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May 8, 2015

Mr. David Hatten  
Finance Director  
Town of Oak Island  
4601 East Oak Island Drive  
Oak Island, NC 28465

Dear Mr. Hatten,

Raftelis Financial Consultants, Inc (RFC) is pleased to submit the attached schedules to the Town of Oak Island, North Carolina (Town) documenting the update of the Water and Wastewater Financial Forecast Model (Model). The following presents a revised projection of revenues, expenses, debt service, and debt service coverage (Forecast Statement) for the seven fiscal years ending June 30, 2015 through June 30, 2021. Although the Forecast Statement and supplemental information was not designed for inclusion in an official statement to investors associated with the planned debt refunding, it was developed in accordance with guidelines for the water and wastewater industry and presented on a cash basis, which is consistent with the Town's budgeting process for its Enterprise System and the specific requirements of the coverage tests identified in the Trust Agreement, between the Town and U.S. Bank National Association, Trustee, authorizing and securing the Enterprise System Revenue Bonds.

We have enjoyed this opportunity to provide continued assistance to the Town and wish to acknowledge the significant efforts by you and Town staff in providing timely and accurate input needed during the project.

If you have any questions, comments, or concerns, please do not hesitate to contact me at (704) 373-1199.

Sincerely,  
RAFTELIS FINANCIAL CONSULTANTS, INC.

A handwritten signature in black ink, appearing to read 'Bart Kreps', is centered on the page.

Bart Kreps  
Senior Manager

## Exhibit 1


**Historical Results**

Town of Oak Island, North Carolina  
Enterprise Systems  
Historical Statement of Revenues, Expenses, Debt, and Debt Service Coverage  
For Fiscal Year Ending June 30

	2011	2012	2013	2014
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
<b>Combined Water and Wastewater</b>				
<b>Operating Revenues</b>				
Charges for Services				
Water Sales	\$ 2,937,483	\$ 2,853,576	\$ 2,902,008	\$ 3,271,916
Wastewater Sales	2,206,517	5,203,467	6,020,592	6,964,117
Wholesale	-	457,477	404,981	361,755
<i>Subtotal: Charges for Services</i>	<u>\$ 5,144,000</u>	<u>\$ 8,514,520</u>	<u>\$ 9,327,581</u>	<u>\$ 10,597,788</u>
Other Operating Revenue				
Water	\$ 257,050	\$ 262,571	\$ 266,224	\$ 240,938
Wastewater	-	3,067	-	-
<i>Subtotal: Other Operating Revenue</i>	<u>\$ 257,050</u>	<u>\$ 265,638</u>	<u>\$ 266,224</u>	<u>\$ 240,938</u>
<b>Non-Operating Revenue</b>				
Water	\$ 5,310	\$ 4,622	\$ 3,257	\$ 6,503
Wastewater				
Wastewater Assessments	6,000,000	5,544,371	3,630,760	2,635,694
Other Non-Operating Revenues	111,314	32,864	14,617	4,465
<i>Subtotal: Non-Operating Revenues</i>	<u>\$ 6,116,624</u>	<u>\$ 5,581,857</u>	<u>\$ 3,648,634</u>	<u>\$ 2,646,662</u>
Sewer District Fee	\$ 443,102	\$ 496,361	\$ 1,968,750	\$ 2,004,788
<b>Total Revenues</b>	<b><u>\$ 11,960,776</u></b>	<b><u>\$ 14,858,376</u></b>	<b><u>\$ 15,211,189</u></b>	<b><u>\$ 15,490,176</u></b>
<b>Current Expenses</b>				
Operating Expenses				
Water Operating Expenses	\$ 2,196,572	\$ 2,222,040	\$ 1,488,838	\$ 1,745,195
Wastewater Operating Expenses	1,001,707	1,777,491	1,714,429	1,906,222
<i>Subtotal: Current Expenses</i>	<u>\$ 3,198,279</u>	<u>\$ 3,999,531</u>	<u>\$ 3,203,267</u>	<u>\$ 3,651,417</u>
Indirect Expenses - General Fund Reimbursement				
Water	\$ -	\$ -	\$ -	\$ -
Wastewater	-	-	-	-
<i>Subtotal: Indirect Expenses</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service Payments to Brunswick County	3,248,450	3,081,246	2,901,346	2,907,370
Depreciation and Amortization	6,618,959	8,369,683	8,351,791	8,049,926
<b>Total Current Expenses</b>	<b><u>\$ 13,065,688</u></b>	<b><u>\$ 15,450,460</u></b>	<b><u>\$ 14,456,404</u></b>	<b><u>\$ 14,608,713</u></b>
<b>Income (loss) Before Contributions and Transfers</b>	<b>\$ (1,104,912)</b>	<b>\$ (592,084)</b>	<b>\$ 754,785</b>	<b>\$ 881,463</b>
Adjustments				
Plus: Depreciation	\$ 1,516,725	\$ 3,400,820	\$ 3,374,468	\$ 3,297,784
Plus: Interest Expense	5,102,234	4,968,863	4,977,323	4,752,142
<b>Net Revenues (Income Available for Debt Service)</b>	<b>\$ 5,514,047</b>	<b>\$ 7,777,599</b>	<b>\$ 9,106,576</b>	<b>\$ 8,931,389</b>
Plus 15% of Revenue Fund Balance	343,458	568,061	490,670	776,269
<b>Net Revenues Plus 15% of Revenue Fund Balance</b>	<b><u>\$ 5,857,505</u></b>	<b><u>\$ 8,345,660</u></b>	<b><u>\$ 9,597,246</u></b>	<b><u>\$ 9,707,658</u></b>
Parity Bond Indebtedness	\$ 3,735,650	\$ 5,723,341	\$ 6,829,905	\$ 6,836,935
<b>Debt Service Coverage - Parity Indebtedness</b>				
Calculated Using Net Revenues	<b>1.48</b>	<b>1.36</b>	<b>1.33</b>	<b>1.31</b>
Calculated Using Net Revenues Plus 15% of Revenue Fund Balance	<b>1.57</b>	<b>1.46</b>	<b>1.41</b>	<b>1.42</b>

