

# *Town of Oak Island, North Carolina*



**Comprehensive Annual Financial Report  
For the Fiscal Year Ended  
June 30, 2017**

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**TOWN OF OAK ISLAND, NORTH CAROLINA**

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## ***Introductory Section***

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**Town of Oak Island, North Carolina  
List of Principal Officials  
June 30, 2017**

**Mayor and Town Council**

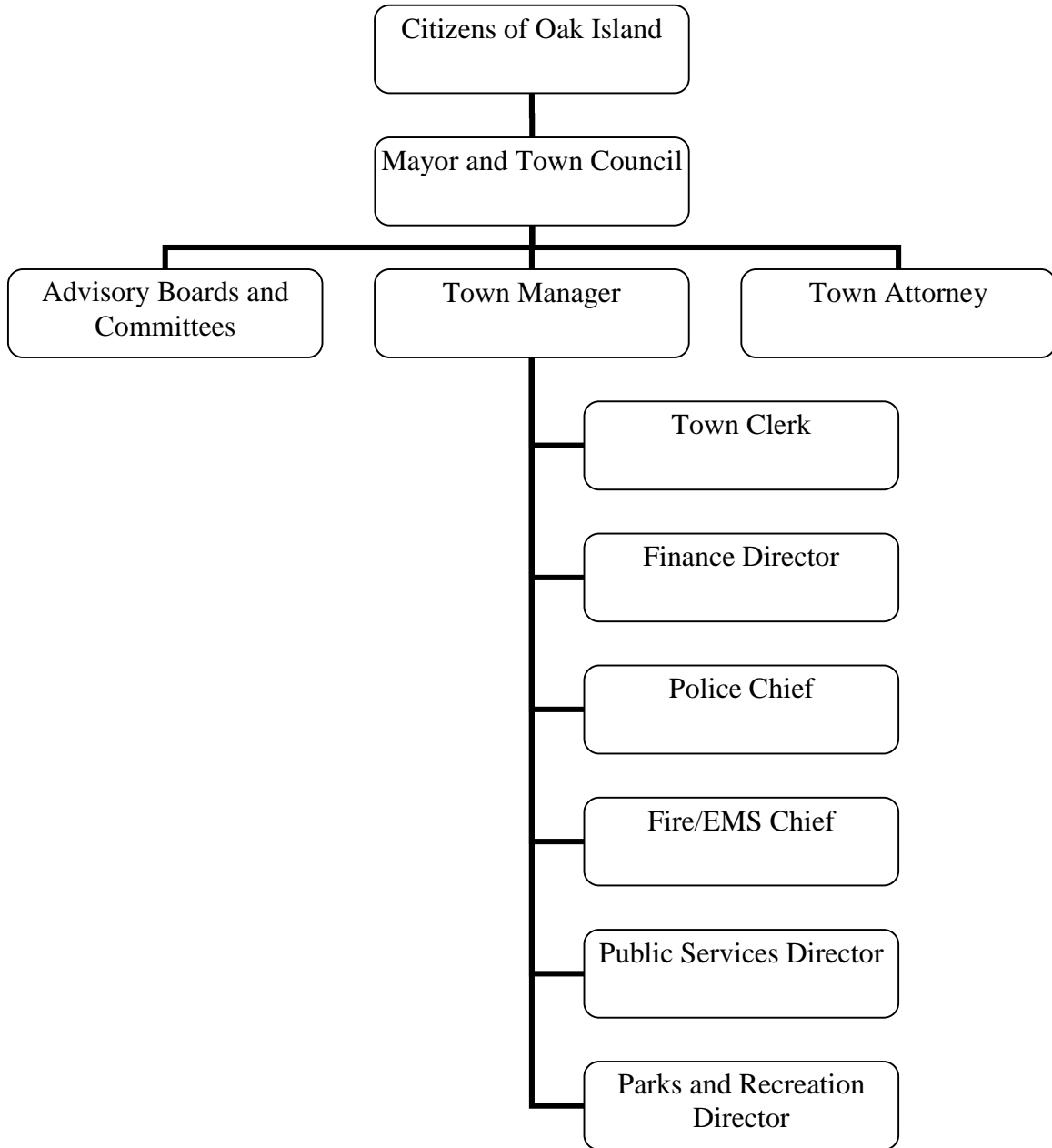
Cin Brochure, Mayor  
Loman Scott, Mayor Pro Tem  
Sheila Bell  
Charlie Blalock  
Jeff Winecoff  
Dara Royal

**Town Officials**

David Kelly	Town Manager
Lisa Stites	Assistant Town Manager/Town Clerk
Greg Jordan	Chief of Police
Chris Anselmo	Fire Chief
David Hatten	Finance Director
Steve Edwards	Public Services Director
Rebecca Squires	Parks & Recreation Director
Katie Coleman	Tax Collector

# Town of Oak Island, North Carolina

## Organizational Chart June 30, 2017



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## 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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Oak Island Board of Alcoholic Control 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 of 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, 2017, 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 Tax 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 on pages 15 through 24, and the Other Post Employment Benefit and Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 86 through 89, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages 90 through 91, 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 nonmajor fund financial statements, budgetary schedules, and other schedules and statistical section as well as the accompanying schedule of expenditures of federal and state 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 November 7, 2017 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  
November 7, 2017

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

**Town of Oak Island, North Carolina  
Management's Discussion and Analysis  
June 30, 2017**

**Management's Discussion and Analysis**

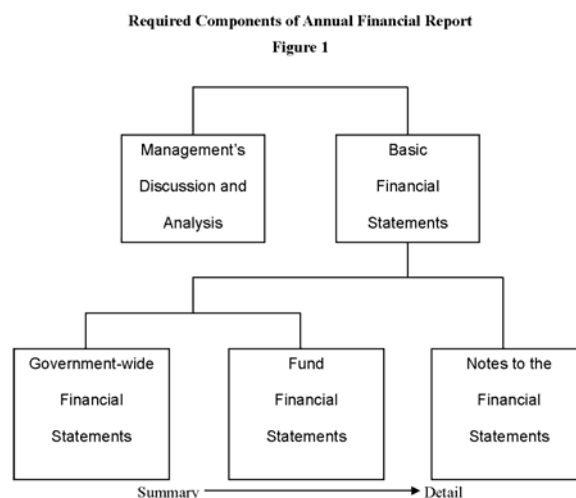
As management of the Town of Oak Island, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Oak Island for the fiscal year ending June 30, 2017. We encourage readers to read the information presented here in conjunction 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 \$85,231,778 (*net position*).
- The government's total net position decreased by \$27,088 during the period, primarily due to increases in the government-type activities net position
- As of the close of the current fiscal year, the Town of Oak Island's governmental funds reported combined ending fund balances of \$18,551,891 with a net change of \$2,659,054 in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,625,878 or 92.74% percent of total general 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, 2017**

**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 gauge 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, 2017**

**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, 2017**

**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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 19,185,582	\$ 17,332,391	\$ 37,244,145	\$ 37,316,826	\$ 56,429,727	\$ 54,649,217
Capital assets	27,955,458	28,855,934	105,434,496	107,951,652	133,389,954	136,807,586
<b>Total assets</b>	<b>47,141,040</b>	<b>46,188,325</b>	<b>142,678,641</b>	<b>145,268,478</b>	<b>189,819,681</b>	<b>191,456,803</b>
Deferred outflows of resources	1,190,160	1,900,877	389,094	535,508	1,579,254	2,436,385
<b>Total assets and deferred outflows of resources</b>	<b>48,331,200</b>	<b>48,089,202</b>	<b>143,067,735</b>	<b>145,803,986</b>	<b>191,398,935</b>	<b>193,893,188</b>
Long-term liabilities	6,754,900	7,949,322	91,728,946	88,632,728	98,483,846	96,582,050
Other liabilities	2,940,703	2,410,261	4,516,713	7,165,819	7,457,416	9,576,080
<b>Total liabilities</b>	<b>9,695,603</b>	<b>10,359,583</b>	<b>96,245,659</b>	<b>95,798,547</b>	<b>105,941,262</b>	<b>106,158,130</b>
Deferred Inflows of resources	154,722	1,917,375	89,173	576,817	243,895	2,494,192
<b>Total liabilities and deferred inflows of resources</b>	<b>9,850,325</b>	<b>12,276,958</b>	<b>96,334,832</b>	<b>96,375,364</b>	<b>106,185,157</b>	<b>108,652,322</b>
<b>Net position</b>						
Net investment in capital assets	21,295,948	19,348,092	20,338,449	20,149,688	41,634,397	39,497,780
Restricted	7,272,466	7,716,212	3,669,799	20,922,210	10,942,265	28,638,422
Unrestricted	9,912,461	8,747,940	22,724,655	8,356,724	32,637,116	17,104,664
<b>Total net position</b>	<b>\$ 38,480,875</b>	<b>\$ 35,812,244</b>	<b>\$ 46,732,903</b>	<b>\$ 49,428,622</b>	<b>\$ 85,213,778</b>	<b>\$ 85,240,866</b>

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 \$85,213,778 at the close of the current fiscal year. The Town's net position decreased by \$27,088 for the fiscal year ended June 30, 2017. By far the largest portion of the Town's net position, 48.86%, 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, 2017**

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, \$10,942,265 or 12.84%, 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 \$32,637,116 or 38.30% of the total.

**Town of Oak Island's Changes in Net Position**

**Figure**

**3**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,043,448	\$ 3,326,929	\$ 19,108,825	\$ 15,979,168	\$ 22,152,273	\$ 19,306,097
Operating grants and contributions	366,159	309,969	34,911	209,231	401,070	519,200
Capital grants and contributions	691,700	309,596	1,075,417	4,057,999	1,767,117	4,367,595
General revenues:						
Property taxes	7,445,239	7,373,718	-	-	7,445,239	7,373,718
Local option sales tax	1,897,533	1,475,318	-	-	1,897,533	1,475,318
Accommodations tax	1,446,852	1,083,546	-	-	1,446,852	1,083,546
Other	170,660	1,352,313	5,067	497	175,727	1,352,810
<b>Total revenues</b>	<b>15,061,591</b>	<b>15,231,389</b>	<b>20,224,220</b>	<b>20,246,895</b>	<b>35,285,811</b>	<b>35,478,284</b>
<b>Expenses:</b>						
General government	2,877,541	2,516,788	-	-	2,877,541	2,516,788
Public safety	4,986,023	6,781,142	-	-	4,986,023	6,781,142
Transportation	1,184,313	967,976	-	-	1,184,313	967,976
Environmental protection	-	380,320	-	-	-	380,320
Cultural and recreation	1,255,071	1,772,305	-	-	1,255,071	1,772,305
Interest on long-term debt	272,071	479,146	-	-	272,071	479,146
Water	-	-	2,166,108	2,039,590	2,166,108	2,039,590
Wastewater	-	-	19,417,518	12,774,267	19,417,518	12,774,267
Non-major funds	-	-	1,687,121	1,388,476	1,687,121	1,388,476
<b>Total expenses</b>	<b>10,575,019</b>	<b>12,897,677</b>	<b>23,270,747</b>	<b>16,202,333</b>	<b>33,845,766</b>	<b>29,100,010</b>
Increase in net position before transfers and special item	4,486,572	2,333,712	(3,046,527)	4,044,562	1,440,045	6,378,274
Transfers	432,084	306,249	(432,084)	(306,249)	-	-
Special item: Hurricane Matthew	(1,085,390)	-	-	-	(1,085,390)	-
Increase in net position	3,833,266	2,639,961	(3,478,611)	3,738,313	354,655	6,378,274
Net position, beginning	35,812,244	33,172,283	49,428,622	45,690,309	85,240,866	78,862,592
Restatement	(1,164,635)	-	782,892	-	(381,743)	-
Net position, beginning, restated	34,647,609	33,172,283	50,211,514	45,690,309	84,859,123	78,862,592
<b>Net position - June 30</b>	<b>\$ 38,480,875</b>	<b>\$ 35,812,244</b>	<b>\$ 46,732,903</b>	<b>\$ 49,428,622</b>	<b>\$ 85,213,778</b>	<b>\$ 85,240,866</b>

**Town of Oak Island, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2017**

**Governmental activities.** Governmental activities increased the Town's net position by \$3,833,266. A decrease in expenses of \$1,237,268 was the key element in the growth in net position.

