

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

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

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Introductory Section

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Nice Matters!

Town of Emerald Isle
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Emerald Isle, NC 28594

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252-354-5068 fax

www.emeraldisle-nc.org

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, 2017

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, 2017, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures within this report rests with the management of the Town of Emerald Isle. The financial statements and supplemental schedules contained herein have been audited by the independent certified public accounting firm of S. Preston Douglas & Associates, LLP and their unmodified opinion is included in the financial section of the Comprehensive Annual Financial Report.

The Town of Emerald Isle provides a full range of services to its citizens. General Fund services include police, fire, 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, 2017. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Town of Emerald Isle

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

The Town occupies approximately 5.2 square miles, and the corporate limits are entirely on the barrier island. The width of the island at Emerald Isle varies from as narrow as .2 miles on the eastern end of Town, to approximately .8 miles in the central and western areas of the Town. The Town is bounded by the Atlantic Ocean to the south, the Atlantic Intracoastal Waterway to the north, Bogue Inlet to the west, and the Town of Indian Beach to the east. The principal highways serving the Town and the surrounding areas are NC 58, NC 24, and US 70. NC 58 traverses the Atlantic Intracoastal Waterway via a high-rise bridge that enters western Emerald Isle and serves as the primary means of access to and through the Town. Another high rise bridge serves the barrier island in the Town of Atlantic Beach, located approximately 10 miles east of the eastern corporate limits of the Town.

The Town is a popular oceanfront resort. Visitors come from all over North Carolina, the United States, and foreign countries to enjoy the Town's sandy beaches, excellent water quality, boating and fishing opportunities, and relaxed, family atmosphere.

The Town has worked hard to maintain a family beach and small-town atmosphere, and is primarily developed with single family and duplex residential properties. The Town has developed in a low density fashion, with only approximately 2 housing units per acre, and a long-standing requirement to retain approximately 1/3 of each residential lot in its natural condition (no removal of significant trees or alteration of topography). Commercial development is concentrated along a two-mile stretch of NC 58 near the center of Town. The Town limits building heights to 40 or 50 feet throughout the Town, with only two condominium structures taller than 50 feet (approximately 75 feet tall). Almost all structures (single-family residential, multi-family residential, and commercial) in the Town are 1, 2, or 3 stories tall.

According to the US Census, the Town's permanent population has increased from 3,488 in 2000 to 3,655 in 2010. The North Carolina State Demographer estimates the Town's annual population as of July, 2016 at 3,791. With a significant number of second homes, these population estimates are likely understated when one considers that many retired second home owners split their time between Emerald Isle and their original home, with considerable extended amounts of time spent in Emerald Isle all throughout the year. As more second home owners reach retirement in the future, the presence of additional people in the Town is likely to continue to expand, as well as the permanent population estimate.

The total tax base of the Town is just over \$2.7 billion, and represents about 19% of the total Carteret County taxable value. Emerald Isle has the largest tax base of any single municipality in Carteret County, and is approximately equal to the combined tax base of the main permanent population center of the Morehead City / Beaufort / Newport areas of Carteret County. Housing units are perhaps a better indicator of the size and complexity of the Town, and according to the 2010 census, there are more than 6,700 housing units in the Town, with approximately 5,000 of these serving as second homes or vacation rental units. During the peak of the summer season, Emerald Isle's population is estimated at more than 40,000 people.

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

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

The Board of Commissioners determines Town priorities, establishes programs and services to address community needs, adopts and amends the annual budget, enacts the annual tax rate and other fees, regulates land use, and provides policy direction to the Town Manager. The Town Manager implements Board policies, performs research on policy issues, provides recommendations to the Board, develops the recommended budget, oversees day-to-day operations, and supervises Town department heads. The Board of Commissioners approves all agreements and large contracts. The Board of Commissioners appoints citizens to various Boards and Committees and represents the Town as the overall leadership entity.

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

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

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

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

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

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

Fire – The department's primary objectives are to protect the public's health and safety and prevent / limit property damages. The department continues its commitment to professionalism through proper training requirements, certifications, reliable equipment, and the retention of quality professionals. Each shift is 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 structure is designed to provide reasonable, but not absolute, assurance that the objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. Internal control evaluations occur within the above framework, and we believe the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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

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

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 2017 room occupancy tax collections representing the highest collections in history, more than \$7 million county-wide. Emerald Isle consistently represents more than 60% of room occupancy tax collected in the County. Sales tax collections also continue to increase annually. FY 2017 sales tax collections increased 8.31% 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 have completely recovered, 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 have stabilized, and are trending higher. 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.

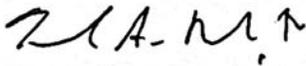
Awards and Acknowledgements

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

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

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

Respectfully submitted,

A handwritten signature in black ink that reads "F. A. RUSH, JR." with a stylized flourish at the end.

Frank A. Rush, Jr.

Town Manager

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Town of Emerald Isle, North Carolina

List of Principal Officials

June 30, 2017

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, Town Manager

Laura E. Rotchford, Finance Director

Rhonda C. Ferebee, Town Clerk/Human Resources Officer

James A. Reese, Police Chief

William W. Walker, Fire Chief

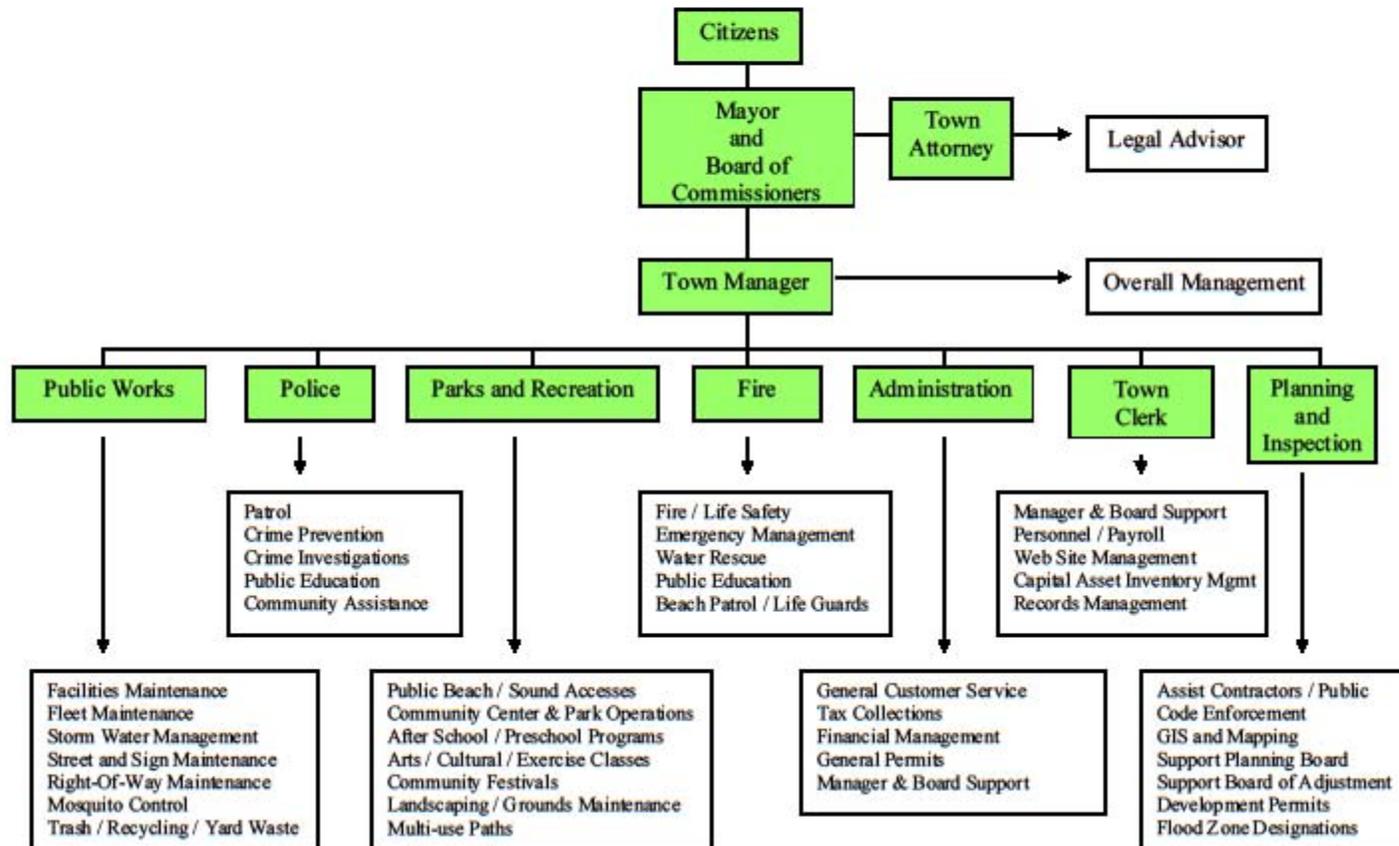
John “Artie” Dunn, Public Works Director

Josh Edmondson, Town Planner

Alesia F. Sanderson, Parks and Recreation Director

Richard L. Stanley, Town Attorney

Town of Emerald Isle Organizational Chart





Government Finance Officers Association

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

Presented to

**Town of Emerald Isle
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO

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Financial Section

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S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Emerald Isle, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Emerald Isle, North Carolina as of June 30, 2017, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund, and the Future Beach Nourishment Special Revenue Fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 11 through 22, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 59 and 60, respectively, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of Proportionate Share of the Net Pension Liability on page 61, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 62 and 63 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Emerald Isle, North Carolina. The introductory section, combining and individual nonmajor fund statements, budgetary schedules, other schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual 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, 2017 on our consideration of the Town of Emerald Isle's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Emerald Isle's internal control over financial reporting and compliance.



Lumberton, North Carolina
October 31, 2017

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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
Eddie Barber

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Board of Commissioners
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Jim Normile
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Town Manager
Frank A. Rush, Jr.
frush@emeraldisle-nc.org



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017 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, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The Town had \$4,279,754 of both unrestricted and restricted cash and cash equivalents on hand as of June 30, 2017. The Town also had total net receivables of \$40,258 as of June 30, 2017. Additionally, a total of \$718,339 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 \$21,492,294 as of June 30, 2017. The bulk of these assets are land, buildings, and other improvements in the community. During FY 2017 the Town completed several capital projects, including the Osprey Ridge Stormwater Pump project, as well as purchased several assets such as land and vehicles, which added to the Town's overall capital assets on hand.
- The Town's total liabilities as of June 30, 2017 were \$4,159,414. The recognition of pension liabilities account for \$1,531,244 of this amount, whereas, accounts payable and accrued liabilities represent \$264,225. A total of \$2,150,823 of this amount is the Town's outstanding loans as of June 30, 2017.
- The Town reported net position of \$23,164,099 as of June 30, 2017. Total net position increased by \$1,024,865. The overall increase is attributed to the annual increase to the Beach Nourishment Fund, through the collection of special district property taxes and General Fund contributions held for the purpose of future beach renourishment, along with a significant payment of principal on the installment purchase obligations related to capital assets.
- The Town's Net Position was negatively affected by the implementation of accounting standards that require the full recognition of the Town's liability related to the Law Enforcement Officers' Special Separation Allowance. FY 2016 net was position was restated and reduced by \$359,028 for this accounting change.
- The Town had total revenues of \$10,142,877 across all funds during FY 2017. The Town had total expenditures of \$9,581,417 across all funds during FY 2017, resulting in an overall increase in fund balance of \$561,460. Additions to the Future Beach Nourishment's fund balance of \$683,563 are associated with reserve funds for future beach nourishment activities.

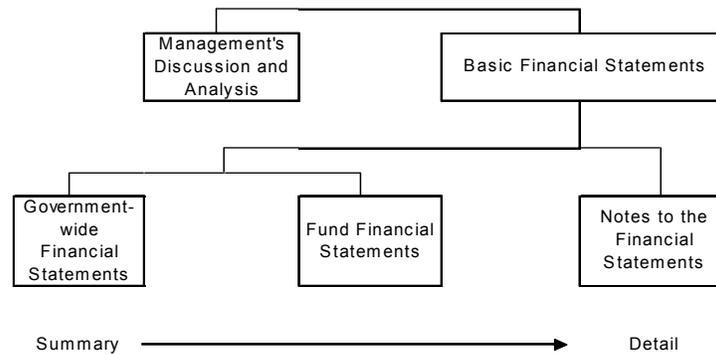
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,793,729, an increase in comparison to the prior year. Increases to fund balance were related the annual increase in the Future Beach Nourishment Fund from the collection of special district property taxes and General Fund contributions held for the purpose of future beach renourishment.
- The General Fund, the Town's primary annual operating fund, had total revenues of \$9,466,110 and total expenditures of \$8,872,810 during FY 2017. After transfers to other funds for capital projects of (\$548,086) and for the Future Beach Nourishment Fund of (\$152,484) the Town's General Fund balance decreased by \$99,426. The overall decrease in the General Fund was contributed to the intentional early retirement of an installment financing obligation for a 2013 fire truck purchase.
- As of June 30, 2017, the Town's General Fund had a total fund balance of \$2,179,388, of which a total of \$1,358,642 is classified as unassigned fund balance.
- The total General Fund balance of \$2,179,388 is equal to 22.8% of total General Fund expenditures during FY 2017 (\$9,573,380, including transfers out). This percentage is down from the previous year (25.5%), due to two key factors; 1) the intentional early retirement of Fire Truck debt, and 2) an increase in transfers out to capital projects during FY 2017 compared to the prior fiscal year. Total General Fund balance represents 23.1% percent of the FY 17-18 adopted budget of \$9,454,176 (including transfers out).
- The total unassigned General Fund balance amount of \$1,358,642 is equal to 14.2% of total General Fund expenditures during FY 2017 (\$9,573,380, including transfers out). Unassigned General Fund balance represents 14.4% of the FY 17-18 adopted budget of \$9,454,176 (including transfers out).
- The Town's Future Beach Nourishment Fund had a year-end fund balance of \$2,505,027, as the Town collected another year of special district property taxes and General Fund contributions reserved for future beach nourishment activities.
- The Town's had three (3) existing installment purchase agreements outstanding at June 30, 2017 totaling \$2,150,823, a decrease of \$787,558 from the prior year end. The Town's total outstanding debt is equal to approximately 0.08% of the Town's total assessed valuation at June 30, 2017, which remains a very low percentage.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Emerald Isle's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Emerald Isle.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are 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.

