cultural and recreation	966,067	943,559	22,508

Draft

Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal	595,925	595,925	
Interest	68,022	68,022	
	663,947	663,947	-
Total expenditures	8,643,080	8,503,304	139,776
Revenue over (under) expenditures	365,262	554,526	189,264
Other financing sources (uses):			
Transfers:			
From Pension Trust Fund	16,793	-	(16,793)
From Coast Guard Road Bicycle Path Extension Project Fund	8,168	8,168	-
To Future Beach Nourishment Fund	(402,429)	(402,429)	-
To Osprey Ridge SW Pump	(25,000)	(25,000)	
To Welcome Center	(814)	(814)	
Total other financing sources (uses)	(403,282)	(420,075)	(16,793)
Fund balance appropriated	38,020	-	(38,020)
Net change in fund balance	$ -	134,451	$ 134,451
Fund balance, beginning as previously reported		2,080,608	
Prior period adjustment		63,755	
Fund balance, beginning as restated		2,144,363	
Fund balance, ending		$ 2,278,814	

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Town of Emerald Isle, North Carolina
Future Beach Nourishment Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Benefit taxes	$ 270,043	$ 271,963	$ 1,920
Investment earnings	32	3,892	3,860
Miscellaneous	27,600	27,600	-
Total revenue	297,675	303,455	5,780
Revenues over (under) expenditures	297,675	303,455	5,780
Other financing sources (uses):			
Transfers:			-
To Welcome Center Capital Project	(276,000)	(276,000)	-
From General Fund	402,429	402,429	-
Total other financing sources (uses)	126,429	126,429	-
Fund balance appropriated	(424,104)	-	424,104
Net change in fund balance	$ -	$ 429,884	$ 429,884
Fund balance, beginning		1,391,581	
Fund balance, ending		$ 1,821,465	

Draft

Town of Emerald Isle, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016

	Special Revenue Funds		Capital Project Funds	
	Special Drug Fund	Half Marathon Fund	Osprey Ridge Storm Water Pump	NC 58 Traffic Signal
Assets:				
Cash and cash equivalents	$ -	$ 1,851	25,000	36,000
Restricted cash and cash equivalents	788	-	-	-
Total assets	$ 788	$ 1,851	$ 25,000	$ 36,000
Liabilities:				
Accounts payable	$ -	715	$ 5,376	$ -
Total liabilities	-	715	5,376	-
Fund Balances:				
Restricted:				
Public safety	788	-	-	-
Assigned:				
Environmental protection	-	-	19,624	-
Public works	-	-	-	36,000
Culture and recreation	-	1,136	-	-
Total fund balances	788	1,136	19,624	36,000
Total liabilities and fund balances	$ 788	$ 1,851	25,000	36,000

Draft

Capital Project Funds				
Bike and Pedestrian Project	Jean Preston Memorial Playground	Welcome Center Project	Coast Guard Road Bicycle Path Extension	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ 62,851
66,599	8,337	-	-	75,724
$ 66,599	$ 8,337	$ -	$ -	$ 138,575
$ -	$ 493	$ -	$ -	$ 6,584
-	493	-	-	6,584
-	-	-	-	788
-	-	-	-	19,624
-	-	-	-	36,000
66,599	7,844	-	-	75,579
66,599	7,844	-	-	131,991
$ 66,599	$ 8,337	$ -	$ -	$ 138,575

Draft

Town of Emerald Isle, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016

	Special Revenue Funds		Capital Project Funds	
	Special Drug Fund	Half Marathon Fund	Osprey Ridge Storm Water Pump	NC 58 Traffic Signal
Revenues:				
Restricted intergovernmental	$ 12	$ -	$ -	$ -
Miscellaneous	-	94,870	-	-
Total revenue	12	94,870	-	-
Expenditures:				
Current:				
Public safety	500	-	-	-
Cultural and recreation	-	64,899	5,376	-
Capital outlay:				
Cultural and recreation	-	-	-	-
Total expenditures	500	64,899	5,376.00	-
Revenues over (under) expenditures	(488)	29,971	(5,376)	-
Other financing sources (uses):				
Transfers from other funds	-	-	25,000	36,000
Transfer to other funds	-	(30,000)	-	-
Total other financing sources (uses)	-	(30,000)	25,000	36,000
Net change in fund balance	$ (488)	$ (29)	$ 19,624	$ 36,000
Fund balance, beginning	1,276	1,165	-	-
Fund balance, ending	$ 788	$ 1,136	$ 19,624	$ 36,000