**Business-type activities.** The business-type activities decreased the Town of Oak Island's net position. Net position was reduced by \$2,695,719. An increase in Wastewater expenses of \$6,643,251 was the key component of the decrease in net position. This was primarily due to the costs associated with the refinancing of bonds.

#### **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, 2017, the governmental funds of Town of Oak Island reported a combined fund balance of \$18,551,891 with a net increase in fund balance of \$2,628,139. Included in this change in fund balance are increases 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 2017 fiscal year, the fund balance for the Town of Oak Island's General Fund reached \$12,498,913. Of this, \$822,821 was restricted, \$669,379 represented non-spendable inventories and prepaid expenditures and \$380,835 was committed by the Town for administration, public safety, and transportation, leaving an unassigned fund balance of \$10,625,878 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 92.74% of general 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 \$22,724,655. The change in net position for the Water, Wastewater and Other Enterprise Funds was \$1,415,542, \$(4,851,150) and \$(43,003), 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 decrease in net position is due to interest payments and depreciation that exceed the revenues in that Fund as well as the 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, 2017**

**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, 2017, totals \$133,389,954 (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	
	2017	2016	2017	2016	2017	2016
Land	\$ 9,529,923	\$ 9,529,923	\$ 4,969,999	\$ 4,684,602	\$ 14,499,922	\$ 14,214,525
Buildings	13,144,195	13,580,808	11,240,222	11,575,699	24,384,417	25,156,507
Improvements	1,446,900	1,501,111	-	-	1,446,900	1,501,111
Motor Vehicles	466,873	381,687	51,441	22,122	518,314	403,809
Heavy Motor Vehicles	413,979	676,094	484,252	516,965	898,231	1,193,059
Equipment	167,617	314,174	3,245,441	3,577,534	3,413,058	3,891,708
Office Equipment	35,875	46,836	-	-	35,875	46,836
Computers and electrical equipment	106,654	30,039	108	-	106,762	30,039
Infrastructure	2,643,442	2,795,263	75,894,004	77,615,355	78,537,446	80,410,618
Intangible assets	-	-	9,549,029	9,959,375	\$ 9,549,029	\$ 9,959,375
<b>Total capital assets, net</b>	<b>\$ 27,955,458</b>	<b>\$ 28,855,935</b>	<b>\$ 105,434,496</b>	<b>\$ 107,951,652</b>	<b>\$ 133,389,954</b>	<b>\$ 136,807,587</b>

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, 2017, the Town of Oak Island had total bonded debt outstanding of \$85,071,477. 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	
	2017	2016	2017	2016	2017	2016
Installment purchase	\$ 6,534,510	\$ 8,448,140	-	\$ 109,275	\$ 6,534,510	\$ 8,557,415
Revolving loans	-	-	9,484,525	10,137,096	9,484,525	10,137,096
Revenue bonds	-	-	85,071,477	81,858,221	85,071,477	81,858,221
Compensated absences	368,050	327,195	99,582	107,265	467,632	434,460
OPEB liability	447,637	460,491	228,769	222,189	676,406	682,680
Net pension liability (LGRS)	1,395,066	331,180	451,156	95,087	1,846,222	426,267
Total pension liability	519,423	105,944	-	-	519,423	105,944
<b>Total outstanding debt</b>	<b>\$ 9,264,686</b>	<b>\$ 9,672,950</b>	<b>\$ 95,335,509</b>	<b>\$ 92,529,133</b>	<b>\$ 104,600,195</b>	<b>\$ 102,202,083</b>

**Town of Oak Island, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2017**

**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 \$99,917,945 (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.

- Town Council approved an Ad Valorem tax increase from \$.290 to \$.310 cents per \$100.00 at full valuation. The total ad valorem tax rate of \$.310 includes .020 per \$100.00 designated as funding for the Town of Oak Island's Sand Nourishment Project.
- 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.
- In the prior fiscal year, the Town began an initiative to educate the public regarding the responsibility to pay to the Town an Accommodations Tax. A review was undertaken of rental agencies and individuals who rent their home or condominium to ascertain if they were paying the tax as required. These initiatives resulted in an increase in accommodations revenue for the prior year as well as in increase of \$362,000 in the current year.
- Sales Tax Revenues for the fiscal year resulted in an increase of \$422,000 over the prior fiscal year.
- On February 23, 2017, the Town issued Enterprise Revenue Refunding Bonds (Series 2017) in the amount of \$32,695,000 for refunding in advance the Series 2008A and 2011 Revenue Bonds. This resulted in an average annual cash savings to the Enterprise Fund of \$201,000 and a total cash savings of approximately \$2,899,811 over the life of the bonds. This refunding along with the 2015 Bond refunding created an annual savings of \$652,893 in interest expense
- 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.

**Town of Oak Island, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2017**

**Budget Highlights for the Fiscal Year Ending June 30, 2018**

**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.** Town Management during the budget process implemented a 1.5% increase in water and sewer rates, which became effective July 1, 2017. 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](http://www.oakislandnc.com) for more information.



## ***Basic Financial Statements***

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**TOWN OF OAK ISLAND, NORTH CAROLINA**

Statement of Net Position

June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Oak Island ABC Board
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Equivalent	\$ 13,539,247	\$ 21,651,982	\$ 35,191,229	\$ 255,388
Taxes Receivables, Net	189,568	-	189,568	-
Assessments Receivable	16,575	-	16,575	-
Accounts Receivable, Net	47,147	3,639,991	3,687,138	-
Due from Other Funds	-	-	-	-
Due From Component Unit	109,870	-	109,870	-
Inventories	9,744	257,529	267,273	205,809
Prepaid Items	659,635	-	659,635	14,127
<b>Total Current Assets</b>	<b>14,571,786</b>	<b>25,549,502</b>	<b>40,121,288</b>	<b>475,324</b>
<b>Non-current Assets</b>				
Restricted Cash and Cash Equivalents	4,613,796	7,323,995	11,937,791	226,014
Restricted Receivables	-	3,414,037	3,414,037	-
Accrued Interest on Restricted Assets	-	255,762	255,762	-
Prepaid Bond Insurance	-	700,849	700,849	-
Capital Assets				
Land, Non-depreciable Improvements, and Construction in Progress	9,529,923	4,969,999	14,499,922	101,178
Other Capital Assets, Net of Depreciation	18,425,535	100,464,497	118,890,032	235,286
Total Capital Assets	27,955,458	105,434,496	133,389,954	336,464
<b>Total Non-current Assets</b>	<b>32,569,254</b>	<b>117,129,139</b>	<b>149,698,393</b>	<b>562,478</b>
<b>Total Assets</b>	<b>47,141,040</b>	<b>142,678,641</b>	<b>189,819,681</b>	<b>1,037,802</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Deferrals	1,190,160	389,094	1,579,254	53,022
<b>Total Deferred Outflows of Resources</b>	<b>\$ 1,190,160</b>	<b>\$ 389,094</b>	<b>\$ 1,579,254</b>	<b>\$ 53,022</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Net Position (Continued)  
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Oak Island ABC Board
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable and Accrued Expenses	\$ 1,170,315	\$ 453,721	\$ 1,624,036	\$ 118,580
Accrued Interest Payable	-	442,444	442,444	-
Customer Deposits	76,289	113,567	189,856	-
Due to Other Funds	-	-	-	-
Due to Primary Government	-	-	-	109,870
Current Portion of Long-Term Liabilities	1,694,099	3,506,981	5,201,080	-
<b>Total Current Liabilities</b>	<b>2,940,703</b>	<b>4,516,713</b>	<b>7,457,416</b>	<b>228,450</b>
<b>Long-Term Liabilities</b>				
Due In More Than One Year	4,840,411	91,277,790	96,118,201	93,312
Net Pension Liability	1,395,066	451,156	1,846,222	34,169
Total Pension Liability	519,423	-	519,423	-
<b>Total Long-Term Liabilities</b>	<b>6,754,900</b>	<b>91,728,946</b>	<b>98,483,846</b>	<b>127,481</b>
<b>Total Liabilities</b>	<b>9,695,603</b>	<b>96,245,659</b>	<b>105,941,262</b>	<b>355,931</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	5,700	44,803	50,503	-
Pension Deferrals	149,022	44,370	193,392	1,197
<b>Total Deferred Inflows of Resources</b>	<b>154,722</b>	<b>89,173</b>	<b>243,895</b>	<b>1,197</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	21,295,948	20,338,449	41,634,397	336,464
Restricted For:				
Stabilization by State Statute	334,821	-	334,821	-
Streets	308,000	-	308,000	-
Public Safety	-	-	-	-
Cultural and Recreation	6,248,810	-	6,248,810	-
Other Functions	380,835	3,669,799	4,050,634	313,024
Unrestricted	9,912,461	22,724,655	32,637,116	84,208
<b>Total Net Position</b>	<b>\$ 38,480,875</b>	<b>\$ 46,732,903</b>	<b>\$ 85,213,778</b>	<b>\$ 733,696</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Activities  
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government	\$ 2,877,541	\$ 2,057,261	\$ -	\$ 630,456
Public Safety	4,986,023	830,500	37,188	-
Transportation	1,184,313	-	328,971	-
Cultural and Recreation	1,255,071	155,687	-	61,244
Interest on Long-Term Debt	272,071	-	-	-
<b>Total Governmental Activities</b>	<b>10,575,019</b>	<b>3,043,448</b>	<b>366,159</b>	<b>691,700</b>
<b>Business-Type Activities:</b>				
Water Operations	2,166,108	5,069,632	-	148,588
Wastewater Operations	19,417,518	12,493,584	-	926,829
Solid Waste Operations	1,139,955	1,078,887	34,911	-
Golf Course Operations	243,277	153,209	-	-
Stormwater Operations	303,889	313,513	-	-
<b>Total Business-Type Activities</b>	<b>23,270,747</b>	<b>19,108,825</b>	<b>34,911</b>	<b>1,075,417</b>
<b>Total Primary Government</b>	<b>\$ 33,845,766</b>	<b>\$ 22,152,273</b>	<b>\$ 401,070</b>	<b>\$ 1,767,117</b>
<b>Component Units:</b>				
Oak Island ABC Board	\$ 2,575,544	\$ 2,596,559	\$ -	\$ -
<b>Total Component Units</b>	<b>\$ 2,575,544</b>	<b>\$ 2,596,559</b>	<b>\$ -</b>	<b>\$ -</b>

**General Revenues:**

Taxes:

