

Town of Emerald Isle, North Carolina
Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2012

Prepared by:
Frank A. Rush, Jr.,
Town Manager

Town of Emerald Isle
Table of Contents
June 30, 2012

| <u>Exhibit</u> | | <u>Page</u> |
|----------------|---|-------------|
| | Introductory Section | i |
| | Letter of Transmittal | ii |
| | List of Principal Officers | viii |
| | Town Organizational Chart | ix |
| | Financial Section: | |
| | Independent Auditor's Report | 7 |
| | Management's Discussion and Analysis | 9 |
| | Basic Financial Statements: | |
| | Government-wide Financial Statements: | |
| 1 | Statement of Net Assets | 26 |
| 2 | Statement of Activities | 27 |
| | Fund Financial Statements: | |
| 3 | Balance Sheet - Governmental Funds | 28 |
| 3 | Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets | 31 |
| 4 | Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 32 |
| 4 | Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities | 35 |
| 5 | Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund and Annually Budgeted Major Funds | 36 |
| 6 | Statement of Fiduciary Net Assets | 38 |
| 7 | Statement of Changes in Plan Net Assets and Changes in Fund Balances - Fiduciary Funds | 39 |
| | Notes to the Financial Statements | 41 |
| | Required Supplemental Financial Data: | |
| | Law Enforcement Officers' Special Separation Allowance - Schedule of Funding in Progress | 63 |
| | Law Enforcement Officers' Special Separation Allowance - Schedule of Employer Contributions | 64 |

| | <u>Page</u> |
|---|-------------|
| Individual Fund Statements and Schedules: | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund | 66 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Future Beach Nourishment Fund | 70 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Beach Nourishment Debt Service Fund | 71 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Archers Creek Stormwater Project Fund | 72 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - FEMA - Irene Beach Nourishment Project Fund | 73 |
| Combining Balance Sheet for Non-Major Governmental Funds | 74 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Non-Major Governmental Funds | 76 |
| Individual Fund Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Non-Major Governmental Funds | 78 |
| Statement of Changes in Assets and Liabilities - Agency Fund | 87 |
| Statement of Cash Receipts and Disbursements - Agency Fund | 88 |
| Other Schedules: | |
| Schedule of Ad Valorem Taxes Receivable | 91 |
| Analysis of Current Tax Levy - Town Wide Levy | 92 |
| Statistical Section (Unaudited) | |
| Net Assets | 93 |
| Change in Net Assets | 94 |
| Fund Balance | 95 |
| Revenues, Expenditures, and Changes in Fund Balance (General Fund only) | 96 |
| Revenues, Expenditures, and Changes in Fund Balance (All Funds) | 97 |
| Assessed and Estimated Actual Value of Real Property | 98 |
| Direct and Overlapping Property Tax Rates | 99 |
| Principal Property Tax Payers | 100 |
| Property Tax Levies, Collections, and Credits | 101 |
| Computation of Legal Debt Margin | 102 |
| Computation of Direct and Overlapping Debt | 103 |
| Ratios of General Bonded Debt Outstanding | 104 |
| Ratios of Outstanding Debt by Type | 105 |
| Demographic and Economic Information | 106 |
| Principal Employers | 107 |
| Government Employees by Function | 108 |

| | |
|---|-----|
| Operating Indicators by Function/Programs | 109 |
| Capital Asset Statistics by Function/Program | 110 |
| Compliance: | |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> | 111 |
| Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act | 113 |
| Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act | 115 |
| Schedule of Findings and Questioned Costs | 117 |
| Corrective Action Plan | 119 |
| Summary Schedule of Prior Year Audit Findings | 120 |
| Schedule of Expenditures of Federal and State Awards | 121 |

Introductory Section

- Letter of Transmittal
- List of Principal Officials
 - Organization Chart

Town of Emerald Isle

Mayor
Arthur B. Schools, Jr.

Mayor Pro-Tem
Floyd Messer, Jr.

Board of Commissioners

Nita Hedreen
Tom Hoover, Jr.
John Wootten
Maripat Wright



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

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January 31, 2013

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, 2012, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures within this report rests with the management of the Town of Emerald Isle. The financial statements and supplemental schedules contained herein have been audited by the independent certified public accounting firm of Williams · Scarborough · Smith · Gray, LLP and their unqualified opinion is included in the financial section of the Comprehensive Annual Financial Report.

The Town of Emerald Isle provides a full range of services to its citizens. General Fund services include police, fire, planning and inspections, public works, parks and recreation, and various other services. The Town's significant beach nourishment activities are reflected in the Beach Nourishment Debt Service Fund and the Future Beach Nourishment Fund. 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, 2012. 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 central 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 in 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 2011 at 3,711. With a significant number of second homes, these population estimates are likely understated to some degree when one considers that many retired second home owners split their time between Emerald Isle and their original home, with considerable extended amounts of time spent in Emerald Isle all throughout the year. As more second home owners reach retirement in the future, the presence of additional people in the Town is likely to continue to expand, as well as the permanent population estimate.

The total tax base of the Town is nearly \$3 billion, and represents nearly 20% of the total Carteret County taxable value. Emerald Isle has the largest tax base of any municipality in Carteret County, and exceeds the combined tax base of the main permanent population center in the Morehead City / Beaufort / Newport area of Carteret County. Housing units are perhaps a better indicator of the size and complexity of the Town, and according to the 2010 census, there are more than 6,700 housing units in the Town, with approximately 5,000 of these serving as second homes or vacation rental units. During the peak of the summer season, Emerald Isle's population is estimated at more than 40,000 people.

There are 21 oceanfront municipalities in North Carolina, and Emerald Isle ranks at or near the top of nearly all measures of size – including permanent population (4th), taxable value (1st), housing units (2nd), and land area (8th). Because of its beautiful natural environment and commitment to a "family beach" and small-town atmosphere, the Town has developed into a popular vacation and retirement destination, and has also grown into a desirable place for young families.

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

The Board of Commissioners determines Town priorities, establishes programs and services to address community needs, adopts and amends the annual budget, enacts the annual tax rate and other fees, regulates land use, and provides policy direction to the Town Manager. The Town Manager implements Board policies, performs research on policy issues, provides recommendations to the Board, develops the recommended budget, oversees day-to-day operations, and supervises Town department heads. The Board of Commissioners approves all agreements and 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, sanitation, street maintenance, storm water management, parks and recreation, beach and water access, 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.

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. 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 continue developing 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, including significant beach nourishment activities.

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 has continued at a high level and has enhanced public safety.

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

Public Works – The department's primary objectives are to promote the functionality, safe use, and aesthetics of the Town's infrastructure. The department oversees the Town's solid waste collection efforts, maintains the Town's street and sidewalk network, maintains the Town's storm water management system, and maintains all Town facilities in a quality manner.

Planning and Inspections – The department’s primary objectives are to assist in the development of land use regulations and ensure proper enforcement of land use regulations and North Carolina building code requirements to protect the public’s health, safety, and welfare, and promote an attractive community with a high quality of life. The department reviews all development plans in the Town for consistency with the applicable requirements, performs required on-site inspections, and also facilitates new policies or changes in Town policies.

Parks and Recreation – The department’s primary objectives are to develop and manage programs and facilities designed to enhance the public’s enjoyment of the beautiful natural environment in Emerald Isle, promote healthy lifestyles, facilitate athletic endeavors, promote life-long learning opportunities, and promote community interaction and involvement. The department operates a Community Center with various athletic facilities and programs, and other recreation programs, maintains the Town’s beach and sound access facilities and park facilities, provides grounds maintenance in the NC 58 corridor, maintains the Town’s extensive bicycle path network, and coordinates large and small-scale community events.

Financial Management –

Internal Controls. The management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that the objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. Internal control evaluations occur within the above framework, and we believe the Town’s internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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

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

Economic Outlook for the Town of Emerald Isle

The local economy is fueled by the tourism, construction, and real estate industries, and also by the accumulated wealth of our many retirees and second home owners. Despite the recent national economic downturn of the past few years, the local economy remains strong and is poised for continued growth, and the community looks forward to a bright economic future.

Because of the Town’s desirable coastal location, the long-term economic outlook for the Town 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 local tourism industry has experienced significant growth over the past 10 years, despite a brief and minor decline during the national economic downturn of the past few years. Carteret County levies a 5% room occupancy tax, and total annual room occupancy tax revenues have increased from approximately \$3.34 million in 2002 to \$4.39 million in 2012, an increase of more than 31%. Annual County room occupancy tax revenues peaked at \$4.75 million in 2007, but have now stabilized at \$4.3 - \$4.4 million annually since that time. Emerald Isle represents more than 60% of County-wide room occupancy tax collections, and Emerald Isle is almost exclusively served by vacation rental units (as opposed to hotels and motels), and this portion of the room occupancy tax base has grown more significantly over the past 10 years. In 2002, Emerald Isle represented approximately 49% of County-wide room occupancy tax collections, and in 2012 the Town's collections represent approximately 63%. County room occupancy tax collections derived from Emerald Isle have actually increased by approximately 69% from 2002 to 2012. Continued growth is anticipated, and we look forward to the 2013 tourism season with optimism.

The local tourism industry, with approximately 5,000 vacation rental units and second homes, helps to support an extensive retail and service economy in Emerald Isle (and the entire County as a whole). These vacation rental units and second homes rely on locally provided maintenance, landscaping, housekeeping, and other services, and the vacationing and second home visitors frequent our restaurants, gift shops, and other retail establishments. The Town's sales tax revenues are dependent on several factors, however, local retail sales affect the Town's sales tax revenues to a significant degree. After adjustments for other factors, including muting out the boom years of the mid-2000s, the Town's annual sales tax revenues have increased by approximately 50% over the past 10 years.

The local construction industry remains in a slump, but is showing some signs of improvement. The total value of new construction in the Town in FY 11-12 was approximately \$14.3 million, up from the FY 09-10 amount of \$8.9 million (the least amount in recent memory). The Town permitted a total of 21 new residential structures in FY 11-12, compared with only 14 new residential structures in FY 09-10. The FY 11-12 figures are still down significantly from the peak years in the mid-2000s, when total new construction peaked at \$38.4 million and 114 new residential structures in FY 04-05, but it now appears that the trend is at least moving in the right direction. Over the long-term, however, construction activity is expected to return to normal annual activity levels, as there remains a sufficient quantity of vacant lots to accommodate the construction industry for several decades. Prior to the boom in the mid-2000s, the Town typically experienced approximately 60 - 70 new homes constructed annually at a total annual value of approximately \$20 - \$25 million. We expect construction activity to return to these levels within the next few years.

The local real estate industry suffered in Emerald Isle, as it did everywhere, over the past few years. Fortunately, gradual improvement continues, and, on a County-wide basis, total sales volume has increased to 2007 levels and home prices have started to rise again. Emerald Isle real estate agents report gradually increasing activity, and we expect to return to historical stable activity levels within the next few years. Each of the 6 real estate and vacation rental companies in Emerald Isle prior to the boom of the mid-2000s remains in operation today, having prospered during the boom but also having survived the worst of the real estate correction in the late 2000s. The local real estate market appears to have regained some stability, and future improvement is expected due to Emerald Isle's desirable coastal location.

In Emerald Isle, real estate values increased significantly in the mid-2000s, as evidenced by the dramatic increase in the Town's total assessed value from approximately \$1.5 billion (based on 2001 values) to more than \$4.2 billion (based on 2007 values) in the 2007 revaluation. After significant increases in the mid-2000s, real estate values decreased significantly as the real estate market experienced a correction. Carteret County completed a tax revaluation in 2011, and the Town's total taxable value is now slightly less than \$3 billion, which still represents a nearly 100% increase over the 2001 values.

Emerald Isle, with its desirable coastal location, is home to many retirees and second home owners with high relative wealth. Like everyone, retirement accounts in Emerald Isle were impacted by the volatility in the stock market in recent years, and this likely impacted the local economy in the late 2000s. As the stock market has regained much of its earlier losses, this has likely assisted the local economy to some degree, and is expected to help keep the local economy strong in the future.

Additionally, Emerald Isle and surrounding communities benefit from the presence of two large military installations – Marine Corps Base Camp Lejeune in nearby Jacksonville, and Marine Corps Air Station Cherry Point in nearby Havelock. Many Emerald Isle residents are employed by, are stationed at, or receive retired military benefits from these installations. The presence of these installations, combined with the desirable coastal location of our entire area, has fueled significant retail growth in the entire area. Many “big-box” retail chain stores have opened in Carteret County in recent years, despite the national economic downturn.

In summary, the Town's economy appears to have weathered the national economic downturn relatively well, and our economic outlook is favorable. The desirability of Emerald Isle and the high demand for coastal living and vacation experiences should result in stable tourism, construction, and real estate industries, and the Town's overall long-term financial outlook remains very positive.

Acknowledgements

This is the first year that the Town of Emerald Isle has attempted to obtain a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA). In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

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

Respectfully submitted,



Frank A. Rush, Jr.
Town Manager

Town of Emerald Isle, North Carolina
List of Principal Officials
June 30, 2012

TOWN COUNCIL

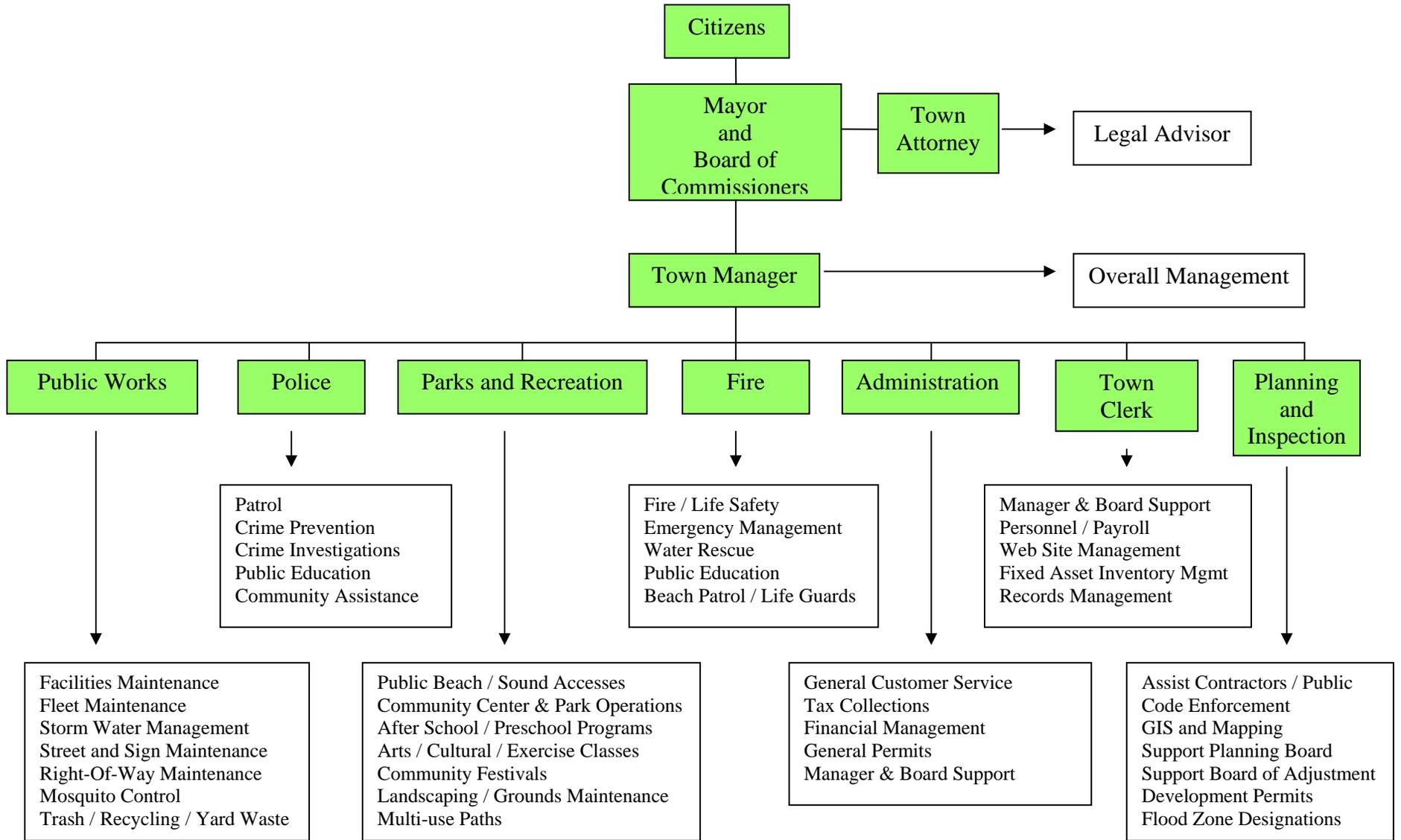
Honorable Arthur B. Schools, Jr., Mayor
Floyd Messer Jr., Mayor Pro Tem
Nita Hedreen
Tom Hoover, Jr.
John Wooten
Maripat Wright

ADMINISTRATION

Frank A. Rush, Jr., Town Manager
Mitsy Overman, Assistant Town Manager / Finance Officer

William Walker, Chief of Fire Department
William Hargett, Chief of Police Department
Kevin Reed, Planning and Inspections Director
John "Artie" Dunn, Public Works Director
Alesia Sanderson, Parks and Recreation Director
Rhonda Ferebee, Town Clerk

Town of Emerald Isle Organizational Chart



Pages 1- 6

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Financial Section

- Report of Independent Certified Public Accountants
- Management Discussion and Analysis
- Basic Financial Statements
- Notes to Basic Financial Statements
- Supplementary Information



WILLIAMS · SCARBOROUGH · SMITH · GRAY, LLP
Certified Public Accountants

Christopher K. Williams, CPA
Steven N. Scarborough, CPA
Charles S. Smith, CPA
W. Randall Gray, CPA

Independent Auditor's Report

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

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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Emerald Isle's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund, the Future Beach Nourishment Special Revenue Fund, and the Beach Nourishment Debt Service Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2012, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of

that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 11 through 23 and 63 and 64, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express such an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Emerald Isle's financial statements taken as a whole. The combining and individual fund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, and is also not a required part of the financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Williams Scarborough Smith Gray, LLP

Williams · Scarborough · Smith · Gray, LLP
October 5, 2012

Management Discussion and Analysis

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Town of Emerald Isle

Mayor
Arthur B. Schools, Jr.

Mayor Pro-Tem
Floyd Messer, Jr.

Board of Commissioners

Nita Hedreen
Tom Hoover, Jr.
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Town Manager
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Visit our web site at www.emeraldisle-nc.org !

MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2012 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, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

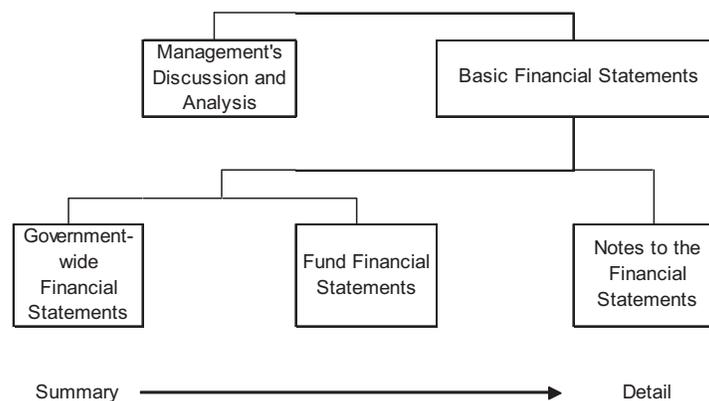
- The Town had \$3,359,196 of cash and cash equivalents on hand as of June 30, 2012. The Town also had net receivables of \$56,800 and \$750,581 due from other governments as of June 30, 2012.
- The Town had total capital assets of \$18,484,506 as of June 30, 2012. The bulk of these assets are land, buildings, and other improvements in the community.
- The Town's total liabilities as of June 30, 2012 were \$3,156,024, with \$950,000 of this total in the form of outstanding General Obligation Bonds issued to finance the Town's 2005 beach nourishment project.
- The Town had officially reported net assets of \$19,495,059 as of June 30, 2012. Total net assets increased by \$2,012,525 over the prior year due primarily to the retirement of additional outstanding General Obligation Bonds issued to finance the Town's 2005 beach nourishment project and due to land acquisition associated with the Emerald Isle Public Boating Access Area with significant outside grant funding.
- The Town had total revenues of \$9,623,982 across all funds during FY 11-12. The Town had total expenditures of \$10,230,824 across all funds during FY 11-12. After accounting for a new debt issue in the amount of \$152,154, the Town utilized a net total of \$454,688 of fund balance.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,906,163, a decrease of \$454,688 in comparison with the prior year. This decrease is primarily associated with the planned use of \$993,489 of fund balance in the Beach Nourishment Debt Service Fund for the retirement of 2004 beach nourishment bonds.
- The General Fund, the Town's primary annual operating fund, had total revenues of \$8,045,559, and total expenditures of \$7,756,448 during FY 11-12. After considering transfers to (\$765) and from the General Fund (\$133,823) for capital projects, the Town added \$156,053 to General Fund balance as of June 30, 2012.
- As of June 30, 2012, the Town's General Fund had a total fund balance of \$2,051,217, of which a total of \$1,348,675 is classified as unassigned fund balance.

