

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

**Comprehensive Annual Financial Report**

**Fiscal Year Ended June 30, 2020**

**Prepared by the  
Town of Emerald Isle  
Finance Department**

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**Town of Emerald Isle, North Carolina**  
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## **Introductory Section**

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Nice Matters!

**Town of Emerald Isle**

7500 Emerald Drive  
Emerald Isle, NC 28594

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252-354-5068 fax

[www.emeraldisle-nc.org](http://www.emeraldisle-nc.org)

**Mayor**

Eddie Barber

**Mayor Pro-Tem**

Floyd Messer, Jr.

**Board of Commissioners**

Candace Dooley  
Steve Finch  
Jim Normile  
Mark Taylor

**Town Manager**

Matt Zapp

[mzapp@emeraldisle-nc.org](mailto:mzapp@emeraldisle-nc.org)



November 10, 2020

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, 2020, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures within this report rests with the management of the Town of Emerald Isle. The financial statements and supplemental schedules contained herein have been audited by the independent certified public accounting firm of S. Preston Douglas & Associates, LLP and their unmodified opinion is included in the financial section of the Comprehensive Annual Financial Report.

The Town of Emerald Isle provides a full range of services to its citizens. General Fund services include police, fire, emergency medical, planning and inspections, public works, parks and recreation, and various other services. The Town's significant beach nourishment activities are reflected in the Future Beach Nourishment Fund, and the Town also utilizes several capital projects and special revenue funds. There are no exclusions described herein and all the Town's operations are included within this report.

As demonstrated by the statements and schedules included in the financial section of the report, the Town continues to meet its responsibility for sound financial management. Immediately following the Independent Auditor's report is Management's Discussion and Analysis (MD&A), which provides a narrative overview of the Town's financial performance for fiscal year ended June 30, 2020. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

**Profile of the Town of Emerald Isle**

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

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

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

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

According to the US Census, the Town's permanent population has increased from 3,488 in 2000 to 3,655 in 2010. The North Carolina State Demographer estimates the Town's annual population as of July, 2018 at 3,797. With a significant number of second homes, these population estimates are likely understated when one considers that many retired second home owners split their time between Emerald Isle and their original home, with considerable extended amounts of time spent in Emerald Isle all throughout the year. As more second home owners reach retirement in the future, the presence of additional people in the Town is likely to continue to expand, as well as the permanent population estimate.

The total tax base of the Town is just under \$2.8 billion, and represents about 19% of the total Carteret County taxable value. Emerald Isle has the largest tax base of any single municipality in Carteret County, and is second only to the combined tax base of the main permanent population center of the Morehead City / Beaufort / Newport areas of Carteret County. Housing units are perhaps a better indicator of the size and complexity of the Town, and according to the 2010 census, there are more than 6,700 housing units in the Town, with approximately 5,000 of these serving as second homes or vacation rental units. During the peak of the summer season, Emerald Isle's population is estimated at more than 40,000 people.

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

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

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

The Town provides the following services to its citizens: law enforcement, emergency management, planning and inspections, fire suppression, fire prevention, emergency medical services, sanitation, street maintenance, storm water management, parks and recreation, beach and water access, bicycle and pedestrian paths, and beach nourishment. These Town services are supported by an administrative staff, which provides supervision, finance, tax administration, risk management, data processing, and personnel services.

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

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

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

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

**Police** – The department's primary objectives are to continue providing public safety coverage, outstanding public relations, community involvement, and quick emergency response as the Town grows and develops. The department's staff focuses on continuing education and training; maintaining communications and partnerships with other law enforcement agencies; and fostering relationships between the department and businesses and residents.

**Fire** – The department's primary objectives are to protect the public's health and safety and prevent / limit property damages. The department continues its commitment to professionalism through proper training requirements, certifications, reliable equipment, and the retention of quality professionals. Each shift is composed of 5 firefighters. The Fire Department maintains an ISO rating of four (4).

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

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

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

**Parks and Recreation** – The department's primary objectives are to develop and manage programs and facilities designed to enhance the public's enjoyment of the beautiful natural environment in Emerald Isle, promote healthy lifestyles, facilitate athletic endeavors, promote life-long learning opportunities, and promote community interaction and involvement. The department operates a Community Center with various athletic facilities and programs, and other recreation programs, maintains the Town's beach and sound access

facilities and park facilities, provides grounds maintenance in the NC 58 corridor, maintains the Town's extensive bicycle path network, and coordinates large and small-scale community events.

### **Financial Management –**

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

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

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

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

### **Economic Outlook for the Town of Emerald Isle**

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

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

The Town relies on several key indicators to gauge the status of the local economy and the likely impacts on the Town's budget and financial position, and all of the key indicators indicate significant growth in the past decade and continue to trend up for the foreseeable future. Room occupancy tax revenues continue to increase annually, with the exception of FY 2020. FY 2020 room occupancy tax collections were strong, but were reduced dramatically during April, 2020 due to temporary restrictions related to

COVID-19. Once restrictions were lifted in early May, 2020, visitors quickly returned with Occupancy tax results hitting the highest monthly collection during July, 2020. Sales tax collections also continue to increase annually. FY 2020 sales tax collections were trending at approximately 7% over the prior year through February, 2020. As expected with the impact of COVID-19 the Town saw a sharp decline in sales tax collections during the months of April and May, however this quickly rebounded in the months of June and July. These trends reflect increased spending by our permanent residents and second homeowners, and strong tourism activity. The local construction industry continues to experience modest increases, and the continued improvement in the regional and national economies should promote additional new investment in Emerald Isle and the entire area. Real estate values continue to be on the rise, and the Town's total assessed value is expected to continue to grow in the future. Finally, continued upward stock market trends provide additional disposable income for our numerous retirees, further enhancing the local economy.

The Town effectively managed the economic and financial challenges of the past several years, and maintains a solid financial position. The Town continues to monitor the extraordinary impacts from weather events, as well as the current pandemic. With these current issues the local economy remains stable and is poised for continued modest growth in the future, and should enable the Town to achieve its community and financial goals.

The Town continuously prepares itself for the possible impacts of inclement weather, in particular with its proximity to the Atlantic Ocean the Town has a potential for the impact of tropical storms and hurricanes. Our residents, and businesses alike, have recovered from Hurricane Florence, which occurred in September, 2018, and quickly rebounded following the September, 2019 impacts of Hurricane Dorian. Because of conservative reserves and careful planning and foresight, impacts from these storms have been mitigated, along with funding from the Federal Emergency Management Agency (FEMA), and the public assistance program from the North Carolina Department of Public Safety.

### **Long-Term Financial Planning and Major Initiatives**

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

During FY 2020 the Town continued its focus on Hurricane Florence recovery efforts. The largest project was the second phase of the Post-Florence Beach Nourishment Project. This is the second of three Post-Florence projects designed to replenish the entire 12-mile beach strand. The Town plans to finalize the renourishment of the beach strand in 2021 with the largest portion of the beach, estimated at over 2,000,000 cubic yards of sand and dune replacement. The majority of this project is related to sand lost during Florence. The Town will finalize the Islander Drive/Western Regional Ocean Access area infrastructure improvement project to be completed in FY 2021. Further initiatives in FY 2021 and beyond will be the application of FEMA funding for eligible mitigation work such as storm water improvements and improvements to emergency facilities. Additionally, the feasibility and design of the new multi-department Emergency Services Facility to replace the Town's main fire station.

### **Awards and Acknowledgements**

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

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

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

Respectfully submitted,



Matt Zapp  
Town Manager



Laura Rotchford  
Finance Director

**Town of Emerald Isle, North Carolina**  
**List of Principal Officials**  
**June 30, 2020**

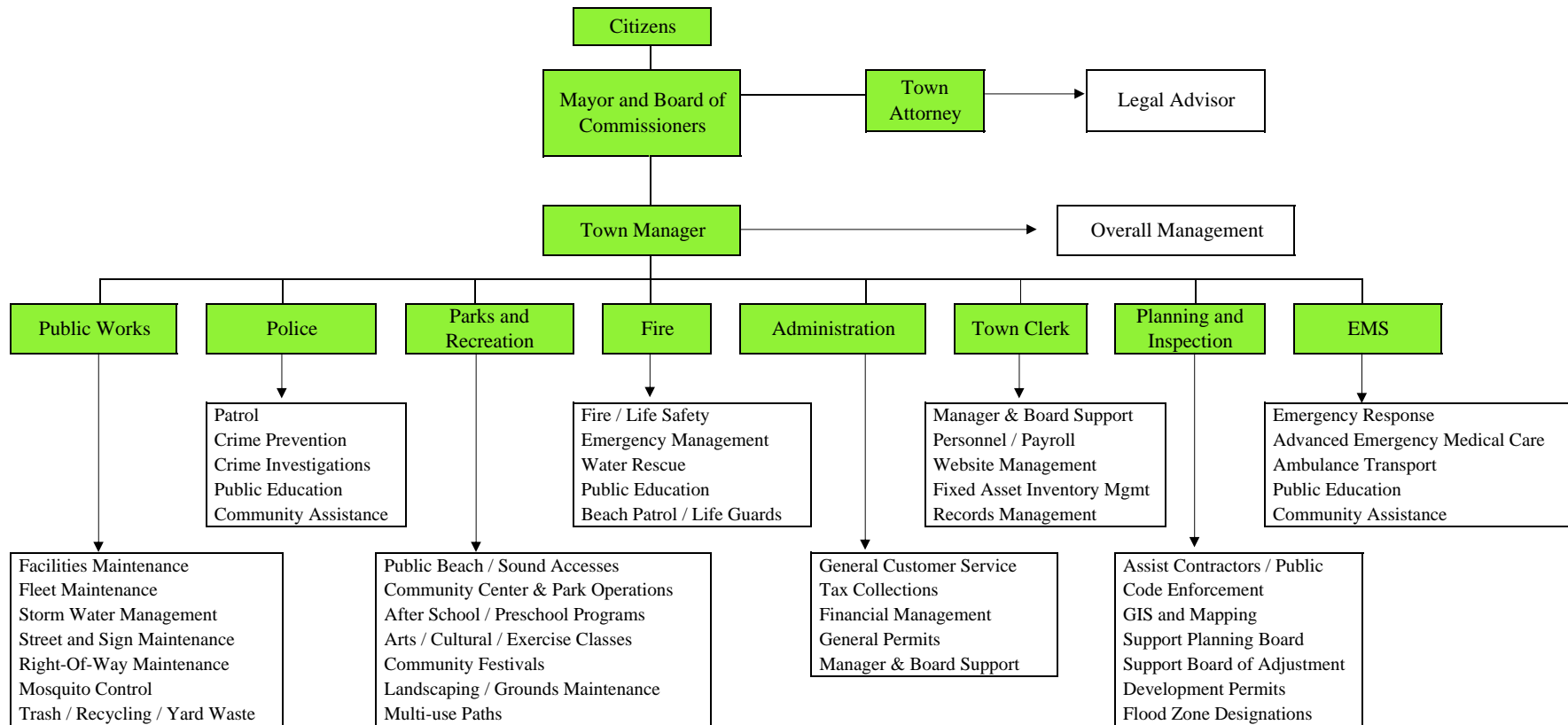
**Board of Commissioners**

Honorable Eddie Barber, Mayor  
Floyd Messer, Jr., Mayor Pro Tem  
Candace Dooley  
Steve Finch  
Jim Normile  
Mark Taylor

**Administration**

Matt Zapp, Town Manager  
Laura E. Rotchford, Finance Director  
Sarah Williams, Town Clerk/Human Resources Officer  
James A. Reese, Police Chief  
William W. Walker, Fire Chief  
David Jones, EMS Chief  
John “Artie” Dunn, Public Works Director  
Josh Edmondson, Town Planner  
Alesia F. Sanderson, Parks and Recreation Director  
Richard L. Stanley, Town Attorney

# Town of Emerald Isle Organizational Chart





Government Finance Officers Association

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

Presented to

**Town of Emerald Isle  
North Carolina**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

Executive Director/CEO

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## **Financial Section**

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# S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## MEMBERS

American Institute of CPAs

N. C. Association of CPAs

### **Independent Auditor's Report**

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

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Emerald Isle, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Emerald Isle, North Carolina as of June 30, 2020, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund, and the Future Beach Nourishment Special Revenue Fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 13 through 26, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 64 and 65, respectively, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of Proportionate Share of the Net Pension Liability on page 66, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 67 and 68, the Retiree Insurance Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 69 and 70 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

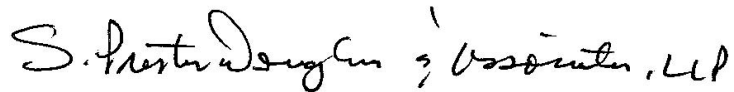
### ***Supplementary and Other Information***

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020 on our consideration of the Town of Emerald Isle's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Emerald Isle's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "S. Preston Douglas, Jr." followed by a stylized flourish.

Lumberton, North Carolina  
November 10, 2020

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## **Management's Discussion and Analysis**



Nice Matters!

**Town of Emerald Isle**

7500 Emerald Drive  
Emerald Isle, NC 28594

252-354-3424 voice  
252-354-5068 fax

[www.emeraldisle-nc.org](http://www.emeraldisle-nc.org)

**Mayor**

Eddie Barber

**Mayor Pro-Tem**

Floyd Messer, Jr.

**Board of Commissioners**

Candace Dooley  
Steve Finch  
Jim Normile  
Mark Taylor

**Town Manager**

Matt Zapp  
[mzapp@emeraldisle-nc.org](mailto:mzapp@emeraldisle-nc.org)



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2020 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, 2020. 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 \$8,967,187 of both unrestricted and restricted cash and cash equivalents on hand as of June 30, 2020. The Town also had total net receivables of \$47,914 as of June 30, 2020. Additionally, a total of \$4,374,612 was due from other governments, which is primarily comprised of pending reimbursements from the NC Department of Public Safety's (NCDPS) Emergency Management Division for FEMA disaster assistance.
- The Town had total capital assets, net of depreciation of \$24,486,989 as of June 30, 2020. The bulk of these assets are land, buildings, and other improvements in the community. During FY 2020 the Town added nearly \$1,390,000 in assets. New construction in progress for the year included improvements to the Islander Drive/Western Ocean Regional Access (WORA) area, and other asset additions included new walkways and piers, a new ambulance, and various other vehicle and equipment purchases.
- The Town's total liabilities as of June 30, 2020 were \$9,817,112. The recognition of pension liabilities account for \$2,559,751 of this amount. A total of \$2,824,758 of this amount is the Town's outstanding long-term installment purchases. And, a total of \$3,333,635 is due to Carteret County for the Post-Florence Beach Nourishment Project – Phase II.
- The Town reported net position of \$29,261,413 as of June 30, 2020. Total net position increased by \$3,742,410. The overall increase is attributed to the award and receipt of funding from FEMA and the NCDPS disaster assistance programs related to Hurricane Florence.
- The Town had total revenues of \$30,624,944 across all funds during FY 2020. The Town had total expenditures of \$27,412,391 across all funds during FY 2020, resulting in an overall increase in fund balance of \$4,713,553. This increase was the result of the annual addition of reserves to the Future Beach Nourishment Fund; the recognition of FEMA revenues in two funds segregated for Hurricane Florence Recovery; and the issuance of installment purchase debt for the construction of a new aerial fire truck.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$9,239,550, an increase in comparison to the prior year's combined balances of \$4,713,553.

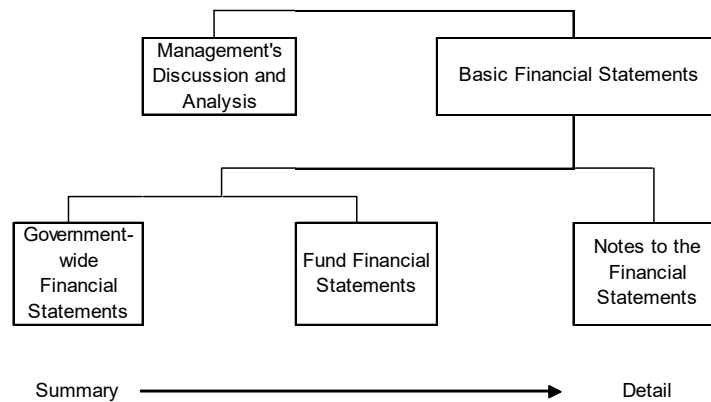
- The General Fund, the Town's primary annual operating fund, had total revenues of \$10,309,498 and total expenditures of \$10,133,825 during FY 2020. After the issuance of installment purchase debt of \$246,000 and transfers to Capital Project and Special Revenue Funds of \$308,176 and to the Future Beach Nourishment Fund of \$400,000, the Town's General Fund balance decreased by \$286,503. The overall decrease in the General Fund was primarily attributed to the Board approved use of 2019 Fund Balance Restricted for Streets in the amount of \$175,551. Additionally, the Board approved the use of 2019 Fund Balance toward walkway replacements, which had been delayed due to Hurricane Florence. Further, minor negative impacts to revenues were realized due to the Covid-19 pandemic in the area of recreation fees.
- As of June 30, 2020, the Town's General Fund had a total fund balance of \$2,906,363, of which \$1,481,784 classified as unassigned fund balance.
- The total General Fund balance of \$2,906,363 is equal to 26.81% of total General Fund expenditures during FY 2020 (\$10,842,001, including transfers out). This percentage is down from the previous year (32.99%), due to approved use of Fund Balance as described above as well as an increase in transfers to Capital Projects during the year. Total General Fund balance represents 26.50% percent of the FY 20-21 adopted budget of \$10,968,520 (including transfers out).
- The total unassigned General Fund balance amount of \$1,481,784 is equal to 13.67% of total General Fund expenditures during FY 2020 (\$10,842,001, including transfers out). Unassigned General Fund balance represents 13.51% of the FY 20-21 adopted budget of \$10,968,520 (including transfers out).
- The Town's Future Beach Nourishment Fund had a year-end fund balance of \$4,932,975, as the Town collected another year of special district property taxes that are reserved for future beach nourishment activities. Additionally, the Town makes annual transfers from the General Fund to the Future Beach Nourishment Fund to supplement tax receipts from the ocean front-inlet front special district.
- The Town's total long-term installment purchase debt outstanding at June 30, 2020 is \$2,824,758. This includes five (5) installment purchase agreements. The Town's total outstanding debt is equal to approximately 0.10% of the Town's total assessed valuation at June 30, 2020, which continues to remain a very low percentage.

### **Overview of the Financial Statements**

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

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

### Government-wide Financial Statements

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

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

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

### Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Emerald Isle, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as NC General Statutes and the Town's budget ordinance. All of the funds of the Town of Emerald Isle are categorized as governmental funds, as the Town does not utilize any proprietary funds, nor any fiduciary funds.

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

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

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

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

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

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

### **Government-Wide Financial Analysis**

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

### **Net Position**

As noted in Figure 2 on the next page, the Town's net position is \$29,261,413 as of June 30, 2020. The Town's net position increased by \$3,742,410 for the fiscal year ended June 30, 2020. Net position increased primarily due to the award and receipt of funding from FEMA and the NCDPS disaster assistance programs related to Hurricane Florence, as well as the annual reserve of special district tax revenues accumulated in the Future Beach Nourishment Fund.