**Exhibit 1****Historical Results (Continued)**

**Town of Oak Island, North Carolina**  
**Enterprise Systems**  
**Historical Statement of Revenues, Expenses, Debt, and Debt Service Coverage**  
**For Fiscal Year Ending June 30**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
Net Revenues Available for All Other System Indebtedness	\$ 1,778,397	\$ 2,054,258	\$ 2,276,671	\$ 2,094,454
All Other System Indebtedness	\$ 1,359,560	\$ 986,535	\$ 1,316,206	\$ 1,367,384
<b>Debt Service Coverage: All Other System Indebtedness</b>	<b>1.31</b>	<b>2.08</b>	<b>1.73</b>	<b>1.53</b>
<b>Total Debt Service Coverage</b>	<b>1.08</b>	<b>1.16</b>	<b>1.12</b>	<b>1.09</b>
Total Parity Plus All Other System Indebtedness	\$ 5,095,210	\$ 6,709,876	\$ 8,146,111	\$ 8,204,319
120% of Parity Indebtedness Plus 100% of All Other System Indebtedness	\$ 5,842,340	\$ 7,854,545	\$ 9,512,092	\$ 9,571,706
<b>Rate Covenant Test 1 - Coverage of the Rate Covenant (1)</b>	<b>1.00</b>	<b>1.06</b>	<b>1.01</b>	<b>1.01</b>
Calculated Using Net Revenues Plus 15% of Revenue Fund Balance (Must be Greater Than 1.0)				
<b>Rate Covenant Test 2 - Coverage of the Rate Covenant (2)</b>	<b>1.08</b>	<b>1.16</b>	<b>1.12</b>	<b>1.09</b>
Calculated Using Net Revenues (Must be Greater Than 1.0)				
<b>Net Revenues After Total Debt</b>	<b>\$ 418,837</b>	<b>\$ 1,067,723</b>	<b>\$ 960,465</b>	<b>\$ 727,070</b>
Capital Outlays				
Water	\$ 65,186	\$ 304,274	\$ 141,900	\$ 14,000
Wastewater	16,355	274,713	-	42,000
<i>Subtotal: Other Budgeted Expenditures</i>	\$ 81,541	\$ 578,987	\$ 141,900	\$ 56,000
<b>Surplus Revenues Remaining After Total Cash Needs</b>	<b>\$ 337,296</b>	<b>\$ 488,736</b>	<b>\$ 818,565</b>	<b>\$ 671,070</b>

- (1) Per the Rate Covenant in the Trust Agreement, Net Revenues (Income Available for Debt Service) plus 15% of the Revenue Fund Balance as of the last day of the preceding Fiscal Year, will not be less than the sum of (1) 120% of the Long-Term Debt Service Requirement for Parity Indebtedness in each Fiscal Year and (2) the sum of the Long-Term Debt Service Requirement for Subordinate Indebtedness, System G.O. Indebtedness, and System Other Indebtedness in each Fiscal Year. The ratio is required to be equal to or greater than 1.0.
- (2) Per the Rate Covenant in the Trust Agreement, Net Revenues (Income Available for Debt Service) will not be less than 100% of the sum of the Long-Term Debt Service Requirement for Parity Indebtedness, Subordinate Indebtedness, System G.O Indebtedness, and System Other Indebtedness in each Fiscal Year. This ratio is required to be equal to or greater than 1.00.

## Exhibit 2

 Forecast Statement

Town of Oak Island, North Carolina  
Enterprise Systems  
Forecast Statement of Revenues, Expenses, Debt, and Debt Service Coverage  
For Fiscal Year Ending June 30

