

REVIEWED

By SLGFD at 1:34 pm, Dec 01, 2021

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

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2021

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

Town of Emerald Isle, North Carolina
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Introductory Section



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

Mayor
Eddie Barber

Mayor Pro-Tem
Floyd Messer, Jr.

Board of Commissioners
Candace Dooley
Steve Finch
Jim Normile
Mark Taylor

Town Manager
Matt Zapp

mzapp@emeraldisle-nc.org



November 9, 2021

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

The Annual Comprehensive Financial Report (ACFR) for the Town of Emerald Isle, North Carolina, for the fiscal year ended June 30, 2021, 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 Annual Comprehensive 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, 2021. 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 was 3,655 in 2010, and 2020 US Census estimates are published at 3,676. The North Carolina State Demographer estimates the Town's annual population as of July, 2020 at 3,840. 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 are able to telework, or are approaching retirement age, 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 \$3.1 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, public information and communication, 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 over the past decade and continue to trend upward for the foreseeable future. Room occupancy tax revenues continue to increase annually, with the exception of FY 2020 due to the initial impacts of the COVID-19 pandemic. However following May, 2020, visitors quickly returned to the area, despite the pandemic.

Occupancy tax results hit a record high at a 58% increase over FY 2020. Sales tax collections resulted in a record high for FY 2021 with an increase of 14% over the prior year. The local construction industry also showed significant increases in FY 2021 with new residential construction starts increasing by 108% over the prior year. 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.

While the Town has experienced such positive growth, it effectively manages financial challenges related to economic uncertainties as they arise, and continues to maintain a solid financial position. The Town continues to monitor the extraordinary impacts from weather events, as well as the Covid-19 pandemic. With these current issues the local economy remains strong and is poised for continued growth in the future, and should continue to 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 negative impact of tropical storms and hurricanes. The Town has been fortunate in recent months, with very little impact from the most recent storm, Hurricane Isaias in 2020, and no named storms passing our area for the 2021 season. Following completion of repairs from 2018's Hurricane Florence damages, the Town is now seeking grant funding from the Federal Emergency Management Agency (FEMA), and the public assistance program from the North Carolina Department of Public Safety. With grant funding from these agencies, the Town plans to invest in significant stormwater improvements and emergency management equipment for future preparedness and long-term resiliency.

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 2021 the Town finalized its Hurricane Florence recovery efforts. The largest project was the third and final phase of the Post-Florence Beach Nourishment Project designed to replenish the entire 12-mile beach strand. Following the close-out of this major project expected in the Fall, 2021, the Town will apply for Public Assistance Alternative Procedures for Permanent Work Pilot (Section 428) with FEMA to utilize excess funds awarded for Hurricane Florence repairs. If approved, the Town would be eligible for near \$10 million in new projects, such as stormwater management systems throughout Town to allow for future preparedness and long-term resiliency. Further, the Town was awarded just under \$1.2 million in American Rescue Plan Act – Coronavirus State and Local Fiscal Recovery Funds to address the impacts of COVID-19. The Town will plan to utilize these funds on eligible projects during the upcoming fiscal years through FY 2024. Finally, the Town will begin planning for the feasibility and design of a new multi-department Emergency Services Facility to replace the Town's main fire station in upcoming fiscal years.

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 ACFR 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 ACFR 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 annual comprehensive 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, 2021

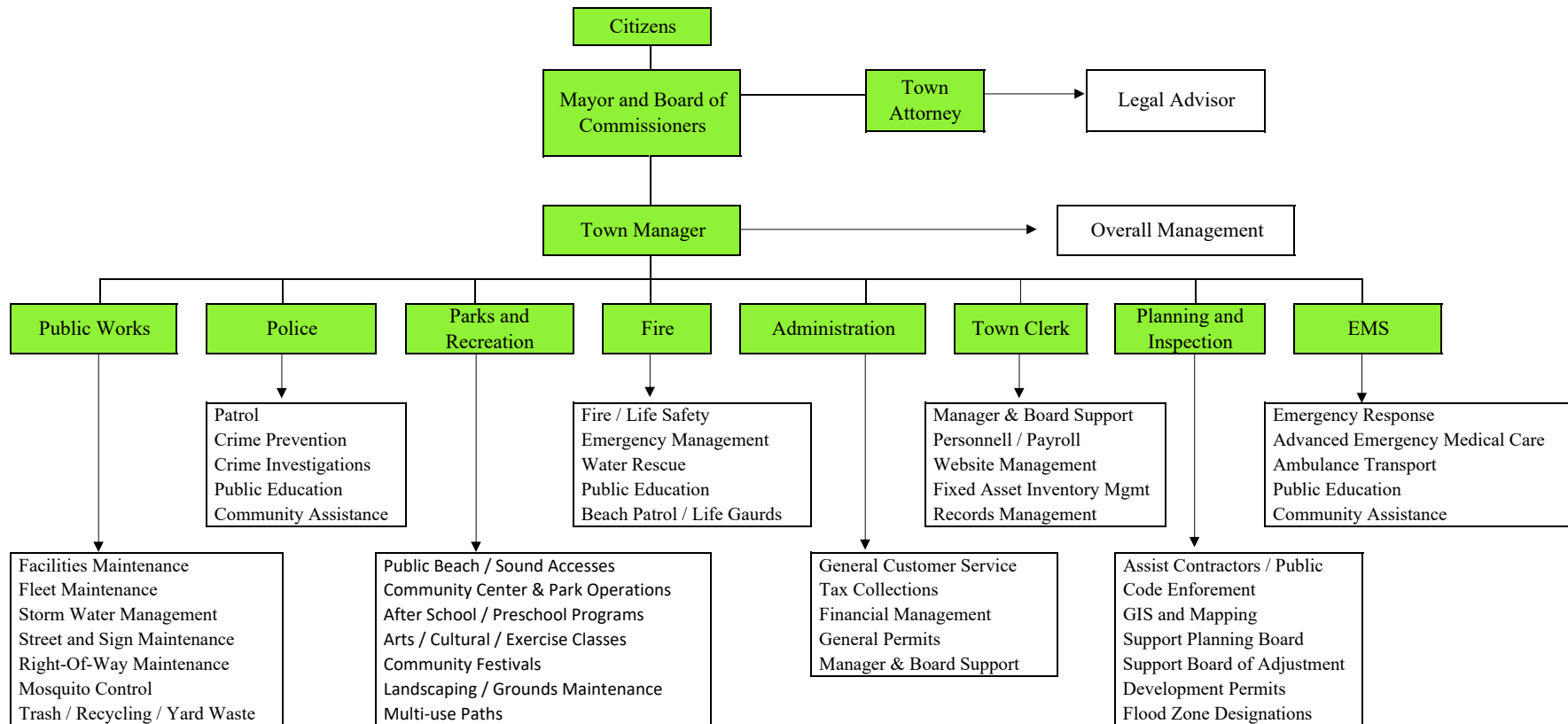
Board of Commissioners

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 Diehl, Town Clerk/Human Resources Officer
Anna Smith, Public Information Officer
Michael Panzarella, 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, 2020

Christopher P. Morill

Executive Director/CEO

Financial Section

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, 2021, 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, 2021, 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 65 and 66, respectively, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of Proportionate Share of the Net Pension Liability on page 67, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered-Employee Payroll on pages 68 and 69, the Retiree Insurance Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered-Employee 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.

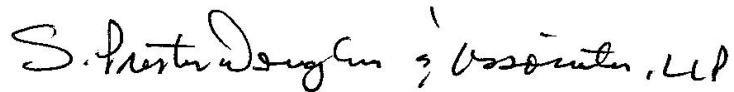
Supplementary and Other Information

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 9, 2021 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, Esq." followed by a stylized flourish.

Lumberton, North Carolina
November 9, 2021

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

Mayor

Eddie Barber

Mayor Pro-Tem

Floyd Messer, Jr.

Board of Commissioners

Candace Dooley
Steve Finch
Jim Normile
Mark Taylor

Town Manager

Matt Zapp
mzapp@emeraldisle-nc.org



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021 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, 2021. 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 \$11,788,552 of both unrestricted and restricted cash and cash equivalents on hand as of June 30, 2021. The Town also had total net receivables of \$105,087 as of June 30, 2021. Additionally, a total of \$3,091,185 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 \$25,456,410 as of June 30, 2021. The bulk of these assets are land, buildings, and other improvements in the community. During FY 2021 the Town added nearly \$2,623,000 in assets. This included the completion of improvements to the Islander Drive/Western Ocean Regional Access (WORA) area, and other asset additions included new beach access walkways, a new fire aerial truck, and various other vehicle and equipment purchases.
- The Town's total liabilities as of June 30, 2021 were \$11,739,294. The recognition of pension liabilities account for \$3,298,594 of this amount. A total of \$2,423,493 of this amount is the Town's outstanding long-term installment purchases. And, a total of \$1,741,008 is due to Carteret County for the Post-Florence Beach Nourishment Project – Phase III.
- The Town reported net position of \$30,291,031 as of June 30, 2021. Total net position increased by \$1,029,618. The overall increase is attributed to the increase in fund balances for both the General Fund and Future Beach Nourishment Fund, along with the investment in new capital assets.
- The Town had total revenues of \$43,171,837 across all funds during FY 2021. The Town had total expenditures of \$44,859,689 across all funds during FY 2021. This amount plus \$83,594 in the issuance of installment purchase debt resulted in an overall decrease in fund balance of \$1,604,258. This decrease was the result of expenditures related to the construction of the new aerial fire truck, as well as expenditures as part of the Post Florence Beach Nourishment Phase III Project.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,635,292, a decrease in comparison to the prior year's combined balances of \$9,239,550.

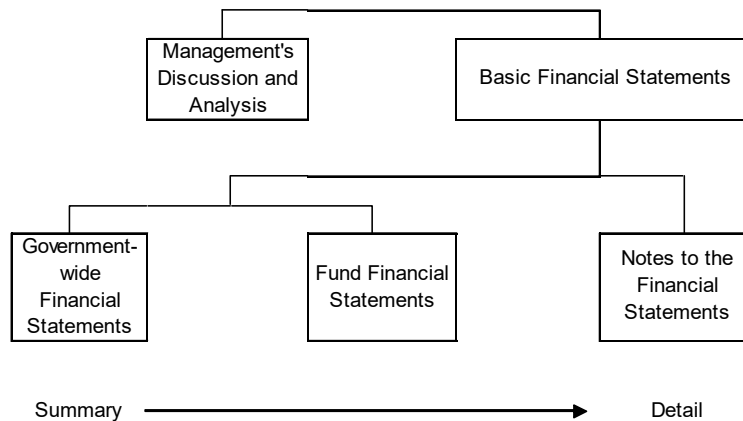
- The General Fund, the Town's primary annual operating fund, had total revenues of \$11,706,142 and total expenditures of \$10,756,408 during FY 2021. After the issuance of installment purchase debt of \$83,594 and transfers to Capital Projects and Special Revenue Funds of \$60,952 and to the Future Beach Nourishment Fund of \$309,000, the Town's General Fund balance increased by \$663,376. One key component of this increase was the receipt of restricted Powell Bill Funds in the amount of \$136,307, for which construction expenditures will occur in FY 2022. Remaining increases are attributed to increases in sales taxes; development fee revenues; and other revenues, along with expenditures coming in lower than anticipated.
- As of June 30, 2021, the Town's General Fund had a total fund balance of \$3,569,739, of which \$2,373,307 classified as unassigned fund balance.
- The total General Fund balance of \$3,569,739 is equal to 32.08% of total General Fund expenditures during FY 2021 (\$11,126,360, including transfers out). This percentage is up from the previous year (26.81%), due to the overall increase in fund balance. Total General Fund balance represents 31.06% percent of the FY 21-22 adopted budget of \$11,493,490 (including transfers out).
- The total unassigned General Fund balance amount of \$2,373,307 is equal to 21.33% of total General Fund expenditures during FY 2021 (\$11,126,360, including transfers out). Unassigned General Fund balance represents 20.65% of the FY 21-22 adopted budget of \$11,493,490 (including transfers out).
- The Town's Future Beach Nourishment Fund had a year-end fund balance of \$5,230,660, 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, 2021 is \$2,423,493. This includes six (6) installment purchase agreements. The Town's total outstanding debt is equal to approximately 0.08% of the Town's total assessed valuation at June 30, 2021, 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 \$30,291,031 as of June 30, 2021. The Town's net position increased by \$1,029,618 for the fiscal year ended June 30, 2021. Net position increased primarily due to the increase in fund balance in the General Fund; the annual reserve of special district tax revenues accumulated in the Future Beach Nourishment Fund; and the investment of additional capital assets.