During FY 2019, the Town reported negative unrestricted net position as a result of utilizing fund balance from its Future Beach Nourishment Fund (Restricted for Environmental Protection) toward the first phase of Post-Florence Beach Renourishment. At fiscal year-end 2019, the Town had applied for FEMA reimbursement for this project and future phases of the beach replenishment work related to the storm, however the project had not yet been awarded at that time. However, during early FY 2020 the Town was subsequently awarded the majority of its large projects related to Hurricane Florence, and has recognized grant revenue during FY 2020, which ultimately increased unrestricted net position. However, this balance remains negative due to additions to short and long-term liabilities during FY 2020 relating to Hurricane Florence, the addition of new installment purchase debt, and increases in pension liabilities.

The Town's current assets (cash and cash equivalents, restricted cash, net receivables, and amounts due from other governments) were \$13,471,436 as of June 30, 2020. This amount includes \$7,618,926 of unrestricted cash and cash equivalents across all Town funds, and an additional \$1,348,261 of restricted cash and cash equivalents. The majority of restricted cash is derived from unexpended installment purchase proceeds held for the construction of the Town's new aerial fire truck. This amount also includes \$4,374,612 due from other governments, the majority of which is from FEMA approved projects pending reimbursement at fiscal year-end. The Town's capital assets totaled \$24,486,989, which is an increase of \$596,618 over the prior year. The Town invested in construction in progress toward improvements to the Islander Drive/WORA area, along with new walkways, piers, and new ambulance. These new investments were offset by normal annual depreciation increasing the Town's overall net capital asset balance.

The Town's total liabilities increased by \$3,331,066 during FY 2020 to \$9,817,112. This change was derived from several increases and decreases described as follows: Short-term, due to other governments increased by \$1,333,635. A balance of \$3,333,635 is due to the Carteret County Beach Fund for an advance related to the Post-Florence Beach Nourishment Phase II project. This advance is to be repaid upon receipt of FEMA reimbursements during the FY 2021 fiscal year. While the Town decreased its principal balances by \$335,270 with annual debt service payments on its existing installment purchase loans, the Town issued new installment purchase debt of \$1,501,000. Overall pension liabilities increased by \$512,430. The Town's total pension liability for its retiree insurance allowance benefit increased by \$20,098. The Town's proportionate share of the Local Government Employees' Retirement System (LGERS) net pension liability increased by \$353,940, and the Town's total pension liability for the Law Enforcement Officers' Special Separation Allowance (LEOSSA) increased by \$138,392. Pension liability is calculated by annual actuarial valuations, and in general increases are the result of differences between expected and actual experience.

#### Town of Emerald Isle's Net Position

Figure 2

	Governmental Activities	
	2020	2019
Current and other assets	\$ 13,471,436	\$ 7,234,957
Capital assets	24,486,989	23,890,371
Total assets	<u>37,958,425</u>	<u>31,125,328</u>
Deferred outflows of resources	1,153,436	1,035,158
Long-term liabilities outstanding	5,098,256	3,517,327
Other liabilities	4,718,856	2,968,719
Total liabilities	<u>9,817,112</u>	<u>6,486,046</u>
Deferred inflows of resources	<u>33,336</u>	<u>155,437</u>
Net position:		
Net investment in capital assets	22,865,219	22,231,343
Restricted	7,451,829	5,870,332
Unrestricted	(1,055,635)	(2,582,672)
Total net position	<u>\$ 29,261,413</u>	<u>\$ 25,519,003</u>

### **Changes in Net Position**

As noted in Figure 3 on the next page, the Town had total revenues of \$30,634,605 across all activities, and had total expenses of \$26,892,195 during the year ended June 30, 2020, resulting in an increase in the Town's net position of \$3,742,410. Total revenues and expenses for the fiscal year were significantly greater than the prior fiscal year due to the continuation of large grant funded projects related to Hurricane Florence recovery efforts. The Town's largest damage resulting from Hurricane Florence was the loss of over 2 million cubic yards of the Town's beachfront (sand). This total project was awarded by FEMA in early FY 2020, and the resulting revenue recognition added \$2,756,581 to net position, a result of the timing of the award. Further additions to net position include the annual reserve of the special district tax revenues and associated interest earnings in the Future Beach Nourishment Special Revenue Fund. The Fund added just over \$700,000 in restricted fund balance at June 30, 2020, ultimately adding to restricted net position.

Despite the impacts of Covid-19 during the latter part of the fiscal year, the Town's charges for services had a slight increase. Certain recreational fees were impacted by closures due to Covid-19 however, other charges for services, such as building permit fees were higher than the prior year, due to a strong economy and continued repairs and remodeling following Hurricane Florence.

Operating grants and contributions are significantly lower in FY 2020, than in FY 2019. During FY 2019 the Town recognized its award from FEMA for operating expense reimbursements for significant emergency measures and storm debris removal efforts immediately following Hurricane Florence, in the Fall of 2018. FY 2020 grant revenues related to Hurricane Florence relate to permanent work for repairs and have been categorized as capital grants.

Environmental Protection expenses increased in FY 2020 due continued recovery efforts related to Hurricane Florence with the completion of the second phase of the Beach Nourishment Project to replenish sections of the Town's beach strand lost during the 2018 storm. Public Safety expenses increased by \$529,526 over the prior year due to a continued focus on improving services provided by our Police, Fire, and EMS departments. Two full-time positions were added in public safety, including a position dedicated to water rescue management, along with increases in the Town's seasonal lifeguard/water rescue programs. Finally, these departments began a transition from the capital purchase of replacement vehicles to a leased vehicle program, increasing operating expenses. The general government also incurred an increase of \$304,107 compared to FY 2019. This area also added two full-time positions in the area of Finance and Building Permitting. Further administrative improvements were initiated during the year, including document scanning and preservation, as well as operating expenses related to a new financial software system.

Although, total expenses increased over FY 2019 by \$1,802,055, the increase in the recognition of capital grants and contributions added to an overall increase to the Town's net position.

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

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 2,684,619	\$ 2,596,207
Operating grants and contributions	387,828	2,841,432
Capital grants and contributions	19,858,946	10,345,467
General revenues:		
Property taxes	4,637,281	4,618,981
Local option sales tax	2,103,012	2,044,691
Other taxes and licenses	741,665	761,168
Unrestricted grants and contributions	28,606	81,193
Unrestricted investment earnings	82,864	109,198
Miscellaneous	109,784	130,250
Total revenues	<u>30,634,605</u>	<u>23,528,587</u>
Expenses:		
General government	1,715,417	1,412,150
Public safety	4,889,101	4,396,689
Environmental protection	18,813,507	17,925,600
Cultural and recreation	1,430,921	1,304,694
Interest on long-term debt	43,249	51,007
Total expenses	<u>26,892,195</u>	<u>25,090,140</u>
Increase (decrease) in net position	3,742,410	(1,561,553)
Net position, beginning	25,519,003	27,080,556
Net position, ending	<u>\$ 29,261,413</u>	<u>\$ 25,519,003</u>

**Capital Assets**

As of June 30, 2020, the Town of Emerald Isle's investment in capital assets, net of depreciation totaled \$24,486,989, an increase of \$596,618 over the previous year. These assets include buildings, furniture and equipment, improvements, land, and vehicles. During FY 2020, the invested in planned constructions projects, including the Islander Drive/WORA Improvements project. This project added just under \$600,000 in construction in progress and is set to be complete in the Fall, 2020. Further additions include construction in progress toward the Town's new aerial fire truck, and several replacement piers and walkways as part of permanent work toward the recovery from Hurricane Florence. The most significant vehicle addition in FY 2020 was the Town's replacement ambulance totaling just under \$250,000.

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

**Figure 4**

	Governmental Activities	
	2020	2019
Land	\$ 14,773,043	\$ 14,773,043
Construction in progress	648,346	8,360
Buildings	2,039,926	2,105,327
Improvements	5,795,271	5,843,017
Furniture and equipment	548,865	513,073
Vehicles and motorized equipment	681,538	647,551
	<u>\$ 24,486,989</u>	<u>\$ 23,890,371</u>

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

### Long-Term Debt

As of June 30, 2020, the Town of Emerald Isle had total outstanding installment purchase obligations of \$2,824,758. This amount is comprised of five installment financing agreements as described below:

The Town issued \$2.4 million in installment debt in FY 2014 to fund bicycle path and storm water projects over a 9-year term, and the remaining balance at fiscal year-end was \$800,000. During FY 2015, the Town issued \$86,077 in installment debt for the purchase of a vacant lot adjacent to the Public Boat Launching Facility over a 10-year term and the remaining balance at fiscal year-end was \$43,759. In May 2018, the Town issued \$600,000 in installment debt for the purchase of land for the McLean-Spell Park over a 10-year term and the remaining balance at fiscal year-end was \$480,000.

During FY 2020 the Town issued new debt in the amount of \$1,501,000 for the purchase of a new ambulance and new aerial fire truck. The term for the ambulance is five years, and the aerial truck is fifteen years. The first annual payment for this debt will be in February, 2021. At the time of the issuance of this new debt, the Town secured a rate modification to its remaining debt for the land at McLean-Spell Park reducing the interest rate by near 1% for the remaining term of the installment.

The annual interest rates for the remaining debts outstanding are 2.17% for the bicycle path and storm water projects, 0.82% for the vacant lot, and 2.59% for the park land purchase, 2.19% for the new ambulance, and 2.52% for the aerial truck.

**Town of Emerald Isle's Outstanding Long-Term Debt**

**Figure 5**

	Governmental Activities	
	2020	2019
Installment notes	\$ 2,824,758	\$ 1,659,028
Compensated absences	241,887	202,248
Pension liabilities	2,559,751	2,047,321
	<u>\$ 5,626,396</u>	<u>\$ 3,908,597</u>

The Town's formal policy on debt limits the use of debt to real property purchases, major capital projects, and major equipment purchases (fire apparatus, heavy equipment, etc.), and the Town is fortunate to have a low debt level. The Town's total outstanding debt of \$2,824,758 is equal to 0.10% of the Town's total assessed valuation of approximately \$2.8 billion as of June 30, 2020. 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 just under \$222 million, a figure that the Town will never realistically approach.

The remainder of the Town's long-term obligations are comprised of net and total pension liabilities and compensated absences. The Town is a participating employer in the North Carolina Local Governmental Employees' Retirement System (LGERS). The Town's proportionate share of the LGERS net pension liability is \$1,476,063 for FY 2020, an increase of \$353,940 over the prior year. The increase was attributed to changes in actuarial assumptions and actual experience in the pension program. Additionally, the Town administers the Law Enforcement Officers Special Separation Allowance (LEOSSA), a single-employer defined benefit pension plan, for its eligible sworn law enforcement officers, as required by NC General Statute 143-166.41. The Town's total pension liability for the LEOSSA is \$823,859 for FY 2020, an increase of \$138,392 over the prior year. At fiscal year-end, four retired officers received LEOSSA benefits from the Town, and the Town continues to budget for this benefit on a pay-as-you-go method within the General Fund. Beginning in FY 2019 the Town implemented a new pension benefit, the Retiree Insurance Allowance. The Town's total pension liability for this retiree benefit is \$259,829, up \$20,098 from the prior fiscal year. This benefit is also budgeted on a pay-as-you go method, and at June 30, 2020 the Town had four beneficiaries who received the benefit.

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

### **Financial Analysis of Individual Funds**

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

#### **General Fund**

The General Fund is the Town's primary operating fund, and had \$10,842,001 of total expenditures (\$10,133,825) and transfers out (\$708,176) in the year ending June 30, 2020. Total revenues of \$10,309,498 plus the issuance of \$246,000 of installment purchase debt did not exceed expenditures, resulting in a \$286,503 decrease to General Fund balance.

Property tax revenues continue to represent the Town's largest General Fund revenue source, at \$4,381,214, or approximately 42% of total revenues. Sales tax revenues remain the Town's second largest General Fund revenue source, with a total of \$2,103,012 representing 20% of total revenues. Solid waste service fees are the Town's third largest General Fund revenue source, at \$1,574,680 representing 15% of total revenues. Combined, these three revenue sources make up 78% of total General Fund revenues for the fiscal year ended June 30, 2020.

Public safety expenditures (Police, Fire, and EMS) continue to comprise the largest portion of the General Fund, at \$4,734,170, or approximately 44% of total General Fund expenditures and transfers out. Other notable expenditures include Solid Waste (\$1,583,863), and Parks and Recreation (\$1,039,842).

As of June 30, 2020, total General Fund balance is \$2,906,363, an decrease of \$286,503 from the prior year's fund balance. The overall decrease in fund balance was derived from the Board approved use of 2019 Fund Balance restricted for streets, from the North Carolina Powell Bill program. This amount was \$175,551 and was transferred to the capital project for the construction of improvements to the Islander Drive/WORA area. Additionally, the Board approved the use of 2019 Fund Balance toward walkway replacements, which had been delayed in FY 2019 due to Hurricane Florence. Further, minor negative impacts to revenues were realized due to the Covid-19 pandemic in the area of recreation fees, due to temporary facility closures in the Spring, 2020. The Town's total General Fund balance is equal to 26.81% of total General Fund expenditures (including transfers out) for FY 2020. This percentage is down from the previous year (32.99%), due to the decrease in fund balance, as compared to the prior year. General Fund balance represents 26.50% percent of the FY 2021 adopted budget of \$10,968,520 (including transfers out).

The total unassigned General Fund balance amount of \$1,481,784 is equal to 13.67% of total General Fund expenditures during FY 2020. Unassigned General Fund balance also represents 13.51% of the FY 2021 adopted budget of \$10,968,520 (including transfers out). These percentages are slightly lower than desired; however, the Town's total General Fund balance and unassigned General Fund balance levels continue to have an overall long-term increasing trend, and the Town has never experienced any cash-flow difficulties in past years, even during periods with significant hurricane impacts, such as Hurricane Florence. Additionally, the Town has had and will likely continue to have significant fund balances in other Town funds (notably beach nourishment reserve funds) in the future that could be used to address any short-term cash-flow emergencies if necessary. Finally, the Town's elected officials have historically and continue to place a high priority on the proper balance between the Town's fund balance needs and respect for our taxpayers by not holding an excessive amount of their money in reserve.

### **Future Beach Nourishment Fund**

FY 2020 was the ninth year of existence for the Future Beach Nourishment Fund, and this fund will continue to be utilized in the future to accumulate reserve funds for the Town's future beach nourishment projects. The Town's goal is to accumulate sufficient reserve funds over time in order to avoid the issuance of new debt for future projects. This fund accounts for the municipal special district property tax revenues derived from ocean and inlet-front property owners, transfers from the General Fund, and investment earnings.

During FY 2020, the Fund added a total of \$704,275 to its restricted fund balance. Revenues from the municipal special district property tax rate equated to \$275,102, interest earnings in the amount of \$29,173, and the annual transfer from the General Fund of \$400,000 were held in reserve at fiscal year-end.

The Town's Board will continue to monitor the fund balance and work closely with the Carteret County Beach Commission and Carteret County Shoreline Protection Office to identify and plan for future nourishment projects within the Town's limits.

### **Other Major Funds**

During FY 2020 the Town identified four capital project funds as qualifying as major funds. These other major funds are detailed below:

- The Eastern Emerald Isle Post-Florence Beach Nourishment Fund. This major project was created to account for \$13,321,334 in expenditures for engineering, dredging, and restoration of approximately 625,000 cubic yards of sand dunes along approximately 3 miles of the Eastern Emerald Isle town limits, which were lost during Hurricane Florence. At fiscal year-end 2019 the Town did not yet have an award from FEMA, and therefore the Town recognized agreed upon funding from the Carteret County Beach Nourishment Fund to complete the project. During FY 2020, FEMA did ultimately award a total project for the restoration of sand and dunes throughout the Town, (set to be constructed in three phases and expected to be complete in the Fall, 2021). Therefore, in FY 2020 this project for the first phase of restoration has been completed – FEMA revenues were recognized in the amount of \$13,321,334, and funding from Carteret County in the amount of \$10,345,467 was returned to the County to close-out the project.
- The Hurricane Florence Recovery Fund. This capital project fund was established in FY 2019 to capture the approximate \$3.7 million in costs related to the immediate emergency protective measures, debris removal, and repairs to Town buildings, facilities, and improvements directly related to damages caused by Hurricane Florence. The project remains open during FY 2020, to complete the list of repairs to damages to facilities throughout the Town. At June 30, the Town has one project related to docks and piers which is still under the review process of Environmental & Historic Preservation. Work is expected to be complete during calendar year 2021.
- The Emergency Services Facilities and Equipment Fund. This capital project was established during the FY 2020 budget process to establish a fund for the design and construction of a new Emergency Services Facility to replace the Town's existing Fire Station #1 along with improvements to its Fire Station #2. Further, the project appropriated funds for the installment

purchase financing of a new aerial fire truck for \$1,255,000. The truck was under construction at June 30, 2020 and the Town took delivery of the new vehicle in September, 2020.

- The Post-Florence Beach Nourishment Phase II Fund. As of June 30, 2020 the Town's second phase of restoration for sand and dunes lost during Hurricane Florence was complete, pending payable and receivable items at year-end. This portion of the beach located toward the Western end of the Island restored 345,000 cubic yards of sand and dunes along with vegetative plantings. The total portion of sand lost to Hurricane Florence in this particular area was 220,000 cubic yards, or 64% of the total project. The Town utilized FEMA Public Assistance funding for 64% of the expenditures and the remaining 36% was provided by the Carteret County Beach Fund.

### **Other Non-Major Funds**

The Town utilized several other funds during the fiscal year ended June 30, 2020, four of which are capital project funds established to segregate revenues and expenditures associated with these projects over multiple fiscal years.