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.

Government-Wide Financial Analysis

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

Net Position

As noted in Figure 2 below, the Town's net position is \$23,164,099 as of June 30, 2017. The Town's net position increased by \$1,024,865 for the fiscal year ended June 30, 2017, due primarily to the accumulation of special district property taxes and General Fund contributions 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 \$683,563 to fund balance in this fund during FY 2017. Additionally, the Town made significant payments of principal on installment purchase agreements related to capital assets.

The Town's current assets (cash and cash equivalents, net receivables, due from other governments, and restricted cash) were \$5,061,766 as of June 30, 2017. This amount includes \$4,241,415 of unrestricted cash and cash equivalents across all Town funds, and an additional \$38,339 of restricted cash and cash equivalents, primarily attributable to one capital project still in progress at June 30, 2017. This amount also includes \$718,339 due from other governments, the majority of which is from 4th quarter earnings of sales tax and utility tax distributions. The Town's capital assets total \$21,492,294, which is a slight increase of \$33,565 over the prior year. The investment in new capital projects, land, vehicles and equipment was somewhat offset by annual depreciation expense, resulting in a minor increase.

The Town's total liabilities increased by \$449,967 during FY 2017 to \$4,159,414. While the Town decreased its overall installment purchase obligations through its annual debt service and early retirement of the fire truck installment purchase, significant increases were recognized in pension liabilities. Net pension liability of \$978,400 represents the Town's proportionate share of the Local Government Employees' Retirement System (LGERS) net pension liability. Decisions regarding the LGERS plan are made by the administrators of the plan and not by the Town's management or commissioners. Total pension liability of \$552,844 represents the Town's liability for the Law Enforcement Officers' Special Separation Allowance (LEOSSA). The Town does not hold its assets for this pension in a GASB defined trust. Payments to its beneficiaries are budgeted and made annually on a pay-as-you-go basis.

During FY 2016, the Town partially implemented GASB Statement 73, by moving the reporting of its assets for the LEOSSA pension plan from a fiduciary fund, to the General Fund as Committed Fund Balance in the amount of \$63,954. During FY 2017 the Town fully implemented the accounting statement and has recognized total pension liability along with restatement of the FY 2016 net position for the full recognition of the liability.

Town of Emerald Isle's Net Position

Figure 2

	Governmental Activities	
	2017	2016
Current and other assets	\$ 5,061,766	\$ 4,697,216
Capital assets	21,492,294	21,458,729
Total assets	26,554,060	26,155,945
Deferred outflows of resources	843,921	183,610
Long-term liabilities outstanding	3,317,226	2,896,562
Other liabilities	842,188	812,885
Total liabilities	4,159,414	3,709,447
Deferred inflows of resources	74,468	131,846
Net position:		
Net investment in capital assets	19,341,471	18,520,348
Restricted	3,246,185	2,519,657
Unrestricted	576,443	1,099,229
Total net position	\$ 23,164,099	\$ 22,139,234

Changes in Net Position

As noted in Figure 3 below, the Town had total revenues of \$9,866,145 across all activities, and had total expenses of \$8,841,280 during the year ended June 30, 2017, resulting in an increase in the Town's net position of \$1,024,865. While the Town did not have significant capital grant revenues in FY 2017, as it did in the prior year, increases in other revenue lines such as local option sales tax surpassed FY 2016 amounts. Expenses increased over FY 2016, primarily due to increased operating expenses, the purchase of fire equipment provided by grant funds, the recognition of pension expenses related to the Local Governmental Employees' Retirement System and LEOSSA, and a slight increase in depreciation expense.

The increase in net position in FY 2017 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 \$683,563 to the Fund from the collection of Primary Benefit District Taxes and the transfer from General Fund.

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

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 2,303,722	\$ 2,272,615
Operating grants and contributions	303,522	227,824
Capital grants and contributions	8,783	245,472
General revenues:		
Property taxes	4,526,187	4,499,943
Local option sales tax	1,849,401	1,707,580
Other taxes and licenses	744,382	633,718
Unrestricted grants and contributions	73,275	51,823
Unrestricted investment earnings	18,368	5,490
Miscellaneous	38,505	49,603
Total revenues	<u>9,866,145</u>	<u>9,694,068</u>
Expenses:		
General government	1,387,324	1,352,365
Public safety	3,784,052	3,408,496
Environmental protection	2,340,683	2,274,567
Cultural and recreation	1,277,024	1,165,017
Interest on long-term debt	52,197	63,059
Total expenses	<u>8,841,280</u>	<u>8,263,504</u>
Increase (decrease) in net position	1,024,865	1,430,564
Net position, beginning, as previously reported	22,498,262	21,003,943
Restatement for accounting change	(359,028)	63,755
Net position beginning, as restated	<u>22,139,234</u>	<u>21,067,698</u>
Net position, ending	<u>\$ 23,164,099</u>	<u>\$ 22,498,262</u>

Capital Assets

As of June 30, 2017, the Town of Emerald Isle's investment in capital assets, net of depreciation totaled \$21,492,294, a slight increase of \$33,565 over the previous year. These assets include buildings, construction in progress, furniture and equipment, improvements, land, and vehicles. During FY 2017, the Town acquired land located at 203 Islander Drive in collaboration with Carteret County's Economic Development Fund. The Town also constructed several replacements for beach access walkways; constructed a new stormwater pump at Osprey Ridge; and added 0.20 miles of additional bicycle and pedestrian pathway along Bogue Inlet Drive. The value of these new capital assets along with the purchase of departmental vehicle and equipment replacements was slightly higher than the Town's annual depreciation expense of \$782,894.

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

Figure 4

	Governmental Activities	
	2017	2016
Land	\$ 11,911,211	\$ 11,689,810
Construction in progress	400	8,775
Buildings	2,192,747	2,257,650
Improvements	6,272,547	6,164,725
Furniture and equipment	408,836	467,824
Vehicles and motorized equipment	706,553	869,945
	\$ 21,492,294	\$ 21,458,729

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

Long-Term Debt

As of June 30, 2017, the Town of Emerald Isle had total outstanding installment purchase obligations of \$2,150,823. This amount is comprised of three installment financing agreements as described below:

The Town issued \$1.4 million in installment debt during 2013 to refinance previous installment debts, and the remaining balance at June 30, 2017 was \$481,465. 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. 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, and 0.82% for the vacant lot.

Town of Emerald Isle's Outstanding Long-Term Debt

Figure 5

	Governmental Activities	
	2017	2016
Installment notes	\$ 2,150,823	\$ 2,938,381
Compensated absences	213,122	199,898
Pension liabilities	1,531,244	378,219
	\$ 3,895,189	\$ 3,516,498

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 \$2,150,823 is equal to 0.08% of the Town's total assessed valuation of approximately \$2.7 billion as of June 30, 2017. 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 \$217 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, and compensated absences. The Town is a participating employer in the North Carolina Local Governmental Employees' Retirement System (LGERS). The Town's proportionate share of the LGERS net pension liability is \$978,400 for FY 2017, a significant increase over the prior year's share of \$215,288 in 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 total pension liability for the LEOSSA is \$552,844 for FY 2017.

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

Financial Analysis of Individual Funds

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

General Fund

The General Fund is the Town's primary operating fund, and had \$9,573,380 of total expenditures (\$8,872,810) and transfers out (\$700,570) in the year ending June 30, 2017. Total revenues of \$9,466,110 plus a minimal transfer in from a capital project did not fully offset the expenditures, resulting in a \$99,426 decrease in General Fund balance.

Property tax revenues continue to represent the Town's largest General Fund revenue source, at \$4,257,235, or approximately 45% of total revenues. Sales tax revenues remain the Town's second largest General Fund revenue source, with a total of \$1,849,401 representing 20% of total revenues. Solid waste service fees are the Town's third largest General Fund revenue source, at \$1,475,692 representing 16% of total revenues. Combined, these three revenue sources make up 80% of total General Fund revenues for the fiscal year ended June 30, 2017.

Public safety expenditures (Police, Fire, and EMS) continue to comprise the largest portion of the General Fund, at \$3,568,121, or approximately 37% of total General Fund expenditures and transfers out. Other notable expenditures include Solid Waste (\$1,441,936) and Parks and Recreation (\$1,000,146).

As of June 30, 2017, total General Fund balance is \$2,179,388, a decrease of \$99,426 over the prior year's fund balance. The overall decrease in fund balance, is associated with the intentional early retirement of an installment purchase obligation for a 2013 fire truck. The debt was set to mature during FY 2019, and the additional debt service payment for FY 2017 was \$189,000. The Town's total General Fund balance is equal to 22.8% of total General Fund expenditures (including transfers out) for FY 2017. This percentage is down from the previous year (25.5%), due to the decrease in fund balance, as well as an increase in transfers out to capital project funds, compared to the prior year. It is important to note that beginning in FY 2015 the General Fund 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. General Fund balance represents 23.1% percent of the FY 2018 adopted budget of \$9,454,176 (including transfers out).

The total unassigned General Fund balance amount of \$1,358,642 is equal to 14.2% of total General Fund expenditures during FY 2017. Unassigned General Fund balance also represents 14.4% of the FY 2018 adopted budget of \$9,454,176 (including transfers out). The transfer from the General Fund 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 generally have an overall long-term increasing trend, and the Town has never experienced any cash-flow difficulties in past years, even during periods with significant hurricane impacts. Additionally, the Town has had and will likely continue to have significant fund balances in other Town funds (notably beach nourishment reserve funds) in the future that could be used to address any short-term cash-flow emergencies if necessary. Finally, the Town's elected officials have historically and continue to place a high priority on the proper balance between the Town's fund balance needs and respect for our taxpayers by not holding an excessive amount of their money in reserve.

Future Beach Nourishment Fund

FY 2017 was the sixth 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 \$2,505,027. 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. The new Welcome Center was leased to the Carteret County Tourism Development Authority for a ten year period, with monthly lease payments going to the direct repayment of the interfund loan. During FY 2017, the Carteret County Tourism Development Authority approved an early payoff of the ten year lease to the Town, and the Future Beach Nourishment Fund was fully repaid of the initial interfund loan.

Beginning in FY 2015, the Town's Board appropriated significant General Fund transfers to the Future Beach Nourishment Fund. FY 2016 and FY 2017 adopted appropriations were \$400,000 respectively. During FY 2017, the Board approved a reduction of the FY 2017 transfer from the General Fund to the Future Beach Nourishment Fund of \$250,000 resulting in a \$150,000 transfer for FY 2017 only. The \$250,000 was utilized to fund the purchase of land at 203 Islander Drive. The Town's Board has approved an additional \$50,000 each year from the General Fund to the Future Beach Nourishment Fund, beginning in FY 2018 for a period of five years (\$450,000 annually) to accumulate the amount that would have otherwise been transferred during FY 2017.

Other Funds

The Town utilized several other funds during the fiscal year ended June 30, 2017, most of which are capital project funds established to segregate revenues and expenditures associated with these projects over multiple fiscal years.

During FY 2017, two capital project funds established in prior years were finalized and closed at year end. The capital project established for the Senator Jean Preston Memorial Playground was complete as of June 30, 2017. The fund had a small remaining balance of \$7,844 which was transferred to the General Fund's Parks and Recreation department for maintenance of the playground. Additionally, in prior years the Town had set aside funds for the NC58 Traffic Signal Pole project. The project was dependent on significant funding from the NC Department of Transportation, however during FY 2017 it was determined that funding would not be readily available. Therefore, during FY 2017 the Traffic Signal project was cancelled and the remaining funds were transferred to the Bicycle and Pedestrian Fund for use toward bicycle path-related capital projects.