	2015	2016	2017	2018	2019	2020	2021
<b>Combined Water and Wastewater</b>							
<b>Operating Revenues</b>							
Charges for Services							
Water Sales	\$ 3,298,454	\$ 3,715,194	\$ 3,857,321	\$ 4,005,138	\$ 4,158,784	\$ 4,318,400	\$ 4,484,130
Wastewater Sales	7,437,077	8,381,782	8,706,957	9,045,155	9,395,870	9,761,087	10,140,158
Wholesale	381,134	374,498	377,746	373,469	376,837	380,126	383,712
<i>Subtotal: Charges for Services</i>	<u>\$ 11,116,665</u>	<u>\$ 12,471,475</u>	<u>\$ 12,942,024</u>	<u>\$ 13,423,762</u>	<u>\$ 13,931,491</u>	<u>\$ 14,459,614</u>	<u>\$ 15,008,001</u>
Other Operating Revenue							
Water	\$ 225,500	\$ 225,500	\$ 225,500	\$ 225,500	\$ 225,500	\$ 225,500	\$ 225,500
Wastewater	125,000	125,000	125,000	125,000	125,000	125,000	125,000
<i>Subtotal: Other Operating Revenue</i>	<u>\$ 350,500</u>	<u>\$ 350,500</u>	<u>\$ 350,500</u>	<u>\$ 350,500</u>	<u>\$ 350,500</u>	<u>\$ 350,500</u>	<u>\$ 350,500</u>
<b>Non-Operating Revenue</b>							
Water	\$ 234,500	\$ 234,500	\$ 234,500	\$ 234,500	\$ 234,500	\$ 234,500	\$ 234,500
Wastewater							
Wastewater Assessments (1)	3,000,000	2,618,191	2,618,191	2,554,222	2,532,140	2,615,562	-
Other Non-Operating Revenues	5,800	5,800	5,800	5,800	5,800	5,800	5,800
<i>Subtotal: Non-Operating Revenues</i>	<u>\$ 3,240,300</u>	<u>\$ 2,858,491</u>	<u>\$ 2,858,491</u>	<u>\$ 2,794,522</u>	<u>\$ 2,772,440</u>	<u>\$ 2,855,862</u>	<u>\$ 240,300</u>
Sewer District Fee	\$ 2,148,640	\$ 2,338,226	\$ 2,342,959	\$ 2,345,198	\$ 2,344,762	\$ 2,341,459	\$ 2,335,090
<b>Total Revenues</b>	<b><u>\$ 16,856,105</u></b>	<b><u>\$ 18,018,692</u></b>	<b><u>\$ 18,493,974</u></b>	<b><u>\$ 18,913,982</u></b>	<b><u>\$ 19,399,193</u></b>	<b><u>\$ 20,007,435</u></b>	<b><u>\$ 17,933,891</u></b>
<b>Current Expenses</b>							
Operating Expenses							
Water Operating Expenses	\$ 1,722,816	\$ 1,782,650	\$ 1,844,606	\$ 1,908,759	\$ 1,975,190	\$ 2,043,980	\$ 2,115,215
Wastewater Operating Expenses	2,399,002	2,476,722	2,557,004	2,639,933	2,725,599	2,814,094	2,905,512
<i>Subtotal: Current Expenses</i>	<u>\$ 4,121,818</u>	<u>\$ 4,259,373</u>	<u>\$ 4,401,610</u>	<u>\$ 4,548,692</u>	<u>\$ 4,700,789</u>	<u>\$ 4,858,073</u>	<u>\$ 5,020,727</u>
Indirect Expenses - General Fund Reimbursement							
Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wastewater	-	-	-	-	-	-	-
<i>Subtotal: Indirect Expenses</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service Payments to Brunswick County	2,909,697	2,908,384	2,911,079	2,909,286	2,910,394	2,908,447	2,909,252
Depreciation and Amortization	8,010,755	7,704,896	7,655,095	7,619,603	7,582,636	7,544,122	6,896,275
<b>Total Current Expenses</b>	<b><u>\$ 15,042,270</u></b>	<b><u>\$ 14,872,652</u></b>	<b><u>\$ 14,967,784</u></b>	<b><u>\$ 15,077,581</u></b>	<b><u>\$ 15,193,818</u></b>	<b><u>\$ 15,310,642</u></b>	<b><u>\$ 14,826,254</u></b>
<b>Income (loss) Before Contributions and Transfers</b>	<b>\$ 1,813,834</b>	<b>\$ 3,146,039</b>	<b>\$ 3,526,190</b>	<b>\$ 3,836,401</b>	<b>\$ 4,205,375</b>	<b>\$ 4,696,793</b>	<b>\$ 3,107,637</b>
Adjustments							
Plus: Depreciation	\$ 3,303,688	\$ 3,303,688	\$ 3,303,688	\$ 3,303,688	\$ 3,303,688	\$ 3,303,688	\$ 3,303,688
Plus: Interest Expense	4,707,068	4,401,208	4,351,407	4,315,916	4,278,948	4,240,434	3,592,588
<b>Net Revenues (Income Available for Debt Service)</b>	<b>\$ 9,824,590</b>	<b>\$ 10,850,935</b>	<b>\$ 11,181,285</b>	<b>\$ 11,456,004</b>	<b>\$ 11,788,011</b>	<b>\$ 12,240,915</b>	<b>\$ 10,003,912</b>
Plus 15% of Revenue Fund Balance	996,668	1,230,676	1,501,985	1,807,142	2,141,124	2,465,512	2,819,674
<b>Net Revenues Plus 15% of Revenue Fund Balance</b>	<b><u>\$ 10,821,257</u></b>	<b><u>\$ 12,081,611</u></b>	<b><u>\$ 12,683,270</u></b>	<b><u>\$ 13,263,146</u></b>	<b><u>\$ 13,929,134</u></b>	<b><u>\$ 14,706,427</u></b>	<b><u>\$ 12,823,586</u></b>
<b>Parity Bond Indebtedness</b>							
Series 2008A Bonds	\$ 2,206,588	\$ 2,206,388	\$ 2,209,363	\$ 2,206,363	\$ 2,206,963	\$ 2,205,963	\$ 2,207,713
Series 2009 Bonds	3,770,587	3,771,087	3,772,962	3,774,237	3,771,106	3,773,419	3,773,669
Series 2011 Bonds	779,226	780,451	780,651	779,051	777,051	779,651	780,838
<i>Subtotal: Parity Indebtedness</i>	<u>\$ 6,756,400</u>	<u>\$ 6,757,925</u>	<u>\$ 6,762,975</u>	<u>\$ 6,759,650</u>	<u>\$ 6,755,119</u>	<u>\$ 6,759,032</u>	<u>\$ 6,762,219</u>
<b>Debt Service Coverage - Parity Indebtedness</b>							
Calculated Using Net Revenues	<b>1.45</b>	<b>1.61</b>	<b>1.65</b>	<b>1.69</b>	<b>1.75</b>	<b>1.81</b>	<b>1.48</b>
Calculated Using Net Revenues Plus 15% of Revenue Fund Balance	<b>1.60</b>	<b>1.79</b>	<b>1.88</b>	<b>1.96</b>	<b>2.06</b>	<b>2.18</b>	<b>1.90</b>

DRAFT FOR DISCUSSION

**Exhibit 2****Forecast Statement (Continued)**

**Town of Oak Island, North Carolina**  
**Enterprise Systems**  
**Forecast Statement of Revenues, Expenses, Debt, and Debt Service Coverage**  
**For Fiscal Year Ending June 30**