The Town utilized the following non-major capital projects during FY 2020:

- The Bicycle and Pedestrian capital project fund was established following the completion of the Coast Guard Road Multi-Use Path project in FY 2015. The project has a fund balance of \$27,986 as of June 30, 2020. The fund is used to account for fundraising proceeds and related path capital improvements funded by these proceeds as recommended by the Bicycle and Pedestrian Advisory Committee and authorized by the Board of Commissioners. During FY 2020, the fund invested in the addition of a lighted pedestrian crosswalk at a key intersection along with a transfer to the Islander Drive/WORA project for additional sections of new sidewalk in the overall project area.
- The Islander Drive Western Ocean Regional Access (WORA) Improvements capital project fund was established to construct streetscape and beach access improvements along this section of Islander Drive. This project follows the FY 2017 Islander Drive land acquisition project, which included the removal of an abandoned go-kart track. The project includes grant funding from the NC Department of Commerce's Economic Development Division, and additional funding from the proceeds from the sale of the Islander Drive tract in the amount of \$87,008. Further amendments to increase the project scope were finalized in FY 2020 including the use of Powell Bill funding for repaving of Islander Drive and new curbing and sidewalks. Additionally, developer contributions were received for the conversion of underground electrical throughout the public area. The project is scheduled to be complete in the Summer, 2020.
- The Golf Cart Infrastructure Improvements capital project fund was established following the ever-increasing popularity of the Town's allowance of permitted golf carts to travel certain Town streets. The Town's Board plans to approve an annual transfer from the General Fund of golf cart fees in excess of \$50,000, but not to exceed \$25,000 per fiscal year. As fees become available, the fund is used to account for this reserve and related capital improvements for golf cart parking and pathways. Improvements are recommended by the Golf Cart Advisory Committee and authorized by the Board of Commissioners. The project has a fund balance of \$3,727 as of June 30, 2020. During FY 2020, this fund included expenditures for the construction of a new golf cart parking area at the Town's James Street Beach Access Walkway as well as a transfer to the Islander Drive/WORA project for the inclusion of specialized golf cart parking along Islander Drive and within the Western Ocean Regional Access.
- The McLean-Spell Park Fund. This capital project fund was established to capture the grant funding from the NC Parks and Recreation Trust Fund and the NC Clean Water Management Trust Fund along with installment purchase financing to purchase a 29.37-acre tract of land for future passive and active recreational purposes. The land was procured with the assistance and contribution from the NC Conservation Fund and MCAS Cherry Point's REPI program. A small fund balance remains in the

project in the amount of \$67,686. This is an increase from FY 2019 in that the Town has begun receiving donations for the construction of a new Dog Park within the limits of the McLean-Spell Park. The Town will begin construction once adequate funds are accumulated.

Finally, the Town has one non-major special revenue fund- the Special Events Fund. This fund was established in FY 2019 to capture the revenues and expenditures for three separate special events held by the Town. In prior years, these events were captured in separate funds for financial reporting. The events are the annual Beach Music Festival, the annual 5k, Half-Marathon and Marathon, and the annual Fall Fishing Tournament:

During FY 2020, the Town held its Beach Music Festival in September, 2019. This is a one-day festival featuring several musicians and bands performing on stage at the Town's Western Ocean Regional Access. The event is free to the public, and funding for the annual festival is primarily received from contributions by the Carteret County Tourism Development Authority and area business sponsorships and event proceeds. A transfer from the General Fund in the amount of \$10,746 did support this recreational event for FY 2020.

During FY 2020, the Town held its first Fall Fishing Tournament. This event was also held in September, 2019, and similarly is a one-day fishing event funded by tournament entry fees, Carteret County Tourism Development Authority and area business sponsorships along with event proceeds.

Finally during FY 2020, the annual 5k, Half-Marathon and Marathon was scheduled for March, 2020, however the event was cancelled due to the impacts of COVID-19. The event did incur some race expenditures, and the Town is planning to continue this event in the 2021 calendar year.

### **FY 2020 Budget Administration**

The Board of Commissioners adopted the FY 2020 budget in June 2019 after a thoughtful and analytical review process over the previous several months.

The total adopted FY 2020 budget for both the General and Future Beach Nourishment Funds was \$11,640,843, which represented a \$683,243, or 6% increase over the adopted FY 2019 budget for both funds. During the FY 2020 budget adoption process, the Town's Board elected to maintain the General Fund tax rate at 15.5 cents, its special district (oceanfront and inlet-front properties) rate at 0.04 cents for the Future Beach Nourishment Fund. These tax rates have remained the same since FY 2016. However, the fixed annual fee of \$228 per improved residential property for solid waste collection services was raised to \$240 to help mitigate the rising increase in the cost of solid waste removal. The Board did not raise any other fees listed in its fee schedule for FY 2020.

The adopted FY 2020 budget included a total General Fund budget of \$10,874,284, an \$856,185 or 8.55% increase over the adopted FY 2019 budget. Overall increases to the FY 2020 budget were attributed to the inclusion of a new, financed, EMS ambulance, a 2% cost of living adjustment for all Town employees, an additional full-time position in the Administrative Department; a new financial software subscription, increases in EMS staffing and ocean rescue services; along with the establishment of a contingency line item. During the course of FY 2020, the General Fund budget was amended several times, resulting in a final amended FY 2020 budget of \$11,398,135.

The most significant amendments to General Fund revenues were as follows: the appropriation of the \$175,551 restricted fund balance for streets (or Powell Bill) for the Islander Drive/WORA Improvements project, and the award of \$280,354 from the FEMA Public Assistance program for reimbursement of expenditures related to the impacts of Hurricane Dorian. All of amendments were appropriated with excess revenues, contributions and grant awards with only specific appropriation of fund balance. This allowed for minor increases in each department for specific departmental expenditure needs.

Finally, several special and capital project funds were also amended during FY 2020. Key projects amended included the Islander Drive/WORA Improvements project, and each of the Phase I and Phase II Post-Florence Beach Nourishment projects. Each of these projects were amended appropriately as design plans were finalized and construction bids were received.

### **Economic Factors and FY 2021 Budget Highlights**

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

Extraordinary events certainly are a consideration the annual budget planning process. While the Town considers its future planning, during the FY 2020 it continued its recovery from Hurricane Florence which occurred in September, 2018, another much smaller Hurricane Dorian in September, 2019 and finally the impacts of the 2020 COVID-19 pandemic. These events are key in planning for not only the FY 2021 budget year, but also considered in five-year forecasting.

The FY 2021 budget included a property tax revaluation. The Carteret County Assessors' Office completed the revaluation of Emerald Isle's real and personal property. Real property values increased approximately 14% for the Town's ocean-front property owners and approximately 9% for all others. The Board of Commissioners carefully considered the FY 2021 budget along with expanded services and growth and adopted the same tax rates of 15.5 cents for the General Fund and 0.04 cents for the Future Beach Nourishment Fund. These rates were comparable to a 14.2 cent and a 0.0355 cent revenue neutral rate for each respective fund.

The Town considers economic indicators from both North Carolina as well as Carteret County. The average unemployment rate for North Carolina during FY 2020 was 5.6%, just 1.2% higher than the prior year ended June 30. This included the peaks impacts of COVID-19 during the last quarter of the fiscal year, where numbers were as high as 12.7% statewide. Similarly, Carteret County reported 5.24% average unadjusted unemployment at June 30, 2020 just up from 4.6% the prior fiscal year end.

Statewide taxable retail sales are another significant indicator for the Town. The Town's second highest general fund revenue is the receipt of distributions of local option sales tax. As of the end of FY 2020, North Carolina reported taxable retail sales down \$1,545.3 million over the prior year, a direct impact from COVID-19. The Town receives its sales tax revenues via a complicated formula that is based on statewide sales tax collections, relative population changes, local sales tax collections, and local property tax levies. Overall, FY 2020 sales tax distributions to Emerald Isle were very strong during the first 9 months of the fiscal year, however, during the last quarter sales tax deposits dropped significantly. With conservative budgeting, however, sales tax came at just \$11,000 over budget.

Emerald Isle and Carteret County continue to be a desirable and relatively affordable place for family vacations. Carteret County levies a 6% room occupancy tax on all short-term accommodations in the County, including Emerald Isle, and research indicates that Emerald Isle alone represents more than 60% of all room occupancy tax revenues in Carteret County. The Town does not receive any revenue from room occupancy taxes levied in Emerald Isle, as these revenues revert to Carteret County and are reserved for tourism promotion and beach nourishment activities that ultimately benefit Emerald Isle. The room occupancy tax figures are useful, however, for gauging the strength of the local tourism industry. Room occupancy tax collections at the end of FY 2020 were over 5.43% lower than FY 2019 collections, which was tied to vacation rental restrictions during the month of April, 2020 caused by the pandemic. Beginning in May, 2020 restrictions were lifted, and occupancy collections began to rise steadily, particularly in July, 2020, the highest reported in many years.

With these key economic factors considered, the Town's FY 2021 adopted budgets total \$11,648,200 for both the General and Future Beach Nourishment Funds, a \$7,357, or essentially no increase from the originally adopted FY 2020 budgets. The FY 2021 adopted

budget maintains the Town's high service levels and quality. The Board adopted the same tax rates as the past 4 years, a modest increase over the revenue neutral tax rates. The Board increased the annual solid waste fee for the second year in a row from \$240/year in FY 2020 to \$255/year for residential improved properties to cover costs associated with curbside recycling disposal services.

The Town's adopted FY 2021 General Fund budget is \$10,968,520, which equates to a \$94,236 increase (or 1.0%) over the adopted FY 2020 General Fund budget. Since FY 2015, the General Fund rate has included 1.5 cents dedicated for beach renourishment and this calculation derived an annual \$400,000 budgeted transfer from the General Fund to the Future Beach Nourishment Fund. During the FY 2021 revaluation and budgeting process an adjustment to 1.0 cents was calculated allowing for a \$309,000 transfer from the General Fund to the Future Beach Nourishment Fund. With the revaluation and increase fee structure for solid waste, budgeted revenues were increased in two key areas: property tax revenues and solid waste fees. Careful consideration was given to the Town's second largest revenue source of sales tax, and a modest growth factor of 4% over the FY 2020 budget for this revenue was adopted. The Town's Board adopted a minor base fee increase to its building permit fees, however with uncertainties in the budget process relating to COVID, minimal growth in revenues from building permit fees were appropriated. Revenue decreases in comparison to the FY 2020 adopted budget included the reduction of grant revenues from the FEMA Staffing for Adequate Fire and Emergency Response grant, no issuance of planned debt, and a much lower appropriation of fund balance. The Town adopted minor increases in other miscellaneous revenues and budgeted for increased effort for EMS service fee collections for ambulance transports.

The adopted FY 2021 General Fund budget anticipates a total of \$4,763,975 of property tax revenues, \$2,175,000 of sales tax revenues, and \$1,710,043 of annual solid waste fee revenues. Combined, these three revenue sources represent over 78% of General Fund revenues. On the expenditure side, public safety (Police, Fire, and EMS) and solid waste expenses represent nearly 59% of General Fund expenditures. The FY 2021 budget invests appropriately in the Town's workforce, provides additional funding in key areas to enhance services and staff efficiency, provides sufficient funding to maintain Town infrastructure, and provides sufficient funding to maintain a dependable, attractive, and efficient vehicle fleet. The adopted FY 2021 General Fund budget is structurally sound, and the Town does not anticipate any unmanageable budget deficits in the coming months. The FY 2021 budget includes new initiatives including a shift from capital outlay expenditures to operating expenditures as several vehicle purchases have transitioned to a new leased vehicle program, which it began in FY 2020. This budget also includes a transfer from the in-house billing and collection of property taxes to a contracted service, now provided by the Carteret County Tax Office. The budget includes the addition of three new full-time positions, and targeted market adjustments in the salaries of lifeguards and specific public safety positions. Solid waste fees and recycling costs increased by \$99,371 compared to FY 2020. Finally, sufficient funding is included in each department for the three pay-as-you go pensions offered to eligible Town retirees (LGERS, LEOSA, and the new Insurance Allowance), as well as a 2.0% cost of living adjustment for Town employees.

The total adopted budget for the Future Beach Nourishment Fund is \$679,680 for FY 2021. The budget includes the anticipated receipt of \$310,680 of special district property taxes from oceanfront and inlet-front property owners, and a \$309,000 transfer from the General Fund that will be reserved for future, undetermined beach nourishment projects. Additionally, interest revenue of \$60,000 was budgeted for the fund considering the growth of fund balance and interest rates at the time. This line may require amendment as lower interest rates are experienced. The Town levies only a separate 4.0 cent property tax rate on all oceanfront and inlet-front properties; the same rate since FY 2016, and a minimal increase over the FY 2021 revenue neutral rate.

### **Requests for Information**

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

## **Basic Financial Statements**

**Town of Emerald Isle, North Carolina**  
**Statement of Net Position**  
**June 30, 2020**

	<u>Primary Government</u> <u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 7,618,926
Restricted cash and cash equivalents	1,348,261
Taxes receivable, net	22,092
Accounts receivable, net	47,914
Due from other governments	4,374,612
Prepaid expenses	59,631
<b>Total current assets</b>	<u>13,471,436</u>
Non-current assets:	
Capital assets (Note 3):	
Land and construction in progress	15,421,389
Other capital assets, net of depreciation	9,065,600
<b>Total capital assets</b>	<u>24,486,989</u>
<b>Total assets</b>	<u>37,958,425</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension deferrals	1,153,436
<b>Total deferred outflows of resources</b>	<u>1,153,436</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	857,081
Due to other governments	3,333,635
Current portion of long-term liabilities	528,140
<b>Total current liabilities</b>	<u>4,718,856</u>
Long-term liabilities:	
Net pension liability	1,476,063
Total pension liability	1,083,688
Due in more than one year	2,538,505
<b>Total noncurrent liabilities</b>	<u>5,098,256</u>
<b>Total liabilities</b>	<u>9,817,112</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension deferrals	33,336
<b>Total deferred inflows of resources</b>	<u>33,336</u>
<b>NET POSITION</b>	
Net investment in capital assets	22,865,219
Restricted for:	
Stabilization by State Statute	1,246,984
Streets	65,229
Public safety	1,206,641
Environmental protection	4,932,975
Unrestricted	(1,055,635)
<b>Total net position</b>	<u>\$ 29,261,413</u>

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

**Town of Emerald Isle, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General government	\$ 1,715,417	\$ 105,045	\$ -	\$ -	\$ (1,610,372)
Public safety	4,889,101	470,123	79,974	-	(4,339,004)
Environmental protection	18,813,507	1,624,660	280,354	19,858,946	2,950,453
Cultural and recreation	1,430,921	484,791	27,500	-	(918,630)
Interest on long-term debt	43,249	-	-	-	(43,249)
<b>Total governmental activities</b>	<b>\$ 26,892,195</b>	<b>\$ 2,684,619</b>	<b>\$ 387,828</b>	<b>\$ 19,858,946</b>	<b>(3,960,802)</b>
<b>General revenues:</b>					
Taxes:					
Property taxes, levied for general purpose					4,637,281
Local option sales tax					2,103,012
Other taxes					741,665
Unrestricted grants and contributions					28,606
Unrestricted investment earnings					82,864
Miscellaneous					109,784
<b>Total general revenues</b>					<b>7,703,212</b>
<b>Change in net position</b>					<b>3,742,410</b>
<b>Net position, beginning</b>					<b>25,519,003</b>
<b>Net position, ending</b>					<b>\$ 29,261,413</b>

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, 2020**

	<b>Major Funds</b>			
	<b>General Fund</b>	<b>Future Beach Nourishment Special Revenue Fund</b>	<b>Eastern EI Beach Nourishment Fund</b>	<b>Hurricane Florence Recovery Fund</b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 2,179,383	\$ 4,932,975	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	-
Taxes receivable, net	21,580	512	-	-
Accounts receivable, net	47,914	-	-	-
Due from other governments	869,680	-	-	107,901
Due from other funds	210,270	-	-	-
Prepays	52,981	-	-	-
<b>Total assets</b>	<b>\$ 3,381,808</b>	<b>\$ 4,933,487</b>	<b>\$ -</b>	<b>\$ 107,901</b>
<b><u>LIABILITIES</u></b>				
Accounts payable and accrued liabilities	\$ 414,364	\$ -	\$ -	\$ 1,137
Due to other governments	-	-	-	-
Due to other funds	-	-	-	158,212
<b>Total liabilities</b>	<b>414,364</b>	<b>-</b>	<b>-</b>	<b>159,349</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Property taxes receivable	21,580	512	-	-
Grant receivable	39,501	-	-	-
<b>Total deferred inflows of resources</b>	<b>61,081</b>	<b>512</b>	<b>-</b>	<b>-</b>
<b><u>FUND BALANCES</u></b>				
Non-spendable:				
Prepays	52,981	-	-	-
Restricted:				
Stabilization by State Statute	1,246,984	-	-	-
Streets	-	-	-	-
Public safety	3,653	-	-	-
Environmental protection	-	4,932,975	-	-
Committed:				
LEO special separation allowance	63,954	-	-	-
EMS	2,007	-	-	-
Assigned:				
Environmental protection	-	-	-	-
Culture and recreation	-	-	-	-
Subsequent year's expenditures	55,000	-	-	-
Unassigned	1,481,784	-	-	(51,448)
<b>Total fund balances</b>	<b>2,906,363</b>	<b>4,932,975</b>	<b>-</b>	<b>(51,448)</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,381,808</b>	<b>\$ 4,933,487</b>	<b>\$ -</b>	<b>\$ 107,901</b>

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, 2020**

	<u>Major Funds</u>			
	<u>Emergency Services Facilities and Equipment Fund</u>	<u>Post-Florence Beach Nourishment Phase II Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ -	\$ 190,354	\$ 316,214	\$ 7,618,926
Restricted cash and cash equivalents	1,255,046	-	93,215	1,348,261
Taxes receivable, net	-	-	-	22,092
Accounts receivable, net	-	-	-	47,914
Due from other governments	-	3,397,031	-	4,374,612
Due from other funds	-	-	-	210,270
Prepays	-	-	6,650	59,631
<b>Total assets</b>	<u>\$ 1,255,046</u>	<u>\$ 3,587,385</u>	<u>\$ 416,079</u>	<u>\$ 13,681,706</u>
<b><u>LIABILITIES</u></b>				
Accounts payable and accrued liabilities	\$ -	\$ 253,750	\$ 167,407	\$ 836,658
Due to other governments	-	3,333,635	-	3,333,635
Due to other funds	52,058	-	-	210,270
<b>Total liabilities</b>	<u>52,058</u>	<u>3,587,385</u>	<u>167,407</u>	<u>4,380,563</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Property taxes receivable	-	-	-	22,092
FEMA reimbursement receivable	-	-	-	39,501
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,593</u>
<b><u>FUND BALANCES</u></b>				
Non-spendable:				
Prepays	-	-	6,650	59,631
Restricted:				
Stabilization by State Statute	-	-	-	1,246,984
Streets	-	-	65,229	65,229
Public safety	1,202,988	-	-	1,206,641
Environmental protection	-	-	-	4,932,975
Committed:				
LEO special separation allowance	-	-	-	63,954
EMS	-	-	-	2,007
Assigned:				
Environmental protection	-	-	64,577	64,577
Culture and recreation	-	-	112,216	112,216
Subsequent year's expenditures	-	-	-	55,000
Unassigned	-	-	-	1,430,336
<b>Total fund balances</b>	<u>1,202,988</u>	<u>-</u>	<u>248,672</u>	<u>9,239,550</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 1,255,046</u>	<u>\$ 3,587,385</u>	<u>\$ 416,079</u>	<u>\$ 13,681,706</u>

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

**Town of Emerald Isle, North Carolina**  
**Balance Sheet**  
**Governmental Funds (continued)**  
**June 30, 2020**

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

Total fund balances, governmental funds		\$ 9,239,550
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$ 32,800,950	
Accumulated depreciation	<u>(8,313,961)</u>	24,486,989
Deferred outflows of resources related to pensions and are not reported in the funds		1,153,436
Earned revenues considered deferred inflows of resources in fund statements		61,593
Gross long-term debt beginning	(1,659,028)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(1,165,730)	
Compensated absences	(241,887)	
Total pension liability	(1,083,688)	
Net pension liability	<u>(1,476,063)</u>	(5,626,396)
Deferred inflows of resources related to pensions are not reported in the funds		(33,336)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds		<u>(20,423)</u>
<b>Net position of governmental activities</b>		<b><u>\$ 29,261,413</u></b>