Property Taxes, Levied for General Purpose

Local Option Sales Taxes

Accommodations Taxes

Unrestricted Investment Earnings

Miscellaneous

Sale of Capital Assets

**Total General Revenues**

**Special Item - Hurricane Matthew**

**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
\$ (189,824)	\$ -	\$ (189,824)	\$ -
(4,118,335)	-	(4,118,335)	-
(855,342)	-	(855,342)	-
(1,038,140)	-	(1,038,140)	-
(272,071)	-	(272,071)	-
(6,473,712)	-	(6,473,712)	-
-	3,052,112	3,052,112	-
-	(5,997,105)	(5,997,105)	-
-	(26,157)	(26,157)	-
-	(90,068)	(90,068)	-
-	9,624	9,624	-
-	(3,051,594)	(3,051,594)	-
(6,473,712)	(3,051,594)	(9,525,306)	-

-	-	-	24,262
\$ -	\$ -	\$ -	24,262

7,445,239	-	7,445,239	-
1,897,533	-	1,897,533	-
1,446,852	-	1,446,852	-
49,949	2,136	52,085	1,021
105,640	2,931	108,571	-
15,071	-	15,071	-
10,960,284	5,067	10,965,351	1,021
(1,085,390)	-	(1,085,390)	-
432,084	(432,084)	-	-
10,306,978	(427,017)	9,879,961	1,021
3,833,266	(3,478,611)	354,655	25,283
35,812,244	49,428,622	85,240,866	708,413
(1,164,635)	782,892	(381,743)	-
34,647,609	50,211,514	84,859,123	708,413
\$ 38,480,875	\$ 46,732,903	\$ 85,213,778	\$ 733,696

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Balance Sheet  
 Governmental Funds  
 June 30, 2017

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Beach Tax		
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 10,086,189	\$ -	\$ 3,453,058	\$ 13,539,247
Restricted Cash	1,965,962	2,647,834	-	4,613,796
Receivables (net):				-
Taxes	189,568	-	-	189,568
Assessments	16,575	-	-	16,575
Accounts	47,147	-	-	47,147
Due from Component Unit	109,870	-	-	109,870
Due from Other Funds	-	-	-	-
Inventories	9,744	-	-	9,744
<b>Total Assets</b>	<u>\$ 12,425,055</u>	<u>\$ 2,647,834</u>	<u>\$ 3,453,058</u>	<u>\$ 18,525,947</u>
<b>DEFERRED OUTFLOWS OF REOURCES</b>				
Prepays	\$ 659,635	\$ -	\$ -	\$ 659,635
<b>Total Deferred Outflows of Resources</b>	<u>659,635</u>	<u>-</u>	<u>-</u>	<u>659,635</u>
<b>LIABILITIES</b>				
Accounts Payable	317,504	33,574	14,340	365,418
Due to Other Funds	-	-	-	-
Customer Deposits	76,289	-	-	76,289
<b>Total Liabilities</b>	<u>393,793</u>	<u>33,574</u>	<u>14,340</u>	<u>441,707</u>
<b>DEFERRED INFLOWS OF REOURCES</b>				
Unavailable Revenue	186,284	-	-	186,284
Unearned Revenue	5,700	-	-	5,700
<b>Total Deferred Inflows of Resources</b>	<u>191,984</u>	<u>-</u>	<u>-</u>	<u>191,984</u>
<b>FUND BALANCES</b>				
Non Spendable				
Inventories	9,744	-	-	9,744
Prepays	659,635	-	-	659,635
Restricted:				
Stabilization by State Statute	334,821	-	-	334,821
Streets - Powell Bill	308,000	-	-	308,000
Public Safety	-	-	-	-
Tourism	-	-	-	-
Cultural and Recreation	180,000	2,614,260	3,438,718	6,232,978
Committed:				
Administration	178,800	-	-	178,800
Public Safety	162,035	-	-	162,035
Transportation	40,000	-	-	40,000
Unassigned:	10,625,878	-	-	10,625,878
<b>Total Fund Balances</b>	<u>12,498,913</u>	<u>2,614,260</u>	<u>3,438,718</u>	<u>18,551,891</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 13,084,690</u>	<u>\$ 2,647,834</u>	<u>\$ 3,453,058</u>	<u>\$ 19,185,582</u>

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Balance Sheet  
 Governmental Funds  
 June 30, 2017

	<b>Total Governmental Funds</b>
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
Total Fund Balance, Governmental Funds	\$ 18,551,891
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>	
Gross capital assets at historical cost	\$ 39,900,652
Accumulated depreciation	(11,945,194)
	27,955,458
<p>Deferred outflows of resources related to pensions are not reported in the funds</p>	
	1,190,160
<p>Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds</p>	
Earned revenues considered deferred inflows of resources in fund statements	186,284
<p>Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.</p>	
Installment notes payable	(6,534,510)
Compensated absences payable	(368,050)
Other postemployment benefits payable	(436,847)
Net Pension Liability	(1,395,066)
Total Pension Liability	(519,423)
	(9,253,896)
<p>Deferred inflows of resources related to pensions are not reported in the funds</p>	
	(149,022)
<b>Net Position of Governmental Activities</b>	<b><u>\$ 38,480,875</u></b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2017

	<u>Major Funds</u>		<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Beach Tax</u>		
<b>Revenues</b>				
Ad Valorem Taxes	\$ 7,461,694	\$ -	\$ -	\$ 7,461,694
Other Taxes and Licenses	1,897,533	578,706	868,146	3,344,385
Unrestricted Intergovernmental	927,645	-	-	927,645
Restricted Intergovernmental	1,708,874	166,666	-	1,875,540
Sales and Services	978,569	-	-	978,569
Permits and Fees	336,617	-	-	336,617
Investment Earnings	49,949	-	-	49,949
Miscellaneous	88,579	-	20,699	109,278
<b>Total Revenues</b>	<u>13,449,460</u>	<u>745,372</u>	<u>888,845</u>	<u>15,083,677</u>
<b>Expenditures</b>				
Current:				
General Government	2,639,184	-	-	2,639,184
Public Safety	4,611,679	-	-	4,611,679
Transportation	1,113,871	-	-	1,113,871
Cultural and Recreational	844,468	60,014	341,473	1,245,955
Debt Service:				
Principal	1,903,628	-	-	1,903,628
Interest and Other Charges	272,071	-	-	272,071
<b>Total Expenditures</b>	<u>11,384,901</u>	<u>60,014</u>	<u>341,473</u>	<u>11,786,388</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>2,064,559</u>	<u>685,358</u>	<u>547,372</u>	<u>3,297,289</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	695,198	-	-	695,198
Transfers to Other Funds	(263,114)	-	-	(263,114)
Sales of Capital Assets	15,071	-	-	15,071
<b>Total Other Financing Sources (Uses)</b>	<u>447,155</u>	<u>-</u>	<u>-</u>	<u>447,155</u>
<b>Special Item</b>				
Hurricane Matthew Emergency Sand Project	-	(1,085,390)	-	(1,085,390)
<b>Net Change in Fund Balance</b>	2,511,714	(400,032)	547,372	2,659,054
<b>Fund Balance - Beginning</b>	<u>10,558,559</u>	<u>3,014,292</u>	<u>2,891,346</u>	<u>16,464,197</u>
<b>Restatement</b>	(571,360)	-	-	(571,360)
<b>Fund Balance Beginning of the Year Restated</b>	9,987,199	3,014,292	2,891,346	15,892,837
<b>Net Change in Fund Balance</b>	2,511,714	(400,032)	547,372	2,659,054
<b>Fund Balance - Ending</b>	<u>\$ 12,498,913</u>	<u>\$ 2,614,260</u>	<u>\$ 3,438,718</u>	<u>\$ 18,551,891</u>



**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2017

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

Net changes in fund balances - total governmental funds \$ 2,659,054

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	\$ 466,252	
Depreciation expense for governmental assets	(1,100,868)	(634,616)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		299,481
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Change in unavailable revenue for property tax revenues	(16,455)	(16,455)

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	1,903,628	1,903,628

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	(40,855)	
Pension Expense	(340,692)	
Other postemployment benefits	3,721	(377,826)
	3,721	(377,826)

Change in net position of governmental activities		\$ 3,833,266
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**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, 2017

	<b>General Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Ad Valorem Taxes	\$ 7,182,515	\$ 7,248,515	\$ 7,461,694	\$ 213,179
Other Taxes and Licenses	1,601,100	1,601,100	1,897,533	296,433
Unrestricted Intergovernmental	747,600	747,600	927,645	180,045
Restricted Intergovernmental	1,383,520	1,950,063	1,708,874	(241,189)
Permits and Fees	292,500	292,200	978,569	686,369
Sales and Services	167,200	172,200	336,617	164,417
Investment Earnings	-	-	49,949	49,949
Miscellaneous	102,400	102,400	88,579	(13,821)
<b>Total Revenues</b>	<b>11,476,835</b>	<b>12,114,078</b>	<b>13,449,460</b>	<b>1,335,382</b>
<b>Expenditures</b>				
Current				
General Government	2,521,688	3,014,812	2,639,184	375,628
Public Safety	4,783,926	4,931,835	4,611,679	320,156
Transportation	1,485,528	1,502,820	1,113,871	388,949
Cultural and Recreation	826,861	930,021	844,468	85,553
Debt Service				
Principal	1,723,628	1,903,628	1,903,628	-
Interest and Other Charges	247,244	271,807	272,071	(264)
Contingency	-	-	-	-
<b>Total Expenditures</b>	<b>11,588,875</b>	<b>12,554,923</b>	<b>11,384,901</b>	<b>1,170,022</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(112,040)</b>	<b>(440,845)</b>	<b>2,064,559</b>	<b>2,505,404</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	22,853	294,999	695,198	400,199
Transfers to Other Funds	(218,813)	(250,313)	(263,114)	(12,801)
Sales of Capital Assets	-	-	15,071	15,071
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (195,960)</b>	<b>\$ 44,686</b>	<b>\$ 447,155</b>	<b>\$ 402,469</b>
<b>Fund Balance Appropriated</b>	<b>308,000</b>	<b>396,159</b>	<b>-</b>	<b>396,159</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>2,511,714</b>	<b>2,511,714</b>
<b>Fund Balance - Beginning of Year Previously Reported</b>			<b>10,122,845</b>	
<b>Restatement</b>			<b>(618,851)</b>	
<b>Fund Balance - Beginning of Year Restated</b>			<b>9,503,994</b>	
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,511,714</b>	<b>\$ 2,511,714</b>
<b>Fund Balance - End of Year</b>			<b>12,015,708</b>	
A legally adopted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
<b>Fund Balance - Beginning of Year</b>			<b>483,205</b>	
<b>Fund Balance - End of Year</b>			<b>\$ 12,498,913</b>	

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 Major Special Revenue Fund - Beach Tax Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Fiscal Year Ended June 30, 2017