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Capital Project Funds				
Bike and Pedestrian Project	Jean Preston Memorial Playground	Welcome Center Project	Coast Guard Road Bicycle Path Extension	Total Nonmajor Governmental Funds
$ -	$ 224,999	$ -	$ -	$ 225,011
8,473	12,000	-	-	115,343
8,473	236,999	-	-	340,354
-	-	-	-	500
56,279	-	-	-	126,554
	272,104	51,597	-	323,701
56,279	272,104	51,597	-	450,755
(47,806)	(35,105)	(51,597)	-	(110,401)
30,000	-	276,814	-	367,814
-	-	-	(44,168)	(74,168)
30,000	-	276,814	(44,168)	293,646
$ (17,806)	$ (35,105)	$ 225,217	$ (44,168)	$ 183,245
84,405	42,949	(225,217)	44,168	(51,254)
$ 66,599	$ 7,844	$ -	$ -	$ 131,991

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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, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental:			
Control substance tax	12	$ 12	$ -
Total revenue	12	12	-
Expenditures:			
Operating	1,288	500	788
Capital outlay	-	-	-
Total expenditures	1,288	500	788
Revenues over (under) expenditures	(1,276)	(488)	788
Fund balance appropriated	1,276	-	(1,276)
Net change in fund balance	$ -	$ (488)	$ (488)
Fund balance, beginning		1,276	
Fund balance, ending		$ 788	

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Town of Emerald Isle, North Carolina
Half Marathon Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
For the Fiscal Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Miscellaneous:			
Entry fees	$ 74,940	$ 74,940	$ -
Sponsorships / donations	19,930	19,930	-
Total revenue	94,870	94,870	-
Expenditures:			
Operating	66,035	64,899	1,136
Total expenditures	66,035	64,899	1,136
Revenues over (under) expenditures	28,835	29,971	1,136
Other financing sources (uses):			
Fund balance appropriated	1,165	-	(1,165)
Transfers:			-
To Bike & Pedestrian Fund	(30,000)	(30,000)	-
Net change in fund balance	$ -	$ (29)	$ 1,136
Fund balance, beginning		1,165	
Fund balance, ending		$ 1,136	

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Town of Emerald Isle, North Carolina
Bike & Pedestrian Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Miscellaneous:					
Entry fees	$ 4,280	$ 4,280	$ 6,260	$ 10,540	$ 6,260
Donations	14,311	14,311	2,213	16,524	2,213
Total revenue	18,591	18,591	8,473	27,064	8,473
Expenditures:					
General government	-	4,221	-	4,221	(4,221)
Construction	134,076	45,450	56,279	101,729	32,347
Total expenditures	134,076	49,671	56,279	105,950	28,126
Revenues over (under) expenditures	(115,485)	(31,080)	(47,806)	(78,886)	36,599
Other financing sources (uses):					
Transfers:					
From Coast Guard Road Multiuse Path	48,485	48,485	-	48,485	-
From Half Marathon Fund	67,000	67,000	30,000	97,000	30,000
Total other financing sources (uses)	115,485	115,485	30,000	145,485	30,000
Net change in fund balance	$ -	84,405	$ (17,806)	$ 66,599	$ 66,599
Fund balance, beginning			84,405		
Fund balance, ending			$ 66,599		

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Town of Emerald Isle, North Carolina
Jean Preston Memorial Playground
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental:					
Grants	$ 56,250	$ -	224,999	$ 224,999	$ 168,749
Donations	80,006	34,205	12,000	46,205	(33,801)
Total revenue	136,256	34,205	236,999	271,204	134,948
Expenditures:					
Construction	145,000	-	272,104	272,104	(127,104)
Total expenditures	145,000	-	272,104	272,104	(127,104)
Revenues over (under) expenditures	(8,744)	34,205	(35,105)	(900)	7,844
Other financing sources (uses):					
Transfers:					
From Coast Guard Road Multiuse Path	4,994	4,994	-	4,994	-
From General Fund	3,750	3,750	-	3,750	-
Total other financing sources (uses)	8,744	8,744	-	8,744	-
Net change in fund balance	$ -	$ 42,949	$ (35,105)	$ 7,844	$ 7,844
Fund balance, beginning			42,949		
Fund balance, ending			$ 7,844		

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Town of Emerald Isle, North Carolina
Coast Guard Road Bicycle Path Extension Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2016