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, 2020**

	<b>Major Funds</b>			
	<b>General Fund</b>	<b>Future Beach Nourishment Special Revenue Fund</b>	<b>Eastern EI Beach Nourishment Fund</b>	<b>Hurricane Florence Recovery Fund</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 4,381,214	\$ 275,102	\$ -	\$ -
Unrestricted intergovernmental	2,841,790	-	-	-
Restricted intergovernmental	323,715	-	13,321,334	697,787
Permits and fees	2,249,646	-	-	-
Sales and services	344,227	-	-	-
Investment earnings	53,646	29,173	-	-
Miscellaneous	115,260	-	-	-
<b>Total revenues</b>	<b>10,309,498</b>	<b>304,275</b>	<b>13,321,334</b>	<b>697,787</b>
<b>Expenditures:</b>				
Current:				
General government	1,588,785	-	-	-
Public safety	4,403,711	-	-	-
Environmental protection	2,350,063	-	10,564,753	71,461
Cultural and recreation	980,932	-	-	-
Capital outlay:				
Public safety	330,459	-	-	-
Environmental protection	42,446	-	-	286,438
Cultural and recreation	58,910	-	-	-
Debt service:				
Principal retirement	335,270	-	-	-
Interest and other charges	43,249	-	-	-
<b>Total expenditures</b>	<b>10,133,825</b>	<b>-</b>	<b>10,564,753</b>	<b>357,899</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>175,673</b>	<b>304,275</b>	<b>2,756,581</b>	<b>339,888</b>
<b>Other financing sources (uses):</b>				
Transfers from other funds	-	400,000	-	-
Transfers to other funds	(708,176)	-	-	-
Installment purchase debt issued	246,000	-	-	-
<b>Total other financing sources (uses)</b>	<b>(462,176)</b>	<b>400,000</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(286,503)</b>	<b>704,275</b>	<b>2,756,581</b>	<b>339,888</b>
<b>Fund balances, beginning</b>	<b>3,192,866</b>	<b>4,228,700</b>	<b>(2,756,581)</b>	<b>(391,336)</b>
<b>Fund balances, ending</b>	<b>\$ 2,906,363</b>	<b>\$ 4,932,975</b>	<b>\$ -</b>	<b>\$ (51,448)</b>

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, 2020**

	<b>Major Funds</b>			
	<b>Emergency Services Facilities and Equipment Fund</b>	<b>Post-Florence Beach Nourishment Phase II Fund</b>	<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 4,656,316
Unrestricted intergovernmental	-	2,097,927	-	4,939,717
Restricted intergovernmental	-	3,496,035	245,861	18,084,732
Permits and fees	-	-	-	2,249,646
Sales and services	-	-	-	344,227
Investment earnings	46	-	-	82,865
Miscellaneous	-	-	152,181	267,441
<b>Total revenues</b>	<b>46</b>	<b>5,593,962</b>	<b>398,042</b>	<b>30,624,944</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	1,588,785
Public safety	-	-	-	4,403,711
Environmental protection	-	5,593,962	-	18,580,239
Cultural and recreation	-	-	91,010	1,071,942
Capital outlay:				
Public safety	-	-	-	330,459
Environmental protection	52,058	-	595,852	976,794
Cultural and recreation	-	-	23,032	81,942
Debt service:				
Principal retirement	-	-	-	335,270
Interest and other charges	-	-	-	43,249
<b>Total expenditures</b>	<b>52,058</b>	<b>5,593,962</b>	<b>709,894</b>	<b>27,412,391</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(52,012)</b>	<b>-</b>	<b>(311,852)</b>	<b>3,212,553</b>
<b>Other financing sources (uses):</b>				
Transfers from other funds	-	-	366,176	766,176
Transfers to other funds	-	-	(58,000)	(766,176)
Installment purchase debt issued	1,255,000	-	-	1,501,000
<b>Total other financing sources (uses)</b>	<b>1,255,000</b>	<b>-</b>	<b>308,176</b>	<b>1,501,000</b>
<b>Net change in fund balances</b>	<b>1,202,988</b>	<b>-</b>	<b>(3,676)</b>	<b>4,713,553</b>
<b>Fund balances, beginning</b>	<b>-</b>	<b>-</b>	<b>252,348</b>	<b>4,525,997</b>
<b>Fund balances, ending</b>	<b>\$ 1,202,988</b>	<b>\$ -</b>	<b>\$ 248,672</b>	<b>\$ 9,239,550</b>

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

**Town of Emerald Isle, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2020**

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

Net change in fund balances - total governmental funds	\$	4,713,553
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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	\$ 1,389,195	
Depreciation expense for governmental assets	(781,511)	
Net loss on sale of capital assets	<u>(11,068)</u>	596,616

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		340,597
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Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities		24,194
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		20,466
--	--	--------

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

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

Principal payments on long-term debt	335,270	
Issuance of installment proceeds	(1,501,000)	
Increase in accrued interest payable	<u>(10,805)</u>	(1,176,535)

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	(39,639)	
Pension expense (LGERS)	(669,194)	
Pension expense (LEOSSA)	(52,356)	
Pension expense (Retiree Insurance Allowance)	<u>(15,292)</u>	<u>(776,481)</u>

<b>Total changes in net position of governmental activities</b>	<b>\$</b>	<b><u>3,742,410</u></b>
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**Town of Emerald Isle, North Carolina**  
**General Fund and Annually Budgeted Major Funds**  
**Statements of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual**  
**For the Year Ended June 30, 2020**

	<b>General Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 4,399,786	\$ 4,399,786	\$ 4,381,214	\$ (18,572)
Unrestricted intergovernmental	2,858,495	2,858,495	2,841,790	(16,705)
Restricted intergovernmental	223,803	366,517	323,715	(42,802)
Permits and fees	2,245,700	2,245,700	2,249,646	3,946
Sales and services	406,000	406,000	344,227	(61,773)
Investment earnings	25,000	54,000	53,646	(354)
Miscellaneous	35,100	101,542	115,260	13,718
<b>Total revenues</b>	<u>10,193,884</u>	<u>10,432,040</u>	<u>10,309,498</u>	<u>(122,542)</u>
<b>Expenditures:</b>				
Current:				
General government	1,659,235	1,713,708	1,588,785	124,923
Public safety	4,854,815	4,899,867	4,734,170	165,697
Environmental protection	2,340,548	2,489,948	2,392,509	97,439
Cultural and recreation	1,186,594	1,204,967	1,039,842	165,125
Debt service:				
Principal retirement	335,270	335,270	335,270	-
Interest and other charges	42,822	43,249	43,249	-
<b>Total expenditures</b>	<u>10,419,284</u>	<u>10,687,009</u>	<u>10,133,825</u>	<u>553,184</u>
<b>Revenues over (under) expenditures</b>	<u>(225,400)</u>	<u>(254,969)</u>	<u>175,673</u>	<u>430,642</u>
<b>Other financing sources (uses):</b>				
Transfers to other funds	(455,000)	(711,126)	(708,176)	(2,950)
Issuance of installment debt	250,000	250,000	246,000	(4,000)
<b>Total other financing sources (uses)</b>	<u>(205,000)</u>	<u>(461,126)</u>	<u>(462,176)</u>	<u>(1,050)</u>
Fund balance appropriated	430,400	716,095	-	(716,095)
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(286,503)</u>	<u>\$ (286,503)</u>
<b>Fund balance, beginning</b>			<u>3,192,866</u>	
<b>Fund balance, ending</b>			<u>\$ 2,906,363</u>	

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**  
**Statements of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual**  
**For the Year Ended June 30, 2020**

	<b>Future Beach Nourishment Special Revenue Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 281,559	\$ 281,559	\$ 275,102	\$ (6,457)
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	-	-	-	-
Permits and fees	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	85,000	85,000	29,173	(55,827)
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>366,559</u>	<u>366,559</u>	<u>304,275</u>	<u>(62,284)</u>
 <b>Revenues over (under) expenditures</b>	 <u>366,559</u>	 <u>366,559</u>	 <u>304,275</u>	 <u>(62,284)</u>
 <b>Other financing sources (uses):</b>				
Transfers from other funds	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
 Fund balance appropriated	(766,559)	(766,559)	-	766,559
 <b>Net change in fund balances</b>	 <u>\$ -</u>	 <u>\$ -</u>	 704,275	 <u>\$ 704,275</u>
 <b>Fund balance, beginning</b>			<u>4,228,700</u>	
 <b>Fund balance, ending</b>			<u>\$ 4,932,975</u>	

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

## **Notes to the Financial Statements**

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

**B. Basis of Presentation**

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

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

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

The Town reports the following major governmental funds:

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

**Future Beach Nourishment Special Revenue Fund.** This fund accounts for financial resources collected from ad valorem assessments to be used for expenditures associated with future beach nourishment activities.

**Eastern Emerald Isle Post-Florence Beach Nourishment Fund.** This fund was established as a multi-year capital project fund. This fund was amended for eligible reimbursements from FEMA/NC DPS Public Assistance Funding due to Hurricane Florence. The financial resources are to be used for expenditures associated with the renourishment of approximately 617,000 cubic yards of beach fill-material along the beach strand located in the eastern portion of the Town following the impacts of Hurricane Florence.

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

**Emergency Services Facilities and Equipment Fund.** This fund was established a multi-year capital project fund and is used to account for costs related to a fire truck and a planned emergency services building.

**Post Florence Beach Nourishment Phase II Fund.** This fund was established a multi-year capital project fund and is used to account for expenditures related to the second phase of the overall beach renourishment project following the impacts of Hurricane Florence. Funding for this project includes FEMA/NC DPS Public Assistance grants and the Carteret County Beach Fund.

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation (continued)**

The Town reports the following non-major governmental funds:

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

**Capital Projects Funds.** These funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities. The Town had the following non-major capital project funds: the Bike and Pedestrian Project Fund, the Islander Drive/Western Ocean Regional Access Improvements Fund, the Golf Cart Infrastructure Improvements Fund, and the McLean-Spell Park Fund.

**C. Measurement Focus and Basis of Accounting**

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

*Government-wide and Fiduciary Fund Financial Statements.* The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina.

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus and Basis of Accounting (continued)**

Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Future Beach Nourishment Special Revenue Fund, and the Special Events Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Emergency Services Facilities and Equipment Fund, the Post Florence Beach Nourishment Phase II Fund, the Eastern Emerald Isle Post-Florence Beach Nourishment Fund, the McLean-Spell Park Fund, the Bike and Pedestrian Project, the Golf Cart Infrastructure Improvements Fund, and the Islander Drive Western Ocean Regional Access Improvements Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Town Manager is authorized to transfer appropriation within each department; however, any revision that alters total departmental expenditures must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing body must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of 0.15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

The Bike and Pedestrian Project Fund received specific donations for its projects. The Islander Drive/Western Ocean Regional Access Improvements fund can only be used for certain approved expenditures provided by the funding source.

**Town of Emerald Isle's Restricted Cash**

Major Funds	
Emergency Services Facilities and Equipment Fund	
Public safety	\$ 1,255,046
Non-Major Funds	
Islander Drive WORA Fund	
Streets	65,229
Bike and Pedestrian Fund	
Culture and recreation	27,986
Total Restricted Cash	<u>\$ 1,348,261</u>

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019.

**5. Allowances for Doubtful Accounts**

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

**6. Prepaid Items**

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

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs for the Town's assets are \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network that was acquired or that received substantial improvements and are reported at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension related deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category – property taxes receivable and pension related deferrals.

**9. Long-Term Obligations**

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

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

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs for the Town's assets are \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network that was acquired or that received substantial improvements and are reported at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension related deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category – property taxes receivable, grants receivable, and pension related deferrals.

**9. Long-Term Obligations**

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

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

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**10. Compensated Absences**

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

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

**11. Net Position/Fund Balances**

**Net Position**

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

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

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

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

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**11. Net Position/Fund Balances (continued)**

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

*Restricted for Public Safety* – portion of fund balance that is restricted by revenue source for expenditures specific to law enforcement operations and the purchase of fire apparatus.

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

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

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

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

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

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

*Assigned for Environmental Protection* – portion of fund balance that has been budgeted by the Board for activities related to the completion of an ongoing Islander Drive/Western Ocean Regional Access Improvement capital project.

*Assigned for Subsequent Year's Expenditures* – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation in certain circumstances.

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

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

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**11. Net Position/Fund Balances (continued)**

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

**12. Defined Benefit Cost-Sharing Plans**

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

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

**1. Noncompliance with North Carolina General Statutes**

None.

**2. Contractual Violations**

None.

**B. Deficit in Fund Balance of Individual Funds not appropriated in subsequent year's budget ordinance**

None.

**C. Excess of Expenditures over Appropriations**

None.

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits**

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

At June 30, 2020, the Town's deposits had a carrying amount of \$1,876,068 and a bank balance of \$1,890,771. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$2,100.

**2. Investments**

At June 30, 2020, the Town of Emerald Isle had \$7,089,019 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

**3. Receivables**

Receivables at the government-wide level at June 30, 2020, were as follows:

	<b>Accounts Receivable</b>	<b>Taxes Receivable</b>	<b>Total</b>
Governmental Activities:			
General	\$ 357,499	\$ 32,851	\$ 390,350
Future Beach Nourishment	-	779	779
Total receivables	357,499	33,630	391,129
Allowance for doubtful accounts	(309,585)	(11,538)	(321,123)
<b>Total governmental activities</b>	<b>\$ 47,914</b>	<b>\$ 22,092</b>	<b>\$ 70,006</b>

The amounts presented in the Balance Sheet and Statement of Net Position for the year ended June 30, 2020 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 11,538
Solid waste fees receivable	14,253
EMS services receivable	295,332
<b>Total</b>	<b>\$ 321,123</b>

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**A. Assets (continued)**

**4. Capital Assets**

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 14,773,043	\$ -	\$ -	\$ 14,773,043
Construction in progress	8,360	639,986	-	648,346
Total capital assets not being depreciated	14,781,403	639,986	-	15,421,389
<b>Capital assets being depreciated:</b>				
Buildings	3,270,044	-	-	3,270,044
Improvements	8,415,727	358,193	(13,652)	8,760,268
Furniture and equipment	1,815,962	119,772	(41,212)	1,894,522
Vehicles and motorized equipment	3,388,593	271,243	(205,109)	3,454,727
Total capital assets being depreciated	16,890,326	749,208	(259,973)	17,379,561
<b>Less accumulated depreciation for:</b>				
Buildings	1,164,717	65,401	-	1,230,118
Improvements	2,572,710	399,908	(7,621)	2,964,997
Furniture and equipment	1,302,889	78,946	(36,178)	1,345,657
Vehicles and motorized equipment	2,741,042	237,256	(205,109)	2,773,189
Total accumulated depreciation	7,781,358	781,511	(248,908)	8,313,961
Total capital assets being depreciated, net	9,108,968			9,065,600
<b>Governmental activities capital assets, net</b>	<b>\$ 23,890,371</b>			<b>\$ 24,486,989</b>

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

General government	\$ 63,892
Public safety	207,851
Environmental Protection	184,755
Cultural and recreational	325,013
Total depreciation expense	<u>\$ 781,511</u>

**5. Construction Commitments**

As of June 30, 2020, the Town has active construction projects. The Town's commitments with contractors at June 30, 2020, are as follows:

Project	Spent-to-Date	Remaining Commitment
New aerial fire truck	\$ 52,058	\$ 1,250,627
Islander Drive street improvements	259,073	129,879

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Liabilities**

**1. Pension Plan Obligations**

***a. Local Governmental Employees' Retirement System***

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

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Emerald Isle employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Emerald Isle's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Emerald Isle were \$334,597 for the year ended June 30, 2020.

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Liabilities (continued)**

**1. Pension Plan Obligations (continued)**

***a. Local Governmental Employees' Retirement System (continued)***

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

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

At June 30, 2020, the Town reported a liability of \$1,476,063 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.05405%, which was an increase of 0.00675% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$669,194. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 252,739	\$ -
Changes of assumptions	240,574	-
Net difference between projected and actual earnings on pension plan investments	36,003	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	72,033	8,700
Town contributions subsequent to the measurement date	334,597	-
Total	<u>\$ 935,946</u>	<u>\$ 8,700</u>

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Liabilities (continued)**

**1. Pension Plan Obligations (continued)**

***a. Local Governmental Employees' Retirement System (continued)***

\$334,597 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2021	\$ 277,263
2022	98,615
2023	162,718
2024	54,053
2025	-
Thereafter	-
	\$ 592,649

*Actuarial Assumptions.* The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

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

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

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

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Liabilities (continued)**

**1. Pension Plan Obligations (continued)**

***a. Local Governmental Employees' Retirement System (continued)***

These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension liability (asset) to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 3,376,027	\$ 1,476,063	\$ (103,191)

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Liabilities (continued)**

**1. Pension Plan Obligations (continued)**

***a. Local Governmental Employees' Retirement System (continued)***

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

***b. Law Enforcement Officer's Special Separation Allowance***

*1. Plan Description.*

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

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2018 (valuation date) the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	1
Active plan members	18
Total	<u>19</u>

*2. Summary of Significant Accounting Policies.*

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

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

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Liabilities (continued)**

**1. Pension Plan Obligations (continued)**

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

**3. *Actuarial Assumptions.***

The entry age normal (EAN) actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Investment rate of return	3.26 percent, net of pension plan investment expense, including inflation

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

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

**4. *Contributions.***

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are funded on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town paid \$38,167 for the reporting period.

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

At June 30, 2020, the Town reported a total pension liability of \$823,859. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$52,356.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 140,781	\$ -
Changes of assumptions	31,610	18,773
Benefit payments and administrative expenses subsequent to the measurement date	33,274	-
Total	<u>\$ 205,665</u>	<u>\$ 18,773</u>

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Liabilities (continued)**

1. Pension Plan Obligations (continued)

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

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

\$33,274 was reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>		
2021	\$	35,860
2022		35,860
2023		36,822
2024		29,560
2025		15,516
Thereafter		-
	<u>\$</u>	<u>153,618</u>

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.26% , as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26%) or 1-percentage-point higher (4.26%) than the current rate:

	<b>1% Decrease (2.26%)</b>	<b>Discount Rate (3.26%)</b>	<b>1% Increase (4.26%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 877,717	\$ 823,859	\$ 774,074

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

	<b>2020</b>
Beginning balance	\$ 685,467
Service cost	25,130
Interest on the total pension liability	24,256
Differences between expected and actual experience in the measurement of the total pension liability	107,787
Changes of assumptions or other inputs	19,386
Benefit payments	(38,167)
<b>Ending balance of the total pension liability</b>	<b>\$ 823,859</b>

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Liabilities (continued)**

**1. Pension Plan Obligations (continued)**

***b. Law Enforcement Officers' Special Allowance (continued)***

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

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

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

***c. Retiree Insurance Allowance***

***1. Plan Description.***

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

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

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

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

***2. Summary of Significant Accounting Policies.***

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

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

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

Inactive members currently receiving benefits	1
Active plan members	66
Total	<u>67</u>

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Liabilities (continued)**

**1. Pension Plan Obligations (continued)**

***c. Retiree Insurance Allowance (continued)***

**3. *Actuarial Assumptions.***

The entry age normal (EAN) actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.26 percent, net of pension plan investment expense, including inflation

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018.