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 2017:

- 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 \$38,208, as of June 30, 2017. The fund is used to account for fundraising proceeds and related path capital improvements funded by these proceeds as recommended by the Bicycle and Pedestrian Advisory Committee and authorized by the Board of Commissioners. During FY 2017, the fund invested in a new pedestrian beach access walkway near "the Point" area of the beach strand; a new sidewalk and curbing extension on Mangrove Road; and provided a transfer to the Bogue Inlet Drive Improvements project described in more detail below.
- the Islander Drive Land Acquisition capital project fund was established to acquire and restore a vacant 1.8-acre tract of land adjacent to the Town's Western Ocean Regional Access property off Islander Drive. The land included an abandoned go-kart track, and the project included funding for the removal of the remaining go-kart track debris, and improving the land into a grassy lot, with final work continuing into FY 2018. The project included funding from Carteret County, in addition to a transfer from the General Fund.

- the Cape Emerald Pipe Replacement capital project fund was created for the design and construction of a stormwater pipe replacement or expansion to improve stormwater management in the Cape Emerald area retention pond. The project is funded by a transfer from the General Fund. Construction had not begun as of June 30, 2107, and the fund had a remaining balance of \$32,100.
- the Bogue Inlet Drive Improvements capital project fund was created for the design and construction of an extension of the bicycle path between NC 58 and Bogue Inlet Pier, along with street realignment, lighting, and aesthetic improvements. The project was funded by transfers from both the General Fund the Bicycle and Pedestrian Fund. Construction for the project was substantially complete at June 30, 2017.
- the Osprey Ridge Stormwater Pump capital project fund was created for the design and construction of a new stormwater pump station to alleviate street flooding on Osprey Ridge Drive. The project was funded by a transfer from the General Fund. Initial design work began in late FY 2016, and the project was substantially complete at June 30, 2017.

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

The Special Drug Fund was established to segregate and account for restricted federal and state revenues to be used for expenditures for police department equipment. The Special Drug Fund has a total fund balance of \$131 as of June 30, 2017, and these restricted funds will be used for eligible law enforcement purchases in future fiscal years.

The Town established the Half-Marathon Fund, a special revenue fund, in FY 2014. This 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 an 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. Because the funds are very minimal, for more efficient reporting in future years, the Town intends to simply report this quarterly amount as a liability or "due to" account in the General Fund beginning in FY 2018.

FY 2017 Budget Administration

The Board of Commissioners adopted the FY 2017 budget in June 2016 after a thoughtful and analytical review process over the previous several months.

The total adopted FY 2017 budget for both the General and Future Beach Nourishment Funds was \$9,782,387 which represented a \$207,448, or 2.2% increase over the adopted FY 2016 budget for both funds. The FY 2017 adopted tax rate was 15.5 cents, the same rate as FY 2016. As in prior fiscal years, the General Fund rate 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 tax rate adopted for the special district (oceanfront and inlet-front properties) was 4.0 cents for FY 2017, and was also the same as FY 2016. 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.

The Town's Board not only maintained the same tax rates from FY 2016 to FY 2017, but also did not increase any service fees or rates in the Town's fee schedule. Although the budget increased overall by 2.2% for both funds, growth in the areas of intergovernmental revenues, specifically electricity sales tax, Town development fees, and increased participation in the Town's golf cart registration and beach vehicle permit programs offset the need to increase any Town rates.

The adopted FY 2017 budget included a total General Fund budget of \$9,103,200, a \$200,765, or 2.3% increase over the adopted FY 2016 budget. Overall increases to the FY 2017 budget were attributed to additional funding for the Osprey Ridge stormwater pump and Cape Emerald pipe replacement projects, a 1% cost of living adjustment for all Town employees, the addition of a full-time community resources officer position in the police department, and overall inflationary increases in all Town departments. During the course of FY 2017, the General Fund budget was amended several times, resulting in a final amended FY 2017 budget of \$9,672,550.

The most significant amendments to General Fund revenues were as follows: an increase of \$146,858 for the FEMA Assistance to Firefighters Grant for the purchase of self-contained breathing apparatus; \$131,000 in increases in local option sales tax; \$83,595 in other permit fees for greater demand of programs such as golf cart registrations and beach vehicle permits; and \$135,171 in appropriated fund balance primarily for fire-truck related debt retirement. Overall increases in General Fund revenues provided for additional funding for the FY 2017 capital projects mentioned above, and the early retirement of installment purchase debt for the 2013 fire truck.

While certain revenues, such as electricity sales tax and local option sales tax, came in slightly lower than the final amended budget; overall departmental expenditures were also slightly lower than the final amended budget, which allowed for a lower use of appropriated fund balance than indicated in the amended budget.

Finally, several special and capital project funds were also established and/or amended during FY 2017. Key projects amended included the Bicycle and Pedestrian Fund; and the creation of the new Beach Music Festival special revenue fund, as well as several new capital project funds, as described above.

Economic Factors and FY 2018 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 effect each annual budget, and particularly the impacts on its largest revenue sources: property taxes, sales taxes; and solid waste service fees. Additionally, the impact from economic factors can effect development or building permit fees and other fees, such as the Town's golf cart permit program and beach permit program, among others.

The Town considers economic indicators from both North Carolina as well as Carteret County. During FY 2017, North Carolina experienced a slight decline in unemployment rates, along with Carteret County. As of June 30, 2017, North Carolina was at 4.2% unemployment, down from 5.2% (unadjusted) from the prior year, while Carteret County reported 3.9% unadjusted unemployment.

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 2017, North Carolina reported taxable retail sales up \$711.5 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 2017 sales tax distributions to Carteret County were up 3.7%, and the Town distributions were up 8.3%.

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 more than 60% of all room occupancy tax revenues in Carteret County. The Town does not receive any revenue from room occupancy taxes levied in Emerald Isle, as these revenues revert to Carteret County and are reserved for tourism promotion and beach nourishment activities that ultimately benefit Emerald Isle.

The room occupancy tax figures are useful, however, for gauging the strength of the local tourism industry. Room occupancy tax collections of more than \$7 million, at the end of FY 2017 were up just over 6% compared to FY 2016, and results show an overall trend upward over the past 10 years.

With these key economic factors considered, the Town's FY 2018 adopted budgets total \$10,192,167 for both the General and Future Beach Nourishment Funds, a \$409,780, or 4.2% increase from the originally adopted FY 2017 budgets. The FY 2018 adopted budget maintains the Town's high service levels and quality, while also maintaining the same tax rate as the prior fiscal year, with only minimal increases to selected building permit and recreation program fees.

The Town's adopted FY 2018 General Fund budget is \$9,454,176, which equates to a \$350,976 increase (or 3.9%) over the adopted FY 2017 General Fund budget. Since FY 2014, the General Fund rate has included 1.5 cents dedicated for beach renourishment, and this calculation derived an annual \$400,000 budgeted transfer from the General Fund to the Future Beach Nourishment Fund. While no rate increases were adopted, budgeted revenues were increased in three key areas: property tax revenues; additional local option sales tax distributions; 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 based on actual FY 2017 distributions. Utility sales tax distributions have somewhat leveled, and therefore were budgeted slightly lower than the prior year. Modest growth is anticipated in the tax base due to continued new construction and renovations. The FY 2018 budget included \$50,594 in additional property tax revenues. Finally, as the trends of positive economic growth have been reflected in the past two fiscal years, in the areas 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 \$69,000.

The adopted FY 2018 General Fund budget anticipates a total of \$4,292,594 of property tax revenues, \$1,850,000 of sales tax revenues, and \$1,499,4800 of annual solid waste fee revenues. Combined, these 3 revenue sources represent nearly 81% of General Fund revenues. On the expenditure side, public safety (Police, Fire, and EMS) and solid waste expenses represent nearly 56% of General Fund expenditures. The FY 2018 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 2018 General Fund budget is structurally sound, and the Town does not anticipate any unmanageable budget deficits in the coming months. The FY 2018 budget includes approximately \$163,000 for the addition of 3 new firefighter positions with federal grant funding; a new full-time parks maintenance position; increases in departmental capital purchases compared to the prior year; and a 2.2% cost of living adjustment for Town employees.

Finally, the total adopted budget for the Future Beach Nourishment Fund was \$737,991 for FY 2018. The budget includes the anticipated receipt of \$272,991 of special district property taxes from oceanfront and inlet-front property owners, and also the \$450,000 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.

Basic Financial Statements

Town of Emerald Isle, North Carolina
Statement of Net Position
June 30, 2017

	Primary Government
	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,241,415
Restricted cash and cash equivalents	38,339
Taxes receivable, net	16,746
Accounts receivable, net	23,512
Due from other governments	718,339
Prepaid expenses	23,415
Total current assets	5,061,766
Non-current assets:	
Capital assets (Note 3):	
Land and construction in progress	11,911,611
Other capital assets, net of depreciation	9,580,683
Total capital assets	21,492,294
Total assets	26,554,060
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	843,921
Total deferred outflows of resources	843,921
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	264,225
Current portion of long-term liabilities	577,963
Total current liabilities	842,188
Long-term liabilities:	
Net pension liability	978,400
Total pension liability	552,844
Due in more than one year	1,785,982
Total liabilities	4,159,414
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	74,468
Total deferred inflows of resources	74,468
NET POSITION	
Net investment in capital assets	19,341,471
Restricted for:	
Stabilization by State Statute	741,027
Public safety	131
Environmental protection	2,505,027
Unrestricted	576,443
Total net position	\$ 23,164,099

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

Town of Emerald Isle, North Carolina
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 1,387,324	\$ 54,537	\$ -	\$ -	\$ (1,332,787)
Public safety	3,784,052	222,669	178,186	-	(3,383,197)
Environmental protection	2,340,683	1,496,127	152,454	-	(692,102)
Cultural and recreation	1,277,024	431,061	143,854	8,783	(693,326)
Interest on long-term debt	52,197	-	-	-	(52,197)
Total governmental activities	\$ 8,841,280	\$ 2,204,394	\$ 474,494	\$ 8,783	(6,153,609)
 General revenues:					
Taxes:					
Property taxes, levied for general purpose					4,526,187
Local option sales tax					1,849,401
Other taxes and licenses					744,382
Unrestricted grants and contributions					150
Unrestricted investment earnings					18,368
Miscellaneous					39,986
Total general revenues					7,178,474
Change in net position					1,024,865
Net position, beginning, previously reported					22,498,262
Restatement					(359,028)
Net position, beginning, restated					22,139,234
Net position, ending					\$ 23,164,099

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

Town of Emerald Isle, North Carolina
Balance Sheet
Governmental Funds
June 30, 2017

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Future Beach Nourishment Special Revenue Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,647,881	\$ 2,505,027	\$ 88,507	\$ 4,241,415
Restricted cash and cash equivalents	-	-	38,339	38,339
Taxes receivable, net	16,610	136	-	16,746
Accounts receivable, net	22,688	-	-	22,688
Due from other governments	718,339	-	-	718,339
Prepays	15,765	-	7,650	23,415
Total assets	\$ 2,421,283	\$ 2,505,163	\$ 134,496	\$ 5,060,942
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities	\$ 225,285	\$ -	\$ 25,182	\$ 250,467
Total liabilities	225,285	-	25,182	250,467
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Property taxes receivable	16,610	136	-	16,746
Total deferred inflows of resources	16,610	136	-	16,746
<u>FUND BALANCES</u>				
Non-spendable:				
Prepays	15,765	-	7,650	23,415
Restricted:				
Stabilization by State Statue	741,027	-	-	741,027
Public safety	-	-	131	131
Environmental protection	-	2,505,027	-	2,505,027
Committed:				
LEO special separation allowance	63,954	-	-	63,954
Assigned:				
Environmental protection	-	-	33,307	33,307
Culture and recreation	-	-	68,226	68,226
Unassigned	1,358,642	-	-	1,358,642
Total fund balances	2,179,388	2,505,027	109,314	4,793,729
Total liabilities, deferred inflows of resources and fund balances	\$ 2,421,283	\$ 2,505,163	\$ 134,496	\$ 5,060,942

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

Town of Emerald Isle, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2017

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

Total fund balances, governmental funds		\$ 4,793,729
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$ 27,973,139	
Accumulated depreciation	<u>(6,480,845)</u>	21,492,294
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.		824
Deferred outflows of resources related to pensions and are not reported in the funds		843,921
Earned revenues considered deferred inflows of resources in fund statements		16,746
Gross long-term debt beginning	\$ (3,138,279)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	774,334	
Total pension liability	(552,844)	
Net pension liability	<u>(978,400)</u>	(3,895,189)
Deferred inflows of resources related to pensions are not reported in the funds		(74,468)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds		<u>(13,758)</u>
Net position of governmental activities		<u><u>\$ 23,164,099</u></u>