- The total General Fund balance of \$2,051,217 is equal to 26.0% of total General Fund expenditures (including transfers out, Powell Bill, and Regional Access Parking) during FY 11-12 (\$7,890,271). This percentage is up slightly from the previous year (25.1%). Total General Fund balance represents 28.4% percent of the FY 12-13 adopted budget of \$7,232,876 (including transfers out, Powell Bill, and Regional Access Parking).
- The total unassigned General Fund balance amount of \$1,348,675 is equal to 17.1% of total General Fund expenditures (including transfers out, Powell Bill, and Regional Access Parking) during FY 11-12 (\$7,890,271). Unassigned General Fund balance represents 18.7% of the FY 12-13 adopted budget of \$7,232,876 (including transfers out, Powell Bill, and Regional Access Parking).
- The Town's Beach Nourishment Debt Service Fund had a year-end fund balance of \$1,088,440. The final beach nourishment bond payments are budgeted for \$978,500 in FY 12-13, and this fund balance will be used to make the final payments.
- The Town's Total outstanding debt at June 30, 2012 is \$2,581,281, most of which consists of outstanding beach nourishment bonds (\$950,000) that will be fully retired in FY 12-13. The Town's total outstanding debt is equal to approximately 0.09% of the Town's total assessed valuation at June 30, 2012, a very low percentage.

Overview of the Financial Statements

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

**Required Components of Annual Financial Report
Figure 1**



Basic Financial Statements

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

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

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

Government-wide Financial Statements

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

The government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Emerald Isle, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes and the Town's budget ordinance. All of the funds of the Town of Emerald Isle are governmental 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 Assets 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 4 columns: 1) the original budget adopted by the Board of Commissioners, 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) 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.

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 during the recession, 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 Assets

As noted in Figure 2 below, the Town had officially reported net assets of \$19,495,059 as of June 30, 2012. The Town's net assets increased by \$2,012,525 for the fiscal year ended June 30, 2012, due primarily to the retirement of \$950,000 of General Obligation Bonds associated with the Town's 2005 beach nourishment project, and also due to the final land acquisition for the Emerald Isle Public Boating Access Area with significant outside grant funding. The Town acquired two parcels of land for \$607,143 and \$172,154 for the facility during FY 11-12, and this land was funded primarily by outside grants and contributions.

The Town's current assets (cash and cash equivalents, net receivables, and due from other governments) were \$4,166,577 as of June 30, 2012. This amount decreased by \$359,402 from the prior year, due primarily to the planned use of fund balance in the Beach Nourishment Debt Service Fund for the retirement of 2004 beach nourishment bonds. Capital assets increased by \$1,164,433 over the prior year to a new total of \$18,484,506, and the bulk of this increase is associated with the additional land purchases for the Emerald Isle Public Boating Access Area.

The Town's total liabilities decreased by \$1,207,495 during FY 11-12 to \$3,156,024. This overall decrease is primarily associated with an additional General Obligation Bond payment of \$950,000 for the Town's 2005 beach nourishment project.

Town of Emerald Isle Net Assets
Figure 2

| | Governmental Activities | |
|---|----------------------------|----------------------|
| | 2012 | 2011 |
| Current and other assets | \$ 4,166,577 | \$ 4,525,979 |
| Capital assets | 18,484,506 | 17,320,073 |
| Total assets | <u>22,651,083</u> | <u>21,846,052</u> |
| Long-term liabilities outstanding | 2,581,281 | 3,599,733 |
| Other liabilities | 574,743 | 763,786 |
| Total liabilities | <u>3,156,024</u> | <u>4,363,519</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 15,903,225 | 13,450,777 |
| Restricted | 2,446,655 | 914,076 |
| Unrestricted | 1,145,179 | 3,117,680 |
| Total net assets | <u>\$ 19,495,059</u> | <u>\$ 17,482,533</u> |

The changes in restricted and unrestricted net assets in Figure 2 is associated with new classifications. Assets in the Beach Nourishment Debt Service Fund, the Future Beach Nourishment Special Revenue Fund, and capital project funds were previously classified as unrestricted in 2011, and are now classified as restricted. The Town continues to manage these assets in the same manner as it has in previous years.

Revenues and Expenditures, Fund Balance

As noted in Figure 3 below, the Town had total revenues of \$9,623,982 across all Town funds, and had total expenditures of \$10,230,824 during the year ended June 30, 2012. After accounting for a new debt issue in the amount of \$152,154, the Town utilized a net total of \$454,688 of fund balance in FY 11-12. This decrease is primarily associated with the planned use of \$993,489 of fund balance in the Beach Nourishment Debt Service Fund for the retirement of 2004 beach nourishment bonds. The Beach Nourishment Debt Service Fund was specifically established in 2002 to accumulate a large fund balance

for future bond retirement, and if one removes the \$993,489 of planned use, the Town's other funds experienced a net surplus of \$538,801 in FY 11-12. The majority of this surplus is associated with a General Fund surplus of \$156,053 and a Future Beach Nourishment Special Revenue Fund surplus of \$667,333, and is offset by the use of previously appropriated funds for various capital projects completed during FY 11-12.

The Town maintains total fund balances across all funds of \$3,906,163 as of June 30, 2012. This total fund balance amount includes a total of \$2,051,217 in General Fund balance, \$1,088,440 in Beach Nourishment Debt Service Fund balance, and \$667,333 in Future Beach Nourishment Special Revenue Fund balance, plus relatively minor balances in various capital project funds. The Town's total fund balances are equal to 38.2% of all Town expenditures across all funds during FY 11-12.

Town of Emerald Isle
Revenues and Expenditures - Total of All Governmental Funds
Figure 3

| | Total of All Governmental Funds 2012 |
|---|--|
| Revenues: | |
| Ad valorem taxes | \$ 4,128,232 |
| Other taxes and licenses | 14,659 |
| Unrestricted intergovernmental | 2,186,384 |
| Restricted intergovernmental | 1,396,005 |
| Permits and fees | 1,603,118 |
| Sales and services | 135,151 |
| Investment earnings | 6,552 |
| Miscellaneous | 153,881 |
| Total revenues | 9,623,982 |
| Expenditures: | |
| General government | 1,420,653 |
| Public safety | 3,073,814 |
| Cultural and recreation | 1,884,176 |
| Environmental protection | 2,293,252 |
| Debt service | 1,558,929 |
| Total expenditures | 10,230,824 |
| Excess (deficiency) of revenues over expenditures | (606,842) |
| Proceeds from issuance of debt | 152,154 |
| Net change in fund balance | (454,688) |
| Fund balances - beginning | 4,360,851 |
| Fund balances - ending | 3,906,163 |

Long-Term Debt

As of June 30, 2012, the Town of Emerald Isle had total outstanding debt of \$2,581,281. Of this amount a total of \$950,000 is in the form of General Obligation Bonds issued to finance the Town's 2005 beach nourishment project. The remaining \$1,631,281 is in the form of installment financing agreements for four relatively recent capital projects.

**Outstanding Debt
Figure 4**

| | Governmental Activities | |
|--------------------------|----------------------------|---------------------|
| | 2012 | 2011 |
| General obligation bonds | \$ 950,000 | \$ 1,900,000 |
| Installment financing | 1,631,281 | 1,699,733 |
| | <u>\$ 2,581,281</u> | <u>\$ 3,599,733</u> |

The Town made scheduled principal and interest payments on the General Obligation Bonds for beach nourishment in August 2011 and February 2012. The Town remitted \$950,000 of principal payments, and \$57,000 of interest payments. These bond payments were financed by fund balance in the Beach Nourishment Debt Service Fund that was specifically accumulated for the final 2 years of bond payments. The Town is scheduled to make a final \$950,000 principal payment in FY 12-13, at which time the bonds will be fully retired.

As of June 30, 2012, the Town has 4 outstanding installment financing agreements, and the remaining balance of each is outlined in Figure 5 below.

**Outstanding Installment Financing Debt
Figure 5**

| | As of June 30, 2012 |
|--|------------------------|
| 2008 Land purchase - Emerald Drive | \$ 325,000 |
| 2008 Storm water improvements | 510,136 |
| 2008 Town administration building | 643,991 |
| 2012 Land purchase - EI Public Boating Access Area | 152,154 |
| | <u>\$ 1,631,281</u> |

The 4 outstanding installment financing agreements have various terms, and will all be fully retired by FY 20-21.

The Town entered into a new installment financing agreement with Sound Bank in FY 11-12 for the purchase of a bank-owned land parcel adjacent to the new Emerald Isle Public Boating Access Area. The term of the new installment financing agreement is for 10 years at an annual interest rate of 3.5%. The Town also retired an inter-fund loan from the Beach Nourishment Debt Service Fund to the General Fund in FY 11-12. The General Fund made a scheduled \$90,000 principal payment during FY 11-12, and the Board later utilized additional sales tax revenues to fully retire the remaining \$180,000 balance two years earlier than originally scheduled.

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 low debt levels. The Town's total outstanding debt of \$2,581,281 is equal to 0.09% of the Town's total assessed valuation of nearly \$3 billion as of June 30, 2012. 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 \$233 million, a figure that the Town will never realistically approach.

The Town maintains an AA rating from Standard & Poor's and an A2 rating from Moody's Investors Service. These excellent bond ratings are clear indications of the sound financial condition of the Town of Emerald Isle, and the Town is pleased to carry such a high rating from these institutions.

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 the Beach Nourishment Debt Service 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 \$7,890,271 of total expenditures and transfers out in the year ending June 30, 2012. Total revenues, including a very minor transfer in, were \$8,046,324. These totals include Powell Bill and Regional Access Parking revenues and expenditures that are budgeted as separate special revenue funds in the Town's annual budget ordinance, but that are combined with the General Fund for the annual financial statements.

Property tax revenues continue to represent the Town's largest General Fund revenue source, at \$3,450,658, or approximately 42.9% of total revenues. Sales tax revenues remain the Town's second largest General Fund revenue source, with a total of \$1,718,656 representing 21.4% of total revenues. Solid waste service fees are the Town's third largest General Fund revenue source, and were \$1,231,377 representing 15.3% of total revenues. Combined, these three revenue sources make up 79.6% of total General Fund revenues for the year ended June 30, 2012.

Public safety expenditures (Police, Fire, and EMS) continue to comprise the largest portion of the General Fund, at \$3,044,807, or approximately 38.6% of total General Fund expenditures and transfers out. Other notable expenditures include Solid Waste (\$1,217,645), and Debt Service (\$551,929). Debt Service expenditures for the year ended June 30, 2012 include a \$270,000 payment to fully retire an inter-fund loan for a previous land purchase at the Emerald Isle Public Boating Access Area.

As of June 30, 2012, total General Fund balance is \$2,051,217, a relatively significant (8.3%) increase from the prior year's ending fund balance of \$1,895,164. The Town added \$156,053 to General Fund balance in FY 11-12, due primarily to lower than estimated expenditures at year-end. The Town's total General Fund balance is equal to 26.0% of total General Fund expenditures (including transfers out, Powell Bill, and Regional Access Parking) during FY 11-12. This percentage is up slightly from the previous year (25.1%). Total General Fund balance represents 28.4% percent of the FY 12-13 adopted budget of \$7,232,876 (including transfers out, Powell Bill, and Regional Access Parking).

The unassigned General Fund balance amount of \$1,348,675 is equal to 17.1% of total General Fund expenditures (including transfers out, Powell Bill, and Regional Access Parking) during FY 11-12. Unassigned General Fund balance represents 18.7% of the FY 12-13 adopted budget of \$7,232,876 (including transfers out, Powell Bill, and Regional Access Parking). These percentages are slightly lower than desired, but it is also important to note that, from a cash-flow standpoint, the Town also maintains more than \$1.8 million of cash in other Town funds that could be made available on a short-term emergency basis and reimbursed if needed. To date, the Town has never had to utilize this approach, and does not expect to do so, however, it is available if needed if a situation with diminished General Fund cash-flow arises in the future.

The reader should note that of the Total General Fund balance amount of \$2,051,217, there are two categories of assigned fund balance. As noted earlier, the Town's Powell Bill Fund is used for budget purposes but is combined into the General Fund in the annual financial statements. The assigned fund balance of \$10,982 for "environmental protection" on the balance sheet, for management purposes, is the Powell Bill Fund balance. Also, as noted earlier, the Town's Regional Access Parking Fund is also used for budget purposes but is combined into the General Fund in the annual financial statements. The assigned fund balance of \$13,027 for "culture and recreation" on the balance sheet, for management purposes, is the Regional Access Parking Fund balance.

The Town's official policy calls for the Town to maintain total General Fund balance at an amount equal to 25% of General Fund expenditures. As noted, the Town remains slightly above this target. The Town's long-term goal is to eventually approach a 50% fund balance level.

Beach Nourishment Debt Service Fund

One of the Town's two other large governmental funds is the Beach Nourishment Debt Service Fund. For the year ended June 30, 2012, this fund had total expenditures of \$1,009,117. Total revenues were only \$15,628, but this was by design as the Town allowed previous municipal service districts to expire on June 30, 2011. The Beach Nourishment Debt Service Fund was intentionally planned to rely on the use of accumulated fund balance during FY 11-12 and FY 12-13 to fund the final two years of general obligation bond payments associated with the Town's 2005 beach nourishment project.

A total of \$993,489 of Beach Nourishment Debt Service Fund balance was utilized in FY 11-12, and at June 30, 2012 this fund had a total fund balance of \$1,088,440. As noted earlier, this fund balance is intended for the final year of debt service payments in FY 12-13. The final payments scheduled for FY 12-13 equal \$978,500, and a fund balance of approximately \$100,000 is expected after the final debt service payments in February 2013. Any remaining fund balance will be transferred to the Town's new Future Beach Nourishment Special Revenue Fund (established in FY 11-12) for future beach nourishment efforts.

Future Beach Nourishment Special Revenue Fund

The new Future Beach Nourishment Special Revenue Fund is the Town's other large governmental fund. This fund is utilized to accumulate municipal service district tax revenues to fund the Town's future beach nourishment projects, and will hopefully enable the Town to avoid the issuance of new debt for future projects. FY 11-12 was the first year the Town levied new municipal service district taxes, and these new taxes generated a total of \$667,082 to be reserved for future beach nourishment efforts. An additional \$251 of interest earnings resulted in total fund balance of \$667,333 as of June 30, 2012.

Other Funds

The Town utilized several other funds during the fiscal year ended June 30, 2012, most of which are capital project funds established to segregate revenues and expenditures associated with these projects over multiple fiscal years.

The most significant of these funds is the Public Boat Launching Facility capital project fund established to account for land acquisition expenses, grants, and other contributions associated with the new Emerald Isle Public Boating Access Area. During FY 11-12, the Town completed the purchase of the 7th and final land parcel associated with the initial land acquisition for the project and also constructed a new restroom facility, both of which were funded primarily by additional grant revenues. The Town also purchased an adjacent land parcel for future park development with installment financing proceeds. As of June 30, 2012, the Town has expended a total of \$4,571,824 in this capital project fund. (The reader should note that actual construction costs were funded separately by the NC Wildlife Resources Commission and are not accounted for in this capital project fund.) This capital project fund has a fund balance of \$35,000 as of June 30, 2012, and this amount is specifically reserved to match a pending grant that would fund the construction of a new soundside pier in FY 12-13.

The Town's other significant capital project fund is the Coast Guard Road Storm Water Phase IV capital project fund. This fund was established to account for the construction of an emergency discharge at the Town's Emerald Isle Woods storm water receiving site and also the construction of storm water improvements in The Point neighborhood. A one-time \$375,000 transfer from the General Fund to this project fund was made in FY 10-11. As of June 30, 2012, total expenditures and transfers out of this fund were \$332,493, leaving a fund balance of \$42,507 as of June 30, 2012. Construction of the emergency discharge component is complete, and the construction of storm water improvements in The Point neighborhood is nearing completion. The remaining \$42,507 in fund balance will be expended in FY 12-13.

The only other active capital project funds utilized by the Town as of June 30, 2012 are the Archers Creek Storm Water Project capital project fund (fund balance of \$2,473), the Eastern EI Storm Water capital project fund (fund balance of \$740), and the Coast Guard Road Multi-Use Path capital project fund (fund balance of \$8,577). The Archers Creek Storm Water Project was completed in early FY 12-13 (within budget) and will be closed out in FY 12-13. The Eastern EI Storm Water capital project fund utilizes grant funding for storm water outfall improvements in the eastern area of Town, and will be completed during FY 12-13 and eventually closed out. The Coast Guard Road Multi-Use Path capital project fund is being used to reserve fundraising proceeds for the construction of future segments of the multi-use path in the future, and will remain open indefinitely.

The Town also utilizes the Special Drug Fund to account for restricted Police revenues and expenditures for Police equipment. The Town utilized \$29,007 of fund balance and current revenues in this fund in FY 11-12 for the purchase of Police equipment. The Special Drug Fund has a total fund balance of \$9,876 as of June 30, 2012, and these funds will be used for eligible Police equipment in the future.

The Town also utilizes a Pension Trust Fund to reserve funds for future special separation allowance payments to certain retiring Police Officers in the future. The Town has accumulated a fund balance of \$63,727 in this fund as of June 30, 2012. The Town currently has no officers eligible for these payments,

however, the first eligible officer is expected to retire in FY 12-13. This amount is expected to be sufficient to meet projected liabilities for the next 2 - 3 years, however, the Town must soon consider making additional contributions to this fund in order to insure adequate reserves are available in future years.

FY 11-12 Budget Administration

The Board of Commissioners adopted the FY 11-12 budget in June 2011 after a thoughtful and analytical review process over the previous several months.

The key budget issue facing the Town as the FY 11-12 budget was developed in spring 2011 was an expected, formula-based, significant decrease in General Fund sales tax revenues. Because the Town's original municipal service district property taxes (for the Town's 2003 and 2005 beach nourishment projects) expired on June 30, 2011, the impact this expiration would have on the sales tax distribution formula, and the associated 10-month lag in the sales tax distribution formula change, the Town was aware that annual sales tax revenues would decrease significantly beginning in May 2012. The Town expected a decrease of approximately \$340,000 per year on an annualized basis, and the Board made a deliberate decision to reduce anticipated sales tax revenues and General Fund expenditures by that full amount (\$340,000) for FY 11-12 rather than a smaller decrease that would initially only be experienced during the final 2 months of FY 11-12. This decision 1) enabled the Town to address this looming budget issue sooner rather than later, and 2) also enabled the Town to utilize the unbudgeted additional sales tax revenues during the first 10 months of FY 11-12 for special, one-time needs during the fiscal year.

The total adopted FY 11-12 Town budget (across all annually budgeted funds) was \$8,760,176, a \$671,559 decrease from the FY 10-11 total adopted budget amount. The decrease in the FY 11-12 adopted budget was attributed to the reduction in sales tax revenues and the elimination of debt service payments on the 2002 beach nourishment bonds. These decreases were offset by the implementation of a new regional access parking fee program and new municipal service district property taxes dedicated for future beach nourishment efforts.

The adopted FY 11-12 budget included a General Fund tax rate of 11.5 cents, which was the revenue-neutral rate after the implementation of the 2011 tax revaluation by Carteret County. As expected, the 2011 revaluation resulted in a significant decrease in the Town's total assessed value, from approximately \$4.2 billion to slightly less than \$3 billion. The new 11.5 cent General Fund tax rate was expected to generate more than \$3.4 million, approximately the same amount as the old 8.0 cent tax rate generated in FY 10-11. The adopted FY 11-12 budget eliminated the original municipal service district property tax rates of 16.2 cents and 1.1 cent, and implemented new municipal service district property tax rates of 4.5 cents and 1.5 cent for future beach nourishment efforts.

The adopted FY 11-12 General Fund budget was \$7,043,097 (including Powell Bill, Regional Access Parking, and transfers out), which represented a \$113,888 decrease from the prior year. The total decrease was associated with targeted expenditure reductions in response to the decrease in sales tax revenues (\$340,000), and was offset by the implementation of the new regional access parking fee (expected to generate \$111,000) and a \$10 annual increase in the Town's solid waste fee (expected to generate an additional \$60,000). The adopted FY 11-12 budget did not include any funding for new capital project initiatives.