The Town's current assets (cash and cash equivalents, restricted cash, net receivables, and amounts due from other governments) were \$14,917,202 as of June 30, 2021. This amount includes \$11,652,245 of unrestricted cash and cash equivalents across all Town funds, and an additional \$136,307 of restricted cash and cash equivalents. Restricted cash is derived from unexpended Powell Bill proceeds planned for street paving projects in FY 2022. Current assets also include \$3,091,185 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 \$25,456,410, which is an increase of \$969,421 over the prior year. The Town finalized construction improvements to the Islander Drive/WORA area, along with new beach access walkways, and a new fire aerial truck. 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 \$1,922,182 during FY 2021 to \$11,739,294. This change was derived from several increases and decreases described as follows: Short-term accounts payable increased due to a large payable due at fiscal year-end for the Post-Florence Beach Renourishment Phase-III work. Due to other governments decreased by \$1,592,627. The balance due is to the Carteret County Beach Fund for an advance related to the Post-Florence Beach Nourishment Phase III project. This advance is to be repaid upon receipt of FEMA reimbursements during the FY 2022 fiscal year. While the Town decreased its principal balances by \$484,859 with annual debt service payments on its existing installment purchase loans, the Town issued new installment purchase debt of \$83,594 for equipment. Overall pension liabilities increased by \$738,843. The Town's total pension liability for its retiree insurance allowance benefit increased by \$47,857. The Town's proportionate share of the Local Government Employees' Retirement System (LGERS) net pension liability increased by \$440,365, and the Town's total pension liability for the Law Enforcement Officers' Special Separation Allowance (LEOSSA) increased by \$250,621. 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	
	2021	2020
Current and other assets	\$ 15,066,271	\$ 13,471,436
Capital assets	25,456,410	24,486,989
Total assets	40,522,681	37,958,425
Deferred outflows of resources	1,536,582	1,153,436
Long-term liabilities outstanding	5,409,927	5,098,256
Other liabilities	6,329,367	4,718,856
Total liabilities	11,739,294	9,817,112
Deferred inflows of resources	28,938	33,336
Net position:		
Net investment in capital assets	23,032,917	22,865,219
Restricted	6,314,929	6,248,841
Unrestricted	943,185	147,353
Total net position	\$ 30,291,031	\$ 29,261,413

Changes in Net Position

As noted in Figure 3 on the next page, the Town had total revenues of \$44,655,814 across all activities, and had total expenses of \$43,626,196 during the year ended June 30, 2021, resulting in an increase in the Town's net position of \$1,029,618. 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 during FY 2021 the Town continued its final phase of beach replenishment. The increase to net position can be attributed to the annual reserve of the special district tax revenues in the Future Beach Nourishment Special Revenue Fund, as well as an increase in fund balance in the General Fund. During FY 2021, the Town experienced increases in General Fund revenues in property taxes, due to property revaluation, an increase in sales taxes, and development fee revenues caused by to a spike in construction demands.

Despite the continued impacts of Covid-19 during the 2021 fiscal year, the Town's charges for services had a slight increase. Recreational fees were impacted by closures and cancellations caused by the pandemic, 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. Further the Town increased its Solid Waste service fee for curbside garbage, recycling, and yard waste to cover the increased expenses for these services.

Capital grants and contributions are significantly higher in FY 2021, than in FY 2020. During FY 2021 the Town began its largest section of its beach replenishment project, the Post-Florence Beach Renourishment Phase III Project. This \$32 million project is funded by the FEMA Public Assistance grant for Hurricane Florence recovery, as well as the Carteret County Beach Fund.

Property Taxes increased by \$501,471 compared to the prior year. The Carteret County Tax Assessor completed its revaluation in the Spring of 2020, effective for FY 2021. While the Town's real property values increased on average of about 10% over the prior year, the Town's Board of Commissioners chose to adopt the same tax rates as the prior year, in lieu of a revenue neutral tax rate. This resulted in increased revenues from property taxes.

Environmental Protection expenses increased again in FY 2021 due continued recovery efforts related to Hurricane Florence with the completion of the third phase of the Beach Nourishment Project to replenish the final portion of the Town's beach strand lost during the 2018 storm. Public Safety expenses increased by \$584,618 over the prior year due to a continued focus on improving services provided by our Police, Fire, and EMS departments, particularly related to the Town's ever increasing summer season demands. Additional part-time schedules were added to assist in Police Field Training and additional EMS coverage, and greater staffing in the Town's seasonal lifeguard/water rescue programs. Finally, expenses in General Government increased over the prior year due to changes in the addition of a new position for a Public Information Officer, along with the transition of moving the tax billing and collection function from a staffed position to a intergovernmental contract with the Carteret County Tax Officer performing these duties on behalf of the Town.

Although, total grant funded expenses and revenues were significant for the fiscal year, overall revenues in the General Fund and Future Beach Nourishment Fund attributed to the increase in net position for the year.

Town of Emerald Isle's Changes in Net Position

Figure 3

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 3,120,618	\$ 2,684,619
Operating grants and contributions	136,299	387,828
Capital grants and contributions	32,863,411	19,858,946
General revenues:		
Property taxes	5,138,752	4,637,281
Local option sales tax	2,399,671	2,103,012
Other taxes and licenses	797,931	741,665
Unrestricted grants and contributions	48,866	28,606
Unrestricted investment earnings	1,508	82,864
Miscellaneous	148,758	109,784
Total revenues	<u>44,655,814</u>	<u>30,634,605</u>
Expenses:		
General government	1,807,872	1,715,417
Public safety	5,473,719	4,889,101
Environmental protection	34,930,691	18,813,507
Cultural and recreation	1,349,992	1,430,921
Interest on long-term debt	63,922	43,249
Total expenses	<u>43,626,196</u>	<u>26,892,195</u>
Increase (decrease) in net position	1,029,618	3,742,410
Net position, beginning	29,261,413	25,519,003
Net position, ending	<u>\$ 30,291,031</u>	<u>\$ 29,261,413</u>

Capital Assets

As of June 30, 2021, the Town of Emerald Isle's investment in capital assets, net of depreciation totaled \$25,456,410, an increase of \$969,421 over the previous year. These assets include buildings, furniture and equipment, improvements, land, and vehicles. During FY 2021, the Town completed the Islander Drive/WORA Improvements project a large streetscape and park improvement project, as well as additions in new beach access walkways, a new fire aerial truck, and various other vehicle and equipment purchases.

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

Figure 4

	Governmental Activities	
	2021	2020
Land	\$ 14,773,043	\$ 14,773,043
Construction in progress	-	648,346
Buildings	1,974,525	2,039,926
Improvements	6,527,528	5,795,271
Furniture and equipment	611,700	548,865
Vehicles and motorized equipment	1,569,614	681,538
	<u>\$ 25,456,410</u>	<u>\$ 24,486,989</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, 2021, the Town of Emerald Isle had total outstanding installment purchase obligations of \$2,423,493. This amount is comprised of six 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 \$533,333. 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 \$35,085. 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 \$420,000. In FY 2020 the Town issued debt in the amount of \$1,255,000 for the purchase of a new aerial fire truck for a term of fifteen years and the remaining balance at fiscal year-end was \$1,171,400. Also, in FY 2020 the Town issued debt for \$246,000 for a 5-year term for the purchase of a new ambulance, and the balance at fiscal year-end was \$196,800.

During FY 2021, the Town entered into a new installment purchase agreement for the purchase of three medical heart monitors for \$83,594 over a five-year term at zero percent interest. The balance at fiscal year-end was \$66,876.

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, 2.52% for the aerial truck, 2.19% for the new ambulance, and zero percent for the new heart monitors.

Town of Emerald Isle's Outstanding Long-Term Debt

Figure 5

	Governmental Activities	
	2021	2020
Installment notes	\$ 2,423,493	\$ 2,824,758
Compensated absences	232,771	241,887
Pension liabilities	3,298,594	2,559,751
	<u>\$ 5,954,858</u>	<u>\$ 5,626,396</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 \$2,423,493 is equal to 0.08% of the Town's total assessed valuation of approximately \$3.1 billion as of June 30, 2021. 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 \$246 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 \$1,916,428 for FY 2021, an increase of \$440,365 over the prior year. The increase was attributed to changes in actuarial assumptions and actual experience in the pension program, again this year. 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 \$1,074,480 for FY 2021, an increase of \$250,621 over the prior year. At fiscal year-end, five 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 \$307,686, up \$47,857 from the prior fiscal year. This benefit is also budgeted on a pay-as-you-go method, and at June 30, 2021 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 \$11,126,360 of total expenditures (\$10,756,408) and transfers out (\$369,952) in the year ending June 30, 2021. Total revenues of \$11,706,142 plus the issuance of \$83,594 of installment purchase debt exceeded expenditures, resulting in a \$663,376 increase to General Fund balance.

Property tax revenues continue to represent the Town's largest General Fund revenue source, at \$4,813,013, or approximately 41% of total revenues. Sales tax revenues remain the Town's second largest General Fund revenue source, with a total of \$2,399,671 representing 20% of total revenues. Solid waste service fees are the Town's third largest General Fund revenue source, at \$1,719,326 representing 14% of total revenues. Combined, these three revenue sources make up 76% of total General Fund revenues for the fiscal year ended June 30, 2021.

Public safety expenditures (Police, Fire, and EMS) continue to comprise the largest portion of the General Fund, at \$4,883,159, or approximately 43% of total General Fund expenditures and transfers out. Other notable expenditures include Solid Waste (\$1,657,024), and Parks and Recreation (\$1,218,426).

As of June 30, 2021, total General Fund balance is \$3,569,739, an increase of \$663,376 from the prior year's fund balance. A significant portion of this increase is from the North Carolina Powell Bill program, in which \$136,307 is restricted for use in FY 2022 toward street paving improvement projects. Further increases in Fund Balance were realized due to a stronger than anticipated deposit in sales and use taxes, as well as increased revenues in building permitting and other development fees. Additionally, departmental expenditures, particularly in Police, Fire and Recreation were lower than budgeted resulting in an overall improvement to fund balance. The Town's total General Fund balance is equal to 32.08% of total General Fund expenditures (including transfers out) for FY 2021. This percentage is up from the previous year (26.81%), due to the increase in fund balance, as compared to the prior year. General Fund balance represents 31.06% percent of the FY 2022 adopted budget of \$11,493,490 (including transfers out).

The total unassigned General Fund balance amount of \$2,373,307 is equal to 21.33% of total General Fund expenditures during FY 2021. Unassigned General Fund balance also represents 20.65% of the FY 2022 adopted budget of \$11,493,490 (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 2021 was the tenth 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 2021, the Fund added a total of \$297,685 to its restricted fund balance. Revenues from the municipal special district property tax rate equated to \$314,593, minimal interest earnings in the amount of \$1,092, and the annual transfer from the General Fund of \$309,000 increased the fund. During the year, the Board of Commissioners approved a one-time transfer of \$327,000 from the Fund to establish a capital project to fund additional post-and-rope fencing for the newly replenished dunes and additional dune plantings to further protect the newly replenished beach strand.

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 2021 the Town identified four capital project funds as qualifying as major funds. These other major funds are detailed below:

- 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. This project remains in effect, as the Board continues to work toward the planning phases of the Emergency Services Facilities.
- 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 2021, to complete the list of repairs to damages to facilities throughout the Town. At June 30, the Town has finalized work and is awaiting the final inspection and project close-out process with FEMA Public Assistance.
- The Post-Florence Beach Nourishment Phase II Fund. As of June 30, 2021 the Town's second phase of restoration for sand and dunes lost during Hurricane Florence was complete. 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.
- The Post-Florence Beach Nourishment Phase III Fund. As of June 30, 2021 the Town's third and final phase of restoration for sand and dunes lost during Hurricane Florence was nearly complete, pending payable and receivable items at year-end. This construction area was the largest of the three phases, with approximately 9.4 miles of the over 12 miles of Town beach strand. This project alone added over 2,000,000 cubic yards of beachfill, of which 61% of that beachfill was certified as loss during Hurricane Florence, therefore funding for the project was split proportionately. The Town utilized FEMA Public Assistance funding for 61% of the expenditures and the remaining 39% 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, 2021, five 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 2021:

- 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 \$27,254 as of June 30, 2021. 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 2021, the fund invested in repair work on existing sidewalks throughout Town limits replacing multiple sections of cracked or damaged concrete.
- 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 followed the FY 2017 Islander Drive land acquisition project, which included the removal of an abandoned go-kart track. The project included 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 and FY 2021 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 was finalized in the Summer, 2020, and is part of a newly revitalized area with the Town's Village West district.
- 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 approved 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 \$21,297 as of June 30, 2021. During FY 2021, this fund included expenditures for final construction additions for a new golf cart parking area at the Town's James Street Beach Access Walkway, which was started in FY 2020, as well as minor improvements for golf parking along Lee Avenue.
- 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 \$71,532. This is an increase from FY 2020 in that the Town has continued to receive 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.
- The Post Beach Nourishment Dune Plantings Fund. This capital project fund was established to capture a transfer of \$327,000 from the Future Beach Nourishment Fund to invest in post and rope fencing along the Town's beach strand at beach access walkways and for the future planting of sea oats along the dunes. This project was created immediately following the final Phase III of the Post-Florence Beach Renourishment Project to further enhance and protect the newly placed beach fill along the Town's 12 miles of beach strand. Work began just prior to fiscal year-end, and the project had a fund balance of \$301,224.

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. At fiscal year-end the combined fund balance of these three events was \$39,740. A description of the events follows:

During FY 2021, the Town's Board of Commissioners agreed to cancel its annual Fall Beach Music Festival event, due to the Covid-19 Pandemic. Normally, this event 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 in past years funding for the annual festival was 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 \$6,650 did support this recreational event for FY 2021, to cover unavoidable cancellation deposits.

During FY 2021, the Town planned its second annual Fall Fishing Tournament. This event was also scheduled for September, 2020 with extra social-distancing measures to mitigate the Covid-19 pandemic. The Fall 2020 event was cancelled, however, due to unsafe weather conditions. In the past, this has been a one-day fishing event funded by tournament entry fees, Carteret County Tourism Development Authority and area business sponsorships along with event proceeds. The FY 2021 event did raise funds through sponsorships and fundraising activities which was the prior source of the year-end fund balance.

Finally, during FY 2021, the annual 5k, Half-Marathon and Marathon was rescheduled on two occasions, after the March, 2020 event was cancelled due to the Covid-19 pandemic. The race was planned for October, 2020 and then again for March, 2021, however race committee members recommended delaying the event until October, 2021 in an effort to prevent the possible spread of the Covid-19 virus.

FY 2021 Budget Administration

The Board of Commissioners adopted the FY 2021 budget in June 2020 after a thoughtful and analytical review process over the previous several months.

