

TOWN OF OAK ISLAND NORTH CAROLINA



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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TOWN OF OAK ISLAND, NORTH CAROLINA

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Introductory Section

**Town of Oak Island, North Carolina
List of Principal Officials
June 30, 2019**

Mayor and Town Council

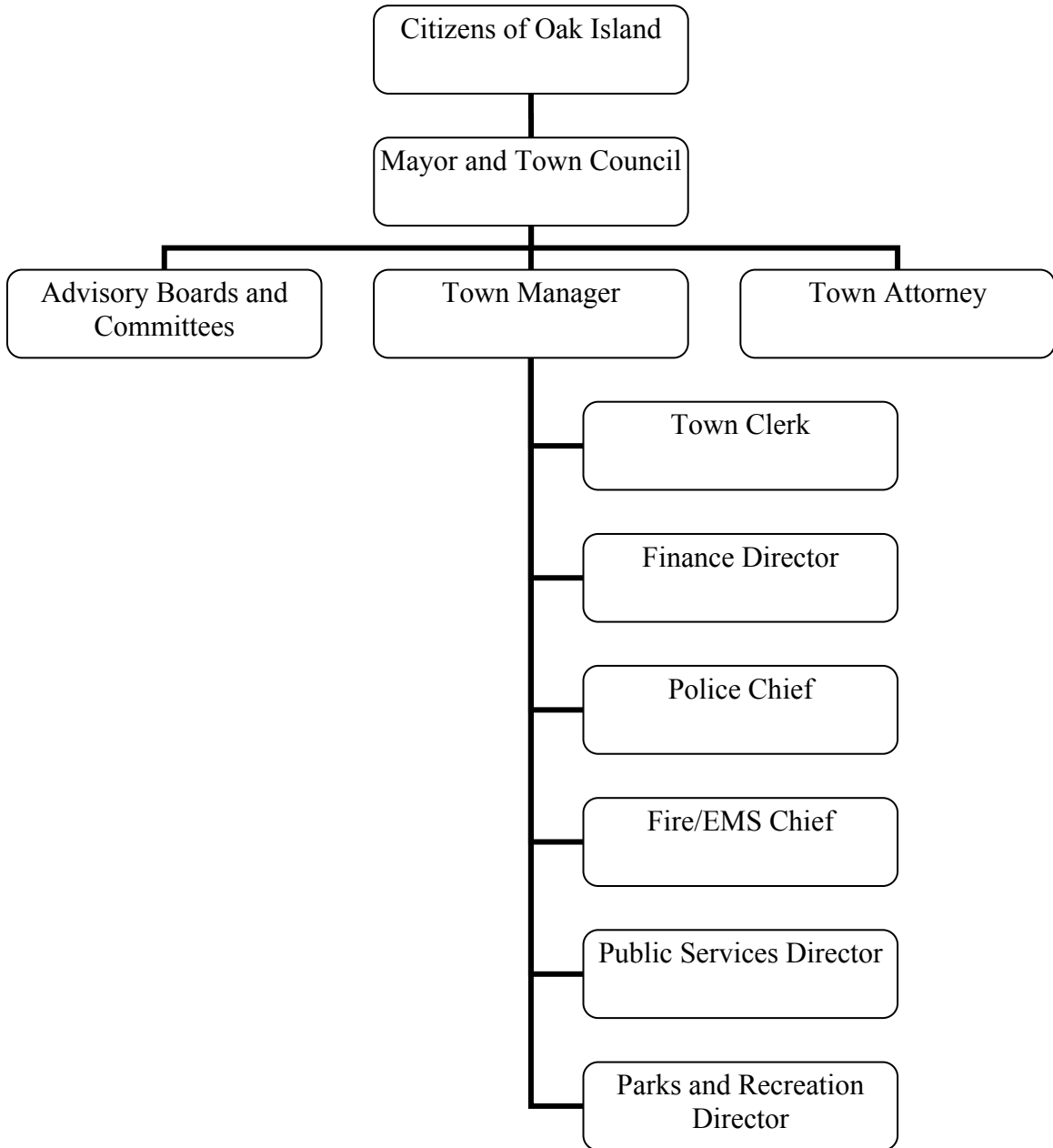
Cin Brochure, Mayor
Jeff Winecoff, Mayor Pro Tem
Loman Scott,
Sheila Bell
Charlie Blalock
John Bach

Town Officials

David Kelly	Town Manager
Lisa Stites	Assistant Town Manager/Town Clerk
W.L. Ingram	Chief of Police
Chris Anselmo	Fire Chief
David Hatten	Finance Director
Steve Edwards	Development Services Director
Rebecca Squires	Parks & Recreation Director
Katie Coleman	Tax Collector

Town of Oak Island, North Carolina

Organizational Chart June 30, 2019



Independent Auditor's Report

To the Honorable Mayor
and Members of the Town Council
Oak Island, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Oak Island, North Carolina, as of and for the year ended June 30, 2019, 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 did not audit the financial statements of the Oak Island ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Oak Island ABC Board, is based solely on the report of another auditor. 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. The financial statements of the Oak Island ABC Board were not audited in accordance with Government Auditing Standards.

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 internal control relevant to the entity's preparation and fair presentation of the financial statements in order 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 opinion.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Oak Island, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund and the Beach Renourishment Fund for the year then 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 the Management's Discussion and Analysis, the Other Post Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, respectively, 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 Information 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 Oak Island, North Carolina. The introductory information, combining and individual fund statements, budgetary schedules, and other schedules and statistical section, 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, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund 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 by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund 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 *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2020 on our consideration of Town of Oak Island'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 Oak Island's internal control over financial reporting and compliance.

S. Preston Douglas & Associates, LLP

Whiteville, North Carolina
January 24, 2020

Management's Discussion and Analysis

**Town of Oak Island, North Carolina
Management's Discussion and Analysis
June 30, 2019**

Management's Discussion and Analysis

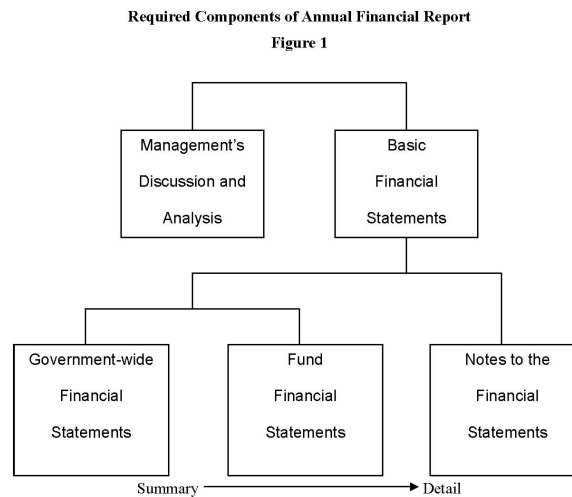
As management of the Town of Oak Island, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Oak Island for the fiscal year ending June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Oak Island exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$95,859,181(*net position*).
- The government's total net position decreased by \$16,962 during the period
- As of the close of the current fiscal year, the Town of Oak Island's governmental funds reported combined ending fund balances of \$19,510,628 with a net change of (\$386,823) in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,203,505 or 69.52% percent of total governmental fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Oak Island'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 (see Figure 1). 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 Oak Island.



Town of Oak Island, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 9) 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 four parts to the Fund Financial Statements: 1) the governmental funds statements, 2) The budgetary comparison statements, 3) The proprietary fund statements, and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show additional details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes can also 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, in a manner similar to the 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, deferred outflows of resources, and total liabilities and deferred inflows of resources. Measuring net position is one way to gage the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component unit. The governmental activities include most of the Town's basic services such as general government, public safety, parks and recreation, and general administration. Property taxes and State shared revenues finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and wastewater, solid waste, and storm water services offered by the Town of Oak Island as well as the South Harbour golf course activities. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

Fund Financial Statements. The fund financial statements (see Figure 1) 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 Oak Island, like all other state and local governments, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Oak Island can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Town of Oak Island, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies that are unexpended 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 determine if there are more or less financial resources available to finance the Town's 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 Oak Island adopts an annual budget for its General Fund, as required by the 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 about which services 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 four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds. The Town of Oak Island uses only one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Oak Island uses enterprise funds to account for its water and wastewater, solid waste, storm water, and golf course operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. The water and wastewater funds are presented as major funds for the Town, while the solid waste, storm water, and golf course funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for these non-major funds is provided in the form of combining statements elsewhere within this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Town of Oak Island has one fiduciary fund, an agency fund, which is used for funds collected by the Town for fines and forfeitures that are due to the Board of Education in accordance with the laws set forth in the Constitution of the State of North Carolina.

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. The notes to the financial statements can be found following the financial statements of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Oak Island's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on Exhibit A-1 of this report.

Town of Oak Island, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Interdependence with Other Entities. The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

The Town of Oak Island's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 20,421,628	\$ 20,324,341	\$ 44,051,300	\$ 39,186,240	\$ 64,472,928	\$ 59,510,581
Capital assets	26,738,581	27,463,987	102,139,258	104,501,094	128,877,839	131,965,081
Total assets	47,160,209	47,788,328	146,190,558	143,687,334	193,350,767	191,475,662
Deferred outflows of resources	1,424,269	1,116,307	400,056	315,497	1,824,325	1,431,804
Total assets and deferred outflows of resources	48,584,478	48,904,635	146,590,614	144,002,831	195,175,092	192,907,466
Long-term liabilities	6,806,943	7,763,326	84,826,161	88,498,629	91,633,104	96,261,955
Other liabilities	2,519,587	1,946,228	4,757,230	4,682,573	7,276,817	6,628,801
Total liabilities	9,326,530	9,709,554	89,583,391	93,181,202	98,909,921	102,890,756
Deferred Inflows of resources	301,591	221,762	104,399	149,234	405,990	370,996
Total liabilities and deferred inflows of resources	9,628,121	9,931,316	89,687,790	93,330,436	99,315,911	103,261,752
Net position						
Net investment in capital assets	23,471,325	22,175,880	24,785,594	18,252,459	48,256,919	40,428,339
Restricted	7,035,554	6,850,045	-	3,669,799	7,035,554	10,519,844
Unrestricted	8,449,478	9,947,394	32,117,230	28,750,137	40,566,708	38,697,531
Total net position	\$ 38,956,357	\$ 38,973,319	\$ 56,902,824	\$ 50,672,395	\$ 95,859,181	\$ 89,645,714

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$95,859,181 at the close of the current fiscal year. The Town's net position increased by \$6,213,467 for the fiscal year ended June 30, 2019. By far the largest portion of the Town's net position, 50.34%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Town of Oak Island, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of net position, \$7,035,554 or 7.34%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$40,566,708 or 42.32% of the total.

Town of Oak Island's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 3,600,800	\$ 3,516,587	\$ 18,066,024	\$ 19,282,615	\$ 21,666,824	\$ 22,799,202
Operating grants and contributions	318,358	412,861	-	-	318,358	412,861
Capital grants and contributions	156,491	4,132,910	6,844,123	994,648	7,000,614	5,127,558
General revenues:						
Property taxes	7,867,466	7,695,090	-	-	7,867,466	7,695,090
Local option sales tax	2,150,053	2,183,968	-	-	2,150,053	2,183,968
Accommodations tax	2,538,039	2,202,209	-	-	2,538,039	2,202,209
Other	632,236	312,725	156,226	33,360	788,462	346,085
Total revenues	17,263,443	20,456,350	25,066,373	20,310,623	42,329,816	40,766,973
Expenses:						
General government	5,936,162	2,620,927	-	-	5,936,162	2,620,927
Public safety	5,774,177	5,247,129	-	-	5,774,177	5,247,129
Transportation	1,526,446	1,157,263	-	-	1,526,446	1,157,263
Environmental protection	1,233,100	6,784,657	-	-	1,233,100	6,784,657
Cultural and recreation	2,250,127	1,475,350	-	-	2,250,127	1,475,350
Tourism	46,901	-	-	-	46,901	-
Interest on long-term debt	104,971	147,026	-	-	104,971	147,026
Water	-	-	3,127,833	3,086,872	3,127,833	3,086,872
Wastewater	-	-	13,326,427	12,266,799	13,326,427	12,266,799
Non-major funds	-	-	2,481,856	2,171,404	2,481,856	2,171,404
Total expenses	16,871,884	17,432,352	18,936,116	17,525,075	35,808,000	34,957,427
Increase in net position before transfers and special item	391,559	3,023,998	6,130,257	2,785,548	6,521,816	5,809,546
Transfers	(100,172)	(696,355)	100,172	696,355	-	-
Increase in net position	291,387	2,327,643	6,230,429	3,481,903	6,521,816	5,809,546
Net position, beginning	38,973,319	38,480,875	50,672,395	46,732,903	89,645,714	85,213,778
Restatement	(308,349)	(1,835,199)	-	457,589	(308,349)	(1,377,610)
Net position, beginning, restated	38,664,970	36,645,676	50,672,395	47,190,492	89,337,365	83,836,168
Net position - June 30	\$ 38,956,357	\$ 38,973,319	\$ 56,902,824	\$ 50,672,395	\$ 95,859,181	\$ 89,645,714

Town of Oak Island, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Governmental activities. Governmental activities decreased the Town's net position by \$16,962. Revenues and expenses remained relatively similar to the prior fiscal year outside of the Hurricane funding the town received in 2018.

Business-type activities. The business-type activities increased the Town of Oak Island's net position. Net position increased by \$6,230,429. An increase in restricted bond revenue was the key component of the increase in net position.

Financial Analysis of the Government's Funds

As noted earlier, the Town of Oak Island uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2019, the governmental funds of Town of Oak Island reported a combined fund balance of \$19,510,628 with a net decrease in fund balance of \$386,823. Included in this change in fund balance are decreases in the fund balance of the General Fund and the Town's Other Governmental Funds. The General Fund is the chief operating fund of the Town of Oak Island. At the end of the 2019 fiscal year, the fund balance for the Town of Oak Island's General Fund reached \$13,834,543. Of this, \$1,252,958 was restricted, \$106,511 represented non-spendable inventories and prepaid expenditures and \$271,569 was assigned by the Town for subsequent year's expenditures, leaving an unassigned fund balance of \$12,203,505 available for spending at the Town's discretion. The Governing Body of Town of Oak Island has determined that the Town should maintain an available fund balance of no less than 25% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town's general fund currently has an available fund balance of 69.52% of governmental fund expenditures.

General Fund Budgetary Highlights

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories:

1. Amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available.
2. Amendments made to recognize new funding from external sources, such as federal and State grants.
3. Increases in appropriations that become necessary to maintain services and obligations from prior years not completed.

Proprietary Funds. The Town of Oak Island's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Town's proprietary funds at the end of the fiscal year amounted to \$32,117,230. The change in net position for the Water, Wastewater and Other Enterprise Funds was \$807,168 \$4,449,348 and \$923,913 respectively. The change in net position in the Water Fund is a result of excess charges for service producing revenues that exceed the expenditures in the fund. The Wastewater Fund's increase in net position is due to lowered interest payments and depreciation in that Fund as well as the lowered costs associated with the refinancing of bonds. This is anticipated to occur in the early years of the system's operations and is offset by Sewer Assessment revenues and Sewer District Fees, which are both considered non-operating sources. Since the Water and Wastewater operations together form the Town's Enterprise System, the excess Water Fund revenues help to offset those in the Wastewater Fund for bond covenant coverage test purposes.

Town of Oak Island, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Capital Assets and Debt Administration Capital Assets

The Town of Oak Island's investments in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$128,877,844 (net of accumulated depreciation). The investments in capital assets includes land, buildings, improvements, furniture and equipment, infrastructure (including distribution systems), and vehicles.

Town of Oak Island's Capital Assets
(net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and CIP	\$ 9,254,457	\$ 9,875,921	\$ 5,931,622	\$ 7,435,088	\$ 15,186,079	\$ 17,311,009
Buildings	12,161,376	12,702,494	10,630,213	10,889,655	22,791,589	23,592,149
Improvements	1,844,148	1,369,593	-	-	1,844,148	1,369,593
Motor Vehicles	596,954	474,764	89,468	41,670	686,422	516,434
Heavy Motor Vehicles	137,997	190,201	364,132	415,401	502,129	605,602
Equipment	238,624	201,087	5,112,021	2,846,506	5,350,645	3,047,593
Office Equipment	5,770	15,143	-	-	5,770	15,143
Computers and electrical equipment	97,504	109,166	108	108	97,612	109,274
Infrastructure	2,401,751	2,525,618	70,973,797	73,649,255	73,375,548	76,174,873
Intangible assets	-	-	9,037,902	9,223,411	\$ 9,037,902	\$ 9,223,411
Total capital assets, net	\$ 26,738,581	\$ 27,463,987	\$ 102,139,263	\$ 104,501,094	\$ 128,877,844	\$ 131,965,081

Additional information on the Town's capital assets can be found in Note 5 of the Basic Financial Statements.

Long-term debt. As of June 30, 2019, the Town of Oak Island had total bonded debt outstanding of \$78,660,783. 100% of that amount represents bonds secured solely by specified revenue sources (e.g. revenue bonds.) The Town of Oak Island has no outstanding bonded debt backed by the full faith and credit of the Town.

Outstanding Liabilities

Figure 5

	Governmental Activities		Busines Activities		Total	
	2019	2018	2019	2018	2019	2018
Installment purchase	\$ 3,267,256	\$ 4,900,883	\$ -	\$ -	\$ 3,267,256	\$ 4,900,883
Revolving loans	-	-	8,134,994	8,817,344	8,134,994	8,817,344
Revenue bonds	-	-	78,660,783	81,702,723	78,660,783	81,702,723
Compensated absences	423,788	383,431	123,635	104,248	547,423	487,679
OPEB liability	2,456,914	2,449,166	1,283,442	1,282,579	3,740,356	3,731,745
Net pension liability (LGERS)	1,568,291	992,585	519,610	328,134	2,087,901	1,320,719
Total pension liability	724,322	682,477	-	-	724,322	682,477
Total outstanding debt	\$ 8,440,571	\$ 9,408,542	\$ 88,722,464	\$ 92,235,028	\$ 97,163,035	\$ 101,643,570

Town of Oak Island, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Town of Oak Island Outstanding Debt

North Carolina's general statutes limit the amount of general obligation debt that a governmental unit can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Oak Island is presently at \$214,110,184 (the amount of additional debt the town could obligate itself to under NC General Statute).

Additional information pertaining to the Town of Oak Island's long-term debt can be found in the notes of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- The Town over the last three years has had continued growth in the number of new building permits issued. This growth will result in an increase to the Town's tax base and in an increase in water and wastewater revenues.
- All debt service payments are fully funded as required by North Carolina State Law. In the last few years, the Town has refinanced outstanding debt to reduce terms, utilize lower interest rates and in turn, save funds for the Town.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Town management will continue to prepare budgets to maintain spending where possible. The Town anticipates the funds produced by the increase in its tax base due to the increased building and an effort to reduce expenditures will be able to fund programs currently budgeted for and to build on reserves to fund future capital or operational needs.

Business-type Activities. The Sewer District Fee for utility system users (and potential users) remained the same with no increase. The Town continues to collect Wastewater Assessments to supplement the operations of the wastewater system. Management will continue to examine future rate increases for the generating of system revenues and to continue to reduce operating expenditures where feasible to enable the Town's system to maintain its services to the Town's utility customers.

Future Expenditures and Budget Priorities

The Town has signed a contract with an engineering firm to begin planning for the implementation of a long-term Beach Nourishment program. The funding of the Beach Nourishment program is still undetermined. Possible funding options are from multiple sources including ad valorem taxes, grants, assessments, etc.

Request for Information

This report is designed to provide an overview of the Town'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:

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

One can also call (910)-278-5011 or visit the Town's website at www.oakislandnc.com for more information.

Basic Financial Statements

TOWN OF OAK ISLAND, NORTH CAROLINA

Statement of Net Position

June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Oak Island ABC Board
ASSETS				
Current Assets				
Cash and Equivalent	\$ 18,440,274	\$ 29,763,213	\$ 48,203,487	\$ 350,254
Taxes Receivables, Net	276,333	-	276,333	-
Assessments Receivable	16,575	-	16,575	-
Accounts Receivable, Net	203,486	2,868,079	3,071,565	-
Due from Other Funds	-	-	-	-
Due From Component Unit	129,161	-	129,161	-
Inventories	13,111	512,755	525,866	199,574
Prepaid Items	89,730	-	89,730	11,954
Total Current Assets	19,168,670	33,144,047	52,312,717	561,782
Non-current Assets				
Restricted Cash and Cash Equivalents	1,252,958	8,790,703	10,043,661	290,627
Restricted Receivables	-	1,357,549	1,357,549	-
Accrued Interest on Restricted Assets	-	107,596	107,596	-
Prepaid Bond Insurance	-	651,405	651,405	-
Capital Assets				
Land, Non-depreciable Improvements, and Construction in Progress	9,254,458	5,931,622	15,186,080	101,178
Other Capital Assets, Net of Depreciation	17,484,123	96,207,641	113,691,764	209,437
Total Capital Assets	26,738,581	102,139,263	128,877,844	310,615
Total Non-current Assets	27,991,539	113,046,516	141,038,055	601,242
Total Assets	47,160,209	146,190,563	193,350,772	1,163,024
DEFERRED OUTFLOWS OF RESOURCES				
Pension Deferrals	1,416,460	400,056	1,816,516	54,056
OPEB Deferrals	7,809	-	7,809	2,275
Total Deferred Outflows of Resources	\$ 1,424,269	\$ 400,056	\$ 1,824,325	\$ 56,331

TOWN OF OAK ISLAND, NORTH CAROLINA
Statement of Net Position (Continued)
June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Oak Island ABC Board
LIABILITIES				
Current Liabilities				
Accounts Payable and				
Accrued Expenses	\$ 738,679	\$ 465,029	\$ 1,203,708	\$ 130,005
Accrued Interest Payable	70,991	292,088	363,079	-
Customer Deposits	76,289	103,815	180,104	-
Due to Other Funds	-	-	-	-
Due to Primary Government	-	-	-	129,161
Current Portion of Long-Term Liabilities	1,633,628	3,896,303	5,529,931	-
Total Current Liabilities	2,519,587	4,757,235	7,276,822	259,166
Long-Term Liabilities				
Due In More Than One Year	2,057,416	83,023,109	85,080,525	-
Net Pension Liability	1,568,291	519,610	2,087,901	39,618
Total Pension Liability	724,322	-	724,322	-
OPEB Liability	2,456,914	1,283,442	3,740,356	88,056
Total Long-Term Liabilities	6,806,943	84,826,161	91,633,104	127,674
Total Liabilities	9,326,530	89,583,396	98,909,926	386,840
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	25,734	56,786	82,520	-
Pension Deferrals	62,891	11,053	73,944	205
OPEB Deferrals	212,966	36,560	249,526	34,905
Total Deferred Inflows of Resources	301,591	104,399	405,990	35,110
NET POSITION				
Net Investment in Capital Assets	23,471,325	24,785,594	48,256,919	310,615
Restricted For:				
Stabilization by State Statute	282,879	-	282,879	-
Streets	970,079	-	970,079	-
Public Safety	-	-	-	-
Environmental Protection	1,675,518	-	1,675,518	-
Tourism	3,858,214	-	3,858,214	-
Cultural and Recreation	142,353	-	142,353	-
Other Functions	106,511	-	106,511	385,719
Unrestricted	8,449,478	32,117,230	40,566,708	101,071
Total Net Position	\$ 38,956,357	\$ 56,902,824	\$ 95,859,181	\$ 797,405