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Expenditures:					
Construction	$ 296,994	$ 252,664	$ -	$ 252,664	$ 44,330
Miscellaneous	98,139	98,301	-	98,301	(162)
Total expenditures	395,133	350,965	-	350,965	44,168
Revenues over (under) expenditures	(395,133)	(350,965)	-	(350,965)	44,168
Other financing sources (uses):					
Issuance of Debt	373,000	373,000	-	373,000	-
Transfers:					
From General Fund	44,168	44,168	-	44,168	-
To General Fund		-	(8,168)	(8,168)	(8,168)
To CPO NC 58 Trafic Signal		-	(36,000)	(36,000)	(36,000)
To NC 58 Bicycle Path Ext. EORA				-	-
IB Capital Project Fund	(22,035)	(22,035)	-	(22,035)	-
Total other financing sources (uses)	395,133	395,133	(44,168)	350,965	(44,168)
Net change in fund balance	$ -	$ 44,168	$ (44,168)	$ -	$ -
Fund balance, beginning			44,168		
Fund balance, ending			$ -		

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Town of Emerald Isle, North Carolina
Homeowner's Recovery Fund
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Assets, cash and investments	$ 457	$ 3,660	$ 3,154	$ 963
Liabilities, accounts payable, and accrued liabilities	$ 457	$ 3,660	$ 3,154	$ 963

Draft

Town of Emerald Isle, North Carolina
Homeowner's Recovery Fund
Statement of Cash Receipts and Disbursements
For the Fiscal Year Ended June 30, 2016

Cash receipts:		
Collection of homeowner's recovery fees	$	3,660
Cash disbursements:		
General fund administration fee		317
Remittance to NC licensing board		2,837
Total disbursements		3,154
Net cash receipts over cash disbursements		506
Beginning cash balance		457
Ending cash balance	$	963

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Other Schedules

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

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

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Town of Emerald Isle, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2016

Fiscal Year	Uncollected Balance June 30, 2015	Additions	Collections And Credits	Uncollected Balance June 30, 2016
2016	$ -	$ 4,486,669	$ (4,477,230)	$ 9,439
2015	12,305	-	(8,331)	3,974
2014	5,403	-	(3,043)	2,360
2013	2,741	-	(1,239)	1,502
2012	1,827	-	(452)	1,375
2011	1,077	-	-	1,077
2010	214	-	-	214
2009	191	-	(43)	148
2008	48	-	-	48
2007	66	-	-	66
2006	200	-	(200)	-
	$ 24,072	$ 4,486,669	$ (4,490,538)	$ 20,203

Less: allowance for doubtful accounts - General Fund	(4,725)
Ad valorem taxes receivable - net	$ 15,478
Reconciliation with revenues:	
Ad valorem taxes - General Fund	$ 4,225,675
Ad valorem taxes - Future Beach Nourishment Special Revenue Fund	271,963
Reconciling items:	
Interest collected	(9,370)
Discounts, releases and other credits	2,270
Total ad valorem collections	$ 4,490,538

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Town of Emerald Isle, North Carolina
Analysis of Current Tax Levy
Town – Wide Levy
For the Fiscal Year Ended June 30, 2016

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding registered motor vehicles	Registered motor vehicles
Original levy:					
Property taxed at current year's rate	$ 2,703,322,581	0.155	$ 4,190,150	$ 4,107,388	$ 82,762
Special district taxes			272,133	271,376	757
Total	2,703,322,581		4,462,283	4,378,764	83,519
Discoveries:					
Current year taxes	27,628,387	0.155	42,824	42,824	-
Special district taxes			3,069	3,069	-
Total	27,628,387		45,893	45,893	-
Abatements:					
Current year taxes	(12,126,452)	0.155	(18,796)	(18,796)	-
Special district taxes			(2,711)	(2,711)	-
Total	(12,126,452)		(21,507)	(21,507)	-
Total property valuation	$ 2,718,824,516				
Net levy			4,486,669	4,403,150	83,519
Uncollected taxes at June 30, 2016			(9,439)	(9,439)	-
Current year's taxes collected			$ 4,477,230	$ 4,393,711	$ 83,519
Current levy collection percentage			99.79%	99.79%	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 102 - 105

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

Revenue Capacity 106 - 109

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 110 - 113

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 114 - 116

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

Operating Information 116 - 119

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.