The total adopted FY 2021 budget for both the General and Future Beach Nourishment Funds was \$11,648,200, which represented a \$7,357, or 0.06% increase over the adopted FY 2020 budget for both funds. During the FY 2021 budget adoption process, the Town's Board considered the new property valuations from the Carteret County Tax Office, and although values increased overall at about 10% from the prior tax year, the 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. This valuation increase amounted to a budgetary tax revenue increase in the General Fund of \$364,000 and \$29,000 in the Future Beach Nourishment Fund. Additionally, the fixed annual fee of \$240 per improved residential property for solid waste collection services was raised to \$255 to help mitigate the rising increase in the cost of solid waste removal. The Board also approved certain building permit fees from a \$60 base permit fee to \$65 per permit.

The adopted FY 2021 budget included a total General Fund budget of \$10,968,520, a \$94,236 or 0.87% increase over the adopted FY 2020 budget. The Board agreed to a conservative approach to all other revenue sources, particularly sales and use tax deposits in the budgeting process due to the uncertainty surrounding the economic impacts from Covid-19. Overall changes to the FY 2021 budget compared to the prior fiscal year included a reduction in one-time capital purchases, while increasing operating expenditures in the areas of salaries and benefits for the new full-time position of a public information officer, and additional part-time staffing in EMS service, lifeguard staffing, and police officer coverage. During the course of FY 2021, the General Fund budget was amended several times, resulting in a final amended FY 2021 budget of \$11,649,867.

The most significant amendments to General Fund revenues were as follows: the appropriation of the \$158,621 for outstanding encumbrances carried over from FY 2020; for \$85,249 for the receipt of CARES Act – Coronavirus Relief Fund grant; \$83,594 for the installment purchase of EMS heart monitors; \$49,000 in new Police body-worn cameras; increases for emergency expenditures related to Hurricane Isaias; and increases in Solid Waste and yard-waste removal related expenditures, among other minimal increases. 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 2021. Key projects amended included the Islander Drive/WORA Improvements project, and the Golf Cart Infrastructure Improvements project. Also, key was the establishment of each of the Phase III Post-Florence Beach Nourishment and Post-Florence Beach Nourishment Dune Plantings projects. Each of these projects were amended appropriately as design plans were finalized and construction bids were received.

Economic Factors and FY 2022 Budget Highlights

The local economy is consistently 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 recent economic growth and the Covid-19 pandemic 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, Town staff and the Board of Commissioners carefully reviewed the impacts of the Covid-19 pandemic; the ever-increasing seasonal demands of our community as a strong economy fuels increases in tourism; along with significant Federal and State grant opportunities sourced from FEMA's Public Assistance Programs and the American Rescue Plan Act's – State and Local Fiscal Recovery Funds. These events are key in planning for not only the FY 2022 budget year, but also considered in five-year forecasting.

The Town considers economic indicators from both North Carolina as well as Carteret County. The average unemployment rate for North Carolina during FY 2021 was 6.0%, just 0.4% higher than the prior year ended June 30. This included the peaks impacts of COVID-19 during the first 8 months of the fiscal year. Similarly, Carteret County reported 4.86% average unadjusted unemployment at June 30, 2021 just down from 5.24% 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 2021, North Carolina reported taxable retail sales up \$1,488.3 million over the prior year, as the economy rebounded from the initial impacts of the pandemic. 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 2021 sales tax distributions to Emerald Isle were one of the highest on record, with an increase of 14.1% over the prior year.

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 2021 were recorded at the highest ever with an increase of 58.34% over the prior year.

During FY 2021, the Town also reported significant growth in building permits fees and related development fees. During FY 2021 the Town experienced an increase of 108% in new residential construction starts and a 300% increase in new commercial construction starts. The strong activity in construction and real estate listings in our area over the past several months have also been an indicator of the economy.

With these key economic factors considered, the Town's FY 2022 adopted budgets total \$12,119,370 for both the General and Future Beach Nourishment Funds, a \$471,170, or 4.05% increase from the originally adopted FY 2021 budgets. The FY 2022 adopted budget maintains the Town's high service levels and quality. The Board adopted the same tax rates as the past several years, with minor fee increases to its seasonal beach vehicle and paid parking programs. The Board increased the annual solid waste fee for the third year in a row from \$255/year in FY 2021 to \$265/year for residential improved properties to cover costs associated with annual increases in garbage, recycling, and vegetative waste disposal services.

The Town's adopted FY 2022 General Fund budget is \$11,493,490, which equates to a \$524,970 increase (or 4.79%) over the adopted FY 2021 General Fund budget. The General Fund tax rate includes 1.0 cent dedicated for a transfer from the General Fund to the Future Beach Nourishment Fund, equating to a \$309,000 annual transfer. With the increased fee structure for solid waste, budgeted revenues for solid waste fees were increased proportionately. Careful consideration was given to the Town's second largest revenue source of sales tax, and a growth factor of 7.6% over the FY 2021 budget for this revenue was adopted. With the Board's adopted increases in its seasonal beach vehicle and paid parking fees, along with significant growth in the building and development permit fees, these areas of revenue were increased over the prior budget year. Revenue decreases in comparison to the FY 2021 adopted budget included the reduction of interest earnings; a slight reduction in recreation fees; and minor reductions in EMS service fees.

The adopted FY 2022 General Fund budget anticipates a total of \$4,846,770 of property tax revenues, \$2,340,232 of sales tax revenues, and \$1,791,334 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 61% of General Fund expenditures. The FY 2022 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 2022 General Fund budget is structurally sound, and the Town does not anticipate any unmanageable budget deficits in the coming months. The FY 2022 budget includes a continued initiative to 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. The budget includes the addition of two new full-time police officer positions, specifically for beach patrol. This budget also includes a contract for services for updates to the Town's Unified Development Ordinance, as well as, additional part-time staffing expenditures for the extension of seasonal coverage in lifeguarding and Emergency Medical Services. 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 \$625,880 for FY 2022. The budget includes the anticipated receipt of \$313,880 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 \$3,000 was budgeted for the fund considering the significant drop in interest rates beginning in early 2020. The Town levies only a separate 4.0 cent property tax rate on all oceanfront and inlet-front properties; the same rate since FY 2016.

Requests for Information

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

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Basic Financial Statements

Town of Emerald Isle, North Carolina
Statement of Net Position
June 30, 2021

	<u>Primary Government</u> <u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 11,652,245
Restricted cash and cash equivalents	136,307
Taxes receivable, net	33,238
Accounts receivable, net	105,087
Due from other governments	3,091,185
Prepaid expenses	48,209
Total current assets	<u>15,066,271</u>
Non-current assets:	
Capital assets (Note 3):	
Land and construction in progress	14,773,043
Other capital assets, net of depreciation	10,683,367
Total capital assets	<u>25,456,410</u>
Total assets	<u>40,522,681</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	1,536,582
Total deferred outflows of resources	<u>1,536,582</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	4,043,428
Due to other governments	1,741,008
Current portion of long-term liabilities	544,931
Total current liabilities	<u>6,329,367</u>
Long-term liabilities:	
Net pension liability	1,916,428
Total pension liability	1,382,166
Due in more than one year	2,111,333
Total noncurrent liabilities	<u>5,409,927</u>
Total liabilities	<u>11,739,294</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	28,938
Total deferred inflows of resources	<u>28,938</u>
NET POSITION	
Net investment in capital assets	23,032,917
Restricted for:	
Stabilization by State Statute	942,141
Streets	136,307
Public safety	5,821
Environmental protection	5,230,660
Unrestricted	943,185
Total net position	<u>\$ 30,291,031</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, 2021

					Net (Expense) Revenue and Changes in Net Position
Program Revenues					Primary Government
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 1,807,872	\$ 110,325	\$ -	\$ -	\$ (1,697,547)
Public safety	5,473,719	651,043	-	-	(4,822,676)
Environmental protection	34,930,691	1,790,522	136,299	32,863,411	(140,459)
Cultural and recreation	1,349,992	568,728	-	-	(781,264)
Interest on long-term debt	63,922	-	-	-	(63,922)
Total governmental activities	<u>\$ 43,626,196</u>	<u>\$ 3,120,618</u>	<u>\$ 136,299</u>	<u>\$ 32,863,411</u>	<u>(7,505,868)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purpose					5,138,752
Local option sales tax					2,399,671
Other taxes					797,931
Unrestricted grants and contributions					48,866
Unrestricted investment earnings					1,508
Miscellaneous					148,758
Total general revenues					<u>8,535,486</u>
Change in net position					1,029,618
Net position, beginning					<u>29,261,413</u>
Net position, ending					\$ 30,291,031

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, 2021

	Major Funds			
		Future Beach Nourishment Special Revenue Fund	Emergency Services Facilities and Equipment Fund	Hurricane Florence Recovery Fund
	General Fund			
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,733,673	\$ 5,230,660	\$ -	\$ -
Restricted cash and cash equivalents	136,307	-	-	-
Taxes receivable, net	32,736	502	-	-
Accounts receivable, net	105,087	-	-	-
Due from other governments	963,047	-	-	4,901
Due from other funds	1,829	-	-	-
Prepays	48,209	-	-	-
Total assets	\$ 4,020,888	\$ 5,231,162	\$ -	\$ 4,901
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities	\$ 417,121	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-
Due to other funds	-	-	-	1,829
Total liabilities	417,121	-	-	1,829
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Property taxes receivable	32,736	502	-	-
Grant receivable	1,292	-	-	4,901
Total deferred inflows of resources	34,028	502	-	4,901
<u>FUND BALANCES</u>				
Non-spendable:				
Prepays	48,209	-	-	-
Restricted:				
Stabilization by State Statute	942,141	-	-	-
Streets	136,307	-	-	-
Public safety	5,821	-	-	-
Environmental protection	-	5,230,660	-	-
Committed:				
LEO special separation allowance	63,954	-	-	-
Assigned:				
Environmental protection	-	-	-	-
Culture and recreation	-	-	-	-
Unassigned	2,373,307	-	-	(1,829)
Total fund balances	3,569,739	5,230,660	-	(1,829)
Total liabilities, deferred inflows of resources and fund balances	\$ 4,020,888	\$ 5,231,162	\$ -	\$ 4,901

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, 2021

	Major Funds			
	Post-Florence Beach Nourishment Phase II Fund	Post-Florence Beach Nourishment Phase III Fund	Total Non-Major Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ 3,202,823	\$ 485,089	\$ 11,652,245
Restricted cash and cash equivalents	-	-	-	136,307
Taxes receivable, net	-	-	-	33,238
Accounts receivable, net	-	-	-	105,087
Due from other governments	-	2,123,237	-	3,091,185
Due from other funds	-	-	-	1,829
Prepays	-	-	-	48,209
Total assets	\$ -	\$ 5,326,060	\$ 485,089	\$ 15,068,100
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities	\$ -	\$ 3,585,052	\$ 24,042	\$ 4,026,215
Due to other governments	-	1,741,008	-	1,741,008
Due to other funds	-	-	-	1,829
Total liabilities	-	5,326,060	24,042	5,769,052
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Property taxes receivable	-	-	-	33,238
Grant receivable	-	1,624,325	-	1,630,518
Total deferred inflows of resources	-	1,624,325	-	1,663,756
<u>FUND BALANCES</u>				
Non-spendable:				
Prepays	-	-	-	48,209
Restricted:				
Stabilization by State Statute	-	-	-	942,141
Streets	-	-	-	136,307
Public safety	-	-	-	5,821
Environmental protection	-	-	-	5,230,660
Committed:				
LEO special separation allowance	-	-	-	63,954
Assigned:				
Environmental protection	-	-	301,224	301,224
Culture and recreation	-	-	159,823	159,823
Unassigned	-	(1,624,325)	-	747,153
Total fund balances	-	(1,624,325)	461,047	7,635,292
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 5,326,060	\$ 485,089	\$ 15,068,100

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, 2021

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

Total fund balances, governmental funds		\$ 7,635,292
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$ 34,098,962	
Accumulated depreciation	<u>(8,642,552)</u>	25,456,410
Deferred outflows of resources related to pensions and are not reported in the funds		1,536,582
Earned revenues considered deferred inflows of resources in fund statements		1,663,756
Gross long-term debt beginning	(2,824,758)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	401,265	
Compensated absences	(232,771)	
Total pension liability	(1,382,166)	
Net pension liability	<u>(1,916,428)</u>	(5,954,858)
Deferred inflows of resources related to pensions are not reported in the funds		(28,938)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds		<u>(17,213)</u>
Net position of governmental activities		<u><u>\$ 30,291,031</u></u>

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

Town of Emerald Isle, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	Major Funds			
	General Fund	Future Beach Nourishment Special Revenue Fund	Emergency Services Facilities and Equipment Fund	Hurricane Florence Recovery Fund
Revenues:				
Ad valorem taxes	\$ 4,813,013	\$ 314,593	\$ -	\$ -
Unrestricted intergovernmental	3,197,602	-	-	-
Restricted intergovernmental	315,613	-	-	212,421
Permits and fees	2,751,337	-	-	-
Sales and services	312,376	-	-	-
Investment earnings	391	1,092	25	-
Miscellaneous	315,810	-	-	-
Total revenues	11,706,142	315,685	25	212,421
Expenditures:				
Current:				
General government	1,711,146	-	-	-
Public safety	4,764,439	-	-	-
Environmental protection	2,344,686	-	-	26,370
Cultural and recreation	976,600	-	-	-
Capital outlay:				
Public safety	118,720	-	1,212,944	-
Environmental protection	47,000	-	-	136,432
Cultural and recreation	241,826	-	-	-
Debt service:				
Principal retirement	484,859	-	-	-
Interest and other charges	67,132	-	-	-
Total expenditures	10,756,408	-	1,212,944	162,802
Excess (deficiency) of revenues over expenditures	949,734	315,685	(1,212,919)	49,619
Other financing sources (uses):				
Transfers from other funds	-	309,000	9,931	-
Transfers to other funds	(369,952)	(327,000)	-	-
Installment purchase debt issued	83,594	-	-	-
Total other financing sources (uses)	(286,358)	(18,000)	9,931	-
Net change in fund balances	663,376	297,685	(1,202,988)	49,619
Fund balances, beginning	2,906,363	4,932,975	1,202,988	(51,448)
Fund balances, ending	\$ 3,569,739	\$ 5,230,660	\$ -	\$ (1,829)