TOWN OF OAK ISLAND, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 5,936,162	\$ 1,940,618	\$ -	77,251
Public Safety	5,774,177	1,448,140	-	-
Transportation	1,526,446	-	318,358	-
Environmental Protection	1,233,100	-	-	-
Cultural and Recreation	2,250,127	212,042	-	79,240
Tourism	46,901	-	-	-
Interest on Long-Term Debt	104,971	-	-	-
Total Governmental Activities	16,871,884	3,600,800	318,358	156,491
Business-Type Activities:				
Water Operations	3,127,833	4,252,865	-	156,522
Wastewater Operations	13,326,427	12,164,975	-	5,257,483
Solid Waste Operations	1,374,879	1,138,700	-	4,619
Golf Course Operations	230,718	150,772	-	1,100
Stormwater Operations	587,441	347,328	-	-
Pier Complex	288,818	11,384	-	1,424,399
Total Business-Type Activities	18,936,116	18,066,024	-	6,844,123
Total Primary Government	\$ 35,808,000	\$ 21,666,824	\$ 318,358	\$ 7,000,614
Component Units:				
Oak Island ABC Board	\$ 3,238,497	\$ 3,267,242	\$ -	\$ -
Total Component Units	\$ 3,238,497	\$ 3,267,242	\$ -	\$ -

General Revenues:

Taxes:

Property Taxes, Levied for General Purpose

Local Option Sales Taxes

Accommodations Taxes

Unrestricted Investment Earnings

Miscellaneous

Sale of Capital Assets and Materials

Total General Revenues

Transfers

Total General Revenues, Special Items, and Transfers

Change in Net Position

Net Position - Beginning Previously Reported

Restatement

Net Position Beginning Restated

Net Position -Ending

Net (Expense) Revenue and Changes in Net Position
Primary Government

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (3,918,293)	\$ -	\$ (3,918,293)	\$ -
(4,326,037)	-	(4,326,037)	-
(1,208,088)	-	(1,208,088)	-
(1,233,100)	-	(1,233,100)	-
(1,958,845)	-	(1,958,845)	-
(46,901)	-	(46,901)	-
(104,971)	-	(104,971)	-
<u>(12,796,235)</u>	<u>-</u>	<u>(12,796,235)</u>	<u>-</u>
-	1,281,554	1,281,554	-
-	4,096,031	4,096,031	-
-	(231,560)	(231,560)	-
-	(78,846)	(78,846)	-
-	(240,113)	(240,113)	-
-	1,146,965	1,146,965	-
<u>-</u>	<u>5,974,031</u>	<u>5,974,031</u>	<u>-</u>
<u>(12,796,235)</u>	<u>5,974,031</u>	<u>(6,822,204)</u>	<u>-</u>
-	-	-	28,745
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,745</u>
7,867,466	-	7,867,466	-
2,150,053	-	2,150,053	-
2,538,039	-	2,538,039	-
122,189	154,502	276,691	2,867
506,930	1,724	508,654	-
3,117	-	3,117	-
<u>13,187,794</u>	<u>156,226</u>	<u>13,344,020</u>	<u>2,867</u>
<u>(100,172)</u>	<u>100,172</u>	<u>-</u>	<u>-</u>
<u>13,087,622</u>	<u>256,398</u>	<u>13,344,020</u>	<u>2,867</u>
291,387	6,230,429	6,521,816	31,612
38,973,319	50,672,395	89,645,714	765,793
<u>(308,349)</u>	<u>-</u>	<u>(308,349)</u>	<u>-</u>
<u>38,664,970</u>	<u>50,672,395</u>	<u>89,337,365</u>	<u>765,793</u>
<u>\$ 38,956,357</u>	<u>\$ 56,902,824</u>	<u>\$ 95,859,181</u>	<u>\$ 797,405</u>

TOWN OF OAK ISLAND, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2019

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Beach Renourishment		
ASSETS				
Cash and Cash Equivalents	\$ 12,704,194	\$ 676,879	\$ 5,059,201	\$ 18,440,274
Restricted Cash	1,252,958	-	-	1,252,958
Receivables (net):				-
Taxes	273,748	2,585	-	276,333
Assessments	16,575	-	-	16,575
Accounts	203,486	-	-	203,486
Due from Component Unit	129,161	-	-	129,161
Due from Other Funds	-	-	-	-
Inventories	13,111	-	-	13,111
Prepays	89,730	-	-	89,730
Total Assets	<u>\$ 14,682,963</u>	<u>\$ 679,464</u>	<u>\$ 5,059,201</u>	<u>\$ 20,421,628</u>
LIABILITIES				
Accounts Payable	678,684	-	59,995	738,679
Due to Other Funds	-	-	-	-
Customer Deposits	76,289	-	-	76,289
Total Liabilities	<u>754,973</u>	<u>-</u>	<u>59,995</u>	<u>814,968</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	25,734		-	25,734
Property Taxes Receivable	67,713	2,585	-	70,298
Total Deferred Inflows of Resources	<u>93,447</u>	<u>2,585</u>	<u>-</u>	<u>96,032</u>
FUND BALANCES				
Non Spendable				
Inventories	12,307	-	-	12,307
Prepays	94,204	-	-	94,204
Restricted:				
Stabilization by State Statute	282,879	-	-	282,879
Streets - Powell Bill	970,079	-	-	970,079
Public Safety	-	-	-	-
Environmental Protection	-	676,879	998,639	1,675,518
Tourism	-	-	3,858,214	3,858,214
Cultural and Recreation	-	-	142,353	142,353
Assigned				
Subsequent Year's Expenditures	271,569	-	-	271,569
Unassigned:	12,203,505	-	-	12,203,505
Total Fund Balances	<u>13,834,543</u>	<u>676,879</u>	<u>4,999,206</u>	<u>19,510,628</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,682,963</u>	<u>\$ 679,464</u>	<u>\$ 5,059,201</u>	<u>\$ 20,421,628</u>

TOWN OF OAK ISLAND, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2019

	Total Governmental Funds
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total Fund Balance, Governmental Funds	\$ 19,510,628
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Gross capital assets at historical cost	40,346,694
Accumulated depreciation	(13,608,113)
	26,738,581
Deferred outflows of resources related to pensions are not reported in the funds	
	1,416,460
Deferred outflows of resources related to OPEB are not reported in the funds	
	7,809
Earned revenues considered deferred inflows of resources in fund statements	70,298
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Installment notes payable	(3,267,256)
Compensated absences payable	(423,788)
OPEB Liability	(2,456,914)
Net Pension Liability	(1,568,291)
Total Pension Liability	(724,322)
	(8,440,571)
Deferred inflows of resources related to pensions are not reported in the funds	(62,891)
Deferred inflows of resources related to OPEB are not reported in the funds	(212,966)
Other long term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds	(70,991)
Net Position of Governmental Activities	<u>\$ 38,956,357</u>

TOWN OF OAK ISLAND, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>Beach Renourishment</u>	<u>Total Non-Major Funds</u>	
Revenues				
Ad Valorem Taxes	\$ 7,880,492	\$ 520,293	\$ -	\$ 8,400,785
Other Taxes and Licenses	2,150,053		2,017,746	4,167,799
Unrestricted Intergovernmental	1,257,121	-	-	1,257,121
Restricted Intergovernmental	1,921,968	-	-	1,921,968
Sales and Services	674,427	-	-	674,427
Permits and Fees	212,042	-	-	212,042
Investment Earnings	122,189	-	-	122,189
Miscellaneous	82,675	404,075	20,180	506,930
Total Revenues	<u>14,300,967</u>	<u>924,368</u>	<u>2,037,926</u>	<u>17,263,261</u>
Expenditures				
Current:				
General Government	4,786,420	-	-	4,786,420
Public Safety	5,269,800	-	-	5,269,800
Transportation	1,708,263	-	-	1,708,263
Environmental Protection		1,181,386	51,714	1,233,100
Tourism	-	-	46,901	46,901
Cultural and Recreational	1,498,997		1,265,651	2,764,648
Debt Service:				
Principal	1,633,628	-	-	1,633,628
Interest and Other Charges	110,269	-	-	110,269
Total Expenditures	<u>15,007,377</u>	<u>1,181,386</u>	<u>1,364,266</u>	<u>17,553,029</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(706,410)</u>	<u>(257,018)</u>	<u>673,660</u>	<u>(289,768)</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	373,864	500,000	930,192	1,804,056
Transfers to Other Funds	(549,228)	-	(1,355,000)	(1,904,228)
Sales of Capital Assets	2,410	-	-	2,410
Sales of Materials	707	-	-	707
Total Other Financing Sources (Uses)	<u>(172,247)</u>	<u>500,000</u>	<u>(424,808)</u>	<u>(97,055)</u>
Net Change in Fund Balance	<u>(878,657)</u>	<u>242,982</u>	<u>248,852</u>	<u>(386,823)</u>
Fund Balance - Beginning	<u>14,713,200</u>	<u>433,897</u>	<u>4,750,354</u>	<u>19,897,451</u>
Net Change in Fund Balance	<u>(878,657)</u>	<u>242,982</u>	<u>248,852</u>	<u>(386,823)</u>
Fund Balance - Ending	<u>\$ 13,834,543</u>	<u>\$ 676,879</u>	<u>\$ 4,999,206</u>	<u>\$ 19,510,628</u>

TOWN OF OAK ISLAND, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds \$ (386,823)

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities the cost of those assets is allocated over the assets' estimated 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	\$ 1,885,544	
Depreciation expense for governmental assets	(1,052,439)	833,105

Donation of Assets to Enterprise Funds (1,591,271)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 376,793

Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities 35,690

OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities 149,237

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

Amount of Donated Assets		10,091
Change in unavailable revenue for property tax revenues		(13,026)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net 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	1,633,628	
Decrease in accrued interest payable	5,298	1,638,926

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	(40,357)	
Pension Expense LGERS	(407,296)	
Pension Expense LEOSSA	(76,060)	
OPEB plan expense	<u>(237,622)</u>	<u>(761,335)</u>

Change in net position of governmental activities \$ 291,387

TOWN OF OAK ISLAND, NORTH CAROLINA
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Fiscal Year Ended June 30, 2019

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Ad Valorem Taxes	\$ 7,746,776	\$ 7,746,776	\$ 7,880,492	\$ 133,716
Other Taxes and Licenses	1,665,784	1,665,784	2,150,053	484,269
Unrestricted Intergovernmental	754,625	754,625	1,257,121	502,496
Restricted Intergovernmental	1,935,071	1,961,441	1,921,968	(39,473)
Permits and Fees	469,500	469,500	674,427	204,927
Sales and Services	139,900	139,900	212,042	72,142
Investment Earnings	55,000	55,000	122,189	67,189
Miscellaneous	21,102	21,102	82,675	61,573
Total Revenues	12,787,758	12,814,128	14,300,967	1,486,839
Expenditures				
Current				
General Government	2,309,462	3,600,262	4,786,420	(1,186,158)
Public Safety	4,937,475	5,152,688	5,269,800	(117,112)
Transportation	2,168,699	2,503,699	1,708,263	795,436
Cultural and Recreation	1,078,334	1,623,779	1,498,997	124,782
Debt Service				
Principal	1,633,628	1,633,628	1,633,628	-
Interest and Other Charges	139,104	139,104	110,269	28,835
Contingency	-	-	-	-
Total Expenditures	12,266,702	14,653,160	15,007,377	(354,217)
Revenues Over (Under) Expenditures	521,056	(1,839,032)	(706,410)	1,132,622
Other Financing Sources (Uses)				
Transfers from Other Funds	886,754	1,768,410	373,864	(1,394,546)
Transfers to Other Funds	(355,632)	(355,632)	(549,228)	(193,596)
Sales of Capital Assets	-	-	2,410	2,410
Sales of Materials	-	-	707	707
Total Other Financing Sources (Uses)	\$ 531,122	\$ 1,412,778	\$ (172,247)	\$ (1,585,025)
Fund Balance Appropriated	(1,052,178)	426,254	-	426,254
Net Change in Fund Balance	-	-	(878,657)	(878,657)
Fund Balance - Beginning of Year			12,707,380	
Net Change in Fund Balance	\$ -	\$ -	(878,657)	\$ (878,657)
Fund Balance - End of Year			11,828,723	
A legally adopted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Fund Balance - Beginning of Year			2,005,820	
Fund Balance - End of Year			\$ 13,834,543	

TOWN OF OAK ISLAND, NORTH CAROLINA
Major Special Revenue Fund - Beach Renourishment Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2019

Beach Renourishment Fund				
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Other Taxes and Licenses				
Restricted Ad Valorem Tax Receipts	\$ 507,364	\$ 507,364	\$ 520,293	\$ 12,929
Other Operating Revenues				
Parking Citations	-	-	13,460	13,460
Delta Project Refund	-	-	390,615	390,615
Total Revenues	<u>507,364</u>	<u>507,364</u>	<u>924,368</u>	<u>417,004</u>
Expenditures				
Current				
Environmental Protection				
Engineering- Oak Island Master Plan	1,820,000	1,820,000	1,094,782	725,218
Engineering- FEMA Turtle Restoration	-	834,890	86,604	748,286
Total Environmental Protection	<u>1,820,000</u>	<u>2,654,890</u>	<u>1,181,386</u>	<u>1,473,504</u>
Total Expenditures	<u>1,820,000</u>	<u>2,654,890</u>	<u>1,181,386</u>	<u>1,473,504</u>
Revenues Over (Under) Expenditures	<u>(1,312,636)</u>	<u>(2,147,526)</u>	<u>(257,018)</u>	<u>1,890,508</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	<u>2,177,897</u>	<u>2,177,897</u>	<u>500,000</u>	<u>(1,677,897)</u>
Total Other Financing Sources (Uses)	<u>2,177,897</u>	<u>2,177,897</u>	<u>500,000</u>	<u>(1,677,897)</u>
Appropriated Fund Balance	865,261	30,371		30,371
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>242,982</u>	<u>\$ 242,982</u>
Fund Balance - Beginning of Year			<u>433,897</u>	
Fund Balance - End of Year			<u>\$ 676,879</u>	

TOWN OF OAK ISLAND, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Funds
June 30, 2019

	<u>Major Funds</u>		<u>Non-Major Funds</u>	<u>Total</u>
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Other Enterprise Funds</u>	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 15,295,031	\$ 14,121,518	\$ 346,664	\$ 29,763,213
Accounts Receivables (net):	933,379	1,660,998	273,702	2,868,079
Inventories	200,715	308,547	3,493	512,755
Total Current Assets	16,429,125	16,091,063	623,859	33,144,047
Non-Current Assets				
Restricted Assets				
Cash and Cash Equivalents	-	8,790,703	-	8,790,703
Assessments Receivables (net):	-	1,239,012	-	1,239,012
Sewer District Fees Receivable (net)	-	118,537	-	118,537
Accrued Interest Receivable	-	107,596	-	107,596
Total Restricted Assets	-	10,255,848	-	10,255,848
Other Assets				
Prepaid Bond Insurance Costs	-	651,405	-	651,405
Capital Assets				
Land and Construction in Progress	145,068	3,304,611	2,481,943	5,931,622
Other Capital Assets, Net of Depreciation	4,834,384	90,410,962	962,295	96,207,641
Capital Assets	4,979,452	93,715,573	3,444,238	102,139,263
Total Non-Current Assets	4,979,452	104,622,826	3,444,238	113,046,516
TOTAL ASSETS	21,408,577	120,713,889	4,068,097	146,190,563
DEFERRED OUTFLOWS OF RESOURCES				
Pension Deferrals	133,337	151,085	115,634	400,056
OPEB Deferrals	-	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 133,337	\$ 151,085	\$ 115,634	\$ 400,056

TOWN OF OAK ISLAND, NORTH CAROLINA

Statement of Fund Net Position

Proprietary Funds

June 30, 2019

	Major Funds		Non-Major Funds	Total
	Water Fund	Wastewater Fund	Other Enterprise Funds	
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 134,783	\$ 189,423	\$ 100,198	\$ 424,404
Salaries Payable	12,312	16,816	11,497	40,625
Accrued Interest Payable	-	292,088	-	292,088
Due to Other Funds	-	-	-	-
Customer Deposits	103,815	-	-	103,815
Compensated Absences Payable, Current	37,783	47,857	37,995	123,635
Installment Notes Payable, Current	-	-	-	-
Revenue Notes Payable, Current	-	697,668	-	697,668
Revenue Bonds Payable, Current	-	3,075,000	-	3,075,000
Total Current Liabilities	288,693	4,318,852	149,690	4,757,235
Non-current Liabilities				
Other Postemployment Benefits	639,808	318,989	324,645	1,283,442
Net Pension Liability	163,954	211,477	144,179	519,610
Revenue Notes Payable, Non-current	-	7,437,326	-	7,437,326
Revenue Bonds Payable, Non-current	-	75,585,783	-	75,585,783
Total Non-Current Liabilities	803,762	83,553,575	468,824	84,826,161
TOTAL LIABILITIES	1,092,455	87,872,427	618,514	89,583,396
DEFERRED INFLOWS OF RESOURCES				
Unearned Revenue	43,421	13,365	-	56,786
Pension Deferrals	3,248	4,477	3,328	11,053
OPEB Deferrals	-	21,518	15,042	36,560
TOTAL DEFERRED INFLOWS OF RESOURCES	46,669	39,360	18,370	104,399
NET POSITION				
Net Investment in Capital Assets	4,979,452	16,361,904	3,444,238	24,785,594
Restricted for Capital Projects	-	-	-	-
Unrestricted	15,423,338	16,591,283	102,609	32,117,230
NET POSITION OF BUSINESS-TYPE ACTIVITIES	\$ 20,402,790	\$ 32,953,187	\$ 3,546,847	\$ 56,902,824

TOWN OF OAK ISLAND, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2019

	Major Funds		Non-Major Funds	Total
	Water Fund	Wastewater Fund	Other Enterprise Funds	
Revenues				
Charges for Services	\$ 3,928,151	\$ 12,164,975	\$ 1,648,184	\$ 17,741,310
Other Operating Revenues	324,714	-	-	324,714
Total Operating Revenues	<u>4,252,865</u>	<u>12,164,975</u>	<u>1,648,184</u>	<u>18,066,024</u>
Operating Expenses				
Administration	267,859	-	294,586	562,445
Water Purchases	961,466	-	-	961,466
Waste Collection and Treatment	-	5,925,774	1,317,056	7,242,830
Maintenance	1,133,736	-	277,417	1,411,153
Other Operating	-	-	452,284	452,284
Depreciation	764,772	4,014,024	130,422	4,909,218
Total Operating Expenses	<u>3,127,833</u>	<u>9,939,798</u>	<u>2,471,765</u>	<u>15,539,396</u>
Operating Income (Loss)	<u>1,125,032</u>	<u>2,225,177</u>	<u>(823,581)</u>	<u>2,526,628</u>
Non-Operating Revenues (Expenses)				
Investment Earnings	-	37,181	-	37,181
Assessment Interest	-	117,321	-	117,321
System Development Fees	-	539,546	-	539,546
Other Non-operating Revenue	-	1,724	-	1,724
Interest and Other Charges	-	(3,386,629)	-	(3,386,629)
Sale of Capital Assets	-	-	-	-
Total Non-Operating Revenues (Expenses)	<u>-</u>	<u>(2,690,857)</u>	<u>-</u>	<u>(2,690,857)</u>
Income (Loss) Before Contributions and Transfers	1,125,032	(465,680)	(823,581)	(164,229)
Capital Contributions	156,522	4,717,937	1,420,027	6,294,486
Transfers In	25,614	600,000	374,036	999,650
Transfers Out	(500,000)	(352,909)	(46,569)	(899,478)
Change in Net Position	<u>807,168</u>	<u>4,499,348</u>	<u>923,913</u>	<u>6,230,429</u>
Net Position- Beginning	<u>19,595,622</u>	<u>28,453,839</u>	<u>2,622,934</u>	<u>50,672,395</u>
Total Net Position - Ending	<u>\$ 20,402,790</u>	<u>\$ 32,953,187</u>	<u>\$ 3,546,847</u>	<u>\$ 56,902,824</u>

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TOWN OF OAK ISLAND, NORTH CAROLINA
Statement of Cash Flows-Proprietary Funds
For the Year Ended June 30, 2019

	Major Enterprise Funds		Non-Major	Total
	Water Fund	Wastewater Fund	Enterprise Funds	
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 3,965,585	\$ 12,518,330	\$ 1,649,683	\$ 18,133,598
Cash Paid for Goods and Services	(1,903,780)	(4,711,692)	(1,610,031)	(8,225,503)
Cash Paid to Employees	(684,607)	(1,012,065)	(712,952)	(2,409,624)
Customer Deposits Received	55,946	-	-	55,946
Customer Deposits Returned	(63,077)	-	-	(63,077)
Other Operating Revenue	324,714	-	-	324,714
Net Cash Provided by (Used in) Operating Activities	1,694,781	6,794,573	(673,300)	7,816,054
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	-	-	-	-
Sale of Materials	-	-	-	-
Transfers from Other Funds	25,614	600,000	374,036	999,650
Transfers to Other Funds	(500,000)	(352,909)	(36,271)	(889,180)
Net Cash Provided by (Used in) Noncapital Financing Activities	(474,386)	247,091	337,765	110,470
Cash Flows from Capital and Related Financing Activities				
Acquisition and Construction of Capital Assets	(263,444)	(678,381)	(76,881)	(1,018,706)
Proceeds from Sale of Capital Assets	-	-	-	-
Principal Paid on Debt	-	(3,632,441)	-	(3,632,441)
Interest and Other Charges	-	(3,394,415)	-	(3,394,415)
Sewer Assessment Interest	-	145,075	-	145,075
Contributions	146,522	6,040,978	5,719	6,193,219
Net Cash Used by Capital and Related Financing Activities	(116,922)	(1,519,184)	(71,162)	(1,707,268)
Cash Flows Provided by Investing Activities				
Interest on Investments	-	37,181	-	37,181
Net Cash Provided by Investing Activities	-	37,181	-	37,181
Net Increase (Decrease) in Cash and Cash Equivalents	1,103,473	5,559,661	(406,697)	6,256,437
Cash and Cash Equivalents - July 1	14,191,558	17,352,560	753,361	32,297,479
Cash and Cash Equivalents - June 30	\$ 15,295,031	\$ 22,912,221	\$ 346,664	\$ 38,553,916

TOWN OF OAK ISLAND, NORTH CAROLINA
Statement of Cash Flows-Proprietary Funds
For the Year Ended June 30, 2019

	<u>Major Enterprise Funds</u>		<u>Non-Major</u>	<u>Total</u>
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Enterprise Funds</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 1,125,032	\$ 2,225,177	\$ (823,581)	\$ 2,526,628
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	764,772	4,014,024	130,422	4,909,218
Changes in Assets and Liabilities (Increase) Decrease in:				
Receivables	37,434	353,355	1,889	392,678
Inventory	(70,408)	63,757	(390)	(7,041)
Deferred Outflows of Resources for Pensions	(51,512)	(47,157)	(45,807)	(144,476)
Deferred Outflows of Resources for OPEB	29,889	14,861	(550)	44,200
Increase (Decrease) in:				
Net Pension Liability	60,655	76,886	53,933	191,474
Deferred Inflows of Resources for Pensions	(6,014)	(7,544)	(5,159)	(18,717)
Deferred Inflows of Resources for OPEB	(29,645)	6,779	4,754	(18,112)
Accounts Payable	(164,553)	81,537	6,813	(76,203)
Customer Deposits	(7,131)	-	-	(7,131)
Unearned Revenue	(4,745)	1,495	-	(3,250)
Accrued Wages	3,259	3,757	(1,146)	5,870
Accrued Vacation Pay	7,748	6,783	4,856	19,387
OPEB Liability	-	863	666	1,529
Total Adjustments	<u>569,749</u>	<u>4,569,396</u>	<u>150,281</u>	<u>5,289,426</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,694,781</u>	<u>\$ 6,794,573</u>	<u>\$ (673,300)</u>	<u>\$ 7,816,054</u>

TOWN OF OAK ISLAND, NORTH CAROLINA
Statement of Fiduciary Net Position
For the Year Ended June 30, 2019

	<u>Total</u>
Assets	
Cash and Cash Equivalents	\$ 500
Total Assets	<u>\$ 500</u>
Liabilities	
Intergovernmental Payable	\$ 500
Total Liabilities	<u>\$ 500</u>

TOWN OF OAK ISLAND, NORTH CAROLINA

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Oak Island and its discretely presented component unit 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 Oak Island is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Oak Island ABC Board

The Town of Oak Island ABC Board is a municipal corporation, which is governed by a Board appointed by the town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The Town of Oak Island ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the Town may be obtained from the entity's administrative offices at Oak Island ABC Board, 5402 East Oak Island Drive, Oak Island, NC 28465.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements include the financial activities of the overall government. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants and various other taxes and licenses. The primary expenditures are for administration, police, inspections, and parks and recreation. Additionally, the Town has legally adopted Capital Reserve Fund. Under GASB 54 guidance the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve fund has been included in the supplemental information.