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities / Primary Government:										
Net investment in capital assets	$ 18,797,162	$ 18,195,914	$ 16,156,810	$ 16,520,561	$ 15,331,429	$ 13,450,777	$ 10,895,863	$ 5,416,071	$ 9,619,515	$ 10,353,017
Restricted	2,680,461	1,907,088	1,923,224	712,156	2,446,655	914,076	12,807	6,713	5,537	3,360
Unrestricted	1,020,640	900,941	710,031	1,177,156	1,145,179	3,117,680	3,263,737	4,639,907	(2,409,680)	(5,505,092)
Total governmental activities / primary government net position	$ 22,498,263	$ 21,003,943	$ 18,790,065	$ 18,409,873	$ 18,923,263	$ 17,482,533	$ 14,172,407	$ 10,062,691	$ 7,215,372	$ 4,851,285

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental Activities:										
General government	$ 1,352,365	$ 1,472,440	$ 1,435,466	$ 1,296,756	$ 1,555,698	$ 1,275,278	$ 850,392	$ 1,083,138	$ 1,102,725	$ 1,214,235
Public safety	3,407,417	3,244,183	3,275,447	3,132,331	3,135,321	3,214,020	2,896,166	2,838,315	2,745,444	2,709,149
Environmental protection	2,274,566	2,188,457	2,214,128	11,708,614	2,487,119	1,926,458	2,022,303	1,017,812	2,134,890	9,332,749
Cultural and recreation	1,165,017	774,486	1,108,279	880,615	897,567	750,860	234,078	750,645	691,291	662,452
Economic and physical development	-	-	-	-	-	23,055	927,040	1,325,214	335,843	3,190
Interest on long-term debt	63,059	74,032	42,924	64,857	101,164	175,995	282,275	310,114	305,563	366,375
Total expenses	$ 8,262,424	$ 7,753,598	$ 8,076,244	$ 17,083,173	$ 8,176,869	$ 7,365,666	$ 7,212,254	$ 7,325,238	$ 7,315,756	$ 14,288,150
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	$ 50,091	$ 41,275	$ 32,017	$ 22,720	$ 16,260	$ 140,891	$ 5,655	$ 19,892	$ 49,157	$ 108,172
Public safety	330,039	249,428	279,029	227,246	258,725	88,361	115,258	113,219	139,727	170,078
Environmental protection	1,631,638	1,503,941	1,486,316	1,427,452	1,330,672	1,171,139	1,228,879	1,216,357	1,165,255	1,140,390
Cultural and recreation	260,847	239,799	183,543	151,321	135,151	191,449	147,009	113,285	118,846	117,470
Operating grants and contributions	227,824	199,991	169,336	158,202	536,825	204,719	170,692	242,900	204,264	7,144,616
Capital grants and contributions	245,472	860,700	240,360	8,457,159	912,482	821,472	2,374,134	567,187	27,633	147,737
Total program revenues	$ 2,745,911	$ 3,095,134	$ 2,390,601	$ 10,444,100	$ 3,190,115	$ 2,618,031	$ 4,041,627	$ 2,272,840	$ 1,704,882	$ 8,828,463
Net (Expense) / Revenue										
Total governmental activities / primary government net expense	$ (5,516,513)	$ (4,658,464)	$ (5,685,643)	$ (6,639,073)	$ (4,986,754)	$ (4,747,635)	$ (3,170,627)	$ (5,052,398)	$ (5,610,874)	$ (5,459,687)
General Revenues										
Governmental Activities:										
Property taxes	$ 4,499,943	$ 4,442,244	$ 4,437,811	$ 4,129,853	$ 4,124,522	$ 5,645,506	$ 5,245,901	$ 5,229,632	$ 5,090,200	$ 2,376,652
Local option sales tax	1,707,580	1,668,520	1,469,530	1,408,346	1,718,656	1,568,508	1,512,769	1,564,978	1,826,516	-
Other taxes and licenses	633,718	594,313	344,135	340,656	336,665	822,806	511,385	540,767	832,583	4,540,229
Unrestricted grants and contributions	51,823	117,820	189,797	181,517	203,403	-	-	-	-	-
Unrestricted investment earnings	5,490	1,560	213	2,678	3,878	20,941	10,288	82,864	225,662	249,707
Miscellaneous	48,524	47,898	36,155	62,633	40,360	-	-	81,476	-	61,622
Special items	-	-	-	-	-	-	-	400,000	-	-
Total program revenues	$ 6,947,078	$ 6,872,355	$ 6,477,641	$ 6,125,683	$ 6,427,484	$ 8,057,761	$ 7,280,343	$ 7,899,717	$ 7,974,961	$ 7,228,210
Change in Net Position										
Total governmental activities / primary government change in net position	$ 1,430,565	$ 2,213,891	$ 791,998	$ (513,390)	$ 1,440,730	$ 3,310,126	$ 4,109,716	$ 2,847,319	$ 2,364,087	$ 1,768,523