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, 2021

	Major Funds			
	Post-Florence Beach Nourishment Phase II Fund	Post-Florence Beach Nourishment Phase III Fund	Total Non-Major Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 5,127,606
Unrestricted intergovernmental	-	-	-	3,197,602
Restricted intergovernmental	46,631	30,767,091	66,937	31,408,693
Permits and fees	-	-	-	2,751,337
Sales and services	-	-	-	312,376
Investment earnings	-	-	-	1,508
Miscellaneous	-	-	56,905	372,715
Total revenues	46,631	30,767,091	123,842	43,171,837
Expenditures:				
Current:				
General government	-	-	-	1,711,146
Public safety	-	-	-	4,764,439
Environmental protection	46,631	32,391,416	-	34,809,103
Cultural and recreation	-	-	71,704	1,048,304
Capital outlay:				
Public safety	-	-	-	1,331,664
Environmental protection	-	-	217,784	401,216
Cultural and recreation	-	-	-	241,826
Debt service:				
Principal retirement	-	-	-	484,859
Interest and other charges	-	-	-	67,132
Total expenditures	46,631	32,391,416	289,488	44,859,689
Excess (deficiency) of revenues over expenditures	-	(1,624,325)	(165,646)	(1,687,852)
Other financing sources (uses):				
Transfers from other funds	-	-	378,021	696,952
Transfers to other funds	-	-	-	(696,952)
Installment purchase debt issued	-	-	-	83,594
Total other financing sources (uses)	-	-	378,021	83,594
Net change in fund balances	-	(1,624,325)	212,375	(1,604,258)
Fund balances, beginning	-	-	248,672	9,239,550
Fund balances, ending	\$ -	\$ (1,624,325)	\$ 461,047	\$ 7,635,292

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, 2021

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

Net change in fund balances - total governmental funds	\$	(1,604,258)
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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	\$ 1,974,706	
Depreciation expense for governmental assets	(887,099)	
Gain on sale of capital assets	94,169	
Proceeds from sale of capital assets	<u>(212,355)</u>	969,421

Contributions to the the LGERS pension plan in the current fiscal year are not included on the Statement of Activities	405,560
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Benefit payments paid and administrative expenses for the LEOSA/RIA are not included on the Statement of Activities	36,474
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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 and grant revenues	1,602,163
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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	484,859	
Issuance of installment proceeds	(83,594)	
Decrease in accrued interest payable	<u>3,210</u>	404,475

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	9,116	
Changes in pension liabilities and related deferred outflows and inflows of resources	<u>(793,333)</u>	<u>(784,217)</u>

Total changes in net position of governmental activities	\$	<u>1,029,618</u>
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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, 2021

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 4,763,975	\$ 4,775,150	\$ 4,813,013	\$ 37,863
Unrestricted intergovernmental	2,945,500	2,978,500	3,197,602	219,102
Restricted intergovernmental	159,948	317,086	315,613	(1,473)
Permits and fees	2,364,543	2,517,840	2,751,337	233,497
Sales and services	485,500	380,500	312,376	(68,124)
Investment earnings	25,000	1,000	391	(609)
Miscellaneous	105,100	316,615	315,810	(805)
Total revenues	<u>10,849,566</u>	<u>11,286,691</u>	<u>11,706,142</u>	<u>419,451</u>
Expenditures:				
Current:				
General government	1,734,003	1,771,503	1,711,146	60,357
Public safety	4,822,481	5,066,050	4,883,159	182,891
Environmental protection	2,364,065	2,587,255	2,391,686	195,569
Cultural and recreation	1,155,899	1,303,116	1,218,426	84,690
Debt service:				
Principal retirement	468,141	484,859	484,859	-
Interest and other charges	67,131	67,132	67,132	-
Total expenditures	<u>10,611,720</u>	<u>11,279,915</u>	<u>10,756,408</u>	<u>523,507</u>
Revenues over (under) expenditures	<u>237,846</u>	<u>6,776</u>	<u>949,734</u>	<u>942,958</u>
Other financing sources (uses):				
Transfers to other funds	(356,800)	(369,952)	(369,952)	-
Issuance of installment debt	-	83,594	83,594	-
Total other financing sources (uses)	<u>(356,800)</u>	<u>(286,358)</u>	<u>(286,358)</u>	<u>-</u>
Fund balance appropriated	118,954	279,582	-	(279,582)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>663,376</u>	<u>\$ 663,376</u>
Fund balance, beginning			<u>2,906,363</u>	
Fund balance, ending			<u>\$ 3,569,739</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, 2021

	Future Beach Nourishment Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 310,680	\$ 310,680	\$ 314,593	\$ 3,913
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	-	-	-	-
Permits and fees	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	60,000	60,000	1,092	(58,908)
Miscellaneous	-	-	-	-
Total revenues	<u>370,680</u>	<u>370,680</u>	<u>315,685</u>	<u>(54,995)</u>
 Revenues over (under) expenditures	 <u>370,680</u>	 <u>370,680</u>	 <u>315,685</u>	 <u>(54,995)</u>
 Other financing sources (uses):				
Transfers from other funds	<u>309,000</u>	<u>(18,000)</u>	<u>(18,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>309,000</u>	<u>(18,000)</u>	<u>(18,000)</u>	<u>-</u>
 Fund balance appropriated	 (679,680)	 (352,680)	 -	 352,680
 Net change in fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 297,685	 <u>\$ 297,685</u>
 Fund balance, beginning			<u>4,932,975</u>	
 Fund balance, ending			<u>\$ 5,230,660</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, 2021

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 city has no fiduciary funds to report. 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.

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.

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.

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.

Post Florence Beach Nourishment Phase III Fund. This fund was established as a multi-year capital project fund and used to account for expenditures related to the third and final phase of the overall beach renourishment projected 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, 2021

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, McLean-Spell Park Fund, and the Post Beach Nourishment Dune Plantings 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, 2021

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 Post-Florence Beach Nourishment Phase III Fund, the Post Beach Nourishment Dune Plantings 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) money market mutual fund, is measured at fair value, which is the NCCMT's share price. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is 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, 2021

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 unexpended Powell Bill funds in the General Fund are classified as restricted cash because they can only be expended for the purpose outlined in G.S. 136-41.1 through 136-41.4

Town of Emerald Isle's Restricted Cash

Major Funds		
General Fund		
	Powell Bill	\$ 136,307
Total Restricted Cash		<u>\$ 136,307</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, 2020.

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, 2021

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 2021 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, 2021

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, 2021

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.

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.

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 Post Beach Nourishment Dune Plantings capital project.

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

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

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

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, 2021

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, 2021, the Town's deposits had a carrying amount of \$3,775,367 and a bank balance of \$3,846,027. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$1,200.

2. Investments

At June 30, 2021, the Town of Emerald Isle had \$8,011,986 invested with the North Carolina Capital Management Trust's Government Portfolio, is authorized by G.S. 159-30. The Government Portfolio, which invests in treasuries and government agencies, is a money market mutual fund and maintains AAAM by Standard and Poor's and AAAMf by Moody's Investor Service. It is reported at fair value. The Town has no policy regarding credit risk.

3. Receivables

Receivables at the government-wide level at June 30, 2021, were as follows:

	Accounts Receivable	Taxes Receivable	Total
Governmental Activities:			
General	\$ 518,621	\$ 44,853	\$ 563,474
Future Beach Nourishment	-	729	729
Total receivables	518,621	45,582	564,203
Allowance for doubtful accounts	(413,534)	(12,344)	(425,878)
Total governmental activities	\$ 105,087	\$ 33,238	\$ 138,325

The amounts presented in the Balance Sheet and Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 12,344
Solid waste fees receivable	15,610
EMS services receivable	397,924
Total	\$ 425,878

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

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, 2021, was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,773,043	\$ -	\$ -	\$ 14,773,043
Construction in progress	648,346	-	(648,346)	-
Total capital assets not being depreciated	15,421,389	-	(648,346)	14,773,043
Capital assets being depreciated:				
Buildings	3,270,044	-	-	3,270,044
Improvements	8,760,268	1,192,331	-	9,952,599
Furniture and equipment	1,894,522	166,739	(17,400)	2,043,861
Vehicles and motorized equipment	3,454,727	1,263,982	(659,294)	4,059,415
Total capital assets being depreciated	17,379,561	2,623,052	(676,694)	19,325,919
Less accumulated depreciation for:				
Buildings	1,230,118	65,401	-	1,295,519
Improvements	2,964,997	460,074	-	3,425,071
Furniture and equipment	1,345,657	90,564	(4,060)	1,432,161
Vehicles and motorized equipment	2,773,189	271,060	(554,448)	2,489,801
Total accumulated depreciation	8,313,961	887,099	(558,508)	8,642,552
Total capital assets being depreciated, net	9,065,600			10,683,367
Governmental activities capital assets, net	\$ 24,486,989			\$ 25,456,410

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

General government	\$ 293,473
Public safety	262,955
Environmental Protection	123,645
Cultural and recreational	207,026
Total depreciation expense	<u>\$ 887,099</u>

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 707-0707, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Emerald Isle employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Town of Emerald Isle's contractually required contribution rate for the year ended June 30, 2021, was 10.90% of compensation for law enforcement officers and 10.15% 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 \$405,560 for the year ended June 30, 2021.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

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, 2021, the Town reported a liability of \$1,916,428 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020, the Town's proportion was 0.05363%, which was an decrease of 0.00042% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$670,542. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 242,011	\$ -
Changes of assumptions	142,620	-
Net difference between projected and actual earnings on pension plan investments	269,686	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	52,407	9,654
Town contributions subsequent to the measurement date	405,560	-
Total	<u>\$ 1,112,284</u>	<u>\$ 9,654</u>

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

\$405,560 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 199,293
2023	262,918
2024	155,047
2025	79,813
2026	-
Thereafter	-
	\$ 697,071

Actuarial Assumptions. The total pension liability in the December 31, 2019 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 assumptions used for the December 31, 2019 actuarial valuation are based on the experience study prepared as of December 31, 2014 and adopted by the Board of Trustees on January 21, 2016. The discount rate was updated to 7.00%, as adopted by the Board of Trustees on April 26, 2018. The impact on the contribution rate was direct-rate smoothed over a three-year period.

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, 2021

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, 2020 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 2019 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)	\$ 3,888,224	\$ 1,916,428	\$ 277,727

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

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 Annual Comprehensive Financial Report 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, 2019 (valuation date) the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	3
Active plan members	<u>18</u>
Total	<u><u>21</u></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, 2021

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, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	1.93 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, 2019.

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 \$69,107 for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$1,074,480. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$136,369.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 144,284	\$ -
Changes of assumptions	206,507	13,430
Benefit payments and administrative expenses subsequent to the measurement date	30,714	-
Total	<u>\$ 381,505</u>	<u>\$ 13,430</u>

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

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)

\$30,714 was reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2022	\$	81,898
2023		82,860
2024		75,598
2025		61,554
2026		35,451
Thereafter		-
	<u>\$</u>	<u>337,361</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 1.93% , 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 (0.93%) or 1-percentage-point higher (2.93%) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Town's proportionate share of the net pension liability (asset)	\$ 1,151,168	\$ 1,074,480	\$ 1,003,961

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

	2021
Beginning balance	\$ 823,859
Service cost	28,356
Interest on the total pension liability	25,731
Differences between expected and actual experience in the measurement of the total pension liability	43,927
Changes of assumptions or other inputs	221,714
Benefit payments	(69,107)
Ending balance of the total pension liability	<u><u>\$ 1,074,480</u></u>

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

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 for the December 31, 2019 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

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.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

c. Retiree Insurance Allowance (continued)

At December 31, 2020 (valuation date) the Insurance Allowance's membership consisted of:

Inactive members currently receiving benefits	4
Active plan members	70
Total	<u>74</u>

3. *Actuarial Assumptions.*

The entry age normal (EAN) actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	1.93 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, 2020.

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, 2021, the Town had contributed \$11,880.