Beach Tax Special Revenue Fund. This fund was developed after a Council approved split of the Accommodations tax fund and is used to account for the restricted tax revenues for beach re-nourishment.

Beach Re-Nourishment Special Revenue Fund. This fund is used to account for the continued environmental protection projects for our beaches

The Town reports the following non-major governmental funds:

Beach Preservation Special Revenue Fund. This fund is used to account for the donations that are restricted for publicizing and preserving the beach.

Accommodations Tax Special Revenue Fund. This fund is used to account for part of the accommodations tax revenues that are restricted for use for a particular purpose.

Pier Project Capital Projects Fund. This fund is used to account for the rebuilding of the Oak Island pier.

The Town reports the following major enterprise funds:

Water Fund. This fund is used to account for the Town's water fund operations.

Wastewater Fund. This fund is used to account for the Town's wastewater operations.

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The Town reports the following non-major enterprise funds:

Solid Waste Fund. This fund is used to account for the Town's solid waste operations.

South Harbour Golf Course Fund. This fund is used to account for the Town's maintenance and operation of the golf course.

Sewer District Fee Fund. This fund is used to account for fees charged for the availability of sewer service. These fees can only be used for payment of debt of the wastewater system.

Storm Water Fund. This fund is used to account for fees charged for the Town's storm water operations.

Pier Complex Fund. This fund is used to account for the Town's maintenance and operation of the pier complex.

The Town reports the following fund type:

Fiduciary Fund. Fiduciary funds are custodial in nature and do not involve the measurement of operating results. A fiduciary fund is used to report on assets held in trust for others.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's general ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. 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 shared revenue for the Town of Oak Island because the tax is levied by Brunswick 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 are both restricted and unrestricted net positions available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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, Capital Reserve Fund, Accommodations Tax Fund, Beach Preservation Fund, Beach Tax Fund, Pier Project Fund, Water Fund, Wastewater Fund, Solid Waste Fund, South Harbour Golf Course Fund, Stormwater Fund, and Sewer District Fee Fund. All annual appropriations lapse at the fiscal year-end. Project budget ordinances are adopted for the Capital Project funds. The Wastewater Capital Project Fund and the Sewer District Fee Fund are consolidated with the Wastewater Fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Town Manager is authorized to transfer appropriations within a fund as he sees necessary; however, the governing board must approve any revisions that alter the total expenditures of any fund or change functional appropriations by more than \$1,000. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Deposits and Investments

All deposits of the Town and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board 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 and the ABC Board 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 and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at no cost. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

In accordance with State law, the Town has invested in securities which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Certain proceeds of the Town's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. As a part of the 2009 Series, 2011 Series, 2015 Series, and 2017 Series Enterprise System Bond issuances, the Town established funds that could be drawn from as an assurance of the system's ability to meet annual debt payments. Those funds are held in special accounts that may be only used for this purpose should system revenues not be adequate to provide for the payments. These accounts are designated Debt Service Reserve accounts. Additionally, there are Interest Accounts where the interest drawn on these reserve accounts is deposited. The earnings in these accounts offset a portion of the interest expense associated with the related bond's next scheduled debt service payment. Unexpended loan funds in the Town Hall Replacement Project are also categorized as restricted because they only can be used for the purpose for which they were borrowed. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per NC G.S. 136-41.1 through 136-41-4.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Restricted Assets (Continued)

Town of Oak Island's Restricted Cash

Governmental Activities

General Fund	Streets	\$	970,079
	Stabilization by State Statute		282,879
Beach Renourishment Fund	Environmental Protection		676,879
Beach Tax Fund	Environmental Protection		998,639
Accomodations Tax Fund	Tourism		3,858,214
Beach Preservation Fund	Cultural and Recreation		89,399
Pier Project Fund	Cultural and Recreation		52,954
Total Governmental Activities		\$	<u>6,929,043</u>

Business-type Activities

Wastewater Fund	Unexpended Bond Revenue	\$	<u>8,790,703</u>
Total Business-type Activities		\$	<u>8,790,703</u>

Total Restricted Cash		\$	<u><u>15,719,746</u></u>
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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, 2018. As allowed by state law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the Town's general and enterprise funds consist of expendable supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased. The cost of these inventories is expensed when sold rather when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is \$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, consisting mainly of road networks, are not reported, because the Town is a Phase III town under GASB 34, and is not required to report those assets. 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
Infrastructure	30
Utility Systems I	40
Utility Systems II	50
Utility Systems III	60
Buildings	40
Improvements	10-25
Motor Vehicles	5
Heavy Motor Vehicles	10
Computer and Electric Equipment	5
Office Equipment	10
Equipment	10
Intangible Assets	30

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Capital Assets (Continued)

Property, plant and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Buildings	30-40
Furniture and Equipment	5-10
Paving	15

The Town and ABC Board evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the Town are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the Town are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in the impairment of a capital asset are netted against the impairment loss.

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 currently has two items that meet this criterion, contributions made to the pension plan in the 2018 fiscal year and OPEB benefits paid. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, prepaid assessments, assessments receivable, and pension deferrals.

9. Long-Term Obligations

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Long-Term Obligations (Continued)

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.

10. Compensated Absences

The vacation policy of both the Town and the ABC Board provides for the accumulation of up to two hundred forty (240) hours earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary 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 compiling 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.

Both the Town and the ABC Board's sick leave policies provide 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 neither the Town nor the ABC Board has 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 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 disclose the hierarchy of constraints placed on how fund balance can be spent.

I. 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 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.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

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

Restricted for Tourism – portion of fund balance that is restricted by revenue source for certain tourism related purposes. This amount represents the balance of the unexpended accommodations tax receipts.

Restricted for Cultural and Recreation – portion of fund balance that is restricted by revenue source for certain cultural and recreation related purposes. This amount represents the balance of funds restricted by donors for beach preservation as well as the pier project.

Restricted for Environmental Protection – portion of fund balance that is restricted by revenue source for certain environmental protection related purposes. This amount represents the balance of funds restricted for beach re-nourishment.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Position/Fund Balances (Continued)

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Oak Island’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 Capital Projects - portion of fund balance committed by Town Council for certain capital project related purposes. This amount represents the balance in the legally budgeted capital reserve fund.

Committed for Transportation – portion of fund balance committed by Town Council for upcoming vehicle purchases.

Assigned Fund balance – portion of fund balance that the Town of Oak Island intends to use for specific purposes.

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

The Town of Oak Island 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 by 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 in the best interest of the Town.

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 Oak Island’s employer contributions are recognized when due and the Town of Oak Island 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.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statues

None.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

2. Contractual Violations

None.

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

None.

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the Town of Oak Island's General Fund exceeded the authorized appropriations made by the governing board for general government activities by \$354,217. The expenditures made in the Town of Oak Island's Solid Waste and Stormwater Fund exceeded the authorized appropriations made by the governing board for business activities by \$301,754 and \$65,876 respectively. These over-expenditures occurred because of unplanned repair expenditures caused by Hurricane Florence. Management and the Board will closely review the budget reports to ensure compliance in future years.

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board 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 or the ABC Board's agents in these units' names. 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 and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board'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, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town or the ABC Board 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 and the ABC Board have no formal policy regarding custodial risk for deposits but rely 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.

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

1. Deposits (Continued)

At June 30, 2019, the Town's deposits had a carrying amount of \$49,455,395 and a bank balance of \$47,274,940. 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, 2019, the Town's petty cash funds totaled \$1,050. The carrying amount of deposits for the ABC Board was \$639,381 and the bank balance was \$588,980. Of the bank balance, \$358,812 was covered by federal depository insurance and the remainder was maintained in institutions collateralizing deposits using the pooling method. At June 30, 2019, the ABC Board's cash on hand totaled \$1,500.

2. Cash and Cash Equivalents

The Town and the ABC Board have no formal policy regarding credit risk. At June 30, 2019 The Town's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 6/30/2019	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Market	\$ 347,137	N/A	AAAm
US Bank	Market	\$ 8,443,566	N/A	AAAm
Total:		\$ 8,790,703		

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

3. Receivables - Allowances for Doubtful Accounts (Continued)

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of the following allowances for doubtful accounts:

Enterprise Funds:	
Water Fund	80,329
Wastewater Fund:	
Wastewater Billing	75,391
Sewer District Fees	1,197
Solid Waste Fund	29,820
Total Enterprise Funds	<u>186,737</u>
Total	<u>\$ 186,737</u>

TOWN OF OAK ISLAND, NORTH CAROLINA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2019

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019 was as follows:

Governmental activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 9,756,584	\$ 742,077	\$ 1,244,204	\$ 9,254,457
Construction in progress	119,337	-	119,337	-
Total capital assets not being depreciated	<u>9,875,921</u>	<u>742,077</u>	<u>1,363,541</u>	<u>9,254,457</u>
Capital assets being depreciated:				
Buildings	17,359,495	-	216,384	17,143,111
Motor vehicles	1,886,442	257,935	25,818	2,118,559
Heavy motor vehicles	2,040,142	122,449	-	2,162,591
Equipment	1,421,831	97,639	12,500	1,506,970
Office equipment	177,840	-	-	177,840
Other structures/improvements	3,098,301	702,555	355,109	3,445,747
Computers/electrical equipment	800,556	15,092	-	815,648
Infrastructure	3,721,770	-	-	3,721,770
Total capital assets being depreciated:	<u>30,506,377</u>	<u>1,195,670</u>	<u>609,811</u>	<u>31,092,236</u>
Less accumulated depreciation for:				
Buildings	4,657,001	435,564	110,830	4,981,735
Motor vehicles	1,411,678	135,745	25,818	1,521,605
Heavy motor vehicles	1,849,941	174,653	-	2,024,594
Equipment	1,220,744	47,602	-	1,268,346
Office equipment	162,697	9,373	-	172,070
Other structures/improvements	1,728,708	118,324	245,433	1,601,599
Computers/electrical equipment	691,390	26,754	-	718,144
Infrastructure	1,196,152	123,867	-	1,320,019
Total accumulated depreciation	<u>12,918,311</u>	<u>1,071,882</u>	<u>382,081</u>	<u>13,608,112</u>
Total capital assets being depreciated, net	<u>17,588,066</u>			<u>17,484,124</u>
Governmental activities capital assets, net	<u>\$ 27,463,987</u>			<u>\$ 26,738,581</u>

TOWN OF OAK ISLAND, NORTH CAROLINA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2019

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

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

General government	\$ 278,739
Public safety	590,732
Transportation	24,882
Cultural and recreational	158,087
Total depreciation expense	<u>\$ 1,052,440</u>

Business-type activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Water Fund				
Capital assets not being depreciated:				
Land	\$ 135,068	\$ 10,000	\$ -	\$ 145,068
Construction in progress	2,462,274	-	2,462,274	-
Total capital assets not being depreciated	<u>2,597,342</u>	<u>10,000</u>	<u>2,462,274</u>	<u>145,068</u>
Capital assets being depreciated:				
Buildings	134,596	-	-	134,596
Motor vehicles	288,734	25,614	-	314,348
Equipment	439,765	2,700,103	-	3,139,868
Computers/electrical equipment	93,727	-	-	93,727
Utility systems I	1,973,903	-	-	1,973,903
Utility systems III	4,631,870	-	-	4,631,870
Total capital assets being depreciated:	<u>7,562,595</u>	<u>2,725,717</u>	<u>-</u>	<u>10,288,312</u>
Less accumulated depreciation for:				
Buildings	79,595	2,197	-	81,792
Motor vehicles	265,479	10,332	-	275,811
Equipment	347,817	133,542	-	481,359
Computers/electrical equipment	93,619	-	-	93,619
Utility systems I	1,266,516	42,329	-	1,308,845
Utility systems III	2,636,130	576,372	-	3,212,502
Total accumulated depreciation	<u>4,689,156</u>	<u>764,772</u>	<u>-</u>	<u>5,453,928</u>
Total capital assets being depreciated, net	<u>2,873,439</u>			<u>4,834,384</u>
Water Fund capital assets, net	<u>\$ 5,470,781</u>			<u>\$ 4,979,452</u>

TOWN OF OAK ISLAND, NORTH CAROLINA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2019

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

Business-type activities:	Beginning Balances	Increases	Decreases	Ending Balances
<i>Wastewater Fund</i>				
Capital assets not being depreciated:				
Land	\$ 3,147,739	\$ 156,872	\$ -	\$ 3,304,611
Future treatment rights	285,397	-	-	285,397
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>3,433,136</u>	<u>156,872</u>	<u>-</u>	<u>3,590,008</u>
Capital assets being depreciated:				
Buildings	13,266,014	-	-	13,266,014
Motor vehicles	110,070	51,228	-	161,298
Heavy motor vehicles	180,711	-	-	180,711
Equipment	8,329,446	574,653	-	8,904,099
Utility systems I	27,067	-	-	27,067
Utility systems II	85,279,342	-	-	85,279,342
Intangible assets	11,961,437	-	-	11,961,437
Total capital assets being depreciated:	<u>119,154,087</u>	<u>625,881</u>	<u>-</u>	<u>119,779,968</u>
Less accumulated depreciation for:				
Buildings	2,505,813	350,155	-	2,855,968
Motor vehicles	110,068	5,977	-	116,045
Heavy motor vehicles	180,711	-	-	180,711
Equipment	5,646,752	989,417	-	6,636,169
Utility systems I	12,371	-	-	12,371
Utility systems II	14,374,638	2,269,569	-	16,644,207
Intangible assets	2,810,026	398,906	-	3,208,932
Total accumulated depreciation	<u>25,640,379</u>	<u>4,014,024</u>	<u>-</u>	<u>29,654,403</u>
Total capital assets being depreciated, net	<u>93,513,708</u>			<u>90,125,565</u>
Wastewater Fund capital assets, net	<u>\$ 96,946,844</u>			<u>\$ 93,715,573</u>

TOWN OF OAK ISLAND, NORTH CAROLINA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2019

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Solid Waste Fund</i>				
Capital assets being depreciated:				
Buildings	\$ 5,304	\$ -	\$ -	\$ 5,304
Motor vehicles	52,784	-	29,534	23,250
Heavy motor vehicles	999,138	-	-	999,138
Total capital assets being depreciated:	<u>1,057,226</u>	-	29,534	<u>1,027,692</u>
Less accumulated depreciation for:				
Buildings	3,277	1,057	-	4,334
Motor vehicles	34,371	2,645	19,444	17,572
Heavy motor vehicles	719,841	44,029	-	763,871
Total accumulated depreciation	<u>757,489</u>	<u>47,731</u>	<u>19,444</u>	<u>785,777</u>
Total capital assets being depreciated, net	<u>299,737</u>			<u>241,915</u>
Solid Waste Fund capital assets, net	<u>\$ 299,737</u>			<u>\$ 241,915</u>
Business-type activities:				
<i>South Harbor Golf Course Fund</i>				
Capital assets not being depreciated:				
Land	\$ 1,404,610	\$ -	\$ -	\$ 1,404,610
Total capital assets not being depreciated	<u>1,404,610</u>	-	-	<u>1,404,610</u>
Capital assets being depreciated:				
Buildings	98,205	-	-	98,205
Equipment	170,849	-	-	170,849
Total capital assets being depreciated:	<u>269,054</u>	-	-	<u>269,054</u>
Less accumulated depreciation for:				
Buildings	25,779	2,455	-	28,234
Equipment	91,972	9,806	-	101,778
Total accumulated depreciation	<u>117,751</u>	<u>12,261</u>	-	<u>130,012</u>
Total capital assets being depreciated, net	<u>151,303</u>			<u>139,042</u>
SHGC Fund capital assets, net	<u>\$ 1,555,913</u>			<u>\$ 1,543,652</u>

TOWN OF OAK ISLAND, NORTH CAROLINA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2019

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

Business-type activities:	Beginning Balances	Increases	Decreases	Ending Balances
<i>Stormwater Fund</i>				
Capital assets being depreciated:				
Buildings	\$ -	\$ -	\$ -	\$ -
Motor vehicles	29,038	-	-	29,038
Heavy motor vehicles	173,751	-	-	173,751
Equipment	180,955	72,521	-	253,476
Infrastructure	37,154	-	-	37,154
Total capital assets being depreciated:	420,899	72,521	-	493,419
Less accumulated depreciation for:				
Buildings	-	-	-	-
Motor vehicles	29,038	-	-	29,038
Heavy motor vehicles	27,511	17,375	-	44,886
Equipment	126,105	15,220	-	141,325
Infrastructure	10,426	1,238	-	11,664
Total accumulated depreciation	193,080	33,833	-	226,913
Total capital assets being depreciated, net	227,819			266,506
Stormwater Fund capital assets, net	\$ 227,819			\$ 266,506

TOWN OF OAK ISLAND, NORTH CAROLINA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2019

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

Business-type activities:	Beginning Balances	Increases	Decreases	Ending Balances
<i>Pier Complex Fund</i>				
Capital assets not being depreciated:				
Land	\$ -	\$ 1,077,333	\$ -	\$ 1,077,333
Total capital assets not being depreciated	-	1,077,333	-	1,077,333
Capital assets being depreciated:				
Buildings	-	216,383	-	216,383
Equipment	-	16,860	-	16,860
Infrastructure	-	474,446	-	474,446
Total capital assets being depreciated:	-	707,689	-	707,689
Less accumulated depreciation for:				
Buildings	-	119,961	-	119,961
Equipment	-	12,500	-	12,500
Infrastructure	-	260,396	-	260,396
Total accumulated depreciation	-	392,857	-	392,857
Total capital assets being depreciated, net	-			314,832
Pier Complex Fund capital assets, net	\$ -			\$ 1,392,165
Business-type activities capital assets, net	\$ 104,501,094			\$ 102,139,263

TOWN OF OAK ISLAND, NORTH CAROLINA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2019

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2019 was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 101,178	\$ -	\$ -	\$ 101,178
Total capital assets not being depreciated	<u>101,178</u>	<u>-</u>	<u>-</u>	<u>101,178</u>
Capital assets being depreciated:				
Buildings	330,523	-	-	330,523
Other improvements	15,000			15,000
Equipment and furniture	146,719	-	-	146,719
Total capital assets being depreciated:	<u>492,242</u>	<u>-</u>	<u>-</u>	<u>492,242</u>
Less accumulated depreciation for:				
Buildings	141,157	8,263	-	149,420
Other improvements	15,000	-	-	15,000
Equipment and furniture	108,136	10,249	-	118,385
Total accumulated depreciation	<u>264,293</u>	<u>18,512</u>	<u>-</u>	<u>282,805</u>
Total capital assets being depreciated, net	<u>227,949</u>			<u>209,437</u>
ABC Board capital assets, net	<u>\$ 329,127</u>			<u>\$ 310,615</u>

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan and Post Employment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Oak Island and the ABC Board 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 government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, 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 service 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 gains 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 15 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.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Oak Island employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Oak Island's contractually required contribution rate for the year ended June 30, 2018, was 8.50% of compensation for law enforcement officers and 7.75% 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 Oak Island were \$502,111 for the year ended June 30, 2019.

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

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

At June 30, 2018, the Town reported a liability of \$2,087,901 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the Town's proportion was .08801%, which was an increase of 0.00156% from its proportion measured as of June 30, 2017.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

For the year ended June 30, 2019, the Town recognized pension expense of \$542,759. At June 30, 2019, 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	\$ 322,113	\$ 10,809
Changes of assumptions	554,048	-
Net difference between projected and actual earnings on pension plan investments	286,606	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	16,435	34,261
Town contributions subsequent to the measurement date	502,111	-
Total	<u>\$ 1,681,313</u>	<u>\$ 45,070</u>

\$502,111 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 539,843
2021	356,189
2022	67,587
2023	170,513
2024	-
Thereafter	-
	<u>\$ 1,134,132</u>

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

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

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 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 asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$ 5,015,312	\$ 2,087,901	\$ (358,295)

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

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

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

b. *Law Enforcement Officers Special Separation Allowance*

1. Plan Description

The Town of Oak Island 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 under the age of 62 who have completed at least 30 years of credible service or have attained 55 years of age and have completed five years or more of credible service. The Separation Allowance is equal to 0.85 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, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	<u>1</u>
Active plan members	<u>23</u>
Total	<u>24</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.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

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. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$20,641 as benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$724,322. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$76,060.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 107,928	\$ -
Changes of assumptions and other inputs	27,275	28,874
Benefit payments and plan administrative expenses made subsequent to the measurement date	-	-
Total	<u>\$ 135,203</u>	<u>\$ 28,874</u>

No amount was reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred 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:	
2020	24,915
2021	24,915
2022	24,915
2023	25,764
2024	4,930
Thereafter	890

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Contributions (Continued)

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 779,765	\$ 724,322	\$ 673,347

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

	2019
Beginning balance	\$ 682,477
Service Cost	30,143
Interest on the total pension liability	21,002
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	52,430
Changes of assumptions or other inputs	(26,040)
Benefit payments	(35,690)
Other changes	-
Ending balance of the total pension liability	<u>\$ 724,322</u>

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

	LGERS	LEOSSA	Total
Pension Expense	\$ 542,759	\$ 76,060	\$ 618,819
Pension Liability	2,087,901	724,322	2,812,223
Proportionate share of the net pension liability	0.08801	n/a	0.08801
Deferred Outflows of Resources			
Differences between expected and actual experience	322,113	107,928	430,041
Changes of assumptions	554,048	27,275	581,323
Net difference between projected and actual earnings on plan investments	286,606	-	286,606
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	16,435	-	16,435
	502,111	-	502,111
Deferred Inflows of Resources			
Differences between expected and actual experience	10,809	-	10,809
Changes of assumptions	-	28,874	28,874
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	34,261	-	34,261

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may also make voluntary contributions to the plan. In addition, the Town has elected to match up to two percent of the contributions made by the employees not engaged in law enforcement to the Supplemental Retirement Income Plan.

Contributions for the year ended June 30, 2019 were \$117,498, which consisted of \$56,455 for general employees the Town and \$61,043 for the law enforcement officers. No amounts were forfeited.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

d. **Other Postemployment Benefit**

1. Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town administers a single employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of July 1, 2007, this plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least 20 years of creditable service with the Town.

Prior to July 1, 2007, employees qualified for similar level benefits after a minimum of five years of creditable service with the Town. The Town pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the Town's group rates. Employees hired on or after July 1, 2007 who retire with a minimum of 20 years of credible service also have the option of purchasing coverage for themselves and dependents at the Town's group rate. Employees hired on or after July 1, 2007 who retire with less than 20 years of service are not eligible for postemployment benefit coverage. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

An employee who has a minimum of fifteen years in the North Carolina Local Government Employees Retirement System ("NCLGERS"), and a minimum of five years of creditable service to the Town, and are fifty-five years of age or older may continue health insurance with the Town until age sixty-five. The retiree shall share the cost of coverage at the rate of 5% for every year of service to the NCLGERS below twenty-five years. Medicare supplemental insurance shall be offered to retirees sixty-five or older who meet the above criteria with all costs being borne by the retiree. Continuation of coverage for the retiree's spouse or family may be allowed until the retiree reaches age sixty-five, provided all costs are borne by the retiree.