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

**4. *Contributions.***

The Town voluntarily provides these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. Administration costs of the Insurance Allowance are funded through appropriations made in the General Fund operating budget. At June 30, 2020, the Town had contributed \$6,680.

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

At June 30, 2020, the Town reported a total pension liability of \$259,829. The total pension liability was measured as of December 31, 2019. For the year ended June 30, 2020, the Town recognized pension expense of \$15,292.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 5,825	\$ 5,863
Benefit payments and administrative expenses subsequent to the measurement date	6,000	-
Total	<u>\$ 11,825</u>	<u>\$ 5,863</u>

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Liabilities (continued)**

1. Pension Plan Obligations (continued)

*c. Retiree Insurance Allowance (continued)*

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

\$6,000 was reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>		
2021	\$	(256)
2022		(256)
2023		(256)
2024		(256)
2025		586
Thereafter		400

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.26% , as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26%) or 1-percentage-point higher (4.26%) than the current rate:

	<b>1% Decrease (2.26%)</b>	<b>Discount Rate (3.26%)</b>	<b>1% Increase (4.26%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 279,094	\$ 259,829	\$ 242,110

**Schedule of Changes in Total Pension Liability  
Retiree Insurance Allowance**

	<b>2020</b>
Beginning balance	\$ 239,731
Service cost	11,263
Interest on the total pension liability	8,605
Changes of assumptions or other inputs	6,910
Benefit payments	(6,680)
Other changes	-
<b>Ending balance of the total pension liability</b>	<b>\$ 259,829</b>

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

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

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Liabilities (continued)**

1. Pension Plan Obligations (continued)

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>RIA</u>	<u>Total</u>
Pension Expense	\$ 669,178	\$ 85,630	\$ -	\$ 754,808
Pension Liability	1,476,063	823,859	259,829	2,559,751
Proportionate share of the net pension liability	0.05405%	N/A	N/A	
Deferred Outflows of Resources				
Differences between expected and actual experience	252,739	140,781	-	393,520
Changes of assumptions	240,574	31,610	5,825	278,009
Net difference between projected and actual earnings on plan investments	36,003	-	-	36,003
Changes in proportion and differences between contributions and proportionate share of contributions	72,033	-	-	72,033
Benefit payments and administrative costs paid subsequent to the measurement date	334,597	33,274	6,000	373,871
Deferred Inflows of Resources				
Differences between expected and actual experience	-	-	-	-
Changes of assumptions	-	18,773	5,863	24,636
Changes in proportion and differences between contributions and proportionate share of contributions	8,700	-	-	8,700

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Liabilities (continued)**

**1. Pension Plan Obligations (continued)**

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

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. In addition to law enforcement, the Town elects to contribute five percent of each full-time general employee's salary. Also, the law enforcement officers and general employees may make voluntary contributions to the plan. Contributions by the Town for the year ended June 30, 2020 were \$182,142, which consisted of \$46,661 for law enforcement officers and \$135,481 for general employees. Voluntary contributions by all employees for the fiscal year were \$127,052.

***e. Firefighter's and Rescue Squad Workers' Pension Fund***

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

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

*Contributions.* Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town has two departments participating in the plan – Fire and EMS. The Town contributes \$10 per EMS eligible plan member, and the Firemen's Relief Fund (a separate organization) has elected to contribute for the eligible Fire plan members. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2020, the State contributed \$18,302,000 to the plan. The Town of Emerald Isle's proportionate share of the State's contribution is \$20,986.

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Liabilities (continued)**

**1. Pension Plan Obligations (continued)**

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

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

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

At June 30, 2020, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$41,604. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2020 and at June 30, 2019 was 0%.

For the year ended June 30, 2020, the Town recognized pension expense of \$21,903 and revenue of \$21,903 for support provided by the State. At June 30, 2020, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

*Actuarial Assumptions.* The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Liabilities (continued)**

**2. Other Employment Benefits**

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

**3. Deferred Outflows and Inflows of Resources**

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

	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ 393,520
Changes of assumptions	278,009
Net difference between projected and actual earnings on pension plan investments	36,003
Changes in proportion and differences between Town contributions and proportionate share of contributions	72,033
Town contributions subsequent to the measurement date	373,871
Total	<u><u>\$ 1,153,436</u></u>

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

	<b>Statement of Net Position</b>	<b>Governmental Funds Balance Sheet</b>
Taxes receivable, less penalites (General Fund)	\$ -	\$ 22,092
Grant receivable (General Fund)	-	39,501
Changes of assumptions	24,636	-
Differences between expected and actual experience	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	8,700	-
Total	<u><u>\$ 33,336</u></u>	<u><u>\$ 61,593</u></u>

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Liabilities (continued)**

**4. Risk Management**

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

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

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

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

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

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

**5. Claims, Judgments and Contingent Liabilities**

At June 30, 2020, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate fact of these legal matters will not have a material adverse effect on the Town's financial position.

**6. Short-Term Obligations**

In May, 2019 the Town entered into a Memorandum of Agreement with the NC Office of Recovery and Resiliency (NCORR) for a \$2,000,000 State Revolving Loan for Temporary Cash Assistance to Local Government. This loan is limited only to federally reimbursable expenses and was made available to NC local governments following the impacts of Hurricane Florence. The loan is a 0% loan, and was repaid during FY 2020.

The Carteret County Beach Fund has advanced the Town sufficient funding to cover design and construction expenses for the Post-Florence Beach Nourishment Projects to cover 100% of total cost while the Town awaits reimbursement from FEMA/NC DPS Public Assistance grants. The Town will return this funding to Carteret County upon receipt of the grant funds.

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Liabilities (continued)**

**6. Short-Term Obligations (continued)**

The short-term debt balance at fiscal year-end was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
NCORR	\$ 2,000,000	\$ -	\$ (2,000,000)	-
Carteret County Beach Fund	-	3,333,635	-	3,333,635
Total short-term liabilities	<u>\$ 2,000,000</u>	<u>\$ 3,333,635</u>	<u>\$ (2,000,000)</u>	<u>\$ 3,333,635</u>

**7. Long-Term Obligations**

**a. *Installment Purchase***

Governmental Activities:

On March 12, 2014, the Town entered into a direct borrowing contract to finance several improvements throughout the Town, including the completion of the multi-use path and stormwater infrastructure. This financing contract will be paid in annual installments of \$266,667 plus interest at 2.17% for nine years. The original amount financed was \$2,400,000. The balance due at June 30, 2020 was \$800,000.

On September 15, 2014, the Town entered into a direct borrowing contract for the purchase of land adjacent to the Public Boating Access Area for future recreational uses. The land is pledged as collateral while the debt is outstanding. The financing contract will be paid in monthly installments, beginning on July 15, 2015, of \$750 including interest at 0.82% for ten years. The original amount financed was \$86,077. The balance due at June 30, 2020 was \$43,758.

On May 11, 2018, the Town entered into a direct borrowing contract for the purchase of land for the creation of McLean – Spell Park. The land is pledged as collateral for the debt while the debt is outstanding. The financing contract will be paid in annual installments, beginning on May 11, 2020 of \$60,000 not including interest at 2.59% for ten years. The original amount financed was \$600,000. The balance due at June 30, 2020 was \$480,000.

On February 18, 2020, the Town entered into a direct borrowing contract for the purchase of an ambulance. The ambulance is pledged as collateral for the debt while the debt is outstanding. The financing contract will be paid in annual installments, beginning on February 18, 2021 of \$49,200 not including interest at 2.19% for five years. The original amount financed was \$246,000. The balance due at June 30, 2020 was \$246,000.

On February 18, 2020, the Town entered into a direct borrowing contract for the purchase of a ladder truck. The truck is pledged as collateral for the debt while the debt is outstanding. The financing contract will be paid in annual installments, beginning on February 18, 2021 of \$83,600 not including interest at 2.52% for fifteen years. The original amount financed was \$1,255,000. The balance due at June 30, 2020 was \$1,255,000.

The future minimum payments of the installment purchases as of June 30, 2020 are as follows:

Years Ending June 30:	Governmental-Type Activities	
	Principal	Interest
2021	\$ 468,140	\$ 67,132
2022	468,212	56,535
2023	468,284	45,939
2024	201,690	35,341
2025	201,432	30,530
2026-2030	598,000	93,719
2031-2035	419,000	31,727
Total	<u>\$ 2,824,758</u>	<u>\$ 329,196</u>

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B. Liabilities (continued)**

**7. Long-Term Obligations (continued)**

**a. Installment Purchase (continued)**

At June 30, 2020, the Town of Emerald Isle had a legal debt margin of \$221,716,816.

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

**b. Changes in Debt**

The General Fund is used to liquidate the liabilities for compensated absences, net pension liability, and total pension liabilities for governmental activities.

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Direct borrowing installment purchase	\$ 1,659,028	\$ 1,501,000	\$ (335,270)	\$ 2,824,758	\$ 468,140
Compensated absences	202,248	65,289	(25,650)	241,887	60,000
Net pension liability (LGERS)	1,122,123	353,940	-	1,476,063	-
Total pension liability (Retiree)	239,731	26,778	(6,680)	259,829	-
Total pension liability (LEO)	685,467	176,559	(38,167)	823,859	-
Governmental activity long-term liabilities	<u>\$ 3,908,597</u>	<u>\$ 2,123,566</u>	<u>\$ (405,767)</u>	<u>\$ 5,626,396</u>	<u>\$ 528,140</u>

**C. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2020 consist of the following:

	Amount
From the General Fund to the Islander Drive/WORA Improvements Fund	\$ 275,380
From the General Fund to the Future Beach Nourishment Fund	400,000
From the General Fund to the Golf Cart Infrastructure Improvements Fund	22,050
From the General Fund to the Special Events Fund	10,746
From the Bike and Pedestrian Fund to the Islander Drive/WORA Improvements Fund	30,000
From the Golf Cart Infrastructure Improvements Fund to the Islander Drive/WORA Improvements Fund	28,000
	<u>\$ 766,176</u>

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

During the 2020 fiscal year, the Town made a transfer from the General Fund to the Islander Drive/WORA Improvements Fund of \$275,380 for construction of street and regional access improvements.

During the 2020 fiscal year, the Town made a transfer from the General Fund to the Future Beach Nourishment Fund of \$400,000 for the funds allocated for use for future beach nourishment projects.

During the 2020 fiscal year, the Town made a transfer from the General Fund to the Golf Cart Infrastructure Improvements Fund of \$22,050 for the accumulation of funds for future construction projects related to golf cart specific infrastructure.

During the 2020 fiscal year, the Town made a transfer from the General Fund of \$10,176 to the Special Events Fund for costs associated with the annual Beach Music Festival.

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**C. Interfund Balances and Activity (continued)**

During the 2020 fiscal year, the Town made a transfer from the Bike and Pedestrian Fund to the Islander Drive/WORA Improvements Fund of \$30,000 for construction of sidewalk improvements.

During the 2020 fiscal year, the Town made a transfer from the Golf Cart Infrastructure Improvements Fund to the Islander Drive/WORA Improvements Fund of \$28,000 for construction of golf cart parking improvements.

**D. Net Investment in Capital Assets**

	<b>Governmental</b>
Capital assets	\$ 24,486,989
less: long-term debt excluding unspent proceeds	(1,621,770)
<b>Net investment in capital assets</b>	<b>\$ 22,865,219</b>

**E. Fund Balance**

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

<i>Total fund balance - General Fund</i>	\$ 2,906,363
Less:	
Stabilization by State Statute	1,246,984
Public Safety	3,653
EMS	2,007
Prepaid Expenses	52,981
LEO Special Separation Allowance	63,954
Subsequent year's expenditures	55,000
Remaining fund balance	\$ 1,481,784

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

**F. Encumbrances**

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Outstanding encumbrances in the Governmental fund types at June 30, 2020 are as follows:

General Fund	\$ 158,621
Emergency Services Facilities & Equipment Fund	1,250,627
Non Major Funds	147,358

**Town of Emerald Isle, North Carolina**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended June 30, 2020**

**NOTE 4 - JOINT VENTURE**

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these monies to the local board of the Firemen's Relief Fund. The Funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Firemen's Relief Fund for the on-behalf of payments for supplemental insurance premiums and membership dues made to members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2020, there were no payments made through the Firemen's Relief Fund on-behalf of the Town. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2020. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 3101 Industrial Drive, Suite 200, Raleigh, North Carolina 27609.

**NOTE 5 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

**Federal and State Assistance Programs**

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

**NOTE 6 - SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through November 10, 2020, the date the financial statements were available to be issued.

### **Required Supplementary Financial Data**

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

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

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

**Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Emerald Isle's proportion of the net pension liability (asset) (%)	0.0541%	0.0473%	0.0444%	0.0461%	0.0497%	0.0495%	0.0499%
Emerald Isle's proportion of the net pension liability (asset) (\$)	\$ 1,476,063	\$ 1,122,123	\$ 678,920	\$ 978,400	\$ 215,288	\$ (219,748)	\$ 601,487
Emerald Isle's covered payroll	\$ 3,529,677	\$ 3,105,746	\$ 3,180,140	\$ 2,692,600	\$ 2,673,931	\$ 2,459,431	\$ 2,891,933
Emerald Isle's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	41.82%	36.13%	21.35%	36.34%	8.05%	-8.93%	20.80%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%

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

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

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

**Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 334,597	\$ 281,214	\$ 239,737	\$ 206,521	\$ 183,610	\$ 191,000	\$ 189,681
Contributions in relation to the contractually required contribution	334,597	281,214	239,737	206,521	183,610	191,000	189,681
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Emerald Isle's covered payroll	\$ 3,717,233	\$ 3,529,677	\$ 3,105,746	\$ 3,180,140	\$ 2,692,600	\$ 2,673,931	\$ 2,459,431
Contributions as a percentage of covered payroll	9.00%	7.97%	7.72%	6.49%	6.82%	7.14%	7.71%

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

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

**Firefighters' and Rescue Squad Workers' Pension**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Emerald Isle's proportionate share of the net pension liability (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Emerald Isle's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with Town of Emerald Isle	41,604	31,962	32,002	19,529	13,487	10,384
Total	<u>\$ 41,604</u>	<u>\$ 31,962</u>	<u>\$ 32,002</u>	<u>\$ 19,529</u>	<u>\$ 13,487</u>	<u>\$ 10,384</u>
Emerald Isle's covered payroll	\$ 787,536	\$ 761,680	\$ 706,681	\$ 630,760	\$ 614,082	\$ 624,047
Emerald Isle's proportionate share of the net pension liability as a percentage of its covered payroll	5.28%	4.20%	4.53%	3.10%	2.20%	1.66%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	84.94%	84.94%	84.94%	91.40%	93.42%

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

**Town of Emerald Isle, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Last Four Fiscal Years\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 685,467	\$ 628,493	\$ 552,844	\$ 531,161
Service Cost	25,130	24,232	18,960	23,624
Interest on the total pension liability	24,256	19,510	20,912	18,801
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	107,787	56,742	27,352	-
Changes of assumptions or other inputs	19,386	(21,361)	30,574	(11,722)
Benefit payments	(38,167)	(22,149)	(22,149)	(9,020)
Other changes	-	-	-	-
<b>Ending balance of the total pension liability</b>	<u><u>\$ 823,859</u></u>	<u><u>\$ 685,467</u></u>	<u><u>\$ 628,493</u></u>	<u><u>\$ 552,844</u></u>

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

**Town of Emerald Isle, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**Required Supplementary Information**  
**Last Four Fiscal Years\***

	2020		2019		2018		2017
Total pension liability	\$ 823,859	\$	685,467	\$	628,493	\$	552,844
Covered payroll	1,022,119		921,056		795,169		877,590
Total pension liability as a percentage of covered payroll**	80.60%		74.42%		79.04%		63.00%

Notes to the schedules:

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

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

**Town of Emerald Isle, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Retiree Insurance Allowance**  
**Required Supplementary Information**  
**Last Two Fiscal Years\***

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 239,731	\$ -
Service cost	11,263	11,972
Interest on the total pension liability	8,605	7,257
Changes of assumptions or other inputs	6,910	(8,545)
Benefit payments	(6,680)	(1,200)
Other changes	-	230,247
<b>Ending balance of the total pension liability</b>	<u><u>\$ 259,829</u></u>	<u><u>\$ 239,731</u></u>

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

**Town of Emerald Isle, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Retiree Insurance Allowance**  
**Required Supplementary Information**  
**Last Two Fiscal Years\***

	<u>2020</u>	<u>2019</u>
Total pension liability	\$ 259,829	\$ 239,731
Covered payroll	3,095,790	3,095,790
Total pension liability as a percentage of covered payroll**	8.39%	7.74%

Notes to the schedules:

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

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

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## **Individual Fund Statements and Schedules**

**Town of Emerald Isle, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
<b>Ad valorem taxes:</b>			
Collections of tax levy	\$	\$ 4,367,981	\$
Penalties and interest		13,233	
<b>Total</b>	<u>4,399,786</u>	<u>4,381,214</u>	<u>(18,572)</u>
<b>Unrestricted intergovernmental:</b>			
Local option sales tax		2,103,012	
Utility sales tax		462,735	
Beer/wine tax		16,331	
Video programming		96,076	
Telecommunications tax		24,503	
ABC revenues		139,133	
<b>Total</b>	<u>2,858,495</u>	<u>2,841,790</u>	<u>(16,705)</u>
<b>Restricted intergovernmental:</b>			
Grants		323,715	
<b>Total</b>	<u>366,517</u>	<u>323,715</u>	<u>(42,802)</u>
<b>Permits and fees and assessments:</b>			
Solid waste fees		1,574,680	
Building inspection fees		212,121	
Development fees		150	
CAMA permits		8,880	
Dunes and vegetation permits		8,440	
Beach vehicular permits		147,500	
Storm water permits		3,240	
Parking fees and fines/officer fees		158,285	
Reentry fees		31,625	
Golf cart permits		104,725	
<b>Total</b>	<u>2,245,700</u>	<u>2,249,646</u>	<u>3,946</u>
<b>Sales and services:</b>			
Recreation revenues		139,116	
EMS service fees		205,111	
<b>Total</b>	<u>406,000</u>	<u>344,227</u>	<u>(61,773)</u>
<b>Investment earnings</b>	<u>\$ 54,000</u>	<u>\$ 53,646</u>	<u>\$ (354)</u>