	Beach Tax Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues</b>				
Restricted Intergovernmental				
Brunswick County Grant-Lockwood Folly Project	\$ 166,666	\$ 166,666	\$ 166,666	\$ -
Other Taxes and Licenses:				
Restricted Accomodations Tax Receipts	669,000	1,551,000	578,706	(972,294)
<b>Total Revenues</b>	<u>835,666</u>	<u>1,717,666</u>	<u>745,372</u>	<u>(972,294)</u>
<b>Expenditures</b>				
Current				
Culture and Recreation				
Repairs and Maintenance	45,000	40,000	29,373	10,627
Emergency Sand Project	-	1,649,871	-	1,649,871
Other Operating Expenditures	12,795	27,795	30,641	(2,846)
<b>Total Expenditures</b>	<u>57,795</u>	<u>1,717,666</u>	<u>60,014</u>	<u>1,657,652</u>
<b>Revenues Over (Under) Expenditures</b>	<u>777,871</u>	<u>-</u>	<u>685,358</u>	<u>685,358</u>
<b>Fund Balance Appropriated</b>	(777,871)	-	-	-
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>685,358</u>	<u>\$ 685,358</u>
<b>Special Item</b>				
Hurricane Matthew Emergency Sand Project			(1,085,390)	
<b>Fund Balance - Beginning of Year</b>			<u>3,014,292</u>	
<b>Fund Balance - End of Year</b>			<u>\$ 2,614,260</u>	

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Fund Net Position  
Proprietary Funds  
June 30, 2017

	<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>	
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 12,332,010	\$ 8,670,842	\$ 649,130	\$ 21,651,982
Accounts Receivables (net):	1,045,791	2,337,478	256,722	3,639,991
Inventories	145,128	107,363	5,038	257,529
<b>Total Current Assets</b>	<b>13,522,929</b>	<b>11,115,683</b>	<b>910,890</b>	<b>25,549,502</b>
Non-Current Assets				
Restricted Assets				
Net Pension Asset	-	-	-	-
Cash and Cash Equivalents	-	7,323,995	-	7,323,995
Assessments Receivables (net):	-	3,305,008	-	3,305,008
Sewer District Fees Receivable (net)	-	109,029	-	109,029
Accrued Interest Receivable	-	255,762	-	255,762
<b>Total Restricted Assets</b>	<b>-</b>	<b>10,993,794</b>	<b>-</b>	<b>10,993,794</b>
Other Assets				
Prepaid Bond Insurance Costs	-	700,849	-	700,849
Capital Assets				
Land and Construction in Progress	135,068	3,433,136	1,401,795	4,969,999
Other Capital Assets, Net of Depreciation	3,059,416	96,629,456	775,625	100,464,497
<b>Capital Assets</b>	<b>3,194,484</b>	<b>100,062,592</b>	<b>2,177,420</b>	<b>105,434,496</b>
<b>Total Non-Current Assets</b>	<b>3,194,484</b>	<b>111,757,235</b>	<b>2,177,420</b>	<b>117,129,139</b>
<b>TOTAL ASSETS</b>	<b>16,717,413</b>	<b>122,872,918</b>	<b>3,088,310</b>	<b>142,678,641</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Deferrals	123,925	159,884	105,285	389,094
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 123,925</b>	<b>\$ 159,884</b>	<b>\$ 105,285</b>	<b>\$ 389,094</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Fund Net Position  
Proprietary Funds  
June 30, 2017

	<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>	
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	\$ 112,908	\$ 94,812	\$ 106,361	\$ 314,081
Salaries Payable	16,439	13,148	10,471	40,058
Accrued Interest Payable	-	442,444	-	442,444
Due to Other Funds	-	-	-	-
Customer Deposits	113,567	-	-	113,567
Compensated Absences Payable, Current	27,452	36,923	35,207	99,582
Installment Notes Payable, Current	-	-	-	-
Revenue Notes Payable, Current	-	666,981	-	666,981
Revenue Bonds Payable, Current	-	2,840,000	-	2,840,000
<b>Total Current Liabilities</b>	<b>270,366</b>	<b>4,094,308</b>	<b>152,039</b>	<b>4,516,713</b>
Non-current Liabilities				
Other Postemployment Benefits	114,120	56,743	57,906	228,769
Net Pension Liability	141,019	188,922	121,215	451,156
Revenue Notes Payable, Non-current	-	8,817,544	-	8,817,544
Revenue Bonds Payable, Non-current	-	82,231,477	-	82,231,477
<b>Total Non-Current Liabilities</b>	<b>255,139</b>	<b>91,294,686</b>	<b>179,121</b>	<b>91,728,946</b>
<b>TOTAL LIABILITIES</b>	<b>525,505</b>	<b>95,388,994</b>	<b>331,160</b>	<b>96,245,659</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned Revenue	31,955	11,630	1,218	44,803
Pension Deferrals	13,739	18,469	12,162	44,370
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>45,694</b>	<b>30,099</b>	<b>13,380</b>	<b>89,173</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	3,194,484	15,016,545	2,177,420	20,388,449
Restricted for Capital Projects	-	3,669,799	-	3,669,799
Unrestricted	13,075,655	8,927,365	671,635	22,674,655
<b>NET POSITION OF BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 16,270,139</b>	<b>\$ 27,613,709</b>	<b>\$ 2,849,055</b>	<b>\$ 46,732,903</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

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

Proprietary Funds

For the Year Ended June 30, 2017

	Major Funds		Non-Major Funds	Total
	Water Fund	Wastewater Fund	Other Enterprise Funds	
<b>Revenues</b>				
Charges for Services	\$ 4,760,925	\$ 12,493,584	\$ 1,545,609	\$ 18,800,118
Other Operating Revenues	308,707	-	-	308,707
<b>Total Operating Revenues</b>	<b>5,069,632</b>	<b>12,493,584</b>	<b>1,545,609</b>	<b>19,108,825</b>
<b>Operating Expenses</b>				
Administration	165,095	-	248,326	413,421
Water Purchases	892,192	-	-	892,192
Waste Collection and Treatment	-	4,712,806	1,279,507	5,992,313
Maintenance	958,932	287,872	49,638	1,296,442
Other Operating	-	-	54,635	54,635
Depreciation	149,889	3,133,912	55,015	3,338,816
<b>Total Operating Expenses</b>	<b>2,166,108</b>	<b>8,134,590</b>	<b>1,687,121</b>	<b>11,987,819</b>
<b>Operating Income (Loss)</b>	<b>2,903,524</b>	<b>4,358,994</b>	<b>(141,512)</b>	<b>7,121,006</b>
<b>Non-Operating Revenues (Expenses)</b>				
Investment Earnings	-	2,136	-	2,136
Operating Grants and Contributions	-	-	37,842	37,842
Interest and Other Charges	-	(10,707,033)	-	(10,707,033)
Bond Issuance Costs	-	(575,895)	-	(575,895)
Sale of Capital Assets	-	-	-	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>-</b>	<b>(11,280,792)</b>	<b>37,842</b>	<b>(11,242,950)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>2,903,524</b>	<b>(6,921,798)</b>	<b>(103,670)</b>	<b>(4,121,944)</b>
Capital Contributions	148,588	926,829	-	1,075,417
Transfers In	-	1,636,570	146,114	1,782,684
Transfers Out	(1,636,570)	(492,751)	(85,447)	(2,214,768)
<b>Change in Net Position</b>	<b>1,415,542</b>	<b>(4,851,150)</b>	<b>(43,003)</b>	<b>(3,478,611)</b>
<b>Net Position- Beginning Previously Reported</b>	<b>14,854,597</b>	<b>32,464,859</b>	<b>2,109,166</b>	<b>49,428,622</b>
Restatement	-	-	782,892	782,892
<b>Total Net Position- Beginning Restated</b>	<b>14,854,597</b>	<b>32,464,859</b>	<b>2,892,058</b>	<b>50,211,514</b>
<b>Total Net Position - Ending</b>	<b>\$ 16,270,139</b>	<b>\$ 27,613,709</b>	<b>\$ 2,849,055</b>	<b>\$ 46,732,903</b>

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**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Cash Flows-Proprietary Funds  
For the Year Ended June 30, 2017

	<u>Major Enterprise Funds</u>		<u>Non-Major</u>	<u>Total</u>
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Enterprise Funds</u>	
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 4,692,000	\$ 12,341,881	\$ 1,541,473	\$ 18,575,354
Cash Paid for Goods and Services	(1,417,109)	(4,295,647)	(1,029,887)	(6,742,643)
Cash Paid to Employees	(562,904)	(1,013,152)	(548,553)	(2,124,609)
Customer Deposits Received	54,677	-	-	54,677
Customer Deposits Returned	(54,687)	-	-	(54,687)
Other Operating Revenue	308,707	-	-	308,707
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>3,020,684</u>	<u>7,033,082</u>	<u>(36,967)</u>	<u>10,016,799</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Grants Received	-	-	34,911	34,911
Sale of Materials	-	-	2,931	2,931
Transfers from Other Funds	-	1,636,570	146,114	1,782,684
Transfers to Other Funds	(1,636,570)	(426,249)	(85,477)	(2,148,296)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<u>(1,636,570)</u>	<u>1,210,321</u>	<u>98,479</u>	<u>(327,770)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and Construction of Capital Assets	(40,916)	(560,686)	(66,703)	(668,305)
Proceeds from Sale of Capital Assets	-	-	-	-
Principal Paid on Debt	-	(3,491,627)	-	(3,491,627)
Interest and Other Charges	-	(4,513,048)	-	(4,513,048)
Contributions	148,588	3,484,919	-	3,633,507
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>107,672</u>	<u>(5,080,442)</u>	<u>(66,703)</u>	<u>(5,039,473)</u>
<b>Cash Flows Provided by Investing Activities</b>				
Interest on Investments	-	2,136	-	2,136
<b>Net Cash Provided by Investing Activities</b>	<u>-</u>	<u>2,136</u>	<u>-</u>	<u>2,136</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>1,491,786</u>	<u>3,165,097</u>	<u>(5,191)</u>	<u>4,651,692</u>
<b>Cash and Cash Equivalents - July 1</b>	<u>10,840,224</u>	<u>12,829,740</u>	<u>654,321</u>	<u>24,324,285</u>
<b>Cash and Cash Equivalents - June 30</b>	<u>\$ 12,332,010</u>	<u>\$ 15,994,837</u>	<u>\$ 649,130</u>	<u>\$ 28,975,977</u>



**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Cash Flows-Proprietary Funds  
For the Year Ended June 30, 2017

	<u>Major Enterprise Funds</u>		<u>Non-Major</u>	<u>Total</u>
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Enterprise Funds</u>	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	<u>2,903,524</u>	<u>\$ 4,358,994</u>	<u>\$ (141,512)</u>	<u>7,121,006</u>
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Depreciation	149,889	3,133,912	55,015	3,338,816
Changes in Assets and Liabilities (Increase) Decrease in:				
Accounts Receivable	(68,924)	(151,703)	(4,136)	(224,763)
Inventory	12,927	(54,279)	2,000	(39,352)
Deferred Outflows of Resources for Pensions	58,934	(123,375)	46,333	(18,108)
Increase (Decrease) in:				
Net Pension Liability	111,422	143,757	94,666	349,845
Deferred Inflows of Resources for Pensions	(177,473)	(222,017)	(133,794)	(533,284)
Accounts Payable	6,761	(19,966)	23,593	10,388
Customer Deposits	10	-	-	10
Unearned Revenue	-	203	23	226
Accrued Wages	11,546	5,358	5,617	22,521
Accrued Vacation Pay	(433)	(15,542)	8,292	(7,683)
Accrued OPEB Liability	12,501	(22,260)	6,936	(2,823)
<b>Total Adjustments</b>	<u>117,160</u>	<u>2,674,088</u>	<u>104,545</u>	<u>2,895,793</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 3,020,684</u>	<u>\$ 7,033,082</u>	<u>\$ (36,967)</u>	<u>\$ 10,016,799</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Fiduciary Net Position  
June 30, 2017

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

The accompanying notes are an integral part of the financial statement

***Notes to the  
Financial Statements***

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**TOWN OF OAK ISLAND, NORTH CAROLINA**

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

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**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.