	2015	2016	2017	2018	2019	2020	2021
Net Revenues Available for All Other System Indebtedness	\$ 3,068,189	\$ 4,093,010	\$ 4,418,310	\$ 4,696,354	\$ 5,032,891	\$ 5,481,883	\$ 3,241,693
All Other System Indebtedness							
2007 SRF Loan	\$ 464,648	\$ 464,648	\$ 464,648	\$ 464,648	\$ 464,648	\$ 464,648	\$ 464,648
2008 SRF Loan	419,233	419,233	419,233	419,233	419,233	419,233	419,233
BB&T - Enterprise Fund (Land for Utility Plant)	114,598	114,598	114,598	-	-	-	-
Internal Loan (2)	369,537	369,537	369,537	369,537	369,537	369,537	369,537
Subtotal: All Other System Indebtedness	\$ 1,368,016	\$ 1,368,016	\$ 1,368,016	\$ 1,253,418	\$ 1,253,418	\$ 1,253,418	\$ 1,253,418
<b>Debt Service Coverage: All Other System Indebtedness</b>	<b>2.24</b>	<b>2.99</b>	<b>3.23</b>	<b>3.75</b>	<b>4.02</b>	<b>4.37</b>	<b>2.59</b>
<b>Total Debt Service Coverage</b>	<b>1.21</b>	<b>1.34</b>	<b>1.38</b>	<b>1.43</b>	<b>1.47</b>	<b>1.53</b>	<b>1.25</b>
Total Parity Plus All Other System Indebtedness	\$ 8,124,416	\$ 8,125,941	\$ 8,130,991	\$ 8,013,068	\$ 8,008,537	\$ 8,012,449	\$ 8,015,637
120% of Parity Indebtedness Plus 100% of All Other System Indebt.	\$ 9,475,696	\$ 9,477,526	\$ 9,483,586	\$ 9,364,998	\$ 9,359,561	\$ 9,364,256	\$ 9,368,081
<b>Rate Covenant Test 1 - Coverage of the Rate Covenant (3)</b> Calculated Using Net Revenues Plus 15% of Revenue Fund Bal. (Must be Greater Than 1.0)	<b>1.14</b>	<b>1.27</b>	<b>1.34</b>	<b>1.42</b>	<b>1.49</b>	<b>1.57</b>	<b>1.37</b>
<b>Rate Covenant Test 2 - Coverage of the Rate Covenant (4)</b> Calculated Using Net Revenues (Must be Greater Than 1.0)	<b>1.21</b>	<b>1.34</b>	<b>1.38</b>	<b>1.43</b>	<b>1.47</b>	<b>1.53</b>	<b>1.25</b>
<b>Net Revenues After Total Debt</b>	<b>\$ 1,700,173</b>	<b>\$ 2,724,994</b>	<b>\$ 3,050,294</b>	<b>\$ 3,442,936</b>	<b>\$ 3,779,474</b>	<b>\$ 4,228,466</b>	<b>\$ 1,988,275</b>
Capital Outlays (5)							
Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wastewater	140,116	916,270	1,015,914	1,216,391	1,616,883	1,867,389	1,967,911
Subtotal: Other Budgeted Expenditures	\$ 140,116	\$ 916,270	\$ 1,015,914	\$ 1,216,391	\$ 1,616,883	\$ 1,867,389	\$ 1,967,911
<b>Surplus Revenues Remaining After Total Cash Needs</b>	<b>\$ 1,560,057</b>	<b>\$ 1,808,724</b>	<b>\$ 2,034,380</b>	<b>\$ 2,226,545</b>	<b>\$ 2,162,591</b>	<b>\$ 2,361,076</b>	<b>\$ 20,364</b>
Transfer from Revenue Fund to Cover Shortfall	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assumed Rate Increases: (6)							
Water		11.75%	3.00%	3.00%	3.00%	3.00%	3.00%
Wastewater		11.75%	3.00%	3.00%	3.00%	3.00%	3.00%
SDF		11.75%	3.00%	3.00%	3.00%	3.00%	3.00%
Applied to Water and Wastewater Base Charges, Volumetric Rates, and SDF							
Beginning Year Revenue Fund Balance	\$ 6,644,451	\$ 8,204,508	\$ 10,013,232	\$ 12,047,613	\$ 14,274,158	\$ 16,436,749	\$ 18,797,825
Surplus/Deficit Remaining After Cash Needs	1,560,057	1,808,724	2,034,380	2,226,545	2,162,591	2,361,076	20,364
Transfer to Fund Capital Project Costs	-	-	-	-	-	-	-
<b>Ending Year Revenue Fund Balance</b>	<b>\$ 8,204,508</b>	<b>\$ 10,013,232</b>	<b>\$ 12,047,613</b>	<b>\$ 14,274,158</b>	<b>\$ 16,436,749</b>	<b>\$ 18,797,825</b>	<b>\$ 18,818,189</b>

- (1) Includes both annual revenues from wastewater assessments and supplements from the Wastewater Assessment Reserve. Per the Trust Agreement, the Town has flexibility in how it uses revenue from wastewater assessments and how these revenues are treated for calculating debt service coverage.
- (2) Represents repayment of an internal loan from the Town's Occupancy Tax Fund of \$3.5 million. Repayment terms are 10 years at 1.0%.
- (3) Per the Rate Covenant in the Trust Agreement, Net Revenues (Income Available for Debt Service) plus 15% of the Revenue Fund Balance as of the last day of the preceding Fiscal Year, will not be less than the sum of (1) 120% of the Long-Term Debt Service Requirement for Parity Indebtedness in each Fiscal Year and (2) the sum of the Long-Term Debt Service Requirement for Subordinate Indebtedness, System G.O. Indebtedness, and System Other Indebtedness in each Fiscal Year. The ratio is required to be equal to or greater than 1.0.
- (4) Per the Rate Covenant in the Trust Agreement, Net Revenues (Income Available for Debt Service) will not be less than 100% of the sum of the Long-Term Debt Service Requirement for Parity Indebtedness, Subordinate Indebtedness, System

G.O Indebtedness, and System Other Indebtedness in each Fiscal Year. This ratio is required to be equal to or greater than 1.00.

- (5) Projected revenue financed capital expenditures.
- (6) The Town has approved an 11.75% rate increase for the water and wastewater base and volume charges and sewer district fee (SDF) effective July 1, 2015. Projected rate increases beyond FY 2016 are for planning purposes.