Town of Emerald Isle, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Future Beach Nourishment Special Revenue Fund</u>	<u>Total Non-Major Funds</u>	
Revenues:				
Ad valorem taxes	\$ 4,257,235	\$ 267,684	\$ -	\$ 4,524,919
Unrestricted intergovernmental	2,593,783	-	-	2,593,783
Restricted intergovernmental	316,398	-	131	316,529
Permits and fees	2,073,270	-	-	2,073,270
Sales and services	167,771	-	-	167,771
Investment earnings	3,373	14,995	-	18,368
Miscellaneous	54,280	248,400	145,557	448,237
Total revenues	<u>9,466,110</u>	<u>531,079</u>	<u>145,688</u>	<u>10,142,877</u>
Expenditures:				
Current:				
General government	1,304,192	-	-	1,304,192
Public safety	3,474,772	-	788	3,475,560
Environmental protection	2,137,131	-	-	2,137,131
Cultural and recreation	884,929	-	107,201	992,130
Capital outlay:				
General government	-	-	221,401	221,401
Public safety	93,349	-	-	93,349
Environmental protection	16,105	-	196,006	212,111
Cultural and recreation	115,217	-	183,211	298,428
Debt service:				
Principal retirement	787,558	-	-	787,558
Interest and other charges	59,557	-	-	59,557
Total expenditures	<u>8,872,810</u>	<u>-</u>	<u>708,607</u>	<u>9,581,417</u>
Excess (deficiency) of revenues over expenditures	<u>593,300</u>	<u>531,079</u>	<u>(562,919)</u>	<u>561,460</u>
Other financing sources (uses)				
Transfers from other funds	7,844	152,484	687,086	847,414
Transfers to other funds	(700,570)	-	(146,844)	(847,414)
Total other financing sources (uses)	<u>(692,726)</u>	<u>152,484</u>	<u>540,242</u>	<u>-</u>
Net change in fund balances	(99,426)	683,563	(22,677)	561,460
Fund balances, beginning	<u>2,278,814</u>	<u>1,821,464</u>	<u>131,991</u>	<u>4,232,269</u>
Fund balances, ending	<u>\$ 2,179,388</u>	<u>\$ 2,505,027</u>	<u>\$ 109,314</u>	<u>\$ 4,793,729</u>

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

Town of Emerald Isle, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds \$ 561,460

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	\$ 825,291	
Depreciation expense for governmental assets	(782,894)	
Loss on sale of capital assets	<u>(8,833)</u>	33,564

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 206,521

Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities 11,075

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

Change in unavailable revenue for tax revenues		1,268
Change in unavailable revenue for lease receivable		<u>(276,813)</u>

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position.

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

Principal payments on long-term debt	787,558	
Decrease in accrued interest payable	<u>7,360</u>	794,918

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	(13,224)	
Pension expense (LGERS)	(253,109)	
Pension expense (LEOSSA)	<u>(40,795)</u>	<u>(307,128)</u>

Total changes in net position of governmental activities \$ 1,024,865

Town of Emerald Isle, North Carolina
General Fund and Annually Budgeted Major Funds
Statements of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual
For the Year Ended June 30, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 4,242,000	\$ 4,242,000	\$ 4,257,235	\$ 15,235
Unrestricted intergovernmental	2,529,000	2,670,000	2,593,783	(76,217)
Restricted intergovernmental	143,000	296,765	316,398	19,633
Permits and fees	1,976,000	2,086,035	2,073,270	(12,765)
Sales and services	181,100	158,000	167,771	9,771
Investment earnings	5,000	5,000	3,373	(1,627)
Miscellaneous	27,100	71,735	54,280	(17,455)
Total revenues	9,103,200	9,529,535	9,466,110	(63,425)
Expenditures:				
Current:				
General government	1,307,010	1,333,173	1,304,192	28,981
Public safety	3,466,525	3,601,079	3,568,121	32,958
Environmental protection	2,108,315	2,180,008	2,153,236	26,772
Cultural and recreation	965,604	1,010,104	1,000,146	9,958
Debt service:				
Principal retirement	628,733	787,558	787,558	-
Interest and other charges	59,513	60,058	59,557	501
Total expenditures	8,535,700	8,971,980	8,872,810	99,170
Revenues over (under) expenditures	567,500	557,555	593,300	35,745
Other financing sources (uses):				
Transfers from other funds	-	7,844	7,844	-
Transfers to other funds	(567,500)	(700,570)	(700,570)	-
Total other financing sources (uses)	(567,500)	(692,726)	(692,726)	-
Fund balance appropriated	-	135,171	-	(135,171)
Net change in fund balances	\$ -	\$ -	(99,426)	\$ (99,426)
Fund balance, beginning			2,278,814	
Fund balance, ending			\$ 2,179,388	

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

Future Beach Nourishment Special Revenue Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 271,703	\$ 266,450	\$ 267,684	\$ 1,234
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	-	-	-	-
Permits and fees	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	7,484	5,000	14,995	9,995
Miscellaneous	-	248,400	248,400	-
Total revenues	<u>279,187</u>	<u>519,850</u>	<u>531,079</u>	<u>11,229</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Environmental protection	-	-	-	-
Cultural and recreation	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>279,187</u>	<u>519,850</u>	<u>531,079</u>	<u>11,229</u>
Other financing sources (uses):				
Transfers from other funds	400,000	152,484	152,484	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	<u>400,000</u>	<u>152,484</u>	<u>152,484</u>	<u>-</u>
Fund balance appropriated	(679,187)	(672,334)	-	672,334
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	683,563	<u>\$ 683,563</u>
Fund balance, beginning			<u>1,821,464</u>	
Fund balance, ending			<u>\$ 2,505,027</u>	

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

Town of Emerald Isle, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 576</u>
<u>LIABILITIES</u>	
Accounts payable and accrued liabilities	<u>\$ 576</u>

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

Notes to the Financial Statements

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Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds 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.

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

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Capital Projects Funds. These funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds.) The Town had the following non-major capital project funds: The Osprey Ridge Storm Water Pump Project Fund, the NC 58 Traffic Signal Project Fund, the Bike and Pedestrian Project Fund, the Jean Preston Memorial Playground Project Fund, the Cape Emerald Pipe Replacement Fund, the Islander Drive Land Acquisition Fund, and the Bogue Inlet Drive Improvements.

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 of 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.

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Future Beach Nourishment Special Revenue Fund, the Special Drug Fund, and the Half Marathon Fund, and the Beach Music Festival 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 Cape Emerald Pipe Replacement Fund, the Islander Drive Land Acquisition Fund, and the Bogue Inlet Drive Improvements Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Town Manager is authorized to transfer appropriation within each department; however, any revision that alters total departmental expenditures must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing body must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

The Bike and Pedestrian Project Fund has received specific donations for its project. The Special Drug Fund can only be used for certain approved expenditures provided by the funding source.

Town of Emerald Isle's Restricted Cash

Non-Major Funds			
	Special Drug Fund	\$	131
	Bike and Pedestrian Fund		38,208
Total Restricted Cash		<u>\$</u>	<u>38,339</u>

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, 2016.

5. Allowances for Doubtful Accounts

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

6. Prepays

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs for the Town's assets are \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets 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.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Capital Assets (continued)

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2017 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – prepaid taxes, property taxes receivable, and pension deferrals.

9. Long-Term Obligations

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

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

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Net Position/Fund Balances (continued)

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

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

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

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

Assigned for Environmental Protection – portion of fund balance that has been budgeted by the Board for activities related to the completion of ongoing stormwater and traffic signal 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.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. Defined Benefit Cost-Sharing Plans

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

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

None.

C. Excess of Expenditures over Appropriations

None.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2017, the Town's deposits had a carrying amount of \$2,018,735 and a bank balance of \$2,042,788. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2017, the Town's petty cash fund totaled \$2,100. The fiduciary fund had a cash balance of \$576.

2. Investments

The Town has no formal policy regarding credit risk. At June 30, 2017, the Town's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2017	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 318,362	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	1,942,657	1year	Unrated
Total:		\$ 2,261,019		

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A. Assets (continued)

2. Investments (continued)

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

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

3. Receivables

Receivables at the government-wide level at June 30, 2017, were as follows:

	Accounts	Taxes Receivable	Accrued Interest Receivable	Total
Governmental Activities:				
General	\$ 22,688	\$ 25,275	\$ 824	\$ 48,787
Future Beach Nourishment	-	136	-	136
Total receivables	22,688	25,411	824	48,923
Allowance for Doubtful Accounts	-	(8,665)	-	(8,665)
Total-governmental activities	\$ 22,688	\$ 16,746	\$ 824	\$ 40,258

The amounts presented in the Balance Sheet and Statement of Net Position for the year ended June 30, 2017 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 8,665
Total	\$ 8,665

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A. Assets (continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 11,689,810	\$ 221,401	\$ -	\$ 11,911,211
Construction in progress	8,775	400	(8,775)	400
Total capital assets not being depreciated	11,698,585	221,801	(8,775)	11,911,611
 Capital assets being depreciated:				
Buildings	3,245,146	-	-	3,245,146
Improvements	7,607,511	468,743	-	8,076,254
Furniture and equipment	1,617,431	10,450	(23,650)	1,604,231
Vehicles and motorized equipment	3,110,383	133,073	(107,559)	3,135,897
Total capital assets being depreciated:	15,580,471	612,266	(131,209)	16,061,528
 Less accumulated depreciation for:				
Buildings	987,496	64,904	-	1,052,400
Improvements	1,442,786	360,921	-	1,803,707
Furniture and equipment	1,149,607	60,605	(14,817)	1,195,395
Vehicles and motorized equipment	2,240,438	296,464	(107,559)	2,429,343
Total accumulated depreciation	5,820,327	782,894	(122,376)	6,480,845
Total capital assets being depreciated, net	9,760,144			9,580,683
 Governmental activities capital assets, net	\$ 21,458,729			\$ 21,492,294

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

General government	\$ 65,117
Public safety	242,913
Environmental Protection	197,619
Cultural and recreational	277,245
Total depreciation expense	\$ 782,894

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members, - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 707-0707, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Emerald Isle employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Emerald Isle's contractually required contribution rate for the year ended June 30, 2017, was 8% of compensation for law enforcement officers and 7.25% 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 \$206,521 for the year ended June 30, 2017.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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

At June 30, 2017, the Town reported a liability of \$978,400 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.04610%, which was a decrease of 0.002% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$253,109. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,382	\$ 34,282
Changes of assumptions	67,011	-
Net difference between projected and actual earnings on pension plan investments	540,932	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	30,276
Town contributions subsequent to the measurement date	206,521	-
Total	\$ 832,846	\$ 64,558

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

\$206,521 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	80,037
2018		80,133
2019		249,750
2020		151,845
2021		-
Thereafter		-

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation		3.0 percent
Salary increases		3.50 to 7.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

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

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

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

Sensitivity of the Town's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 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 the net pension liability (asset)	\$ 2,322,191	\$ 978,400	\$ (144,041)

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

b. Law Enforcement Officer's Special Separation Allowance

1. Plan Description.

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

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

Inactive members currently receiving benefits	0
Active plan members	18
Total	18

2. Summary of Significant Accounting Policies.

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

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

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

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

3. *Actuarial Assumptions.*

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Investment rate of return	3.86 percent, net of pension plan investment expense, including inflation

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

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

4. *Contributions.*

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$9,020 for the reporting period.

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

At June 30, 2017, the Town reported a total pension liability of \$552,844. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$40,795.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	9,910
Benefit payment and administrative expenses subsequent to the measurement date	11,075	-
Total	\$ 11,075	\$ 9,910

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

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

\$11,075 reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:			
2018	\$	1,812	
2019		1,812	
2020		1,812	
2021		1,812	
2022		1,812	
Thereafter		850	

\$11,075 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.86 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Town's proportionate share of the net pension liability (asset)	\$ 594,383	\$ 552,844	\$ 514,406

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

	2017
Beginning balance	\$ 531,161
Service cost	23,624
Interest on the total pension liability	18,801
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(11,722)
Benefit payments	(9,020)
Other changes	-
Ending balance of the total pension liability	\$ 552,844

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officers' Special Allowance (continued)

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014

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

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were \$196,073, which consisted of \$137,112 from the Town and \$18,980 from the law enforcement officers. General employees of the Town are also permitted to make voluntary contributions to the Plan. Contribution made by general employees for the year ended June 30, 2017 was \$39,981.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

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

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

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

Contributions. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. The Firemen's Relief Fund has elected to contribute for the eligible plan members. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2016, the State contributed \$13,900,000 to the plan. The Town of Emerald Isle's proportionate share of the State's contribution is \$7,466.

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, 2017, 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 \$19,529. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2016 and at June 30, 2015 was 0%.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

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

For the year ended June 30, 2017, the Town recognized pension expense of \$5,730 and revenue of \$5,730 for support provided by the State. At June 30, 2017, 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, 2015 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, actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. 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 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 elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multi-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits, Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employees death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of the contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

3. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources
Benefit payments made for LEOSSA	\$ 11,075
Differences between expected and actual experience	18,382
Changes of assumptions	67,011
Net difference between projected and actual earnings on pension plan investments	540,932
Changes in proportion and differences between Town contributions and proportionate share of contributions	-
Town contributions subsequent to the measurement date	206,521
Total	\$ 843,921

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

	Statement of Net Postion	General Fund Balance Sheet
Taxes receivable, less penalites (General Fund)	\$ -	\$ 16,746
Changes of assumptions	44,192	-
Differences between expected and actual experience	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-
Total	\$ 74,468	\$ 16,746

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.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

4. Risk Management (continued)

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

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP) on four properties with structures and contents being covered.