Over the course of FY 11-12, the General Fund budget was amended a total of 13 times, and the final amended General Fund budget at June 30, 2012 was \$8,018,536 (including Powell Bill, Regional Access Parking, and transfers out). There were two significant factors that resulted in the nearly \$1 million increase in the amended General Fund budget. First, the Town was impacted by Hurricane Irene in late August 2011, and amended the budget to include anticipated FEMA reimbursements of \$387,065. Second, the Town amended the sales tax revenue estimate to anticipate an additional \$486,000, and these additional sales tax revenues were appropriated for strategic one-time expenditures designed to address capital project needs and improve the Town's budget position in FY 12-13 and beyond.

The additional \$486,000 of sales tax revenues appropriated during FY 11-12 was used for the following: \$16,000 for a Town contribution toward a State-local funding effort to keep Bogue Inlet dredged, \$45,000 for improvements at the Emerald Isle Public Boating Access Area, \$128,000 for repairs to the Ocean Oaks Drive / Cape Emerald public drainage pipe, \$181,000 for early debt retirement, \$74,000 for the resurfacing of Ocean Drive in central Emerald Isle, and \$42,000 for various fiscal-year end budget

adjustments. All of the additional items were one-time expenditures, as contemplated previously by the Board, and these additional items also assisted the Town in balancing the FY 12-13 budget.

Other General Fund budget amendments during FY 11-12 were relatively minor and associated with unanticipated additional revenues, additional small projects, and/or unexpected expenditures. Fortunately, the Town still ended FY 11-12 with a General Fund surplus of \$156,053, and the Town did not utilize any General Fund balance during FY 11-12.

The Town's other annually budgeted funds were not amended in any significant manner during FY 11-12. The Board did, however, make significant amendments to three multi-year capital project funds during FY 11-12. The Public Boat Launching Facility capital project fund was amended to appropriate installment financing proceeds and a General Fund contribution for the purchase of a vacant parcel of land adjacent to the Emerald Isle Public Boating Access Area (\$172,154). The Coast Guard Road Multi-Use Path capital project fund was amended to recognize fundraising proceeds and a Town contribution for the construction of a new path segment from Emerald Isle Woods Park to Ocean Oaks Drive (\$62,790). The Board also established a new capital project fund for the FEMA Irene Beach Nourishment Project, appropriating a total of \$9,853,546 of FEMA reimbursements and State, County, and Town funding for a planned 2013 beach nourishment project.

There were relatively minor amendments to several other capital project funds during FY 11-12, most of which were intended to "clean up" these project funds for eventual close-out. There are no project funding shortfalls anticipated for any outstanding capital projects as of June 30, 2012.

The Fiscal Year Ahead - FY 12-13 Budget Highlights

The Town's FY 12-13 adopted budget totals \$8,894,427 across all annual Town funds, a slight increase (\$134,250, or 1.5%) over the originally adopted FY 11-12 budget, and a significant decrease from the total amended FY 11-12 budget. The Town's service plan for FY 12-13 is very similar to FY 11-12, with no significant changes in service levels or service quality. The General Fund property tax rate remains unchanged at 11.5 cents, and the municipal service district property tax rates for beach nourishment remain unchanged at 4.5 cents and 1.5 cents.

The Town's adopted FY 12-13 General Fund budget is \$7,232,876, and this total includes Powell Bill, Regional Access Parking, and transfers out to provide an accurate comparison with the FY 11-12 financial statements. (For management purposes, the annual Town budget includes a separate Powell Bill Fund and Regional Access Parking Fund that is combined with the General Fund in the annual financial statements.) This amount is \$189,779, or 2.7% more than the originally adopted budget for FY 11-12. This increase is primarily attributed to less conservative sales tax projections and a \$10 annual increase in the Town's solid waste fee that will generate an additional \$60,000. A total of \$1,265,000 of sales tax revenues is anticipated in FY 12-13 compared to the original estimate of \$1,185,000 in FY 11-12. (FY 12-13 will be the first full year of the significant decrease in annual sales tax revenues caused by the elimination of the original municipal service district taxes for beach nourishment.) On the expenditure side, the most significant changes in the FY 12-13 General Fund budget are the purchase of a new yard debris collection truck (\$115,000), reduced debt service expenses (approximately \$75,000) due to early debt retirement in FY 11-12, and a cost-of-living adjustment for Town employees (approximately \$93,000).

The FY 12-13 General Fund budget again includes conservative revenue projections, reflecting the lingering uncertainty surrounding the National, State, and regional economy. The FY 12-13 General Fund adopted budget again does not include the use of any General Fund balance to meet planned expenditures.

The FY 12-13 budget includes the appropriation of \$978,500 of fund balance in the Beach Nourishment Debt Service Fund for the final bond payment for the Town's 2005 beach nourishment project. FY 12-13 will be the final year this fund is utilized by the Town, and any remaining balance will be transferred to the Future Beach Nourishment Special Revenue Fund. The FY 12-13 budget includes the second year of the Future Beach Nourishment Special Revenue Fund, which accounts for new municipal service district property tax revenues that will be accumulated over time and reserved for future beach nourishment efforts. A total of \$675,051 is appropriated in FY 12-13. It is anticipated that the accumulation of funds in the Future Beach Nourishment Special Revenue Fund will reach approximately \$1.45 - \$1.5 million by

late in FY 12-13, and these funds will be transferred to the FEMA Irene Beach Nourishment Capital Project Fund at that time to provide the Town's required contribution to this approximately \$9.8 million project.

Economic and Other Factors Affecting the Town's Future Financial Position

The local economy is fueled by the tourism, construction, and real estate industries, and also by the accumulated wealth of our many retirees. These industries experienced record-breaking years in the mid-2000s, however, each suffered to some degree due to the recent prolonged recession. Fortunately, Emerald Isle appears to have weathered the recession relatively well thus far, and although full recovery continues to be slower than desired, the community looks forward to a bright economic future.

Although the Town certainly experienced the impacts of the recession, the underlying relative wealth of the Town's population, the Town organization's historical financial strength, and sound management have enabled the Town to maintain its strong financial position. Because of the Town's desirable coastal location, the long-term economic outlook for the Town remains very positive. The public demand for coastal living and vacation experiences remains strong, and "the beach" remains Americans' favorite vacation destination. The Town has invested appropriately in its most important asset, the beach, with a strong commitment to beach nourishment. The Town has also worked hard to maintain our competitiveness against other beach communities by adding other amenities to strengthen our position. The Town's commitment to a small-town, family beach atmosphere, the addition of a major public boating access facility, continued expansion of our popular bicycle path network, investment in ocean and soundside parks, and maintenance of attractive public areas are all designed to maintain and enhance Emerald Isle's desirability for both residents and visitors.

The tourism industry (in Emerald Isle and Carteret County as a whole) has the greatest direct impact on the Town's budget and financial position, as it directly affects sales tax revenues – the Town's second largest revenue source. The construction industry also has direct impact on the Town's budget and financial position, as it directly affects the Town's sales tax revenues, building permit revenues, and additions to the Town's tax base. Fluctuations in building permit revenues create budget challenges, but the Town has been able to stabilize expenditures funded by building permit revenues in recent years as construction activity decreased. Due to the Town's relatively large total taxable value (slightly less than \$3 billion), the annual amount of new construction represents a relatively small percentage of the Town's overall tax base and thus fluctuations from year to year have minimal impact on the Town's property tax revenues. The Town's property tax revenues are expected to remain stable and reliable in the future, and the Town works hard to minimize the need for and amount of any property tax rate increases. Because new taxable values are assigned by the County every 4 years (with the last revaluation effective in FY 11-12), the Town's total taxable value does not fluctuate significantly from year to year, and as a result, property tax revenues remain relatively stable. As a result, the health of the real estate industry generally does not have direct impacts on the Town's financial position; instead these impacts are indirect in nature as those who are dependent on this industry have less disposable income to invest in new construction, retail items, etc.

The local tourism industry experienced only a relatively modest decline during the recession, and appears to again be in a growth trend. Emerald Isle and Carteret County continue to be a desirable place and a relatively affordable place for family vacations. Carteret County levies a 5% 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 peaked in FY 07-08 at \$4.76 million, but then declined by approximately 11% to \$4.22 million in FY 09-10 during the worst impacts of the recession. Fortunately, this trend has reversed itself, and room occupancy tax collections increased to \$4.43 million in FY 10-11 and reached nearly \$4.6 million in FY 11-12. Continued improvement is anticipated, and we look forward to the 2013 tourism season with optimism.

Sales tax revenues, although distributed to the Town via a complicated formula that is based on State-wide sales tax collections, relative population changes, local sales tax collections, and local property tax levies, can also be a helpful indicator of the local economy. Due to decreased retail sales both State-wide and locally, declines in construction activity both State-wide and locally, and reduced visitation

locally, the Town's annual sales tax revenues declined significantly from FY 06-07 (\$1.91 million) to FY 09-10 (\$1.51 million). The Town's total FY 10-11 sales tax revenues increased to \$1.57 million, and FY 11-12 yielded a total of \$1.72 million (despite a significant change in the distribution formula for the last 2 months of FY 11-12). As discussed previously, due solely to the sales tax distribution formula that is affected by the expiration of the original municipal service district taxes, the Town expects a relatively significant decrease in sales tax revenues in FY 12-13 (which has already been accommodated in the Town's annual budget). A total of \$1.27 million is anticipated in the adopted FY 12-13 budget, however, this amount represents overall growth in retail sales activity in Carteret County and North Carolina, as the projected decrease is solely related to the change in the distribution formula.

The local construction industry remains in a slump, but is showing some signs of improvement. The total value of new construction in the Town in FY 11-12 was approximately \$14.3 million, up from the FY 09-10 amount of \$8.9 million (the least amount in recent memory). The Town permitted a total of 21 new residential structures in FY 11-12, compared with only 14 new residential structures in FY 09-10. The FY 11-12 figures are still down significantly from the peak years in the mid-2000s, when total new construction peaked at \$38.4 million and 114 new residential structures in FY 04-05, but it now appears that the trend is at least moving in the right direction. The significant decrease in new construction in recent years had a significant impact on the Town's budget, but development revenues and expenditures were adjusted in the past few years to reflect the lower levels of construction activity. Total building permit revenues peaked in FY 04-05 at approximately \$272,000, and had decreased to approximately \$107,000 in FY 09-10. This trend also appears to have reversed, and FY 11-12 building permit revenues were nearly \$140,000. We are hopeful that FY 12-13 will include additional modest growth in construction activity and building permit revenues. As noted earlier, the decrease in the local construction industry also contributes to the decline in sales tax collections in Carteret County (and State-wide), as less construction results in less materials purchased and less sales tax paid. The impacts of the decline in construction on sales tax were likely a significant contributor to the declining sales tax revenues experienced from FY 06-07 to FY 09-10. Over the long-term, however, construction activity is expected to return to normal annual activity levels, as there remains a sufficient quantity of vacant lots to accommodate the construction industry for several decades. Prior to the boom in the mid-2000s, the Town typically experienced approximately 60 - 70 new homes constructed annually at a total annual value of approximately \$20 - \$25 million.

Real estate values increased significantly in the mid-2000s, as evidenced by the dramatic increase in the Town's total assessed value from approximately \$1.5 billion (based on 2001 values) to more than \$4.2 billion (based on 2007 values) in the 2007 revaluation. After significant increases in the mid-2000s, real estate values decreased significantly as the real estate market experienced a correction. Total sales volume has dropped significantly in Emerald Isle since the boom in the mid-2000s and remains lower than historical averages. The decrease in the real estate market affects overall economic activity in the Town, which results in indirect financial impacts for the Town, but does not have a direct impact on the Town's budget and financial position. Throughout the recent prolonged recession, the Town's property tax base was based on fixed 2007 values, thus property tax collections did not suffer as a result of the declining values. Carteret County completed a tax revaluation in 2011, and the Town's total taxable value is now slightly less than \$3 billion. For FY 11-12, the Board of Commissioners established a revenue-neutral property tax rate of 11.5 cents for the General Fund, and the new rate generated approximately \$3.45 million in General Fund property tax revenues in FY 11-12 using the new taxable values. (The Town collected approximately \$3.42 million in General Fund property tax revenues in FY 10-11 using the old taxable values.) Over the long-term, property tax revenues are expected to be the Town's most stable revenue source, with continued minor growth in the overall tax base as a result of the Town's desirable location.

Emerald Isle, with its desirable coastal location, is home to many retirees with high relative wealth. Like everyone, retirement accounts in Emerald Isle were impacted by the volatility in the stock market during the past few years, and this has likely also impacted the local economy. As the stock market has regained much of its earlier losses, this has likely improved the financial position of our retirees to some degree. In addition, the continued (albeit slower than desired) growth in economic confidence in our Nation, State, and region will hopefully spur greater investment of all kinds in the coming months and years. This investment will hopefully include coastal real estate investment at a sustainable level.

In summary, the Town's major industries (tourism, construction, and real estate) appear to be trending up again, although not nearly as quickly and complete as we would like, and this bodes well for the Town's budget and financial position. The Town made prudent budget and financial adjustments during the

recession, and has maintained a solid financial position as a result. In the long term, the desirability of Emerald Isle and the high demand for coastal living and vacation experiences should result in stable tourism, construction, and real estate industries, and the Town's overall long-term financial outlook remains very positive.

Finally, the lone drawback to living in a highly desirable coastal location like Emerald Isle is the ever-present threat of a major hurricane. Widespread damage caused by a major hurricane could potentially result in dramatic reductions in the Town's total taxable value and temporarily eliminate the tourism economy. Fortunately, none of the many hurricanes that have affected the Town since the mid-1990s have affected the Town's financial position in a significant manner, and in some instances these hurricane events have actually resulted in positive economic impacts. The Town is well-prepared for future hurricanes, and investments in such initiatives as beach nourishment, building code enforcement, and flood prevention ordinance enforcement should help to mitigate future hurricane damages that could negatively affect the Town's financial position. The Town maintains suitable fund balances and has adequate cash on hand to address any short-term hurricane-related expenses, and has emerged from all previous hurricanes with minimal impact on the Town's financial position.

Requests for Information

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

Respectfully submitted,



Frank A. Rush, Jr.
Town Manager
October 5, 2012

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Basic Financial Statements

Town of Emerald Isle, North Carolina
Statement of Net Assets
June 30, 2012

| | Primary Government |
|---|--------------------------------|
| | Governmental Activities |
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 3,359,196 |
| Receivables (net) | 56,800 |
| Due from other governments | 750,581 |
| Total current assets | 4,166,577 |
| Non Current Assets: | |
| Capital assets (Note 4): | |
| Land and construction in progress | 11,920,141 |
| Other capital assets, net of depreciation | 6,564,365 |
| Total capital assets | 18,484,506 |
| Total assets | \$ 22,651,083 |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable and accrued liabilities | \$ 265,678 |
| Compensated absences payable | 187,501 |
| Net pension obligation | 121,564 |
| Current portion of long term liabilities | 1,190,519 |
| Total current liabilities | 1,765,262 |
| Long-term liabilities: | |
| Due in more than one year | 1,390,762 |
| Total liabilities | 3,156,024 |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 15,903,225 |
| Restricted for | |
| Stabilization by State Statute | 678,533 |
| Debt service | 1,088,440 |
| Public safety | 9,876 |
| Environmental protection | 669,806 |
| Unrestricted | 1,145,179 |
| Total net assets | \$ 19,495,059 |

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

Town of Emerald Isle, North Carolina
Statement of Activities
For the Year Ended June 30, 2012

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|--|-----------------|---------------------------------|---|---|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government Governmental Activities |
| Primary government: | | | | | |
| Governmental Activities: | | | | | |
| General government | \$ 1,555,698 | \$ 16,260 | \$ - | \$ - | \$ (1,539,438) |
| Public safety | 3,135,321 | 258,725 | 1,064 | 17,380 | (2,858,152) |
| Environmental protection | 1,915,323 | 1,330,672 | 535,361 | 192,352 | 143,062 |
| Cultural and recreation | 897,567 | 135,151 | 400 | 702,750 | (59,266) |
| Interest on long-term debt | 101,164 | - | - | - | (101,164) |
| Total governmental activities | \$ 7,605,073 | \$ 1,740,808 | \$ 536,825 | \$ 912,482 | \$ (4,414,958) |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes, levied for general purpose | | | | | 4,124,522 |
| Local option sales tax | | | | | 1,718,656 |
| Other taxes and licenses | | | | | 336,665 |
| Unrestricted grants and contributions | | | | | 203,403 |
| Unrestricted investment earnings | | | | | 3,878 |
| Miscellaneous | | | | | 40,359 |
| Total general revenues | | | | | 6,427,483 |
| Change in net assets | | | | | 2,012,525 |
| Net assets, beginning | | | | | 17,482,534 |
| Net assets, ending | | | | | \$ 19,495,059 |

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, 2012

| | Major Funds | | | | |
|--|---------------------|--|---|--|--|
| | General Fund | Future Beach Nourishment Special Revenue Fund | Beach Nourishment Debt Service | Archers Creek Stormwater Capital Project Fund | FEMA - Irene Beach Nourishment Capital Project Fund |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 1,506,508 | \$ 667,333 | \$ 1,077,410 | \$ - | \$ - |
| Taxes receivable, net | 31,037 | 4,084 | - | - | - |
| Accounts receivables, net | 19,262 | - | - | - | - |
| Due from other governments | 574,875 | - | - | 63,360 | 112,346 |
| Due from other funds | 53,359 | - | 11,030 | - | - |
| Total assets | <u>\$ 2,185,041</u> | <u>\$ 671,417</u> | <u>\$ 1,088,440</u> | <u>\$ 63,360</u> | <u>\$ 112,346</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 91,757 | \$ - | \$ - | \$ 18,773 | \$ 112,346 |
| Due to other funds | 11,030 | - | - | 42,114 | - |
| Deferred revenue | 31,037 | 4,084 | - | - | - |
| Total liabilities | <u>133,824</u> | <u>4,084</u> | <u>-</u> | <u>60,887</u> | <u>112,346</u> |
| Fund balances: | | | | | |
| Restricted: | | | | | |
| Stabilization by State Statute | 678,533 | - | - | - | - |
| Debt service | - | - | 1,088,440 | - | - |
| Public safety | - | - | - | - | - |
| Environmental protection | - | 667,333 | - | 2,473 | - |
| Assigned: | | | | | |
| Environmental protection | 10,982 | - | - | - | - |
| Culture and recreation | 13,027 | - | - | - | - |
| Unassigned | 1,348,675 | - | - | - | - |
| Total fund balances | <u>2,051,217</u> | <u>667,333</u> | <u>1,088,440</u> | <u>2,473</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ 2,185,041</u> | <u>\$ 671,417</u> | <u>\$ 1,088,440</u> | <u>\$ 63,360</u> | <u>\$ 112,346</u> |

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

| Non-Major Funds | Total Governmental Funds |
|--------------------|--------------------------------|
| \$ 107,945 | \$ 3,359,196 |
| - | 35,121 |
| - | 19,262 |
| - | 750,581 |
| - | 64,389 |
| <u>\$ 107,945</u> | <u>\$ 4,228,549</u> |

| | |
|---------------|----------------|
| \$ - | \$ 222,876 |
| 11,245 | 64,389 |
| - | 35,121 |
| <u>11,245</u> | <u>322,386</u> |

| | |
|-------------------|---------------------|
| - | 678,533 |
| - | 1,088,440 |
| 9,876 | 9,876 |
| - | 669,806 |
| 43,247 | 54,229 |
| 43,577 | 56,604 |
| - | 1,348,675 |
| <u>96,700</u> | <u>3,906,163</u> |
| <u>\$ 107,945</u> | <u>\$ 4,228,549</u> |

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

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Town of Emerald Isle, North Carolina
Balance Sheet
Governmental Funds
June 30, 2012

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

| | |
|--|-----------------------------|
| Total fund balances, Governmental Funds | \$ 3,906,163 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 18,484,506 |
| Liabilities for earned but deferred revenues in fund statements. | 35,121 |
| Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are deferred in the funds. | 2,417 |
| Long-term liabilities, including, accrued interest, compensated absences and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds. | <u>(2,933,148)</u> |
| Net assets of governmental activities | <u><u>\$ 19,495,059</u></u> |