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011 (1)	2010	2009	2008	2007
General Fund:										
Restricted	$ 727,005	$ 695,281	$ 790,964	$ 692,784	$ 678,533	$ 914,076	$ -	$ -	$ -	$ -
Committed	63,954	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	24,009	-	-	-	-	-
Unassigned	1,487,855	1,385,327	1,359,281	1,414,169	1,348,675	981,088	-	-	-	-
Reserved	-	-	-	-	-	-	565,964	594,591	595,987	699,877
Unreserved	-	-	-	-	-	-	1,245,643	1,350,780	1,471,921	1,171,972
Total general fund	$ 2,278,814	$ 2,080,608	$ 2,150,245	$ 2,106,953	$ 2,051,217	$ 1,895,164	$ 1,811,607	$ 1,945,371	$ 2,067,908	$ 1,871,849
All other government funds:										
Restricted	$ 1,822,253	$ 1,211,807	$ 1,132,260	$ 19,372	$ 1,768,122	$ -	$ -	$ -	$ -	$ -
Assigned	131,203	128,519	139,742	83,866	86,824	-	-	-	-	-
Unassigned	-	-	-	(278,665)	-	2,465,687	-	-	-	-
Reserved	-	-	-	-	-	-	(1,245)	612,058	-	-
Unreserved	-	-	-	-	-	-	2,135,818	2,260,558	3,994,490	3,213,052
Total all other governmental funds	$ 1,953,456	$ 1,340,326	$ 1,272,002	$ (175,427)	$ 1,854,946	$ 2,465,687	$ 2,134,573	$ 2,872,616	$ 3,994,490	$ 3,213,052

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

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Ad valorem taxes	$ 4,497,634	$ 4,459,517	$ 4,441,163	$ 4,132,760	$ 4,128,232	$ 5,654,506	$ 5,280,318	$ 5,182,859	$ 5,077,474	$ 4,495,573
Other taxes and licenses	-	-	-	6,020	14,659	14,001	14,289	14,792	17,750	12,054
Restricted intergovernmental	383,399	995,258	637,430	8,272,299	1,396,005	1,013,493	2,522,746	805,573	231,897	7,260,616
Unrestricted intergovernmental	2,452,440	2,409,556	2,025,954	1,879,955	2,186,384	2,087,501	2,028,237	2,083,586	2,278,095	2,430,162
Permits and fees	2,014,169	1,797,147	1,794,351	1,674,645	1,603,118	1,456,219	1,346,171	1,329,576	1,354,139	1,389,316
Sales and services	146,081	135,652	125,455	151,321	135,151	139,622	147,009	135,444	118,846	117,471
Investment earnings	5,490	1,560	213	2,678	6,552	20,941	10,288	87,964	225,662	249,707
Miscellaneous	202,422	186,072	128,171	189,784	153,881	268,813	404,579	122,687	367,827	120,424
Total revenues	9,701,635	9,984,762	9,152,737	16,309,462	9,623,982	10,655,096	11,753,637	9,762,481	9,671,690	16,075,323
Expenditures:										
Current:										
General government	1,291,120	1,448,034	1,293,196	1,153,458	1,420,074	1,134,539	1,092,261	1,139,237	1,015,981	1,104,169
Public safety	3,355,043	3,303,312	3,558,889	3,033,066	3,073,814	3,077,051	2,743,496	3,195,292	2,737,641	2,711,928
Environmental protection	2,261,735	2,105,296	2,120,746	2,006,748	2,090,011	1,858,539	1,864,557	2,051,725	2,179,281	9,297,100
Economic development	-	-	-	-	-	852,220	3,970,129	1,732,615	1,568,934	3,190
Cultural and recreational	1,008,458	933,934	1,019,278	749,525	651,744	699,922	690,629	701,393	646,793	650,184
Capital Outlay	373,756	1,620,843	2,278,418	10,061,936	1,436,252	-	-	-	-	-
Debt service:										
Principal	595,925	582,542	224,229	1,181,282	1,440,294	2,430,543	2,777,555	2,759,338	2,125,000	2,125,000
Interest and other charges	68,022	78,191	22,260	98,084	118,635	187,611	278,995	310,114	305,563	366,375
Total expenditures	8,954,059	10,072,152	10,517,016	18,284,099	10,230,824	10,240,425	13,417,622	11,889,714	10,579,193	16,257,946
Excess (Deficiency) of revenues over (under) expenditures	747,576	(87,390)	(1,364,279)	(1,974,637)	(606,842)	414,671	(1,663,985)	(2,127,233)	(907,503)	(182,623)
Other Financing Sources (Uses):										
Transfers from other funds	770,243	674,362	128,831	1,701,688	134,641	511,133	158,316	401,984	1,240,545	7,541,834
Transfers to other funds	(770,243)	(674,362)	(128,831)	(1,701,688)	(134,641)	(511,133)	(158,316)	(401,984)	(1,240,545)	(7,541,834)
Issuance of debt	-	86,077	2,855,000	-	152,154	-	792,178	882,822	1,885,000	-
Total other financing sources (uses)	-	86,077	2,855,000	-	152,154	-	792,178	882,822	1,885,000	-
Net change in fund balance	$ 747,576	$ (1,313)	$ 1,490,721	$ (1,974,637)	$ (454,688)	$ 414,671	$ (871,807)	$ (1,244,411)	$ 977,497	$ (182,623)
Debt service as a percentage of noncapital expenditures	9.82%	8.39%	3.21%	7.20%	18.08%	28.14%	30.92%	33.04%	26.78%	15.47%