# Supplemental Detail

**Exhibit 3****Water and Wastewater Accounts**

Actual	Projected						
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020

**Customer Accounts**

Water Customers (1)	8,373	8,457	8,541	8,627	8,713	8,800	8,888	8,977
% Change		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Wastewater Customers	8,004	8,084	8,165	8,247	8,329	8,412	8,496	8,581
% Change		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

(1) Actual water accounts have increased approximately 2.0% annually since FY 2012.

**Exhibit 4****Water and Wastewater Billable Demand**

Actual	Projected						
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020

**Water Flows (1,000 gallons) (1)**

Usage (0 - 2,000 gallons)	116,627	115,054	115,054	115,054	115,054	115,054	115,054	115,054
Usage (2,000 - 4,000 gallons)	57,520	56,800	56,800	56,800	56,800	56,800	56,800	56,800
Usage (4,000 - 10,000 gallons)	48,167	47,373	47,373	47,373	47,373	47,373	47,373	47,373
Usage (10,000 - 12,500 gallons)	7,034	6,866	6,866	6,866	6,866	6,866	6,866	6,866
Usage (Above 12,500 gallons)	39,663	46,906	46,906	46,906	46,906	46,906	46,906	46,906
<b>Total Water Flows</b>	<b>269,009</b>	<b>272,999</b>	<b>272,999</b>	<b>272,999</b>	<b>272,999</b>	<b>272,999</b>	<b>272,999</b>	<b>272,999</b>
% Change		1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**Wastewater Flows (1,000 gallons)**

Existing System	49,050	49,598	49,598	49,598	49,598	49,598	49,598	49,598
New System								
Flows (0 - 2,000 gallons)	90,204	88,723	88,723	88,723	88,723	88,723	88,723	88,723
Flows (2,000 - 4,000 gallons)	43,694	43,022	43,022	43,022	43,022	43,022	43,022	43,022
Flows (4,000 - 10,000 gallons)	33,621	32,916	32,916	32,916	32,916	32,916	32,916	32,916
Flows (10,000 - 12,500 gallons)	4,295	4,107	4,107	4,107	4,107	4,107	4,107	4,107
Flows (Above 12,500 gallons)	24,387	29,623	29,623	29,623	29,623	29,623	29,623	29,623
<i>Subtotal</i>	<i>196,202</i>	<i>198,391</i>	<i>198,391</i>	<i>198,391</i>	<i>198,391</i>	<i>198,391</i>	<i>198,391</i>	<i>198,391</i>
<b>Total Retail Wastewater Flows</b>	<b>245,252</b>	<b>247,988</b>	<b>247,988</b>	<b>247,988</b>	<b>247,988</b>	<b>247,988</b>	<b>247,988</b>	<b>247,988</b>
% Change		1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Wholesale Flows (Caswell Beach) (2)	18,234	18,500	18,500	18,500	18,500	18,500	18,500	18,500
<b>Total Wastewater Flows</b>	<b>263,486</b>	<b>266,488</b>	<b>266,488</b>	<b>266,488</b>	<b>266,488</b>	<b>266,488</b>	<b>266,488</b>	<b>266,488</b>
% Change		1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

(1) Projected retail water and wastewater billable flows in FY 2015 are based on a two-year historical average (FY 2013 and FY 2014).

(2) Projected wholesale flows for Caswell Beach provided by Town staff.



**Exhibit 5****Water Rates and Charges**

	Actual	Projected					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>Water (1)</b>							
User Charges							
Base Charge (Includes 2,000 gallons)	\$ 27.55	\$ 30.79	\$ 31.72	\$ 32.68	\$ 33.67	\$ 34.69	\$ 35.74
% Change		11.8%	3.0%	3.0%	3.0%	3.0%	3.0%
Volume Charge (per 1,000 gallons)							
Block 1 (2,000-4,000 gallons)	\$ 4.28	\$ 4.78	\$ 4.93	\$ 5.07	\$ 5.23	\$ 5.38	\$ 5.54
Block 2 (4,000-10,000 gallons)	\$ 4.72	\$ 5.27	\$ 5.43	\$ 5.60	\$ 5.76	\$ 5.94	\$ 6.11
Block 3 (10,000-12,500 gallons)	\$ 5.18	\$ 5.79	\$ 5.96	\$ 6.14	\$ 6.33	\$ 6.52	\$ 6.71
Block 4 (Over 12,500 gallons)	\$ 5.71	\$ 6.38	\$ 6.57	\$ 6.77	\$ 6.97	\$ 7.18	\$ 7.40
% Change		11.8%	3.0%	3.0%	3.0%	3.0%	3.0%

- (1) The Town also assesses water tap fees and impact fees for new system connections.

**Exhibit 6****Wastewater Rates and Charges**

	Actual	Projected					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>Wastewater (1)</b>							
User Charges							
Base Charge (Includes 4,000 gallons)	\$ 69.87	\$ 78.08	\$ 80.43	\$ 82.85	\$ 85.34	\$ 87.91	\$ 90.55
% Change		11.8%	3.0%	3.0%	3.0%	3.0%	3.0%
Volume Charge (per 1,000 gallons)	\$ 15.15	\$ 16.94	\$ 17.45	\$ 17.98	\$ 18.52	\$ 19.08	\$ 19.66
% Change		11.8%	3.0%	3.0%	3.0%	3.0%	3.0%
Wastewater Assessment (2)	\$ 4,200.00	\$ 4,200.00	\$ 4,200.00	\$ 4,200.00	\$ 4,200.00	\$ 4,200.00	\$ 4,200.00
% Change		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sewer District Fee (3)	\$ 719.31	\$ 803.83	\$ 827.95	\$ 852.78	\$ 878.37	\$ 904.72	\$ 931.86
% Change		11.8%	3.0%	3.0%	3.0%	3.0%	3.0%

- (1) The Town may also assess wastewater tap fees and impact fees if applicable.
- (2) The Town approved a wastewater assessment of \$4,200 per lot intended to recover capital costs associated with the new wastewater collection system and payment to Brunswick County for the Town's share of debt service for the expansion of the West Brunswick Regional Wastewater Conveyance and Treatment System.
- (3) Fee is assessed annually to undeveloped parcels.