**Town of Emerald Isle, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual (continued)**  
**For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Miscellaneous revenues:</b>			
Insurance proceeds/refunds	\$	\$ 10,326	\$
Mowing and debris removal		34,600	
Donations		28,607	
Miscellaneous		13,305	
Sale of surplus property		28,422	
<b>Total</b>	<u>101,542</u>	<u>115,260</u>	<u>13,718</u>
<b>Total revenues</b>	<u>10,432,040</u>	<u>10,309,498</u>	<u>(122,542)</u>
<b>Expenditures:</b>			
<b>General government:</b>			
<b>Board of Commissioners:</b>			
Salaries and benefits		64,270	
Professional services		12,850	
Other operating expenditures		34,208	
<b>Total</b>	<u>119,808</u>	<u>111,328</u>	<u>8,480</u>
<b>Administration and finance:</b>			
Salaries and employee benefits		590,469	
Other operating expenditures		126,558	
<b>Total</b>	<u>744,414</u>	<u>717,027</u>	<u>27,387</u>
<b>Inspection:</b>			
Salaries and benefits		169,452	
Other operating expenditures		115,166	
<b>Total</b>	<u>292,432</u>	<u>284,618</u>	<u>7,814</u>
<b>Non-departmental:</b>			
Contract services		20,000	
Other operating expenditures		455,812	
<b>Total</b>	<u>557,054</u>	<u>475,812</u>	<u>81,242</u>
<b>Total general government</b>	<u>\$ 1,713,708</u>	<u>\$ 1,588,785</u>	<u>\$ 124,923</u>

**Town of Emerald Isle, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual (continued)**  
**For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Public safety:</b>			
<b>Emergency medical services:</b>			
Salaries and employee benefits	\$	\$ 608,119	\$
Other operating expenditures		185,176	
Capital outlay		281,370	
<b>Total</b>	<u>1,119,476</u>	<u>1,074,665</u>	<u>44,811</u>
<b>Police department:</b>			
Salaries and employee benefits		1,601,997	
Other operating expenditures		244,687	
Capital outlay		16,815	
<b>Total</b>	<u>1,940,957</u>	<u>1,863,499</u>	<u>77,458</u>
<b>Fire:</b>			
Salaries and employee benefits		1,510,878	
Other operating expenditures		268,752	
Capital outlay		16,376	
<b>Total</b>	<u>1,839,434</u>	<u>1,796,006</u>	<u>43,428</u>
<b>Total public safety</b>	<u>4,899,867</u>	<u>4,734,170</u>	<u>165,697</u>
<b>Environmental protection:</b>			
<b>Public works:</b>			
Salaries and employee benefits		306,911	
Other operating expenditures		419,888	
Street maintenance		39,401	
Capital outlay		42,446	
<b>Total</b>	<u>871,951</u>	<u>808,646</u>	<u>63,305</u>
<b>Solid waste:</b>			
Salaries and employee benefits		232,066	
Other operating expenditures		1,351,797	
<b>Total</b>	<u>1,617,997</u>	<u>1,583,863</u>	<u>34,134</u>
<b>Total environmental protection</b>	<u>\$ 2,489,948</u>	<u>\$ 2,392,509</u>	<u>\$ 97,439</u>

**Town of Emerald Isle, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual (continued)**  
**For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Cultural and recreational:</b>			
<b>Parks and recreation:</b>			
Salaries and employee benefits	\$	\$ 743,088	\$
Other operating expenditures		237,844	
Capital outlay		58,910	
<b>Total culture and recreation</b>	<u>1,204,967</u>	<u>1,039,842</u>	<u>165,125</u>
 <b>Debt service:</b>			
Principal		335,270	
Interest		43,249	
<b>Total</b>	<u>378,519</u>	<u>378,519</u>	<u>-</u>
 <b>Total expenditures</b>	<u>10,687,009</u>	<u>10,133,825</u>	<u>553,184</u>
 <b>Revenues over (under) expenditures</b>	<u>(254,969)</u>	<u>175,673</u>	<u>430,642</u>
 <b>Other financing sources (uses):</b>			
Transfers:			
To Special Events Fund		(10,746)	
To Golf Cart Improvement Fund		(22,050)	
To Islander/WORA Improvement Fund		(275,380)	
To Future Beach Nourishment Fund		(400,000)	
Issuance of installment debt		246,000	
<b>Total other financing sources (uses)</b>	<u>(461,126)</u>	<u>(462,176)</u>	<u>(1,050)</u>
 <b>Fund balance appropriated</b>	<u>716,095</u>	<u>-</u>	<u>(716,095)</u>
 <b>Net change in fund balances</b>	<u>\$ -</u>	<u>(286,503)</u>	<u>\$ (286,503)</u>
 <b>Fund balances, beginning</b>		<u>3,192,866</u>	
<b>Fund balances, ending</b>		<u><u>\$ 2,906,363</u></u>	

**Town of Emerald Isle, North Carolina**  
**Future Beach Nourishment**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Benefit taxes	\$ 281,559	\$ 275,102	\$ (6,457)
Investment earnings	85,000	29,173	(55,827)
<b>Total revenues</b>	<u>366,559</u>	<u>304,275</u>	<u>(62,284)</u>
<b>Revenues over (under) expenditures</b>	<u>366,559</u>	<u>304,275</u>	<u>(62,284)</u>
<b>Other financing sources (uses):</b>			
Transfers:			
From General Fund	400,000	400,000	-
<b>Total other financing sources (uses)</b>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Fund balance appropriated	<u>(766,559)</u>	<u>-</u>	<u>766,559</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>704,275</u>	<u>\$ 704,275</u>
<b>Fund balance, beginning</b>		<u>4,228,700</u>	
<b>Fund balance, ending</b>		<u>\$ 4,932,975</u>	

**Town of Emerald Isle, North Carolina**  
**Eastern Emerald Isle Post-Florence Beach Nourishment Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2020**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>					
Restricted intergovernmental:					
FEMA/NC DPS	\$ 13,321,334	\$ -	\$ 13,321,334	\$ 13,321,334	\$ -
Carteret County	10,345,467	10,345,467	-	10,345,467	-
<b>Total revenues</b>	<u>23,666,801</u>	<u>10,345,467</u>	<u>13,321,334</u>	<u>23,666,801</u>	<u>-</u>
<b>Expenditures:</b>					
Design services	268,657	259,872	8,785	268,657	-
Construction	13,052,677	12,842,176	210,501	13,052,677	-
Return to Carteret County Beach	10,345,467	-	10,345,467	10,345,467	-
<b>Total expenditures</b>	<u>23,666,801</u>	<u>13,102,048</u>	<u>10,564,753</u>	<u>23,666,801</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>(2,756,581)</u>	<u>2,756,581</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses):</b>					
Transfers:					
From Future Beach Nour Fund	1,150,000	1,150,000	-	1,150,000	-
To Future Beach Nour Fund	<u>(1,150,000)</u>	<u>(1,150,000)</u>	<u>-</u>	<u>(1,150,000)</u>	<u>-</u>
<b>Total other sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (2,756,581)</u>	<u>2,756,581</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balance, beginning</b>			<u>(2,756,581)</u>		
<b>Fund balance, ending</b>			<u>\$ -</u>		

**Town of Emerald Isle, North Carolina**  
**Hurricane Florence Recovery Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ending June 30, 2020**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>					
Restricted intergovernmental:					
FEMA/NC DPS	\$ 3,634,995	\$ 2,178,506	\$ 697,787	\$ 2,876,293	\$ (758,702)
Unrestricted intergovernmental:					
Insurance proceeds	35,930	35,930	-	35,930	-
Miscellaneous	2,183	2,183	-	2,183	-
<b>Total revenues</b>	<u>3,673,108</u>	<u>2,216,619</u>	<u>697,787</u>	<u>2,914,406</u>	<u>(758,702)</u>
<b>Expenditures:</b>					
Construction	49,193	-	286,438	286,438	(237,245)
Salaries and benefits	240,000	208,027	-	208,027	31,973
Repairs and maintenance	1,123,483	142,495	68,461	210,956	912,527
Equipment rental	76,627	76,627	-	76,627	-
Supplies	34,239	34,239	-	34,239	-
Debris removal and monitoring	2,149,566	2,146,567	3,000	2,149,567	(1)
<b>Total expenditures</b>	<u>3,673,108</u>	<u>2,607,955</u>	<u>357,899</u>	<u>2,965,854</u>	<u>707,254</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>(391,336)</u>	<u>339,888</u>	<u>(51,448)</u>	<u>(51,448)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (391,336)</u>	<u>339,888</u>	<u>\$ (51,448)</u>	<u>\$ (51,448)</u>
<b>Fund balance, beginning</b>			(391,336)		
<b>Fund balance, ending</b>			<u>\$ (51,448)</u>		

**Town of Emerald Isle, North Carolina**  
**Emergency Services Facilities and Equipment Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ending June 30, 2020**

		<b>Actual</b>			<b>Variance</b>
	<b>Project</b>	<b>Prior</b>	<b>Current</b>	<b>Total to</b>	<b>Positive</b>
	<b>Authorization</b>	<b>Years</b>	<b>Year</b>	<b>Date</b>	<b>(Negative)</b>
<b>Revenues:</b>					
Interest earned	\$ -	\$ -	\$ 46	\$ 46	\$ 46
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>46</u>	<u>46</u>	<u>46</u>
<b>Expenditures:</b>					
Design services	270,000	-	-	-	270,000
Construction	5,400,000	-	-	-	5,400,000
Equipment	1,200,000	-	52,058	52,058	1,147,942
<b>Total expenditures</b>	<u>6,870,000</u>	<u>-</u>	<u>52,058</u>	<u>52,058</u>	<u>6,817,942</u>
<b>Revenues over (under)</b>					
<b>expenditures</b>	<u>(6,870,000)</u>	<u>-</u>	<u>(52,012)</u>	<u>(52,012)</u>	<u>6,817,988</u>
<b>Other financing sources (uses):</b>					
Installment purchase debt issued	6,870,000	-	1,255,000	1,255,000	(5,615,000)
<b>Total other sources (uses)</b>	<u>6,870,000</u>	<u>-</u>	<u>1,255,000</u>	<u>1,255,000</u>	<u>(5,615,000)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>1,202,988</u>	<u>\$ 1,202,988</u>	<u>\$ 1,202,988</u>
<b>Fund balance, beginning</b>			-		
<b>Fund balance, ending</b>			<u>\$ 1,202,988</u>		

**Town of Emerald Isle, North Carolina**  
**Post- Florence Beach Nourishment Phase - II Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ending June 30, 2020**

	<b>Project</b>	<b>Actual</b>			<b>Variance</b>
	<b>Authorization</b>	<b>Prior</b>	<b>Current</b>	<b>Total to</b>	<b>Positive</b>
		<b>Years</b>	<b>Year</b>	<b>Date</b>	<b>(Negative)</b>
<b>Revenues:</b>					
Restricted intergovernmental:					
FEMA/NC DPS	\$ 3,630,095	\$ -	\$ 3,496,035	\$ 3,496,035	\$ (134,060)
Carteret County	2,041,928	-	2,097,927	2,097,927	55,999
<b>Total revenues</b>	<u>5,672,023</u>	<u>-</u>	<u>5,593,962</u>	<u>5,593,962</u>	<u>(78,061)</u>
<b>Expenditures:</b>					
Design services	620,000	-	573,276	573,276	46,724
Construction	4,811,450	-	5,012,034	5,012,034	(200,584)
Contingency	240,573	-	8,652	8,652	231,921
<b>Total expenditures</b>	<u>5,672,023</u>	<u>-</u>	<u>5,593,962</u>	<u>5,593,962</u>	<u>78,061</u>
 <b>Net change in fund balance</b>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>-</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>
 <b>Fund balance, beginning</b>			 <u><u>-</u></u>		
<b>Fund balance, ending</b>			<u><u>\$ -</u></u>		

## **Non-Major Governmental Funds**

**Town of Emerald Isle, North Carolina**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2020**

	<b>Special Revenue Fund</b>	<b>Capital Project Funds</b>				
	<b>Special Events Fund</b>	<b>Bike and Pedestrian Project</b>	<b>Islander Dr WORA Improvements</b>	<b>Golf Cart Infrastructure Recovery Fund</b>	<b>McLean-Spell Park Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets:</b>						
Cash and cash equivalents	\$ 14,102	\$ -	\$ 230,699	\$ 3,727	\$ 67,686	\$ 316,214
Prepaid items	6,650	-	-	-	-	6,650
Restricted cash and cash equivalents:	-	27,986	65,229	-	-	93,215
<b>Total assets</b>	<u>\$ 20,752</u>	<u>\$ 27,986</u>	<u>\$ 295,928</u>	<u>\$ 3,727</u>	<u>\$ 67,686</u>	<u>\$ 416,079</u>
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 1,285	\$ -	\$ 166,122	\$ -	\$ -	\$ 167,407
<b>Fund balances:</b>						
Nonspendable:						
Prepays	6,650	-	-	-	-	6,650
Restricted:						
Streets - Powell Bill	-	-	65,229	-	-	65,229
Assigned:						
Environmental protection	-	-	64,577	-	-	64,577
Culture and recreation	12,817	27,986	-	3,727	67,686	112,216
<b>Total fund balances</b>	<u>19,467</u>	<u>27,986</u>	<u>129,806</u>	<u>3,727</u>	<u>67,686</u>	<u>248,672</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 20,752</u>	<u>\$ 27,986</u>	<u>\$ 295,928</u>	<u>\$ 3,727</u>	<u>\$ 67,686</u>	<u>\$ 416,079</u>

**Town of Emerald Isle, North Carolina**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2020**

	Special Revenue Fund	Capital Project Funds				Total Nonmajor Governmental Funds
	Special Events Fund	Bike and Pedestrian Project	Islander Dr WORA Improvements	Golf Cart Infrastructure Recovery Fund	McLean-Spell Park Fund	
<b>Revenues:</b>						
Grants	\$ -	\$ -	\$ 245,861	\$ -	\$ -	\$ 245,861
Miscellaneous	88,825	2,850	50,000	-	10,506	152,181
<b>Total revenues</b>	<u>88,825</u>	<u>2,850</u>	<u>295,861</u>	<u>-</u>	<u>10,506</u>	<u>398,042</u>
<b>Expenditures:</b>						
<b>Current:</b>						
Cultural and recreation	89,234	1,776	-	-	-	91,010
<b>Capital outlay:</b>						
Cultural and recreation	-	22,632	-	400	-	23,032
Environmental protection	-	-	587,929	7,923	-	595,852
<b>Total expenditures</b>	<u>89,234</u>	<u>24,408</u>	<u>587,929</u>	<u>8,323</u>	<u>-</u>	<u>709,894</u>
<b>Revenues over (under) expenditures</b>	<u>(409)</u>	<u>(21,558)</u>	<u>(292,068)</u>	<u>(8,323)</u>	<u>10,506</u>	<u>(311,852)</u>
<b>Other financing sources (uses):</b>						
Transfer from other Funds	10,746	-	333,380	22,050	-	366,176
Transfer to other Funds	-	(30,000)	-	(28,000)	-	(58,000)
<b>Total other sources (uses)</b>	<u>10,746</u>	<u>(30,000)</u>	<u>333,380</u>	<u>(5,950)</u>	<u>-</u>	<u>308,176</u>
<b>Net change in fund balance</b>	<u>10,337</u>	<u>(51,558)</u>	<u>41,312</u>	<u>(14,273)</u>	<u>10,506</u>	<u>(3,676)</u>
<b>Fund balance, beginning</b>	9,130	79,544	88,494	18,000	57,180	252,348
<b>Fund balance, ending</b>	<u>\$ 19,467</u>	<u>\$ 27,986</u>	<u>\$ 129,806</u>	<u>\$ 3,727</u>	<u>\$ 67,686</u>	<u>\$ 248,672</u>

**Town of Emerald Isle, North Carolina**  
**Special Events Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances- Budget & Actual**  
**For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Miscellaneous:			
Entry fees	\$ 67,575	\$ 38,213	\$ (29,362)
Sponsorships	24,004	18,375	(5,629)
T-shirt sales	17,200	4,737	(12,463)
Carteret County TDA	42,500	27,500	(15,000)
<b>Total revenues</b>	<u>151,279</u>	<u>88,825</u>	<u>(62,454)</u>
<b>Expenditures:</b>			
Operating	142,025	89,234	52,791
<b>Total expenditures</b>	<u>142,025</u>	<u>89,234</u>	<u>52,791</u>
<b>Revenues over (under) expenditures</b>	<u>9,254</u>	<u>(409)</u>	<u>(9,663)</u>
<b>Other financing sources (uses):</b>			
Transfers:			
From General Fund	10,746	10,746	-
To Bicycle and Pedestrian Fund	(20,000)	-	20,000
<b>Total other sources (uses)</b>	<u>(9,254)</u>	<u>10,746</u>	<u>20,000</u>
Fund balance appropriated	-	-	-
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>10,337</u>	<u>\$ 10,337</u>
<b>Fund balance, beginning</b>		9,130	
<b>Fund balance, ending</b>		<u>\$ 19,467</u>	

**Town of Emerald Isle, North Carolina**  
**Bike and Pedestrian Project Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**

	<b>Project</b>	<b>Actual</b>		<b>Variance</b>
	<b>Authorization</b>	<b>Prior</b>	<b>Current</b>	<b>Positive</b>
		<b>Years</b>	<b>Year</b>	<b>(Negative)</b>
<b>Revenues:</b>				
Miscellaneous:				
Entry fees	\$ 33,836	\$ 32,774	\$ 2,500	\$ 1,438
Donations	25,000	19,998	350	(4,652)
<b>Total revenues</b>	<b>58,836</b>	<b>52,772</b>	<b>2,850</b>	<b>(3,214)</b>
<b>Expenditures:</b>				
Miscellaneous	19,788	11,894	1,776	6,118
Construction	200,126	152,412	22,632	25,082
<b>Total expenditures</b>	<b>219,914</b>	<b>164,306</b>	<b>24,408</b>	<b>31,200</b>
<b>Revenues over (under)</b>				
<b>    expenditures</b>	<b>(161,078)</b>	<b>(111,534)</b>	<b>(21,558)</b>	<b>27,986</b>
<b>Other financing sources (uses):</b>				
Transfers:				
From Coast Guard Road				
Multi-use Path	48,485	48,485	-	-
From Half Marathon Fund	162,000	162,000	-	-
From General Fund	22,593	22,593	-	-
From NC 58 Traffic Signal Fund	36,000	36,000	-	-
To Bogue Inlet Drive Fund	(78,000)	(78,000)	-	-
To Islander/WORA Improvement	(30,000)	-	(30,000)	-
<b>Total other sources (uses)</b>	<b>161,078</b>	<b>191,078</b>	<b>(30,000)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 79,544</b>	<b>(51,558)</b>	<b>\$ 27,986</b>
<b>Fund balance, beginning</b>			79,544	
<b>Fund balance, ending</b>			<b>\$ 27,986</b>	