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

Town of Emerald Isle, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2012

| | Major Funds | | | | |
|--|---------------------|--|--|--|--|
| | General Fund | Future Beach Nourishment Special Revenue Fund | Beach Nourishment Debt Service Fund | Archers Creek Stormwater Capital Project Fund | FEMA - Irene Beach Nourishment Capital Project Fund |
| REVENUES | | | | | |
| Ad valorem taxes | \$ 3,450,658 | \$ 667,082 | \$ 10,492 | \$ - | \$ - |
| Other taxes and licenses | 14,659 | - | - | - | - |
| Restricted intergovernmental | 540,480 | - | - | 63,360 | 112,346 |
| Unrestricted intergovernmental | 2,186,384 | - | - | - | - |
| Permits and fees | 1,603,118 | - | - | - | - |
| Sales and services | 135,151 | - | - | - | - |
| Investment earnings | 1,157 | 251 | 5,136 | - | - |
| Miscellaneous | 113,952 | - | - | - | - |
| Total revenues | <u>8,045,559</u> | <u>667,333</u> | <u>15,628</u> | <u>63,360</u> | <u>112,346</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 1,420,074 | - | - | - | - |
| Public safety | 3,044,807 | - | - | - | - |
| Environmental protection | 2,087,894 | - | 2,117 | - | - |
| Cultural and recreation | 651,744 | - | - | - | - |
| Capital outlay: | | | | | |
| General government | - | - | - | - | - |
| Environmental protection | - | - | - | 85,887 | 112,346 |
| Cultural and recreation | - | - | - | - | - |
| Debt service: | | | | | |
| Principal | 490,294 | - | 950,000 | - | - |
| Interest and other charges | 61,635 | - | 57,000 | - | - |
| Total expenditures | <u>7,756,448</u> | <u>-</u> | <u>1,009,117</u> | <u>85,887</u> | <u>112,346</u> |
| Excess (deficiency) of revenues over expenditures | <u>289,111</u> | <u>667,333</u> | <u>(993,489)</u> | <u>(22,527)</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers from other funds | 765 | - | - | - | - |
| Transfers to other funds | (133,823) | - | - | - | - |
| Proceeds from issuance of debt | - | - | - | - | - |
| Total other financing sources (uses) | <u>(133,058)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | 156,053 | 667,333 | (993,489) | (22,527) | - |
| Fund balance, beginning | 1,895,164 | - | 2,081,929 | 25,000 | - |
| Fund balance, ending | <u>\$ 2,051,217</u> | <u>\$ 667,333</u> | <u>\$ 1,088,440</u> | <u>\$ 2,473</u> | <u>\$ -</u> |

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

| Total Nonmajor Funds | Total Governmental Funds |
|-------------------------------------|---|
| \$ - | \$ 4,128,232 |
| - | 14,659 |
| 679,819 | 1,396,005 |
| - | 2,186,384 |
| - | 1,603,118 |
| - | 135,151 |
| 8 | 6,552 |
| 39,929 | 153,881 |
| <u>719,756</u> | <u>9,623,982</u> |
| - | 1,420,074 |
| 29,007 | 3,073,814 |
| - | 2,090,011 |
| - | 651,744 |
| 579 | 579 |
| 5,008 | 203,241 |
| 1,232,432 | 1,232,432 |
| - | 1,440,294 |
| - | 118,635 |
| <u>1,267,026</u> | <u>10,230,824</u> |
| <u>(547,270)</u> | <u>(606,842)</u> |
| 133,876 | 134,641 |
| (818) | (134,641) |
| 152,154 | 152,154 |
| <u>285,212</u> | <u>152,154</u> |
| (262,058) | (454,688) |
| 358,758 | 4,360,851 |
| <u>\$ 96,700</u> | <u>\$ 3,906,163</u> |

(continued)

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

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Town of Emerald Isle, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2012

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

Net changes in fund balances - total governmental funds \$ (454,688)

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 | 1,610,110 | |
| Depreciation expense for governmental assets | <u>(445,678)</u> | 1,164,432 |

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

| | | |
|---|---------|--|
| Change in accrued taxes receivable | 2,417 | |
| Change in deferred revenue for tax revenues | (6,127) | |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

1,288,453

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 | 22,629 | |
| Accrued interest payable | 14,889 | |
| Net pension obligation | <u>(19,480)</u> | |

Total changes in net assets of governmental activities \$ 2,012,525

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

Town of Emerald Isle, North Carolina
General Fund and Annually Budgeted Major Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

| | General Fund | | | |
|------------------------------------|---------------------|------------------|---------------------|---|
| | Original | Final | Actual Amounts | Variance with Final Budget - Positive (Negative) |
| Revenues: | | | | |
| Ad valorem taxes | \$ 3,446,620 | \$ 3,446,620 | \$ 3,450,658 | \$ 4,038 |
| Other taxes and licenses | 14,000 | 14,000 | 14,659 | 659 |
| Restricted intergovernmental | 142,476 | 537,291 | 540,480 | 3,189 |
| Unrestricted intergovernmental | 1,675,500 | 2,173,500 | 2,186,384 | 12,884 |
| Permits and fees | 1,552,200 | 1,592,200 | 1,603,118 | 10,918 |
| Sales and services | 137,200 | 138,700 | 135,151 | (3,549) |
| Investment earnings | 10,000 | 10,000 | 1,157 | (8,843) |
| Miscellaneous | 65,100 | 106,225 | 113,952 | 7,727 |
| Total revenues | <u>7,043,096</u> | <u>8,018,536</u> | <u>8,045,559</u> | <u>27,023</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 1,097,775 | 1,428,639 | 1,420,074 | 8,565 |
| Public safety | 2,922,666 | 3,051,842 | 3,044,807 | 7,035 |
| Environmental protection | 1,923,700 | 2,118,825 | 2,087,894 | 30,931 |
| Cultural and recreation | 726,597 | 732,049 | 651,744 | 80,305 |
| Debt service: | | | | |
| Principal retirement | 310,605 | 491,705 | 490,294 | 1,411 |
| Interest and other charges | 61,753 | 61,653 | 61,635 | 18 |
| Total expenditures | <u>7,043,096</u> | <u>7,884,713</u> | <u>7,756,448</u> | <u>128,265</u> |
| Revenues over (under) expenditures | - | 133,823 | 289,111 | 155,288 |
| Other Financing Sources (Uses): | | | | |
| Transfers from other funds | - | - | 765 | 765 |
| Transfers to other funds | - | (133,823) | (133,823) | - |
| | - | (133,823) | (133,058) | 765 |
| Fund balance appropriated | - | - | - | - |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 156,053</u> | <u>\$ 156,053</u> |
| Fund balances, beginning | | | <u>1,895,164</u> | |
| Fund balances, ending | | | <u>\$ 2,051,217</u> | |

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

| Future Beach Nourishment Special Revenue Fund | | | | Beach Nourishment Debt Service Fund | | | |
|---|------------|----------------|--|-------------------------------------|-----------|----------------|--|
| Original | Final | Actual Amounts | Variance with Final Budget - Positive (Negative) | Original | Final | Actual Amounts | Variance with Final Budget - Positive (Negative) |
| \$ 677,309 | \$ 677,309 | \$ 667,082 | \$ (10,227) | \$ - | \$ - | \$ 10,492 | \$ 10,492 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 3,387 | 3,387 | 251 | (3,136) | 10,000 | 10,000 | 5,136 | (4,864) |
| - | - | - | - | - | - | - | - |
| 680,696 | 680,696 | 667,333 | (13,363) | 10,000 | 10,000 | 15,628 | 5,628 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 2,117 | (2,117) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 950,000 | 950,000 | 950,000 | - |
| - | - | - | - | 57,000 | 57,000 | 57,000 | - |
| - | - | - | - | 1,007,000 | 1,007,000 | 1,009,117 | (2,117) |
| 680,696 | 680,696 | 667,333 | (13,363) | (997,000) | (997,000) | (993,489) | 3,511 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| (680,696) | (680,696) | - | 680,696 | 997,000 | 997,000 | - | (997,000) |
| \$ - | \$ - | \$ 667,333 | \$ 667,333 | \$ - | \$ - | \$ (993,489) | \$ (993,489) |
| | | - | | | | 2,081,929 | |
| | | \$ 667,333 | | | | \$ 1,088,440 | |

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

Town of Emerald Isle, North Carolina
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

| | Pension Trust Fund | Agency Fund |
|---|---------------------------|--------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 63,727 | \$ 607 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ - | \$ 147 |
| NET ASSETS | | |
| Assets held in trust for pension benefits | \$ 63,727 | \$ 460 |

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

**Town of Emerald Isle, North Carolina
 Statement of Changes in Plan Net Assets
 Changes in Fund Balances - Fiduciary Funds
 For the Year Ended June 30, 2012**

| | Pension Trust Fund |
|-----------------------------|---------------------------|
| Additions: | |
| Employer contributions | \$ - |
| Net increase | - |
| | |
| Total net assets, beginning | 63,727 |
| Total net assets, ending | \$ 63,727 |

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

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Notes to the Financial Statements

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Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

Government-wide Statements: The statement of net assets 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, State grants, solid waste fees, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, parks and recreation, and general government services.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Future Beach Nourishment Special Revenue Fund. This fund accounts for financial resources to be used for expenditures associated with future beach nourishment activities.

Beach Nourishment Debt Service Fund. This fund accounts for the debt service of the Town's beach nourishment activities. Funds are transferred or collected to pay the Town's general obligation bonds.

Archers Creek Stormwater Capital Project Fund. This fund accounts for financial resources to be used for expenditures associated with the stormwater project within the Archers Creek area.

FEMA - Irene Beach Nourishment Capital Project Fund. This fund accounts for financial resources to be used for expenditures associated with the rehabilitation of beaches damaged during Hurricane Irene.

The Town reports the following non-major governmental funds:

Special Revenue Fund. This fund accounts for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes. The Town maintains the following Special Revenue Fund: The Special Drug Fund.

Capital Project Funds. These funds account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The Town had the following non-major capital project funds: the Eastern EI Stormwater Fund, the NC 58 Bicycle Path, the Bicycle Path and Sidewalks Project Fund, the Public Boat Launching Facility, the Town Administration Office Building, the NC 58 Multiuse Path, the Coast Guard Road Multiuse Path, and the Coast Guard Road Stormwater Phase IV.

The Town reports the additional following fund types:

Pension Trust Fund. The Town has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the Law Enforcement Officer's Special Separation Allowance, a single-employer, public retirement system.

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

C. Measurement Focus and Basis of Accounting

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

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Carteret County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Emerald Isle. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Carteret County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

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 Beach Nourishment Debt Service Fund, and the Special Drug Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Archers Creek Stormwater Capital Project Fund, the FEMA - Irene Beach Nourishment Capital Project Fund, the Eastern EI Stormwater Fund, the NC 58 Bicycle Path, the Bicycle Path and Sidewalks Project Fund, the Public Boat Launching Facility, the Town Administration Office Building, the NC 58 Multiuse Path, the Coast Guard Road Multiuse Path, and the Coast Guard Road Stormwater Phase IV. 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 appropriations within departments; however, any revisions that alter total expenditures of any department 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, and Fund Equity

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

3. Restricted Assets

Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2011.

5. Allowance for Doubtful Accounts

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

6. Prepaid Items

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

7. Capital Assets

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

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

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|---------------------------------|-------------------------------|
| Buildings | 50 |
| Improvements | 20 |
| Vehicles | 5 |
| Furniture and equipment | 10 |
| Computer equipment and software | 3 |

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related 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.

9. Compensated Absences

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

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

10. Net Assets/Fund Balances

Net Assets

Net assets in government-wide financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent 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.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Debt Service – portion of fund balance that is restricted by revenue source for future debt service related to the issuance of the 2004 General Obligation Beach Improvement Bonds.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for certain public safety expenditures.

Restricted for Environmental Protection – portion of fund balance that is restricted by revenue source for certain environmental activities and projects.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Emerald Isle’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action of the governing body.

Assigned Fund Balance – portion of fund balance that the Town of Emerald Isle intends to use for specific purposes.

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

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

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

The Town of Emerald Isle has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Emerald Isle has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures. Any portion of the general fund balance in excess of 25% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2012, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for the Police department by \$3,717. These over-expenditures occurred because of payroll related accruals at year-end. The Beach Nourishment Debt Service Fund also had an over-expenditure in the amount of \$2,117 due to the correction of an incorrectly coded expenditure during the year. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

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, 2012, the Town's deposits had a carrying amount of \$767,765 and a bank balance of \$1,030,404. Of the bank balance, \$420,011 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2012, the Town's petty cash fund totaled \$900. The fiduciary funds had a cash balance of \$64,334.

2. Investments

At June 30, 2012, the Town had \$2,590,531 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables

Receivables at the government-wide level at June 30, 2012, were as follows:

| | Accounts | Taxes Receivable | Accrued Interest Receivable | Total |
|---------------------------------|------------------|---------------------|-----------------------------------|------------------|
| Governmental Activities: | | | | |
| General | \$ 27,951 | \$ 38,084 | \$ 2,417 | \$ 68,452 |
| Future Beach Nourishment | - | 4,084 | - | 4,084 |
| Total receivables | 27,951 | 42,168 | 2,417 | 72,536 |
| Allowance for doubtful accounts | (8,689) | (7,047) | - | (15,736) |
| Total-governmental activities | <u>\$ 19,262</u> | <u>\$ 35,121</u> | <u>\$ 2,417</u> | <u>\$ 56,800</u> |

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2012, was as follows:

| Governmental activities: | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|------------------|----------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 10,585,380 | \$ 779,566 | \$ - | \$ 11,364,946 |
| Construction in progress | 803,406 | 461,273 | 709,484 | 555,195 |
| Total capital assets not being depreciated | <u>11,388,786</u> | <u>1,240,839</u> | <u>709,484</u> | <u>11,920,141</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 3,072,081 | - | - | 3,072,081 |
| Improvements | 2,922,358 | 908,824 | - | 3,831,182 |
| Furniture and equipment | 1,533,456 | 34,897 | - | 1,568,353 |
| Vehicles and motorized equipment | 2,361,660 | 135,034 | 74,795 | 2,421,899 |
| Total capital assets being depreciated | <u>9,889,555</u> | <u>1,078,755</u> | <u>74,795</u> | <u>10,893,515</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 671,615 | 61,441 | - | 733,056 |
| Improvements | 463,699 | 103,193 | - | 566,892 |
| Furniture and equipment | 1,121,495 | 95,537 | - | 1,217,032 |
| Vehicles and motorized equipment | 1,701,458 | 185,507 | 74,795 | 1,812,170 |
| Total accumulated depreciation | <u>3,958,267</u> | <u>445,678</u> | <u>74,795</u> | <u>4,329,150</u> |
| Total capital assets being depreciated, net | <u>5,931,288</u> | | | <u>6,564,365</u> |
| Governmental activity capital assets, net | <u>\$ 17,320,074</u> | | | <u>\$ 18,484,506</u> |

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

| | |
|----------------------------|-------------------|
| General government | \$ 137,555 |
| Public safety | 196,436 |
| Environmental protection | 67,441 |
| Cultural and recreation | 44,246 |
| Total depreciation expense | <u>\$ 445,678</u> |

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Construction Commitments

The government has active construction projects as of June 30, 2012. At year-end, the government's commitments with contractors are as follows:

| Project | Spent to date | Remaining Commitment |
|--------------------------------------|---------------------|-------------------------|
| Archers Creek Stormwater | \$ 85,887 | \$ 14,113 |
| FEMA - Irene Beach Nourishment | 112,346 | 3,736,200 |
| Eastern EI Stormwater Outfall | 38,866 | 58,134 |
| Public Boat Launching Facility | 4,571,824 | 35,000 |
| Coast Guard Road Multiuse Path | 113,034 | 146 |
| Coast Guard Road Stormwater Phase IV | 253,891 | 42,507 |
| Total | <u>\$ 5,175,848</u> | <u>\$ 3,886,100</u> |

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.88% and 7.05% respectively, of annual covered payroll. The contribution requirement of members and of the Town is established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$176,627, \$160,866, and \$117,599. The contributions made by the Town equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

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, 2011 the Separation Allowance's membership consisted of:

| | |
|---|------------------|
| Retirees receiving benefits | - |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | <u>13</u> |
| Total | <u><u>13</u></u> |

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies.

Basis of Accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the Town has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term money market debt instruments, deposits, and repurchase agreements are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

3. Contributions.

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

The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85%. Both (a) and (b) included an inflation component of 3%. The assumptions did not include post-employment benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

actuarial liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011 was 19 years.

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

| | |
|---|--------------------------|
| Annual required contribution | \$ 20,466 |
| Interest on net pension obligation | 5,104 |
| Adjustment to annual required contribution | <u>(6,090)</u> |
| Annual pension cost | 19,480 |
| Contributions made | <u>-</u> |
| Increase (decrease) in net pension obligation | 19,480 |
| Net pension obligation beginning of year | <u>102,084</u> |
| Net pension obligation end of year | <u><u>\$ 121,564</u></u> |

| 3 Year Trend Information | | | |
|--------------------------|---------------------|------------------------|-------------------|
| For Year Ended | Annual Pension Cost | Percentage of | Net Pension |
| <u>June 30</u> | <u>(APC)</u> | <u>APC Contributed</u> | <u>Obligation</u> |
| 2010 | \$ 17,267 | 0.00% | \$ 80,136 |
| 2011 | 21,948 | 0.00% | 102,084 |
| 2012 | 19,480 | 0.00% | 121,564 |

4. Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was 31.3 percent funded. The actuarial accrued liability for benefits was \$203,590 and the actuarial value of assets was \$63,727, resulting in an unfunded actuarial liability of (UAAL) of \$139,863. The covered payroll (annual payroll of active employees covered by the plan) was \$610,921, and the ratio of the UAAL to the covered payroll was 22.89 percent.

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

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

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

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Enforcement Officers and Other Employees. The report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The Town has also elected to contribute each month an amount equal to five percent of each employee's salary. Also, the law enforcement officers and other employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012 were \$236,873, which consisted of \$121,878 from the Town and \$114,995 from the law enforcement officers and other employees.

d. Firemen'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 Firemen's Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen'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 Firemen's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. The Town contributes \$10 per month for each participant to the Fund, as this is the required amount to be contributed for plan members. The State, a non-employer contributor, funds the plan through appropriations. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

2. Other Employment Benefits

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

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

3. Deferred / Unearned Revenues

The balance in deferred / unearned revenues at year-end is composed of the following elements:

| | Deferred Revenue | Unearned Revenue |
|--------------------------|---------------------|---------------------|
| Taxes receivable: | | |
| General Fund | \$ 31,037 | \$ - |
| Future Beach Nourishment | 4,084 | - |
| Total | \$ 35,121 | \$ - |

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. Police professional and public officials' liability coverage of \$2 million per claim with a \$3 million aggregate are also obtained from the League. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

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

The Town carries flood insurance through the National Flood Insurance Plan (NFIP) on three 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, 2012, 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.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

6. Long-Term Obligations

a. General Obligation Indebtedness

The Town's general obligation bonds serviced by the governmental funds were issued for the beach nourishment project. Those general obligation bonds issued to finance the beach nourishment and which are being retired by benefit district taxes are reported as long-term debt in the Beach Nourishment Debt Service Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2012 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Beach Nourishment Debt Service Fund:

2004 General Obligation Beach Improvement Bonds in the amount of \$7,600,000 due in annual installments of \$950,000 plus interest through February 1, 2010 at 3.0% and interest from February 1, 2010 through February 1, 2011 at 3.25% and interest from February 1, 2011 through February 1, 2013 at 3.0%. The balance due at June 30, 2012 was \$950,000.

At June 30, 2012, the Town of Emerald Isle had a legal debt margin of \$233,493,559.

Annual debt service requirements to maturity for long-term obligations are as follows:

| Year Ending June 30, | Governmental Activities | |
|----------------------|-------------------------|-----------|
| 2013 | Principal | Interest |
| | \$ 950,000 | \$ 28,500 |

b. Installment Purchases:

On January 15, 2008, the Town entered into an installment purchase agreement for the purchase of land. This financing contract carries an interest rate of 3.6%. Original amount financed was \$585,000. The balance due at June 30, 2012 was \$325,000.

On April 10, 2008, the Town entered into an installment purchase agreement for stormwater improvements. The contract will be paid in annual installments of \$94,983 including interest at 3.26% annum for 10 years. Original amount financed was \$800,000. The balance due at June 30, 2012 was \$510,136.

On September 1, 2008, the Town entered in an installment purchase contract for the construction of a new administration building. The contract will be paid in annual installments of \$105,636 including interest at 3.58% annum for 10 years. Original amount financed was \$875,000. The balance due at June 30, 2012 was \$643,991.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

On January 23, 2012, the Town entered into an installment purchase agreement for the purchase of land. This financing contract carries an interest rate of 3.5%. Original amount financed was \$152,154. The balance due at June 30, 2012 was \$152,154.