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

5. Claims, Judgments and Contingent Liabilities

At June 30, 2017, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate fact of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

*a. **Installment Purchase***

Governmental Activities

On January 24, 2013, the Town entered into an installment purchase agreement to refinance its prior debt for the purchase of land, stormwater improvements, and the construction of an administration building. This financing contract will be paid in annual installments of \$246,489 including interest at 1.59% for six years. The original amount financed was \$1,400,000. The balance due at June 30, 2017 was \$481,465.

On August 14, 2013, the Town entered into an installment purchase agreement for the purchase of a fire truck. This financing contract was scheduled be paid in annual installments of \$95,498 including interest at 1.63% for five years. The original amount financed was \$455,000. This note was satisfied in the fiscal year. As a result, there is no outstanding balance as of June 30, 2017.

On March 12, 2014, the Town entered into an installment purchase agreement to finance several improvements throughout the Town, including the completion of the multi-use path and stormwater infrastructure. This financing contract will be paid in annual installments of \$266,667 plus interest at 2.17% for nine years. The original amount financed was \$2,400,000. The balance due at June 30, 2017 was \$1,600,000.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

6. Long-Term Obligations (continued)

a. Installment Purchase (continued)

On September 15, 2014, the Town entered into an installment purchase agreement for the purchase of land adjacent to the Public Boating Access Area for future recreational uses. The financing 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, 2017 was \$69,358.

The future minimum payments of the installment purchases as of June 30, 2017 are as follows:

Years Ending June 30:	Governmental-Type Activities	
	Principal	Interest
2018	\$ 513,963	\$ 42,912
2019	517,831	33,258
2020	275,270	23,544
2021	275,340	17,686
2022	275,412	11,828
2023-2025	293,007	6,117
Total	<u>\$ 2,150,823</u>	<u>\$ 135,345</u>

At June 30, 2017, the Town of Emerald Isle had a legal debt margin of \$217,295,127.

b. Changes in Debt

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

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Installment purchase	\$ 2,938,381	\$ -	\$ (787,558)	\$ 2,150,823	\$ 513,963
Compensated absences	199,898	77,201	(63,977)	213,122	64,000
Net pension liability (LGERS)	215,288	961,087	(197,975)	978,400	-
Total pension liability (LEO)	<u>162,931</u>	<u>389,913</u>	<u>-</u>	<u>552,844</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 3,516,498</u>	<u>\$ 1,428,201</u>	<u>\$ (1,049,510)</u>	<u>\$ 3,895,189</u>	<u>\$ 577,963</u>

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2017 consist of the following:

	Amount
From the General Fund to the Bike and Pedestrian Fund	\$ 3,693
From the General Fund to the Osprey Ridge Stormwater Pump Fund	176,818
From the General Fund to the Cape Emerald Pipe Replacement Fund	32,500
From the General Fund to the Future Beach Nourishment Fund	152,484
From the General Fund to the Islander Drive Land Acquisition Fund	250,000
From the General Fund to the Bogue Inlet Drive Improvements Fund	85,075
From the Bike and Pedestrian Fund to the Bogue Inlet Drive Improvements Fund	78,000
From the Jean Preston Memorial Playground Fund to the General Fund	7,844
From the Half Marathon Fund to the Bike and Pedestrian Fund	25,000
From the NC 58 Traffic Signal Fund to the Bike and Pedestrian Fund	36,000
	\$ 847,414

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

During the 2017 fiscal year, the Town made a one-time transfer from the General Fund to the Bike and Pedestrian Fund of \$3,693 to match the portion contributed by the Bike and Pedestrian Fund per the terms of the project.

During the 2017 fiscal year, the Town made a one-time transfer from the General Fund of \$176,818 to the Osprey Ridge Stormwater Pump Fund and of \$32,500 to the Cape Emerald Pipe Replacement Fund for construction on the stormwater system.

During the 2017 fiscal year, the Town made a transfer from the General Fund to the Future Beach Nourishment Fund of \$152,484 for the funds allocated for use for future beach nourishment.

During the 2017 fiscal year, the Town made a one-time transfer from the General Fund to the Islander Drive Land Acquisition Fund of \$250,000 for the purchase and expenses associated with new land acquisition.

During the 2017 fiscal year, the Town made a one-time transfer from the General Fund to the Bogue Inlet Drive Improvements Fund of \$85,075 and of \$78,000 from the Bike and Pedestrian fund to the Bogue Inlet Drive Improvements Fund for construction on a new bicycle and pedestrian pathway and street realignment.

During the 2017 fiscal year, the Town made a one time transfer from the Jean Preston Memorial Playground Fund to the General Fund of \$7,844 to close the capital project fund and provide funds for future maintenance of the playground.

During the 2017 fiscal year, the Town made a one-time transfer from the Half Marathon Fund to the bike and Pedestrian Fund of \$25,000 to construct assets related to the bicycle and pedestrian pathways throughout the Town.

During the 2017 fiscal year, the Town made a one-time transfer from the NC 58 Traffic Signal Fund to the Bike and Pedestrian Fund of \$36,000 to provide funding for future bicycle and pedestrian related projects.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

D. Net Investment in Capital Assets

	Governmental
Capital assets	\$ 21,492,294
less: long-term debt	(2,150,823)
Net investment in capital asset	\$ 19,341,471

E. Fund Balance

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

<i>Total fund balance - General Fund</i>	\$ 2,179,388
Less:	
Stabilization by State Statute	741,027
Prepaid Expenses	15,765
LEO Special Separation Allowance	63,954
Remaining fund balance	\$ 1,358,642

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

NOTE 4 - JOINT VENTURE

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The Funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Firemen's Relief Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2017, 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, 2017. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 3101 Industrial Drive, Suite 200, Raleigh, North Carolina 27609.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2017

NOTE 5 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assistance Programs

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

NOTE 6 - SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through October 31, 2017, the date the financial statements were available to be issued.

NOTE 7 - CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016.) As a result, net position for the governmental activities decreased by \$359,028.

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Required Supplementary Financial Data

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

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

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

Local Government Employees' Retirement System

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

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. Additional years' information will be presented as it becomes available.

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

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

Local Government Employees' Retirement System

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

* Additional years' information will be presented as it becomes available.

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

Firefighters' and Rescue Squad Workers' Pension

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

* The amounts presented are for the prior fiscal year. Additional years' information will be presented as it becomes available.

Town of Emerald Isle, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2017 *

	2017
Beginning balance	\$ 531,161
Service Cost	23,624
Interest on the total pension liability	18,801
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(11,722)
Benefit payments	(9,020)
Other changes	-
Ending balance of the total pension liability	\$ 552,844

* These amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31. Additional years' information will be presented as it becomes available.

Town of Emerald Isle, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2017 **

		2017
Total pension liability	\$	552,844
Covered payroll		877,590
Total pension liability as a percentage of covered payroll		63.00%

Notes to the schedules:

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

** Additional years' information will be presented as it becomes available.

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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 Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Collections of tax levy	\$	\$ 4,248,115	\$
Penalties and interest		9,120	
Total	<u>4,242,000</u>	<u>4,257,235</u>	<u>15,235</u>
Unrestricted intergovernmental:			
Local option sales tax		1,849,401	
Utility sales tax		455,364	
Beer/wine tax		17,186	
Video programming		111,711	
Telecommunications tax		35,892	
ABC revenues		124,229	
Total	<u>2,670,000</u>	<u>2,593,783</u>	<u>(76,217)</u>
Restricted intergovernmental:			
Grants		166,491	
Powell Bill allocation		149,907	
Total	<u>296,765</u>	<u>316,398</u>	<u>19,633</u>
Permits and fees and assessments:			
Solid waste fees		1,475,692	
Administration fees		237	
Building and trailer permits		192,633	
CAMA permits		9,835	
Dunes and vegetation permits		5,450	
Beach vehicular permits		134,150	
Storm water permits		5,150	
Parking fees and fines/officer fees		175,151	
Solid waste disposal tax		2,547	
Reentry fees		18,125	
Golf cart permits		54,300	
Total	<u>2,086,035</u>	<u>2,073,270</u>	<u>(12,765)</u>
Sales and services:			
Recreation revenues		167,771	
Total	<u>158,000</u>	<u>167,771</u>	<u>9,771</u>
Investment earnings	<u>\$ 5,000</u>	<u>\$ 3,373</u>	<u>\$ (1,627)</u>

Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous revenues:			
Insurance proceeds/refunds	\$	\$ 2,681	\$
DOT mowing reimbursement		5,100	
Donations		14,294	
Miscellaneous		13,572	
Sale of surplus property		18,633	
Total	<u>71,735</u>	<u>54,280</u>	<u>(17,455)</u>
Total revenues	<u>9,529,535</u>	<u>9,466,110</u>	<u>(63,425)</u>
Expenditures:			
General government:			
Board of Commissioners:			
Salaries and benefits		60,309	
Professional services		36,839	
Other operating expenditures		21,511	
Total	<u>123,769</u>	<u>118,659</u>	<u>5,110</u>
Administration and finance:			
Salaries and employee benefits		500,546	
Other operating expenditures		68,549	
Total	<u>573,984</u>	<u>569,095</u>	<u>4,889</u>
Inspection:			
Salaries and benefits		91,962	
Other operating expenditures		75,041	
Total	<u>173,920</u>	<u>167,003</u>	<u>6,917</u>
Non-departmental:			
Contract services		12,250	
Other operating expenditures		437,185	
Total	<u>461,500</u>	<u>449,435</u>	<u>12,065</u>
Total general government	<u>\$ 1,333,173</u>	<u>\$ 1,304,192</u>	<u>\$ 28,981</u>

Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Emergency medical services:			
Appropriations to Emerald Isle EMS	\$	\$ 392,278	\$
Total	<u>392,278</u>	<u>392,278</u>	<u>-</u>
Police department:			
Salaries and employee benefits		1,407,325	
Other operating expenditures		166,671	
Capital outlay		78,598	
Total	<u>1,683,516</u>	<u>1,652,594</u>	<u>30,922</u>
Fire:			
Salaries and employee benefits		1,163,076	
Other operating expenditures		345,422	
Capital outlay		14,751	
Total	<u>1,525,285</u>	<u>1,523,249</u>	<u>2,036</u>
Total public safety	<u>3,601,079</u>	<u>3,568,121</u>	<u>32,958</u>
Environmental protection:			
Public works:			
Salaries and employee benefits		294,035	
Other operating expenditures		221,369	
Street maintenance		188,846	
Capital outlay		7,050	
Total	<u>730,601</u>	<u>711,300</u>	<u>19,301</u>
Solid waste:			
Salaries and employee benefits		207,739	
Other operating expenditures		1,225,142	
Capital outlay		9,055	
Total	<u>1,449,407</u>	<u>1,441,936</u>	<u>7,471</u>
Total environmental protection	<u>\$ 2,180,008</u>	<u>\$ 2,153,236</u>	<u>\$ 26,772</u>

Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Cultural and recreational:			
Parks and recreation:			
Salaries and employee benefits	\$	660,871	\$
Other operating expenditures		224,058	
Capital outlay		115,217	
Total culture and recreation	1,010,104	1,000,146	9,958
Debt service:			
Principal		787,558	
Interest		59,557	
Total	847,616	847,115	501
Total expenditures	8,971,980	8,872,810	99,170
Revenues over (under) expenditures	557,555	593,300	35,745
Other financing sources (uses):			
Transfers:			
From Jean Preston Memorial			
Project Fund		7,844	
To Bike and Pedestrian Fund		(3,693)	
To Osprey Ridge SW Pump		(176,818)	
To Cape Emerald Pipe Replacement		(32,500)	
To Future Beach Nourishment Fund		(152,484)	
To Islander Drive Land Acquisition		(250,000)	
To Bogue Inlet Drive Improvements		(85,075)	
Total other financing sources (uses)	(692,726)	(692,726)	-
Fund balance appropriated	135,171	-	(135,171)
Net change in fund balances	\$ -	(99,426)	\$ (99,426)
Fund balances, beginning		2,278,814	
Fund balances, ending		\$ 2,179,388	

Town of Emerald Isle, North Carolina
Future Beach Nourishment fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Benefit taxes	\$ 266,450	\$ 267,684	\$ 1,234
Investment earnings	5,000	14,995	9,995
Miscellaneous	248,400	248,400	-
Total revenues	519,850	531,079	11,229
 Revenues over (under) expenditures	519,850	531,079	11,229
 Other financing sources (uses):			
Transfers:			
From General Fund	152,484	152,484	-
Total other financing sources (uses)	152,484	152,484	-
 Fund balance appropriated	-	-	-
 Net change in fund balance	\$ 672,334	683,563	\$ 11,229
 Fund balance, beginning		1,821,464	
Fund balance, ending		\$ 2,505,027	

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Non-Major Governmental Funds

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Town of Emerald Isle, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
For the Year Ended June 30, 2017