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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)
2007	$ 1,519,926,452	0.185	$ 1,519,926,452	100.00%
2008	4,260,237,313	0.078	4,329,509,464	98.40%
2009	4,274,157,143	0.081	4,010,656,979	106.57%
2010	4,278,074,286	0.081	3,797,669,140	112.65%
2011	4,238,566,515	0.091	4,323,744,277	98.03%
2012	2,974,241,884	0.130	2,719,679,850	109.36%
2013	2,991,621,833	0.130	2,759,289,645	108.42%
2014	3,005,643,363	0.140	2,772,733,730	108.40%
2015	3,006,859,084	0.140	3,008,062,309	99.96%
2016	2,718,824,516	0.155	Not available	Not available

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

Notes:

(1) The NC General Statutes require a revaluation of real property at least every 8 years. Real property is valued at 100% of estimated value as of the date of the latest revaluation. Revaluations were effective for the fiscal 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 121 for more information.

(7) Sales assessement ratios as provided by the NC Department of Revenue- Property Tax Division.

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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		
2007	0.155	(1)	0.030	0.185	0.440	0.625
		(2)	0.480	0.635		1.075
2008	0.067	(1)	0.011	0.078	0.230	0.308
		(2)	0.162	0.229		0.459
2009	0.070	(1)	0.011	0.081	0.230	0.311
		(2)	0.162	0.232		0.462
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

Source: Carteret County Tax Office

Notes:
(1) Emerald Isle Non-Oceanfront properties
(2) Emerald Isle Oceanfront properties

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Town of Emerald Isle, North Carolina
Principal Property Tax Payers
Current Fiscal Year and Nine Years Ago [2]

	2016		
Taxpayer	Taxable Assessed Value [1]	Rank	Percentage of Total Assessed Value
Emerald, LLC	$ 8,750,000	1	0.32%
Watson's, Inc.	7,015,215	2	0.26%
McCabe and Company d/b/a	5,848,000	3	0.22%
Carteret Craven Electric Management Cooperative	5,799,365	4	0.21%
McCabe and Company d/b/a	3,929,577	5	0.14%
The Stanley Corporation	3,089,924	6	0.11%
Stephen Malik	2,614,978	7	0.10%
Bogue Fishing Pier, Inc.	2,604,189	8	0.10%
Manatee Investments, Lmtd Prnsp.	2,388,927	9	0.09%
Brother & Sisters, LLC	2,256,240	10	0.08%
	$ 44,296,415		1.63%

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.
(2) Data not available for prior years.