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.

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.

The Town reports the following fund type:

**Agency Fund.** Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of 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, 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	Capital Reserve	\$	1,347,225
	Streets		618,737
Accommodations Tax	Cultural and Recreation		<u>2,647,834</u>
Total Governmental Activities		\$	<u>4,613,796</u>

Business-type Activities

Wastewater Fund	Unexpended Bond Revenue	\$	5,517,757
	Capital Reserve		358,234
	Wastewater Assessments		<u>1,448,004</u>
Total Business-type Activities		\$	<u>7,323,995</u>
Total Restricted Cash		\$	<u><u>11,937,791</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2016. 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 than 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 15, 2015 are recorded at their estimated fair value at the date of donation. 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 one item that meets this criterion, contributions made to the pension plan in the 2017 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The town has 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)]

*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 Public Safety* – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.

*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.

**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.

**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 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 Administration* – portion of fund balance committed by Town Council for the town hall replacement. This amount represents the balance remaining in the Town Hall Replacement Capital Project Fund.

*Committed for Public Safety* - portion of fund balance committed by Town Council for the police headquarters project. This amount represents the balance remaining in the Police Headquarters Capital Project 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.

*Subsequent year's expenditures* – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$1,000.

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

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

None.

**C. Excess of Expenditures over Appropriations**

None.

**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, 2017, the Town's deposits had a carrying amount of \$ 41,253,945 and a bank balance of \$41,803,444. 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, 2017, the Town's petty cash funds totaled \$1,050. The carrying amount of deposits for the ABC Board was \$479,901 and the bank balance was \$460,690. Of the bank balance, \$356,496 was covered by federal depository insurance and the remainder was maintained in institutions collateralizing deposits using the pooling method. At June 30, 2017, the ABC Board's cash on hand totaled \$1,500.

2. Investments

The Town and the ABC Board have no formal policy regarding credit risk. At June 30, 2017 The Town's investment balances were as follows:

<b>Investments by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2017</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 2,367,457	N/A	AAAm
Finistar	Fair Value Level 1	3,314,590	1year	Unrated
First Citizens Bank	Fair Value Level 1	193,028	1year	Unrated
Total:		\$ 5,875,075		

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, 2017 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 15,086
Total General Fund	<u>15,086</u>
Enterprise Funds:	
Water Fund	76,206
Wastewater Fund:	
Wastewater Billing	160,213
Sewer District Fees	6,445
Sewer Assessments	195,620
Solid Waste Fund	28,644
Total Enterprise Funds	<u>467,128</u>
Total	<u>\$ 482,214</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2017

**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, 2017, was as follows:

<b>Governmental activities:</b>	Beginning		Decreases	Ending
	Balances	Increases		Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 9,529,923	\$ -	\$ -	\$ 9,529,923
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>9,529,923</u>	<u>-</u>	<u>-</u>	<u>9,529,923</u>
<b>Capital assets being depreciated:</b>				
Buildings	17,336,233	-	-	17,336,233
Motor vehicles	1,792,731	253,135	239,376	1,806,490
Heavy motor vehicles	2,175,059	-	-	2,175,059
Equipment	1,514,456	69,852	243,502	1,340,806
Office equipment	172,405	5,435	-	177,840
Other structures/improvements	3,000,136	44,255	-	3,044,391
Computers/electrical equipment	680,568	93,572	-	774,140
Infrastructure	3,752,924	-	37,154	3,715,770
Total capital assets being depreciated:	<u>30,424,512</u>	<u>466,249</u>	<u>520,032</u>	<u>30,370,729</u>
<b>Less accumulated depreciation for:</b>				
Buildings	3,755,425	436,613	-	4,192,038
Motor vehicles	1,411,044	59,930	131,357	1,339,617
Heavy motor vehicles	1,498,966	262,114	-	1,761,080
Equipment	1,200,282	87,774	114,867	1,173,189
Office equipment	125,569	16,396	-	141,965
Other structures/improvements	1,499,025	98,466	-	1,597,491
Computers/electrical equipment	650,529	16,957	-	667,486
Infrastructure	957,661	122,618	7,951	1,072,328
Total accumulated depreciation	<u>11,098,501</u>	<u>1,100,868</u>	<u>254,175</u>	<u>11,945,194</u>
Total capital assets being depreciated, net	<u>19,326,011</u>			<u>18,425,535</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 28,855,934</u>			<u>\$ 27,955,458</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2017

**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	\$ 312,216
Public safety	601,782
Transportation	59,930
Cultural and recreational	126,940
<b>Total depreciation expense</b>	<b><u><u>\$ 1,100,868</u></u></b>

<b>Business-type activities:</b>	Beginning			Ending
	Balances	Increases	Decreases	Balances
<b>Water Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 135,068	\$ -	\$ -	\$ 135,068
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>135,068</u>	<u>-</u>	<u>-</u>	<u>135,068</u>
<b>Capital assets being depreciated:</b>				
Buildings	134,596	-	-	134,596
Motor vehicles	252,958	35,776	-	288,734
Equipment	434,626	5,139	-	439,765
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>7,521,680</u>	<u>40,915</u>	<u>-</u>	<u>7,562,595</u>
<b>Less accumulated depreciation for:</b>				
Buildings	75,407	1,995	-	77,402
Motor vehicles	252,958	5,366	-	258,324
Equipment	309,511	21,364	-	330,875
Computers/electrical equipment	93,619	-	-	93,619
Utility systems I	1,178,557	44,069	-	1,222,626
Utility systems III	2,443,238	77,095	-	2,520,333
Total accumulated depreciation	<u>4,353,290</u>	<u>149,889</u>	<u>-</u>	<u>4,503,179</u>
Total capital assets being depreciated, net	<u>3,168,390</u>			<u>3,059,416</u>
Water Fund capital assets, net	<u><u>\$ 3,303,458</u></u>			<u><u>\$ 3,194,484</u></u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2017

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

**4. Capital Assets (Continued)**

Business-type activities:	Beginning			Ending
	Balances	Increases	Decreases	
<b>Wastewater Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 3,147,739	\$ -	\$ -	\$ 3,147,739
Future treatment rights	285,397	-	-	285,397
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>3,433,136</u>	<u>-</u>	<u>-</u>	<u>3,433,136</u>
<b>Capital assets being depreciated:</b>				
Buildings	13,266,014	-	-	13,266,014
Motor vehicles	110,070	-	-	110,070
Heavy motor vehicles	180,711	-	-	180,711
Equipment	7,394,284	436,961	-	7,831,245
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>118,218,925</u>	<u>436,961</u>	<u>-</u>	<u>118,655,886</u>
<b>Less accumulated depreciation for:</b>				
Buildings	1,830,013	330,894	-	2,160,907
Motor vehicles	110,068	-	-	110,068
Heavy motor vehicles	190,847	-	-	190,847
Equipment	4,134,395	714,620	-	4,849,015
Utility systems I	11,696	675	-	12,371
Utility systems II	10,607,710	1,690,102	6,998	12,290,814
Intangible assets	2,014,789	397,619	-	2,412,408
Total accumulated depreciation	<u>18,899,518</u>	<u>3,133,910</u>	<u>6,998</u>	<u>22,026,430</u>
Total capital assets being depreciated, net	<u>99,319,407</u>			<u>96,629,456</u>
Wastewater Fund capital assets, net	<u>\$ 102,752,543</u>			<u>\$ 100,062,592</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2017

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

4. Capital Assets (Continued)

<b>Business-type activities:</b>	Beginning			Ending
	Balances	Increases	Decreases	Balances
<b><i>Stormwater Fund</i></b>				
<b>Capital assets being depreciated:</b>				
Buildings	\$ -	\$ -	\$ -	\$ -
Motor vehicles	29,038	-	-	29,038
Heavy motor vehicles	173,751	-	-	173,751
Equipment	180,956	-	-	180,956
Infrastructure	37,154	-	-	37,154
Total capital assets being depreciated:	420,899	-	-	420,899
<b>Less accumulated depreciation for:</b>				
Buildings	-	-	-	-
Motor vehicles	29,038	-	-	29,038
Heavy motor vehicles	10,136	-	-	10,136
Equipment	115,250	-	-	115,250
Infrastructure	9,188	-	-	9,188
Total accumulated depreciation	163,612	-	-	163,612
Total capital assets being depreciated, net	257,287			257,287
Stormwater Fund capital assets, net	\$ 257,287			\$ 257,287
	Beginning			Ending
	Balances	Increases	Decreases	Balances
<b><i>Solid Waste Fund</i></b>				
<b>Capital assets being depreciated:</b>				
Buildings	\$ 5,304	\$ -	\$ -	\$ 5,304
Motor vehicles	52,784	-	-	52,784
Heavy motor vehicles	1,025,865	-	26,727	999,138
Total capital assets being depreciated:	1,083,953	-	26,727	1,057,226
<b>Less accumulated depreciation for:</b>				
Buildings	2,132	132	-	2,264
Motor vehicles	30,665	1,090	-	31,755
Heavy motor vehicles	672,514	22,577	26,727	668,365
Total accumulated depreciation	705,311	23,799	26,727	702,384
Total capital assets being depreciated, net	378,642			354,842
Solid Waste Fund capital assets, net	\$ 378,642			\$ 354,842

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2017

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

4. Capital Assets (Continued)

<b>Business-type activities:</b>	Beginning			Ending
	Balances	Increases	Decreases	Balances
<b><i>South Harbor Golf Course Fund</i></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,401,795	\$ -	\$ -	\$ 1,401,795
Total capital assets not being depreciated	<u>1,401,795</u>	<u>-</u>	<u>-</u>	<u>1,401,795</u>
<b>Capital assets being depreciated:</b>				
Buildings	98,205	-	-	98,205
Equipment	104,145	66,703	-	170,849
Total capital assets being depreciated:	<u>202,350</u>	<u>66,703</u>	<u>-</u>	<u>269,054</u>
<b>Less accumulated depreciation for:</b>				
Buildings	20,869	2,455	-	23,324
Equipment	73,267	8,967	-	82,234
Total accumulated depreciation	<u>94,136</u>	<u>11,422</u>	<u>-</u>	<u>105,558</u>
Total capital assets being depreciated, net	<u>108,214</u>			<u>163,496</u>
SHGC Fund capital assets, net	<u>\$ 1,510,009</u>			<u>\$ 1,565,291</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 108,201,939</u>			<u>\$ 105,434,496</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2017

**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, 2017 was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 101,178	\$ -	\$ -	\$ 101,178
Total capital assets not being depreciated	<u>101,178</u>	<u>-</u>	<u>-</u>	<u>101,178</u>
<b>Capital assets being depreciated:</b>				
Buildings	330,523	-	-	330,523
Other improvements	15,000			15,000
Equipment and furniture	134,802	-	-	134,802
Total capital assets being depreciated:	<u>480,325</u>	<u>-</u>	<u>-</u>	<u>480,325</u>
<b>Less accumulated depreciation for:</b>				
Buildings	124,631	8,263	-	132,894
Other improvements	15,000	-	-	15,000
Equipment and furniture	85,596	11,549	-	97,145
Total accumulated depreciation	<u>225,227</u>	<u>19,812</u>	<u>-</u>	<u>245,039</u>
Total capital assets being depreciated, net	<u>255,098</u>			<u>235,286</u>
<b>ABC Board capital assets, net</b>	<u>\$ 356,276</u>			<u>\$ 336,464</u>

### III. DETAIL NOTES ON ALL FUNDS (Continued)

#### B. Liabilities

##### 1. Pension Plan and Post Unemployment 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](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of 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 Post Unemployment 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, 2017, was 8.00% of compensation for law enforcement officers and 7.25% 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 \$397,390 for the year ended June 30, 2017.