	<u>Special Revenue Funds</u>			<u>Capital Project Funds</u>	
	<u>Beach Music Festival Fund</u>	<u>Special Drug Fund</u>	<u>Half Marathon Fund</u>	<u>Bike and Pedestrian Project</u>	<u>Jean Preston Memorial Playground</u>
Assets:					
Cash and cash equivalents	\$ 7,093	\$ -	\$ 1,246	\$ -	\$ -
Restricted cash and cash equivalents:	-	131	-	38,208	-
Prepays	7,650	-	-	-	-
Total assets	<u>\$ 7,093</u>	<u>\$ 131</u>	<u>\$ 1,246</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:					
Accounts payable and accrued liabilities	\$ 5,754	\$ -	\$ 1,166	\$ -	\$ -
Fund balances:					
Non-spendable:					
Prepays	7,650	-	-	-	-
Restricted:					
Public safety	-	131	-	-	-
Assigned:					
Environmental protection	-	-	-	-	-
Culture and recreation	1,339	-	80	38,208	-
Total fund balances	<u>8,989</u>	<u>131</u>	<u>80</u>	<u>38,208</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 14,743</u>	<u>\$ 131</u>	<u>\$ 1,246</u>	<u>\$ 38,208</u>	<u>\$ -</u>

Capital Project Funds

	Islander Drive Land Acquisition	Cape Emerald Pipe Replacement	Bogue Inlet Drive Improvements	Osprey Ridge Storm Water Pump	NC 58 Traffic Signal	Total Nonmajor Governmental Funds
Assets:						
Cash and cash equivalents	\$ 28,599	\$ 32,100	\$ 8,248	\$ 11,221	\$ -	\$ 88,507
Restricted cash and cash equivalents:	-	-	-	-	-	38,339
Prepays	-	-	-	-	-	7,650
Total assets	\$ 28,599	\$ 32,100	\$ 8,248	\$ 11,221	\$ -	\$ 134,496
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 7,877	\$ 10,385	\$ -	\$ 25,182
Fund balances:						
Non-spendable:						
Prepays	-	-	-	-	-	7,650
Restricted:						
Public safety	-	-	-	-	-	131
Assigned:						
Environmental protection	-	32,100	371	836	-	33,307
Culture and recreation	28,599	-	-	-	-	68,226
Total fund balances	28,599	32,100	371	836	-	109,314
Total liabilities and fund balances	\$ 28,599	\$ 32,100	\$ 8,248	\$ 11,221	\$ -	\$ 134,496

Town of Emerald Isle, North Carolina
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2017

	<u>Special Revenue Funds</u>			<u>Capital Project Funds</u>	
	<u>Beach Music Festival Fund</u>	<u>Special Drug Fund</u>	<u>Half Marathon Fund</u>	<u>Bike and Pedestrian Project</u>	<u>Jean Preston Memorial Playground</u>
Revenues:					
Restricted intergovernmental	\$ -	\$ 131	\$ -	\$ -	\$ -
Miscellaneous	56,187	-	80,587	8,783	-
Total revenues	<u>56,187</u>	<u>131</u>	<u>80,587</u>	<u>8,783</u>	<u>-</u>
Expenditures:					
Current:					
Public safety	-	788	-	-	-
Cultural and recreation	47,198	-	56,643	3,360	-
Capital outlay:					
General government	-	-	-	-	-
Cultural and recreation	-	-	-	20,507	-
Environmental protection	-	-	-	-	-
Total expenditures	<u>47,198</u>	<u>788</u>	<u>56,643</u>	<u>23,867</u>	<u>-</u>
Revenues over (under) expenditures	<u>8,989</u>	<u>(657)</u>	<u>23,944</u>	<u>(15,084)</u>	<u>-</u>
Other financing sources (uses):					
Transfer from other Funds	-	-	-	64,693	-
Transfer to other Funds	-	-	(25,000)	(78,000)	(7,844)
Total other sources (uses)	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>(13,307)</u>	<u>(7,844)</u>
Net change in fund balance	<u>8,989</u>	<u>(657)</u>	<u>(1,056)</u>	<u>(28,391)</u>	<u>(7,844)</u>
Fund balance, beginning	<u>-</u>	<u>788</u>	<u>1,136</u>	<u>66,599</u>	<u>7,844</u>
Fund balance, ending	<u>\$ 8,989</u>	<u>\$ 131</u>	<u>\$ 80</u>	<u>\$ 38,208</u>	<u>\$ -</u>

	Capital Project Funds					Totals
	Islander Drive Land Acquisition	Cape Emerald Pipe Replacement	Bogue Inlet Drive Improvements	Osprey Ridge Storm Water Pump	NC 58 Traffic Signal	Nonmajor Governmental Funds
Revenues:						
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131
Miscellaneous	-	-	-	-	-	145,557
Total revenues	-	-	-	-	-	145,688
Expenditures:						
Current:						
Public safety	-	-	-	-	-	788
Cultural and recreation	-	-	-	-	-	107,201
Capital outlay:						
General government	221,401	-	-	-	-	221,401
Cultural and recreation	-	-	162,704	-	-	183,211
Environmental protection	-	400	-	195,606	-	196,006
Total expenditures	221,401	400	162,704	195,606	-	708,607
Revenues over (under) expenditures	(221,401)	(400)	(162,704)	(195,606)	-	(562,919)
Other financing sources (uses):						
Transfer from other Funds	250,000	32,500	163,075	176,818	-	687,086
Transfer to other Funds	-	-	-	-	(36,000)	(146,844)
Total other sources (uses)	250,000	32,500	163,075	176,818	(36,000)	540,242
Net change in fund balance	28,599	32,100	371	(18,788)	(36,000)	(22,677)
Fund balance, beginning	-	-	-	19,624	36,000	131,991
Fund balance, ending	\$ 28,599	\$ 32,100	\$ 371	\$ 836	\$ -	\$ 109,314

Town of Emerald Isle, North Carolina
Beach Music Festival Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Fiscal Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Miscellaneous:			
Vendor fees	\$ 2,500	\$ 2,500	\$ 2,500
Sponsorships	5,000	12,500	10,000
T-shirt sales	7,500	6,187	(1,313)
Carteret County TDA	35,000	35,000	-
Total revenues	<u>50,000</u>	<u>56,187</u>	<u>6,187</u>
Expenditures:			
Operating	<u>50,000</u>	<u>47,198</u>	<u>2,802</u>
Total expenditures	<u>50,000</u>	<u>47,198</u>	<u>2,802</u>
Revenues over (under) expenditures	<u>-</u>	<u>8,989</u>	<u>8,989</u>
Net change in fund balance	<u>\$ -</u>	<u>8,989</u>	<u>\$ 8,989</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ 8,989</u>	

Town of Emerald Isle, North Carolina
Special Drug Fund
Schedules of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Fiscal Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Restricted intergovernmental:			
Controlled substance tax	\$ -	\$ 131	\$ 131
Total revenues	<u>-</u>	<u>131</u>	<u>131</u>
Expenditures:			
Operating	788	788	-
Total expenditures	<u>788</u>	<u>788</u>	<u>-</u>
Revenues over (under) expenditures	<u>(788)</u>	<u>(657)</u>	<u>131</u>
Fund balance appropriated	<u>788</u>	<u>-</u>	<u>(788)</u>
Net change in fund balance	<u>\$ -</u>	<u>(657)</u>	<u>\$ (657)</u>
Fund balance, beginning		<u>788</u>	
Fund balance, ending		<u>\$ 131</u>	

Town of Emerald Isle, North Carolina
Half Marathon Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance-
Budget and Actual
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Miscellaneous:			
Entry fees	\$ 75,000	\$ 62,681	\$ (12,319)
Sponsorships/donations	15,000	17,906	-
Total revenues	<u>90,000</u>	<u>80,587</u>	<u>(9,413)</u>
Expenditures:			
Operating	<u>65,000</u>	<u>56,643</u>	
Total expenditures	<u>65,000</u>	<u>56,643</u>	<u>8,357</u>
Revenues over (under) expenditures	<u>25,000</u>	<u>23,944</u>	<u>(1,056)</u>
Other financing sources (uses):			
Transfers:			
To Bike and Pedestrian Fund	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Total other sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,056)</u>	<u>\$ (1,056)</u>
Fund balance, beginning		<u>1,136</u>	
Fund balance, ending		<u>\$ 80</u>	

**Town of Emerald Isle, North Carolina
Bike and Pedestrian Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2017**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Miscellaneous:					
Entry fees	\$ 10,540	\$ 10,540	\$ 5,985	\$ 16,525	\$ 5,985
Donations	16,403	16,524	2,798	19,322	2,919
Total revenues	<u>26,943</u>	<u>27,064</u>	<u>8,783</u>	<u>35,847</u>	<u>8,904</u>
Expenditures:					
Miscellaneous	11,788	4,221	3,360	7,581	4,207
Construction	147,333	101,729	20,507	122,236	25,097
Total expenditures	<u>159,121</u>	<u>105,950</u>	<u>23,867</u>	<u>129,817</u>	<u>29,304</u>
Revenues over (under) expenditures	<u>(132,178)</u>	<u>(78,886)</u>	<u>(15,084)</u>	<u>(93,970)</u>	<u>38,208</u>
Other financing sources (uses):					
Transfers:					
From Coast Guard Road					
Multiuse Path	48,485	48,485	-	48,485	-
From Half Marathon Fund	122,000	97,000	25,000	122,000	-
From General Fund	3,693	-	3,693	3,693	-
From NC 58 Traffic Signal Fund	36,000	-	36,000	36,000	-
To Bogue Inlet Drive Fund	(78,000)	-	(78,000)	(78,000)	-
Total other sources (uses)	<u>132,178</u>	<u>145,485</u>	<u>(13,307)</u>	<u>132,178</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 66,599</u>	<u>(28,391)</u>	<u>\$ 38,208</u>	<u>\$ 38,208</u>
Fund balance, beginning			<u>66,599</u>		
Fund balance, ending			<u>\$ 38,208</u>		

Town of Emerald Isle, North Carolina
Jean Preston Memorial Playground
Schedule of Revenues and Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ending June 30, 2017

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:					
Restricted intergovernmental:					
Grants	\$ 224,999	\$ 224,999	\$ -	\$ 224,999	\$ -
Donations	46,205	46,205	-	46,205	-
Total revenues	<u>271,204</u>	<u>271,204</u>	<u>-</u>	<u>271,204</u>	<u>-</u>
Expenditures:					
Miscellaneous	7,587	7,587	-	7,587	-
Construction	264,517	264,517	-	264,517	-
Total expenditures	<u>272,104</u>	<u>272,104</u>	<u>-</u>	<u>272,104</u>	<u>-</u>
Revenues over (under) expenditures	<u>(900)</u>	<u>(900)</u>	<u>-</u>	<u>(900)</u>	<u>-</u>
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	-
To General Fund	(7,844)	-	(7,844)	(7,844)	-
Total other sources (uses)	<u>900</u>	<u>8,744</u>	<u>(7,844)</u>	<u>900</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 7,844</u>	<u>(7,844)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>7,844</u>		
Fund balance, ending			<u>\$ -</u>		

Town of Emerald Isle, North Carolina
Islander Drive Land Acquisition
Schedule of Revenues and Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ending June 30, 2017

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Carteret County	\$ 450,000	\$ -	\$ -	\$ -	\$ (450,000)
Total revenues	<u>450,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(450,000)</u>
Expenditures:					
Land acquisition	630,000	-	178,857	178,857	451,143
Miscellaneous	70,000	-	42,544	42,544	27,456
Total expenditures	<u>700,000</u>	<u>-</u>	<u>221,401</u>	<u>221,401</u>	<u>478,599</u>
Revenues over (under) expenditures	<u>(250,000)</u>	<u>-</u>	<u>(221,401)</u>	<u>(221,401)</u>	<u>28,599</u>
Other financing sources (uses):					
Transfers:					
From General Fund	250,000	-	250,000	250,000	-
Total other sources (uses)	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>28,599</u>	<u>\$ 28,599</u>	<u>\$ 28,599</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 28,599</u>		

Town of Emerald Isle, North Carolina
Cape Emerald Pipe Replacement
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2017

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

Town of Emerald Isle, North Carolina
Bogue Inlet Drive Improvements Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and for Year Ended June 30, 2017

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

Town of Emerald Isle, North Carolina
Osprey Ridge Storm Water Pump
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2017

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Expenditures:					
Engineering, design, and permitting	\$ 38,031	\$ 5,376	\$ 34,194	\$ 39,570	\$ (1,539)
Construction	163,787	-	161,412	161,412	2,375
Total expenditures	<u>201,818</u>	<u>5,376</u>	<u>195,606</u>	<u>200,982</u>	<u>836</u>
Revenues over (under) expenditures	<u>(201,818)</u>	<u>(5,376)</u>	<u>(195,606)</u>	<u>(200,982)</u>	<u>836</u>
Other financing sources (uses):					
Transfers:					
From General Fund	201,818	25,000	176,818	201,818	-
Total other sources (uses)	<u>201,818</u>	<u>25,000</u>	<u>176,818</u>	<u>201,818</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 19,624</u>	<u>(18,788)</u>	<u>\$ 836</u>	<u>\$ 836</u>
Fund balance, beginning			<u>19,624</u>		
Fund balance, ending			<u>\$ 836</u>		

Town of Emerald Isle, North Carolina
NC 58 Traffic Signal
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2017

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Expenditures:					
Construction	\$ -	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):					
Transfers:					
From CGR Bicycle Path Extension	36,000	36,000	-	36,000	-
To Bike & Pedestrian Fund	(36,000)	-	(36,000)	(36,000)	-
Total other sources (uses)	<u>-</u>	<u>36,000</u>	<u>(36,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 36,000</u>	<u>(36,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>36,000</u>		
Fund balance, ending			<u>\$ -</u>		

Town of Emerald Isle, North Carolina
Homeowner's Recovery Fund
Schedule of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Assets, cash and investments	<u>\$ 963</u>	<u>\$ 2,370</u>	<u>\$ 2,757</u>	<u>\$ 576</u>
Liabilities, accounts payable, and accrued liabilities	<u>\$ 963</u>	<u>\$ 2,370</u>	<u>\$ 2,757</u>	<u>\$ 576</u>

**Town of Emerald Isle, North Carolina
Homeowner's Recovery Fund
Schedule of Cash Receipts and Disbursements
For the Fiscal Year Ended June 30, 2017**

Cash receipts:

Collection of homeowner's recovery fees	\$ 2,370
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Cash disbursements:

General fund administration fee	237
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Remittance to NC licensing board	2,520
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Total disbursements	<u>2,757</u>
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Net cash receipts over cash disbursements	(387)
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Beginning cash balance	<u>963</u>
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Ending cash balance	<u><u>\$ 576</u></u>
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Other Schedules

This section contains additional information on property taxes.