## Exhibit 7


**Projected Revenues**

	Budget	Projected					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>Operating Revenues</b>							
<b>Charges for Water Service</b>							
Base Charge	\$ 2,586,110	\$ 2,919,151	\$ 3,037,396	\$ 3,160,615	\$ 3,288,926	\$ 3,422,446	\$ 3,561,297
Volume Charge	712,343	796,044	819,925	844,523	869,859	895,954	922,833
<b>Subtotal Charges for Water Services</b>	<b>\$ 3,298,454</b>	<b>\$ 3,715,194</b>	<b>\$ 3,857,321</b>	<b>\$ 4,005,138</b>	<b>\$ 4,158,784</b>	<b>\$ 4,318,400</b>	<b>\$ 4,484,130</b>
<i>% Change</i>	<i>13.7%</i>	<i>12.6%</i>	<i>3.8%</i>	<i>3.8%</i>	<i>3.8%</i>	<i>3.8%</i>	<i>3.8%</i>
<b>Charges for Wastewater Service</b>							
Base Charge	\$ 6,269,634	\$ 7,076,404	\$ 7,362,279	\$ 7,659,635	\$ 7,968,738	\$ 8,290,803	\$ 8,625,179
Volume Charge	1,167,443	1,305,379	1,344,679	1,385,520	1,427,132	1,470,285	1,514,979
<b>Subtotal Charges for Wastewater Services</b>	<b>\$ 7,437,077</b>	<b>\$ 8,381,782</b>	<b>\$ 8,706,957</b>	<b>\$ 9,045,155</b>	<b>\$ 9,395,870</b>	<b>\$ 9,761,087</b>	<b>\$ 10,140,158</b>
<i>% Change</i>	<i>6.8%</i>	<i>12.7%</i>	<i>3.9%</i>	<i>3.9%</i>	<i>3.9%</i>	<i>3.9%</i>	<i>3.9%</i>
Wholesale	\$ 381,134	\$ 374,498	\$ 377,746	\$ 373,469	\$ 376,837	\$ 380,126	\$ 383,712
Other Operating Revenues	\$ 350,500	\$ 350,500	\$ 350,500	\$ 350,500	\$ 350,500	\$ 350,500	\$ 350,500
<b>Total Operating Revenues</b>	<b>\$ 11,467,165</b>	<b>\$ 12,821,975</b>	<b>\$ 13,292,524</b>	<b>\$ 13,774,262</b>	<b>\$ 14,281,991</b>	<b>\$ 14,810,114</b>	<b>\$ 15,358,501</b>
<i>% Change</i>		<i>11.8%</i>	<i>3.7%</i>	<i>3.6%</i>	<i>3.7%</i>	<i>3.7%</i>	<i>3.7%</i>
<b>Non Operating Revenues</b>							
Water	\$ 234,500	\$ 234,500	\$ 234,500	\$ 234,500	\$ 234,500	\$ 234,500	\$ 234,500
Wastewater							
Sewer District Fee	\$ 2,148,640	\$ 2,338,226	\$ 2,342,959	\$ 2,345,198	\$ 2,344,762	\$ 2,341,459	\$ 2,335,090
Wastewater Assessments (1)	3,000,000	2,618,191	2,618,191	2,554,222	2,532,140	2,615,562	-
All Other	5,800	5,800	5,800	5,800	5,800	5,800	5,800
<b>Total Non Operating Revenues</b>	<b>\$ 5,388,940</b>	<b>\$ 5,196,717</b>	<b>\$ 5,201,450</b>	<b>\$ 5,139,720</b>	<b>\$ 5,117,202</b>	<b>\$ 5,197,322</b>	<b>\$ 2,575,390</b>
<i>% Change</i>		<i>-3.6%</i>	<i>0.1%</i>	<i>-1.2%</i>	<i>-0.4%</i>	<i>1.6%</i>	<i>-50.4%</i>
<b>Total Revenues</b>	<b>\$ 16,856,105</b>	<b>\$ 18,018,692</b>	<b>\$ 18,493,974</b>	<b>\$ 18,913,982</b>	<b>\$ 19,399,193</b>	<b>\$ 20,007,435</b>	<b>\$ 17,933,891</b>
<i>% Change</i>		<i>6.9%</i>	<i>2.6%</i>	<i>2.3%</i>	<i>2.6%</i>	<i>3.1%</i>	<i>-10.4%</i>

- (1) Includes both annual collections from wastewater assessments and application of funds from the Wastewater Assessment Reserve. An assumption is made that revenue from wastewater assessments will end by FY 2021.

**Exhibit 8****Projected Operating Expenses**

	Budget	Projected					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>Operating Expenses</b>							
<b>Water</b>							
Water Administration	\$ 977,072	\$ 1,014,534	\$ 1,053,446	\$ 1,093,865	\$ 1,135,848	\$ 1,179,458	\$ 1,224,757
Water Maintenance	745,744	768,116	791,160	814,895	839,341	864,522	890,457
<i>Subtotal Water O&amp;M</i>	<u>\$ 1,722,816</u>	<u>\$ 1,782,650</u>	<u>\$ 1,844,606</u>	<u>\$ 1,908,759</u>	<u>\$ 1,975,190</u>	<u>\$ 2,043,980</u>	<u>\$ 2,115,215</u>
<b>Wastewater</b>							
Wastewater Expenses	\$ 2,399,002	\$ 2,476,722	\$ 2,557,004	\$ 2,639,933	\$ 2,725,599	\$ 2,814,094	\$ 2,905,512
<i>Subtotal Wastewater O&amp;M</i>	<u>\$ 2,399,002</u>	<u>\$ 2,476,722</u>	<u>\$ 2,557,004</u>	<u>\$ 2,639,933</u>	<u>\$ 2,725,599</u>	<u>\$ 2,814,094</u>	<u>\$ 2,905,512</u>
Total O&M Expenses	\$ 4,121,818	\$ 4,259,373	\$ 4,401,610	\$ 4,548,692	\$ 4,700,789	\$ 4,858,073	\$ 5,020,727
% Change		3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
<b>Other Operating Expense</b>							
Payment to Brunswick County (1)	\$ 2,909,697	\$ 2,908,384	\$ 2,911,079	\$ 2,909,286	\$ 2,910,394	\$ 2,908,447	\$ 2,909,252
<b>Total Operating Expense</b>	<b>\$ 7,031,515</b>	<b>\$ 7,167,757</b>	<b>\$ 7,312,689</b>	<b>\$ 7,457,978</b>	<b>\$ 7,611,183</b>	<b>\$ 7,766,520</b>	<b>\$ 7,929,979</b>
% Change		1.9%	2.0%	2.0%	2.1%	2.0%	2.1%