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

At June 30, 2021, the Town reported a total pension liability of \$307,686. The total pension liability was measured as of December 31, 2020. For the year ended June 30, 2021, the Town recognized pension expense of \$32,765.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,332
Changes of assumptions	37,033	4,522
Benefit payments and administrative expenses subsequent to the measurement date	5,760	-
Total	<u>\$ 42,793</u>	<u>\$ 5,854</u>

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

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)

\$5,760 was reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$	7,703
2023		7,703
2024		7,703
2025		7,670
2026		400
Thereafter		-

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 1.93% , 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 (0.93%) or 1-percentage-point higher (2.93%) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Town's proportionate share of the net pension liability (asset)	\$ 331,588	\$ 307,686	\$ 285,851

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

	2021
Beginning balance	\$ 259,829
Service cost	12,540
Difference between expected and actual experience	(1,675)
Interest on the total pension liability	8,277
Changes of assumptions or other inputs	40,595
Benefit payments	(11,880)
Ending balance of the total pension liability	\$ 307,686

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 for the December 31, 2020 actuarial valuation are based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

1. Pension Plan Obligations (continued)

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

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

	LGERS	LEOSSA	RIA	Total
Pension Expense	\$ 670,542	\$ 136,369	\$ 32,765	\$ 839,676
Pension Liability	1,916,428	1,074,480	307,686	3,298,594
Proportionate share of the net pension liability	0.05363%	N/A	N/A	
Deferred Outflows of Resources				
Differences between expected and actual experience	242,011	144,284	-	386,295
Changes of assumptions	142,620	206,507	37,033	386,160
Net difference between projected and actual earnings on plan investments	269,686	-	-	269,686
Changes in proportion and differences between contributions and proportionate share of contributions	52,407	-	-	52,407
Benefit payments and administrative costs paid subsequent to the measurement date	405,560	30,714	5,760	442,034
Deferred Inflows of Resources				
Differences between expected and actual experience	-	-	1,332	1,332
Changes of assumptions	-	13,430	4,522	17,952
Changes in proportion and differences between contributions and proportionate share of contributions	9,654	-	-	9,654

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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, 2021 were \$188,239, which consisted of \$48,604 for law enforcement officers and \$139,635 for general employees. Voluntary contributions by all employees for the fiscal year were \$147,314.

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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 and Fire eligible plan member. 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, 2021, the State contributed \$18,652,000 to the plan. The Town of Emerald Isle's proportionate share of the State's contribution is \$19,942.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

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, 2021, 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 \$38,687. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2021 and at June 30, 2020 was 0%.

For the year ended June 30, 2021, the Town recognized pension expense of \$15,486 and revenue of \$15,486 for support provided by the State. At June 30, 2021, 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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

2. Other Employment Benefits

The Town has elected to provide death benefits to sworn law enforcement 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 are determined as a percentage of monthly payroll based upon rates established annually by the State. The Town considers these contributions to be immaterial.

The Town has also elected to provide basic group term life insurance to all full-time employees equal to one-time the annual salary amount of the employee. Benefits in excess of \$50,000 are considered taxable to the employee as a fringe benefit.

3. Deferred Outflows and Inflows of Resources

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

	Statement of Net Position
Differences between expected and actual experience	\$ 386,295
Changes of assumptions	386,160
Net difference between projected and actual earnings on pension plan investments	269,686
Changes in proportion and differences between Town contributions and proportionate share of contributions	52,407
Town contributions subsequent to the measurement date	442,034
Total	<u>\$ 1,536,582</u>

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

	Statement of Net Position	Governmental Funds Balance Sheet
Taxes receivable, less penalites (General Fund)	\$ -	\$ 33,238
Grant receivable	-	1,630,518
Changes of assumptions	17,952	-
Differences between expected and actual experience	1,332	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,654	-
Total	<u>\$ 28,938</u>	<u>\$ 1,663,756</u>

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

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. 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, 2021, 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

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, 2021

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
Carteret County Beach Fund	\$ 3,333,635	\$ -	\$ (1,592,627)	\$ 1,741,008
Total short-term liabilities	<u>\$ 3,333,635</u>	<u>\$ -</u>	<u>\$ (1,592,627)</u>	<u>\$ 1,741,008</u>

7. Long-Term Obligations

a. *Installment Purchase*

Governmental Activities:

On March 12, 2014, the Town entered into a direct borrowings contract to finance several improvements throughout the Town, including the completion of the multi-use path and stormwater infrastructure. This financing contract will be paid in annual installments of \$266,667 plus interest at 2.17% for nine years. The original amount financed was \$2,400,000. The balance due at June 30, 2021 was \$533,333.

On September 15, 2014, the Town entered into a direct borrowings contract for the purchase of land adjacent to the Public Boating Access Area for future recreational uses. The financing 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, 2021 was \$35,085.

On May 11, 2018, the Town entered into a direct borrowing contract for the purchase of land for the creation of McLean – Spell Park. The financing contract will be paid in annual installments, beginning on May 11, 2021 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, 2021 was \$420,000.

On February 18, 2021, the Town entered into a direct borrowing contract for the purchase of an ambulance. 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, 2021 was \$196,800.

On February 18, 2021, the Town entered into a direct borrowing contract for the purchase of a ladder truck. 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, 2021 was \$1,171,400.

On August 3, 2020, the Town entered into a direct borrowing contract for the purchase of emergency medical services heart monitor equipment. The financing contract will be paid in annual installments, beginning on September 3, 2020 of \$16,719 including interest at 0% for five years. The original amount financed was \$83,594. The balance due at June 30, 2021 was \$66,876.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B. Liabilities (continued)

7. Long-Term Obligations (continued)

a. Installment Purchase (continued)

The future minimum payments of the installment purchases as of June 30, 2021 are as follows:

Years Ending June 30:	Governmental-Type Activities	
	Principal	Interest
2022	\$ 484,931	\$ 68,035
2023	485,003	57,212
2024	218,409	46,390
2025	218,150	35,567
2026	143,600	30,530
2027-2031	538,000	78,523
2032-2036	335,400	21,168
Total	<u>\$ 2,423,493</u>	<u>\$ 316,257</u>

At June 30, 2021, the Town of Emerald Isle had a legal debt margin of \$245,893,565.

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	\$ 2,824,758	\$ 83,594	\$ (484,859)	\$ 2,423,493	\$ 484,931
Compensated absences	241,887	191,745	(200,861)	232,771	60,000
Net pension liability (LGERS)	1,476,063	440,365		1,916,428	-
Total pension liability (Retiree)	259,829	47,857		307,686	-
Total pension liability (LEO)	<u>823,859</u>	<u>250,621</u>		<u>1,074,480</u>	<u>-</u>
Governmental activity					
long-term liabilities	<u>\$ 5,626,396</u>	<u>\$ 1,014,182</u>	<u>\$ (685,720)</u>	<u>\$ 5,954,858</u>	<u>\$ 544,931</u>

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

C. Interfund Balances and Activity

	Amount
From the General Fund to the Emergency Services Facilities and Equipment	\$ 9,931
From the General Fund to the Future Beach Nourishment Fund	309,000
From the General Fund to the Islander Drive/WORA Improvements Fund	19,371
From the General Fund to the Golf Cart Infrastructure Improvements Fund	25,000
From the General Fund to the Special Events Fund	6,650
From the Future Beach Nourishment Fund to Post Beach Nourish-Dune Plantings Fund	327,000
	<u>\$ 696,952</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 2021 fiscal year, the Town made a transfer from the General Fund to the Emergency Service Facilities and Equipment Fund of \$9,931 for construction of the new aerial fire truck.

During the 2021 fiscal year, the Town made a transfer from the General Fund to the Future Beach Nourishment Fund of \$309,000 for the funds allocated for use for future beach nourishment projects.

During the 2021 fiscal year, the Town made a transfer from the General Fund to the Islander Drive/WORA Improvements Fund of \$19,371 for the construction of street and regional access improvements.

During the 2021 fiscal year, the Town made a transfer from the General Fund to the Golf Cart Infrastructure Improvements Fund of \$25,000 for the accumulation of funds for future construction projects related to golf cart specific infrastructure.

During the 2021 fiscal year, the Town made a transfer from the General Fund of \$6,650 to the Special Events Fund for costs associated with the annual Beach Music Festival.

Transfers to/from other funds at June 30, 2021 consist of the following:

During the 2021 fiscal year, the Town made a transfer from Future Beach Nourishment Fund to the Post Beach Nourishment-Dune Plantings Fund of \$327,000 for additional dune plantings and post rope fencing following the Phase III Beach Renourishment project.

D. Net Investment in Capital Assets

	Governmental
Capital assets	\$ 25,456,410
less: long-term debt	(2,423,493)
Net investment in capital assets	<u><u>\$ 23,032,917</u></u>

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

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>	\$	3,569,739
Less:		
Stabilization by State Statute		942,141
Streets		136,307
Public Safety		5,821
Prepaid Expenses		48,209
LEO Special Separation Allowance		63,954
Remaining fund balance	\$	2,373,307

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, 2021 are as follows:

General Fund	\$	9,775
Post-Florence Beach Nourishment Phase III Fund		250,174

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, 2021, 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, 2021. 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.

Town of Emerald Isle, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

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 9, 2021, the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

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

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

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Emerald Isle's proportion of the net pension liability (asset) (%)	0.0536%	0.0541%	0.0473%	0.0444%	0.0461%	0.0497%	0.0495%	0.0499%
Emerald Isle's proportion of the net pension liability (asset) (\$)	\$ 1,916,428	\$ 1,476,063	\$ 1,122,123	\$ 678,920	\$ 978,400	\$ 215,288	\$ (219,748)	\$ 601,487
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	\$ 2,891,933
Emerald Isle's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	51.56%	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%	96.45%

* 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 Eight Fiscal Years *

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 405,560	\$ 334,597	\$ 281,214	\$ 239,737	\$ 206,521	\$ 183,610	\$ 191,000	\$ 189,681
Contributions in relation to the contractually required contribution	<u>405,560</u>	<u>334,597</u>	<u>281,214</u>	<u>239,737</u>	<u>206,521</u>	<u>183,610</u>	<u>191,000</u>	<u>189,681</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Emerald Isle's covered payroll	\$ 3,979,527	\$ 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	10.19%	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 Seven Fiscal Years *

Firefighters' and Rescue Squad Workers' Pension

	<u>2021</u>	<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%	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	38,687	41,604	31,962	32,002	19,529	13,487	10,384
Total	<u>\$ 38,687</u>	<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	\$ 863,535	\$ 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	4.48%	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%	89.35%	84.94%	91.40%	93.42%	92.76%	91.45%

* 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 Five Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 823,859	\$ 685,467	\$ 628,493	\$ 552,844	\$ 531,161
Service Cost	28,356	25,130	24,232	18,960	23,624
Interest on the total pension liability	25,731	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	43,927	107,787	56,742	27,352	-
Changes of assumptions or other inputs	221,714	19,386	(21,361)	30,574	(11,722)
Benefit payments	(69,107)	(38,167)	(22,149)	(22,149)	(9,020)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u><u>\$ 1,074,480</u></u>	<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-Employee Payroll
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Last Five Fiscal Years*

	2021		2020		2019		2018		2017
Total pension liability	\$ 1,074,480	\$	823,859	\$	685,467	\$	628,493	\$	552,844
Covered-employee payroll	1,001,766		1,022,119		921,056		795,169		877,590
Total pension liability as a percentage of covered-employee payroll**	107.26%		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 Three Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 259,829	\$ 239,731	\$ -
Service cost	12,540	11,263	11,972
Interest on the total pension liability	8,277	8,605	7,257
Difference between expected and actual experience	(1,675)	-	-
Changes of assumptions or other inputs	40,595	6,910	(8,545)
Benefit payments	(11,880)	(6,680)	(1,200)
Other changes	-	-	230,247
Ending balance of the total pension liability	<u><u>\$ 307,686</u></u>	<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-Employee Payroll
Retiree Insurance Allowance
Required Supplementary Information
Last Three Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability	\$ 307,686	\$ 259,829	\$ 239,731
Covered-employee payroll	3,547,023	3,095,790	3,095,790
Total pension liability as a percentage of covered-employee payroll**	8.67%	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.