The future minimum payments of all installment purchases as of June 30, 2012 are as follows:

| <u>Year Ending June 30,</u> | <u>Governmental Activities</u> | |
|-----------------------------|--------------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2013 | \$ 240,519 | \$ 56,800 |
| 2014 | 246,562 | 48,416 |
| 2015 | 252,799 | 39,840 |
| 2016 | 259,249 | 31,049 |
| 2017 | 265,914 | 22,044 |
| 2018 - 2021 | 366,238 | 20,515 |
| Total | <u>\$ 1,631,281</u> | <u>\$ 218,664</u> |

c. Changes in Long-Term Liabilities:

| | <u>Beginning</u> | | | <u>Ending</u> | <u>Current</u> |
|--------------------------|---------------------|-------------------|---------------------|---------------------|---------------------|
| | <u>Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balances</u> | <u>Portion of</u> |
| | | | | | <u>Balance</u> |
| Governmental activities: | | | | | |
| General obligation bonds | \$ 1,900,000 | \$ - | \$ 950,000 | \$ 950,000 | \$ 950,000 |
| Installment purchases | 1,699,733 | 152,154 | 220,606 | 1,631,281 | 240,519 |
| Net pension obligation | 102,084 | 19,480 | - | 121,564 | - |
| Compensated absences | 210,130 | 39,971 | 62,600 | 187,501 | - |
| Total | <u>\$ 3,911,947</u> | <u>\$ 211,605</u> | <u>\$ 1,233,206</u> | <u>\$ 2,890,346</u> | <u>\$ 1,190,519</u> |

Compensated absences typically have been liquidated in the General Fund.

C. Interfund Balances and Activity

Due to/from at June 30, 2012 consists of the following:

| | |
|--|------------------|
| Due to the General Fund from the Archers Creek Stormwater Fund | \$ 42,114 |
| Due to the General Fund from the Public Boat Launching Facility Fund | 11,245 |
| Due to the Beach Nourishment Debt Service Fund from the General Fund | 11,030 |
| | <u>\$ 64,389</u> |

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Transfers to/from other funds at June 30, 2012 consist of the following:

| | |
|--|------------|
| From the General Fund to Public Boat Launching Facility Fund | \$ 60,427 |
| From the General Fund to NC 58 Bicyce Path Fund | 16,455 |
| From the General Fund to NC 58 Multiuse Path Fund | 23,441 |
| From the General Fund to Coast Guard Road Multiuse Path Fund | 33,500 |
| From the Town Administration Office Building Fund to the General Fund | 765 |
| From the Bicycle Path and Sidewalks Project Fund to the Coast Guard Road Multiuse Path Fund | 53 |
| | \$ 134,641 |

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

D. Fund Balance

The Town of Emerald Isle has adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 25% of budgeted expenditures.

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

| | |
|-------------------------------------|--------------|
| Total fund balance - General Fund | \$ 2,051,217 |
| Less: | |
| Stabilization by State Statute | 678,533 |
| Working Capital/Fund Balance Policy | 1,372,684 |
| Remaining Fund Balance | \$ - |

IV. Summary Disclosure of Significant Contingencies

Federal and State Assistance Programs

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

V. Significant Effects of Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through October 5, 2012, the date the financial statements were available to be issued.

Required Supplementary Financial Data

- Schedule of Funding Progress for Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

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

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Projected Unit Credit (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) |
|-----------------------------|--|---|------------------------------------|--------------------------|---------------------------|--|
| 12/31/2006 | \$ 63,727 | \$ 132,707 | \$ 68,980 | 48.02% | \$ 672,507 | 10.26% |
| 12/31/2007 | 63,727 | 150,213 | 86,486 | 42.42% | 712,616 | 12.14% |
| 12/31/2008 | 63,727 | 169,630 | 105,903 | 37.57% | 734,128 | 14.43% |
| 12/31/2009 | 63,727 | 207,575 | 143,848 | 30.70% | 751,739 | 19.14% |
| 12/31/2010 | 63,727 | 199,078 | 135,351 | 32.01% | 636,285 | 21.27% |
| 12/31/2011 | 63,727 | 203,590 | 139,863 | 31.30% | 610,921 | 22.89% |

Town of Emerald Isle, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

| Year Ended June 30, | Annual Required Contribution | Percentage Contributed |
|------------------------|---------------------------------|---------------------------|
| 2007 | 13,634 | 0.00% |
| 2008 | 14,169 | 0.00% |
| 2009 | 15,878 | 0.00% |
| 2010 | 17,267 | 0.00% |
| 2011 | 22,231 | 0.00% |
| 2012 | 20,466 | 0.00% |

Individual Fund Statements and Schedules

Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-------------------------------------|------------------|------------------|---|
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Collections of tax levy | | 3,439,875 | |
| Penalties and interest | | 10,783 | |
| | <u>3,446,620</u> | <u>3,450,658</u> | <u>4,038</u> |
| Other taxes and licenses: | | | |
| Privilege licenses | 14,000 | 14,659 | 659 |
| Total taxes | <u>3,460,620</u> | <u>3,465,317</u> | <u>4,697</u> |
| Unrestricted intergovernmental: | | | |
| Local option sales tax | | 1,718,656 | |
| Utility franchise tax | | 255,657 | |
| Beer/wine tax | | 15,897 | |
| Video programming | | 118,062 | |
| Telecommunications tax | | 50,452 | |
| Refunds | | 27,660 | |
| | <u>2,173,500</u> | <u>2,186,384</u> | <u>12,884</u> |
| Restricted intergovernmental: | | | |
| Grants | | 394,905 | |
| Powell Bill allocation | | 145,575 | |
| | <u>537,291</u> | <u>540,480</u> | <u>3,189</u> |
| Total intergovernmental | <u>2,710,791</u> | <u>2,726,864</u> | <u>16,073</u> |
| Permits, fees and assessments: | | | |
| Solid waste fees | | 1,231,377 | |
| Administration fees | | 60 | |
| Building and trailer permits | | 139,786 | |
| CAMA permits | | 10,295 | |
| Dunes and vegetation permits | | 4,300 | |
| Beach vehicular permits | | 59,985 | |
| Parking fees and fines/officer fees | | 118,939 | |
| Solid waste disposal tax | | 2,561 | |
| Reentry fees | | 19,615 | |
| Golf cart permits | | 16,200 | |
| Total permits, fees and assessments | <u>1,592,200</u> | <u>1,603,118</u> | <u>10,918</u> |

Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--------------------------------|------------------|------------------|---|
| Sales and services: | | | |
| Recreation revenues | | 123,645 | |
| Miscellaneous | | 11,506 | |
| Total sales and services | <u>138,700</u> | <u>135,151</u> | <u>(3,549)</u> |
| Investment Earnings: | <u>10,000</u> | <u>1,157</u> | <u>(8,843)</u> |
| Miscellaneous revenue: | | | |
| Insurance proceeds/refunds | | 10,881 | |
| DOT mowing reimbursement | | 5,100 | |
| ABC revenues | | 73,474 | |
| Donations | | 22,679 | |
| Miscellaneous | | 998 | |
| Sale of fixed assets | | 820 | |
| Total miscellaneous | <u>106,225</u> | <u>113,952</u> | <u>7,727</u> |
| Total revenue | <u>8,018,536</u> | <u>8,045,559</u> | <u>27,023</u> |
| Expenditures: | | | |
| General Government: | | | |
| Board of Commissioners: | | | |
| Salaries and benefits | | 55,037 | |
| Professional services | | 13,158 | |
| Operating expense | | 28,391 | |
| | <u>103,819</u> | <u>96,586</u> | <u>7,233</u> |
| Administrative and finance: | | | |
| Salaries and employee benefits | | 402,732 | |
| Operating expense | | 63,086 | |
| Capital outlay | | 118 | |
| | <u>465,991</u> | <u>465,936</u> | <u>55</u> |
| Inspection: | | | |
| Salaries and benefits | | 206,711 | |
| Operating expense | | 25,161 | |
| | <u>232,883</u> | <u>231,872</u> | <u>1,011</u> |

Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|------------------------------------|------------------|------------------|---|
| Non-departmental: | | | |
| Contract services | | 18,575 | |
| Operating expense | | 607,105 | |
| | <u>625,946</u> | <u>625,680</u> | <u>266</u> |
| Total general government | <u>1,428,639</u> | <u>1,420,074</u> | <u>8,565</u> |
| Public safety: | | | |
| Police: | | | |
| Salaries and benefits | | 1,193,171 | |
| Operating expense | | 148,514 | |
| Capital outlay | | 202,114 | |
| | <u>1,540,082</u> | <u>1,543,799</u> | <u>(3,717)</u> |
| Emergency medical services: | | | |
| Appropriations to Emerald Isle EMS | | 290,000 | |
| Supplies | | 8,190 | |
| | <u>301,000</u> | <u>298,190</u> | <u>2,810</u> |
| Fire department: | | | |
| Salaries and benefits | | 1,033,366 | |
| Operating expense | | 133,569 | |
| Capital outlay | | 35,883 | |
| | <u>1,210,760</u> | <u>1,202,818</u> | <u>7,942</u> |
| Total public safety | <u>3,051,842</u> | <u>3,044,807</u> | <u>7,035</u> |
| Environmental protection: | | | |
| Public works: | | | |
| Salaries and benefits | | 262,569 | |
| Operating expense | | 320,311 | |
| Capital outlay | | 116,347 | |
| | <u>700,786</u> | <u>699,227</u> | <u>1,559</u> |
| Solid waste: | | | |
| Salaries and benefits | | 110,375 | |
| Operating expense | | 1,107,270 | |
| | <u>1,235,063</u> | <u>1,217,645</u> | <u>17,418</u> |

Town of Emerald Isle, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|---|------------------|---------------------|---|
| Street improvements: | | | |
| Powell Bill | 182,976 | 171,022 | 11,954 |
| | | | |
| Total environmental protection | <u>2,118,825</u> | <u>2,087,894</u> | <u>30,931</u> |
| | | | |
| Cultural and recreation: | | | |
| Parks and recreation: | | | |
| Salaries and benefits | | 465,048 | |
| Operating expense | | 182,569 | |
| Capital outlay | | 4,127 | |
| | <u>732,049</u> | <u>651,744</u> | <u>80,305</u> |
| | | | |
| Total cultural and recreation | <u>732,049</u> | <u>651,744</u> | <u>80,305</u> |
| | | | |
| Debt service: | | | |
| Principal | | 490,294 | |
| Interest | | 61,635 | |
| | <u>553,358</u> | <u>551,929</u> | <u>1,429</u> |
| | | | |
| Total expenditures | <u>7,884,713</u> | <u>7,756,448</u> | <u>128,265</u> |
| | | | |
| Revenue over (under) expenditures | <u>133,823</u> | <u>289,111</u> | <u>155,288</u> |
| | | | |
| Other financing sources (uses): | | | |
| Transfers: | | | |
| From Town Administration Office Building Fund | - | 765 | 765 |
| To Public Boat Launching Facility Capital | | | |
| Project Fund | (60,427) | (60,427) | - |
| To NC 58 Bicycle Path Fund | (16,455) | (16,455) | - |
| To NC 58 Multiuse Path Fund | (23,441) | (23,441) | - |
| To Coast Guard Road Multiuse Path Fund | (33,500) | (33,500) | - |
| Total other financing sources (uses) | <u>(133,823)</u> | <u>(133,058)</u> | <u>765</u> |
| | | | |
| Fund balance appropriated | <u>-</u> | <u>-</u> | <u>-</u> |
| | | | |
| Net change in fund balance | <u>\$ -</u> | <u>156,053</u> | <u>\$ 156,053</u> |
| | | | |
| Fund balances, beginning | | <u>1,895,164</u> | |
| Fund balances, ending | | <u>\$ 2,051,217</u> | |

Town of Emerald Isle, North Carolina
Future Beach Nourishment Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012

| | Budget | Actual | Variance Positive (Negative) |
|--|-------------|----------------|------------------------------------|
| Revenues: | | | |
| Ad valorem taxes: | | | |
| Benefit taxes | \$ 677,309 | \$ 667,082 | \$ (10,227) |
| Investment earnings | 3,387 | 251 | (3,136) |
| | 680,696 | 667,333 | (13,363) |
| Revenues over (under) expenditures | 680,696 | 667,333 | (13,363) |
| Other financing sources (uses): | | | |
| Fund balance appropriated | (680,696) | - | 680,696 |
| Net change in fund balance | \$ - | \$ 667,333 | \$ 667,333 |
| Fund balance, beginning | | - | |
| Fund balance, ending | | \$ 667,333 | |

**Town of Emerald Isle, North Carolina
 Beach Nourishment Debt Service Fund
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2012**

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|------------------------------------|------------------|---------------------|---|
| Revenues: | | | |
| Ad valorem taxes | \$ - | \$ 10,492 | \$ 10,492 |
| Investment earnings | 10,000 | 5,136 | (4,864) |
| | <u>10,000</u> | <u>15,628</u> | <u>5,628</u> |
| Total revenue | <u>10,000</u> | <u>15,628</u> | <u>5,628</u> |
| Expenditures: | | | |
| Environmental protection | - | 2,117 | (2,117) |
| Debt service: | | | |
| Principal retirement | 950,000 | 950,000 | - |
| Interest and fees | 57,000 | 57,000 | - |
| | <u>1,007,000</u> | <u>1,009,117</u> | <u>(2,117)</u> |
| Total expenditures | <u>1,007,000</u> | <u>1,009,117</u> | <u>(2,117)</u> |
| Revenues over (under) expenditures | <u>(997,000)</u> | <u>(993,489)</u> | <u>3,511</u> |
| Fund balance appropriated | <u>997,000</u> | <u>-</u> | <u>(997,000)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (993,489)</u> | <u>\$ (993,489)</u> |
| Fund balance, beginning | | <u>2,081,929</u> | |
| Fund balance, ending | | <u>\$ 1,088,440</u> | |

Town of Emerald Isle, North Carolina
Archers Creek Stormwater Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

| | Project Authorization | Actual | | Total to Date | Variance Positive (Negative) |
|-------------------------------------|--------------------------|-------------|--------------|---------------|------------------------------------|
| | | Prior Years | Current Year | | |
| Revenues: | | | | | |
| Restricted intergovernmental: | | | | | |
| Clean Water Mgmt Trust | | | | | |
| Fund Grant | \$ 75,000 | \$ - | \$ 63,360 | \$ 63,360 | \$ (11,640) |
| Total revenue | 75,000 | - | 63,360 | 63,360 | (11,640) |
| Expenditures: | | | | | |
| Engineering, design, and permitting | 100,000 | - | 85,887 | 85,887 | 14,113 |
| Total expenditures | 100,000 | - | 85,887 | 85,887 | 14,113 |
| Revenues under expenditures | (25,000) | - | (22,527) | (22,527) | 2,473 |
| Other financing sources: | | | | | |
| Transfers: | | | | | |
| From General Fund | 25,000 | 25,000 | - | 25,000 | - |
| Total other financing sources | 25,000 | 25,000 | - | 25,000 | - |
| Net change in fund balance | \$ - | \$ 25,000 | \$ (22,527) | \$ 2,473 | \$ 2,473 |
| Fund balance, beginning | | | 25,000 | | |
| Fund balance, ending | | | \$ 2,473 | | |

Town of Emerald Isle, North Carolina
FEMA - Irene Beach Nourishment Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|--|--------------------------|-------------|--------------|---------------|------------------------------------|
| | | Prior Years | Current Year | Total to Date | |
| Revenues: | | | | | |
| Restricted intergovernmental: | | | | | |
| Grants | \$ 6,848,546 | \$ - | \$ 112,346 | \$ 112,346 | \$ (6,736,200) |
| Carteret County contribution | 1,500,000 | - | - | - | (1,500,000) |
| Total revenue | 8,348,546 | - | 112,346 | 112,346 | (8,236,200) |
| Expenditures: | | | | | |
| Permitting, engineering, and administration | 604,815 | - | 112,346 | 112,346 | 492,469 |
| Construction | 7,248,731 | - | - | - | 7,248,731 |
| Mobilization | 2,000,000 | - | - | - | 2,000,000 |
| Total expenditures | 9,853,546 | - | 112,346 | 112,346 | 9,741,200 |
| Revenues under expenditures | (1,505,000) | - | - | - | 1,505,000 |
| Other financing sources: | | | | | |
| Transfers: | | | | | |
| From Future Beach Nourishment Fund | 1,505,000 | - | - | - | (1,505,000) |
| Total other financing sources | 1,505,000 | - | - | - | (1,505,000) |
| Net change in fund balance | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fund balance, beginning | | | - | | |
| Fund balance, ending | | | \$ - | | |

**Town of Emerald Isle, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012**

| | Special Revenue Fund | Capital Project Funds | | |
|---------------------------------------|-------------------------|----------------------------------|-----------------------|---|
| | Special Drug Fund | Eastern EI Stormwater Fund | NC 58 Bicycle Path | Bicycle Path and Sidewalks Project Fund |
| Assets: | | | | |
| Cash and investments | \$ 9,876 | \$ 740 | \$ - | \$ - |
| Total assets | <u>\$ 9,876</u> | <u>\$ 740</u> | <u>\$ -</u> | <u>\$ -</u> |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Due to other funds | \$ - | \$ - | \$ - | \$ - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances: | | | | |
| Restricted: | | | | |
| Public safety | 9,876 | - | - | - |
| Assigned: | | | | |
| Environmental protection | - | 740 | - | - |
| Culture and recreation | - | - | - | - |
| Total fund balances | <u>9,876</u> | <u>740</u> | <u>-</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ 9,876</u> | <u>\$ 740</u> | <u>\$ -</u> | <u>\$ -</u> |

Capital Project Funds

| Public Boat Launching Facility | Town Administration Office Building | NC 58 Multiuse Path | Coast Guard Road Multiuse Path | Coast Guard Road Stormwater Phase IV | Total Nonmajor Governmental Funds |
|--------------------------------------|--|------------------------|--------------------------------------|---|--|
| \$ 46,245 | \$ - | \$ - | \$ 8,577 | \$ 42,507 | \$ 107,945 |
| <u>\$ 46,245</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,577</u> | <u>\$ 42,507</u> | <u>\$ 107,945</u> |
| \$ 11,245 | \$ - | \$ - | \$ - | \$ - | \$ 11,245 |
| <u>11,245</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>11,245</u> |
| - | - | - | - | - | 9,876 |
| - | - | - | - | 42,507 | 43,247 |
| <u>35,000</u> | <u>-</u> | <u>-</u> | <u>8,577</u> | <u>-</u> | <u>43,577</u> |
| <u>35,000</u> | <u>-</u> | <u>-</u> | <u>8,577</u> | <u>42,507</u> | <u>96,700</u> |
| <u>\$ 46,245</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,577</u> | <u>\$ 42,507</u> | <u>\$ 107,945</u> |

Town of Emerald Isle, North Carolina
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012

| | Special Revenue Fund | Capital Project Funds | | |
|--|-------------------------|----------------------------------|-----------------------|---|
| | Special Drug Fund | Eastern EI Stormwater Fund | NC 58 Bicycle Path | Bicycle Path and Sidewalks Project Fund |
| Revenues: | | | | |
| Restricted intergovernmental | \$ 352 | \$ 16,646 | \$ 43,729 | \$ - |
| Investment earnings | 8 | - | - | - |
| Miscellaneous | - | - | - | - |
| Total revenue | <u>360</u> | <u>16,646</u> | <u>43,729</u> | <u>-</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 29,007 | - | - | - |
| Environmental protection | - | - | - | - |
| Capital outlay: | | | | |
| General government | - | - | - | - |
| Environmental protection | - | 5,008 | - | - |
| Cultural and recreation | - | - | - | - |
| Total expenditures | <u>29,007</u> | <u>5,008</u> | <u>-</u> | <u>-</u> |
| Revenues over (under) expenditures | <u>(28,647)</u> | <u>11,638</u> | <u>43,729</u> | <u>-</u> |
| Other financing sources (uses): | | | | |
| Transfers from other funds | - | - | 16,455 | - |
| Transfer to other funds | - | - | - | (53) |
| Proceeds from issuance of debt | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>16,455</u> | <u>(53)</u> |
| Net change in fund balance | <u>\$ (28,647)</u> | <u>\$ 11,638</u> | <u>\$ 60,184</u> | <u>\$ (53)</u> |
| Fund balance, beginning | <u>38,523</u> | <u>(10,898)</u> | <u>(60,184)</u> | <u>53</u> |
| Fund balance, ending | <u>\$ 9,876</u> | <u>\$ 740</u> | <u>\$ -</u> | <u>\$ -</u> |