**Town of Emerald Isle, North Carolina**  
**Islander Drive WORA Improvements Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2020**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>					
Restricted intergovernmental:					
Powell Bill	\$ 145,861	\$ -	\$ 145,861	\$ 145,861	\$ -
NC Dept of Commerce	100,000	-	100,000	100,000	-
Carteret County	66,992	-	-	-	(66,992)
Contributions	50,000	-	50,000	50,000	-
<b>Total revenues</b>	<b>362,853</b>	<b>-</b>	<b>295,861</b>	<b>295,861</b>	<b>(66,992)</b>
<b>Expenditures:</b>					
Design services	90,966	-	84,106	84,106	6,860
Construction	303,696	8,360	244,750	253,110	50,586
Steets	398,425	-	259,073	259,073	139,352
<b>Total expenditures</b>	<b>793,087</b>	<b>8,360</b>	<b>587,929</b>	<b>596,289</b>	<b>196,798</b>
<b>Revenues over (under) expenditures</b>	<b>(430,234)</b>	<b>(8,360)</b>	<b>(292,068)</b>	<b>(300,428)</b>	<b>129,806</b>
<b>Other financing sources (uses):</b>					
Transfers:					
From General Fund	275,380	-	275,380	275,380	-
From Bike & Ped Fund	30,000	-	30,000	30,000	-
From CPO-Islander Dr.	9,846	9,846	-	9,846	-
From Golf Cart Improvement	28,000	-	28,000	28,000	-
Proceeds from land sale	87,008	87,008	-	87,008	-
<b>Total other sources (uses)</b>	<b>430,234</b>	<b>96,854</b>	<b>333,380</b>	<b>430,234</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 88,494</b>	<b>41,312</b>	<b>\$ 129,806</b>	<b>\$ 129,806</b>
<b>Fund balance, beginning</b>			<b>88,494</b>		
<b>Fund balance, ending</b>			<b>\$ 129,806</b>		

**Town of Emerald Isle, North Carolina**  
**Golf Cart Infrastructure Improvements Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2020**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
<b>Expenditures:</b>					
Design services	\$ -	\$ -	\$ 400	\$ 400	\$ (400)
Construction	12,050	-	7,923	7,923	4,127
<b>Total expenditures</b>	<u>12,050</u>	<u>-</u>	<u>8,323</u>	<u>7,923</u>	<u>4,127</u>
<b>Revenues over (under) expenditures</b>	<u>(12,050)</u>	<u>-</u>	<u>(8,323)</u>	<u>(7,923)</u>	<u>4,127</u>
<b>Other financing sources (uses):</b>					
Transfers:					
From General Fund	40,050	18,000	22,050	40,050	-
To Islander/WORA Improvement	<u>(28,000)</u>	<u>-</u>	<u>(28,000)</u>	<u>(28,000)</u>	<u>-</u>
<b>Total other sources (uses)</b>	<u>12,050</u>	<u>18,000</u>	<u>(5,950)</u>	<u>40,050</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 18,000</u>	<u>(14,273)</u>	<u>\$ 32,127</u>	<u>\$ 4,127</u>
<b>Fund balance, beginning</b>			<u>18,000</u>		
<b>Fund balance, ending</b>			<u>\$ 3,727</u>		

**Town of Emerald Isle, North Carolina**  
**McLean-Spell Park Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and For the Year Ended June 30, 2020**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>					
Restricted intergovernmental:					
NC Parks & Rec Trust Grant	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -
Clean Water Mgmt Trust Grant	545,000	545,000	-	545,000	-
Donations	26,000	-	10,506	10,506	(15,494)
<b>Total revenues</b>	<b>1,071,000</b>	<b>1,045,000</b>	<b>10,506</b>	<b>1,055,506</b>	<b>(15,494)</b>
<b>Expenditures:</b>					
Land acquisition	1,500,000	1,503,021	-	1,503,021	(3,021)
Park improvements	87,500	1,567	-	1,567	85,933
Miscellaneous	83,500	83,232	-	83,232	268
<b>Total expenditures</b>	<b>1,671,000</b>	<b>1,587,820</b>	<b>-</b>	<b>1,587,820</b>	<b>83,180</b>
<b>Revenues over (under) expenditures</b>	<b>(600,000)</b>	<b>(544,387)</b>	<b>10,506</b>	<b>(532,314)</b>	<b>67,686</b>
<b>Other financing sources (uses):</b>					
Installment purchase debt issued	600,000	600,000	-	600,000	-
<b>Total other sources (uses)</b>	<b>600,000</b>	<b>600,000</b>	<b>-</b>	<b>600,000</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ 55,613</b>	<b>10,506</b>	<b>\$ 67,686</b>	<b>\$ 67,686</b>
<b>Fund balance, beginning</b>			57,180		
<b>Fund balance, ending</b>			<b>\$ 67,686</b>		

## Other Schedules

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**This section contains additional information on property taxes.**

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

**Town of Emerald Isle, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2020**

<b><u>Fiscal Year</u></b>	<b><u>Uncollected Balances June 30, 2019</u></b>	<b><u>Additions</u></b>	<b><u>Collections and Credits</u></b>	<b><u>Uncollected Balances June 30, 2020</u></b>
2019-2020	\$ -	\$ 4,624,639	\$ (4,608,511)	\$ 16,128
2018-2019	37,686	-	(31,547)	6,139
2017-2018	8,880	-	(4,029)	4,851
2016-2017	3,410	-	(801)	2,609
2015-2016	957	-	(283)	674
2014-2015	718	-	(58)	660
2013-2014	643	-	(16)	627
2012-2013	756	-		756
2011-2012	413	-	(22)	391
2010-2011	1,001	-	(206)	795
2009-2010	179	-	(179)	-
	<u>\$ 54,643</u>	<u>\$ 4,624,639</u>	<u>\$ (4,645,652)</u>	<u>\$ 33,630</u>

Less: allowance for uncollectible accounts - General Fund (11,538)

**Ad valorem taxes receivable - net** \$ 22,092

**Reconciliation with revenues:**

Ad valorem taxes - General Fund \$ 4,381,214  
Ad valorem taxes - Future Beach Nourishment Special Revenue Fund 275,102

**Reconciling items:**

Interest collected (13,233)  
Discounts, releases, and other credits 2,569

**Subtotal** (10,664)

**Total collections and credits** \$ 4,645,652

**Town of Emerald Isle, North Carolina**  
**Analysis of Current Year Tax Levy**  
**For the Year Ended June 30, 2020**

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original levy:</b>					
Property taxed at current rate	\$ 2,799,608,387	0.155	\$ 4,339,393	\$ 4,222,705	\$ 116,688
Special District Taxes	-	0.040	274,146	274,146	-
<b>Total</b>	<u>2,799,608,387</u>		<u>4,613,539</u>	<u>4,496,851</u>	<u>116,688</u>
<b>Discoveries:</b>					
Current and prior years	9,991,613		15,487	15,487	-
<b>Releases:</b>					
Current and prior years	<u>(2,830,323)</u>		<u>(4,387)</u>	<u>(4,387)</u>	<u>-</u>
<b>Total property valuation</b>	<u><u>\$ 2,806,769,677</u></u>				
<b>Net levy</b>			4,624,639	4,507,951	116,688
<b>Uncollected taxes at June 30, 2020</b>			<u>(16,128)</u>	<u>(16,128)</u>	<u>-</u>
<b>Current year's taxes collected</b>			<u><u>\$ 4,608,511</u></u>	<u><u>\$ 4,491,823</u></u>	<u><u>\$ 116,688</u></u>
<b>Current levy collection percentage</b>			<u><u>99.65%</u></u>	<u><u>99.64%</u></u>	<u><u>100.00%</u></u>

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**Statistical Section  
Unaudited**

**Statistical Section  
Unaudited**

**Description of the Statistical Schedules**

<b>Contents</b>	<b>Pages</b>
Financial Trends	90- 93
These schedules contain trend information to assist users in understanding and assessing how the Town’s financial position has changed over time.	
Revenue Capacity	94-97
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	98-101
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	102-104
These schedules offer demographic and economic information to assist users in understanding the environment within which the Town operates.	
Operating Information	105-107
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 theses schedules is derived from the comprehensive annual financial reports for the relevant years.

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental Activities / Primary Government:										
Net investment in capital assets	\$ 22,865,219	\$ 22,231,343	\$ 22,272,216	\$ 19,341,471	\$ 18,520,348	\$ 18,195,914	\$ 16,156,810	\$ 16,520,561	\$ 15,331,429	\$ 13,450,777
Restricted	7,451,829	5,870,332	4,088,443	3,246,185	2,519,657	1,907,088	1,923,224	712,156	2,446,655	914,076
Unrestricted	(1,055,635)	(2,582,672)	719,897	576,443	1,458,257	900,941	710,031	1,177,156	1,145,179	3,117,680
Total governmental activities / primary government net position	\$ 29,261,413	\$ 25,519,003	\$ 27,080,556	\$ 23,164,099	\$ 22,498,262	\$ 21,003,943	\$ 18,790,065	\$ 18,409,873	\$ 18,923,263	\$ 17,482,533

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses										
Governmental Activities:										
General government	\$ 1,715,417	\$ 1,412,150	\$ 1,392,361	\$ 1,387,324	\$ 1,352,365	\$ 1,472,440	\$ 1,435,466	\$ 1,296,756	\$ 1,555,698	\$ 1,275,278
Public safety	4,889,101	4,396,689	3,843,612	3,784,052	3,408,496	3,244,183	3,275,447	3,132,331	3,135,321	3,214,020
Environmental protection	18,813,507	17,925,600	2,326,516	2,340,683	2,274,567	2,188,457	2,214,128	11,708,614	2,487,119	1,926,458
Cultural and recreation	1,430,921	1,304,694	1,370,841	1,277,024	1,165,017	774,486	1,108,279	880,615	897,567	750,860
Economic and physical development			-	-	-	-	-	-	-	23,055
Interest on long-term debt	43,249	51,007	42,470	52,197	63,059	74,032	42,924	64,857	101,164	175,995
Total expenses	\$ 26,892,195	\$ 25,090,140	\$ 8,975,800	\$ 8,841,280	\$ 8,263,504	\$ 7,753,598	\$ 8,076,244	\$ 17,083,173	\$ 8,176,869	\$ 7,365,666
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 105,045	\$ 90,258	\$ 74,682	\$ 54,537	\$ 50,091	\$ 41,275	\$ 32,017	\$ 22,720	\$ 16,260	\$ 140,891
Public safety	470,123	457,847	303,822	222,669	330,039	249,428	279,029	227,246	258,725	88,361
Environmental protection	1,624,660	1,514,032	1,519,879	1,496,127	1,631,638	1,503,941	1,486,316	1,427,452	1,330,672	1,171,139
Cultural and recreation	484,791	534,070	547,578	431,061	260,847	239,799	183,543	151,321	135,151	191,449
Operating grants and contributions	387,828	2,841,432	262,193	474,494	227,824	199,991	169,336	158,202	536,825	204,719
Capital grants and contributions	19,858,946	10,345,467	2,785,421	8,783	245,472	860,700	240,360	8,457,159	912,482	821,472
Total program revenues	\$ 22,931,393	\$ 15,783,106	\$ 5,493,575	\$ 2,687,671	\$ 2,745,911	\$ 3,095,134	\$ 2,390,601	\$ 10,444,100	\$ 3,190,115	\$ 2,618,031
Net (Expense) / Revenue										
Total governmental activities / primary government net expense	\$ (3,960,802)	\$ (9,307,034)	\$ (3,482,225)	\$ (6,153,609)	\$ (5,517,593)	\$ (4,658,464)	\$ (5,685,643)	\$ (6,639,073)	\$ (4,986,754)	\$ (4,747,635)
General Revenues										
Governmental Activities:										
Property taxes	\$ 4,637,281	\$ 4,618,981	\$ 4,572,027	\$ 4,526,187	\$ 4,499,943	\$ 4,442,244	\$ 4,437,811	\$ 4,129,853	\$ 4,124,522	\$ 5,645,506
Local option sales tax	2,103,012	2,044,691	1,924,782	1,849,401	1,707,580	1,668,520	1,469,530	1,408,346	1,718,656	1,568,508
Other taxes and licenses	741,665	761,168	732,331	744,382	633,718	594,313	344,135	340,656	336,665	822,806
Unrestricted grants and contributions	28,606	81,193	51,604	150	51,823	117,820	189,797	181,517	203,403	-
Unrestricted investment earnings	82,864	109,198	60,939	18,368	5,490	1,560	213	2,678	3,878	20,941
Miscellaneous	109,784	130,250	56,999	39,986	49,603	47,898	36,155	62,633	40,360	-
Special items	-	-	-	-	-	-	-	-	-	-
Total program revenues	\$ 7,703,212	\$ 7,745,481	\$ 7,398,682	\$ 7,178,474	\$ 6,948,157	\$ 6,872,355	\$ 6,477,641	\$ 6,125,683	\$ 6,427,484	\$ 8,057,761
Change in Net Position										
Total governmental activities / primary government change in net position	\$ 3,742,410	\$ (1,561,553)	\$ 3,916,457	\$ 1,024,865	\$ 1,430,564	\$ 2,213,891	\$ 791,998	\$ (513,390)	\$ 1,440,730	\$ 3,310,126

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Fund:										
Non-spendable	\$ 52,981	\$ 9,662	\$ 9,000	\$ 15,765	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,250,637	1,641,632	815,501	741,027	697,405	695,281	790,964	692,784	678,533	914,076
Committed	65,961	65,961	63,954	63,954	63,954	-	-	-	-	-
Assigned	55,000	-	-	-	-	-	-	-	24,009	-
Unassigned	1,481,784	1,475,611	1,520,619	1,358,642	1,517,455	1,385,327	1,359,281	1,414,169	1,348,675	981,088
Total general fund	<u>\$ 2,906,363</u>	<u>\$ 3,192,866</u>	<u>\$ 2,409,074</u>	<u>\$ 2,179,388</u>	<u>\$ 2,278,814</u>	<u>\$ 2,080,608</u>	<u>\$ 2,150,245</u>	<u>\$ 2,106,953</u>	<u>\$ 2,051,217</u>	<u>\$ 1,895,164</u>
All other government funds:										
Non-spendable	\$ 6,650	\$ -	\$ 4,650	\$ 7,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	6,201,192	4,228,700	3,272,942	2,505,158	1,822,252	1,211,807	1,132,260	19,372	1,768,122	-
Assigned	176,793	252,348	124,022	101,533	131,203	128,519	139,742	83,866	86,824	-
Unassigned	(51,448)	(3,147,917)	(961)	-	-	-	-	(278,665)	-	2,465,687
Total all other governmental funds	<u>\$ 6,333,187</u>	<u>\$ 1,333,131</u>	<u>\$ 3,400,653</u>	<u>\$ 2,614,341</u>	<u>\$ 1,953,455</u>	<u>\$ 1,340,326</u>	<u>\$ 1,272,002</u>	<u>\$ (175,427)</u>	<u>\$ 1,854,946</u>	<u>\$ 2,465,687</u>

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Revenues:</b>										
Ad valorem taxes	\$ 4,656,316	\$ 4,598,673	\$ 4,567,954	\$ 4,524,919	\$ 4,497,638	\$ 4,459,517	\$ 4,441,163	\$ 4,132,760	\$ 4,128,232	\$ 5,654,506
Other taxes and licenses	-	-	-	-	-	-	-	6,020	14,659	14,001
Unrestricted intergovernmental	4,939,717	2,805,859	2,657,113	2,593,783	2,452,440	2,409,556	2,025,954	1,879,955	2,186,384	2,087,501
Restricted intergovernmental	18,084,732	13,210,012	1,307,193	316,529	383,399	995,258	637,430	8,272,299	1,396,005	1,013,493
Permits and fees	2,249,646	2,094,151	2,142,902	2,073,270	2,014,169	1,797,147	1,794,351	1,674,645	1,603,118	1,456,219
Sales and services	344,227	420,845	212,873	167,771	146,081	135,652	125,455	151,321	135,151	139,622
Investment earnings	82,865	109,198	60,939	18,368	5,490	1,560	213	2,678	6,552	20,941
Miscellaneous	267,441	238,594	198,789	448,237	202,422	186,072	128,171	189,784	153,881	268,813
Total revenues	30,624,944	23,477,332	11,147,763	10,142,877	9,701,639	9,984,762	9,152,737	16,309,462	9,623,982	10,655,096
<b>Expenditures:</b>										
Current:										
General government	1,588,785	1,330,031	1,325,551	1,304,192	1,279,520	1,448,034	1,293,196	1,153,458	1,420,074	1,134,539
Public safety	4,403,711	3,964,277	3,531,400	3,475,560	3,355,043	3,303,312	3,558,889	3,033,066	3,073,814	3,077,051
Environmental protection	18,580,239	17,715,138	2,137,608	2,137,131	2,261,735	2,105,296	2,120,746	2,006,748	2,090,011	1,858,539
Economic development	-	-	-	-	-	-	-	-	-	852,220
Cultural and recreational	1,071,942	972,020	1,074,071	992,130	1,070,113	933,934	1,019,278	749,525	651,744	699,922
Capital Outlay	1,389,195	434,095	2,106,259	825,289	323,701	1,620,843	2,278,418	10,061,936	1,436,252	-
Debt service:										
Principal	335,270	577,831	513,963	787,558	595,925	582,542	224,229	1,181,282	1,440,294	2,430,543
Interest and other charges	43,249	54,678	42,913	59,557	68,022	78,191	22,260	98,084	118,635	187,611
Total expenditures	27,412,391	25,048,070	10,731,765	9,581,417	8,954,059	10,072,152	10,517,016	18,284,099	10,230,824	10,240,425
Excess (Deficiency ) of revenues over (under) expenditures	3,212,553	(1,570,738)	415,998	561,460	747,580	(87,390)	(1,364,279)	(1,974,637)	(606,842)	414,671
<b>Other Financing Sources (Uses):</b>										
Transfers from other funds	766,176	1,610,123	1,636,453	847,414	778,411	674,362	128,831	1,701,688	134,641	511,133
Transfers to other funds	(766,176)	(1,610,123)	(1,636,453)	(847,414)	(778,411)	(674,362)	(128,831)	(1,701,688)	(134,641)	(511,133)
Proceeds from sale of property	-	287,008	-	-	-	-	-	-	-	-
Issuance of debt	1,501,000	-	600,000	-	-	86,077	2,855,000	-	152,154	-
Total other financing sources (uses)	1,501,000	287,008	600,000	-	-	86,077	2,855,000	-	152,154	-
<b>Net change in fund balance</b>	<b>\$ 4,713,553</b>	<b>\$ (1,283,730)</b>	<b>\$ 1,015,998</b>	<b>\$ 561,460</b>	<b>\$ 747,580</b>	<b>\$ (1,313)</b>	<b>\$ 1,490,721</b>	<b>\$ (1,974,637)</b>	<b>\$ (454,688)</b>	<b>\$ 414,671</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>1.45%</b>	<b>2.57%</b>	<b>6.46%</b>	<b>9.67%</b>	<b>8.06%</b>	<b>8.39%</b>	<b>3.21%</b>	<b>7.20%</b>	<b>18.08%</b>	<b>28.14%</b>

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

Fiscal Year Ended June 30,	Total Taxable Assessed Value	Total Direct Tax Rate <sup>(5)</sup> <sup>(6)</sup>	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Estimated Actual Value <sup>(7)</sup>
2011	4,238,566,515	0.091	4,323,744,277	98.03%
2012	2,974,241,884	0.130	2,719,679,850	109.36%
2013	2,991,621,833	0.130	2,759,289,645	108.42%
2014	3,005,643,363	0.140	2,772,733,730	108.40%
2015	3,006,859,084	0.140	3,008,062,309	99.96%
2016	2,718,824,516	0.155	2,742,962,587	99.12%
2017	2,743,074,381	0.155	2,784,281,751	98.52%
2018	2,765,100,000	0.155	2,950,698,965	93.71%
2019	2,799,132,903	0.155	3,080,031,803	90.88%
2020	2,806,769,677	0.155	2,912,190,991	96.38%

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

Notes:

- (1) The NC General Statutes require a revaluation of real property at least every 8 years. Real property is valued at 100% of estimated value as of the date of the latest revaluation. Revaluations were effective for the fiscal years ending June 30, 2012 and 2016. The next revaluation will be FY 2021.
- (2) Personal property is valued at 100% of estimated value.
- (3) Public service property is generally valued at 100% of estimated value. It may be valued at less than 100% in years in which the County's sales to assessment ratio on real property is less than 80%.
- (4) The Town bills and collects property taxes for real, public service, non-registered motor vehicles and personal property. Carteret County collects property taxes for registered motor vehicles on behalf of the Town via the North Carolina Division of Motor Vehicle's Tax and Tag Program. The values reported above include property taxes billed and collected by the Town and County.
- (5) Per \$100 of value.
- (6) Direct Rate presented for Emerald Isle Non-Oceanfront properties; see the Property Tax Rates - Direct and Overlapping Governments schedule at page 94 for more information.
- (7) Sales assesement ratios as provided by the NC Department of Revenue- Property Tax Division.