An employee retiring from the Town of Oak Island who has a minimum of twenty-five years in the NCLGERS, a minimum five years of creditable service with the Town and who is fifty years of age or older, may continue health insurance coverage with the Town until age sixty-five at no cost to the retiree. Medicare supplemental insurance shall be offered to retirees sixty-five or older who meet the above criteria with all costs being borne by the retiree. Continuation of coverage for the retiree's spouse or family shall be available until the retiree reaches age sixty-five, provided all costs are borne by the retiree.

An employee retiring from the Town of Oak Island who has five continuous years of service with the Town, and thirty continuous years of service to the NCLGERS, regardless of age, may continue health insurance coverage with the Town until age sixty-five at no cost to the retiree. Medicare supplemental insurance shall be offered to retirees sixty-five or older who meet the above criteria with all costs being borne by the retiree. Continuation of coverage for the retiree's spouse or family may be allowed until the retiree reaches age sixty-five, provided all costs are borne by the retiree.

Under either of the above, service with the Town of Long Beach or Town of Yaupon Beach will qualify as service to the Town of Oak Island. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

d. Other Postemployment Benefit (Continued)

1. Healthcare Benefits (Continued)

Membership in the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	11	-
Terminated plan members entitled to, but not yet receiving benefits	-	-
Active plan members	80	21
Total	<u>91</u>	<u>21</u>

Total OPEB Liability

The Town's total OPEB liability of \$3,740,356 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary Increases	
General Employees	3.5 percent-7.5 percent
Law Enforcement Officers	3.5 percent-7.35 percent
Discount rate	3.89
Healthcare cost trend rates	
Pre-Medicare	7.5% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

d. *Other Postemployment Benefit (Continued)*

	<u>Total OPEB Liability</u>
Balance at July 1, 2018	\$ 3,731,745
Service Cost	184,147
Interest	129,385
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	8,969
Changes of assumptions or other inputs	(117,515)
Benefit payments	(196,375)
Net changes	<u>8,611</u>
Balance at June 30, 2019	<u>\$ 3,740,356</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.18% to 3.89%

Mortality rates were based on the RP-2014 mortality tables, with adjustment for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010- December 31, 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Board's total OPEB liability would be if it were calculated using the discount rate that is 1-percentage-point lower (2.89%) or 1-percentage-point higher (4.89%) than the current discount rate:

<u>1% Decrease (2.89%)</u>	<u>Discount Rate (3.89%)</u>	<u>1% Increase (4.89%)</u>
\$ 4,109,844	\$ 3,740,356	\$ 3,409,346

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

d. Other Post-Employment Benefits (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using the healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Town's proportionate share of the net pension liability (asset)	\$ 3,294,907	\$ 3,740,356	\$ 4,272,106

For the year ended June 30, 2019, the Town recognized OPEB expense of \$273,798. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,809	\$ 108
Changes of assumptions and other inputs	-	249,418
Benefit payments and plan administrative expenses made subsequent to the measurement date	-	-
Total	<u>\$ 7,809</u>	<u>\$ 249,526</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ended June 30:	
2019	39,734
2020	39,734
2021	39,734
2022	39,734
2023	39,734
Thereafter	(43,047)

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multiple employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employers 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. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources are comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 502,111
Benefit payments made and administrative expenses for LEOSSA	-
Benefit payments made and administrative expenses for OPEB	-
Differences between expected and actual experience	437,850
Changes of assumptions and other inputs	581,323
Net difference between projected and actual earnings	286,606
Changes in proportion and differences between Town contributions and proportionate share of contributions	16,435
Total	<u>\$ 1,824,325</u>

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Liabilities (Continued)

3. Deferred Outflows and Inflows of Resources of Resources (continued)

The balance in deferred inflows of resources is comprised of the following:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Prepaid Taxes (General Fund)	\$ 25,734	\$ 25,734
Prepaid Assessments (Water and Water Sewer Fund)	56,786	
Taxes receivable, less penalties (General Fund and Beach Renourishment Fund)	-	70,298
Changes in assumptions	278,292	-
Differences between expected and actual experience	10,917	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
	<u>34,261</u>	<u>-</u>
Total	<u>\$ 405,990</u>	<u>\$ 96,032</u>

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, workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and workers' compensation in excess of \$1,000,000 and property in excess of \$500,000. 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 provides health, dental, vision and life insurance through a commercial vendor. Employee health claims are insured to with no lifetime limit. Employees can provide dependent if desired.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior 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 Program ("NFIP") for Town Hall. Town Hall was required to obtain flood insurance as part of their installment purchase agreement. The Town does not feel that additional flood insurance is necessary because the danger of flooding as defined by the insurance companies is low.

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 and tax collector are bonded for \$100,000 and \$50,000 respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Liabilities (Continued)

4. Risk Management (Continued)

The Town of Oak Island ABC Board 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 ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2019, the Town was a defendant to the following claims and lawsuits. In the opinion of the Town's management and the Town Attorney, the ultimate effect of these legal matters could possibly have a material adverse effect on the Town's financial position.

1.) ***Johnson, et al v. Oak Island***. In December 2015; the Town was sued in Brunswick County Superior Court by the owners of several vacant, undeveloped properties located in the Town. The property owners assert a number of claims alleging that the Town's Sewer District Fee ("SDF"), which was authorized by the General Assembly in special enabling legislation enacted in 2006, is unconstitutional as it is currently being applied and administered by the Town. Plaintiffs claim that the fee is being applied and administered in ways that violate certain provisions of Article V of the North Carolina Constitution and the general equal protection and due process provisions found in Article I, Section 19 of the North Carolina Constitution. They seek to maintain the suit on their own behalf and on behalf of a class of persons consisting of the owners of all undeveloped lots and parcels within the sewer district. In addition to asking for declaratory and injunctive relief, the plaintiffs also pray for a refund of sewer district fees previously paid by the owners of the undeveloped properties in the district. In 2018 the Town moved for summary judgment in this case. The superior court judge presiding granted the Town's Motion and dismissed this case. The Plaintiffs thereafter appealed, and the case was heard in the North Carolina Court of Appeals in January of 2019. On July 2nd, 2019, the North Carolina Court of Appeals, by a vote of 2-1, reversed the Trial Court's dismissal of the case finding that the Town does not have the authority to assess the SDF against undeveloped parcels owned by the Plaintiffs. Nevertheless, one of the three North Carolina Court of Appeals' Judges that heard the appeal entered a dissenting opinion finding that the Town could lawfully charge the SDF. This is significant in that by lodging a dissent, the Town has a right to an immediate appeal to the North Carolina Supreme Court. The Town has appealed the Court of Appeals ruling to the North Carolina Supreme Court. That appeal will be heard before the Court on February 4, 2020. The North Carolina League of Municipalities and the Town of Holden Beach have both filed amicus curiae briefs in support of the Town's position on appeal and we believe the North Carolina Supreme Court will reverse the North Carolina Court of Appeals' decision and affirm the ruling of the trial court dismissing the case. If the trial court's decision is reversed, an adverse judgment could potentially impact the Town in two ways. First, if the Town is enjoined from applying and administering the sewer district fee in the current manner, then the Town will be required to identify a replacement source of revenue to support its outstanding bonded indebtedness associated with its sewer system. Second, if plaintiffs were to be successful on their claim for refund of fees paid in previous years, then the Town would incur an additional monetary liability. Because it cannot be determined at this stage of the litigation for which years, if any, a refund might be ordered, the Town cannot presently quantify this contingency with any reasonable certainty. This is particularly so given that there has been no class certification at this time.

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Liabilities (Continued)

5. Claims, Judgments and Contingent Liabilities (Continued)

2). ***CFL Homes v Town of Oak Island*** This action is a potential class action against the Town brought by a builder who alleges it paid "impact fees" (water and sewer capacity or impact fees) to the Town. The suit was filed on July 10, 2019. The Plaintiff is attempting to certify as a class all developers/persons who paid such fees to the Town within the three years preceding the filing of the suit. The Interlocal Risk Financing Fund of North Carolina (the Town's risk pool) retained Dan Hartzog, Jr. to defend the action. Mr. Hartzog and his firm are defending several other similar suits filed throughout the State of North Carolina.

This case is presently in the discovery phase. The Town is vigorously defending and intends to proceed to the highest level of appellate court if the Town does not prevail. The Town predominant defense that all impact fees charged to builders and developers were equitable and just and represent costs associated with said builders and developers use of the existing water and sewer systems, not for future expansion of the town's systems. The Town will move for summary judgment in this case at the conclusion of discovery.

If the Court rules in favor of the Plaintiff on the merits and on class action certification and enters judgment accordingly, the Town will then appeal to the North Carolina Court of Appeals. If the Court rules in favor of the Town, the Plaintiff will, likewise, likely appeal to the North Carolina Court of Appeals. Any decision from the North Carolina Court of Appeals would take over a year; and the appeal could be further prolonged by at least another year if either party appeals to the North Carolina Supreme Court.

Because of the uniqueness of the Town's defense in this action, there are no similar cases that allow an accurate prediction of the outcome. The most that I can say is that, in my opinion, the Town has the better position on liability. Part of the problem in making prediction in this action is that the decision from our appellate courts is subject to the political makeup of the appellate court that ultimately addresses the issues. The composition of the Court of Appeals' judges hearing any given matter is always an unknown. The composition of the North Carolina Supreme Court could change before this case is finally decided.

If the Town were to lose on liability, and if class action is certified, the Town could face significant liability, however, that number is unknown at this time. This case is only six months old and the Town is presently assessing the amount of impact fees at issue.

3). ***Cashwell, et al v. Town of Oak Island*** This case was initially filed August 30, 2019, constitutes Brad Johnson's fourth challenge to Oak Island's SDF (see discussion on Johnson, et al v. Oak Island, above). The Complaint and First Amended Complaint purport to assert claims, among other matters, for violation of equal protection and taking of property without just compensation in violation of the United States Constitution. Similar claims under the Constitution of the State of North Carolina are argued by counsel for Mr. Johnson and his wife in the Johnson, et al v. Oak Island appeal presently pending before the Supreme Court of North Carolina. There is no real distinction between the Plaintiffs' state and federal constitutional claims. The Supreme Court of North Carolina has held, the requirements of equal protection and due process are, for all practical purposes, are the same under both the State and Federal Constitutions. This case and the case before the Supreme Court both involve Mr. Johnson and his wife's contentions as to constitutionality of the sewer district fee. Resolution of the constitutional claims by the Supreme Court of North Carolina Johnson, et al v. Oak Island discussed above govern this disposition of this case. Accordingly, this case presents no additional liability to the Town other than to which the Town may be exposed as discussed above regarding Mr. Johnson's previously filed case.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations

a. *Installment Purchases*

The Town has entered into various installment purchase contracts to finance the acquisition and renovation of various land and facilities. These installment purchase contracts are outlined as follows:

Governmental Activities

On July 1, 2015, the Town entered into an installment purchase contract with BB&T for construction of police headquarters, due in annual principal installments of \$320,000 plus interest of 2.25% through September 2021.

On July 1, 2015 the Town entered into an installment purchase contract with BB&T for construction of fire stations at Yaupon Beach and South Harbour, due in annual principal installments of \$572,100 plus interest of 2.25% through September 2021.

On July 1, 2015, the Town entered into an installment purchase contract with BB&T for additional financing for the construction of police headquarters, due in annual principal installments of \$153,528 in odd years, and \$158, 528 in even years, plus interest of 2.25% through September 2021.

On July 1, 2015, the Town entered into an installment purchase contract with BB&T for the construction of Town Hall, due in annual principal installments of \$588,000 plus interest of 2.25% through September 2021.

Annual debt service payments of the installment purchases as of June 30, 2019, including \$139,104 of interest, are as follows:

Years Ending June 30:	Governmental-Type Activites	
	Principal	Interest
2020	1,633,628	92,736
2021	1,633,628	46,368
Total	<u>\$ 3,267,256</u>	<u>\$ 139,104</u>

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

b. Revolving Loans

In January 2008, the Town entered into a \$9,000,000 revolving loan from the North Carolina Department of Environment and Natural Resources for a sanitary sewer project. The revolving loan requires bi-annual interest payments due on November 1 and May 1 and an annual principal payment due on May 1; interest is at 2.10%. Through June 30, 2013 the Town had drawn \$7,525,146. The period for withdrawals has expired and there will be no future withdrawals.

Additionally, in March 2009, the Town was approved for a second revolving loan from the North Carolina Department of Environment and Natural Resources in the amount of \$8,500,000 for a sanitary sewer project. The revolving loan requires bi-annual interest payments due on November 1 and May 1 and an annual principal payment due on May 1; interest is at 2.48%. Through June 30, 2013 the Town had drawn \$6,579,167. The period for withdrawals has expired and there will no future withdrawals.

Annual debt service payments of the revolving loans as of June 30, 2019, including \$1,312,142 of interest, are as follows:

Years Ending June 30:	Business-type Activities	
	Principal	Interest
2020	697,867	186,013
2021	713,739	170,141
2022	729,974	153,906
2023-2027	3,906,725	512,675
2028-2033	2,086,689	87,877
Total	\$ 8,134,994	\$ 1,110,612

c. Revenue Bonds

\$10,670,000 Enterprise System Bonds, series 2011, net of \$77,888 issuance discount issued for wastewater system improvements. Principal installments are due annually on June 1 with semiannual interest payments due on December 1 and June 1, at an annual interest rate of 2.25% to 5.75%.	<u>321,935</u>
\$41,110,000 Enterprise System Bonds, series 2015, net of \$4,298,140 issuance premium issued for wastewater system improvements. Principal installments are due annually on June 1 with semiannual interest payments due on December 1 and June 1, at an annual interest rate of 2.25% to 5.00%.	<u>44,031,712</u>
\$32,695,000 Enterprise System Bonds, series 2017, net of \$3,030,944 issuance premium issued for wastewater system improvements. Principal installments are due annually on June 1 with semiannual interest payments due on December 1 and June 1, at an annual interest rate of 3.00% to 5.00%.	<u>34,307,136</u>
	<u>\$ 78,660,783</u>

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

c. *Revenue Bonds*

The future payments of the revenue bonds are as follows:

Years Ending June 30:	Principal	Interest
2020	3,400,584	3,262,632
2021	3,558,630	311,319
2022	3,718,630	2,949,819
2023	3,888,630	2,780,319
2024	4,068,630	2,602,319
2025-2029	23,248,150	10,065,846
2030-2034	28,163,150	5,175,582
Thereafter	8,614,379	4,419,104
Total	\$ 78,660,783	\$ 31,566,940

The Town has been in compliance with the covenants as to rates, fees, rental, and charges in Section 704 of the Bond Order, authorizing the issuance of the Enterprise System Bonds, Series 2008A, 2009, 2011, 2015, and 2017. Section 704(A) of the Bond Order requires the sum of (i) Income available for debt service for such fiscal year and (ii) 15% of the balance in the Revenue Fund 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 for such fiscal year and (2) 100% of the long-term debt service requirement for subordinated indebtedness, System G.O. indebtedness and System Other Indebtedness for such fiscal year. Section 704(B) requires income available for debt service for such fiscal year will not be less than 100% of the long-term debt service requirement for parity indebtedness, subordinated indebtedness, System G.O. indebtedness and System Other Indebtedness for such fiscal year.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

c. *Revenue Bonds (Continued)*

The debt service coverage calculation for the year ended June 30, 2019 is as follows:

Operating and Non-operating Revenues	\$	10,579,206
Sewer District Fee		6,954,005
Sewer Assessment Revenue		852,535
Total Revenues*		<u>18,385,746</u>
Current Expenses**		<u>(8,310,300)</u>
Income Available for Debt Service		10,075,446
15% of the Balance of the Revenue Fund		<u>3,892,949</u>
Total		<u><u>13,968,395</u></u>
100% of the Long Term Debt Service requirement for parity indebtedness, subordinated indebtedness, System G.O. indebtedness, and System Other Indebtedness for 2019.		7,221,396
Additional 20% of the Long Term Debt Service Requirement for Parity Indebtedness for 2019.		<u>1,267,486</u>
Total	\$	<u><u>8,488,882</u></u>
Coverage Test 704(a)		1.65
Coverage Test 704(b)		1.40

*In accordance with the Revenue Bond trust agreement assessment revenues shall be included in revenues if and to the extent specified in the Officer's Certificate filed in such fiscal year. In the current year \$852,535 in assessment revenue was included.

*Per rate covenants, this does not include depreciation expense of \$4,778,976.

** Per rate covenants, this does not include revenue bond interest expense of \$3,588,956.

The Town has pledged future water and wastewater customer revenues, net of specified current expenses, to repay \$78,660,783 in water and wastewater revenue bonds issued in January 2011 and July 2015, and February 2017. Proceeds from the bonds provided financing for the extension to the wastewater system to the entire island. The bonds are payable solely from water and wastewater income available for debt service and are payable through 2036. The total principal and interest remaining to be paid on the bonds, net of issuance premium, is \$110,227,723. Principal and interest paid for the current year was \$7,221,397. Section 706 (b) of the Bond Order requires that the amount held by the Trustee be reported in the audit report.

TOWN OF OAK ISLAND, NORTH CAROLINA
Notes to the Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2019

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

c. Revenue Bonds (Continued)

At June 30, 2019 US Bank and North Carolina Cash Management Trust as Trustees for the Town of Oak Island held the following deposits:

Enterprise Systems Bonds, Series 2009 Special Reserve Account	\$	-
Enterprise Systems Bonds, Series 2011 Special Reserve Account		346,595
Enterprise Systems Bonds, Series 2015 Special Reserve Account		214
Enterprise Systems Bonds, Series 2017 Special Reserve Account		8,443,894
Total on deposit with trustee	<u>\$</u>	<u>8,790,703</u>

d. Changes in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Installment purchase	\$ 4,900,883	\$ -	\$ (1,633,627)	\$ 3,267,256	\$ 1,633,628
Compensated absences	383,431	40,357	-	423,788	-
Other postemployment benefits	2,449,166	7,748	-	2,456,914	-
Net pension liability (LGERS)	992,585	575,706	-	1,568,291	-
Total Pension Liability	<u>682,477</u>	<u>41,845</u>	<u>-</u>	<u>724,322</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 9,408,542</u>	<u>\$ 665,656</u>	<u>\$ (1,633,627)</u>	<u>\$ 8,440,571</u>	<u>\$ 1,633,628</u>
Business-type activities:					
State revolving loan	8,817,344	-	(682,350)	8,134,994	682,151
Revenue bonds	81,702,723	-	(3,041,940)	78,660,783	3,071,954
Net pension liability (LGERS)	328,134	191,476	-	519,610	-
Other postemployment benefits	1,282,579	863	-	1,283,442	-
Compensated absences	<u>104,248</u>	<u>19,387</u>	<u>-</u>	<u>123,635</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 92,235,028</u>	<u>\$ 211,726</u>	<u>\$ (3,724,290)</u>	<u>\$ 88,722,464</u>	<u>\$ 3,754,105</u>

III. DETAIL NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2019, consist if the following

From the General Fund to the Pier Complex Fund	\$	233,076
From the General Fund to the Pier Project Fund		166,152
From the General Fund to the South Harbour Golf Course Fund		50,000
From the General Fund to the Water Fund		10,000
From the Accomodations Fund to the Pier Project Fund		855,000
From the Beach Tax Fund to the Beach Beach Renourishment Fund		500,000
From the Pier Project Fund to the Pier Complex Fund		90,960
From the Water Fund to the Wastewater		500,000
From the Wastewater Fund to the Water Fund		25,614
From the Wastewater Fund to the Capital Reserve Fund		327,295
From the Capital Reserve Fund to the Wastewater Fund		100,000
From the Solid Waste Fund to the Capital Reserve Fund		36,469
From the South Harbour Golf Course Fund to the Capital Reserve Fund		5,000
From the Stormwater Fund to the Stormwater Capital Reserve Fund		5,100
Total	<u>\$</u>	<u>2,904,666</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 2019 fiscal year, the Town made a one-time transfer from the General Fund to the Pier Complex Fund of \$233,076 for repairs of the Pier Complex.

During the 2019 fiscal year, the Town made a one-time transfer from the General Fund and the Accommodations Fund to the Pier Project Fund of \$166,152 and \$855,000 respectively to finance the building of the Oak Island Pier.

During the 2019 fiscal year, the Town made a one-time transfer from the General Fund to the South Harbour Golf Course Fund of \$50,000 to assist with the funding of the maintenance of the Golf Course.

During the 2019 fiscal year, the Town made a one-time transfer of \$10,000 from the General Fund to the Water Fund for the purchase of equipment.

During the 2019 fiscal year, the Town made a one-time transfer from the Beach Tax Fund to the Beach Renourishment Fund of \$500,000 to assist with beach renourishment costs caused by Hurricane Florence.

During the 2019 fiscal year, the Town made a one-time transfer from the Pier Project Fund to the Pier Complex fund of \$90,960 for repairs to the Pier Complex. This money was incorrectly allocated for the pier itself and should have been transferred to the Pier Complex

III. DETAIL NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Activity (Continued)

During the 2019 fiscal year, the Town made a one-time transfer from the Water Fund to the Wastewater Fund of \$500,000 to assist in the funding of the debt service of the Wastewater Fund.

During the 2019 fiscal year, the Town made a one-time transfer from the Wastewater Fund to the Water Fund of \$25,614 for the purchase of a vehicle which was originally appropriated for the Wastewater Fund.

During the 2019 fiscal year, the Town made a one-time transfer from the Wastewater Fund to the Capital Reserve Fund of \$327,295 for future capital outlay.

During the 2019 fiscal year, the Town made a one-time transfer from the Capital Reserve Fund to the Wastewater Fund of \$100,000 for the purchase of equipment.

During the 2019 fiscal year, the Town made a one-time transfer from the Solid Waste Fund to the Capital Reserve Fund of \$36,469 for future capital outlay.

During the 2019 fiscal year, the Town made a one-time transfer from the South Harbour Golf Course Fund to the Capital Reserve Fund of \$5,000 for future capital outlay.

During the 2019 fiscal year, the Town made a one-time transfer from the Stormwater Fund to the Capital Reserve Fund of \$5,100 for future capital outlay.

Assets were donated to and from various funds during the 2019 fiscal year. These assets were better utilized in other areas of the Town's operations. The following assets were donated during the year:

During the 2019 fiscal year, the Town made a one-time donation of land, buildings, equipment and other structures from the General Fund to the Pier Complex Fund of \$1,077,333, \$105,554, \$1,229, \$240,284 respectively. The town began operations of the Pier Complex during the fiscal year.

During the 2019 fiscal year, the Town made a one-time donation of land from the General Fund to the Wastewater Fund of \$156,872.

During the 2019 fiscal year, the Town made a one-time donation of land from the General Fund to the Water Fund of \$10,000.

During the 2019 fiscal year, the Town made a one-time donation of a vehicle from the Solid Waste Fund to the General Fun with a net book value of \$10,091.

III. DETAIL NOTES ON ALL FUNDS (Continued)

D. Fund Balance

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

Total Fund Balance - General Fund	\$ 13,834,543
Less:	
Inventories	12,307
Prepays	94,204
Stabilization by State Statute	282,879
Streets-Powell Bill	970,079
Appropriated Fund Balance in 2020 budget	271,569
Remaining Fund Balance	\$ 12,203,505

IV. JOINTLY GOVERNED ORGANIZATION

A. Cape Fear Council of Governments

The Town in Conjunction with four counties and forty other municipalities established the Cape Fear Council of Governments (“Council”). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council’s governing board. The Town paid membership fees of \$1,391 to the Council during the fiscal year ended June 30, 2019. Complete financial information for the Council can be obtained from the Council’s administrative offices at 1480 Harbour Drive, Wilmington, NC 28401.

B. Brunswick County Airport Commission

The Town in conjunction with Brunswick County and the Town of Southport established the Brunswick County Airport Commission. The purpose of the Commission is to acquire land, establish, construct, own, control, lease, equip, improve, maintain, operate, and regulate airports or landing fields within the County, to provide and maintain an airport facility for the use of the general aviation public and to promote the economic development of Brunswick County. The Town of Oak Island appoints two members and the Town of Southport appoints one member to the Commission while Brunswick County appoints a total of four. The Town is not obligated to furnish any funds to the Commission, but in the past has made contributions, during the year ended June 30, 2019, the Town made no contributions to the Commission. The participating governments do not have any equity interest in the Commissions, so no equity interest has been reflected in the Town’s financial statements at June 30, 2019. Complete financial information for the Airport Commission can be obtained at the airport’s administrative offices at 380 Long Beach Road, Southport, NC 28461.