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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
2007	4,490,748	$ 4,481,747	99.80%	8,935	4,490,682	100.00%
2008	5,075,425	$ 5,057,579	99.65%	17,798	5,075,377	100.00%
2009	5,223,832	$ 5,162,169	98.82%	61,472	5,223,641	100.00%
2010	5,230,886	$ 5,201,280	99.43%	29,392	5,230,672	100.00%
2011	5,667,835	$ 5,626,940	99.28%	39,818	5,666,758	99.98%
2012	4,092,181	$ 4,060,632	99.23%	29,722	4,090,354	99.96%
2013	4,113,287	$ 4,084,700	99.31%	25,846	4,110,546	99.93%
2014	4,430,349	$ 4,409,097	99.52%	15,849	4,424,946	99.88%
2015	4,441,488	$ 4,429,183	99.72%	-	4,429,183	99.72%
2016	4,441,488	$ 4,429,183	99.72%	-	4,429,183	99.72%

Source: Town of Emerald Isle Finance Department

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Town of Emerald Isle, North Carolina
Legal Debt Margin Information
June 30, 2016

Total Assessed Valuation	$	2,718,824,516
Legal Debt Margin:		
Debt Limit 8% of Total Assessed Value		217,505,961
Amount of Debt Applicable to Debt Limit		2,938,381
Legal Debt Margin	$	214,567,580

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Town of Emerald Isle, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016

	Debt Outstanding	Percentage Applicable to Town [1]	Amount Applicable to Town
Direct:			
Town of Emerald Isle	$ 2,938,381	100.00%	$ 2,938,381
Overlapping:			
Carteret County	49,250,276	18.75%	9,235,379
	$ 52,188,657		$ 12,173,760

Town's assessed value	$ 2,718,824,516
County's assessed value	$ 14,498,901,666

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.

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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)
2007	10,400,000	2,125,000	8,275,000	0.54%	2,147
2008	8,275,000	2,125,000	6,150,000	0.40%	1,595
2009	6,150,000	2,125,000	4,025,000	0.09%	1,038
2010	4,025,000	2,091,751	1,933,249	0.05%	485
2011	1,900,000	1,900,000	-	0.00%	-
2012	950,000	950,000	-	0.00%	-
2013	-	-	-	0.00%	-
2014	-	-	-	0.00%	-
2015	-	-	-	0.00%	-
2016	-	-	-	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.

Draft

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)
2007	$ 10,400,000	$ -	$ 10,400,000	3,861	$ 2,694		6,017	$ 1,728
2008	8,275,000	1,885,000	10,160,000	3,855	2,636		6,017	1,689
2009	6,150,000	2,135,564	8,285,564	3,877	2,137		6,017	1,377
2010	4,025,000	1,915,187	5,940,187	3,982	1,492		6,017	987
2011	1,900,000	1,699,733	3,599,733	3,669	981		6,735	534
2012	950,000	1,631,281	2,581,281	3,711	696		6,735	383
2013	-	1,400,000	1,400,000	3,717	377		6,735	208
2014	-	4,030,771	4,030,771	3,784	1,065		6,735	598
2015	-	3,534,306	3,534,306	3,775	936		6,735	525
2016	-	2,938,380	2,938,380	3,797	774		6,735	436

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.

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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)
2007	3,861	4.02%	34,241	2,162,444
2008	3,855	4.74%	37,796	2,401,852
2009	3,877	7.42%	38,455	2,477,362
2010	3,982	8.39%	40,304	2,583,758
2011	3,669	8.35%	39,174	2,639,299
2012	3,711	9.30%	41,761	2,824,360
2013	3,717	8.48%	42,214	2,888,870
2014	3,784	6.50%	43,903	3,021,043
2015	3,775	6.00%	N/A	N/A
2016	3,797	5.63%	N/A	N/A

Sources:
(1) NCOSBM Certified Municipal Population Estimates
(2) N.C. Division of Employment Security; information is available at the county level and presented on that basis (average for fiscal year).
(3) U.S. Bureau of Economic Analysis; information is available at the county level and presented on that basis (not adjusted for inflation).

Notes:
N/A - information not yet available.

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

	2016			2007		
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	500-999	2		1,000+	2	
Carteret County	500-999	3		250-499	4	
Wal-Mart Associates, Inc.	250-499	4		500-999	3	
Carteret Community College	250-499	5		250-499	5	
Big Rock Sports, LLC	250-499	6		-	-	
Food Lion	250-499	7		100-249	9	
Lowes Home Centers, Inc.	250-499	8		-	-	
McDonalds	100-249	9		-	-	
Lowes Food Stores, Inc.	100-249	10		100-249	10	
State of North Carolina				250-499	6	
SSA Security, Inc.				250-499	7	
Atlantic Veneer Corp.				250-499	8	

Source: Carteret County Economic Development Council

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.