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

Fiscal Year Ended June 30,	Town of Emerald Isle				Carteret County	Total Direct and Overlapping
	Operating		Special Districts	Total Direct Rate		
2011	0.080	(1)	0.011	0.091	0.230	0.321
		(2)	0.162	0.242		0.472
2012	0.115	(1)	0.015	0.130	0.300	0.430
		(2)	0.045	0.160		0.460
2013	0.115	(1)	0.015	0.130	0.290	0.420
		(2)	0.045	0.160		0.450
2014	0.125	(1)	0.015	0.140	0.290	0.430
		(2)	0.045	0.170		0.460
2015	0.140	(1)	0.000	0.140	0.300	0.440
		(2)	0.030	0.170		0.470
2016	0.155	(1)	0.000	0.155	0.300	0.455
		(2)	0.040	0.195		0.495
2017	0.155	(1)	0.000	0.155	0.310	0.465
		(2)	0.040	0.195		0.505
2018	0.155	(1)	0.000	0.155	0.310	0.465
		(2)	0.040	0.195		0.505
2019	0.155	(1)	0.000	0.155	0.310	0.465
		(2)	0.040	0.195		0.505
2020	0.155	(1)	0.000	0.155	0.310	0.465
		(2)	0.040	0.195		0.505

Source: Carteret County Tax Office

Notes:

(1) Emerald Isle Non-Oceanfront properties

(2) Emerald Isle Oceanfront properties

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

Taxpayer	2020			2011		
	Taxable Assessed Value <sup>(1)</sup>	Rank	Percentage of Total Assessed Value	Taxable Assessed Value <sup>(1)</sup>	Rank	Percentage of Total Assessed Value
Emerald Plantation Partner, LLC	\$ 8,750,000	1	0.31%	\$ 7,421,746	3	0.18%
Watsons, Inc.	7,015,215	2	0.25	8,700,000	1	0.21
Carteret Craven Electric Management Cooperative	6,763,634	3	0.24	6,000,841	5	0.14
McCabe and Company d/b/a	5,848,000	4	0.21			0.00
Publix North Carolina LP	4,446,628	5	0.16			0.00
McCabe and Company d/b/a	3,929,577	6	0.14			
The Stanley Corporation	3,089,924	7	0.11			
Werner, Thomas E Etux Deborah	2,885,330	8	0.10			
Thatsawful, LLC	2,730,538	9	0.10			
Bogue Fishing Pier, Inc.	2,617,486	10	0.09			
Maritime Siblings LLC				6,114,257	4	0.14
Watersedge Corporation d/b/a				8,689,202	2	0.21
Surfside Realty Company, Inc.				3,786,750	6	0.09
Seaside Siblings, LLC				3,717,437	7	0.09
Santoni, Crista				3,712,929	8	0.09
Stanley, Joseph Michael				3,560,456	9	0.08
Holz, Paxon M.				3,398,090	10	0.08
	<u>\$ 48,076,332</u>		<u>1.71%</u>	<u>\$ 55,101,708</u>		<u>1.30%</u>

Source: Town of Emerald Isle Finance Department

Notes:

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

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

Fiscal Year Ended June, 30,	Taxes Levied for the Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$	5,667,835	\$ 5,626,940	99.28%	\$ 40,100	\$ 5,667,040	99.99%
2012		4,092,181	4,060,632	99.23%	31,158	4,091,790	99.99%
2013		4,113,287	4,084,700	99.31%	27,831	4,112,531	99.98%
2014		4,430,349	4,409,097	99.52%	20,615	4,429,712	99.99%
2015		4,441,488	4,429,183	99.72%	11,645	4,440,828	99.99%
2016		4,486,669	4,477,230	99.79%	8,765	4,485,995	99.98%
2017		4,519,449	4,503,342	99.64%	13,498	4,516,840	99.94%
2018		4,559,350	4,539,805	99.57%	14,964	4,554,769	99.90%
2019		4,614,187	4,576,501	99.18%	31,547	4,608,048	99.87%
2020	\$	4,624,639	\$ 4,608,511	99.65%	\$ -	\$ 4,608,511	99.65%

Source: Town of Emerald Isle Finance Department

**Town of Emerald Isle, North Carolina**  
**Legal Debt Margin Information**  
**June 30, 2020**

Total Assessed Valuation	\$ 2,806,769,677
Legal Debt Margin:	
Debt Limit 8% of Total Assessed Value	224,541,574
Amount of Debt Applicable to Debt Limit	<u>2,824,758</u>
Legal Debt Margin	<u><u>\$ 221,716,816</u></u>

**Town of Emerald Isle, North Carolina**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2020**

	Debt Outstanding	Percentage Applicable to Town <sup>(1)</sup>	Amount Applicable to Town
Direct:			
Town of Emerald Isle	\$ 2,824,758	100.00%	\$ 2,824,758
Overlapping:			
Carteret County	25,685,138	18.54%	4,762,439
	<u>\$ 28,509,896</u>		<u>\$ 7,587,197</u>
 Town's assessed value	 \$ 2,806,769,677		
County's assessed value	\$ 15,137,678,386		

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

Notes:

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

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

<u>Fiscal Year Ended June 30,</u>	<u>General Bonded Debt Outstanding</u>	<u>Less: Amounts Available in Debt Service Fund <sup>(1)</sup></u>	<u>Total</u>	<u>Percentage of Est. Actual Taxable Value of Property <sup>(2)</sup></u>	<u>Per Capita <sup>(3)</sup></u>
2011	1,900,000	1,900,000	-	0.00%	-
2012	950,000	950,000	-	0.00%	-
2013	-	-	-	0.00%	-
2014	-	-	-	0.00%	-
2015	-	-	-	0.00%	-
2016	-	-	-	0.00%	-
2017	-	-	-	0.00%	-
2018	-	-	-	0.00%	-
2019	-	-	-	0.00%	-
2020	-	-	-	0.00%	-

Source: Town of Emerald Isle Finance Department

Notes:

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

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

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding	Installment Contracts	Total Primary Government	Population Estimate <sup>(1)</sup>	Total Debt Per Capita	Personal Income <sup>(2)</sup>	Total Housing Units <sup>(3)</sup>	Total Debt Per Housing Unit <sup>(4)</sup>
2011	1,900,000	1,699,733	3,599,733	3,669	981		6,735	534
2012	950,000	1,631,281	2,581,281	3,711	696		6,735	383
2013	-	1,400,000	1,400,000	3,717	377		6,735	208
2014	-	4,030,771	4,030,771	3,784	1,065		6,735	598
2015	-	3,534,306	3,534,306	3,775	936		6,735	525
2016	-	2,938,381	2,938,381	3,797	774		6,735	436
2017	-	2,150,823	2,150,823	3,791	567		6,735	319
2018	-	2,236,859	2,236,859	3,784	591		6,735	332
2019	-	1,659,028	1,659,028	3,797	437		6,735	246
2020	-	2,824,758	2,824,758	3,822	739		6,735	419

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

Notes:

(1) NCOSBM Certified Municipal Population Estimates

(2) Information is not available at Town level.

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

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

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

<u>Fiscal Year Ended June 30,</u>	<u>Estimated Population <sup>(1)</sup></u>	<u>Unemployment Ratio <sup>(2)</sup></u>	<u>Per Capita Income <sup>(3)</sup></u>	<u>Personal Income <sup>(3)</sup> (in thousands)</u>
2011	3,669	8.35%	39,174	2,639,299
2012	3,711	9.30%	41,761	2,824,360
2013	3,717	8.48%	42,214	2,888,870
2014	3,784	6.50%	43,903	3,021,043
2015	3,775	6.00%	44,199	3,044,352
2016	3,797	5.63%	46,654	3,212,372
2017	3,791	4.93%	47,871	3,297,436
2018	3,784	4.33%	49,360	3,431,692
2019	3,797	4.66%	N/A	N/A
2020	3,822	5.24%	N/A	N/A

Sources:

(1) NCOSBM Certified Municipal Population Estimates

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

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

Notes:

N/A - information not yet available.

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

Employer	2020			2011		
	Employees (FTE's)	Rank ( <sup>2</sup> )	Percentage of Total Employment ( <sup>3</sup> )	Employees (FTE's)	Rank ( <sup>2</sup> )	Percentage of Total Employment ( <sup>3</sup> )
Carteret County Board of Education	1,000+	1		1,000+	1	
Carteret General Hospital	1,000+	2		1,000+	2	
Carteret County Government	500-999	3		250-499	3	
Wal-Mart Associates, Inc.	250-499	4		250-499	4	
Lowes Home Centers, Inc.	250-499	5		-	-	
Carteret Community College	250-499	6		250-499	5	
Food Lion	250-499	7		100-249	8	
Bally Refrigerated Boxes, Inc.	100-249	8		-	-	
Town of Morehead City	100-249	9		-	-	
McDonalds	100-249	10		100-249	10	
SSA Security, Inc.				250-499	6	
NC Dept of Environmental				250-499	7	
Big Rock Sports, LLC				100-249	9	

Source: NC Employment Security Commission

Notes:

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

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

Fiscal Year Ended June 30,	County Collections	Percent Increase/(Decrease)
2011	4,427,940	4.85%
2012	4,596,069	3.80%
2013	4,436,856	-3.46%
2014	5,185,512	16.87%
2015	6,349,850	22.45%
2016	6,671,689	5.07%
2017	7,089,678	6.27%
2018	7,575,723	6.86%
2019	7,689,128	1.50%
2020	7,271,244	-5.43%

Sources:

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

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Full-time										
General Government:										
Administration	5	5	5	5	5	5	5	5	5	5
Planning and Inspections	2	1	1	1	1	1	3	3	3	3
Public Safety:										
Police	20	19	19	19	18	18	19	19	19	21
Fire	18	17	17	14	14	14	14	14	14	14
EMS	8	8	7	-	-	-	-	-	-	-
Environmental Protection:										
Public Works	5	5	5	5	5	5	5	5	5	5
Solid Waste	4	4	4	4	4	3	3	2	2	2
Culture and Recreation:										
Parks and Recreation	10	10	10	9	8	8	8	7	7	8
Total	72	69	68	57	55	54	57	55	55	58
Part-time/Seasonal										
General Government:										
Administration	-	-	-	-	-	-	1	1	1	2
Planning and Inspections	-	-	-	-	-	-	1	1	1	1
Public Safety:										
Police	22	22	22	20	18	17	14	14	14	10
Fire	31	28	28	23	23	21	21	21	20	14
EMS	32	30	23	-	-	-	-	-	-	-
Environmental Protection:										
Public Works	-	-	-	-	-	-	-	-	-	1
Solid Waste	-	1	1	1	1	1	-	1	1	1
Culture and Recreation:										
Parks and Recreation	40	40	40	38	38	37	37	35	34	27
Total	125	121	114	82	80	76	74	73	71	56
<b>Inmate Laborers</b>										
Parks Maintenance	-	2	2	2	2	2	2	2	2	2
Public Works	-	4	4	4	4	4	4	4	4	4
Total	-	6	6	6	6	6	6	6	6	6

Source: Town of Emerald Isle Administration

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public Safety:										
Police dispatch calls answered	14,605	14,004	12,782	13,697	12,509	8,481	8,457	8,574	9,432	9,108
Fire calls answered	1,120	1,272	1,122	1,073	965	917	866	807	822	798
EMS calls involving transport	421	398	474	476	396	420	399	403	386	N/A
Transportation (Streets and Highways):										
Miles of streets maintained	45.50	45.50	45.50	45.50	45.50	45.50	45.50	45.5	45.54	45.54
Environmental Protection (Solid Waste):										
Refuse collected (tons)	3,558	3,805	3,426	3,435	3,356	3,275	3,259	3,279	3,414	3,392
Recyclables collected (tons)	710	704	764	764	774	823	723	657	632	627

Source: Town of Emerald Isle Administration

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public Safety:										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of police vehicles	20	22	22	22	22	20	21	21	21	21
Number of police beach patrol UTV units	4	2	2	2	2	3	2	2	2	2
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Number of fire engines/aerial truck	4	4	4	4	4	4	4	4	4	4
Number of lifeguard UTV units	5	5	4	4	3	3	2	2	2	2
Number of rescue boats	1	1	1	1	1	1	1	1	1	1
Number of rescue jetskis	2	2	2	2	2	2	2	2	2	2
Number of EMS stations	1	1	1	1	1	1	1	1	1	1
Number of Ambulances	2	2	2	-	-	-	-	-	-	-
Transportation (Streets and Highways):										
Miles of streets maintained	45.50	45.50	45.50	45.50	45.50	45.50	45.50	45.5	45.54	45.54
Environmental Protection (Solid Waste):										
Number of yard waste trucks	2	2	2	2	2	1	1	1	1	1
Cultural and recreation:										
Number of community centers	1	1	1	1	1	1	1	1	1	1
Number of park facilities	12	12	12	11	11	10	10	10	10	10
Miles of bicycle and pedestrian path	11.20	11.20	11.20	11.20	11.00	11.00	11.00	5.80	5.10	4.90

Source: Town of Emerald Isle Administration

## **Compliance Section**

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# S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## MEMBERS

American Institute of CPAs

N. C. Association of CPAs

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Emerald Isle, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Town of Emerald Isle's basic financial statements and have issued our report thereon dated November 10, 2020.

#### Internal Control over Financial Reporting

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

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

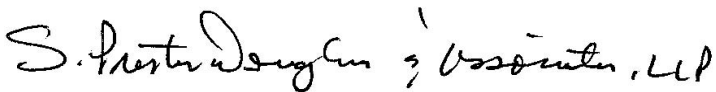
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

### Compliance and Other Matters

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

### Purpose of this Report

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

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

Lumberton, North Carolina  
November 10, 2020

# S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## MEMBERS

American Institute of CPAs

N. C. Association of CPAs

### **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act**

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

#### Report on Compliance for Each Major Federal Program

We have audited the Town of Emerald Isle's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Emerald Isle's major federal programs for the year ended June 30, 2020. The Town of Emerald Isle's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

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

#### Auditor's Responsibility

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

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

### Opinion on Each Major State Program

In our opinion the Town of Emerald Isle complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

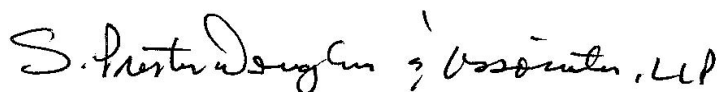
### Report on Internal Control Over Compliance

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

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

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

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



Lumberton, North Carolina  
November 10, 2020

**Town of Emerald Isle, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2020**

<b>Section I. Summary of Auditor's Results</b>
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**Financial Statements**

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

**Federal Awards**

Internal control over major federal programs

• Material weakness(es) identified?	_____ yes <u>  X  </u> no
• Significant deficiency(s) identified that are not considered to be material weaknesses	_____ yes <u>  X  </u> no

Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____ yes <u>  X  </u> no

Identification of major federal programs:

<u>Names of Federal Program or Cluster</u>	<u>CFDA</u> <u>Numbers</u>
Disaster Grants – Public Assistance Program	97.036

Dollar threshold used to distinguish between Type A And Type B programs	\$750,000
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Auditee qualified as low-risk auditee?	<u>  X  </u> yes    _____ no
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**Town of Emerald Isle, North Carolina**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Fiscal Year Ended June 30, 2020**

<b>Section II. Financial Statement Findings</b>
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None reported

<b>Section III. Federal Award Findings and Questioned Costs</b>
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None reported

**Town of Emerald Isle, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Fiscal Year Ended June 30, 2020**

<b>Grantor/Pass-through Grant/Program Title</b>	<b>Federal CFDA Number</b>	<b>Award Number/State Pass-through Grantor's Number</b>	<b>Federal (Direct Pass- through) Expenditures</b>	<b>State Expenditures</b>
<b>Federal Grants:</b>				
<b>Direct Programs:</b>				
<u>US Department of Homeland Security</u>				
Staffing for Adequate Fire and Emergency Response	97.083		\$ 69,781	\$ -
<u>US Department of Justice</u>				
Bulletproof Vest Partnership Grant	16.607		1,991	-
<u>US Department of Health and Human Services</u>				
CARES Act Provider Relief Fund	93.498		6,919	-
<b>Pass Through:</b>				
<u>US Department of Homeland Security</u>				
North Carolina Department of Public Safety				
Disaster Grants - Public Assistance Program	97.036	FEMA-4393-DR-NC	13,136,368	4,378,789
Disaster Grants - Public Assistance Program	97.036	FEMA-4465-DR-NC	210,266	70,088
<b>State Grants:</b>				
<b>Direct Programs:</b>				
<u>N.C. Department of Transportation</u>				
Non-State System Street Aid Allocation		n/a	-	259,073
<u>N.C. Department of Commerce</u>				
Downtown Revitalization Grant		2018-020-1257-1534	-	100,000
Total assistance			<u>\$ 13,425,325</u>	<u>\$ 4,807,950</u>

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

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Emerald Isle under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Emerald Isle, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Emerald Isle.

**Note 2: Summary of Significant Accounting Policies**

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

**Note 3: Indirect Cost Rate**

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