*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, 2017, the Town reported a liability of \$1,846,219 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the Town's proportion was .08699%, which was a decrease of 0.00799% from its proportion measured as of June 30, 2015.

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan and Post Unemployment Obligations (Continued)

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

For the year ended June 30, 2017, the Town recognized pension expense of \$452,111. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 34,687	\$ 64,694
Changes of assumptions	126,450	-
Net difference between projected and actual earnings on pension plan investments	1,020,727	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	117,733
Town contributions subsequent to the measurement date	397,390	-
Total	<u>\$ 1,579,254</u>	<u>\$ 182,427</u>

\$397,390 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2017	\$ 123,646
2018	124,047
2019	466,582
2020	285,164
2021	-
Thereafter	-

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan and Post Unemployment Obligations (Continued)

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

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 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 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 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, 2015 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 Post Unemployment 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, 2016 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 2014 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 7.25%. 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 7.25 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
\$ 4,381,939	\$ 1,846,219	\$ (271,803)

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan and Post Unemployment 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, 2016, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	-
Active plan members	<u>21</u>
Total	<u>21</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 Post Unemployment 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, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

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 \$30,584 for the reporting period.

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

At June 30, 2017, the Town reported a total pension liability of \$519,423. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$42,701.

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan and Post Unemployment Obligations (Continued)

*b. Law Enforcement Officers Special Separation Allowance (Continued)*

4. Contributions (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions and other inputs	-	10,965
Benefit payments and plan administrative expenses made subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 10,965</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:

<b>Year ended June 30:</b>	
2018	1,969
2019	1,969
2020	1,969
2021	1,969
2022	1,969
Thereafter	1,120

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan and Post Unemployment 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 3.86 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 (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	<b>1% Decrease (2.86%)</b>	<b>Discount Rate (3.86%)</b>	<b>1% Increase (4.86%)</b>
Total pension liability	\$ 565,309	\$ 519,423	\$ 477,105
			<b>2017</b>
Beginning balance			\$ 518,458
Service Cost			26,520
Interest on the total pension liability			17,963
Changes of benefit terms			-
Differences between expected and actual experience in the measurement of the total pension liability			-
Changes of assumptions or other inputs			(12,934)
Benefit payments			(30,584)
Other changes			-
Ending balance of the total pension liability			<u>\$ 519,423</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, 2015 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 Post Unemployment Obligations (Continued)

**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, 2017 were \$102,545 which consisted of \$48,854 for general employees the Town and \$53,691 for the law enforcement officers. No amounts were forfeited.

**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.

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan and Post Unemployment Obligations (Continued)

***d. Other Postemployment Benefit (Continued)***

1. Healthcare Benefits (Continued)

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 Post Unemployment Obligations (Continued)

**d. Other Postemployment Benefit (Continued)**

1. Healthcare Benefits (Continued)

Membership in the HCB Plan consisted of the following at December 31, 2014, 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	93	21
Total	<u>104</u>	<u>21</u>

*Funding Policy.* The Town has chosen to fund the healthcare benefits on a pay as you go basis. The current annual required contribution (ARC) is 4.00% of annual covered payroll. For the current year, the Town contributed \$174,331. The Town obtains healthcare coverage through private insurers. The Town's obligation to contribute to the HCB Plan is established and may be amended by the Town Council.

*Summary of Significant Accounting Policies.* Postemployment expenditures are made from the fund from which the retiree was employed. Currently all retirees are from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

*Annual OPEB Cost and Net OPEB Obligation.* The Town's annual OPEB Cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan and Post Unemployment Obligations (Continued)

**d. Other Postemployment Benefit (Continued)**

1. Healthcare Benefits (Continued)

Annual required contribution	\$ 156,048
Interest on net OPEB obligation	27,307
Adjustments to annual required contribution	<u>(26,087)</u>
Annual OPEB cost (expense)	157,268
Contributions made	<u>(174,331)</u>
Increase (decrease) in net OPEB	(17,063)
Net OPEB obligation, beginning of year	<u>682,678</u>
Net OPEB obligation, end of year	<u><u>\$ 665,615</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2017 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 157,268	110.9%	\$ 665,615
2016	\$ 152,630	65.6%	\$ 682,677
2015	\$ 172,285	49.5%	\$ 630,167

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial liability (UAAL) was \$1,619,846. The covered payroll (annual payroll of active employees covered by the plan) was \$4,996,947, and the ratio of the UAAL to the covered payroll was 32.4 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Post Unemployment Obligations (Continued)

d. *Other Postemployment Benefit (Continued)*

1. Healthcare Benefits (Continued)

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.50 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

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.

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

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:

	<b>Deferred Outflows of Resources</b>
Benefit payments made and administrative expenses for LEOSSA	\$ -
Differences between expected and actual experience	34,687
Changes of assumptions and other inputs	126,450
Net difference between projected and actual earnings on pension plan investments	1,020,727
Changes in proportion and differences between Town contributions and proportionate share of contributions	
Town Contributions subsequent to the measurement date	<u>397,390</u>
Total	<u>\$ 1,579,254</u>

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

	<b>Statement of Net Position</b>	<b>General Fund Balance Sheet</b>
Prepaid taxes (General Fund)	\$ 5,700	\$ 5,700
Prepaid Assesments	44,803	
Taxes receivable, less penalties (General Fund)	-	186,284
Changes in assumptions	10,965	-
Differences between expected and actual experience	64,694	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	
	<u>117,733</u>	<u>-</u>
Total	<u>\$ 243,895</u>	<u>\$ 191,984</u>

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, 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 three buildings. All three buildings were 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.

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, 2017, the Town was a defendant to various claims and lawsuits. In the opinion of the Town's management and the Town Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

**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 June 17, 2009, the Town entered into an installment purchase contract with BB&T for the purchase and repair of the Yaupon Pier, due in annual principal installments of \$90,000 plus interest of 4.39% through June 2019.

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.



**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

6. Long-Term Obligations (Continued)

*a. Installment Purchases (Continued)*

Business-type Activities

On May 30, 2002, the Town entered into an installment purchase contract with BB&T for the land purchase for future sewer expansion, due in annual installments of \$114,597 through May 2017.

Annual debt service payments of the installment purchases as of June 30, 2017, including \$463,679 of interest, are as follows:

Years Ending June 30:	Governmental-Type Activities	
	Principal	Interest
2018	\$ 1,633,626	\$ 185,471
2019	1,633,628	139,104
2020	1,633,628	92,736
2021	1,633,628	46,368
2022	-	-
2023-2027	-	-
Total	<u>\$ 6,534,510</u>	<u>\$ 463,679</u>

*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.

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

6. Long-Term Obligations (Continued)

**b. Revolving Loans (Continued)**

Annual debt service payments of the revolving loans as of June 30, 2017, including \$1,528,837 of interest, are as follows:

Years Ending June 30:	Business-type Activities	
	Principal	Interest
2018	\$ 667,181	\$ 216,700
2019	682,351	201,530
2020	697,867	186,013
2021	713,739	170,141
2022	729,974	153,906
2023-2027	3,906,725	512,675
2028-2033	2,086,908	87,872
Total	\$ 9,484,745	\$ 1,528,837

**c. Revenue Bonds**

\$33,040,000 Enterprise System Bonds, series 2008A, net of \$561,329 issuance premium 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 3.50%-5.00%.	<u>\$ 985,000</u>
\$49,420,000 Enterprise System Bonds, series 2009, net of \$413,472 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 4.00% to 6.00%.	<u>2,759,560</u>
\$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>925,808</u>
\$41,110,000 Enterprise System Bonds, series 2015, net of \$584,037 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 5.00%.	<u>44,754,926</u>
\$32,695,000 Enterprise System Bonds, series 2017, net of \$3,030,944 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 3.00% to 5.00%.	<u>35,646,183</u>
	<u>\$ 85,071,477</u>

**III. DETAIL NOTES ON ALL FUNDS (Continued)x**

**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
2018	\$ 3,514,498	\$ 3,307,651
2019	3,371,747	3,387,420
2020	3,452,661	3,242,632
2021	3,558,630	3,111,299
2022	3,718,630	2,949,799
2023-2027	21,303,150	12,030,595
Thereafter	46,152,161	9,182,899
Total	\$ 85,071,477	\$ 37,212,295

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, 2017 is as follows:

Operating and Non-operating Revenues	\$ 12,747,193
Sewer District Fee	2,598,711
Sewer Assessment Revenue	2,219,448
Total Revenues*	<u>17,565,352</u>
Current Expenses**	<u>(7,016,800)</u>
Income Available for Debt Service	10,548,552
15% of the Balance of the Revenue Fund	<u>827,664.00</u>
Total	<u><u>11,376,216</u></u>

100% of the Long Term Debt Service requirement for parity indebtedness, subordinated indebtedness, System G.O. indebtedness, and System Other Indebtedness for 2017.

6,347,651

Additional 20% of the Long Term Debt Service Requirement for Parity Indebtedness for 2017.

883,680

Total

\$ 7,231,331

Coverage Test 704(a)

1.46

Coverage Test 704(b)

1.53

\*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 \$2,598,711 in assessment revenue was included.

\*\*Per rate covenants, this does not include depreciation expense of \$3,283,801

The Town has pledged future water and wastewater customer revenues, net of specified current expenses, to repay \$85,071,477 in water and wastewater revenue bonds issued in January, 2008, March, 2009, 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 \$37,212,295. Principal and interest paid for the current year was \$6,822,149. 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, 2017

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

6. Long-Term Obligations (Continued)

**c. Revenue Bonds (Continued)**

At June 30, 2017 US Bank as Trustee for the Town of Oak Island held the following deposits:

Enterprise Systems Bonds, Series 2009 Special Reserve Account	\$	1,502,984
Enterprise Systems Bonds, Series 2011 Special Revenue Account		340,066
Enterprise Systems Bonds, Series 2015 Special Reserve Account		2,855,597
Enterprise Systems Bonds, Series 2017 Special Reserve Account		819,110
Total on deposit with trustee	<u>\$</u>	<u>5,517,757</u>

**d. Changes in Long-Term Liabilities**

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Installment purchase	\$ 8,448,140	\$ -	\$ (1,913,630)	\$ 6,534,510	\$ 1,633,626
Compensated absences	327,195	40,855	-	368,050	-
Other postemployment benefits	460,491	17,596	(30,450)	436,847	-
Net pension liability (LGRS)	331,180	1,364,230	(300,344)	1,395,066	-
Total Pension Liability	<u>105,944</u>	<u>413,479</u>	<u>-</u>	<u>519,423</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 9,672,950</u>	<u>\$ 1,836,160</u>	<u>\$ (2,244,424)</u>	<u>\$ 9,264,686</u>	<u>\$ 1,633,626</u>
Business-type activities:					
Installment purchases	\$ 109,275	\$ -	\$ (109,275)	\$ -	\$ -
State revolving loan	10,137,096	-	(652,571)	9,484,525	666,981
Revenue bonds	81,858,221	39,566,477	(36,353,221)	85,071,477	2,840,000
Net pension liability (LGRS)	95,087	458,058	(101,989)	451,156	-
Other postemployment benefits	222,189	8,490	(12,701)	228,769	-
Compensated absences	<u>107,265</u>	<u>-</u>	<u>(7,683)</u>	<u>99,582</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 92,529,133</u>	<u>\$ 40,033,025</u>	<u>\$ (37,237,440)</u>	<u>\$ 95,324,718</u>	<u>\$ 3,506,981</u>

**III. DETAIL NOTES ON ALL FUNDS (Continued)**

**C. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2017, consist if the following

From the General Fund to the South Harbour Golf Course	\$	146,114
From the Stormwater Fund to the Capital Reserve Fund		85,447
From the Wastewater Fund to the Captial Reserve Fund		609,751
From the Water Fund to the Wastewater Fund		<u>1,636,570</u>
Total	\$	<u>2,477,882</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 2017 fiscal year, the Town made a one-time transfer from the General Fund to the South Harbour Golf Course fund of \$146,114 for the purchase of new equipment and to finance operating expenses.