- (1) Represents annual payment to Brunswick County for the Town's share of debt service associated with the West Brunswick Regional Wastewater System. Per the Trust Agreement, this payment is treated as an operating expense for the purpose of calculating debt service coverage.

**Exhibit 9****Projected Non-Operating Expenses and Other Budgeted Expenditures**

	Budget	Projected					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>Non Operating Expenses</b>							
<b>Debt Service</b>							
<b>Revenue Bonds</b>							
Series 2008A Revenue Bonds	\$ 2,206,588	\$ 2,206,388	\$ 2,209,363	\$ 2,206,363	\$ 2,206,963	\$ 2,205,963	\$ 2,207,713
Series 2009 Revenue Bonds	3,770,587	3,771,087	3,772,962	3,774,237	3,771,106	3,773,419	3,773,669
Series 2011 Revenue Bonds	779,226	780,451	780,651	779,051	777,051	779,651	780,838
<i>Subtotal Revenue Bonds</i>	<u>\$ 6,756,400</u>	<u>\$ 6,757,925</u>	<u>\$ 6,762,975</u>	<u>\$ 6,759,650</u>	<u>\$ 6,755,119</u>	<u>\$ 6,759,032</u>	<u>\$ 6,762,219</u>
<b>Other Indebtedness</b>							
Revenue Notes-Old Wastewater System	\$ 114,598	\$ 114,598	\$ 114,598	\$ -	\$ -	\$ -	\$ -
2007 SRF Loan	464,648	464,648	464,648	464,648	464,648	464,648	464,648
2008 SRF Loan	419,233	419,233	419,233	419,233	419,233	419,233	419,233
Internal Loan (1)	369,537	369,537	369,537	369,537	369,537	369,537	369,537
<i>Subtotal Other Indebtedness</i>	<u>\$ 1,368,016</u>	<u>\$ 1,368,016</u>	<u>\$ 1,368,016</u>	<u>\$ 1,253,418</u>	<u>\$ 1,253,418</u>	<u>\$ 1,253,418</u>	<u>\$ 1,253,418</u>
Total Debt Service	\$ 8,124,416	\$ 8,125,941	\$ 8,130,991	\$ 8,013,068	\$ 8,008,537	\$ 8,012,449	\$ 8,015,637
<b>Other Budgeted Expenditures</b>							
Capital Outlays (2)	\$ 140,116	\$ 916,270	\$ 1,015,914	\$ 1,216,391	\$ 1,616,883	\$ 1,867,389	\$ 1,967,911
<i>Subtotal Other Budgeted Expenditures</i>	<u>\$ 140,116</u>	<u>\$ 916,270</u>	<u>\$ 1,015,914</u>	<u>\$ 1,216,391</u>	<u>\$ 1,616,883</u>	<u>\$ 1,867,389</u>	<u>\$ 1,967,911</u>
<b>Indirect Expenses</b>							
General Fund Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Non Operating Expenses, Other Budgeted Expenditures, and Transfers/Reimbursements</b>	<b>\$ 8,264,532</b>	<b>\$ 9,042,211</b>	<b>\$ 9,146,905</b>	<b>\$ 9,229,459</b>	<b>\$ 9,625,420</b>	<b>\$ 9,879,839</b>	<b>\$ 9,983,548</b>
% Change		9.4%	1.2%	0.9%	4.3%	2.6%	1.0%

- (1) Represents repayment of an internal loan from the Town's Occupancy Tax Fund.

- (2) Projected revenue financed capital expenditures. FY 2016 includes capital improvements and mid-range estimates for annual vacuum system equipment reconditioning and replacement as provided by Town staff. Projections in FY 2017 and beyond assume a systematic increase in revenue financed capital over time.