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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Collections of tax levy	\$	\$ 4,798,907	\$
Penalties and interest		14,106	
Total	<u>4,775,150</u>	<u>4,813,013</u>	<u>37,863</u>
 Unrestricted intergovernmental:			
Local option sales tax		2,399,671	
Utility sales tax		448,806	
Beer/wine tax		15,963	
Video programming		94,636	
Telecommunications tax		24,387	
ABC revenues		214,139	
Total	<u>2,978,500</u>	<u>3,197,602</u>	<u>219,102</u>
 Restricted intergovernmental:			
Grants		179,314	
Powell Bill allocation		136,299	
Total	<u>317,086</u>	<u>315,613</u>	<u>(1,473)</u>
 Permits and fees and assessments:			
Solid waste fees		1,719,326	
Building inspection fees		383,395	
Development fees		250	
CAMA permits		19,205	
Dunes and vegetation permits		44,456	
Beach vehicular permits		205,150	
Storm water permits		7,535	
Parking fees and fines/officer fees		252,420	
Reentry fees		9,275	
Golf cart permits		110,325	
Total	<u>2,517,840</u>	<u>2,751,337</u>	<u>233,497</u>
 Sales and services:			
Recreation revenues		79,063	
EMS service fees		233,313	
Total	<u>380,500</u>	<u>312,376</u>	<u>(68,124)</u>
 Investment earnings	<u>\$ 1,000</u>	<u>\$ 391</u>	<u>\$ (609)</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Miscellaneous revenues:			
Mowing and debris removal	\$	\$ 43,442	\$
Donations		48,866	
Miscellaneous		11,099	
Sale of surplus property		212,403	
Total	<u>316,615</u>	<u>315,810</u>	<u>(805)</u>
Total revenues	<u>11,286,691</u>	<u>11,706,142</u>	<u>419,451</u>
Expenditures:			
General government:			
Board of Commissioners:			
Salaries and benefits		65,367	
Professional services		11,351	
Other operating expenditures		24,930	
Total	<u>109,836</u>	<u>101,648</u>	<u>8,188</u>
Administration and finance:			
Salaries and employee benefits		595,786	
Other operating expenditures		105,555	
Total	<u>720,068</u>	<u>701,341</u>	<u>18,727</u>
Planning and Inspection:			
Salaries and benefits		165,779	
Other operating expenditures		113,132	
Total	<u>287,203</u>	<u>278,911</u>	<u>8,292</u>
Non-departmental:			
Contract services		20,000	
Other operating expenditures		609,246	
Total	<u>654,396</u>	<u>629,246</u>	<u>25,150</u>
Total general government	<u>\$ 1,771,503</u>	<u>\$ 1,711,146</u>	<u>\$ 60,357</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Emergency medical services:			
Salaries and employee benefits	\$	\$ 701,314	\$
Other operating expenditures		121,615	
Capital outlay		99,344	
Total	<u>960,102</u>	<u>922,273</u>	<u>37,829</u>
Police department:			
Salaries and employee benefits		1,723,653	
Other operating expenditures		307,266	
Total	<u>2,100,197</u>	<u>2,030,919</u>	<u>69,278</u>
Fire:			
Salaries and employee benefits		1,638,790	
Other operating expenditures		271,801	
Capital outlay		19,376	
Total	<u>2,005,751</u>	<u>1,929,967</u>	<u>75,784</u>
Total public safety	<u>5,066,050</u>	<u>4,883,159</u>	<u>182,891</u>
Environmental protection:			
Public works:			
Salaries and employee benefits		314,956	
Other operating expenditures		329,375	
Street maintenance		43,331	
Capital outlay		47,000	
Total	<u>914,939</u>	<u>734,662</u>	<u>180,277</u>
Solid waste:			
Salaries and employee benefits		235,107	
Other operating expenditures		1,421,917	
Total	<u>1,672,316</u>	<u>1,657,024</u>	<u>15,292</u>
Total environmental protection	<u>\$ 2,587,255</u>	<u>\$ 2,391,686</u>	<u>\$ 195,569</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and recreational:			
Parks and recreation:			
Salaries and employee benefits	\$	\$ 718,958	\$
Other operating expenditures		257,642	
Capital outlay		241,826	
Total culture and recreation	<u>1,303,116</u>	<u>1,218,426</u>	<u>84,690</u>
 Debt service:			
Principal		484,859	
Interest		67,132	
Total	<u>551,991</u>	<u>551,991</u>	<u>-</u>
 Total expenditures	<u>11,279,915</u>	<u>10,756,408</u>	<u>523,507</u>
 Revenues over (under) expenditures	<u>6,776</u>	<u>949,734</u>	<u>942,958</u>
 Other financing sources (uses):			
Transfers:			
To Special Events Fund	(6,650)	(6,650)	-
To Golf Cart Improvement Fund	(25,000)	(25,000)	-
To Islander/WORA Improvement Fund	(19,371)	(19,371)	-
To Future Beach Nourishment Fund	(309,000)	(309,000)	-
To Emergency Services Facilities Fund	(9,931)	(9,931)	-
Issuance of installment debt	83,594	83,594	-
Total other financing sources (uses)	<u>(286,358)</u>	<u>(286,358)</u>	<u>-</u>
 Fund balance appropriated	<u>279,582</u>	<u>-</u>	<u>(279,582)</u>
 Net change in fund balances	<u>\$ -</u>	<u>663,376</u>	<u>\$ 663,376</u>
 Fund balances, beginning		<u>2,906,363</u>	
Fund balances, ending		<u><u>\$ 3,569,739</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Benefit taxes	\$ 310,680	\$ 314,593	\$ 3,913
Investment earnings	60,000	1,092	(58,908)
Total revenues	<u>370,680</u>	<u>315,685</u>	<u>(54,995)</u>
Revenues over (under) expenditures	<u>370,680</u>	<u>315,685</u>	<u>(54,995)</u>
Other financing sources (uses):			
Transfers:			
From General Fund	309,000	309,000	-
To Post Beach Nourish-Dune Planting	<u>(327,000)</u>	<u>(327,000)</u>	
Total other financing sources (uses)	<u>(18,000)</u>	<u>(18,000)</u>	<u>-</u>
Fund balance appropriated	<u>(352,680)</u>	<u>-</u>	<u>352,680</u>
Net change in fund balance	<u>\$ -</u>	<u>297,685</u>	<u>\$ 297,685</u>
Fund balance, beginning		<u>4,932,975</u>	
Fund balance, ending		<u>\$ 5,230,660</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, 2021

	Project	Actual			Variance
	Authorization	Prior	Current	Total to	Positive
		Years	Year	Date	(Negative)
Revenues:					
Restricted intergovernmental:					
FEMA/NC DPS	\$ 3,634,995	\$ 2,876,293	\$ 212,421	\$ 3,088,714	\$ (546,281)
Unrestricted intergovernmental:					
Insurance proceeds	35,930	35,930	-	35,930	-
Miscellaneous	2,183	2,183	-	2,183	-
Total revenues	<u>3,673,108</u>	<u>2,914,406</u>	<u>212,421</u>	<u>3,126,827</u>	<u>(546,281)</u>
Expenditures:					
Construction	49,193	286,438	136,432	422,870	(373,677)
Salaries and benefits	240,000	208,027	-	208,027	31,973
Repairs and maintenance	1,123,483	210,956	26,370	237,326	886,157
Equipment rental	76,627	76,627	-	76,627	-
Supplies	34,239	34,239	-	34,239	-
Debris removal and monitoring	2,149,566	2,149,567	-	2,149,567	(1)
Total expenditures	<u>3,673,108</u>	<u>2,965,854</u>	<u>162,802</u>	<u>3,128,656</u>	<u>544,452</u>
Revenues over (under)					
expenditures	<u>-</u>	<u>(51,448)</u>	<u>49,619</u>	<u>(1,829)</u>	<u>(1,829)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (51,448)</u>	<u>49,619</u>	<u>\$ (1,829)</u>	<u>\$ (1,829)</u>
Fund balance, beginning			<u>(51,448)</u>		
Fund balance, ending			<u>\$ (1,829)</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, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Interest earned	\$ 71	\$ 46	\$ 25	\$ 71	\$ -
Total revenues	<u>71</u>	<u>46</u>	<u>25</u>	<u>71</u>	<u>-</u>
Expenditures:					
Design services	270,000	-	-	-	270,000
Construction	5,345,000	-	-	-	5,345,000
Equipment	1,265,002	52,058	1,212,944	1,265,002	-
Total expenditures	<u>6,880,002</u>	<u>52,058</u>	<u>1,212,944</u>	<u>1,265,002</u>	<u>5,615,000</u>
Revenues over (under) expenditures	<u>(6,879,931)</u>	<u>(52,012)</u>	<u>(1,212,919)</u>	<u>(1,264,931)</u>	<u>5,615,000</u>
Other financing sources (uses):					
Installment purchase debt issued	6,870,000	1,255,000	-	1,255,000	(5,615,000)
Transfer from General Fund	9,931	-	9,931	9,931	-
Total other sources (uses)	<u>6,879,931</u>	<u>1,255,000</u>	<u>9,931</u>	<u>1,264,931</u>	<u>(5,615,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,202,988</u>	<u>(1,202,988)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>1,202,988</u>		
Fund balance, ending			<u>\$ -</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, 2021

	Project	Actual		Variance
	Authorization	Prior	Current	Positive
		Years	Year	(Negative)
			Total to	
			Date	
Revenues:				
Restricted intergovernmental:				
FEMA/NC DPS	\$ 3,630,095	\$ 3,496,035	\$ 29,844	\$ 3,525,879
Carteret County	2,041,928	2,097,927	16,787	2,114,714
Total revenues	5,672,023	5,593,962	46,631	5,640,593
Expenditures:				
Design services	620,000	573,276	46,631	619,907
Construction	4,811,450	5,012,034	-	5,012,034
Contingency	240,573	8,652	-	8,652
Total expenditures	5,672,023	5,593,962	46,631	5,640,593
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning			-	
Fund balance, ending			\$ -	

Town of Emerald Isle, North Carolina
Post-Florence Beach Nourishment Phase III Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Fiscal Year Ending June 30, 2021

	Project		Actual		Variance
	Authorization	Prior	Current	Total to	Positive
		Years	Year	Date	(Negative)
Revenues:					
Restricted intergovernmental:					
FEMA/NC DPS	\$ 20,650,800	\$ -	\$ 17,953,582	\$ 17,953,582	\$ (2,697,218)
Carteret County	13,202,970	-	12,813,509	12,813,509	(389,461)
Total revenues	33,853,770	-	30,767,091	30,767,091	(3,086,679)
Expenditures:					
Design services	1,384,000	-	1,290,590	1,290,590	93,410
Construction	31,611,770	-	31,100,826	31,100,826	510,944
Contingency	858,000	-	-	-	858,000
Total expenditures	33,853,770	-	32,391,416	32,391,416	1,462,354
Revenues over (under)					
expenditures	-	-	(1,624,325)	(1,624,325)	(1,624,325)
Net change in fund balance	\$ -	\$ -	(1,624,325)	\$ (1,624,325)	\$ (1,624,325)
Fund balance, beginning			-		
Fund balance, ending			\$ (1,624,325)		

Non-Major Governmental Funds

Town of Emerald Isle, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021

	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	Post Beach Nourishment Dune Plantings Fund	
Assets:							
Cash and cash equivalents	\$ 49,842	\$ 27,254	\$ -	\$ 21,297	\$ 71,532	\$ 315,164	\$ 485,089
Total assets	<u>\$ 49,842</u>	<u>\$ 27,254</u>	<u>\$ -</u>	<u>\$ 21,297</u>	<u>\$ 71,532</u>	<u>\$ 315,164</u>	<u>\$ 485,089</u>
Liabilities:							
Accounts payable and accrued liabilities	\$ 10,102	\$ -	\$ -	\$ -	\$ -	\$ 13,940	\$ 24,042
Fund balances:							
Assigned:							
Environmental protection	-	-	-	-	-	301,224	301,224
Culture and recreation	39,740	27,254	-	21,297	71,532	-	159,823
Total fund balances	<u>39,740</u>	<u>27,254</u>	<u>-</u>	<u>21,297</u>	<u>71,532</u>	<u>301,224</u>	<u>461,047</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 49,842</u>	<u>\$ 27,254</u>	<u>\$ -</u>	<u>\$ 21,297</u>	<u>\$ 71,532</u>	<u>\$ 315,164</u>	<u>\$ 485,089</u>

Town of Emerald Isle, North Carolina
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Fiscal Year Ended June 30, 2021

	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	Post Beach Nourishment Dune Plantings Fund	
Revenues:							
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Carteret County	-	-	66,937	-	-	-	66,937
Miscellaneous	41,526	11,533	-	-	3,846	-	56,905
Total revenues	41,526	11,533	66,937	-	3,846	-	123,842
Expenditures:							
Current:							
Cultural and recreation	27,903	12,265	-	5,760	-	25,776	71,704
Capital outlay:							
Environmental protection	-	-	216,114	1,670	-	-	217,784
Total expenditures	27,903	12,265	216,114	7,430	-	25,776	289,488
Revenues over (under) expenditures	13,623	(732)	(149,177)	(7,430)	3,846	(25,776)	(165,646)
Other financing sources (uses):							
Transfer from other funds	6,650	-	19,371	25,000	-	327,000	378,021
Transfer to other funds	-	-	-	-	-	-	-
Total other sources (uses)	6,650	-	19,371	25,000	-	327,000	378,021
Net change in fund balance	20,273	(732)	(129,806)	17,570	3,846	301,224	212,375
Fund balance, beginning	19,467	27,986	129,806	3,727	67,686	-	248,672
Fund balance, ending	\$ 39,740	\$ 27,254	\$ -	\$ 21,297	\$ 71,532	\$ 301,224	\$ 461,047

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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Miscellaneous:			
Entry fees	\$ 38,000	\$ 22,556	\$ (15,444)
Sponsorships	21,875	17,925	(3,950)
T-shirt sales	12,000	1,045	(10,955)
Carteret County TDA	31,875	-	(31,875)
Total revenues	<u>103,750</u>	<u>41,526</u>	<u>(62,224)</u>
Expenditures:			
Operating	118,800	27,903	90,897
Total expenditures	<u>118,800</u>	<u>27,903</u>	<u>90,897</u>
Revenues over (under) expenditures	<u>(15,050)</u>	<u>13,623</u>	<u>28,673</u>
Other financing sources (uses):			
Transfers:			
From General Fund	14,675	6,650	(8,025)
To Bicycle and Pedestrian Fund	(8,125)	-	8,125
Total other sources (uses)	<u>6,550</u>	<u>6,650</u>	<u>100</u>
Fund balance appropriated	8,500	-	(8,500)
Net change in fund balance	<u>\$ -</u>	<u>20,273</u>	<u>\$ 20,273</u>
Fund balance, beginning		19,467	
Fund balance, ending		<u>\$ 39,740</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, 2021

	Project	Actual		Total to	Variance
	Authorization	Prior	Current	Date	Positive
		Years	Year		(Negative)
Revenues:					
Miscellaneous:					
Entry fees	\$ 33,836	\$ 35,274	\$ 10,533	\$ 45,807	\$ 11,971
Donations	25,000	20,348	1,000	21,348	(3,652)
Total revenues	58,836	55,622	11,533	67,155	8,319
Expenditures:					
Miscellaneous	19,788	13,670	12,265	25,935	(6,147)
Construction	200,126	175,044	-	175,044	25,082
Total expenditures	219,914	188,714	12,265	200,979	18,935
Revenues over (under)					
expenditures	(161,078)	(133,092)	(732)	(133,824)	27,254
Other financing sources (uses):					
Transfers:					
From Coast Guard Road					
Multi-use Path	48,485	48,485	-	48,485	-
From Half Marathon Fund	162,000	162,000	-	162,000	-
From General Fund	22,593	22,593	-	22,593	-
From NC 58 Traffic Signal Fund	36,000	36,000	-	36,000	-
To Bogue Inlet Drive Fund	(78,000)	(78,000)	-	(78,000)	-
To Islander/WORA Improvement	(30,000)	(30,000)	-	(30,000)	-
Total other sources (uses)	161,078	161,078	-	161,078	-
Net change in fund balance	\$ -	\$ 27,986	(732)	\$ 27,254	\$ 27,254
Fund balance, beginning			27,986		
Fund balance, ending			\$ 27,254		