During the 2017 fiscal year, the Town made a one-time transfer from the Stormwater Fund to the Capital Reserve Fund of \$85,447 to provide funding for future Stormwater related projects.

During the 2017 fiscal year, the Town made a one-time transfer from the Wastewater Fund to the Capital Reserve Fund to provide funding for future Wastewater projects.

During the 2017 fiscal year, the Town made a one-time transfer from the Water Fund to the Wastewater Fund of \$1,636,570 to finance operating expenses.

**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	\$ 12,498,913
Less:	
Inventories	9,744
Prepays	659,635
Stabilization by State Statute	334,821
Streets-Powell Bill	308,000
Capital Projects	180,000
Town Hall replacement	178,800
Police Headquarters project	162,035
Vehicles	40,000
Remaining Fund Balance	\$ 10,625,878

**E. Prior Period Adjustments and Restatements**

During the fiscal year ended June 30, 2017, the Town decided to classify the Stormwater Fund as a proprietary activity. Formerly considered a governmental activity, this change in classification resulted in an adjustment to the beginning net position of the general fund. The net effect of the adjustment decreased the net position by \$782,892.

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers Special Separation Allowance during the measurement period (fiscal year ending December 31, 2017.) As a result, net position for the governmental activities decreased \$381,743.

**F. Special Item**

In October, 2016, the Town experienced significant wind and water damage associated with Hurricane Matthew. The total expenditures attributable to Hurricane Matthew for the year ended June 30, 2017 was \$1,085,390. The Town received \$463,790 in assistance for the year ended June 30, 2017.

#### **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 \$1,551 to the Council during the fiscal year ended June 30, 2017. 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, 2017, 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, 2017. Complete financial information for the Airport Commission can be obtained at the airport's administrative offices at 380 Long Beach Road, Southport, NC 28461.

##### **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 has the ability to 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, 2017 the Town of Oak Island recorded \$2,868,510 in capacity fees and \$405,626 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, 2017 were evaluated by management on November 7, 2017 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**

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016.) As a result, net position for the governmental activities decreased \$381,743.

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Other Postemployment Benefits

Required Supplementary Information

Schedule of Funding Progress

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((b-a)/c)</u>
12/31/2008	\$ -	\$ 1,813,586	\$ 1,813,586	0.00%	\$ 5,555,994	32.60%
12/31/2011	-	1,851,382	1,851,382	0.00%	6,123,242	30.20%
12/31/2012	-	1,599,866	1,599,866	0.00%	5,191,047	30.80%
12/31/2014	-	1,619,846	1,619,846	0.00%	4,996,947	32.40%

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<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2017	156,048	110.19%
2016	151,503	66.08%
2015	171,314	49.82%

**TOWN OF OAK ISLAND, NORTH CAROLINA**

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

Required Supplementary Information

Last Four Fiscal Years\*

Local Government Employees' Retirement System

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	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Oak Island's Proportion of the Net Pension Liability ( Asset) (%)	0.08699%	0.09498%	0.09820%	0.10500%
Oak Island's Proportion of the Net Pension Liability ( Asset) (\$)	\$ 1,846,219	\$ 426,265	\$ (579,307)	\$ 1,265,653
Oak Island's Covered-Employee Payroll	\$ 5,266,305	\$ 5,453,950	\$ 5,142,211	\$ 4,767,809
Oak Island's Proportion Share of the Net Pension Liability ( Asset) as a Percentage of its Covered-Employee Payroll	35.06%	7.82%	-11.27%	26.55%
Plan fiduciary Net Position as a Percentage of the Total PensionLiability**	91.47%	98.09%	102.64%	94.35%

\* 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 Four Fiscal Years\*  
Local Government Employee's Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 397,390	\$ 372,877	\$ 367,082	\$ 339,202
Contributions in Relation to the	<u>397,390</u>	<u>371,073</u>	<u>380,603</u>	<u>339,202</u>
Contractually Required Contribution Contribution Deficiency (Excess)	<u>-</u>	<u>1,804</u>	<u>(13,521)</u>	<u>-</u>
Oak Island's Covered-Employee Payroll	\$ 5,266,305	\$ 5,453,950	\$ 5,142,211	\$ 4,767,809
Contributions as a Percentage of Covered-Employee Payroll	7.55%	6.80%	7.40%	7.11%

\* Additional years' information will be presented as it becomes available.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 Schedule of Changes in Total Pension Liability  
 Law Enforcement Officer's Special Separation Allowance  
 June 30, 2017\*

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	<b>2017</b>
Beginning balance	\$ 518,458
Service Cost	26,520
Interest on the total pension liability	17,963
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(12,934)
Benefit payments	(30,584)
Other changes	-
Ending balance of the total pension liability	\$ 519,423

\* 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.

**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, 2017\*\*

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	<u>2017</u>
Total pension liability	\$ 519,423
Covered payroll	1,083,115
Total pension liability as a percentage of covered payroll	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 Statement 73 to pay related benefits.

\*\* Additional year's information will be presented as it becomes available.

***Individual Fund Statements and Schedules***  
***Governmental Funds***

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**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, 2017

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
<b>Ad Valorem Taxes</b>			
Current Year	\$	\$ 6,831,413	\$
Prior Years		250,508	
Motor Vehicle Tax		272,706	
Penalties and Interest		107,067	
<b>Total Ad Valorem Taxes</b>	<b>7,248,515</b>	<b>7,461,694</b>	<b>213,179</b>
<b>Other Taxes and Licenses</b>			
Local Option Sales Tax			
1%		734,020	
1/2% 40		405,123	
1/2% 42		376,928	
1/2% 44		381,425	
Animal Control		37	
<b>Total Other Taxes and Licenses</b>	<b>1,601,100</b>	<b>1,897,533</b>	<b>296,433</b>
<b>Unrestricted Intergovernmental</b>			
Beer and Wine Tax		33,275	
Utility Franchise Tax		706,173	
Telecommunications Tax		27,140	
ABC Profit Distribution		161,057	
<b>Total Unrestricted Intergovernmental</b>	<b>747,600</b>	<b>927,645</b>	<b>180,045</b>
<b>Restricted Intergovernmental</b>			
NC Control Substance Tax Distribution		234	
NC Forestry Service Grant		5,700	
Brunswick County Transit Grant		20,000	
Brunswick County Fire District Fees		809,911	
Brunswick County Rescue Contract		36,957	
FEMA Assistance		463,790	
State Street Aid Allocation		308,971	
Kayak Launch Grant		55,544	
NCDOT Mowing Agreement		7,767	
<b>Total Restricted Intergovernmental</b>	<b>1,950,063</b>	<b>1,708,874</b>	<b>(241,189)</b>
<b>Permits and Fees</b>			
Homeowners Recovery Fund		2,480	
Building Permits		715,525	
Inspection Fees		156,701	
Other Permits and Fees		96,938	
CAMA Reimbursement		6,925	
<b>Total Permits and Fees</b>	<b>\$ 292,200</b>	<b>\$ 978,569</b>	<b>\$ 686,369</b>



**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, 2017

	Final Budget	Actual	Variance Positive (Negative)
<b>Sales and Services</b>			
Recreation Department Fees	\$	\$ 101,975	\$
EMS Service Fees		4,712	
Fire Service Fees		15,877	
Weight Room Fees		53,712	
Merchandising		7,954	
Mosquito Control		1,340	
Video Programming Revenue		151,047	
<b>Total Sales and Services</b>	<b>172,200</b>	<b>336,617</b>	<b>164,417</b>
<b>Investment Earnings</b>			
General Fund		49,949	-
<b>Total Investment Earnings</b>	<b>-</b>	<b>49,949</b>	<b>49,949</b>
<b>Miscellaneous</b>			
Pier Lease		38,949	
Donations		15,338	
Civil Citations		13,460	
Turtle Program		6,177	
Miscellaneous		14,655	
<b>Total Miscellaneous</b>	<b>102,400</b>	<b>88,579</b>	<b>(13,821)</b>
<b>Total Revenues</b>	<b>12,114,078</b>	<b>13,449,460</b>	<b>1,335,382</b>
<b>Expenditures</b>			
<b>Governing Board</b>			
Salaries and Wages		39,000	
Employee Benefits		3,207	
Operating Expenditures		170,640	
Donations:			
Brunswick Family Assistance		-	
Chamber of Commerce		5,000	
Oak Island Senior Citizens		1,500	
Communities in Schools		-	
NC Fourth of July Festival		2,000	
Brunswick County Literacy Council		1,500	
Oak Island Water Rescue		22,500	
Brunswick County Airport		10,000	
<b>Total Governing Board</b>	<b>\$ 314,243</b>	<b>\$ 255,347</b>	<b>\$ 58,896</b>

**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, 2017

	Final Budget	Actual	Variance Positive (Negative)
<b>Administration</b>			
Salaries and Wages	\$	\$ 745,664	\$
Employee Benefits		293,950	
Operating Expenditures		960,217	
Capital Outlay		45,938	
<b>Total Administration</b>	<b>2,281,244</b>	<b>2,045,769</b>	<b>235,475</b>
<b>Facilities Management</b>			
Salaries and Wages		106,531	
Employee Benefits		29,411	
Operating Expenditures		202,126	
Capital Outlay		-	
<b>Total Facilities Management</b>	<b>419,325</b>	<b>338,068</b>	<b>81,257</b>
<b>Total General Government</b>	<b>3,014,812</b>	<b>2,639,184</b>	<b>375,628</b>
<b>Public Safety</b>			
<b>Police</b>			
Salaries and Wages		1,148,792	
Employee Benefits		454,142	
Operating Expenditures		199,516	
Capital Outlay		225,181	
<b>Total Police</b>	<b>2,201,395</b>	<b>2,027,631</b>	<b>173,764</b>
<b>Fire</b>			
Salaries and Wages		1,124,386	
Employee Benefits		360,620	
Operating Expenditures		392,086	
Capital Outlay		54,278	
<b>Total Fire</b>	<b>1,965,696</b>	<b>1,931,370</b>	<b>34,326</b>
<b>Developmental Services</b>			
Salaries and Wages		412,685	
Employee Benefits		142,678	
Operating Expenditures		75,099	
Capital Outlay		22,216	
<b>Total Developmental Services</b>	<b>764,744</b>	<b>652,678</b>	<b>112,066</b>
<b>Total Public Safety</b>	<b>\$ 4,931,835</b>	<b>\$ 4,611,679</b>	<b>\$ 320,156</b>