IV. JOINTLY GOVERNED ORGANIZATION (Continued)

C. West Brunswick Regional Water Reclamation Facility

The Facility is owned, operated and maintained by Brunswick County, The Town of Oak Island, Town of Holden Beach, Town of Shallotte and the County have entered into a wastewater service agreement for a portion of the treatment capacity in the plant. Currently the Town of Oak Island is allocated treatment of three million gallons per day. Each participant is charged capacity service fees based on their share of capacity in the plant. Participants are also charged treatment service fees based on their share of capacity in the plant, Participants are also charged treatment service fees based on metered flow they send to the plant. The participant fees and costs allocation to the County for their flow are combined so that the operating and maintenance costs of the plant are recovered by county retail revenues and participant service fees on a proportional and breakeven basis. Each participant can appoint one representative and one alternate to an Oversight Committee. This committee makes budget and operating recommendations to the County Commissioners. During the year ended June 30, 2019 the Town of Oak Island recorded \$2,818,998 in capacity fees and \$541,931 in service fees to Brunswick County.

V. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

VI. SUBSEQUENT EVENTS

Events occurring after June 30, 2019 were evaluated by management on January 24, 2020 to ensure that any subsequent events that met the criteria for recognition and or disclosure in these financial statements have been included. In management's opinion, there are no events that require disclosure in these financial statements.

VII. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

A. Prior Period Adjustments and Restatements

During the fiscal year ended June 30, 2019, the Town determined that deferred outflows and inflows for OPEB were incorrectly calculated. The net effect of the restatement decreased the net position by \$308,349.

Required Supplementary

Financial Data

TOWN OF OAK ISLAND, NORTH CAROLINA

Town of Oak Island's Proportionate Share of Net Pension Liability (Asset)

Required Supplementary Information

Last Five Fiscal Years*

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015
Oak Island's Proportion of the Net Pension Liability (Asset) (%)	0.08801%	0.08645%	0.08699%	0.09498%	0.09820%
Oak Island's Proportion of the Net Pension Liability (Asset) (\$)	\$ 2,087,901	\$ 1,320,717	\$ 1,846,219	\$ 426,265	\$ (579,307)
Oak Island's Covered-Employee Payroll	\$ 6,312,651	\$ 5,743,021	\$ 5,266,305	\$ 5,453,950	\$ 5,142,211
Oak Island's Proportion Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	33.07%	23.00%	35.06%	7.82%	-11.27%
Plan fiduciary Net Position as a Percentage of the Total Pension/Liability**	91.63%	94.18%	91.47%	98.09%	102.64%

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

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

TOWN OF OAK ISLAND, NORTH CAROLINA
Town of Oak Island's Contributions
Required Supplementary Information
Last Five Fiscal Years
Local Government Employee's Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 502,111	\$ 444,399	\$ 397,390	\$ 372,877	\$ 367,082
Contributions in Relation to the Contractually Required Contribution	<u>502,111</u>	<u>444,399</u>	<u>397,390</u>	<u>371,073</u>	<u>380,603</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,804</u>	<u>(13,521)</u>
Oak Island's Covered-Employee Payroll	\$ 6,312,651	\$ 5,743,021	\$ 5,266,305	\$ 5,453,950	\$ 5,142,211
Contributions as a Percentage of Covered-Employee Payroll	7.95%	7.74%	7.55%	6.80%	7.40%

TOWN OF OAK ISLAND, NORTH CAROLINA
 Schedule of Changes in Total Pension Liability
 Law Enforcement Officer's Special Separation Allowance
 June 30, 2019

	2019	2018	2017
Beginning balance	\$ 682,477	\$ 519,423	\$ 518,458
Service Cost	30,143	27,560	26,520
Interest on the total pension liability	21,002	19,651	17,963
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	52,430	95,673	-
Changes of assumptions or other inputs	(26,040)	40,811	(12,934)
Benefit payments	(35,690)	(20,641)	(30,584)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 724,322</u>	<u>\$ 682,477</u>	<u>\$ 519,423</u>

The amounts presented for each fiscal year were determined as of the prior year ending December 31.

TOWN OF OAK ISLAND, NORTH CAROLINA

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Law Enforcement Officer's Special Separation Allowance

June 30, 2019

	2019	2018	2017
Total pension liability	\$ 724,322	\$ 682,477	\$ 519,423
Covered payroll	1,256,034	1,168,794	1,083,115
Total pension liability as a percentage of covered payroll	57.67%	58.39%	47.96%

Notes to the schedules:

Town of Oak Island has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 73 to pay related benefits.

TOWN OF OAK ISLAND, NORTH CAROLINA
 Schedule of Changes in Total OPEB Liability and Related Ratios
 June 30, 2019

Total OPEB Liability	2019	2018
Service Cost	\$ 184,147	\$ 198,295
Interest	129,385	111,618
Changes of benefit terms	-	-
Differences between expected and actual experience	8,969	(146)
Changes of assumptions or other inputs	(117,515)	(198,451)
Benefit payments	(196,375)	(174,331)
Net Change in total OPEB liability	8,611	(63,015)
Total OPEB liability-beginning	3,731,745	3,794,760
Total OPEB liability-ending	3,740,356	3,731,745
Covered payroll	\$ 4,408,979	\$ 4,408,979
Total OPEB liability as a percentage of covered payroll	84.83%	84.64%

Notes to Schedule

Changes of assumptions: Changes of assumption and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2019	3.89%
2018	3.18%

Individual Fund Statements and Schedules
Governmental Funds

TOWN OF OAK ISLAND, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Current Year	\$	\$ 7,469,004	\$
Prior Years		45,487	
Motor Vehicle Tax		318,294	
Penalties and Interest		47,707	
Total Ad Valorem Taxes	7,746,776	7,880,492	133,716
Other Taxes and Licenses			
Local Option Sales Tax			
1%		831,588	
1/2% 40		457,552	
1/2% 42		428,626	
1/2% 44		432,287	
Total Other Taxes and Licenses	1,665,784	2,150,053	484,269
Unrestricted Intergovernmental			
Beer and Wine Tax		32,964	
Utility Franchise Tax		773,178	
Telecommunications Tax		20,841	
Video Programming Revenue		145,606	
ABC Profit Distribution		284,532	
Total Unrestricted Intergovernmental	754,625	1,257,121	502,496
Restricted Intergovernmental			
NC Control Substance Tax Distribution		1,438	
PARTF Grant		79,240	
Brunswick County Transit Grant		10,000	
Brunswick County Fire District Fees		1,446,702	
State Street Aid Allocation		308,358	
FEMA Reimbursement		60,385	
CAMA Reimbursement		6,775	
Veterans Park Brick Donations		9,070	
Total Restricted Intergovernmental	1,961,441	1,921,968	(39,473)
Permits and Fees			
Homeowners Recovery Fund		2,590	
Building Permits		432,002	
Inspection Fees		146,066	
Other Permits and Fees		93,769	
Total Permits and Fees	\$ 469,500	\$ 674,427	204,927

TOWN OF OAK ISLAND, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Sales and Services			
Recreation Department Fees	\$	\$ 140,034	\$
Splash Pad Rental		300	
Fire Service Fees		15,335	
Weight Room Fees		47,450	
Merchandising		6,893	
Mosquito Control		2,030	
Total Sales and Services	139,900	212,042	72,142
Investment Earnings			
General Fund		122,189	-
Total Investment Earnings	55,000	122,189	67,189
Miscellaneous			
Donations		6,699	
Civil Citations		7,391	
Turtle Program		499	
Miscellaneous		68,086	
Total Miscellaneous	21,102	82,675	61,573
Total Revenues	12,814,128	14,300,967	1,486,839
Expenditures			
Governing Board			
Salaries and Wages		46,200	
Employee Benefits		4,343	
Operating Expenditures		117,401	
Donations:			
Brunswick Family Assistance		2,000	
Chamber of Commerce		5,000	
Oak Island Senior Citizens		1,500	
Oak Island Park Conservancy		265	
Sea Biscuit Wildlife Shelter		1,000	
Oak Island Water Rescue		36,000	
Brunswick County Airport		15,000	
Total Governing Board	\$ 326,842	\$ 228,709	\$ 98,133

TOWN OF OAK ISLAND, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Administration			
Salaries and Wages	\$	\$ 843,595	\$
Employee Benefits		334,339	
Operating Expenditures		498,201	
Hurricane Florence Repairs		1,826,557	
Capital Outlay		757,169	
Total Administration	2,914,368	4,259,861	(1,345,493)
Facilities Management			
Salaries and Wages		87,546	
Employee Benefits		33,062	
Operating Expenditures		169,392	
Capital Outlay		7,850	
Total Facilities Management	359,052	297,850	61,202
Total General Government	3,600,262	4,786,420	(1,186,158)
Public Safety			
Police			
Salaries and Wages		1,366,343	
Employee Benefits		542,298	
Operating Expenditures		254,622	
Capital Outlay		183,063	
Total Police	2,279,383	2,346,326	(66,943)
Fire			
Salaries and Wages		1,335,673	
Employee Benefits		399,211	
Operating Expenditures		418,807	
Capital Outlay		-	
Total Fire	2,077,674	2,153,691	(76,017)
Developmental Services			
Salaries and Wages		518,780	
Employee Benefits		191,458	
Operating Expenditures		36,876	
Capital Outlay		22,669	
Total Developmental Services	795,631	769,783	25,848
Total Public Safety	\$ 5,152,688	\$ 5,269,800	\$ (117,112)

TOWN OF OAK ISLAND, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Transportation			
Public Works			
Administration			
Salaries and Wages	\$	\$ 111,857	\$
Employee Benefits		50,111	
Operating Expenditures		11,529	
Total Administration, Public Works	<u>189,508</u>	<u>173,497</u>	<u>16,011</u>
Operations			
Salaries and Wages		255,176	
Employee Benefits		99,309	
Operating Expenditures		787,072	
Capital Outlay		221,427	
Total Operations, Public Works	<u>2,130,236</u>	<u>1,362,984</u>	<u>767,252</u>
Street Repair and Construction			
Salaries and Wages		5,053	
Employee Benefits		8	
Operating Expenditures		2,407	
Total Fleet Maintenance	<u>8,000</u>	<u>7,468</u>	<u>532</u>
Fleet Maintenance			
Salaries and Wages		99,582	
Employee Benefits		35,832	
Operating Expenditures		28,900	
Total Fleet Maintenance	<u>175,955</u>	<u>164,314</u>	<u>11,641</u>
Total Transportation	<u>2,503,699</u>	<u>1,708,263</u>	<u>795,436</u>
Cultural and Recreation			
Recreation			
Salaries and Wages		280,969	
Employee Benefits		114,521	
Operating Expenditures		259,276	
Capital Outlay		693,366	
Total Recreation	<u>\$ 1,480,480</u>	<u>\$ 1,348,132</u>	<u>\$ 132,348</u>

TOWN OF OAK ISLAND, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)

Budget and Actual

For the Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Community Resource Center			
Salaries and Wages	\$	\$ 104,631	\$
Employee Benefits		34,427	
Operating Expenditures		11,807	
Total Community Resource Center	<u>143,299</u>	<u>150,865</u>	<u>(7,566)</u>
Total Cultural and Recreation	<u>1,623,779</u>	<u>1,498,997</u>	<u>124,782</u>
Debt Service			
Principal	1,633,628	1,633,628	-
Interest and Fees	139,104	110,269	28,835
Total Debt Service	<u>1,772,732</u>	<u>1,743,897</u>	<u>28,835</u>
Total Expenditures	<u>14,653,160</u>	<u>15,007,377</u>	<u>(354,217)</u>
Revenues Over (Under) Expenditures	<u>(1,839,032)</u>	<u>(706,410)</u>	<u>\$ 1,132,622</u>
Other Financing Sources (Uses)			
Transfers from Other Funds			
Capital Reserve Fund	746,368	522,368	(224,000)
Solid Waste Fund	4,000	-	(4,000)
Transfers to Other Funds			
Capital Reserve Fund	(618,049)	(175,000)	443,049
Pier Complex	(266,152)	(233,076)	33,076
Pier Project	-	(166,152)	(166,152)
South Harbour Golf Course Fund	(89,480)	(50,000)	39,480
Sale of Capital Assets	-	2,410	2,410
Sale of Materials	-	707	707
Total Other Financing Sources (Uses)	<u>(223,313)</u>	<u>(98,743)</u>	<u>124,570</u>
Appropriated Fund Balance	2,062,345	-	2,062,345
Net Change in Fund Balance	<u>\$ -</u>	<u>(805,153)</u>	<u>\$ (805,153)</u>
Fund Balance - Beginning of Year		<u>12,707,380</u>	
Fund Balance - End of Year		<u><u>\$ 11,902,227</u></u>	

TOWN OF OAK ISLAND, NORTH CAROLINA
Special Revenue-Beach Renourishment Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Other Taxes and Licenses			
Restricted Ad Valorem Tax Receipts		520,293	
Other Operating Revenues			
Parking Citations		13,460	
Delta Project Refund		390,615	
Total Revenues	<u>507,364</u>	<u>924,368</u>	<u>(417,004)</u>
Expenditures			
Environmental Protection			
Engineering- Oak Island Master Plane		1,094,782	
Engineering- FEMA Turtle Restoration		86,604	
Total Environmental Protection	<u>2,685,261</u>	<u>1,181,386</u>	<u>1,503,875</u>
Total Expenditures	<u>2,685,261</u>	<u>1,181,386</u>	<u>1,503,875</u>
Revenues Over (Under) Expenditures	<u>(2,177,897)</u>	<u>(257,018)</u>	<u>1,920,879</u>
Other Financing Sources (Uses)			
Transfers from Other Funds	<u>2,177,897</u>	<u>500,000</u>	<u>(1,677,897)</u>
Total Other Financing Sources (Uses)	<u>2,177,897</u>	<u>500,000</u>	<u>(1,677,897)</u>
Revenues and Other Financing Sources Over (Under) Expenditures	<u>\$ -</u>	<u>242,982</u>	<u>\$ 242,982</u>
Fund Balance Beginning of the Year		<u>433,897</u>	
Fund Balance End of the Year		<u>\$ 676,879</u>	

TOWN OF OAK ISLAND, NORTH CAROLINA
 Capital Reserve Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)			
Appropriated Fund Balance	(1,636,091)	-	1,636,091
Transfer from Other Funds	2,079,178	548,864	(1,530,314)
Transfer to Other Funds	(443,087)	(622,368)	(179,281)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(73,504)</u>	<u>(73,504)</u>
Revenues and Other Financing Sources Over (Under) Expenditures	<u>\$ -</u>	<u>(73,504)</u>	<u>\$ (73,504)</u>
Fund Balance - Beginning of Year		<u>2,005,820</u>	
Fund Balance - End of Year		<u><u>\$ 1,932,316</u></u>	

Note: This fund is budgeted separately, but is consolidated in the General Fund for reporting purposes

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TOWN OF OAK ISLAND, NORTH CAROLINA

Combining Balance Sheet

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2019

	Accomodations Tax Fund	Beach Tax Fund	Beach Preservation Fund	Pier Project Fund	Total Other Governmental Special Revenue Funds
Assets					
Cash and Cash Equivalents	\$ 3,873,760	\$ 1,040,348	\$ 89,720	\$ 55,373	\$ 5,059,201
Total Assets	<u>3,873,760</u>	<u>1,040,348</u>	<u>89,720</u>	<u>55,373</u>	<u>5,059,201</u>
Liabilities					
Accounts Payable	15,546	41,709	321	2,419	59,995
Total Liabilities	<u>15,546</u>	<u>41,709</u>	<u>321</u>	<u>2,419</u>	<u>59,995</u>
Fund Balances					
Restricted					
Tourism	3,858,214	-	-	-	3,858,214
Environmental Protection	-	998,639	-	-	998,639
Cultural and Recreation	-	-	89,399	52,954	142,353
Total Fund Balances	<u>3,858,214</u>	<u>998,639</u>	<u>89,399</u>	<u>52,954</u>	<u>4,999,206</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,873,760</u>	<u>\$ 1,040,348</u>	<u>\$ 89,720</u>	<u>\$ 55,373</u>	<u>\$ 5,059,201</u>

TOWN OF OAK ISLAND, NORTH CAROLINA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2019

	Accomodations Tax Fund	Beach Tax Fund	Beach Preservation Fund	Pier Project Fund	Total Other Governmental Special Revenue Funds
Revenues					
Other Taxes and Licenses	\$ 1,210,225	\$ 807,521	\$ -	\$ -	\$ 2,017,746
Miscellaneous	-	-	20,180	-	20,180
Total Revenues	1,210,225	807,521	20,180	-	2,037,926
Expenditures					
Tourism	46,901		-	-	46,901
Environmental Protection	-	51,714	-	-	51,714
Cultural and Recreation	-	-	15,354	1,250,297	1,265,651
Total Expenditures	46,901	51,714	15,354	1,250,297	1,364,266
Revenues Over (Under) Expenditures	1,163,324	755,807	4,826	(1,250,297)	673,660
Other Financing Sources (Uses)					
Transfers from Other Funds	-	-	-	930,192	930,192
Transfers to Other Funds	(855,000)	(500,000)	-	-	(1,355,000)
Total Other Financing Sources (Uses)	(855,000)	(500,000)	-	930,192	(424,808)
Net Change in Fund Balance	308,324	255,807	4,826	(320,105)	248,852
Fund Balance - Beginning of Year	3,549,890	742,832	84,573	373,059	4,750,354
Fund Balance - End of Year	\$ 3,858,214	\$ 998,639	\$ 89,399	\$ 52,954	\$ 4,999,206

TOWN OF OAK ISLAND, NORTH CAROLINA
Special Revenue-Accomodations Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Other Taxes and Licenses			
Accomodations Tax Receipts		\$ 1,210,225	
Total Other Taxes and Licenses	\$ 2,307,364	1,210,225	\$ (1,097,139)
Total Revenues	2,307,364	1,210,225	(1,097,139)
Expenditures			
Tourism			
Salaries and Wages		5,649	
Fringe Benefits		432	
Professional Services		1,000	
Utilities		4,805	
Greenhouse		2,215	
Tourism and Marketing		4,595	
Bulkhead Repairs		6,200	
Supplies		131	
Contracted Services		21,639	
Ice Machine Lease		235	
Total Tourism	129,467	46,901	82,566
Total Expenditures	129,467	46,901	82,566
Revenues Over (Under) Expenditures	2,177,897	1,163,324	(1,014,573)
Other Financing Sources (Uses)			
Transfers to Other Funds			
Pier Project	(2,177,897)	(855,000)	1,322,897
Total Other Financing Sources (Uses)	(2,177,897)	(855,000)	1,322,897
Revenues and Other Financing Sources Over (Under) Expenditures	\$ -	308,324	308,324
Fund Balance Beginning of the Year		3,549,890	
Fund Balance End of the Year		\$ 3,858,214	

TOWN OF OAK ISLAND, NORTH CAROLINA
Special Revenue-Beach Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Other Taxes and Licenses		807,521	
Total Other Taxes and Licenses	851,000	807,521	(43,479)
Total Revenues	851,000	807,521	(43,479)
Expenditures			
Environmental Protection			
Lockwood Folly Dredging Project		10,004	
Other Operating Expenditures		41,710	
Total Cultural and Recreational	591,918	51,714	540,204
Total Expenditures	591,918	51,714	540,204
Revenues Over (Under) Expenditures	259,082	755,807	496,725
Other Financing Sources (Uses)			
Transfers to Other Funds			
Beach Renourishment Fund	259,082	(500,000)	(240,918)
Total Other Financing Sources (Uses)	259,082	(500,000)	(240,918)
Revenues and Other Financing Sources Over (Under) Expenditures	\$ -	255,807	\$ 255,807
Fund Balance Beginning of the Year		742,832	
Fund Balance End of the Year		\$ 998,639	

TOWN OF OAK ISLAND, NORTH CAROLINA
Special Revenue-Beach Preservation Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Miscellaneous			
Fundraisers	\$	\$ 12,104	\$
Donations		1,196	
Memberships		6,180	
Miscellaneous		700	
Total Miscellaneous	<u>24,228</u>	<u>20,180</u>	<u>(4,048)</u>
Total Revenues	<u>24,228</u>	<u>20,180</u>	<u>(4,048)</u>
Expenditures			
Cultural and Recreational			
Salaries		3,732	
Fringe Benefits		286	
Miscellaneous Supplies		2,993	
Organization Membership Dues		188	
Fundraiser Events		2,639	
Miscellaneous		951	
Beach Preservation Newsletter		930	
Beach Ambassador Expenses		276	
Beach Lover's Campaign		3,359	
Total Cultural and Recreational	<u>24,228</u>	<u>15,354</u>	<u>8,874</u>
Total Expenditures	<u>24,228</u>	<u>15,354</u>	<u>8,874</u>
Revenues Over (Under)			
Expenditures	<u>-</u>	<u>4,826</u>	<u>4,826</u>
Revenues and Other Financing Sources			
Over (Under) Expenditures	<u>\$ -</u>	<u>4,826</u>	<u>\$ 4,048</u>
Fund Balance - Beginning of Year		<u>84,573</u>	
Fund Balance - End of Year		<u>\$ 89,399</u>	

TOWN OF OAK ISLAND, NORTH CAROLINA
Pier Project Capital Projects Fund
Schedule of Revenues and Expenditures, and Changes in Fund Balances
Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2019

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Restricted Intergovernmental					
Insurance Recovery	\$ 55,586	\$ 55,586	\$ -	\$ 55,586	\$ -
FEMA Assistance	2,101,875	129,375	-	129,375	(1,972,500)
Total Restricted Intergovernmental	2,157,461	184,961	-	184,961	(1,972,500)
Total Revenues	2,157,461	184,961	-	184,961	(1,972,500)
Expenditures					
Current					
Engineering Services	300,000	111,788	148,592	260,380	39,620
Pier House Improvements	160,000	11,500	143,101	154,601	5,399
Pier Construction	2,590,668	443,123	958,604	1,401,727	1,188,941
Total Expenditures	3,050,668	566,411	1,250,297	1,816,708	1,233,960
Revenues Over (Under) Expenditures	\$ (893,207)	\$ (381,450)	\$ (1,250,297)	\$ (1,631,747)	\$ (738,540)
Other Financing Sources					
Transfers In:					
Accomodations Tax Fund	834,125	663,549	855,000	1,518,549	684,424
General Fund	150,042	90,960	166,152	257,112	107,070
Transfers Out:					
Pier Complex Fund	(90,960)	-	(90,960)	(90,960)	-
Total Other Financing Sources	893,207	754,509	930,192	1,684,701	791,494
Net Change in Fund Blance	\$ -	\$ 373,059	\$ (320,105)	\$ 52,954	\$ 52,954
Fund Balance-Beginning of the Year			<u>373,059</u>		
Fund Balance-Beginning of the Year			<u>\$ 52,954</u>		

Individual Fund Statements and Schedules
Proprietary Funds

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TOWN OF OAK ISLAND, NORTH CAROLINA

Water Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Charges for Services:			
Utility Charges		\$ 3,544,711	
Reconnect Fees		100,105	
Late Fees		40,320	
Water Taps		243,015	
Other Operating Revenues		324,714	
Total Operating Revenues	\$ 3,925,004	4,252,865	\$ 327,861
Nonoperating Revenues			
System Development Fees		146,522	
Interest Earnings		-	
Total Nonoperating Revenues	146,000	146,522	522
Total Revenues	4,071,004	4,399,387	328,383
Expenditures			
Water Administration			
Salaries and Wages		131,959	
Employee Benefits		40,331	
Cost of Water		961,466	
Other Operating Expenditures		91,497	
Total Waste Administration	1,536,185	1,225,253	310,932
Water Maintenance			
Salaries and Wages		402,897	
Employee Benefits		128,967	
Other Operating Expenditures		594,823	
Capital Outlay		263,444	
Total Water Maintenance	\$ 1,534,819	\$ 1,390,131	\$ 144,688