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, 2021

	Project	Actual		Total to	Variance
	Authorization	Prior	Current	Date	Positive
		Years	Year		(Negative)
Revenues:					
Restricted intergovernmental:					
Powell Bill	\$ 145,861	\$ 145,861	\$ -	\$ 145,861	\$ -
NC Dept of Commerce	100,000	100,000	-	100,000	-
Carteret County	66,937	-	66,937	66,937	-
Contributions	50,000	50,000	-	50,000	-
Total revenues	362,798	295,861	66,937	362,798	-
Expenditures:					
Design services	85,021	84,106	915	85,021	-
Construction	331,330	253,110	78,220	331,330	-
Streets	396,052	259,073	136,979	396,052	-
Total expenditures	812,403	596,289	216,114	812,403	-
Revenues over (under)					
expenditures	(449,605)	(300,428)	(149,177)	(449,605)	-
Other financing sources (uses):					
Transfers:					
From General Fund	294,751	275,380	19,371	294,751	-
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	-
Total other sources (uses)	449,605	430,234	19,371	449,605	-
Net change in fund balance	\$ -	\$ 129,806	(129,806)	\$ -	\$ -
Fund balance, beginning			129,806		
Fund balance, ending			\$ -		

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, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Design services	\$ 400	\$ 400	\$ -	\$ 400	\$ -
Construction	37,050	7,923	7,430	15,353	21,697
Total expenditures	<u>37,050</u>	<u>8,323</u>	<u>7,430</u>	<u>15,753</u>	<u>21,297</u>
Revenues over (under) expenditures	<u>(37,050)</u>	<u>(8,323)</u>	<u>(7,430)</u>	<u>(15,753)</u>	<u>21,297</u>
Other financing sources (uses):					
Transfers:					
From General Fund	65,050	40,050	25,000	65,050	-
To Islander/WORA Improvement	(28,000)	(28,000)	-	(28,000)	-
Total other sources (uses)	<u>37,050</u>	<u>12,050</u>	<u>25,000</u>	<u>37,050</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,727</u>	<u>17,570</u>	<u>\$ 21,297</u>	<u>\$ 21,297</u>
Fund balance, beginning			<u>3,727</u>		
Fund balance, ending			<u>\$ 21,297</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, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive Negative
Revenues:					
Restricted intergovernmental:					
NC Parks & Rec Trust Grant	\$ 500,000	\$ 500,000	\$ -	\$ 500,000	\$ -
Clean Water Mgmt Trust Grant	545,000	545,000	-	545,000	-
Donations	26,000	10,506	3,846	14,352	(11,648)
Total revenues	<u>1,071,000</u>	<u>1,055,506</u>	<u>3,846</u>	<u>1,059,352</u>	<u>(11,648)</u>
Expenditures:					
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
Total expenditures	<u>1,671,000</u>	<u>1,587,820</u>	<u>-</u>	<u>1,587,820</u>	<u>83,180</u>
Revenues over (under) expenditures	<u>(600,000)</u>	<u>(532,314)</u>	<u>3,846</u>	<u>(528,468)</u>	<u>71,532</u>
Other financing sources (uses):					
Installment purchase debt issued	600,000	600,000	-	600,000	-
Total other sources (uses)	<u>600,000</u>	<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 67,686</u>	<u>3,846</u>	<u>\$ 71,532</u>	<u>\$ 71,532</u>
Fund balance, beginning			<u>67,686</u>		
Fund balance, ending			<u>\$ 71,532</u>		

Town of Emerald Isle, North Carolina
Post Beach Nourishment Dune Plantings Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
Construction	\$ 327,000	\$ -	\$ 25,776	\$ 25,776	\$ 301,224
Total expenditures	<u>327,000</u>	<u>-</u>	<u>25,776</u>	<u>25,776</u>	<u>301,224</u>
 Revenues over (under) expenditures	 (327,000)	 -	 (25,776)	 (25,776)	 301,224
 Other financing sources (uses):					
Transfer from other funds	327,000	-	327,000	327,000	-
Total other sources (uses)	<u>327,000</u>	<u>-</u>	<u>327,000</u>	<u>327,000</u>	<u>-</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>\$ -</u>	 301,224	 <u>\$ 301,224</u>	 <u>\$ 301,224</u>
 Fund balance, beginning			 -		
Fund balance, ending			<u>\$ 301,224</u>		

Other Schedules

This section contains additional information on property taxes.

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

Town of Emerald Isle, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2021</u>
2020-2021	\$ -	\$ 5,126,061	\$ (5,095,758)	\$ 30,303
2019-2020	16,128	-	(12,059)	4,069
2018-2019	6,139	-	(2,952)	3,187
2017-2018	4,851	-	(2,036)	2,815
2016-2017	2,609	-	(381)	2,228
2015-2016	674	-	(68)	606
2014-2015	660	-	(60)	600
2013-2014	627	-	-	627
2012-2013	756	-	-	756
2011-2012	391	-	-	391
2010-2011	795	-	(795)	-
	<u>\$ 33,630</u>	<u>\$ 5,126,061</u>	<u>\$ (5,114,109)</u>	<u>\$ 45,582</u>

Less: allowance for uncollectible accounts - General Fund (12,344)

Ad valorem taxes receivable - net \$ 33,238

Reconciliation with revenues:

Ad valorem taxes - General Fund \$ 4,813,013
Ad valorem taxes - Future Beach Nourishment Special Revenue Fund 314,593

Reconciling items:

Interest collected (14,106)
Discounts, releases, and other credits 609
Subtotal (13,497)

Total collections and credits \$ 5,114,109

Town of Emerald Isle, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2021

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 3,111,565,806	0.155	\$ 4,822,927	\$ 4,682,426	\$ 140,501
Special District Taxes	-	0.040	314,918	314,918	-
Total	<u>3,111,565,806</u>		<u>5,137,845</u>	<u>4,997,344</u>	<u>140,501</u>
Discoveries:					
Current and prior years	1,520,645		2,357	2,357	-
Releases:					
Current and prior years	<u>(9,123,226)</u>		<u>(14,141)</u>	<u>(14,141)</u>	<u>-</u>
Total property valuation	<u><u>\$ 3,103,963,225</u></u>				
Net levy			5,126,061	4,985,560	140,501
Uncollected taxes at June 30, 2021			<u>(30,303)</u>	<u>(30,303)</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 5,095,758</u></u>	<u><u>\$ 4,955,257</u></u>	<u><u>\$ 140,501</u></u>
Current levy collection percentage			<u><u>99.41%</u></u>	<u><u>99.39%</u></u>	<u><u>100.00%</u></u>

**Statistical Section
Unaudited**

Statistical Section
Unaudited

Description of the Statistical Schedules

Contents	Pages
Financial Trends	91-94
These schedules contain trend information to assist users in understanding and assessing how the Town's financial position has changed over time.	
Revenue Capacity	95-98
These schedules contain information to assist users in understanding and assessing the factors affecting the Town's ability to generate its own-source revenues.	
Debt Capacity	99-102
These schedules present information to assist users in understanding and assessing the Town's debt burden and its ability to issue additional debt.	
Demographic and Economic Information	103-105
These schedules offer demographic and economic information to assist users in understanding the environment within which the Town operates.	
Operating Information	106-108
These schedules contain service and infrastructure data to assist readers in understanding and assessing how the Town's financial report relates to the services the Town provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive 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									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental Activities / Primary Government:										
Net investment in capital assets	\$ 23,032,917	\$ 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
Restricted	6,314,929	6,248,841	5,870,332	4,088,443	3,246,185	2,519,657	1,907,088	1,923,224	712,156	2,446,655
Unrestricted	943,185	147,353	(2,582,672)	719,897	576,443	1,458,257	900,941	710,031	1,177,156	1,145,179
Total governmental activities / primary government net position	<u>\$ 30,291,031</u>	<u>\$ 29,261,413</u>	<u>\$ 25,519,003</u>	<u>\$ 27,080,556</u>	<u>\$ 23,164,099</u>	<u>\$ 22,498,262</u>	<u>\$ 21,003,943</u>	<u>\$ 18,790,065</u>	<u>\$ 18,409,873</u>	<u>\$ 18,923,263</u>

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

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses										
Governmental Activities:										
General government	\$ 1,807,872	\$ 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
Public safety	5,473,719	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
Environmental protection	34,930,691	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
Cultural and recreation	1,349,992	1,430,921	1,304,694	1,370,841	1,277,024	1,165,017	774,486	1,108,279	880,615	897,567
Economic and physical development				-	-	-	-	-	-	-
Interest on long-term debt	63,922	43,249	51,007	42,470	52,197	63,059	74,032	42,924	64,857	101,164
Total expenses	<u>\$ 43,626,196</u>	<u>\$ 26,892,195</u>	<u>\$ 25,090,140</u>	<u>\$ 8,975,800</u>	<u>\$ 8,841,280</u>	<u>\$ 8,263,504</u>	<u>\$ 7,753,598</u>	<u>\$ 8,076,244</u>	<u>\$ 17,083,173</u>	<u>\$ 8,176,869</u>
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	\$ 110,325	\$ 105,045	\$ 90,258	\$ 74,682	\$ 54,537	\$ 50,091	\$ 41,275	\$ 32,017	\$ 22,720	\$ 16,260
Public safety	651,043	470,123	457,847	303,822	222,669	330,039	249,428	279,029	227,246	258,725
Environmental protection	1,790,522	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
Cultural and recreation	568,728	484,791	534,070	547,578	431,061	260,847	239,799	183,543	151,321	135,151
Operating grants and contributions	136,299	387,828	2,841,432	262,193	474,494	227,824	199,991	169,336	158,202	536,825
Capital grants and contributions	32,863,411	19,858,946	10,345,467	2,785,421	8,783	245,472	860,700	240,360	8,457,159	912,482
Total program revenues	<u>\$ 36,120,328</u>	<u>\$ 22,931,393</u>	<u>\$ 15,783,106</u>	<u>\$ 5,493,575</u>	<u>\$ 2,687,671</u>	<u>\$ 2,745,911</u>	<u>\$ 3,095,134</u>	<u>\$ 2,390,601</u>	<u>\$ 10,444,100</u>	<u>\$ 3,190,115</u>
Net (Expense) / Revenue										
Total governmental activities / primary government net expense	<u>\$ (7,505,868)</u>	<u>\$ (3,960,802)</u>	<u>\$ (9,307,034)</u>	<u>\$ (3,482,225)</u>	<u>\$ (6,153,609)</u>	<u>\$ (5,517,593)</u>	<u>\$ (4,658,464)</u>	<u>\$ (5,685,643)</u>	<u>\$ (6,639,073)</u>	<u>\$ (4,986,754)</u>
General Revenues										
Governmental Activities:										
Property taxes	\$ 5,138,752	\$ 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
Local option sales tax	2,399,671	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
Other taxes and licenses	797,931	741,665	761,168	732,331	744,382	633,718	594,313	344,135	340,656	336,665
Unrestricted grants and contributions	48,866	28,606	81,193	51,604	150	51,823	117,820	189,797	181,517	203,403
Unrestricted investment earnings	1,508	82,864	109,198	60,939	18,368	5,490	1,560	213	2,678	3,878
Miscellaneous	148,758	109,784	130,250	56,999	39,986	49,603	47,898	36,155	62,633	40,360
Total program revenues	<u>\$ 8,535,486</u>	<u>\$ 7,703,212</u>	<u>\$ 7,745,481</u>	<u>\$ 7,398,682</u>	<u>\$ 7,178,474</u>	<u>\$ 6,948,157</u>	<u>\$ 6,872,355</u>	<u>\$ 6,477,641</u>	<u>\$ 6,125,683</u>	<u>\$ 6,427,484</u>
Change in Net Position										
Total governmental activities / primary government change in net position	<u>\$ 1,029,618</u>	<u>\$ 3,742,410</u>	<u>\$ (1,561,553)</u>	<u>\$ 3,916,457</u>	<u>\$ 1,024,865</u>	<u>\$ 1,430,564</u>	<u>\$ 2,213,891</u>	<u>\$ 791,998</u>	<u>\$ (513,390)</u>	<u>\$ 1,440,730</u>

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

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Fund:										
Non-spendable	\$ 48,209	\$ 52,981	\$ 9,662	\$ 9,000	\$ 15,765	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,084,269	1,250,637	1,641,632	815,501	741,027	697,405	695,281	790,964	692,784	678,533
Committed	63,954	65,961	65,961	63,954	63,954	63,954	-	-	-	-
Assigned	-	55,000	-	-	-	-	-	-	-	24,009
Unassigned	2,373,307	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
Total general fund	<u>\$ 3,569,739</u>	<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>
All other government funds:										
Non-spendable	\$ -	\$ 6,650	\$ -	\$ 4,650	\$ 7,650	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	5,230,660	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	461,047	176,793	252,348	124,022	101,533	131,203	128,519	139,742	83,866	86,824
Unassigned	(1,626,154)	(51,448)	(3,147,917)	(961)	-	-	-	-	(278,665)	-
Total all other governmental funds	<u>\$ 4,065,553</u>	<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>