### Exhibit 10

#### Wastewater Assessments

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<u>Parcels Paying Over Time</u>						
Parcel Count	1,773	1,773	1,773	1,773	1,773	1,773
Annual Payment (1)	\$ 557.20	\$ 557.20	\$ 557.20	\$ 557.20	\$ 557.20	\$ 557.20
Projected Payments	\$ 988,152	\$ 988,152	\$ 988,152	\$ 988,152	\$ 988,152	\$ 988,152
<u>Parcels with No Payment</u>						
Parcel Count	643	643	643	643	643	643
Annual Payment (2)	\$ 1,041.54	\$ 1,041.54	\$ 1,041.54	\$ 1,041.54	\$ 1,041.54	\$ 1,041.54
Gross Projected Payments	\$ 669,713	\$ 669,713	\$ 669,713	\$ 669,713	\$ 669,713	\$ 669,713
% Collected	25%	25%	50%	50%	75%	75%
Net Projected Payments	\$ 167,428	\$ 167,428	\$ 334,856	\$ 334,856	\$ 502,284	\$ 502,284
Annual Balance	\$ 502,284	\$ 502,284	\$ 334,856	\$ 334,856	\$ 167,428	\$ 167,428
Cumulative Balance	\$ 502,284	\$ 1,004,569	\$ 1,339,425	\$ 1,674,282	\$ 1,841,710	\$ 1,841,710
% Recovered						55%
\$ Recovered						\$ 1,012,778
Estimated Ending Allowance for Doubtful Accounts						\$ 828,932
Combined Projected Payments	\$ 1,155,580	\$ 1,155,580	\$ 1,323,008	\$ 1,323,008	\$ 2,503,214	\$ 2,503,214
Percent Collected Per Year	15.5%	15.5%	17.7%	17.7%	33.6%	33.6%
FY 2014 (Year End) Assessments Receivable (3)	\$ 9,789,321					
FY 2015 (Year End) Estimated Assessments Receivable	\$ 8,289,321	\$ 1,283,977	\$ 1,283,977	\$ 1,470,009	\$ 1,470,009	\$ 2,781,349
Less: Allowance for Doubtful Accounts @ 10%	(828,932)	(165,786)	(165,786)	(165,786)	(165,786)	(165,786)
Estimated Amount to be Collected (FY 2016 - FY 2020)	\$ 7,460,389	\$ 1,118,191	\$ 1,118,191	\$ 1,304,222	\$ 1,304,222	\$ 2,615,562
Wastewater Assessment Revenue (4)	\$ 8,960,389	\$ 1,500,000	\$ 1,118,191	\$ 1,304,222	\$ 1,304,222	\$ 2,615,562
Percent Collected Per Year		12.5%	12.5%	14.6%	14.6%	29.2%
Plus: Application of Wastewater Assessment Reserve	1,500,000	1,500,000	1,500,000	1,250,000	1,227,918	-
<b>Total Wastewater Assessment Revenue (5)</b>	<b>\$ 3,000,000</b>	<b>\$ 2,618,191</b>	<b>\$ 2,618,191</b>	<b>\$ 2,554,222</b>	<b>\$ 2,532,140</b>	<b>\$ 2,615,562</b>

- (1) Annual payment based on a principal amount of \$4,200, 10 year term, and 5.5% interest rate.
- (2) Annual payment based on a principal amount \$5,203.04 (4 years of accumulated interest), 6 year term, and 5.5% interest rate.
- (3) From the Town's FY 2014 Comprehensive Annual Financial Statements.
- (4) Projected revenues from wastewater assessments in FY 2015 based on actual collections through February 28, 2015. Projected revenues from wastewater assessments from FY 2016 through FY 2020 are distributed based on the estimated percent collected per year multiplied by estimated FY 2015 (Year End) Assessments Receivable less an allowance for doubtful accounts.
- (5) Includes both annual revenue from wastewater assessments and applied revenue from the Wastewater Assessment Reserve.

**Exhibit 11****Reserves**

	Budget	Projected					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>Revenue Fund (1)</b>							
Beginning Balance - Cash & Cash Equivalents	\$ 6,644,451	\$ 8,204,508	\$ 10,013,232	\$ 12,047,613	\$ 14,274,158	\$ 16,436,749	\$ 18,797,825
Additions:							
Annual Cash Surplus/Deficit	1,560,057	1,808,724	2,034,380	2,226,545	2,162,591	2,361,076	20,364
Subtractions:							
Transfer to Fund Capital Projects	-	-	-	-	-	-	-
Ending Balance - Cash & Cash Equivalents	\$ 8,204,508	\$ 10,013,232	\$ 12,047,613	\$ 14,274,158	\$ 16,436,749	\$ 18,797,825	\$ 18,818,189
Average Balance	\$ 7,424,480	\$ 9,108,870	\$ 11,030,423	\$ 13,160,885	\$ 15,355,453	\$ 17,617,287	\$ 18,808,007
15% of Revenue Fund Balance (2)	\$ 996,668	\$ 1,230,676	\$ 1,501,985	\$ 1,807,142	\$ 2,141,124	\$ 2,465,512	\$ 2,819,674
<b>Wastewater Assessment Reserve</b>							
Beginning Balance - Cash & Cash Equivalents	\$ 6,977,918	\$ 5,477,918	\$ 3,977,918	\$ 2,477,918	\$ 1,227,918	\$ -	\$ -
Additions:							
Surplus Wastewater Assessments Collected	-	-	-	-	-	-	-
Subtractions:							
Transfers for Wastewater Debt Service (3)	1,500,000	1,500,000	1,500,000	1,250,000	1,227,918	-	-
Ending Balance - Cash & Cash Equivalents	\$ 5,477,918	\$ 3,977,918	\$ 2,477,918	\$ 1,227,918	\$ -	\$ -	\$ -
Average Balance	\$ 6,227,918	\$ 4,727,918	\$ 3,227,918	\$ 1,852,918	\$ 613,959	\$ -	\$ -
<b>Total Account Interest Income on Cash Investments</b>							
Average Cash Balance	\$ 13,652,398	\$ 13,836,788	\$ 14,258,341	\$ 15,013,803	\$ 15,969,412	\$ 17,617,287	\$ 18,808,007
Annual Earnings Rate	0.8%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Investments Income	\$ 102,393	\$ 138,368	\$ 142,583	\$ 150,138	\$ 159,694	\$ 176,173	\$ 188,080

- (1) Per the Trust Agreement, the Revenue Fund means the fund created and designated by the Town of Oak Island Enterprise System Revenue Fund by Section 501. The Enterprise System means the Existing Facilities, the Project, any Additional Project and other Enterprise that may be added thereto by resolution of the Town in accordance with Section 103, but not including any Enterprise that is removed from the Enterprise System in accordance with Section 104. Existing Facilities means all of the water system facilities and wastewater system facilities owned and operated by the Town as of the date of issuance of the Series 2008A Bonds.
- (2) Represents an amount equal to 15% of the Revenue Fund as of the last day of the preceding fiscal year.
- (3) Per the Trust Agreement, the Town has flexibility in how it uses revenue from wastewater assessments and how these revenues are treated for calculating debt service coverage.