Capital Project Funds

| Public Boat Launching Facility | Town Administration Office Building | NC 58 Multiuse Path | Coast Guard Road Multiuse Path | Coast Guard Road Stormwater Phase IV | Total Nonmajor Governmental Funds |
|--------------------------------------|--|------------------------|--------------------------------------|---|--|
| \$ 569,092 | \$ - | \$ 50,000 | \$ - | \$ - | \$ 679,819 |
| - | - | - | - | - | 8 |
| - | - | - | 39,929 | - | 39,929 |
| 569,092 | - | 50,000 | 39,929 | - | 719,756 |
| - | - | - | - | - | 29,007 |
| - | - | - | - | - | - |
| - | 579 | - | - | - | 579 |
| - | - | - | - | - | 5,008 |
| 859,248 | - | 93,133 | 68,088 | 211,963 | 1,232,432 |
| 859,248 | 579 | 93,133 | 68,088 | 211,963 | 1,267,026 |
| (290,156) | (579) | (43,133) | (28,159) | (211,963) | (547,270) |
| 60,427 | - | 23,441 | 33,553 | - | 133,876 |
| - | (765) | - | - | - | (818) |
| 152,154 | - | - | - | - | 152,154 |
| 212,581 | (765) | 23,441 | 33,553 | - | 285,212 |
| \$ (77,575) | \$ (1,344) | \$ (19,692) | \$ 5,394 | \$ (211,963) | \$ (262,058) |
| 112,575 | 1,344 | 19,692 | 3,183 | 254,470 | 358,758 |
| \$ 35,000 | \$ - | \$ - | \$ 8,577 | \$ 42,507 | \$ 96,700 |

Town of Emerald Isle, North Carolina
Special Drug Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2012

| | Budget | Actual | Variance Positive (Negative) |
|------------------------------------|----------|-------------|------------------------------------|
| Revenues: | | | |
| Restricted intergovernmental: | | | |
| Control substance tax | \$ - | \$ 352 | \$ 352 |
| Investment earnings | - | 8 | 8 |
| Total revenue | - | 360 | 360 |
| Expenditures: | | | |
| Operating | - | 7 | (7) |
| Capital outlay | 29,384 | 29,000 | 384 |
| Total expenditures | 29,384 | 29,007 | 377 |
| Revenues over (under) expenditures | (29,384) | (28,647) | 737 |
| Other financing sources: | | | |
| Fund balance appropriated | 29,384 | - | (29,384) |
| Net change in fund balance | \$ - | \$ (28,647) | \$ (28,647) |
| Fund balance, beginning | | 38,523 | |
| Fund balance, ending | | \$ 9,876 | |

**Town of Emerald Isle, North Carolina
Eastern EI Stormwater Outfall Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012**

| | Project Authorization | Actual | | Total to Date | Variance Positive (Negative) |
|---------------------------------|--------------------------|-------------|--------------|---------------|------------------------------------|
| | | Prior Years | Current Year | | |
| Revenues: | | | | | |
| Restricted intergovernmental: | | | | | |
| Grants | \$ 97,000 | \$ 22,960 | \$ 16,646 | \$ 39,606 | \$ (57,394) |
| Total revenue | 97,000 | 22,960 | 16,646 | 39,606 | (57,394) |
| Expenditures: | | | | | |
| Detailed design and engineering | 33,100 | 28,093 | 4,998 | 33,091 | 9 |
| Construction and improvements | 63,900 | 5,765 | 10 | 5,775 | 58,125 |
| Total expenditures | 97,000 | 33,858 | 5,008 | 38,866 | 58,134 |
| Revenues under expenditures | - | (10,898) | 11,638 | 740 | 740 |
| Net change in fund balance | \$ - | \$ (10,898) | \$ 11,638 | \$ 740 | \$ 740 |
| Fund balance, beginning | | | (10,898) | | |
| Fund balance, ending | | | \$ 740 | | |

Town of Emerald Isle, North Carolina
NC 58 Bicycle Path Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|---|--------------------------|--------------------|------------------|------------------|------------------------------------|
| | | Prior Years | Current Year | Total to Date | |
| Revenues: | | | | | |
| Restricted intergovernmental: | | | | | |
| Grants | \$ 455,542 | \$ 411,813 | \$ 43,729 | \$ 455,542 | \$ - |
| Donations | 2,131 | 2,131 | - | 2,131 | - |
| Total revenue | <u>457,673</u> | <u>413,944</u> | <u>43,729</u> | <u>457,673</u> | <u>-</u> |
| Expenditures: | | | | | |
| Engineering, design, and permitting | 50,267 | 50,267 | - | 50,267 | - |
| Surveys | 17,355 | 17,355 | - | 17,355 | - |
| Construction | 470,282 | 470,282 | - | 470,282 | - |
| Utility relocation | 23,238 | 23,238 | - | 23,238 | - |
| Miscellaneous | 6,200 | 6,200 | - | 6,200 | - |
| Total expenditures | <u>567,342</u> | <u>567,342</u> | <u>-</u> | <u>567,342</u> | <u>-</u> |
| Revenues under expenditures | <u>(109,669)</u> | <u>(153,398)</u> | <u>43,729</u> | <u>(109,669)</u> | <u>-</u> |
| Other financing sources: | | | | | |
| Transfers: | | | | | |
| From Coast Guard Stormwater Phase II Fund | 31,364 | 31,364 | - | 31,364 | - |
| From General Fund | 56,455 | 40,000 | 16,455 | 56,455 | - |
| From Coast Guard Stormwater Phase III Fund | 21,850 | 21,850 | - | 21,850 | - |
| Total other financing sources | <u>109,669</u> | <u>93,214</u> | <u>16,455</u> | <u>109,669</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (60,184)</u> | <u>\$ 60,184</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balance, beginning | | | <u>(60,184)</u> | | |
| Fund balance, ending | | | <u>\$ -</u> | | |

**Town of Emerald Isle, North Carolina
Bicycle Path and Sidewalks Project Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012**

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|--|--------------------------|-------------|--------------|---------------|------------------------------------|
| | | Prior Years | Current Year | Total to Date | |
| Revenues: | | | | | |
| Donations | \$ 11,776 | \$ 11,829 | \$ - | \$ 11,829 | \$ 53 |
| Total revenue | 11,776 | 11,829 | - | 11,829 | 53 |
| Expenditures: | | | | | |
| Engineering, design, and permitting | 33,296 | 33,296 | - | 33,296 | - |
| Other | 3,405 | 3,405 | - | 3,405 | - |
| Total expenditures | 36,701 | 36,701 | - | 36,701 | - |
| Revenues over (under) expenditures | (24,925) | (24,872) | - | (24,872) | 53 |
| Other financing sources: | | | | | |
| Transfers: | | | | | |
| From NC 58 Bicycle Path Fund | 5,116 | 5,116 | - | 5,116 | - |
| From NC 58 Sidewalk Fund | 11,659 | 11,659 | - | 11,659 | - |
| From Coast Guard Road Stormwater Phase III Fund | 8,150 | 8,150 | - | 8,150 | - |
| To Coast Guard Road Multiuse Path | - | - | (53) | (53) | (53) |
| Total other financing sources | 24,925 | 24,925 | (53) | 24,872 | (53) |
| Net change in fund balance | \$ - | \$ 53 | \$ (53) | \$ - | \$ - |
| Fund balance, beginning | | | 53 | | |
| Fund balance, ending | | | \$ - | | |

**Town of Emerald Isle, North Carolina
Public Boat Launching Facility Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012**

| | Project Authorization | Actual | | Variance Positive (Negative) | |
|---|--------------------------|-------------------|--------------------|------------------------------------|------------------|
| | | Prior Years | Current Year | | Total to Date |
| Revenues: | | | | | |
| Restricted intergovernmental: | | | | | |
| Grants | \$ 3,077,993 | \$ 2,508,901 | \$ 569,092 | \$ 3,077,993 | \$ - |
| Carteret County contribution | 658,125 | 658,125 | - | 658,125 | - |
| Investment earnings | 381 | 381 | - | 381 | - |
| Total revenue | <u>3,736,499</u> | <u>3,167,407</u> | <u>569,092</u> | <u>3,736,499</u> | <u>-</u> |
| Expenditures: | | | | | |
| Construction and improvements | <u>4,606,824</u> | <u>3,712,576</u> | <u>859,248</u> | <u>4,571,824</u> | <u>35,000</u> |
| Total expenditures | <u>4,606,824</u> | <u>3,712,576</u> | <u>859,248</u> | <u>4,571,824</u> | <u>35,000</u> |
| Revenues under expenditures | <u>(870,325)</u> | <u>(545,169)</u> | <u>(290,156)</u> | <u>(835,325)</u> | <u>35,000</u> |
| Other financing sources: | | | | | |
| Proceeds from installment purchase | 512,154 | 360,000 | 152,154 | 512,154 | - |
| Transfers: | | | | | |
| From Regional Access Fund | 46,828 | 46,828 | - | 46,828 | - |
| From General Fund | 232,741 | 172,314 | 60,427 | 232,741 | - |
| From Coast Guard Road Stormwater Phase IV Fund | <u>78,602</u> | <u>78,602</u> | <u>-</u> | <u>78,602</u> | <u>-</u> |
| Total other financing sources | <u>870,325</u> | <u>657,744</u> | <u>212,581</u> | <u>870,325</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 112,575</u> | <u>\$ (77,575)</u> | <u>\$ 35,000</u> | <u>\$ 35,000</u> |
| Fund balance, beginning | | | <u>112,575</u> | | |
| Fund balance, ending | | | <u>\$ 35,000</u> | | |

Town of Emerald Isle, North Carolina
Town Administration Office Building Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|--|--------------------------|-------------|--------------|---------------|------------------------------------|
| | | Prior Years | Current Year | Total to Date | |
| Revenues: | | | | | |
| Investment earnings | \$ 3,848 | \$ 3,848 | \$ - | \$ 3,848 | \$ - |
| Total revenue | 3,848 | 3,848 | - | 3,848 | - |
| Expenditures: | | | | | |
| Design and construction | 969,848 | 968,504 | 579 | 969,083 | 765 |
| Total expenditures | 969,848 | 968,504 | 579 | 969,083 | 765 |
| Revenues under expenditures | (966,000) | (964,656) | (579) | (965,235) | 765 |
| Other financing sources (uses): | | | | | |
| Installment financing | 875,000 | 875,000 | - | 875,000 | - |
| Transfers: | | | | | |
| From General Fund | 91,000 | 91,000 | - | 91,000 | - |
| To General Fund | - | - | (765) | (765) | (765) |
| Total other financing sources | 966,000 | 966,000 | (765) | 965,235 | (765) |
| Net change in fund balance | \$ - | \$ 1,344 | \$ (1,344) | \$ - | \$ - |
| Fund balance, beginning | | | 1,344 | | |
| Fund balance, ending | | | \$ - | | |

Town of Emerald Isle, North Carolina
NC 58 Multiuse Path Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

| | Project Authorization | Actual | | Variance Positive (Negative) | |
|-------------------------------------|--------------------------|-------------|--------------|------------------------------------|---------------|
| | | Prior Years | Current Year | | Total to Date |
| Revenues: | | | | | |
| Restricted intergovernmental: | | | | | |
| Grants | \$ 50,000 | \$ - | \$ 50,000 | \$ 50,000 | \$ - |
| Total revenue | 50,000 | - | 50,000 | 50,000 | - |
| Expenditures: | | | | | |
| Engineering, design, and permitting | 16,053 | 12,308 | 3,745 | 16,053 | - |
| Construction | 89,388 | - | 89,388 | 89,388 | - |
| Total expenditures | 105,441 | 12,308 | 93,133 | 105,441 | - |
| Revenues over (under) expenditures | (55,441) | (12,308) | (43,133) | (55,441) | - |
| Other financing sources: | | | | | |
| Transfers: | | | | | |
| From General Fund | 55,441 | 32,000 | 23,441 | 55,441 | - |
| Total other financing sources | 55,441 | 32,000 | 23,441 | 55,441 | - |
| Net change in fund balance | \$ - | \$ 19,692 | \$ (19,692) | \$ - | \$ - |
| Fund balance, beginning | | | 19,692 | | |
| Fund balance, ending | | | \$ - | | |

**Town of Emerald Isle, North Carolina
Coast Guard Road Multiuse Path Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012**

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|---|--------------------------|-------------|--------------|---------------|------------------------------------|
| | | Prior Years | Current Year | Total to Date | |
| Revenues: | | | | | |
| Donations | \$ 54,180 | \$ 22,629 | \$ 39,929 | \$ 62,558 | \$ 8,378 |
| Total revenue | 54,180 | 22,629 | 39,929 | 62,558 | 8,378 |
| Expenditures: | | | | | |
| Construction | 113,180 | 44,946 | 68,088 | 113,034 | 146 |
| Total expenditures | 113,180 | 44,946 | 68,088 | 113,034 | 146 |
| Revenues over (under) expenditures | (59,000) | (22,317) | (28,159) | (50,476) | 8,524 |
| Other financing sources: | | | | | |
| Transfers: | | | | | |
| From General Fund | 59,000 | 25,500 | 33,500 | 59,000 | - |
| From Bicycle Path and Sidewalks Project Fund | - | - | 53 | 53 | 53 |
| Total other financing sources | 59,000 | 25,500 | 33,553 | 59,053 | 53 |
| Net change in fund balance | \$ - | \$ 3,183 | \$ 5,394 | \$ 8,577 | \$ 8,577 |
| Fund balance, beginning | | | 3,183 | | |
| Fund balance, ending | | | \$ 8,577 | | |

Town of Emerald Isle, North Carolina
Coast Guard Road Stormwater Phase IV Project
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2012

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|---|--------------------------|-------------------|---------------------|------------------|------------------------------------|
| | | Prior Years | Current Year | Total to Date | |
| Expenditures: | | | | | |
| Design and permitting | \$ 84,000 | \$ 41,928 | \$ 40,173 | \$ 82,101 | \$ 1,899 |
| Construction | 212,398 | - | 171,790 | 171,790 | 40,608 |
| Total expenditures | 296,398 | 41,928 | 211,963 | 253,891 | 42,507 |
| Revenues over (under) expenditures | (296,398) | (41,928) | (211,963) | (253,891) | (42,507) |
| Other financing sources (uses): | | | | | |
| Transfers: | | | | | |
| From General Fund | 375,000 | 375,000 | - | 375,000 | - |
| To Public Boat Launching Facility Capital Project Fund | (78,602) | (78,602) | - | (78,602) | - |
| Total other financing sources | 296,398 | 296,398 | - | 296,398 | - |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 254,470</u> | <u>\$ (211,963)</u> | <u>\$ 42,507</u> | <u>\$ (42,507)</u> |
| Fund balance, beginning | | | 254,470 | | |
| Fund balance, ending | | | <u>\$ 42,507</u> | | |

Town of Emerald Isle, North Carolina
Homeowner's Recovery Fund
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2012

| | Balance June 30, 2011 | Additions | Deductions | Balance June 30, 2012 |
|---|--------------------------|-----------|------------|--------------------------|
| Assets, cash and investments | \$ 457 | \$ 750 | \$ 600 | \$ 607 |
| Liabilities, accounts payable, and accrued liabilities | \$ 147 | \$ 600 | \$ 600 | \$ 147 |

**Town of Emerald Isle, North Carolina
Homeowner's Recovery Fund
Statement of Cash Receipts and Disbursements
For the Fiscal Year Ended June 30, 2012**

Cash receipts:

| | | |
|---|----|-----|
| Collection of homeowner's recovery fees | \$ | 750 |
|---|----|-----|

Cash disbursements:

| | | |
|---------------------------------|----|----|
| General fund administration fee | \$ | 60 |
|---------------------------------|----|----|

| | | |
|----------------------------------|--|-----|
| Remittance to NC licensing board | | 540 |
|----------------------------------|--|-----|

| | | |
|---------------------|--|-----|
| Total disbursements | | 600 |
|---------------------|--|-----|

| | | |
|---|--|-----|
| Net cash receipts over cash disbursements | | 150 |
|---|--|-----|

| | | |
|------------------------|--|-----|
| Beginning cash balance | | 457 |
|------------------------|--|-----|

| | | |
|---------------------|----|-----|
| Ending cash balance | \$ | 607 |
|---------------------|----|-----|

Other Schedules

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

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

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Town of Emerald Isle, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2012

| Fiscal Year | Uncollected Balance June 30, 2011 | Additions | Collections And Credits | Uncollected Balance June 30, 2012 |
|-------------------------------|---|--------------|----------------------------|---|
| 2011-2012 | \$ - | \$ 4,092,181 | \$ (4,060,632) | \$ 31,549 |
| 2010-2011 | 40,895 | - | (33,053) | 7,842 |
| 2009-2010 | 6,285 | - | (5,661) | 624 |
| 2008-2009 | 3,733 | - | (3,542) | 191 |
| 2007-2008 | 228 | - | (1) | 227 |
| 2006-2007 | 1,469 | - | (391) | 1,078 |
| 2005-2006 | 1,916 | - | (1,708) | 208 |
| 2004-2005 | 258 | - | - | 258 |
| 2003-2004 | 111 | - | (32) | 79 |
| 2002-2003 | 112 | - | - | 112 |
| 2001-2002 | 458 | - | (458) | - |
| | \$ 55,465 | \$ 4,092,181 | \$ (4,105,478) | \$ 42,168 |
| | | | | (7,047) |
| | | | | \$ 35,121 |
| Reconciliation with revenues: | | | | |
| | | | | \$ 3,450,658 |
| | | | | 667,082 |
| | | | | 10,492 |
| | | | | (10,783) |
| | | | | (11,971) |
| | | | | \$ 4,105,478 |

Town of Emerald Isle, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2012

| | Town - Wide | | | Total Levy | |
|--|--------------------------------|-------|----------------------------|---|---------------------------------|
| | Property Valuation | Rate | Total Levy | Property excluding registered motor vehicles | Registered motor vehicles |
| Original levy: | | | | | |
| Property taxed at current year's rate | \$ 2,967,638,048 | 0.115 | \$ 3,412,784 | \$ 3,360,530 | \$ 52,254 |
| Special district taxes | | | 670,648 | 663,185 | 7,463 |
| Total | <u>2,967,638,048</u> | | <u>4,083,432</u> | <u>4,023,715</u> | <u>59,717</u> |
| Discoveries: | | | | | |
| Current year taxes | 27,261,417 | 0.115 | 31,351 | 30,824 | 527 |
| Special district taxes | | | 4,732 | 4,661 | 71 |
| Total | <u>27,261,417</u> | | <u>36,083</u> | <u>35,485</u> | <u>598</u> |
| Abatements: | | | | | |
| Current year taxes | (20,657,580) | 0.115 | (23,756) | (21,227) | (2,529) |
| Special district taxes | | | (3,578) | (3,271) | (307) |
| Total | <u>(20,657,580)</u> | | <u>(27,334)</u> | <u>(24,498)</u> | <u>(2,836)</u> |
| Total property valuation | <u><u>\$ 2,974,241,884</u></u> | | | | |
| Net levy | | | 4,092,181 | 4,034,702 | 57,479 |
| Uncollected taxes at June 30, 2012 | | | <u>(31,549)</u> | <u>(26,420)</u> | <u>(5,129)</u> |
| Current year's taxes collected | | | <u><u>\$ 4,060,632</u></u> | <u><u>\$ 4,008,282</u></u> | <u><u>\$ 52,350</u></u> |
| Current levy collection percentage | | | <u><u>99.23%</u></u> | <u><u>99.35%</u></u> | <u><u>91.08%</u></u> |

Statistical Section Unaudited

Description of the Statistical Schedules

| Financial Trends | Page |
|--|-------------|
| These schedules contain trend information to assist users in understanding and assessing how the Town's financial position has changed over time. | 93 |
| Revenue Capacity | 98 |
| 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 | 102 |
| 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 | 106 |
| These schedules offer demographic and economic information to assist users in understanding the environment within which the Town operates. | |
| Operating Information | 107 |
| 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
Statement of Net Assets
Governmental Functions
Last Nine Years**

| | Fiscal Year | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|--------------------|--------------------|--------------------|------------------|--------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Net Assets | | | | | | | | | |
| Invested in capital assets, net of related debt | \$15,903,225 | \$13,450,777 | \$10,895,863 | \$5,416,071 | \$9,619,515 | \$10,353,017 | \$10,510,840 | \$9,198,304 | \$8,333,777 |
| Restricted for | | | | | | | | | |
| State Statute | 678,533 | 912,931 | | | | | | | |
| Debt service | 1,088,440 | | | | | | | | |
| Streets - Powell Bill | | 1,145 | 12,807 | 6,713 | 5,537 | 3,360 | 19,921 | 5,306 | 31,677 |
| Public Safety | 9,876 | | | | | | | | |
| Environmental protection | 669,806 | | | | | | | | |
| Unrestricted | 1,145,179 | 3,117,680 | 3,353,737 | 4,639,907 | (2,409,680) | (5,505,092) | (7,447,999) | (9,066,174) | (5,286,965) |
| Total net assets | <u>\$19,495,059</u> | <u>\$17,482,533</u> | <u>\$14,262,407</u> | <u>\$10,062,691</u> | <u>\$7,215,372</u> | <u>\$4,851,285</u> | <u>\$3,082,762</u> | <u>\$137,436</u> | <u>\$3,078,489</u> |