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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)
2007	4,590,807	4.07%
2008	4,764,315	3.78%
2009	4,407,398	-7.49%
2010	4,223,147	-4.18%
2011	4,427,940	4.85%
2012	4,596,069	3.80%
2013	4,436,856	-3.46%
2014	5,185,512	16.87%
2015	6,349,850	22.45%
2016	6,671,689	5.07%

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.

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Full-time										
General Government:										
Administration	5	5	5	5	5	5	5	5	5	5
Planning and Inspections	1	1	3	3	3	3	3	4	4	4
Public Safety:										
Police	18	18	19	19	19	21	21	22	24	22
Fire	14	14	14	14	14	14	14	14	14	14
Environmental Protection:										
Public Works	5	5	5	5	5	5	5	5	5	5
Solid Waste	4	3	3	2	2	2	2	3	3	3
Culture and Recreation:										
Parks and Recreation	8	8	8	7	7	8	8	8	8	8
Total	55	54	57	55	55	58	58	61	63	61
Part-time/Seasonal										
General Government:										
Administration	-	-	1	1	1	2	1	1	1	1
Planning and Inspections	-	-	1	1	1	1	1	1	1	1
Public Safety:										
Police	17	14	14	14	14	10	8	8	8	8
Fire	21	21	21	21	20	14	14	14	14	14
Environmental Protection:										
Public Works	-	-	-	-	-	1	1	1	-	1
Solid Waste	-	1	-	1	1	1	1	2	2	2
Culture and Recreation:										
Parks and Recreation	37	37	37	35	34	27	26	34	37	34
Total	75	73	74	73	71	56	52	61	63	61
Inmate Laborers										
Parks Maintenance	2	2	2	2	2	2	-	-	-	-
Public Works	4	4	4	4	4	4	3	3	-	3
Total	6	6	6	6	6	6	3	3	-	3

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public Safety:										
Police dispatch calls answered	12,509	8,481	8,457	8,574	9,432	9,108	7,133	5,696	6,778	7,553
Fire calls answered	917	917	866	832	822	798	816	697	683	675
Transportation (Streets and Highways):										
Miles of streets maintained	45.50	45.50	45.50	45.50	45.54	45.54	45.54	45.91	45.91	45.91
Environmental Protection (Solid Waste):										
Refuse collected (tons)	3,356	3,275	3,259	3,279	3,414	3,392	3,371	3,412	3,624	3,610
Recyclables collected (tons)	774	823	723	657	632	627	591	507	501	444

Source: Town of Emerald Isle Administration

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public Safety:										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	22	20	21	21	21	21	21	21	21	21
Number of police beach patrol ATV units	2	3	2	2	2	2	1	1	1	1
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Number of fire engines	4	4	4	4	4	4	4	4	4	4
Number of rescue boats	1	1	1	1	1	1	1	2	2	2
Number of rescue jetskis	2	2	2	2	2	2	2	2	2	2
Number of EMS stations	1	1	1	1	1	1	1	1	1	1
Transportation (Streets and Highways):										
Miles of streets maintained	45.50	45.50	45.50	45.50	45.54	45.54	45.54	45.91	45.91	45.91
Environmental Protection (Solid Waste):										
Number of yard waste trucks	2	1	1	1	1	1	1	1	1	1
Cultural and recreation:										
Number of community centers	1	1	1	1	1	1	1	1	1	1
Number of park facilities	11	10	10	10	10	10	9	9	9	9
Miles of bicycle and pedestrian path	11.00	11.00	11.00	5.80	5.10	4.90	4.40	2.40	2.20	2.20

Source: Town of Emerald Isle Administration

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Compliance Section

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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 Town Commission
Emerald Isle, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Emerald Isle, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Emerald Isle, North Carolina's basic financial statements, and have issued our report thereon dated October 31, 2016.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Williams Scarborough Smith & Gray, LLP

Williams · Scarborough · Smith · Gray, LLP
New Bern, North Carolina
October 31, 2016

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Town of Emerald Isle, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2016

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(ies) identified that are not considered to be material weaknesses? ____yes __X_none reported

Noncompliance material to financial statements noted ____yes __X_no

Section II – Financial Statement Findings

None reported.

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Town of Emerald Isle, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2016

No matters reportable from prior year.

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