TOWN OF OAK ISLAND, NORTH CAROLINA

Water Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Total Expenditures	\$ 3,071,004	\$ 2,615,384	\$ 455,620
Other Financing Sources (Uses)			
Transfers In			
Wastewater Fund	25,614	25,614	-
Transfers Out			
Wastewater Fund	(1,025,614)	(500,000)	525,614
Total Other Financing Sources (Uses)	<u>(1,000,000)</u>	<u>(474,386)</u>	<u>525,614</u>
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>-</u>	<u>1,309,617</u>	<u>1,309,617</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures		<u>1,309,617</u>	
Reconciling Items:			
Capital Outlay		263,444	
Capital Contribution-Captial Asset Donation from General Fund		10,000	
Depreciation Expense		(764,772)	
Increase (Decrease) in Deferred Outflows of Resources - Pensions		51,512	
(Increase) Decrease in Net Pension Liability		(60,655)	
(Increase) Decrease in Deferred Inflows of Resources - Pensions		6,014	
Increase (Decrease) in Deferred Outflows of Resources-OPEB		(29,889)	
(Increase) Decrease in Deferred Inflows of Resources-OPEB		29,645	
(Increase) Decrease in OPEB Liability		-	
(Increase) Decrease in:			
Accrued Vacation Pay		(7,748)	
Total Reconciling Items		<u>(502,449)</u>	
Change in Net Position		<u>\$ 807,168</u>	

TOWN OF OAK ISLAND, NORTH CAROLINA

Wastewater Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Charges for Services:			
Utility Charges		\$ 4,699,954	
Caswell Beach Utility Charges		300,213	
Sewer Taps		210,803	
Total Operating Revenues	\$ 5,200,000	5,210,970	\$ 10,970
Nonoperating Revenues			
System Development Fees		539,546	
Assessments		852,535	
Interest on Assessments		117,321	
Interest Earned		37,181	
Wastewater Treatment Capacity Lease		173,077	
Bond refunding proceeds		1,724	
Total Nonoperating Revenues	1,661,183	1,721,384	60,201
Total Revenues	6,861,183	6,932,354	71,171
Expenditures			
Waste Collection			
Salaries and Wages		367,328	
Employee Benefits		143,946	
Other Operating Expenditures		811,367	
Maintenance and Repair		444,407	
Total Waste Collection	1,921,538	1,767,048	154,490
Waste Treatment			
Salaries and Wages		281,706	
Employee Benefits		120,637	
County Treatment Capital Charge		2,818,998	
County Treatment Service Fees		541,931	
Other Operating Expenditures		334,245	
Maintenance and Repair		93,795	
Total Waste Treatment	4,491,577	4,191,312	300,265
Debt Service			
Principal Payments		3,632,441	
Interest		3,588,956	
Total Debt Service	7,221,397	7,221,397	-
Capital Outlay			
Equipment		625,881	
Motor Vehicle		52,500	
Total Capital Outlay	678,381	678,381	-
Total Expenditures	14,312,893	13,858,138	454,755
Revenue Over (Under) Expenditures	\$ (7,451,710)	\$ (6,925,784)	\$ 525,926

TOWN OF OAK ISLAND, NORTH CAROLINA

Wastewater Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses)			
Fund Balance Appropriated	\$ -	\$ -	\$ -
Transfers in:			
Sewer District Fund	7,584,428	3,620,650	(3,963,778)
Water Fund	500,000	500,000	-
Capital Reserve Fund	100,000	100,000	-
General	156,872	-	(156,872)
Transfers out:			
Water fund	(489,590)	(25,614)	463,976
Capital Reserve Fund	(400,000)	(327,295)	72,705
Total Other Financing Sources (Uses)	7,451,710	3,867,741	(3,583,969)
Revenues and Other Financing Sources (Uses)			
Over (Under) Expenditures	\$ -	(3,058,043)	\$ (3,058,043)

**Reconciliation from Budgetary Basis
(Modified Accrual) to Full Accrual:**

**Revenues and Other Financing Sources (Uses)
Over (Under) Expenditures**

(3,058,043)

Reconciling Items:

Principal Retirement	3,632,441
Amortization of Bond Issuance Costs	(76,462)
Amortization of Premium and Discount	310,347
Increase in Restricted Unexpended Bond Revenue	3,640,452
Capital Outlay	625,881
Capital Contribution-Captial Asset Donation from General Fund	156,872
Depreciation Expense	(4,014,024)
Increase (Decrease) in Deferred Outflows of Resources - Pensions	47,157
(Increase) Decrease in Net Pension Liability	(76,886)
(Increase) Decrease in Deferred Inflows of Resources - Pensions	7,544
Increase (Decrease) in Deferred Outflows of Resources-OPEB	(14,861)
(Increase) Decrease in Deferred Inflows of Resources-OPEB	(6,779)
(Increase) Decrease in OPEB Liability	(863)
(Increase) Decrease in: Accrued Vacation Pay	(6,783)
Sewer District Fund	
Sewer District Fees	6,954,005
Transfer to Wastewater Fund	(3,620,650)
Total Reconciling Items	<u>7,557,391</u>

Change in Net Position

\$ 4,499,348

TOWN OF OAK ISLAND, NORTH CAROLINA
Combining Statement of Net Position
Other Enterprise Funds
June 30, 2019

	Non-Major Enterprise Funds				
	Solid Waste Fund	South Harbour Golf Course Fund	Stormwater Fund	Pier Complex Fund	Total
ASSETS					
Current Assets					
Cash and Investments	\$ 70,217	\$ 56,981	\$ 127,784	\$ 91,682	\$ 346,664
Accounts Receivable (net)	188,644	-	85,058	-	273,702
Inventories	-	3,493	-	-	3,493
Total Current Assets	258,861	60,474	212,842	91,682	623,859
Noncurrent Assets					
Capital Assets:					
Land and Improvements	-	1,404,610	-	1,077,333	2,481,943
Buildings	5,304	98,205	37,154	216,382	357,045
Motor Vehicles	23,250	-	29,038	-	52,288
Heavy Vehicles	999,138	-	173,751	-	1,172,889
Equipment	-	170,849	253,476	16,860	441,185
Other Structures	-	-	-	474,446	474,446
Less Accumulated Depreciation	(785,777)	(130,012)	(226,913)	(392,856)	(1,535,558)
Total Non-current Assets	241,915	1,543,652	266,506	1,392,165	3,444,238
Total Assets	500,776	1,604,126	479,348	1,483,847	4,068,097
DEFERRED OUTFLOWS OF RESOURCES					
Pension Deferrals	65,225	19,296	30,866	247	115,634
OPEB Deferrals	-	-	-	-	-
Total Deferred Outflows of Resources	65,225	19,296	30,866	247	115,634
LIABILITIES					
Current Liabilities					
Accounts Payable	84,381	2,803	456	12,558	100,198
Salaries Payable	4,733	2,321	4,443	-	11,497
Compensated Absences	19,133	6,881	11,736	245	37,995
Total Current Liabilities	108,247	12,005	16,635	12,803	149,690
Noncurrent Liabilities					
Other Postemployment Benefits	264,153	-	60,492	-	324,645
Net Pension Liability	80,793	27,034	36,062	290	144,179
Total Non-current Liabilities	344,946	27,034	96,554	290	468,824
Total Liabilities	453,193	39,039	113,189	13,093	618,514
DEFERRED INFLOWS OF RESOURCES					
Pension Deferrals	1,923	1,405	-	-	3,328
OPEB Deferrals	12,239	-	2,803	-	15,042
Total Deferred Inflows of Resources	\$ 14,162	\$ 1,405	\$ 2,803	\$ -	\$ 18,370

TOWN OF OAK ISLAND, NORTH CAROLINA
 Combining Statement of Net Postion
 Other Enterprise Funds
 June 30, 2019

NET POSITION										
Net Investment in Capital Assets	\$	241,915	\$	1,543,652	\$	266,506	\$	1,392,165	\$	3,444,238
Unrestricted		(143,269)		39,326		127,716		78,836		102,609
Total Net Position		<u>\$ 98,646</u>		<u>\$ 1,582,978</u>		<u>\$ 394,222</u>		<u>\$ 1,471,001</u>		<u>\$ 3,546,847</u>

TOWN OF OAK ISLAND, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Position

Other Enterprise Funds

For the Year Ended June 30, 2019

	Non-Major Enterprise Funds				Total
	Solid Waste Fund	South Harbour Golf Course Fund	Stormwater Fund	Pier Complex Fund	
Operating Revenues					
Charges for Services					
Charges for Collection	\$ 1,138,700	\$ 150,772	\$ 347,328	\$ 11,384	\$ 1,648,184
Total Operating Revenues	<u>1,138,700</u>	<u>150,772</u>	<u>347,328</u>	<u>11,384</u>	<u>1,648,184</u>
Operating Expenses					
Administration	-	47,043	247,543	-	294,586
Waste Collection and Treatment	1,317,056	-	-	-	1,317,056
Repairs and Maintenance	-	-	277,417	-	277,417
Other Operating	-	171,413	28,647	252,224	452,284
Depreciation	47,732	12,262	33,834	36,594	130,422
Total Operating Expenses	<u>1,364,788</u>	<u>230,718</u>	<u>587,441</u>	<u>288,818</u>	<u>2,471,765</u>
Operating Income	<u>(226,088)</u>	<u>(79,946)</u>	<u>(240,113)</u>	<u>(277,434)</u>	<u>(823,581)</u>
Income (Loss) Before Contributions and Transfers	<u>(226,088)</u>	<u>(79,946)</u>	<u>(240,113)</u>	<u>(277,434)</u>	<u>(823,581)</u>
Contributions and Transfers					
Transfers in	-	50,000	-	324,036	374,036
Transfers to Other Funds	(36,469)	(5,000)	(5,100)	-	(46,569)
Contributions	(5,472)	1,100	-	1,424,399	1,420,027
Total Contributions and Transfers	<u>(41,941)</u>	<u>46,100</u>	<u>(5,100)</u>	<u>1,748,435</u>	<u>1,747,494</u>
Change in Net Position	<u>(268,029)</u>	<u>(33,846)</u>	<u>(245,213)</u>	<u>1,471,001</u>	<u>923,913</u>
Net Position - Beginning of Year	<u>366,675</u>	<u>1,616,824</u>	<u>639,435</u>	<u>-</u>	<u>2,622,934</u>
Net Position - End of Year	<u>\$ 98,646</u>	<u>\$ 1,582,978</u>	<u>\$ 394,222</u>	<u>\$ 1,471,001</u>	<u>\$ 3,546,847</u>

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TOWN OF OAK ISLAND, NORTH CAROLINA

Combining Statement of Cash Flows

Other Enterprise Funds

For the Year Ended June 30, 2019

	Non-Major Enterprise Funds				Total
	Solid Waste Fund	South Harbour Golf Course Fund	Stormwater Fund	Pier Complex Fund	
Cash Flows from Operating Activities					
Cash Received from Customers and Users	\$ 1,142,498	\$ 150,382	\$ 345,419	\$ 11,384	\$ 1,649,683
Cash Paid for Goods and Services	(967,100)	(91,311)	(323,114)	(228,506)	(1,610,031)
Cash Paid to Employees	(346,252)	(122,685)	(222,845)	(10,872)	(702,654)
Net Cash Provided by Operating Activities	<u>(170,854)</u>	<u>(63,614)</u>	<u>(200,540)</u>	<u>(227,994)</u>	<u>(663,002)</u>
Cash Flows from Noncapital Financing Activities					
Transfers from Other Funds	-	50,000	-	324,036	374,036
Transfers to Other Funds	(36,469)	(5,000)	(5,100)	-	(46,569)
Net Cash Used by Noncapital Financing Activities	<u>(36,469)</u>	<u>45,000</u>	<u>(5,100)</u>	<u>324,036</u>	<u>327,467</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition and Construction of Capital Assets	-	-	(72,521)	(4,360)	(76,881)
Contributions	4,619	1,100	-	-	5,719
Net Cash Used by Capital and Related Financing Activities	<u>4,619</u>	<u>1,100</u>	<u>(72,521)</u>	<u>(4,360)</u>	<u>(71,162)</u>
Net Increase in Cash and Cash Equivalents	(202,704)	(17,514)	(278,161)	91,682	(406,697)
Cash and Cash Equivalents - July 1	<u>272,921</u>	<u>74,495</u>	<u>405,945</u>	<u>-</u>	<u>753,361</u>
Cash and Cash Equivalents - June 30	<u>\$ 70,217</u>	<u>\$ 56,981</u>	<u>\$ 127,784</u>	<u>\$ 91,682</u>	<u>\$ 346,664</u>

TOWN OF OAK ISLAND, NORTH CAROLINA
Combining Statement of Cash Flows (Continued)
Other Enterprise Funds
For the Year Ended June 30, 2019

	Non-Major Enterprise Funds				Total
	Solid Waste Fund	South Harbour Golf Course Fund	Stormwater Fund	Pier Complex Fund	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ (226,088)	\$ (79,946)	\$ (240,113)	\$ (277,434)	\$ (823,581)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation	47,732	12,262	33,834	36,594	130,422
Changes in Assets and Liabilities (Increase) Decrease in:					
Accounts Receivable	3,798	-	(1,909)	-	1,889
Inventory	-	(390)	-	-	(390)
Deferred Outflows of Resources - Pensions	(25,501)	(4,958)	(15,101)	(247)	(45,807)
Deferred Outflows of Resources - OPEB	12,340	-	2,826	-	15,166
Increase (Decrease) in:					
Net Pension Liability	30,027	5,836	17,780	290	53,933
Deferred Inflows of Resources - Pensions	(2,935)	(571)	(1,653)	-	(5,159)
Deferred Inflows of Resources - OPEB	-	-	-	-	-
Accounts Payable	(5,282)	192	(654)	12,558	6,814
Unearned Revenue	-	-	-	-	-
Accrued Wages	(2,751)	740	866	-	(1,145)
Accrued Vacation Pay	(2,194)	3,221	3,584	245	4,856
OPEB liability	-	-	-	-	-
Total Adjustments	55,234	16,332	39,573	49,440	160,579
Net Cash Provided by Operating Activities	\$ (170,854)	\$ (63,614)	\$ (200,540)	\$ (227,994)	\$ (663,002)

TOWN OF OAK ISLAND, NORTH CAROLINA
Solid Waste Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Charges for Services			
Charges for collection		\$ 1,138,700	
Total Operating Revenues	\$ 1,072,000	1,138,700	\$ 66,700
Nonoperating Revenues			
Solid Waste Disposal Tax		4,256	
Interest Earnings		-	
Beach Access Recycling Grant		-	
Other Nonoperating Revenue		363	
Total Nonoperating Revenues	4,503	4,619	116
Total Revenues	1,076,503	1,143,319	66,816
Expenditures			
Salaries and Wages		253,360	
Employee Benefits		85,216	
Operating Expenditures		295,128	
Maintenance and Repair		47,455	
Recycling Program		544,163	
Yard Waste Recycling		79,997	
Capital Outlay		-	
Total Sanitation Operation Expenditures	1,003,565	1,305,319	(301,754)
Total Expenditures	1,003,565	1,305,319	(301,754)
Revenue Over (Under) Expenditures	\$ 72,938	\$ (162,000)	\$ (234,938)

TOWN OF OAK ISLAND, NORTH CAROLINA
Solid Waste Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other Financing Sources (Uses)			
Transfers out:			
Capital Reserve	\$ (36,469)	\$ (36,469)	\$ -
General Fund	(36,469)	-	36,469
Total Other Financing Sources (Uses)	<u>(72,938)</u>	<u>(36,469)</u>	<u>36,469</u>
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>\$ -</u>	<u>(198,469)</u>	<u>\$ (198,469)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures		<u>(198,469)</u>	
Reconciling Items:			
Depreciation Expense		(47,732)	
Capital Outlay		-	
Asset Donated to the General Fund		(10,091)	
(Increase) Decrease in Accrued Vacation Pay		2,194	
Increase (Decrease) in Deferred Outflows of Resources-Pensions		25,501	
(Increase) Decrease in Net Pension Liability		(30,027)	
(Increase) Decrease in Deferred Inflows of Resources-Pensions		2,935	
Increase (Decrease) in Deferred Outflows of Resources-OPEB		(12,340)	
Total Reconciling Items		<u>(69,560)</u>	
Change in Net Position		<u>\$ (268,029)</u>	

TOWN OF OAK ISLAND, NORTH CAROLINA
 South Harbour Golf Course Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Charges for Services			
Annual Membership		\$ 24,909	
Green Fee Play		118,985	
Merchandise Sales		6,878	
Total Operating Revenues	\$ 151,800	150,772	\$ 1,028
Nonoperating Revenues			
Interest Earnings		-	
Sponsorships		1,100	
Total Nonoperating Revenues	1,100	1,100	-
Total Revenues	152,900	151,872	1,028
Expenditures			
Administration			
Salaries and Wages		31,850	
Employee Benefits		2,447	
Operating Expenditures		12,746	
Total Administration	72,371	47,043	25,328
Maintenance			
Salaries and Wages		72,895	
Employee Benefits		20,473	
Operating Expenditures		74,517	
Total Maintenance	160,009	167,885	(7,876)
Capital Outlay			
Equipment		-	
Total Capital Outlay	-	-	-
Total Expenditures	232,380	214,928	17,452
Revenue Over (Under) Expenditures	\$ (79,480)	\$ (63,056)	\$ (16,424)

TOWN OF OAK ISLAND, NORTH CAROLINA
 South Harbour Golf Course Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses)			
Transfers in:			
General Fund	\$ 89,480	\$ 50,000	\$ (39,480)
Transfers out:			
Capital Reserve	(10,000)	(5,000)	5,000
Total Other Financing Sources (Uses)	<u>79,480</u>	<u>45,000</u>	<u>(34,480)</u>
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures			
	<u>\$ -</u>	<u>(18,056)</u>	<u>\$ (18,056)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures		(18,056)	
Reconciling Items			
Depreciation		(12,262)	
(Increase) Decrease in Accrued Vacation Pay		(3,221)	
Increase (Decrease) in Deferred Outflows of Resources-Pensions		4,958	
(Increase) Decrease in Net Pension Liability		(5,836)	
(Increase) Decrease in Deferred Inflows of Resources-Pensions		571	
Total Reconciling Items		<u>(15,790)</u>	
Change in Net Position		<u>\$ (33,846)</u>	

TOWN OF OAK ISLAND, NORTH CAROLINA

Stormwater Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Charges for Services			
Stormwater Fees - Residential	\$	\$ 316,937	\$
Stormwater Fees - Commercial		30,391	
Total Operating Revenues	<u>563,041</u>	<u>347,328</u>	<u>(215,713)</u>
Total Revenues	<u>563,041</u>	<u>347,328</u>	<u>(215,713)</u>
Expenditures			
Salaries and Wages		177,773	
Employee Benefits		52,132	
Operating Expenditures		28,647	
Maintenance and Repair		287,617	
Capital Outlay		72,521	
Total Expenditures	<u>552,814</u>	<u>618,690</u>	<u>(65,876)</u>
Revenue Over (Under) Expenditures	<u>\$ 10,227</u>	<u>\$ (271,362)</u>	<u>\$ (281,589)</u>

TOWN OF OAK ISLAND, NORTH CAROLINA
Stormwater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses)			
Transfers out:			
Capital Reserve		\$ (5,100)	
Total Other Financing Sources (Uses)	\$ (10,227)	(5,100)	\$ 5,127
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	-	(276,462)	(276,462)
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures		(276,462)	
Reconciling Items:			
Depreciation Expense		(33,834)	
Capital Outlay		72,521	
(Increase) Decrease in Accrued Vacation Pay		(3,584)	
Increase (Decrease) in Deferred Outflows of Resources-Pensions		15,100	
(Increase) Decrease in Net Pension Liability		(17,781)	
(Increase) Decrease in Deferred Inflows of Resources-Pensions		1,653	
Increase (Decrease) in Deferred Outflows of Resources-OPEB		(2,826)	
(Increase) Decrease in Deferred Inflows of Resources-OPEB		-	
(Increase) Decrease in OPEB Liability		-	
Total Reconciling Items		31,249	
Change in Net Position		\$ (245,213)	

TOWN OF OAK ISLAND, NORTH CAROLINA

Pier Complex Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Charges for Services			
Facility Rental		7,845	
Merchandise Sales		436	
Food and Beverage Sales		3,103	
Total Operating Revenues	<u>\$ 25,001</u>	<u>11,384</u>	<u>\$ (13,617)</u>
Total Revenues	<u>25,001</u>	<u>11,384</u>	<u>(13,617)</u>
Expenditures			
Salaries and Wages		10,074	
Employee Benefits		1,174	
Operating Expenditures		240,688	
Capital Outlay		4,360	
Total Expenditures	<u>382,113</u>	<u>256,296</u>	<u>125,817</u>
Revenue Over (Under) Expenditures	<u>\$ (357,112)</u>	<u>\$ (244,912)</u>	<u>\$ 112,200</u>

TOWN OF OAK ISLAND, NORTH CAROLINA
Pier Complex Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses)			
Transfers in:			
General Fund	\$ 266,152	\$ 233,076	\$ (33,076)
Pier Project Fund	90,960	90,960	-
Total Other Financing Sources (Uses)	357,112	324,036	(33,076)
Revenues and Other Financing Sources (Uses)			
Over (Under) Expenditures	\$ -	79,124	\$ 79,124
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Financing Sources (Uses)			
Over (Under) Expenditures		79,124	
Reconciling Items			
Capital Outlay		4,360	
Capital Contributions-Capital Assets from General Fund		1,424,399	
Depreciation		(36,594)	
(Increase) Decrease in Accrued Vacation Pay		(245)	
Increase (Decrease) in Deferred Outflows of Resources-Pensions		247	
(Increase) Decrease in Net Pension Liability		(290)	
Total Reconciling Items		<u>1,391,877</u>	
Change in Net Position		<u>\$ 1,471,001</u>	

TOWN OF OAK ISLAND, NORTH CAROLINA
 Sewer District Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Nonoperating Revenues			
Sewer Distric Fees-Current	\$ -	\$ 6,933,191	\$ 6,933,191
Sewer Distric Fees-Prior Years	-	20,814	20,814
Total Nonoperating Revenues	7,241,300	6,954,005	(287,295)
Total Revenues	7,241,300	6,954,005	(287,295)
Expenditures			
Total Expenditures	-	-	-
Revenue Over (Under) Expenditures	7,241,300	6,954,005	(287,295)
Other Financing Uses:			
Transfers Out:			
Sewer Distric Fees-Current	(7,241,300)	(3,620,650)	3,620,650
Revenue and Other Financing Sources Over (Under) Expenditures	\$ -	\$ 3,333,355	\$ 3,333,355

Other Schedules

TOWN OF OAK ISLAND, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable

June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2018-19	\$ -	\$ 8,316,166	\$ 8,284,493	\$ 31,673
2017-18	63,161	-	50,385	12,776
2016-17	14,190	-	6,356	7,834
2015-16	7,766	-	3,333	4,433
2014-15	6,116	-	2,106	4,010
2013-14	4,218	-	1,829	2,389
2012-13	3,210	-	1,140	2,070
2011-12	3,325	-	709	2,616
2010-11	1,685	-	1,332	353
2009-10	2,333	-	951	1,382
2008-09	1,206	-	444	762
	<u>\$ 107,210</u>	<u>\$ 8,316,166</u>	<u>\$ 8,353,078</u>	<u>70,298</u>

Ad Valorem Taxes Receivable - Net

\$ 70,298Reconcilement with Revenues

Ad Valorem Taxes - General Fund and Beach Renourishment

\$ 8,400,785

Reconciling Items:

Interest Collected

(2,340)