Notes:

1. Town adopted GASB 34 for Fiscal Year ended June 20, 2004

**Town of Emerald Isle
Change in Net Assets
Governmental Activities
Last Nine Years**

| | Fiscal Year | | | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|------------------|--------------------|-------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Revenues: | | | | | | | | | |
| Program Revenues | | | | | | | | | |
| Charges for services | | | | | | | | | |
| General Government | 16,260 | 140,891 | 5,655 | 19,892 | 49,157 | 108,172 | 68,359 | 68,393 | 958,796 |
| Public Safety | 258,725 | 88,361 | 115,258 | 113,219 | 139,727 | 170,078 | 226,089 | 283,849 | 255,826 |
| Environmental Protection | 1,330,672 | 1,171,139 | 1,228,879 | 1,216,357 | 1,165,255 | 1,140,390 | 994,217 | 956,010 | 36,532 |
| Cultural and recreation | 135,151 | 191,449 | 147,009 | 113,285 | 118,846 | 117,470 | 133,511 | 124,370 | 108,673 |
| Operating Grants and Contributions | 536,825 | 204,719 | 170,692 | 242,900 | 204,264 | 7,144,616 | 278,075 | 8,710 | 9,851 |
| Capital Grants and Contributions | 912,482 | 821,472 | 2,374,134 | 567,187 | 27,633 | 147,737 | 581,469 | 3,973,939 | 2,451,940 |
| General Revenues | | | | | | | | | |
| Property taxes | 4,124,522 | 5,645,506 | 5,245,901 | 5,229,632 | 5,090,200 | 2,376,652 | 2,315,832 | 2,381,106 | 2,503,304 |
| Other taxes | 336,665 | 822,806 | 511,385 | 540,767 | 832,583 | 4,540,229 | 4,851,069 | 4,671,709 | 4,615,790 |
| Local option sales tax | 1,718,656 | 1,568,508 | 1,512,769 | 1,564,978 | 1,826,516 | | | | |
| Grants and contributions | 203,403 | | | | | | | | |
| Investment earnings | 3,878 | 20,941 | 10,288 | 82,864 | 225,662 | 249,707 | 236,411 | 201,137 | 53,745 |
| Special Item | | | | 400,000 | | | | | 250,000 |
| Other | 40,359 | | | 118,173 | | 61,622 | 150,536 | 86,651 | 51,658 |
| Total Revenues | 9,617,598 | 10,675,792 | 11,321,970 | 10,209,254 | 9,679,843 | 16,056,673 | 9,835,568 | 12,755,874 | 11,296,115 |
| Expenses: | | | | | | | | | |
| General Government | 1,555,698 | 1,275,278 | 850,392 | 1,083,138 | 1,102,725 | 1,214,235 | 864,567 | 954,935 | 2,822,429 |
| Public Safety | 3,135,321 | 3,214,020 | 2,896,166 | 2,838,315 | 2,745,444 | 2,709,149 | 2,562,203 | 2,337,825 | 2,208,876 |
| Environmental Protection | 1,915,323 | 1,926,458 | 1,932,303 | 1,017,812 | 2,134,890 | 9,332,749 | 2,417,520 | 11,557,118 | 2,455,728 |
| Cultural and recreation | 897,567 | 750,860 | 234,078 | 750,645 | 691,291 | 662,452 | 611,657 | 510,415 | 443,507 |
| Economic and Physical Development | | 23,055 | 927,040 | 1,325,214 | 335,843 | 3,190 | | | |
| Interest on Long Term Debt | 101,164 | 175,995 | 282,275 | 310,114 | 305,563 | 366,375 | 434,295 | 311,101 | 307,910 |
| Total Expenses | 7,605,073 | 7,365,666 | 7,122,254 | 7,325,238 | 7,315,756 | 14,288,150 | 6,890,242 | 15,671,394 | 8,238,450 |
| Increase (dec) in net assets before trans Transfers | 2,012,525 | 3,310,126 | 4,199,716 | 2,884,016 | 2,364,087 | 1,768,523 | 2,945,326 | (2,915,520) | 3,057,665 |
| Increase (decrease) in net assets | 2,012,525 | 3,310,126 | 4,199,716 | 2,884,016 | 2,364,087 | 1,768,523 | 2,945,326 | (2,915,520) | 3,057,665 |
| Net assets beginning | 17,482,534 | 14,172,407 | 10,062,691 | 7,178,675 | 4,851,285 | 3,082,762 | 137,436 | 3,052,956 | 20,824 |
| Net assets ending | 19,495,059 | 17,482,533 | 14,262,407 | 10,062,691 | 7,215,372 | 4,851,285 | 3,082,762 | 137,436 | 3,078,489 |

Notes:

1. Town adopted GASB 34 for Fiscal Year ended June 30, 2004

**Town of Emerald Isle
Fund Balances of Government Funds
Governmental Activities
Last Ten Years**

| | Fiscal Year | | | | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
| General Fund | | | | | | | | | | |
| Restricted for: | | | | | | | | | | |
| State statute | \$678,533 | \$912,931 | \$553,157 | \$587,878 | \$590,450 | \$696,517 | \$587,487 | \$574,247 | \$560,243 | \$463,535 |
| Assigned: | | | | | | | | | | |
| Environmental protection | 10,982 | | | | | | | | | |
| Culture and recreation | 13,027 | | | | | | | | | |
| Streets | | 1,145 | 12,807 | 6,713 | 5,537 | 3,360 | 19,921 | 5,307 | 31,677 | \$79,115 |
| Designated for subsequent years | | | | | | | | 50,000 | | \$12,000 |
| Unassigned | 1,348,675 | 981,088 | 1,245,643 | 1,350,780 | 1,471,921 | 1,171,972 | 1,370,167 | 1,652,796 | 1,501,390 | \$1,293,487 |
| Total fund balance - General fund | <u>\$2,051,217</u> | <u>\$1,895,164</u> | <u>\$1,811,607</u> | <u>\$1,945,371</u> | <u>\$2,067,908</u> | <u>\$1,871,849</u> | <u>\$1,977,575</u> | <u>\$2,282,350</u> | <u>\$2,093,310</u> | <u>\$1,848,137</u> |
| All other government funds | | | | | | | | | | |
| Restricted for: | | | | | | | | | | |
| Debt service | 1,088,440 | | | | | | | | | |
| Environmental protection | 669,806 | | | | | | | | | |
| Public safety | 9,876 | | | | | | | | | |
| State statute | | | | | | | 443,587 | -2361 | 28,061 | \$68,055 |
| Assigned | | | | | | | | | | |
| Environmental protection | 43,247 | | | | | | | | | |
| Culture and recreation | 43,577 | | | | | | | | | |
| Economic development | | | -361,245 | 612,058 | | | | | | |
| Unassigned | | 2,465,687 | 2,135,818 | 2,260,558 | 3,994,490 | 3,213,052 | 2,846,362 | 3475190 | 4,078,946 | \$3,151,848 |
| Total fund balance - Other funds | <u>\$1,854,946</u> | <u>\$2,465,687</u> | <u>\$1,774,573</u> | <u>\$2,872,616</u> | <u>\$3,994,490</u> | <u>\$3,213,052</u> | <u>\$3,289,949</u> | <u>\$3,472,829</u> | <u>\$4,107,007</u> | <u>\$3,219,903</u> |
| Total fund balance all government funds | <u>\$3,906,163</u> | <u>\$4,360,851</u> | <u>\$3,586,180</u> | <u>\$4,817,987</u> | <u>\$6,062,398</u> | <u>\$5,084,901</u> | <u>\$5,267,524</u> | <u>\$5,755,179</u> | <u>\$6,200,317</u> | <u>\$5,068,040</u> |

Notes:

1. Town adopted GASB 34 for Fiscal Year ended June 30, 2004

Town of Emerald Isle
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund only - June 30

| | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| REVENUES | | | | | | | | | | |
| Ad valorem taxes | \$3,450,658 | \$3,418,108 | \$3,028,900 | \$2,983,347 | \$2,875,717 | \$2,376,652 | \$2,313,636 | \$2,374,476 | \$2,480,304 | \$2,517,101 |
| Other taxes and licenses | 14,659 | 14,001 | 14,289 | 14,792 | 17,750 | 12,054 | 13,954 | 13,752 | 17,014 | 1,012,856 |
| Unrestricted intergovernmental | 2,186,384 | 2,087,501 | 2,028,237 | 2,083,586 | 2,278,095 | 2,430,162 | 2,142,999 | 2,066,206 | 1,990,803 | 263,110 |
| Restricted intergovernmental | 540,480 | 254,255 | 147,898 | 241,695 | 204,264 | 193,898 | 278,075 | 170,640 | 223,485 | 199,867 |
| Permits and fees | 1,603,118 | 1,456,219 | 1,346,171 | 1,329,576 | 1,354,139 | 1,389,316 | 1,318,545 | 1,321,198 | 1,321,975 | 1,094,609 |
| Sales and services | 135,151 | 139,622 | 147,009 | 135,444 | 118,846 | 117,471 | 103,631 | 97,690 | 82,431 | 90,717 |
| Investment earnings | 1,157 | 9,554 | 2,666 | 35,372 | 96,760 | 111,617 | 113,719 | 60,914 | 23,996 | 26,857 |
| Miscellaneous | 113,952 | 267,386 | 400,737 | 118,173 | 363,622 | 112,687 | 125,429 | 90,203 | 58,189 | 100,388 |
| Total revenues | <u>8,045,559</u> | <u>7,646,646</u> | <u>7,115,907</u> | <u>6,941,985</u> | <u>7,309,193</u> | <u>6,743,857</u> | <u>6,409,988</u> | <u>6,195,079</u> | <u>6,198,197</u> | <u>5,305,505</u> |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 1,420,074 | 1,134,539 | 1,092,261 | 1,139,237 | 1,015,981 | 1,092,524 | 1,167,585 | 918,056 | 938,320 | 835,589 |
| Public safety | 3,044,807 | 3,077,051 | 2,743,496 | 3,189,747 | 2,717,487 | 2,675,419 | 2,530,841 | 2,720,072 | 2,229,950 | 2,050,298 |
| Cultural and recreational | 651,744 | 699,922 | 690,629 | 701,393 | 646,793 | 650,184 | 645,189 | 522,556 | 481,804 | 397,695 |
| Environmental protection | 2,087,894 | 1,846,704 | 1,824,275 | 1,792,231 | 1,881,724 | 1,781,543 | 1,453,978 | 1,358,324 | 1,412,663 | 1,400,694 |
| Economic development | | | | | | | | | | |
| Debt service: | | | | | | | | | | |
| Principal | 490,294 | 305,543 | 747,612 | 699,702 | | | 250,000 | 153,865 | | |
| Interest and other charges | 61,635 | 66,861 | | | | | 7,107 | 2,761 | | |
| Total expenditures | <u>7,756,448</u> | <u>7,130,620</u> | <u>7,098,273</u> | <u>7,522,310</u> | <u>6,261,985</u> | <u>6,199,670</u> | <u>6,054,700</u> | <u>5,675,634</u> | <u>5,062,737</u> | <u>4,684,276</u> |
| Revenues over (under) expenditures | <u>289,111</u> | <u>516,026</u> | <u>17,634</u> | <u>(580,325)</u> | <u>1,047,208</u> | <u>544,187</u> | <u>355,288</u> | <u>519,445</u> | <u>1,135,460</u> | <u>621,229</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Transfers from other funds | 765 | 31 | 3,459 | 102,788 | 131,101 | 17,303 | 65,255 | 96,026 | 48,250 | |
| Transfers to other funds | (133,823) | (432,500) | (154,857) | (85,000) | (982,250) | (667,216) | (725,318) | (774,000) | (1,181,096) | (559,122) |
| Installment purchase obligations issued | | | | 440,000 | | | | 347,569 | 76,170 | 160,000 |
| Total other financing sources (uses) | <u>(133,058)</u> | <u>(432,469)</u> | <u>(151,398)</u> | <u>457,788</u> | <u>(851,149)</u> | <u>(649,913)</u> | <u>(660,063)</u> | <u>(330,405)</u> | <u>(1,056,676)</u> | <u>(399,122)</u> |
| Net change in fund balance | 156,053 | 83,557 | (133,764) | (122,537) | 196,059 | (105,726) | (304,775) | 189,040 | 78,784 | 222,107 |
| Fund balance beginning | 1,895,164 | 1,811,607 | 1,945,371 | 2,067,908 | 1,871,849 | 1,977,575 | 2,282,350 | 2,093,310 | 1,848,137 | 1,626,030 |
| Prior period adjustment | | | | | | | | | 166,389 | |
| Fund balance ending | <u>\$2,051,217</u> | <u>\$1,895,164</u> | <u>\$1,811,607</u> | <u>\$1,945,371</u> | <u>\$2,067,908</u> | <u>\$1,871,849</u> | <u>\$1,977,575</u> | <u>\$2,282,350</u> | <u>\$2,093,310</u> | <u>\$1,848,137</u> |
| Debt service as a percentage of noncapital expenditures | 7.12% | 5.22% | 10.53% | 9.30% | 0.00% | 0.00% | 4.25% | 2.76% | 0.00% | 0.00% |

Town of Emerald Isle
Statement of Revenues, Expenditures, and Changes in Fund Balance
All funds - June 30

| | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|--------------------|
| REVENUES | | | | | | | | | | |
| Ad valorem taxes | \$4,128,232 | \$5,654,506 | \$5,280,318 | \$5,182,859 | \$5,077,474 | \$4,495,573 | \$4,386,874 | \$4,408,465 | \$4,470,190 | \$4,477,546 |
| Other taxes and licenses | 14,659 | 14,001 | 14,289 | 14,792 | 17,750 | 12,054 | 634,832 | 575,050 | 559,701 | 1,554,309 |
| Unrestricted intergovernmental | 2,186,384 | 2,087,501 | 2,028,237 | 2,083,586 | 2,278,095 | 2,430,162 | 2,142,999 | 2,066,206 | 1,990,803 | 263,110 |
| Restricted intergovernmental | 1,396,005 | 1,013,493 | 2,522,746 | 805,573 | 231,897 | 7,260,616 | 859,543 | 3,982,648 | 2,473,101 | 290,642 |
| Permits and fees | 1,603,118 | 1,456,219 | 1,346,171 | 1,329,576 | 1,354,139 | 1,389,316 | 1,318,545 | 1,321,198 | 1,321,975 | 1,094,609 |
| Sales and services | 135,151 | 139,622 | 147,009 | 135,444 | 118,846 | 117,471 | 103,631 | 97,690 | 82,431 | 90,717 |
| Investment earnings | 6,552 | 20,941 | 10,288 | 87,964 | 225,662 | 249,707 | 236,411 | 201,137 | 53,745 | 122,306 |
| Miscellaneous | 153,881 | 268,813 | 404,579 | 122,687 | 367,827 | 120,424 | 150,536 | 96,851 | 71,169 | 100,801 |
| Total revenues | <u>9,623,982</u> | <u>10,655,096</u> | <u>11,753,637</u> | <u>9,762,481</u> | <u>9,671,690</u> | <u>16,075,323</u> | <u>9,833,371</u> | <u>12,749,245</u> | <u>11,023,115</u> | <u>7,994,040</u> |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 1,420,074 | 1,134,539 | 1,092,261 | 1,139,237 | 1,015,981 | 1,104,169 | 1,167,585 | 918,056 | 2,831,793 | 12,569,082 |
| Public safety | 3,073,814 | 3,077,051 | 2,743,496 | 3,195,292 | 2,737,641 | 2,711,928 | 2,554,633 | 2,728,711 | 2,231,654 | 2,076,390 |
| Cultural and recreational | 651,744 | 699,922 | 690,629 | 701,393 | 646,793 | 650,184 | 645,189 | 522,556 | 481,804 | 397,695 |
| Environmental protection | 2,090,011 | 1,858,539 | 1,864,557 | 2,051,725 | 2,179,281 | 9,297,100 | 3,144,324 | 12,232,663 | 2,807,556 | 1,400,694 |
| Economic development | | 852,220 | 3,970,129 | 1,732,615 | 1,568,934 | 3,190 | | | | |
| Capital outlay: | | | | | | | | | | |
| General government | 579 | | | | | | | | | |
| Environmental protection | 203,241 | | | | | | | | | |
| Cultural and recreational | 1,232,432 | | | | | | | | | |
| Debt service: | | | | | | | | | | |
| Principal | 1,440,294 | 2,430,543 | 3,056,550 | 3,069,452 | 2,430,563 | 2,491,375 | 2,375,000 | 7,528,865 | 4,572,680 | 486,133 |
| Interest and other charges | 118,635 | 187,611 | | | | | 434,295 | 311,101 | 307,911 | 117,902 |
| Total expenditures | <u>10,230,824</u> | <u>10,240,425</u> | <u>13,417,622</u> | <u>11,889,714</u> | <u>10,579,193</u> | <u>16,257,946</u> | <u>10,321,026</u> | <u>24,241,952</u> | <u>13,233,398</u> | <u>17,047,896</u> |
| Revenues over (under) expenditures | <u>(606,842)</u> | <u>414,671</u> | <u>(1,663,985)</u> | <u>(2,127,233)</u> | <u>(907,503)</u> | <u>(182,623)</u> | <u>(487,655)</u> | <u>(11,492,707)</u> | <u>(2,210,283)</u> | <u>(9,053,856)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Transfers from other funds | 134,641 | 511,133 | 158,316 | 401,984 | 1,240,545 | 7,541,834 | 808,038 | 3,000,026 | (391,750) | |
| Transfers to other funds | (134,641) | (511,133) | (158,316) | (401,984) | (1,240,545) | (7,541,834) | (808,038) | (3,000,026) | 391,750 | |
| Installment purchase obligations issued | 152,154 | | 432,178 | 882,822 | 1,885,000 | | | 11,047,569 | 3,176,170 | 12,160,000 |
| Total other financing sources (uses) | <u>152,154</u> | <u>0</u> | <u>432,178</u> | <u>882,822</u> | <u>1,885,000</u> | <u>0</u> | <u>0</u> | <u>11,047,569</u> | <u>3,176,170</u> | <u>12,160,000</u> |
| Net change in fund balance | (454,688) | 414,671 | (1,231,807) | (1,244,411) | 977,497 | (182,623) | (487,655) | (445,138) | 965,887 | 3,106,144 |
| Fund balance beginning | 4,360,851 | 3,946,180 | 4,817,987 | 6,062,398 | 5,084,901 | 5,267,524 | 5,755,179 | 6,200,317 | 5,068,041 | 1,961,896 |
| Prior period adjustment | | | | | | | | | 166,389 | |
| Fund balance ending | <u>\$3,906,163</u> | <u>\$4,360,851</u> | <u>\$3,586,180</u> | <u>\$4,817,987</u> | <u>\$6,062,398</u> | <u>\$5,084,901</u> | <u>\$5,267,524</u> | <u>\$5,755,179</u> | <u>\$6,200,317</u> | <u>\$5,068,040</u> |

**Town of Emerald Isle
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

| Fiscal Year Ending 30-Jun | Total Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Taxable Assessed Value as a Percentage of Actual Taxable Value of Real Property |
|------------------------------------|----------------------------|-----------------------------|---|---|
| 2003 | 1,356,819,173 | 0.185 | 1,442,810,690 | 94.04% |
| 2004 | 1,397,827,412 | 0.175 | 1,511,982,057 | 92.45% |
| 2005 | 1,431,683,479 | 0.165 | 1,652,832,462 | 86.62% |
| 2006 | 1,476,161,308 | 0.155 | 1,897,623,484 | 77.79% |
| 2007 | 1,519,926,452 | 0.155 | 2,514,769,113 | 60.44% |
| 2008 | 4,260,237,313 | 0.067 | 4,260,237,313 | 100.00% |
| 2009 | 4,274,157,143 | 0.070 | 4,343,655,633 | 98.40% |
| 2010 | 4,278,074,286 | 0.070 | 3,797,669,140 | 112.65% |
| 2011 | 4,238,566,515 | 0.080 | 4,323,744,277 | 98.03% |
| 2012 | 2,974,241,884 | 0.115 | Not available | Not available |

Source; Carteret County Tax Scrolls

Notes:

1. The NC General Statutes require a revaluation of real property at least every 8 years. Real property is valued at 100% of estimated value as of the date of the latest revaluation. Revaluations were effective for the fiscal year ending June 30, 2008 and 2012.
2. Personal property is valued at 100% of estimated value.
3. Public service property is generally valued at 100% of estimated value. It may be valued at less than 100% in years in which the County's sales to assessment ratio on real property is less than 80%.
4. The Town bills and collects property taxes for real, public service, non-registered motor vehicles and personal property. Carteret County bills and collects property taxes for registered motor vehicles on behalf of the Town. The values reported above include property taxes billed and collected by the Town and County.