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

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Town of Emerald Isle, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2017

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2016</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2017</u>
2016-2017	\$ -	\$ 4,519,449	\$ (4,503,342)	\$ 16,107
2015-2016	9,439		(6,789)	2,650
2014-2015	3,974		(1,841)	2,133
2013-2014	2,360		(755)	1,605
2012-2013	1,502		(540)	962
2011-2012	1,375		(779)	596
2010-2011	1,077		(73)	1,004
2009-2010	214		(8)	206
2008-2009	148		(60)	88
2007-2008	48	-	12	60
2006-2007	66	-	(66)	-
	<u>\$ 20,203</u>	<u>\$ 4,519,449</u>	<u>\$ (4,514,241)</u>	<u>\$ 25,411</u>

Less: allowance for uncollectible accounts - General Fund (8,665)

Ad valorem taxes receivable - net \$ 16,746

Reconciliation with revenues:

Ad valorem taxes - General Fund \$ 4,257,235

Ad valorem taxes - Future Beach Nourishment Special Revenue Fund 267,684

Reconciling items:

Interest collected (9,120)

Discounts, releases, and other credits (1,558)

Subtotal (10,678)

Total collections and credits \$ 4,514,241

Town of Emerald Isle, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2017

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current rate	\$ 2,738,348,575	0.155	\$ 4,244,440	\$ 4,148,590	95,850
Special District Taxes	-		267,684	267,684	-
Total	<u>2,738,348,575</u>		<u>4,512,124</u>	<u>4,416,274</u>	<u>95,850</u>
Discoveries:					
Current and prior years	10,994,194		17,041	17,041	-
Releases:					
Current and prior years	<u>(6,268,387)</u>		<u>(9,716)</u>	<u>(9,716)</u>	<u>-</u>
Total property valuation	<u><u>\$ 2,743,074,381</u></u>				
Net levy			4,519,449	4,423,599	95,850
Uncollected taxes at June 30, 2017			<u>(16,107)</u>	<u>(16,107)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 4,503,342</u>	<u>\$ 4,407,492</u>	<u>\$ 95,850</u>
Current levy collection percentage			<u>99.64%</u>	<u>99.64%</u>	<u>100.00%</u>

**Statistical Section
Unaudited**

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**Statistical Section
Unaudited**

Description of the Statistical Schedules

Contents	Pages
Financial Trends	88 - 91
These schedules contain trend information to assist users in understanding and assessing how the Town's financial position has changed over time.	
Revenue Capacity	92- 95
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	96 - 99
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	100 - 102
These schedules offer demographic and economic information to assist users in understanding the environment within which the Town operates.	
Operating Information	103 - 105
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 these schedules is derived from the comprehensive annual financial reports for the relevant years.

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental Activities / Primary Government:										
Net investment in capital assets	\$ 19,341,471	\$ 18,520,348	\$ 18,195,914	\$ 16,156,810	\$ 16,520,561	\$ 15,331,429	\$ 13,450,777	\$ 10,895,863	\$ 5,416,071	\$ 9,619,515
Restricted	3,246,185	2,519,657	1,907,088	1,923,224	712,156	2,446,655	914,076	12,807	6,713	5,537
Unrestricted	576,443	1,458,257	900,941	710,031	1,177,156	1,145,179	3,117,680	3,263,737	4,639,907	(2,409,680)
Total governmental activities / primary government net position	<u>\$ 23,164,099</u>	<u>\$ 22,498,262</u>	<u>\$ 21,003,943</u>	<u>\$ 18,790,065</u>	<u>\$ 18,409,873</u>	<u>\$ 18,923,263</u>	<u>\$ 17,482,533</u>	<u>\$ 14,172,407</u>	<u>\$ 10,062,691</u>	<u>\$ 7,215,372</u>

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental Activities:										
General government	\$ 1,387,324	\$ 1,352,365	\$ 1,472,440	\$ 1,435,466	\$ 1,296,756	\$ 1,555,698	\$ 1,275,278	\$ 850,392	\$ 1,083,138	\$ 1,102,725
Public safety	3,784,052	3,408,496	3,244,183	3,275,447	3,132,331	3,135,321	3,214,020	2,896,166	2,838,315	2,745,444
Environmental protection	2,340,683	2,274,567	2,188,457	2,214,128	11,708,614	2,487,119	1,926,458	2,022,303	1,017,812	2,134,890
Cultural and recreation	1,277,024	1,165,017	774,486	1,108,279	880,615	897,567	750,860	234,078	750,645	691,291
Economic and physical development	-	-	-	-	-	-	23,055	927,040	1,325,214	335,843
Interest on long-term debt	52,197	63,059	74,032	42,924	64,857	101,164	175,995	282,275	310,114	305,563
Total expenses	\$ 8,841,280	\$ 8,263,504	\$ 7,753,598	\$ 8,076,244	\$ 17,083,173	\$ 8,176,869	\$ 7,365,666	\$ 7,212,254	\$ 7,325,238	\$ 7,315,756
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 54,300	\$ 50,091	\$ 41,275	\$ 32,017	\$ 22,720	\$ 16,260	\$ 140,891	\$ 5,655	\$ 19,892	\$ 49,157
Public safety	367,784	330,039	249,428	279,029	227,246	258,725	88,361	115,258	113,219	139,727
Environmental protection	1,643,463	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
Cultural and recreation	238,175	260,847	239,799	183,543	151,321	135,151	191,449	147,009	113,285	118,846
Operating grants and contributions	303,522	227,824	199,991	169,336	158,202	536,825	204,719	170,692	242,900	204,264
Capital grants and contributions	8,783	245,472	860,700	240,360	8,457,159	912,482	821,472	2,374,134	567,187	27,633
Total program revenues	\$ 2,616,027	\$ 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
Net (Expense) / Revenue										
Total governmental activities / primary government net expense	\$ (6,225,253)	\$ (5,517,593)	\$ (4,658,464)	\$ (5,685,643)	\$ (6,639,073)	\$ (4,986,754)	\$ (4,747,635)	\$ (3,170,627)	\$ (5,052,398)	\$ (5,610,874)
General Revenues										
Governmental Activities:										
Property taxes	\$ 4,526,187	\$ 4,499,943	\$ 4,442,244	\$ 4,437,811	\$ 4,129,853	\$ 4,124,522	\$ 5,645,506	\$ 5,245,901	\$ 5,229,632	\$ 5,090,200
Local option sales tax	1,849,401	1,707,580	1,668,520	1,469,530	1,408,346	1,718,656	1,568,508	1,512,769	1,564,978	1,826,516
Other taxes and licenses	744,382	633,718	594,313	344,135	340,656	336,665	822,806	511,385	540,767	832,583
Unrestricted grants and contributions	73,275	51,823	117,820	189,797	181,517	203,403	-	-	-	-
Unrestricted investment earnings	18,368	5,490	1,560	213	2,678	3,878	20,941	10,288	82,864	225,662
Miscellaneous	38,505	49,603	47,898	36,155	62,633	40,360	-	-	81,476	-
Special items	-	-	-	-	-	-	-	-	400,000	-
Total program revenues	\$ 7,250,118	\$ 6,948,157	\$ 6,872,355	\$ 6,477,641	\$ 6,125,683	\$ 6,427,484	\$ 8,057,761	\$ 7,280,343	\$ 7,899,717	\$ 7,974,961
Change in Net Position										
Total governmental activities / primary government change in net position	\$ 1,024,865	\$ 1,430,564	\$ 2,213,891	\$ 791,998	\$ (513,390)	\$ 1,440,730	\$ 3,310,126	\$ 4,109,716	\$ 2,847,319	\$ 2,364,087

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011 ⁽¹⁾	2010	2009	2008
General Fund:										
Non-spendable	\$ 15,765	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	741,027	697,405	695,281	790,964	692,784	678,533	914,076	-	-	-
Committed	63,954	63,954	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	24,009	-	-	-	-
Unassigned	1,358,642	1,517,455	1,385,327	1,359,281	1,414,169	1,348,675	981,088	-	-	-
Reserved	-	-	-	-	-	-	-	565,964	594,591	595,987
Unreserved	-	-	-	-	-	-	-	1,245,643	1,350,780	1,471,921
Total general fund	\$ 2,179,388	\$ 2,278,814	\$ 2,080,608	\$ 2,150,245	\$ 2,106,953	\$ 2,051,217	\$ 1,895,164	\$ 1,811,607	\$ 1,945,371	\$ 2,067,908
All other government funds:										
Non-spendable	\$ 7,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	2,505,158	1,822,252	1,211,807	1,132,260	19,372	1,768,122	-	-	-	-
Assigned	101,533	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
Total all other governmental funds	\$ 2,614,341	\$ 1,953,455	\$ 1,340,326	\$ 1,272,002	\$ (175,427)	\$ 1,854,946	\$ 2,465,687	\$ 2,134,573	\$ 2,872,616	\$ 3,994,490

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

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Ad valorem taxes	\$ 4,524,919	\$ 4,497,638	\$ 4,459,517	\$ 4,441,163	\$ 4,132,760	\$ 4,128,232	\$ 5,654,506	\$ 5,280,318	\$ 5,182,859	\$ 5,077,474
Other taxes and licenses	-	-	-	-	6,020	14,659	14,001	14,289	14,792	17,750
Unrestricted intergovernmental	2,593,783	2,452,440	2,409,556	2,025,954	1,879,955	2,186,384	2,087,501	2,028,237	2,083,586	2,278,095
Restricted intergovernmental	316,529	383,399	995,258	637,430	8,272,299	1,396,005	1,013,493	2,522,746	805,573	231,897
Permits and fees	2,073,270	2,014,169	1,797,147	1,794,351	1,674,645	1,603,118	1,456,219	1,346,171	1,329,576	1,354,139
Sales and services	167,771	146,081	135,652	125,455	151,321	135,151	139,622	147,009	135,444	118,846
Investment earnings	18,368	5,490	1,560	213	2,678	6,552	20,941	10,288	87,964	225,662
Miscellaneous	448,237	202,422	186,072	128,171	189,784	153,881	268,813	404,579	122,687	367,827
Total revenues	10,142,877	9,701,639	9,984,762	9,152,737	16,309,462	9,623,982	10,655,096	11,753,637	9,762,481	9,671,690
Expenditures:										
Current:										
General government	1,304,192	1,279,520	1,448,034	1,293,196	1,153,458	1,420,074	1,134,539	1,092,261	1,139,237	1,015,981
Public safety	3,475,560	3,355,043	3,303,312	3,558,889	3,033,066	3,073,814	3,077,051	2,743,496	3,195,292	2,737,641
Environmental protection	2,137,131	2,261,735	2,105,296	2,120,746	2,006,748	2,090,011	1,858,539	1,864,557	2,051,725	2,179,281
Economic development	-	-	-	-	-	-	852,220	3,970,129	1,732,615	1,568,934
Cultural and recreational	992,130	1,070,113	933,934	1,019,278	749,525	651,744	699,922	690,629	701,393	646,793
Capital Outlay	825,289	323,701	1,620,843	2,278,418	10,061,936	1,436,252	-	-	-	-
Debt service:										
Principal	787,558	595,925	582,542	224,229	1,181,282	1,440,294	2,430,543	2,777,555	2,759,338	2,125,000
Interest and other charges	59,557	68,022	78,191	22,260	98,084	118,635	187,611	278,995	310,114	305,563
Total expenditures	9,581,417	8,954,059	10,072,152	10,517,016	18,284,099	10,230,824	10,240,425	13,417,622	11,889,714	10,579,193
Excess (Deficiency) of revenues over (under) expenditures	561,460	747,580	(87,390)	(1,364,279)	(1,974,637)	(606,842)	414,671	(1,663,985)	(2,127,233)	(907,503)
Other Financing Sources (Uses):										
Transfers from other funds	847,414	778,411	674,362	128,831	1,701,688	134,641	511,133	158,316	401,984	1,240,545
Transfers to other funds	(847,414)	(778,411)	(674,362)	(128,831)	(1,701,688)	(134,641)	(511,133)	(158,316)	(401,984)	(1,240,545)
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	\$ 561,460	\$ 747,580	\$ (1,313)	\$ 1,490,721	\$ (1,974,637)	\$ (454,688)	\$ 414,671	\$ (871,807)	\$ (1,244,411)	\$ 977,497
Debt service as a percentage of noncapital expenditures	9.67%	8.06%	8.39%	3.21%	7.20%	18.08%	28.14%	30.92%	33.04%	26.78%