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

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues:										
Ad valorem taxes	\$ 5,127,606	\$ 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
Other taxes and licenses	-	-	-	-	-	-	-	-	6,020	14,659
Unrestricted intergovernmental	3,197,602	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
Restricted intergovernmental	31,408,693	18,084,732	13,210,012	1,307,193	316,529	383,399	995,258	637,430	8,272,299	1,396,005
Permits and fees	2,751,337	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
Sales and services	312,376	344,227	420,845	212,873	167,771	146,081	135,652	125,455	151,321	135,151
Investment earnings	1,508	82,865	109,198	60,939	18,368	5,490	1,560	213	2,678	6,552
Miscellaneous	372,715	267,441	238,594	198,789	448,237	202,422	186,072	128,171	189,784	153,881
Total revenues	43,171,837	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
Expenditures:										
Current:										
General government	\$ 1,711,146	\$ 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
Public safety	4,764,439	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
Environmental protection	34,809,103	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
Cultural and recreational	1,048,304	1,071,942	972,020	1,074,071	992,130	1,070,113	933,934	1,019,278	749,525	651,744
Capital Outlay	1,974,706	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	484,859	335,270	577,831	513,963	787,558	595,925	582,542	224,229	1,181,282	1,440,294
Interest and other charges	67,132	43,249	54,678	42,913	59,557	68,022	78,191	22,260	98,084	118,635
Total expenditures	44,859,689	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
Excess (Deficiency) of revenues over (under) expenditures	(1,687,852)	3,212,553	(1,570,738)	415,998	561,460	747,580	(87,390)	(1,364,279)	(1,974,637)	(606,842)
Other Financing Sources (Uses):										
Transfers from other funds	696,952	766,176	1,610,123	1,636,453	847,414	778,411	674,362	128,831	1,701,688	134,641
Transfers to other funds	(696,952)	(766,176)	(1,610,123)	(1,636,453)	(847,414)	(778,411)	(674,362)	(128,831)	(1,701,688)	(134,641)
Proceeds from sale of property	-	-	287,008	-	-	-	-	-	-	-
Issuance of debt	83,594	1,501,000	-	600,000	-	-	86,077	2,855,000	-	152,154
Total other financing sources (uses)	83,594	1,501,000	287,008	600,000	-	-	86,077	2,855,000	-	152,154
Net change in fund balance	\$ (1,604,258)	\$ 4,713,553	\$ (1,283,730)	\$ 1,015,998	\$ 561,460	\$ 747,580	\$ (1,313)	\$ 1,490,721	\$ (1,974,637)	\$ (454,688)
Debt service as a percentage of noncapital expenditures	1.29%	1.45%	2.57%	6.46%	9.67%	8.06%	8.39%	3.21%	7.20%	18.08%

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

Fiscal Year Ended June 30,	Total Taxable Assessed Value	Total Direct Tax Rate ⁽⁵⁾ ⁽⁶⁾	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Estimated Actual Value ⁽⁷⁾
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%
2021	3,103,963,225	0.155	3,595,463,020	86.33%

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, 2016, and 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) Beginning FY 2021, the Town entered into an agreement with Carteret County to bill and collect property taxes for real, public service, non-registered motor vehicles and personal property on behalf of the Town. Carteret County also collects property taxes for registered motor vehicles on behalf of the Town via the NC Division of Motor Vehicle's (NCDMV) Tax and Tag Program. The values reported above have been provided by the Carteret County Tax Assessor and NCDMV.
- (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 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		
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
2021	0.155	(1)	0.000	0.155	0.330	0.485
		(2)	0.040	0.195		0.525

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 Ten Years Ago

Taxpayer	2021			2012		
	Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Total Assessed Value	Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Total Assessed Value
Coastal Land Ventures, Inc.	\$ 13,906,820	1	0.45%	\$ 9,252,691	9	0.31%
Islander Ventures Em Isle, LLC	11,440,201	2	0.37	9,025,711	10	0.30
Bogue Fishing Pier, Inc.	11,180,535	3	0.36			
Watson Family Assets, LLC	10,429,582	4	0.34			
Emerald Plantation Partner, LLC	10,168,038	5	0.33			
McCabe and Company d/b/a	9,487,067	6	0.31	22,381,623	1	0.75
Seaside Siblings, LLC	7,909,144	7	0.25	17,769,200	2	0.60
Publix North Carolina LP	7,272,522	8	0.23			
Manatee Investments Lmted Ptnsp	6,849,777	9	0.22			
Carteret Craven Electric Management Cooperative	6,647,747	10	0.21			
Watsons, Inc.				15,201,806	3	0.51
The Stanley Corporation				12,265,013	4	0.41
Ealey, Mark A. Etux Lisa J.				11,361,504	5	0.38
Holz, Paxon M.				11,235,819	6	
Stanley, Joseph M.				9,880,766	7	0.33
Cape Emerald Properties, LLC				9,539,890	8	0.32
	<u>\$ 95,291,433</u>		<u>3.07%</u>	<u>\$ 127,914,023</u>		<u>4.30%</u>

Source: Carteret County Tax Office

Notes:

(1) Values reported by Carteret County Tax office are consolidated by owner, and may include multiple real property parcels.

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
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%	20,625	4,429,722	99.99%
2015	4,441,488	4,429,183	99.72%	11,705	4,440,888	99.99%
2016	4,486,669	4,477,230	99.79%	8,833	4,486,063	99.99%
2017	4,519,449	4,503,342	99.64%	13,879	4,517,221	99.95%
2018	4,559,350	4,539,805	99.57%	16,730	4,556,535	99.94%
2019	4,614,187	4,576,501	99.18%	34,499	4,611,000	99.93%
2020	4,624,639	4,608,511	99.65%	12,059	4,620,570	99.91%
2021	5,126,061	5,095,758	99.41%	-	5,095,758	99.41%

Source: Town of Emerald Isle Finance Department

Town of Emerald Isle, North Carolina
Legal Debt Margin Information
June 30, 2021

Total Assessed Valuation	\$ 3,103,963,225
Legal Debt Margin:	
Debt Limit 8% of Total Assessed Value	248,317,058
Amount of Debt Applicable to Debt Limit	<u>2,423,493</u>
Legal Debt Margin	<u><u>\$ 245,893,565</u></u>

Town of Emerald Isle, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2021

	Debt Outstanding	Percentage Applicable to Town ⁽¹⁾	Amount Applicable to Town
Direct:			
Town of Emerald Isle	\$ 2,423,493	100.00%	\$ 2,423,493
Overlapping:			
Carteret County	16,350,000	18.82%	3,077,865
	<u>\$ 18,773,493</u>		<u>\$ 5,501,358</u>
 Town's assessed value	 \$ 3,103,963,225		
County's assessed value	\$ 16,488,635,759		

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 ⁽¹⁾</u>	<u>Total</u>	<u>Percentage of Est. Actual Taxable Value of Property ⁽²⁾</u>	<u>Per Capita ⁽³⁾</u>
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%	-
2021	-	-	-	0.00%	-

Source: Town of Emerald Isle Finance Department

Notes:

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

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

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding	Installment Contracts	Total Primary Government	Population Estimate ⁽¹⁾	Total Debt Per Capita	Personal Income ⁽²⁾	Total Housing Units ⁽³⁾	Total Debt Per Housing Unit ⁽⁴⁾
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
2021	-	2,423,493	2,423,493	3,840	631		6,735	360

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 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 ⁽¹⁾</u>	<u>Unemployment Ratio ⁽²⁾</u>	<u>Per Capita Income ⁽³⁾</u>	<u>Personal Income ⁽³⁾ (in thousands)</u>
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%	51,582	3,583,559
2020	3,822	5.24%	N/A	N/A
2021	3,840	4.86%	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 Ten Years Ago

Employer	2021			2012		
	Employees (FTE's)	Rank (²)	Percentage of Total Employment (³)	Employees (FTE's)	Rank (²)	Percentage of Total Employment (³)
Carteret General Hospital	1,000+	1		1,000+	2	
Carteret County Board of Education	1,000+	2		1,000+	1	
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		-	-	
Food Lion	250-499	6		100-249	7	
Carteret Community College	250-499	7		250-499	5	
Lowes Food LLC	100-249	8		100-249	10	
Bally Refrigerated Boxes, Inc.	100-249	9		-	-	
Town of Morehead City	100-249	10		-	-	
McDonalds				100-249	9	
NC Dept of Environmental				250-499	6	
Big Rock Sports, LLC				100-249	8	

Source: NC Employment Security Commission

Notes:

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

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

Fiscal Year Ended June 30,	County Collections	Percent Increase/(Decrease)
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%
2021	11,513,304	58.34%

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									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Full-time										
General Government:										
Administration	6	5	5	5	5	5	5	5	5	5
Planning and Inspections	2	2	1	1	1	1	1	3	3	3
Public Safety:										
Police	20	20	19	19	19	18	18	19	19	19
Fire	18	18	17	17	14	14	14	14	14	14
EMS	8	8	8	7	-	-	-	-	-	-
Environmental Protection:										
Public Works	5	5	5	5	5	5	5	5	5	5
Solid Waste	4	4	4	4	4	4	3	3	2	2
Culture and Recreation:										
Parks and Recreation	10	10	10	10	9	8	8	8	7	7
Total	73	72	69	68	57	55	54	57	55	55
Part-time/Seasonal										
General Government:										
Administration	-	-	-	-	-	-	-	1	1	1
Planning and Inspections	-	-	-	-	-	-	-	1	1	1
Public Safety:										
Police	22	22	22	22	20	18	17	14	14	14
Fire	31	31	28	28	23	23	21	21	21	20
EMS	32	32	30	23	-	-	-	-	-	-
Environmental Protection:										
Public Works	-	-	-	-	-	-	-	-	-	-
Solid Waste	-	-	1	1	1	1	1	-	1	1
Culture and Recreation:										
Parks and Recreation	35	40	40	40	38	38	37	37	35	34
Total	120	125	121	114	82	80	76	74	73	71
Inmate Laborers										
Parks Maintenance	-	-	2	2	2	2	2	2	2	2
Public Works	-	-	4	4	4	4	4	4	4	4
Total	-	-	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									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Public Safety:										
Police dispatch calls answered	14,474	14,605	14,004	12,782	13,697	12,509	8,481	8,457	8,574	9,432
Fire calls answered	832	1,120	1,272	1,122	1,073	965	917	866	807	822
EMS calls involving transport	471	421	398	474	476	396	420	399	403	386
Transportation (Streets and Highways):										
Miles of streets maintained	45.50	45.50	45.50	45.50	45.50	45.50	45.50	45.50	45.50	45.54
Environmental Protection (Solid Waste):										
Refuse collected (tons)	3,994	3,558	3,805	3,426	3,435	3,356	3,275	3,259	3,279	3,414
Recyclables collected (tons)	780	710	704	764	764	774	823	723	657	632
Cultural and Recreation:										
Community Center Visits	10,937	29,341	36,920	43,271	43,942	40,424	39,649	40,572	42,857	36,372
Beach/Sound Access Repairs/Improv.	305	260	277	273	276	285	365	333	99	70

Source: Town of Emerald Isle Administration

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

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Public Safety:										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of police vehicles	22	20	22	22	22	22	20	21	21	21
Number of police beach patrol UTV units	2	4	2	2	2	2	3	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	6	5	5	4	4	3	3	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	2	-	-	-	-	-	-
Transportation (Streets and Highways):										
Miles of streets maintained	45.50	45.50	45.50	45.50	45.50	45.50	45.50	45.50	45.50	45.54
Environmental Protection (Solid Waste):										
Number of yard waste trucks	2	2	2	2	2	2	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	12	11	11	10	10	10	10
Miles of bicycle and pedestrian path	11.20	11.20	11.20	11.20	11.20	11.00	11.00	11.00	5.80	5.10

Source: Town of Emerald Isle Administration

Compliance Section

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, 2021, 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 9, 2021.

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.

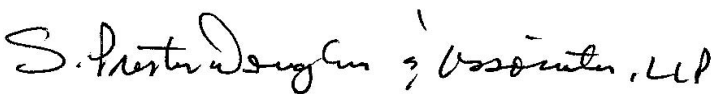
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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.

Handwritten signature of S. Preston Douglas, Jr. in cursive script.

Lumberton, North Carolina
November 9, 2021

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, 2021. 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, 2021.

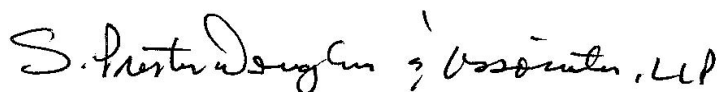
Report on Internal Control Over Compliance

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 9, 2021

Town of Emerald Isle, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section I. Summary of Auditor's Results
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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, 2021

Section II. Financial Statement Findings

None reported

Section III. Federal Award Findings and Questioned Costs

None reported

Town of Emerald Isle, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2021

Grantor/Pass-through Grant/Program Title	Federal CFDA Number	Award Number/State Pass-through Grantor's Number	Federal (Direct Pass- through) Expenditures	State Expenditures
Federal Grants:				
Direct Programs:				
<u>US Department of Homeland Security</u>				
Staffing for Adequate Fire and Emergency Response	97.083		\$ 17,699	\$ -
<u>US Department of Justice</u>				
Bulletproof Vest Partnership Grant	16.607		3,313	-
<u>US Department of Health and Human Services</u>				
CARES Act Provider Relief Fund	93.498		708	-
Pass Through:				
<u>US Department of Homeland Security</u>				
North Carolina Department of Public Safety				
Disaster Grants - Public Assistance Program	97.036	FEMA-4393-DR-NC	24,450,637	8,150,212
Disaster Grants - Public Assistance Program	97.036	FEMA-4468-DR-NC	19,379	6,460
<u>US Department of the Treasury</u>				
CARES Act Coronavirus Relief Fund	21.019	S.L. 2020-4 HB 1043/02-16-06	85,249	-
State Grants:				
Direct Programs:				
<u>N.C. Department of Transportation</u>				
Non-State System Street Aid Allocation		n/a	-	65,229
Total assistance			<u>\$ 24,576,986</u>	<u>\$ 8,221,901</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, 2021. 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.