Penalties Collected

(45,367)

Taxes Written Off

-

Total Collections and Credits

\$ 8,353,078

TOWN OF OAK ISLAND, NORTH CAROLINA

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2019

	Town-Wide			Total Levy	
	Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at Current Year's Rate	\$ 2,717,799,598	0.3100	\$ 8,425,179	\$ 8,106,885	\$ 318,294
Total Levy	<u>2,717,799,598</u>		<u>8,425,179</u>	<u>8,106,885</u>	<u>318,294</u>
Discoveries:					
Current and Previous Year Taxes	1,746,852		5,415	5,415	-
Releases					
Property Taxes - Current Year's Rate	<u>(2,328,452)</u>		<u>(7,218)</u>	<u>(7,218)</u>	<u>-</u>
Total Property Valuations	<u><u>\$ 2,717,217,998</u></u>				
Net Levy			8,423,376	8,105,082	318,294
Uncollected Taxes at June 30, 2019			<u>(70,298)</u>	<u>(70,298)</u>	<u>-</u>
Current Year's Taxes Collected			<u><u>\$ 8,353,078</u></u>	<u><u>\$ 8,034,784</u></u>	<u><u>\$ 318,294</u></u>
Current Levy Collection Percentage			<u><u>99.17%</u></u>	<u><u>99.13%</u></u>	<u><u>100.00%</u></u>

Statistical Section

This part of the Town of Oak Island's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the Town of Oak Island's overall financial condition. The schedules included in this section can be categorized as follows:

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in 2004*

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TOWN OF OAK ISLAND, NORTH CAROLINA

Net Position By Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2010	2011	2012	2013
Governmental activities				
Invested in capital assets, net of related debt	16,607,639	17,522,549	18,239,987	18,669,603
Restricted	2,738,128	6,567,058	5,288,746	6,355,004
Unrestricted	5,111,876	2,828,017	3,240,343	4,280,053
Total governmental activities net position	<u>24,457,643</u>	<u>26,917,624</u>	<u>26,769,076</u>	<u>29,304,660</u>
Business-type activities				
Invested in capital assets, net of related debt	28,836,777	22,390,247	22,380,413	21,260,926
Restricted		30,693,040	20,509,542	20,922,210
Unrestricted	(4,794,831)	(2,122,361)	4,560,440	3,103,347
Total business-type activities net position	<u>24,041,946</u>	<u>50,960,926</u>	<u>47,450,395</u>	<u>45,286,483</u>
Primary government				
Invested in capital assets, net of related debt	45,444,416	39,912,796	40,620,400	39,930,529
Restricted	2,738,128	37,260,098	25,798,288	27,277,214
Unrestricted	317,045	705,656	7,800,783	7,383,400
Total primary government net position	<u>48,499,589</u>	<u>77,878,550</u>	<u>74,219,471</u>	<u>74,591,143</u>

2014	2015	2016	2017	2018	2019
18,743,833	18,515,755	19,348,092	21,295,948	22,175,880	23,471,325
6,816,053	6,478,048	7,716,212	7,272,466	6,850,045	7,035,554
6,213,562	8,238,462	8,747,940	9,912,461	9,947,394	8,449,478
31,773,448	33,232,265	35,812,244	38,480,875	38,973,319	38,956,357
21,175,561	21,789,047	20,149,688	20,338,449	18,252,459	24,785,594
20,922,210	18,617,616	20,922,210	3,669,799	3,669,799	-
2,794,452	5,283,646	8,356,724	22,792,235	28,750,137	32,117,230
44,892,223	45,690,309	49,428,622	46,800,483	50,672,395	56,902,824
39,919,394	40,304,802	39,497,780	41,634,397	40,428,339	48,256,919
27,738,263	25,095,664	28,638,422	10,942,265	10,519,844	7,035,554
9,008,014	13,522,108	17,104,664	32,704,696	38,697,531	40,566,708
76,665,671	78,922,574	85,240,866	85,281,358	89,645,714	95,859,181

TOWN OF OAK ISLAND, NORTH CAROLINA

Changes in Net Position
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

	2010	2011	2012	2013
Expenses				
Governmental activities:				
General Government	2,818,584	2,778,225	2,736,767	3,129,366
Public Safety	5,708,808	5,627,760	5,466,506	4,458,998
Transportation	1,220,894	1,175,304	2,596,254	930,438
Environmental Protection	201,611	186,828	226,484	23,831
Cultural and Recreation	1,327,630	1,260,386	1,264,960	1,108,161
Tourism	-	-	-	-
Interest on long-term debt	547,956	654,795	600,751	550,489
Total governmental activities expenses	11,825,483	11,683,298	12,891,722	10,201,283
Business-type activities:				
Water	2,360,243	2,384,420	2,400,664	1,655,847
Wastewater	1,305,677	9,135,515	13,052,025	12,800,557
Solid Waste	857,941	927,608	1,004,513	914,958
Golf Course	256,183	258,018	246,743	207,432
Stormwater	-	-	-	-
Pier Complex	-	-	-	-
Total business-type activities expenses:	4,780,044	12,705,561	16,703,945	15,578,794
Total primary government expenses	16,605,527	24,388,859	29,595,667	25,780,077
Program Revenues				
Governmental activities:				
Charges of services:				
General Government	260,452	286,690	245,924	233,974
Public Safety	1,426,437	1,551,164	1,447,452	1,381,941
Transportation	-	-	-	-
Environmental Protection	268,250	266,223	271,142	276,893
Cultural and Recreation	142,649	124,152	145,861	162,849
Operating grants and contributions	674,770	785,599	629,907	411,336
Capital grants and contributions	3,615,699	129,225	16,236	1,441
Total governmental activities program revenue	6,388,257	3,143,053	2,756,522	2,468,434
Business-type activities:				
Charges of services:				
Water	2,869,997	3,194,533	3,116,147	3,168,232
Wastewater	876,112	2,206,517	5,664,011	6,425,573
Solid Waste	847,213	847,437	845,919	862,931
Golf Course	131,266	132,919	135,714	123,993
Stormwater	-	-	-	-
Pier Complex	-	-	-	-
Operating grants and contributions	5,715	5,825	49,909	3,872
Capital grants and contributions	4,862,482	34,194,519	3,240,574	3,787,571
Total business-type activities program revenue	9,592,785	40,581,750	13,052,274	14,372,172
Total primary government program revenues	15,981,042	43,724,803	15,808,796	16,840,606
Net (Expense)/Revenue				
Governmental activities	(5,437,226)	(8,540,245)	(10,135,200)	(7,732,849)
Business-type activities	4,812,741	27,876,189	(3,651,671)	(1,206,622)
Total primary government net revenue	(624,485)	19,335,944	(13,786,871)	(8,939,471)

(Continued on next page)

Table 1

2014	2015	2016	2017	2018	2019
2,797,601	2,447,635	2,516,788	2,877,541	2,620,927	5,936,162
4,348,192	4,486,670	6,781,142	4,986,023	5,247,129	5,774,177
1,675,984	1,847,906	967,976	1,184,313	1,157,263	1,526,446
156,499	143,027	380,320	-	6,784,657	1,233,100
1,006,435	4,390,206	1,772,305	1,255,071	1,475,350	2,250,127
-	-	-	-	-	46,901
471,343	515,501	479,146	272,071	147,026	104,971
10,456,054	13,830,945	12,897,677	10,575,019	17,432,352	16,871,884
1,852,484	1,922,893	2,039,590	2,166,011	3,086,872	3,127,833
12,756,238	12,853,774	12,774,267	19,417,518	12,266,799	13,326,427
896,411	1,055,665	1,162,144	1,139,955	1,419,362	1,374,879
205,132	194,819	226,332	243,277	237,088	230,718
-	-	-	303,889	514,954	587,441
-	-	-	-	-	288,818
15,710,265	16,027,151	16,202,333	23,270,650	17,525,075	18,936,116
26,166,319	29,858,096	29,100,010	33,845,669	34,957,427	35,808,000
354,336	796,887	1,421,249	2,057,261	1,931,935	1,940,618
1,072,612	1,560,975	1,117,548	830,500	1,415,204	1,448,140
-	-	-	-	-	-
348,804	198,002	631,204	-	-	-
120,742	2,317,941	156,928	155,687	169,448	212,042
354,166	309,095	309,969	366,159	412,861	318,358
1,822	8,020	309,596	691,700	4,132,910	156,491
2,252,482	5,190,920	3,946,494	4,101,307	8,062,358	4,075,649
3,512,854	4,145,086	4,871,588	5,069,632	5,196,253	4,252,865
7,325,872	8,500,771	9,820,349	12,493,584	12,500,387	12,164,975
922,232	949,762	1,155,593	1,078,887	1,106,054	1,138,700
125,185	114,742	131,638	153,209	160,057	150,772
-	-	-	313,513	319,864	347,328
-	-	-	-	-	11,384
4,246	4,574	209,231	34,911	-	-
3,493,407	3,255,066	4,057,999	1,075,417	994,648	6,844,123
15,383,796	16,970,001	20,246,398	20,219,153	20,277,263	24,910,147
17,636,278	22,160,921	24,192,892	24,320,460	28,339,621	28,985,796
(8,203,572)	(8,640,025)	(8,951,183)	(6,473,712)	(9,369,994)	(12,796,235)
(326,469)	942,850	4,044,065	(3,051,497)	2,752,188	5,974,031
(8,530,041)	(7,697,175)	(4,907,118)	(9,525,209)	(6,617,806)	(6,822,204)

TOWN OF OAK ISLAND, NORTH CAROLINA

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2010	2011	2012	2013
General Revenue and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes, levied for general purposes	5,928,590	6,699,824	6,866,837	7,016,323
Local option sales tax	1,640,696	1,639,858	1,458,619	1,476,163
Accommodation Tax	887,478	950,143	1,068,434	1,128,868
Other Taxes	-	-	48,303	12,059
Grants and contributions not restricted	581,317	65,128	613,268	616,694
Unrestricted investment earnings	14,201	610,523	7,701	5,225
Miscellaneous	63,305	15,586	83,571	93,101
Law Suit Settlement				
Gain (loss) on sale of assets	-	62,481	-	-
Extraordinary item-environmental remediation	(90,404)	(21,022)	(33,081)	-
Special Items	-	-	-	-
Transfers in (out)	(1,349,300)	977,705	(127,000)	(80,000)
Total governmental activities	<u>7,675,883</u>	<u>11,000,226</u>	<u>9,986,652</u>	<u>10,268,433</u>
Business-type activities:				
Interest and investment earnings	9,856	20,496	14,140	18,119
Miscellaneous	-	-	-	-
Gain on sale of assets	-	-	-	-
Transfers in (out)	1,349,300	(977,705)	127,000	80,000
Total business-type activities	<u>1,359,156</u>	<u>(957,209)</u>	<u>141,140</u>	<u>98,119</u>
Total primary government	<u>9,035,039</u>	<u>10,043,017</u>	<u>10,127,792</u>	<u>10,366,552</u>
Changes in Net Position				
Governmental activities	2,238,657	2,459,981	(148,548)	2,535,584
Business-type activities	6,171,897	26,918,980	(3,510,531)	(1,108,503)
Total primary government	<u>8,410,554</u>	<u>29,378,961</u>	<u>(3,659,079)</u>	<u>1,427,081</u>

Table 2

2014	2015	2016	2017	2018	2019
6,812,760	7,284,500	7,373,718	7,445,239	7,695,090	7,867,466
1,531,327	1,687,594	1,475,318	1,897,533	2,183,968	2,150,053
1,166,651	1,284,187	1,083,546	1,446,852	2,202,209	2,538,039
62,711	-	-	-	-	-
660,137	-	-	-	-	-
3,594	2,742	19,162	49,949	113,227	122,189
172,239	270,734	897,067	105,640	144,003	506,930
625,000	-	-	-	-	-
-	-	436,084	15,071	55,495	3,117
-	-	-	(1,085,390)	-	-
(292,059)	(5,356)	-	-	-	-
(70,000)	(242,163)	306,249	432,084	(696,355)	(100,172)
10,672,360	10,282,238	11,591,144	10,306,978	11,697,637	13,087,622
6,617	5,379	497	2,136	23,593	154,502
4,491	4,702	-	2,931	9,767	1,724
-	-	-	-	-	-
70,000	(107,000)	(306,249)	(432,084)	696,355	100,172
81,108	(96,919)	(305,752)	(427,017)	729,715	256,398
10,753,468	10,185,319	11,285,392	9,879,961	12,427,352	13,344,020
2,468,788	1,642,213	2,639,961	3,833,266	2,327,643	291,387
(245,361)	845,931	3,738,313	(3,478,514)	3,481,903	6,230,429
2,223,427	2,488,144	6,378,274	354,752	5,809,546	6,521,816

TOWN OF OAK ISLAND, NORTH CAROLIN

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	2010	2011	2012	2013	2014
General Fund					
Reserved	3,121,360	-	-	-	-
Unreserved					
Designated	-	-	-	-	-
Undesignated	2,549,135	-	-	-	-
Non-spendable	-	33,756	25,457	12,972	26,712
Restricted	-	3,058,316	1,381,631	1,594,929	1,399,510
Committed	-	424,667	425,139	425,432	425,432
Assigned	-	388,199	-	-	-
Unassigned	-	2,668,659	3,372,614	4,307,979	6,031,718
Total general fund	5,670,495	6,573,597	5,204,841	6,341,312	7,883,372
All Other Governmental Funds					
Reserved	318,271	-	-	-	-
Unreserved, reported in:					
Special Revenue Funds	3,142,790	-	-	-	-
Capital Projects Funds	470,366	-	-	-	-
Non-Spendable in Special Revenue Funds	-	55,435	56,163	56,163	56,163
Restricted in Special Revenue Funds	-	3,453,307	3,850,952	4,771,566	5,416,543
Committed in Capital Projects Funds	-	536,664	421,564	385,389	385,881
Total all other governmental funds	3,931,427	4,045,406	4,328,679	5,213,118	5,858,587
Total governmental funds	9,601,922	10,619,003	9,533,520	11,554,430	13,741,959

2015	2016	2017	2018	2019
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
577,803	19,909	669,379	49,548	106,511
231,413	1,262,840	822,821	1,406,623	1,252,958
435,714	483,205	380,835	745,460	271,569
-	-	-	-	-
8,238,462	8,798,773	10,625,878	12,511,569	12,203,505
9,483,392	10,564,727	12,498,913	14,713,200	13,834,543
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
5,233,118	5,905,638	6,052,978	5,186,495	5,676,085
-	-	-	-	-
5,233,118	5,905,638	6,052,978	5,186,495	5,676,085
14,716,510	16,470,365	18,551,891	19,899,695	19,510,628

TOWN OF OAK ISLAND, NORTH CAROLINA
 Changes in Fund Balances, Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	2010	2011	2012	2013
Revenues				
Ad valorem taxes	5,942,136	6,505,967	6,735,314	6,890,355
Other taxes and licenses	2,533,834	2,632,584	2,571,414	2,649,447
Unrestricted intergovernmental	581,317	610,523	613,268	616,694
Restricted intergovernmental	1,908,855	2,032,749	1,717,301	1,439,435
Permits and fees	189,532	335,236	293,638	297,489
Sales and services	635,174	632,458	613,350	623,556
Investment earnings	29,465	19,301	9,795	6,683
Miscellaneous	224,287	164,816	280,752	165,581
Total revenues	12,044,600	12,933,634	12,834,832	12,689,240
Expenditures				
General Government	5,662,558	2,635,942	2,565,883	2,872,851
Public Safety	5,228,736	5,190,729	5,519,623	3,934,916
Transportation	1,063,382	1,099,366	2,445,600	802,832
Environmental protection	186,713	171,984	211,712	120,781
Cultural and recreational	1,185,947	1,203,127	1,070,600	858,003
Debt Service:				
Interest	719,169	752,320	655,200	596,245
Principal	1,551,011	1,928,790	1,642,697	1,402,702
Total expenditures	15,597,516	12,982,258	14,111,315	10,588,330
Excess of revenues over (under) expenditures	(3,552,916)	(48,624)	(1,276,483)	2,100,910
Other Financing				
Sources (Uses)				
Debt Issuances	-	88,000	318,000	-
Transfers in	1,368,766	3,695,659	360,078	-
Transfers Out	(2,718,066)	(2,717,954)	(487,078)	(80,000)
Special Items	-	-	-	-
Sale of Capital Assets	-	-	-	-
Total other financing	(1,349,300)	1,065,705	191,000	(80,000)
sources (uses)				
Net change in fund balances	(4,902,216)	1,017,081	(1,085,483)	2,020,910
Capital outlay included in total expenditures	3,332,698	579,263	745,806	185,009
Debt service as a percentage of noncapital expenditures	18.5%	21.6%	17.2%	19.2%

2014	2015	2016	2017	2018	2019
7,031,553	7,626,159	7,156,543	7,461,694	7,461,694	7,695,090
2,717,387	2,977,147	1,475,318	3,344,385	3,344,385	4,386,177
660,137	796,887	1,117,456	927,645	927,645	1,031,475
1,396,215	3,502,037	1,443,937	1,875,540	1,875,540	5,817,584
348,334	405,913	628,504	336,617	336,617	347,803
510,718	464,172	467,801	978,569	978,569	808,070
3,594	2,742	19,120	49,949	49,949	113,227
782,957	180,395	112,191	109,278	109,278	273,378
13,450,895	15,955,452	12,420,870	15,083,677	15,083,677	20,472,804
2,628,089	2,398,394	2,498,959	2,639,184	2,639,184	2,447,289
3,763,473	4,222,273	5,124,685	4,611,679	4,611,679	4,734,325
1,534,817	1,730,833	959,743	1,113,871	1,113,871	1,245,695
138,990	134,960	384,110	-	-	6,564,561
755,862	4,164,295	655,503	2,331,345	2,331,345	1,713,860
539,172	514,707	479,146	272,071	272,071	147,026
1,555,186	1,682,906	2,319,916	1,903,628	1,903,628	1,633,628
10,915,589	14,848,368	12,422,062	12,871,778	12,871,778	18,486,384
2,535,306	1,107,084	(1,192)	2,211,899	2,211,899	1,986,420
-	-	784,876	-	-	-
2,929,959	617,968	28,767	695,158	695,158	4,026,726
(2,999,959)	(860,131)	(120,000)	(263,114)	(263,114)	(4,723,081)
(292,059)	(5,356)	-	-	-	-
14,282	112,250	436,084	15,071	15,071	55,495
(347,777)	(135,269)	1,129,727	447,115	447,115	(640,860)
2,187,529	971,815	1,128,535	2,659,014	2,659,014	1,345,560
56,476	207,953	1,466,073	466,252	466,252	629,953
19.3%	15.0%	25.5%	17.5%	17.5%	10.0%

TOWN OF OAK ISLAND, NORTH CAROLINA
 Governmental Activities Tax Revenue By Source
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

Fiscal Year	Property	Sales	Occupancy	Franchise	Video	Alcohol	
Ended	Tax	Tax	Tax	Tax	Programming	Beverage	Total
June 30					Tax	Tax	
2010	5,942,136	1,640,696	887,658	441,436	187,180	11,961	9,111,067
2011	6,505,967	1,639,858	950,143	466,017	192,221	37,877	9,792,083
2012	6,866,837	1,458,619	1,068,434	381,608	157,974	29,593	9,963,065
2013	6,890,355	1,520,579	1,128,868	421,555	153,897	27,754	10,143,008
2014	7,031,553	1,531,327	1,166,651	440,598	153,498	30,401	10,354,028
2015	7,626,159	1,691,355	770,603	541,157	115,489	33,805	10,778,568
2016	7,156,543	1,475,318	659,385	959,952	74,998	31,387	10,357,583
2017	7,479,356	1,897,496	1,446,852	706,173	151,047	33,335	11,714,259
2018	7,695,090	2,183,968	2,202,209	718,682	149,591	32,610	12,982,150
2019	7,880,492	2,150,053	2,017,746	773,178	145,606	32,964	13,000,039

Note: During FY 07-08, Franchise Fees were eliminated by the State and replaced by the Video Programming Tax.

TOWN OF OAK ISLAND, NORTH CAROLINA
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property	Personal Property	Public Service Companies	Motor Vehicles	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2010	4,180,139,988	27,063,889	16,788,818	55,585,536	10,002,490	4,269,575,741	0.1400
2011	4,189,866,332	39,721,852	17,141,597	54,725,092	11,008,727	4,290,446,146	0.1550
2012	2,399,746,526	24,372,523	17,024,122	57,466,173	7,987,556	2,490,621,788	0.2750
2013	2,449,726,454	19,158,930	16,672,444	60,055,636	11,123,655	2,534,489,809	0.2750
2014	2,487,456,775	11,964,755	15,860,319	85,781,004	10,922,121	2,590,140,732	0.2750
2015	2,562,328,870	22,453,252	16,431,960	74,194,545	11,171,900	2,664,236,727	0.2750
2016	2,356,385,149	24,348,200	17,769,388	-	11,128,265	2,387,374,472	0.2750
2017	2,397,469,996	27,160,669	19,135,751	-	11,258,182	2,432,508,234	0.2900
2018	2,474,590,496	35,616,877	19,700,946	94,377,861	25,056,550	2,599,229,630	0.2900
2019	2,682,179,360	27,160,669	19,135,751	-	11,258,182	2,717,217,598	0.3100

Source: Town's Tax Department

TOWN OF OAK ISLAND, NORTH CAROLINA
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years (Rate per \$100 of Assessed Value)

Fiscal Year Ended June 30,	Town of Oak Island			Overlapping Rates		Total Direct & Overlapping Rates
	Operating Rate	Debt Service Rate	Total Town Rate	Brunswick County	Smithville Township	
2010	0.08679	0.05321	0.1400	0.3050	0.0225	0.4675
2011	0.09247	0.06253	0.1550	0.3050	0.0400	0.5000
2012	0.18248	0.09252	0.2750	0.5400	0.0400	0.8550
2013	0.19620	0.07880	0.2750	0.5400	0.0400	0.8550
2014	0.19414	0.08086	0.2750	0.5400	0.0400	0.8550
2015	0.19414	0.08086	0.2750	0.5400	0.0400	0.8550
2016	0.15776	0.11724	0.2750	0.5400	0.0400	0.8550
2017	0.19968	0.09032	0.2900	0.4850	0.0400	0.8150
2018	0.22149	0.06851	0.2900	0.4850	0.0400	0.8150
2019	0.22797	0.05203	0.3100	0.4850	0.0400	0.8350

Notes:

(1) Property is revalued every four years. Property was revalued in January 1999, 2003, 2007 and 2011, and 2015 will be revalued in 2019.

(2) The property tax rates listed above are based on unit-wide tax rates. Certain motor vehicles were taxed at the preceding year's rate.

(3) Overlapping rates are those of local and county governments that apply to property owners with the Town of Oak Island. Not all overlapping rates apply to all Town of Oak Island property owners (e.g. the rates for the Smithville Township apply only to the town's property owners whose property is located within the geographic boundaries of the Smithville Township).

(4) The Smithville Township is a hospital district. The levy collected is specific for debt retirement and capital improvements.