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⁾
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	2,742,962,587	99.12%
2017	2,743,074,381	0.155	2,784,281,751	98.52%

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

Notes:

- (1) The NC General Statutes require a revaluation of real property at least every 8 years. Real property is valued at 100% of estimated value as of the date of the latest revaluation. Revaluations were effective for the fiscal years ending June 30, 2008, 2012, and 2016.
- (2) Personal property is valued at 100% of estimated value.
- (3) Public service property is generally valued at 100% of estimated value. It may be valued at less than 100% in years in which the County's sales to assessment ratio on real property is less than 80%.
- (4) The Town bills and collects property taxes for real, public service, non-registered motor vehicles and personal property. Carteret County collects property taxes for registered motor vehicles on behalf of the Town via the North Carolina Division of Motor Vehicle's Tax and Tag Program. The values reported above include property taxes billed and collected by the Town and County.
- (5) Per \$100 of value.
- (6) Direct Rate presented for Emerald Isle Non-Oceanfront properties; see the Property Tax Rates - Direct and Overlapping Governments schedule at page 93 for more information.
- (7) Sales assesment ratios as provided by the NC Department of Revenue- Property Tax Division.

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

Fiscal Year Ended June 30,	Town of Emerald Isle			Carteret County	Total Direct and Overlapping
	Operating	Special Districts	Total Direct Rate		
2008	0.067	(1)	0.011	0.230	0.308
		(2)	0.162		0.459
2009	0.070	(1)	0.011	0.230	0.311
		(2)	0.162		0.462
2010	0.070	(1)	0.011	0.230	0.311
		(2)	0.162		0.462
2011	0.080	(1)	0.011	0.230	0.321
		(2)	0.162		0.472
2012	0.115	(1)	0.015	0.300	0.430
		(2)	0.045		0.460
2013	0.115	(1)	0.015	0.290	0.420
		(2)	0.045		0.450
2014	0.125	(1)	0.015	0.290	0.430
		(2)	0.045		0.460
2015	0.140	(1)	0.000	0.300	0.440
		(2)	0.030		0.470
2016	0.155	(1)	0.000	0.300	0.455
		(2)	0.040		0.495
2017	0.155	(1)	0.000	0.310	0.465
		(2)	0.040		0.505

Source: Carteret County Tax Office

Notes:

(1) Emerald Isle Non-Oceanfront properties

(2) Emerald Isle Oceanfront properties

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

Taxpayer	2017			2008		
	Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Total Assessed Value	Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Total Assessed Value
Emerald Plantation Partner, LLC	\$ 8,750,000	1	0.32%	\$ -		0.00%
Watsons, Inc.	7,015,215	2	0.26	8,700,000	2	0.20
Carteret Craven Electric Management Cooperative	5,910,071	3	0.22	5,441,763	5	0.13
McCabe and Company d/b/a	5,848,000	4	0.21	4,331,908	9	0.10
McCabe and Company d/b/a	3,929,577	5	0.14	4,708,651	7	0.11
The Stanley Corporation	3,089,924	6	0.11			
Bogue Fishing Pier, Inc.	2,617,486	7	0.10			
Malik, Stephen N. Etux Kathleen	2,614,978	8	0.10			
Surfside Realty Co., Inc.	2,423,520	9	0.09			
Manatee Investments, Lmted Prnsp.	2,388,927	10	0.09			
Spell, Louise Etal Howe d/b/a				14,395,354	1	0.34
Watersedge Corporation d/b/a				8,682,115	3	0.20
Emerald Plantation Delaware, LLC				7,421,746	4	0.17
Seaside Siblings, LLC				4,933,720	6	0.12
Holz, Paxon M.				4,455,558	8	0.10
Spell, G. F. Est. Etal Ricks d/b/a				4,297,029	10	0.10
	<u>\$ 44,587,698</u>		<u>1.63%</u>	<u>\$ 67,367,844</u>		<u>1.58%</u>

Source: Town of Emerald Isle Finance Department

Notes:

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

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

Fiscal Year Ended June, 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 5,075,425	\$ 5,057,579	99.65%	\$ 17,786	\$ 5,075,365	100.00%
2009	5,223,832	5,162,169	98.82%	61,575	5,223,744	100.00%
2010	5,230,886	5,201,280	99.43%	29,400	5,230,680	100.00%
2011	5,667,835	5,626,940	99.28%	39,891	5,666,831	99.98%
2012	4,092,181	4,060,632	99.23%	30,953	4,091,585	99.99%
2013	4,113,287	4,084,700	99.31%	27,625	4,112,325	99.98%
2014	4,430,349	4,409,097	99.52%	19,647	4,428,744	99.96%
2015	4,441,488	4,429,183	99.72%	10,172	4,439,355	99.95%
2016	4,486,669	4,477,230	99.79%	6,789	4,484,019	99.94%
2017	4,519,449	4,503,342	99.64%	-	4,503,342	99.64%

Source: Town of Emerald Isle Finance Department

Town of Emerald Isle, North Carolina
Legal Debt Margin Information
June 30, 2017

Total Assessed Valuation	\$ 2,743,074,381
Legal Debt Limit:	
Debt Limit 8% of Total Assessed Value	219,445,950
Amount of Debt Applicable to Debt Limit	<u>2,150,823</u>
Legal Debt Margin	<u><u>\$ 217,295,127</u></u>

Town of Emerald Isle, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2017

	<u>Debt Outstanding</u>	<u>Percentage Applicable to Town ⁽¹⁾</u>	<u>Amount Applicable to Town</u>
Direct:			
Town of Emerald Isle	\$ 2,150,823	100.00%	\$ 2,150,823
Overlapping:			
Carteret County	42,385,234	18.63%	7,898,281
	<u>\$ 44,536,057</u>		<u>\$ 10,049,104</u>
Town's assessed value	\$ 2,743,074,381		
County's assessed value	\$ 14,720,400,000		

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

Notes:

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding	Less: Amounts Available in Debt Service Fund ⁽¹⁾	Total	Percentage of Est. Actual Taxable Value of Property ⁽²⁾	Per Capita ⁽³⁾
2008	\$ 8,275,000	\$ 2,125,000	\$ 6,150,000	0.14%	\$ 1,595
2009	6,150,000	2,125,000	4,025,000	0.09%	1,038
2010	4,025,000	2,091,751	1,933,249	0.05%	485
2011	1,900,000	1,900,000	-	0.00%	-
2012	950,000	950,000	-	0.00%	-
2013	-	-	-	0.00%	-
2014	-	-	-	0.00%	-
2015	-	-	-	0.00%	-
2016	-	-	-	0.00%	-
2017	-	-	-	0.00%	-

Source: Town of Emerald Isle Finance Department

Notes:

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

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

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding	Installment Contracts	Total Primary Government	Population Estimate ⁽¹⁾	Total Debt Per Capita	Personal Income ⁽²⁾	Total Housing Units ⁽³⁾	Total Debt Per Housing Unit ⁽⁴⁾
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	-	2,938,381	2,938,381	3,797	774		6,735	436
2017	-	2,150,823	2,150,823	3,791	567		6,735	319

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

Notes:

(1) NCOSBM Certified Municipal Population Estimates

(2) Information is not available at Town level.

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

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

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

Fiscal Year Ended June 30,	Estimated Population ⁽¹⁾	Unemployment Ratio ⁽²⁾	Per Capita Income ⁽³⁾	Personal Income ⁽³⁾ (in thousands)
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%	44,199	3,044,352
2016	3,797	5.63%	N/A	N/A
2017	3,791	4.93%	N/A	N/A

Sources:

(1) NCOSBM Certified Municipal Population Estimates

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

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

Notes:

N/A - information not yet available.

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

Employer	2017			2008		
	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		-	-	
Bally Refrigerated Boxes, Inc.	100-249	9		-	-	
Town of Morehead City	100-249	10		-	-	
Lowes Food Stores, Inc.				100-249	10	
State of North Carolina				250-499	6	
SSA Security, Inc.				250-499	7	
Atlantic Veneer Corp.				250-499	8	

Source: NC Employment Security Commission

Notes:

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

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

Fiscal Year Ended June 30,	County Collections	Percent Increase/(Decrease)
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%
2017	7,089,678	6.27%

Sources:

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

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Full-time										
General Government:										
Administration	5	5	5	5	5	5	5	5	5	5
Planning and Inspections	1	1	1	3	3	3	3	3	4	4
Public Safety:										
Police	19	18	18	19	19	19	21	21	22	24
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	4	3	3	2	2	2	2	3	3
Culture and Recreation:										
Parks and Recreation	9	8	8	8	7	7	8	8	8	8
Total	57	55	54	57	55	55	58	58	61	63
Part-time/Seasonal										
General Government:										
Administration	-	-	-	1	1	1	2	1	1	1
Planning and Inspections	-	-	-	1	1	1	1	1	1	1
Public Safety:										
Police	20	18	17	14	14	14	10	8	8	8
Fire	23	23	21	21	21	20	14	14	14	14
Environmental Protection:										
Public Works	-	-	-	-	-	-	1	1	1	-
Solid Waste	1	1	1	-	1	1	1	1	2	2
Culture and Recreation:										
Parks and Recreation	38	38	37	37	35	34	27	26	34	37
Total	82	80	76	74	73	71	56	52	61	63
Inmate Laborers										
Parks Maintenance	2	2	2	2	2	2	2	-	-	-
Public Works	4	4	4	4	4	4	4	3	3	-
Total	6	6	6	6	6	6	6	3	3	-

Source: Town of Emerald Isle Administration

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety:										
Police dispatch calls answered	13,697	12,509	8,481	8,457	8,574	9,432	9,108	7,133	5,696	6,778
Fire calls answered	1,073	965	917	866	807	822	798	816	697	683
Transportation (Streets and Highways):										
Miles of streets maintained	45.50	45.50	45.50	45.50	45.5	45.54	45.54	45.54	45.91	45.91
Environmental Protection (Solid Waste):										
Refuse collected (tons)	3,435	3,356	3,275	3,259	3,279	3,414	3,392	3,371	3,412	3,624
Recyclables collected (tons)	764	774	823	723	657	632	627	591	507	501

Source: Town of Emerald Isle Administration

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety:										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of police vehicles	22	22	20	21	21	21	21	21	21	21
Number of police beach patrol UTV units	2	2	3	2	2	2	2	1	1	1
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Number of fire engines/aerial truck	4	4	4	4	4	4	4	4	4	4
Number of lifeguard UTV units	4	3	3	2	2	2	2	2	2	2
Number of rescue boats	1	1	1	1	1	1	1	1	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	45.5	45.54	45.54	45.54	45.91	45.91
Environmental Protection (Solid Waste):										
Number of yard waste trucks	2	2	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	11	10	10	10	10	10	9	9	9
Miles of bicycle and pedestrian path	11.20	11.00	11.00	11.00	5.80	5.10	4.90	4.40	2.40	2.20

Source: Town of Emerald Isle Administration

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Compliance Section

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S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

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*

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Emerald Isle, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the Town of Emerald Isle's basic financial statements and have issued our report thereon dated October 31, 2017.

Internal Control over Financial Reporting

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

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

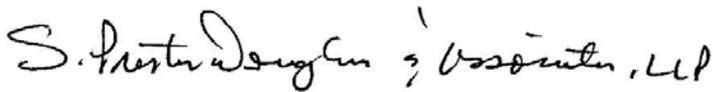
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

Compliance and Other Matters

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

Purpose of this Report

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

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

Lumberton, North Carolina
October 31, 2017

**Town of Emerald Isle, North Carolina
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017**

Section I. Summary of Auditor's Results
--

Financial Statements

Type of auditor's report issued:

Unmodified.

Internal control over financial reporting:

- | | | | |
|---|--|---|--|
| <ul style="list-style-type: none"> • Material weakness(es) identified? • Significant deficiency(s) identified that are not considered to be material weaknesses • Noncompliance material to financial statements | <p>_____ yes</p> <p>_____ yes</p> <p>_____ yes</p> | <p>_____ <u>X</u></p> <p>_____ <u>X</u></p> <p>_____ <u>X</u></p> | <p>no</p> <p>none reported</p> <p>no</p> |
|---|--|---|--|

Town of Emerald Isle, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2017

Section II. Financial Statement Findings

None reported

Section III. Federal Award Findings and Questioned Costs

None reported