**Town of Emerald Isle
Direct and Overlapping Property Tax Rates
Last Ten Years**

| Fiscal Year Ending June 30 | Direct Rate Emerald Isle | | Overlapping Rate Carteret County |
|-------------------------------------|--------------------------------|--------|--|
| | Oceanfront | Non-OF | |
| 2003 | 0.665 | 0.215 | 0.42 |
| 2004 | 0.655 | 0.205 | 0.42 |
| 2005 | 0.645 | 0.195 | 0.42 |
| 2006 | 0.635 | 0.185 | 0.42 |
| 2007 | 0.635 | 0.185 | 0.44 |
| 2008 | 0.229 | 0.078 | 0.23 |
| 2009 | 0.232 | 0.081 | 0.23 |
| 2010 | 0.232 | 0.081 | 0.23 |
| 2011 | 0.242 | 0.091 | 0.23 |
| 2012 | 0.160 | 0.130 | 0.30 |

**Town of Emerald isle
Principal Property Tax Payers
June 30, 2012**

| FY 2012 | | | |
|---|---------------------------------------|-------------|---|
| | <u>Taxable Assessed Value</u> | <u>Rank</u> | <u>Percentage of Top Ten Total Taxable Assessed Value</u> |
| Watson's Inc | \$6,420,000 | 1 | 15.49% |
| Carteret Craven Electric Managemen Cooperative | 5,864,907 | 2 | 14.15% |
| Emerald LLC | 5,427,942 | 3 | 13.10% |
| McCabe and Company d/b/a | 4,931,224 | 4 | 11.90% |
| The Stanley Corporation | 4,600,000 | 5 | 11.10% |
| McCabe and Company d/b/a | 3,657,771 | 6 | 8.83% |
| Crista Santoni | 2,827,249 | 7 | 6.82% |
| Maritime Siblings LLC | 2,795,475 | 8 | 6.75% |
| Carolina Telephone and Telegra | 2,479,019 | 9 | 5.98% |
| Seaside Siblings LLC | 2,430,000 | 10 | 5.86% |
| | <u>\$41,433,587</u> | | <u>100.00%</u> |

Note:

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

2. Data not available for prior years.

**Town of Emerald Isle
Property Tax Levies, Collections and Credits
Last Ten 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 |
| 2003 | \$4,486,107 | \$4,446,132 | 99.11% | \$39,863 | \$4,485,995 | 100.00% |
| 2004 | 4,443,416 | 4,430,806 | 99.72% | 12,531 | 4,443,337 | 100.00% |
| 2005 | 4,398,602 | 4,383,350 | 99.65% | 14,994 | 4,398,344 | 99.99% |
| 2006 | 4,380,782 | 4,366,399 | 99.67% | 14,175 | 4,380,574 | 100.00% |
| 2007 | 4,490,748 | 4,481,747 | 99.80% | 7,923 | 4,489,670 | 99.98% |
| 2008 | 5,075,425 | 5,057,579 | 99.65% | 17,619 | 5,075,198 | 100.00% |
| 2009 | 5,223,832 | 5,162,169 | 98.82% | 61,472 | 5,223,641 | 100.00% |
| 2010 | 5,230,886 | 5,201,280 | 99.43% | 28,982 | 5,230,262 | 99.99% |
| 2011 | 5,667,835 | 5,626,940 | 99.28% | 33,053 | 5,659,993 | 99.86% |
| 2012 | 4,092,181 | 4,060,632 | 99.23% | 0 | 4,060,632 | 99.23% |

Source: Town of Emerald Isle Annual Financial Reports

Town of Emerald Isle
Computation of Legal Debt margin
June 30, 2012

| | |
|---|-----------------------------|
| Total Assessed Valuation | \$2,974,241,884 |
| Legal Debt margin: | |
| Debt Limit 8% of Total Assessed Value | 237,939,351 |
| Amount of Debt Applicable to Debt Limit | <u>2,581,281</u> |
| Legal Debt Margin | <u><u>\$235,358,070</u></u> |

**Town of Emerald Isle
Computation of Direct and Overlapping Debt
June 30, 2012**

| | Net General Obligation Bonded Debt | Percentage Applicable to Town (1) | Amount Applicable to Town |
|----------------------|--|---|---------------------------------|
| Direct: | | | |
| Town of Emerald Isle | \$2,581,281 | 100.00% | \$2,581,281 |
| Overlapping: | | | |
| Carteret County | 45,100,000 | 19.73% | 8,898,230 |
| | \$47,681,281 | | \$11,479,511 |

| | |
|-------------------------|------------------|
| Town's assessed value | \$2,974,241,884 |
| County's assessed value | \$15,072,107,348 |
| | 19.73% |

Notes:

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
Ratios of General Bonded Debt Outstanding
Last Ten Years

| Fiscal Year Ended June 30 | Generald Bonded Debt Outstanding | Population Estimate (1) | GO Per Capita |
|------------------------------|-------------------------------------|----------------------------|------------------|
| 2003 | \$12,000,000 | 3,564 | \$3,367 |
| 2004 | 11,325,000 | 3,609 | 3,138 |
| 2005 | 14,650,000 | 3,720 | 3,938 |
| 2006 | 12,525,000 | 3,803 | 3,293 |
| 2007 | 10,400,000 | 3,861 | 2,694 |
| 2008 | 8,275,000 | 3,855 | 2,147 |
| 2009 | 6,150,000 | 3,877 | 1,586 |
| 2010 | 4,025,000 | 3,982 | 1,011 |
| 2011 | 1,900,000 | 3,669 | 518 |
| 2012 | 950,000 | 3,711 | 256 |

Notes:

1. NCOSBM Certified Municipal Population Estimates

**Town of Emerald Isle
Ratios Outstanding Debt by Type
Last Ten Years**

| Fiscal Year Ended June 30 | Governmental Activities | | Total Primary Government | Population Estimate (1) | Total Debt Per Capita | Personal Income (2) | Total Housing Units (3) | Total Debt Per Housing Unit (4) |
|---------------------------------|--|--------------------------|-----------------------------|----------------------------|--------------------------|------------------------|-------------------------------|---------------------------------------|
| | General Bonded Debt Outstanding | Installment Contracts | | | | | | |
| 2003 | \$12,000,000 | \$777,807 | \$12,777,807 | 3,564 | \$3,585 | 6,017 | \$2,124 | |
| 2004 | 11,325,000 | 56,296 | 11,381,296 | 3,609 | 3,154 | 6,017 | \$1,892 | |
| 2005 | 14,650,000 | 250,000 | 14,900,000 | 3,720 | 4,005 | 6,017 | \$2,476 | |
| 2006 | 12,525,000 | 0 | 12,525,000 | 3,803 | 3,293 | 6,017 | \$2,082 | |
| 2007 | 10,400,000 | 0 | 10,400,000 | 3,861 | 2,694 | 6,017 | \$1,728 | |
| 2008 | 8,275,000 | 1,885,000 | 10,160,000 | 3,855 | 2,636 | 6,017 | \$1,689 | |
| 2009 | 6,150,000 | 2,135,564 | 8,285,564 | 3,877 | 2,137 | 6,017 | \$1,377 | |
| 2010 | 4,025,000 | 1,915,187 | 5,940,187 | 3,982 | 1,492 | 6,017 | \$987 | |
| 2011 | 1,900,000 | 1,699,733 | 3,599,733 | 3,669 | 981 | 6,735 | \$534 | |
| 2012 | 950,000 | 1,631,281 | 2,581,281 | 3,711 | 696 | 6,735 | \$383 | |

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
Demographic and Economic Information
Last Ten Years**

| <u>Fiscal Year Ended June 30</u> | <u>Estimated Population (1)</u> | <u>Unemployment Ratio (2)</u> | <u>Per Capita Personal Income (3)</u> | <u>Personal Income (3)</u> |
|--------------------------------------|-------------------------------------|-----------------------------------|---|--------------------------------|
| 2003 | 3,564 | 4.8 | 29,067 | 1,768,350 |
| 2004 | 3,609 | 2.8 | 30,563 | 1,886,047 |
| 2005 | 3,720 | 4.0 | 32,148 | 2,001,933 |
| 2006 | 3,803 | 3.6 | 33,975 | 2,149,571 |
| 2007 | 3,861 | 4.1 | 36,255 | 2,296,164 |
| 2008 | 3,855 | 4.3 | 38,476 | 2,489,408 |
| 2009 | 3,877 | 7.4 | 37,919 | 2,490,138 |
| 2010 | 3,982 | 8.4 | 38,728 | 2,583,758 |
| 2011 | 3,669 | 8.1 | N/A | N/A |
| 2012 | 3,711 | 8.4 | N/A | N/A |

Notes:

1. NCOSBM Certified Municipal Population Estimates
2. Employment Security Commission. Information is available at the county level and presented on that basis. (Average for fiscal year)
3. US Bureau of Economic Analysis. Information is available at the county level and presented on that basis. (In thousands, not adjusted for inflation)
4. N/A - information not yet available for the year listed.

**Town of Emerald Isle
Principal Employers**

| Employer | Calendar Year 2011 | | | Calendar Year 2003 | | |
|------------------------------------|------------------------------|-------------|---|------------------------------|-------------|---|
| | Employees (FTE's) | Rank | Percentage of Total Employment | Employees (FTE's) | Rank | Percentage of Total Employment |
| Carteret County Board of Education | 1076 | 1 | 3.30% | 1234 | 1 | 3.84% |
| Carteret General Hospital | 1000 | 2 | 3.06% | 795 | 2 | 2.48% |
| NC Department of Transportation | 553 | 3 | 1.69% | - | - | - |
| County of Carteret | 548 | 4 | 1.68% | 359 | 6 | 1.12% |
| Wal-Mart Associates, Inc | 424 | 5 | 1.30% | 570 | 3 | 1.78% |
| Carteret Community College | 381 | 6 | 1.17% | 250 | 9 | 0.78% |
| US Coast Guard | 275 | 7 | 0.84% | 322 | 7 | 1.00% |
| Lowe's Home Improvement | 274 | 8 | 0.84% | - | - | - |
| Lowe's Foods | 237 | 9 | 0.73% | - | - | - |
| Food Lion | 200 | 10 | 0.61% | 405 | 4 | 1.26% |
| Atlantic Veneer Corp | | | | 365 | 5 | 1.14% |
| Henry's Tackle & Sporting Goods | | | | 320 | 8 | 1.00% |
| Sheraton Resort at Atlantic Beach | | | | 225 | 10 | 0.70% |

Notes:

Information provided by Employment Security Commission of North Carolina
Information presented for Carteret County because information is not available for the Town

Town of Emerald Isle
Government Employees by Function
Last 10 Fiscal Years

| | Authorized Employees as of June 30 | | | | | | | | | |
|---------------------------|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
| <u>Full-time</u> | | | | | | | | | | |
| Administration | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Planning and Inspections | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Police | 19 | 21 | 21 | 22 | 24 | 22 | 22 | 22 | 22 | 22 |
| Fire | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Public Works | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Solid Waste | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 2 |
| Parks and Recreation | 7 | 8 | 8 | 8 | 8 | 8 | 7 | 6 | 6 | 5 |
| Total | 55 | 58 | 58 | 61 | 63 | 61 | 60 | 59 | 59 | 57 |
| <u>Part-time/Seasonal</u> | | | | | | | | | | |
| Administration | 1 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Planning and Inspections | 1 | 1 | 1 | 1 | 1 | 1 | | | | |
| Police | 14 | 10 | 8 | 8 | 8 | 8 | 6 | 6 | 6 | 6 |
| Fire | 20 | 14 | 14 | 14 | 14 | 14 | 14 | 10 | 10 | 10 |
| Public Works | 0 | 1 | 1 | 1 | 0 | 1 | 1 | 1 | 1 | 2 |
| Solid Waste | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 1 |
| Parks and Recreation | 34 | 27 | 26 | 34 | 37 | 34 | 22 | 22 | 20 | 18 |
| Total | 71 | 56 | 52 | 61 | 63 | 61 | 46 | 42 | 40 | 38 |
| <u>Inmate Laborers</u> | | | | | | | | | | |
| Parks Maintenance | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Works | 4 | 4 | 3 | 3 | 0 | 3 | 3 | 3 | 3 | 0 |
| Total | 6 | 6 | 3 | 3 | 0 | 3 | 3 | 3 | 3 | 0 |

Town of Emerald Isle
 Operating Indicators by Function/Programs
 Last 10 Years

| Functions/Programs | Fiscal Year | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
| Public Safety: | | | | | | | | | | |
| Police Dispatch Calls answered | 9,432 | 9,108 | 7,133 | 5,696 | 6,778 | 7,553 | 7,446 | 7,309 | 5,449 | 2,993 |
| Fire calls answered | 822 | 798 | 816 | 697 | 683 | 675 | 614 | 571 | 575 | 559 |
| Transportation: (Streets and Highways) | | | | | | | | | | |
| Miles of streets maintained | 45.54 | 45.54 | 45.54 | 45.91 | 45.91 | 45.91 | 45.91 | 45.91 | 45.02 | 46.03 |
| Environmental Protection: | | | | | | | | | | |
| Solid waste collected (tons) | 3,414 | 3,392 | 3,371 | 3,412 | 3,624 | 3,610 | 3,633 | 3,368 | 3,361 | 3,228 |
| Recyclables collected (tons) | 632 | 627 | 591 | 507 | 501 | 444 | 507 | 511 | 474 | 514 |

Town of Emerald Isle
 Capital Asset Statistics by Function/Program
 Last 10 Years

| Functions/Programs | Fiscal Year | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
| Public Safety: | | | | | | | | | | |
| Number of police stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of patrol units | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| Number of fire stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of fire engines | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Number of rescue boats | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Jetskis | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of EMS stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Transportation: (Streets and Highways) | | | | | | | | | | |
| Miles of streets maintained | 45.54 | 45.54 | 45.54 | 45.91 | 45.91 | 45.91 | 45.91 | 45.91 | 45.02 | 46.03 |
| Environmental Protection: | | | | | | | | | | |
| Number of yard waste trucks | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

Compliance Section

- **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***
- **Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act**
- **Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act**
- **Schedule of Findings and Questioned Costs**



WILLIAMS · SCARBOROUGH · SMITH · GRAY, LLP
Certified Public Accountants

Christopher K. Williams, CPA
Steven N. Scarborough, CPA
Charles S. Smith, CPA
W. Randall Gray, CPA

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

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

We have audited the accompanying financial statements of the governmental activities each major fund, and the aggregated remaining fund information of the Town of Emerald Isle, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the Town of Emerald Isle's basic financial statements and have issued our report thereon dated October 5, 2012. 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.

Internal Control Over Financial Reporting

Management of the Town of Emerald Isle is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Emerald Isle's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the organization, members of the Town Commission, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Williams Scarborough Smith Gray, LLP

Williams · Scarborough · Smith · Gray, LLP
October 5, 2012



WILLIAMS · SCARBOROUGH · SMITH · GRAY, LLP
Certified Public Accountants

Christopher K. Williams, CPA
Steven N. Scarborough, CPA
Charles S. Smith, CPA
W. Randall Gray, CPA

**Report on Compliance with Requirements Applicable to Each Major Federal Program and
Internal Control Over Compliance in Accordance with Applicable Sections of
OMB Circular A-133 and the State Single Audit Implementation Act**

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

Compliance

We have audited the Town of Emerald Isle, North Carolina, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Emerald Isle's major federal programs for the year ended June 30, 2012. The Town of Emerald Isle's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Emerald Isle's management. Our responsibility is to express an opinion on the Town of Emerald Isle's compliance based on our audit.

We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Emerald Isle's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Emerald Isle's compliance with those requirements.

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In our opinion, the Town of Emerald Isle complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Town of Emerald Isle is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Emerald Isle's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, members of Town Commission, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Williams Scarborough Smith Gray, LLP

Williams · Scarborough · Smith · Gray, LLP
October 5, 2012



WILLIAMS · SCARBOROUGH · SMITH · GRAY, LLP
Certified Public Accountants

Christopher K. Williams, CPA
Steven N. Scarborough, CPA
Charles S. Smith, CPA
W. Randall Gray, CPA

Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act

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

Compliance

We have audited the Town of Emerald Isle, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Emerald Isle's major State programs for the year ended June 30, 2012. The Town of Emerald Isle's major State programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of the Town of Emerald Isle's management. Our responsibility is to express an opinion on the Town of Emerald Isle's compliance based on our audit.

We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major State program occurred. An audit includes examining, on a test basis, evidence about the Town of Emerald Isle's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Emerald Isle's compliance with those requirements.

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In our opinion, the Town of Emerald Isle complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Town of Emerald Isle is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Town of Emerald Isle's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, members of Town Commission, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Williams Scarborough Smith Gray, LLP

Williams · Scarborough · Smith · Gray, LLP
October 5, 2012

**Town of Emerald Isle, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012**

Section I. Summary of Auditor's Results (continued)

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___yes Xno
- Significant Deficiency(ies) identified that are
not considered to be material weaknesses? ___yes Xnone reported

Type of auditor's report issued on compliance for major State programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with the State
Single Audit Implementation Act ___yes Xno

Identification of major State programs:

Program Name
Marine Resources Fund
Parks and Recreation Trust Fund

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

**Town of Emerald Isle, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2012**

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

**Town of Emerald Isle, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2012**

No matters reportable from prior year.

Town of Emerald Isle, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2012

| <u>Grantor/Pass-through</u> <u>Grantor/Program Title</u> | <u>Federal</u> <u>CFDA</u> <u>Number</u> | <u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u> | <u>Fed. (Direct &</u> <u>Pass-through)</u> <u>Expenditures</u> | <u>State</u> <u>Expenditures</u> | <u>Local</u> <u>Expenditures</u> |
|---|--|---|--|-------------------------------------|-------------------------------------|
| Federal Grants: | | | | | |
| Cash Programs: | | | | | |
| <u>U.S. Department of Transportation</u> | | | | | |
| Passed-through N.C. Department of Transportation: | | | | | |
| Highway Planning and Construction | 20.205 | 3602.3.08 | \$ 40,000 | \$ 10,000 | \$ 23,557 |
| Alcohol Impaired Driving Countermeasures Incentive Grants I (Governor's Highway Safety Grant) | 20.601 | | 7,680 | - | - |
| <u>U.S. Department of Homeland Security</u> | | | | | |
| Passed-through N.C. Department of Crime Control and Public Safety: | | | | | |
| Disaster Grants - Public Assistance: | | | | | |
| Hurricane Irene (FEMA) | 97.036 | PA-04-NC-4019 | 471,485 | 28,087 | - |
| Total assistance - federal programs | | | <u>519,165</u> | <u>38,087</u> | <u>23,557</u> |
| State Grants: | | | | | |
| Cash Assistance: | | | | | |
| <u>N.C. Department of Environment and Natural Resources</u> | | | | | |
| Clean Water Management Trust Fund | | 2008-703 | - | 16,646 | 12,046 |
| Clean Water Management Trust Fund | | 2008-816 | - | 63,360 | 21,120 |
| Marine Resources Fund | | 3748 | - | 300,000 | 107,143 |
| Parks and Recreation Trust Fund | | 2635 | - | 196,249 | 196,249 |
| Wildlife Resources Commission | | | - | 72,663 | - |
| <u>N.C. Department of Transportation</u> | | | | | |
| Powell Bill | | DOT-4 / 32570 | - | 171,022 | - |
| Total assistance - State programs | | | <u>-</u> | <u>819,940</u> | <u>336,558</u> |
| Total assistance | | | <u>\$ 519,165</u> | <u>\$ 858,027</u> | <u>\$ 360,115</u> |

Notes to the Schedule of Expenditures of Federal and State Financial Awards

- The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Emerald Isle and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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