(5) Components of the Overlapping Rates are not available

Source: Town of Oak Island and Brunswick County Tax Department

TOWN OF OAK ISLAND, NORTH CAROLINA

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes
		Amount	% of Levy		Amount	% of Levy	
2010	5,973,528	5,743,851	96.16%	227,344	5,971,195	99.96%	2,333
2011	6,645,496	6,314,365	95.02%	329,446	6,643,811	99.97%	1,685
2012	6,830,366	6,510,859	95.32%	316,182	6,827,041	99.95%	3,325
2013	6,971,984	6,629,931	95.09%	338,843	6,968,774	99.95%	3,210
2014	7,120,396	6,829,735	95.92%	286,443	7,116,178	99.94%	4,218
2015	7,327,088	7,160,619	97.73%	160,353	7,320,972	99.92%	6,116
2016	6,516,395	6,497,759	99.71%	10,870	6,508,629	99.88%	7,766
2017	7,202,721	7,102,479	98.61%	86,052	7,188,531	99.80%	14,190
2018	7,771,518	7,707,160	99.17%	1,197	7,708,357	99.19%	63,161
2019	8,423,376	8,353,078	99.17%	-	8,353,078	99.17%	70,298

TOWN OF OAK ISLAND, NORTH CAROLINA

Principal Property Tax Payers

Current Year and Five Years Ago

Taxpayer	Types of Property	Fiscal Year 2019		Fiscal Year 2014		Fiscal Year 2013	
		2019 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	2014 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Brunswick Electric Membership Corp	Utility	15,526,087	1	0.46%	13,934,105	1	0.54%
MDI Management Inc.	Developer	9,343,110	2	0.28%	N/A	N/A	
Equity Investments	Developer	8,110,680	3	0.24%	N/A	N/A	
DWE III LLC& Ladane Enterprises	Developer	6,169,710	4	0.18%	10,239,440	2	0.40%
	Commercial &						
Lowes Food Stores Inc.	Residential	5,016,112	5	0.15%	N/A	N/A	
DWE II LLC	Developer	4,527,740	6	0.14%			
Capel Jesse Etals	Residential	3,599,980	7	0.11%	6,665,416	3	0.26%
Wilmington Holding Corp	Developer	3,483,750	8	0.10%	N/A	N/A	N/A
Oak Island Property Holdings LLC	Residential	2,579,000	9	0.08%	2,572,500	5	0.10%
Bright Parsun LLC	Developer	2,802,290	10	0.08%	N/A	N/A	N/A
St James Plantation Prop	Residential	N/A	N/A	N/A	2,193,130	9	0.08%
South Shore Real Estate	Residential	N/A	N/A	N/A	2,469,840	6	0.10%
Food Lion LLC	Commercial	N/A	N/A	N/A	2,737,674	4	0.11%
	Commercial &						
Pacula Family Rev Trust	Residential	N/A	N/A	N/A	2,368,270	7	0.09%
Air Travel LLC	Aviation	N/A	N/A	N/A	2,092,283	8	0.08%
		<u>61,158,459</u>		<u>1.83%</u>	<u>45,272,658</u>		<u>1.75%</u>

Source: Town's Tax Department

Total Tax Value

3,352,019,256

2,590,140,732

TOWN OF OAK ISLAND, NORTH CAROLINA

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities				Total Primary Government	Ratio	
	Installment	Capital	Installment	Revenue	State	Capital		Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
	Purchases	Leases	Purchases	Notes & Bonds	Revolving Loan Fund	Lease			
2010	16,506,893	957,441	666,237	82,489,298	10,766,911	-	111,386,780	3.33%	16,421
2011	14,777,319	846,226	584,086	92,133,921	11,116,037	-	119,457,589	3.43%	17,490
2012	13,317,801	981,046	497,933	90,945,948	12,604,726	-	118,347,454	3.22%	16,900
2013	12,097,885	798,259	407,586	88,617,974	12,008,450	-	113,930,154	2.92%	16,379
2014	10,877,969	462,990	312,838	86,226,777	11,398,628	-	109,279,202	N/A	N/A
2015	9,658,053	-	213,476	83,856,303	10,774,948	-	104,502,780	N/A	14,228
2016	9,170,916	-	109,275	81,858,221	10,137,096	-	101,275,508	2.27%	13,749
2017	6,998,189	-	-	85,071,477	9,484,525	-	101,554,191	2.21%	13,488
2018	4,900,883	-	-	75,360,000	8,817,564	-	89,078,447	4.55%	10,699
2019	3,267,256	-	-	78,660,788	8,134,994	-	90,063,038	4.55%	10,596

Note: Details regarding the town's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾See the schedule of Demographic and Economic Statistics for Personal Income and Population data.

TOWN OF OAK ISLAND, NORTH CAROLINA
 Direct and Underlying Governmental Activities Debt
 As of June 30, 2019

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Brunswick County's general obligation debt	69,965,000	13.40%	9,375,310
Town of Oak Island direct debt	3,267,256	100.00%	<u>3,267,256</u>
Total direct and overlapping debt			<u><u>\$ 12,642,566</u></u>

Source: County Debt Outstanding and Estimated Percentage Applicable to Town provided by Brunswick County Finance

TOWN OF OAK ISLAND, NORTH CAROLINA

Legal Debt Margin
As of June 30, 2019

Fiscal Year Ended June 30	Debt Limit	Total Debt Applicable to Limit	Legal Debt Margin	Total Debt as a Percentage of Debt Limit
2010	341,566,059	17,464,334	324,101,725	5.11%
2011	343,632,700	15,623,544	328,009,156	4.55%
2012	199,249,743	14,298,846	184,950,897	7.18%
2013	214,951,330	12,896,145	202,055,185	6.00%
2014	200,832,130	11,340,958	189,491,172	5.65%
2015	213,139,460	9,658,053	203,481,407	4.53%
2016	190,989,958	8,448,140	182,541,818	4.42%
2017	217,377,440	6,998,189	210,379,251	3.22%
2018	207,938,370	4,900,883	203,037,487	3.60%
2019	217,377,440	3,267,256	214,110,184	1.50%

Calculation of Legal Debt Margin for Fiscal Year 2019

Assessed value of taxable property	2,717,217,998
	x 0.08
Debt limit- (8 % of assessed value)	217,377,440
Debt applicable to limit:	
Total installment purchases	3,267,256
Total capital leases	-
	3,267,256
Total amount of debt applicable to debt limit (net debt)	3,267,256
Legal debt margin	214,110,184

Note: Under State finance law, the Town's outstanding general obligation debt should not exceed eight percent (8%) of total assessed property value.

TOWN OF OAK ISLAND, NORTH CAROLINA
Pledged Revenue Coverage
Last Seven Fiscal Years

Fiscal Year Ended	<u>Enterprise Funds</u>				<u>All Enterprise Parity Debt</u>			<u>Total Other System Indebtness</u>		
	Operating and Non-operating	Operating Expenses Less Depreciation	Sewer District Fee Revenue	Net Available Revenue	Principal	Interest	Total	Principal	Interest	Total
	Revenue	Revenue	Revenue	Revenue						
June 30										
2013	13,242,439	6,104,613	1,968,750	9,106,576	2,170,000	4,659,907	6,829,907	986,496	323,133	1,309,629
2014	13,568,869	6,558,787	2,004,788	9,014,870	2,260,000	4,576,933	6,836,933	1,004,443	299,547	1,303,990
2015	13,200,321	6,574,254	2,292,332	10,818,399	3,073,041	3,756,697	6,829,738	723,042	275,436	998,478
2016	12,515,651	7,070,458	2,965,116	11,879,967	2,730,000	3,821,426	6,551,426	761,626	236,852	998,478
2017	14,966,641	7,016,800	2,598,711	10,548,552	2,840,000	3,507,651	6,347,651	666,981	216,699	883,680
2018	15,951,775	8,387,701	2,313,875	9,877,949	2,950,000	3,393,120	6,343,120	682,351	201,530	883,881
2019	11,431,741	8,310,300	6,954,005	10,075,446	2,950,090	3,387,426	6,337,516	682,351	201,530	883,881

Required Coverage:

Fiscal Year Ended	Net Available Revenue	15% Unrestricted Net Assets	Total Available Revenue	Total Debt Service	20% Parity Debt Service	Total + 20% Parity Debt	<u>Coverage</u> 100% Parity	120% Parity
June 30								
2013	9,106,576	490,670	9,597,246	8,139,536	1,365,981	9,505,517	1.12	1.01
2014	9,014,870	776,269	9,791,139	8,140,923	1,367,387	9,508,309	1.11	1.03
2015	10,818,399	776,269	11,594,668	7,828,216	1,365,948	9,194,164	1.38	1.26
2016	11,879,967	1,690,835	13,570,802	7,549,904	1,310,285	8,860,189	1.57	1.53
2017	10,548,552	2,440,410	12,988,962	7,227,001	1,268,624	8,500,861	1.46	1.53
2018	9,877,949	3,416,625	13,294,574	7,227,001	1,445,400	8,672,401	1.84	1.53
2019	10,075,446	6,892,949	16,968,395	7,221,396	1,267,486	8,488,882	1.65	1.40

Notes:

- (1) The Town issued wastewater revenue bonds in 2008, 2009, 2011, 2015, and 2017
- (2) Non-operating Revenues include investment earnings.
- (3) Operating expenses are exclusive of depreciation and interest expense.
- (4) All enterprise fund debt service includes Revenue Bonds, State loans and other installment debt plus accrued interest at fiscal year end.
- (5) 15% of Unrestricted Net Assets is calculated as 15% of the previous fiscal year ending Cash and Investment Balance
- (6) In accordance with the Revenue Bond Trust Agreement definition of "Revenue", "Assessment Revenues shall not be included in Revenues in the Fiscal Year of receipt if and to the extent that an Officer's Certificate is filed that specifies that such amounts shall not be included in Revenues in such Fiscal year, and such amounts shall be included in Revenues if and to the extent specified in an Officer's Certificate filed in future Fiscal Years "

TOWN OF OAK ISLAND, NORTH CAROLINA

Demographic and Economic Stats

Last Ten Fiscal Years

Fiscal Year Ended June 30	Population ⁽²⁾	Personal Income ⁽¹⁾ (in thousands)	Per Capita Income ⁽¹⁾	Median Age ⁽³⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽¹⁾
2010	6,783	3,347,269	30,973	47.7	769	10.2%
2011	6,830	3,482,031	31,615	48.0	769	10.3%
2012	7,003	3,674,444	32,628	48.4	769	10.3%
2013	6,956	3,899,674	33,715	48.8	769	9.1%
2014	7,088	4,192,401	N/A	49.3	769	6.9%
2015	7,345	4,300,000	30,462	51.4	769	6.8%
2016	8,297	4,500,000	50,996	50.00	850	6.60%
2017	7,529	4,600,000	46,955	50.2	900	5.0%
2018	8,326	4,820,010	36,874	51	1000	4.9%
2019	8,500	5,845,674	41,357	57.3	900	5.4%

Note: Personal Income, Per Capita Income and Unemployment Rates are not available for the Town of Oak Island. Statistics for Brunswick County were used.

Source:

⁽¹⁾ Brunswick County Finance Department

⁽²⁾ Office of State Budget and Management

⁽³⁾ State Data Center, 2010 Census Data

TOWN OF OAK ISLAND, NORTH CAROLINA
Principal Employers for Brunswick County
Current and Nine Years Ago

Name of Employer	Type of Business	Fiscal Year 2019			Fiscal Year 2010		
		Number of	Rank	Percentage of Total County Employment	Number of	Rank	Percentage of Total County Employment
		Employees			Employees		
Brunswick County Board of Educ	Education	1,947	1	3.61%	1,945	1	4.07%
County of Brunswick	Local Government	1,035	2	1.92%	1,030	2	2.15%
Wal-Mart Associates, Inc.	Retail	932	3	1.73%	750	4	1.57%
Duke Energy	Utility	850	3	1.57%	833	2	1.74%
Brunswick Novant Medical	Medical Care Facility	700	5	1.30%	458	6	0.96%
Food Lion, Inc.	Grocery	520	6	0.96%	549	5	1.15%
Brunswick Community College	Education	481	7	0.89%	456	7	0.95%
Lowe's Food	Grocery	409	9	0.76%	N/A	N/A	N/A
Dosher Memorial Hospital	Medical Care Facility	364	8	0.67%	353	9	0.74%
DAK Americas	Dacron Polyester Fiber	N/A	N/A	N/A	381	8	0.80%
Troon Golf	Yacht Manufacture	N/A	N/A	N/A	300	10	0.63%
Lowes Home Centers	Home Improvement	250	10	N/A	343	9	N/A
Totals		7,488		13.41%	7,398		14.76%

Note: Economic data on total Town employment is not available. The above table is based on Brunswick County employment data.

Source: Brunswick County Finance Department

TOWN OF OAK ISLAND, NORTH CAROLINA
 Full-time Equivalent Town Government Employees by Function
 Last Ten Years

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administration	14	16	16	16	16	16	17	17	17	17
Public Safety										
Police	26	25	25	23	23	23	23	24	24	24
Communications	6	6	4	0	0	0	0	0	0	0
Animal Control	2	2	2	2	2	2	0	0	0	0
Fire	20	19	20	21	22	22	22	22	22	22
Development Services	12	11	8	6	6	6	8	8	8	14
Public Works	2	4	2	2	2	2	2	2	2	3
Fleet Maintenance	4	3	3	2	2	2	2	2	2	2
Building and Ground	6	8	9	9	4	4	4	3	3	2
Street Department	8	7	7	5	5	5	6	6	6	8
Cultural and Recreation	10	9	7	6	4	4	8	6	6	5
Utility										
Water	12	12	10	9	9	9	11	8	8	12
Sewer	4	7	7	7	7	7	11	11	11	12
Solid Waste	4	4	4	4	4	4	4	3	3	3
Stormwater	1	1	1	2	2	2	2	3	3	5
Golf Course	2	2	2	2	2	2	2	2	2	2
Capital Projects	5	0	0	0	0	0	0	0	0	0
Total	138	136	127	116	110	110	122	117	117	131

Source: Town's human resource department

TOWN OF OAK ISLAND, NORTH CAROLINA

Operating Indicators by Function

Last Ten Years

Function	2010	2011	2012	2013	2014	2015
Public Safety						
Police						
Number of calls dispatched ⁽¹⁾	12,042	12,620	11,741	10,029	10,332	10,332
Number of physical arrests	301	331	288	322	285	285
Number of violations	2,070	4,255	2,741	2,688	3,139	3,139
Fire						
Number of Fire runs	249	258	215	280	319	319
Number of EMS and Rescue runs ⁽²⁾	945	942	948	916	888	888
Code Enforcement/Building permits						
Number of building permits	2,184	1,286	1,448	1,681	1,875	1,875
Number of inspections	8,532	13,278	9,941	8,549	7,994	7,994
Transportation						
Streets						
New streets paved (miles)	0.00	0.00	0.00	0.00	0.00	0.00
Streets resurfaced (miles)	0.00	0.00	12.04	0.00	4.58	0.00
Environmental Protection						
Sanitation						
Refuse collected (tons)	4,000	4,100	13,148	NA	NA	NA
Bulky/Brush collected (tons)	2,300	2,300	1,200	1,500	8,011	8,011
Recyclables collected (tons)	650	670	820	863	1,250	1,250
Cultural and Recreation						
Number of Participants:						
weight fitness program	22,624	22,858	23,521	23,532	21,352	21,352
Fitness class	5,990	5,980	5,466	5,267	4,267	4,267
Athletic program	11,549	12,153	14,984	13,171	13,981	13,981
Teen program	4,234	3,744	2,409	3,743	448	448
Community Center program	7,834	7,907	7,466	6,849	1,437	1,437
Skate Park	1,625	1,335	1,722	1,735	1,711	1,711
Number of Ocean Education Center	2,151	2,268	2,760	1,083	939	939
Number of Nature Center participants	3,664	3,376	3,684	3,527	1,623	1,623
Number of paid golf course rounds played	17,832	11,048	12,442	10,595	9,063	9,063
Number of youth and miscellaneous program participants	4,884	5,017	6,375	6,861	2,953	2,953
Water						
Number of water customers	8,236	8,240	8,042	8,021	8,378	8,700
Average daily water consumption (gallons)	878,257	878,700	749,542	739,818	804,170	804,170
Wastewater						
Number of sewer customers	929	4,241	7,542	7,974	8,004	8,100
Sewer average daily treatment (gallons)	145,425	663,900	580,289	591,917	543,838	543,838

Notes:

⁽¹⁾The Town implemented the 911 Communication System in Fiscal Year 2007. It turned over these operations to the County in September of 2012.

⁽²⁾EMS service was turned over to Brunswick County in Fiscal Year 2005 then reverted back to Town in 2006.

Source: Various Town Departments

2016	2017	2018	2019
10,899	10,899	9,737	9,800
563	563	238	400
3,645	3,645	2,779	3,000
300	491	434	450
983	949	641	650
2,636	2,768	3,399	3,300
10,767	11,305	15,000	12,000
0.00	0.00	0.00	0.00
0.00	0.00	0.00	7.50
NA	NA	NA	NA
11,250	14,100	15,200	18,000
1,116	1,194	2,100	2,100
21,459	21,566	26,724	25,000
4,288	4,310	4,489	4,600
14,051	14,121	14,786	14,800
450	452	4,084	4,200
1,444	1,451	6,490	150
1,720	1,728	1,543	1,500
944	948	64	0
1,631	1,639	1,847	1,900
9,108	9,154	8,855	9,000
2,968	2,983	19,561	3,000
8,829	9,015	9,395	0
812,000	891,683	805,920	0
8,318	8,505	8,574	0
537,866	601,219	692,399	0

TOWN OF OAK ISLAND, NORTH CAROLINA

Capital Assets by Function

Last Ten Years

Function	2010	2011	2012	2013	2014
Public Safety					
Police					
Police Stations	2	2	2	2	2
Police Patrol Units	26	26	26	26	25
Police Motorcycle Units	1	1	1	1	1
Fire					
Fire Stations	3	3	3	3	3
Fire Trucks	6	6	6	6	6
Transportation					
Streets -Paved (miles)	96.00	96.00	96	96	96
Sidewalks (miles)	7.68	7.68	7.68	7.68	7.68
Environmental Protection					
Curbside Truck	2	3	2	2	2
Leaf Machine	2	2	2	2	2
Beach Trash Truck	2	3	2	2	2
Cultural and Recreation					
Parks	17	17	17	17	17
Tennis Courts	6	6	6	6	6
Playgrounds	1	2	2	2	2
Baseball/Softball fields	5	5	5	5	5
Soccer Fields	1	1	1	1	1
Recreation Center	1	1	1	1	1
Community Centers	1	1	1	1	1
Golf Courses	1	1	1	1	1
Croquet Court	1	1	1	1	1
Disc Golf Course	1	1	1	1	1
Fishing Pier	1	1	1	1	1
Dog Park	1	1	1	2	2
Water					
Water Mains (miles)	120	120	120	120	120
Fire Hydrants	800	800	800	800	800
Average daily water consumption (in gallons)	878,257	878,700	749,542	739,818	804,170
Peak daily demand (in gallons)	2,488,000	2,485,000	2,111,000	2,174,330	2,188,950
Wastewater					
Sanitary Sewers (miles)	20	106	106	106	106
Lift Stations	15	34	34	34	34
Man Holes	220	220	245	245	245
Sewer Treatment Capacity (in gallons)	400,000	2,535,308	3,400,000	3,400,000	3,400,000

Source: Various Town Departments

2015	2016	2017	2018	2019
2	2	2	2	2
25	25	25	25	25
1	1	1	1	0
3	3	3	3	3
6	7	7	7	7
96	96	96	96	96
7.68	7.68	7.68	7.68	7.68
2	2	2	2	2
2	2	2	2	2
2	2	2	2	2
17	17	17	17	17
6	6	6	6	6
2	2	2	2	2
5	5	5	5	5
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	0
1	1	1	1	1
1	1	1	1	1
2	2	2	2	2
120	120	120	120	120
800	800	800	800	800
804,170	812,000	891,683	805,920	1,002,680
2,188,950	2,239,000	2,250,000	2,200,000	2,023,120
106	106	106	106	106
34	34	34	34	34
245	245	245	245	245
3,400,000	3,400,000	3,400,000	3,400,000	3,400,000

**Report On Internal Control Over Financial Reporting And On Compliance and Other
Matters Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

Independent Auditor's Report

**To the Honorable Mayor and
Members of the Town Council
Town of Oak Island, 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, the discretely present component units, each major fund, and the aggregate remaining fund information of the Town of Oak Island, North Carolina as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Oak Island, North Carolina's basic financial statements, and have issued our report thereon dated January 24, 2019. The financial statements of the Town of Oak Island Board of Alcoholic Control were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Oak Island, North Carolina's internal control over financial reporting 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 Town of Oak Island, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Oak Island, North Carolina'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 a 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. 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 were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Oak Island, North Carolina'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

This 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.

S. Preston Douglas & Associates, LLP

Whiteville, North Carolina

January 24, 2020

**Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance;
In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act**

Independent Auditor's Report

To the Honorable Mayor and
Members of Town Council
Town of Oak Island, North Carolina

Report on Compliance for Each Major State Program

We have audited the Town of Oak Island, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* 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 Oak Island's major federal programs for the year ended June 30, 2019. The Town of Oak Island'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 state statutes, regulations, contracts and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion for each of the Town of Oak Island'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, 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 Oak Island'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 the Town of Oak Island's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Oak Island 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, 2019.

Report on Internal Control Over Compliance

Management of the Town of Oak Island is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Oak Island's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with 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 Oak Island's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 the 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 the internal control over compliance that might be significant deficiencies or material weaknesses. 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.

This 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.

S. Preston Douglas & Associates, LLP

Whiteville, NC
January 24, 2020

TOWN OF OAK ISLAND, NORTH CAROLINA
 Schedule of Expenditures of Federal and State Awards
 For the Fiscal Year Ended June 30, 2019

Grantor / Pass-through Grantor/ Program Title	Award Number/ State		Federal (Direct Pass- through) Expenditures	State Contract Number	State Expenditures
	Federal CFDA Number	Pass-through Grantor's Number			
Federal Grants:					
Cash Programs:					
US Department of Homeland Security					
NC Department of Public Safety					
Presidentially Declared Disaster	97.036		\$ 1,826,557		\$ -
State Grants:					
Cash Assistance					
NC Department of Natural and Cultural Resources					
Parks and Recreation Trust Fund		2018-865			693,366
NC Department of Transportation					
Powell Bill		DOT-4			225,486
Total assistance			<u>\$ 1,826,557</u>		<u>\$ 918,852</u>

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

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 Oak Island under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. 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 Oak Island, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Oak Island.

2. Summary of Significant Accounting Principles

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.

TOWN OF OAK ISLAND, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2019

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ Yes	<u> X </u> No
Significant deficiency(s) identified that are not considered to be material weaknesses	<u> X </u> Yes	_____ None reported
Noncompliance material to financial statements noted	_____ Yes	<u> X </u> No

Federal Awards

Type of auditor's report issued on compliance for major federal programs	Unmodified	
Internal control over major federal programs:		
Material weaknesses 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 noted	_____ Yes	<u> X </u> No
Any audit finding disclosed that is required to be reported in accordance with 2 CFR 200.516(a)	_____ Yes	<u> X </u> No

Identification of major Federal programs:

Program Name

NC Department of Public Safety-Presidentially Declared Disaster

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000	
Auditee qualified as a low-risk auditee	_____ Yes	<u> X </u> No

Section II - Financial Statement Findings and Questioned Costs

SIGNIFICANT DEFICIENCY

Finding: 2019-001 Excess Expenditures over Appropriations

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: The Finance Officer underestimated department expenditures when preparing budget amendments.

Effect: Money was spent that had not been appropriated

Identification of a repeat finding: This is a repeat finding from an audit three years prior, 2016-01

Cause: Money was spent for unplanned repair expenditures caused by Hurricane Florence

Recommendation: Insititute a process to ensure that only those amounts appropriated are actually spent.

Views of responsible officials and panned corrective actions

Town officials agree with this finding and recommended action to ensure that only those amounts appropriated are actually spent.

Section III - Federal Award Findings and Questioned Costs
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None Reported

TOWN OF OAK ISLAND, NORTH CAROLINA

Corrective Action Plan

For the Fiscal Year Ended June 30, 2019

Section II - Financial Statement Findings

Finding 2018-01

Name of Contact Person:	David Hatten, Finance Officer
Corrective Action:	Institute a process to ensure that only those amounts appropriated are actually spent. Closely, monitor budget reports.
Proposed Completion Date:	Immediately

TOWN OF OAK ISLAND, NORTH CAROLINA

Summary Schedule of Prior Year Findings

For the Fiscal Year Ended June 30, 2019

Findings:

There were no audit findings from the previous year.