**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, 2017

	Final Budget	Actual	Variance Positive (Negative)
<b>Transportation</b>			
<b>Public Works</b>			
Administration			
Salaries and Wages	\$	\$ 33,835	\$
Employee Benefits		26,724	
Operating Expenditures		3,582	
<b>Total Administration, Public Works</b>	<b>160,590</b>	<b>64,141</b>	<b>96,449</b>
Operations			
Salaries and Wages		180,692	
Employee Benefits		62,857	
Operating Expenditures		647,305	
<b>Total Operations, Public Works</b>	<b>1,181,710</b>	<b>890,854</b>	<b>290,856</b>
<b>Fleet Maintenance</b>			
Salaries and Wages		89,231	
Employee Benefits		29,086	
Operating Expenditures		40,559	
<b>Total Fleet Maintenance</b>	<b>160,520</b>	<b>158,876</b>	<b>1,644</b>
<b>Total Transportation</b>	<b>1,502,820</b>	<b>1,113,871</b>	<b>388,949</b>
<b>Cultural and Recreation</b>			
<b>Recreation</b>			
Salaries and Wages		278,588	
Employee Benefits		117,532	
Operating Expenditures		228,339	
Capital Outlay		71,510	
<b>Total Recreation</b>	<b>\$ 758,453.00</b>	<b>\$ 695,969.00</b>	<b>\$ 62,484.00</b>

**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, 2017

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Community Resource Center</b>			
Salaries and Wages	\$	\$ 74,010	\$
Employee Benefits		19,484	
Operating Expenditures		7,876	
Capital Outlay		47,129	
<b>Total Community Resource Center</b>	<u>171,568</u>	<u>148,499</u>	<u>23,069</u>
<b>Total Cultural and Recreation</b>	<u>930,021</u>	<u>844,468</u>	<u>85,553</u>
<b>Debt Service</b>			
Principal	1,903,628	1,903,628	-
Interest and Fees	271,807	272,071	(264)
<b>Total Debt Service</b>	<u>2,175,435</u>	<u>2,175,699</u>	<u>(264)</u>
<b>Total Expenditures</b>	<u>12,554,923</u>	<u>11,384,901</u>	<u>1,170,022</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(440,845)</u>	<u>2,064,559</u>	<u>\$ 2,505,404</u>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds			
Accommodations Tax Fund	22,853	-	(22,853)
Transfers to Other Funds			
Capital Reserve Fund	(200,530)	(285,822)	(85,292)
Solid Waste Fund	(58,488)	-	58,488
South Harbour Golf Course Fund	(191,825)	(146,114)	45,711
Sale of Capital Assets		15,071	15,071
<b>Total Other Financing Sources (Uses)</b>	<u>(427,990)</u>	<u>(416,865)</u>	<u>11,125</u>
Appropriated Fund Balance	868,835	-	868,835
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>1,647,694</u>	<u>\$ 1,647,694</u>
<b>Fund Balance - Beginning of Year - Previously Reported</b>		<u>10,122,845</u>	
Restatement		(618,851)	
<b>Fund Balance - Beginning of Year - Restated</b>		<u>9,503,994</u>	
<b>Fund Balance - End of Year</b>		<u>\$ 11,151,688</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, 2017

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Investment Earnings	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Financing Sources (Uses)</b>			
Appropriated Fund Balance	(495,529)	-	495,529
Transfer from Other Funds	495,529	995,180	499,651
Transfer to Other Funds		(131,160)	(131,160)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>864,020</b>	<b>864,020</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures</b>	<b>-</b>	<b>864,020</b>	<b>864,020</b>
<b>Fund Balance - Beginning of Year</b>		<b>483,205</b>	
<b>Fund Balance - End of Year</b>		<b>\$ 1,347,225</b>	

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2017

	<b>Accomodations Tax Fund</b>	<b>Beach Preservation Fund</b>	<b>Total Other Governmental Special Revenue Funds</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 3,368,307	\$ 84,751	\$ 3,453,058
Assessments Receivable, Net	-	-	-
Accounts Receivable	-	-	-
Due From Other Funds	-	-	-
<b>Total Assets</b>	<b>3,368,307</b>	<b>84,751</b>	<b>3,453,058</b>
<b>Deferred Outflows of Resources</b>			
Prepaid Expenses	-	-	-
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>			
Accounts Payable	14,340	-	14,340
Due to Other Funds	-	-	-
<b>Total Liabilities</b>	<b>14,340</b>	<b>-</b>	<b>14,340</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>			
Restricted			
Cultural and Recreation	3,353,967	84,751	3,438,718
<b>Total Fund Balances</b>	<b>3,353,967</b>	<b>84,751</b>	<b>3,438,718</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 3,368,307</b>	<b>\$ 84,751</b>	<b>\$ 3,453,058</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

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

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2017

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	<b>Accomodations Tax Fund</b>	<b>Beach Preservation Fund</b>	<b>Total Other Governmental Special Revenue Funds</b>
<b>Revenues</b>			
Other Taxes and Licenses	\$ 868,146	\$ -	\$ 868,146
Miscellaneous	2,461	18,238	20,699
<b>Total Revenues</b>	<u>870,607</u>	<u>18,238</u>	<u>888,845</u>
<b>Expenditures</b>			
Culture and Recreation	313,951	27,522	341,473
<b>Total Expenditures</b>	<u>313,951</u>	<u>27,522</u>	<u>341,473</u>
<b>Revenues Over (Under) Expenditures</b>	<u>556,656</u>	<u>(9,284)</u>	<u>547,372</u>
<b>Net Change in Fund Balance</b>	556,656	(9,284)	547,372
<b>Fund Balance - Beginning of Year</b>	<u>2,797,311</u>	<u>94,035</u>	<u>2,891,346</u>
<b>Fund Balance - End of Year</b>	<u>\$ 3,353,967</u>	<u>\$ 84,751</u>	<u>\$ 3,438,718</u>

**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, 2017

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Other Taxes and Licenses			
Accomodations Tax Receipts		\$ 868,146	
Total Other Taxes and Licenses	\$ 824,000	868,146	\$ 44,146
Miscellaneous			
Miscellaneous Revenue		2,461	2,461
Total Miscellaneous	1,000	2,461	2,461
<b>Total Revenues</b>	<b>825,000</b>	<b>870,607</b>	<b>46,607</b>
<b>Expenditures</b>			
Cultural and Recreational			
Professional Services		86,482	
Utilities		5,249	
Greenhouse		653	
Maintenance Plan		146,234	
Contracted Services		8,566	
Bulkheading		2,609	
Dune Maintenance		1,449	
Oak Island Pier Repairs		14,350	
Oak Island Pier Insurance		48,359	
Total Cultural and Recreational	825,000	313,951	511,049
<b>Total Expenditures</b>	<b>825,000</b>	<b>313,951</b>	<b>511,049</b>
<b>Revenues Over (Under) Expenditures</b>		<b>556,656</b>	<b>556,656</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures</b>	<b>\$ -</b>	<b>556,656</b>	<b>\$ 556,656</b>
<b>Fund Balance Beginning of the Year</b>		<b>2,797,311</b>	
<b>Fund Balance End of the Year</b>		<b>\$ 3,353,967</b>	



**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, 2017

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Miscellaneous			
Fund Raisers		\$ 13,109	
Donations		123	
Memberships		5,006	
Total Miscellaneous	\$ 41,400	18,238	\$ 23,162
<b>Total Revenues</b>	<b>41,400</b>	<b>18,238</b>	<b>23,162</b>
<b>Expenditures</b>			
Cultural and Recreational			
Salaries		3,740	
Fringe Benefits		286	
Miscellaneous Supplies		2,477	
Float and Other Events		454	
Amenity Repairs		9,741	
Organization Membership Dues		280	
Fund Raiser Events		2,683	
Miscellaneous		617	
Beach Preservation Newsletter		701	
Beach Visitor Amenities		4,376	
Beach Lover's Campaign		2,167	
<b>Total Expenditures</b>	<b>41,400</b>	<b>27,522</b>	<b>13,878</b>
<b>Revenues Over (Under) Expenditures</b>	<b>-</b>	<b>(9,284)</b>	<b>(9,284)</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures</b>	<b>\$ -</b>	<b>(9,284)</b>	<b>\$ (9,284)</b>
<b>Fund Balance - Beginning of Year</b>		<b>94,035</b>	
<b>Fund Balance - End of Year</b>		<b>\$ 84,751</b>	

***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, 2017

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Operating Revenues</b>			
Charges for Services:			
Utility Charges		\$ 4,318,649	
Reconnect Fees		123,960	
Late Fees		51,315	
Water Taps		267,001	
Other Operating Revenues		308,707	
<b>Total Operating Revenues</b>	<b>\$ 3,799,103</b>	<b>5,069,632</b>	<b>\$ (1,270,529)</b>
<b>Nonoperating Revenues</b>			
Infrastructure Reimbursement Fees		148,588	
Interest Earnings		-	
<b>Total Nonoperating Revenues</b>	<b>63,000</b>	<b>148,588</b>	<b>(85,588)</b>
<b>Total Revenues</b>	<b>3,862,103</b>	<b>5,218,220</b>	<b>(1,356,117)</b>
<b>Expenditures</b>			
<b>Water Administration</b>			
Salaries and Wages		76,201	
Employee Benefits		28,385	
Cost of Water		892,192	
Other Operating Expenditures		58,739	
<b>Total Waste Administration</b>	<b>1,098,970</b>	<b>1,055,517</b>	<b>43,453</b>
<b>Water Maintenance</b>			
Salaries and Wages		418,053	
Employee Benefits		106,127	
Other Operating Expenditures		428,640	
Capital Outlay		40,916	
<b>Total Water Maintenance</b>	<b>\$ 1,103,177</b>	<b>\$ 993,736</b>	<b>\$ 109,441</b>

**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, 2017

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Total Expenditures</b>	\$ 2,202,147	\$ 2,049,253	\$ 152,894
<b>Other Financing Sources (Uses)</b>			
Fund Balance Appropriated	(23,386)	-	-
Transfers Out			
Wastewater Fund	(1,636,570)	(1,636,570)	-
<b>Total Other Financing Sources (Uses)</b>	(1,659,956)	(1,636,570)	23,386
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	\$ -	1,532,397	\$ 1,532,397
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>		<u>1,532,397</u>	
Reconciling Items:			
Capital Outlay		40,916	
Depreciation Expense		(149,889)	
Increase (Decrease) in Deferred Outflows of Resources - Pensions		(58,934)	
(Increase) Decrease in Net Pension Liability		(111,422)	
(Increase) Decrease in Deferred Inflows of Resources - Pensions		177,473	
(Increase) Decrease in:			
Accrued Vacation Pay		(2,498)	
Other Postemployment Benefits		(12,501)	
Total Reconciling Items		<u>(116,855)</u>	
<b>Change in Net Position</b>		<u>\$ 1,415,542</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, 2017

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Operating Revenues</b>			
Charges for Services:			
Utility Charges		\$ 9,289,950	
Caswell Beach Utility Charges		247,138	
Sewer Taps		357,784	
Other Operating Income		-	
<b>Total Operating Revenues</b>	<b>\$ 8,838,474</b>	<b>9,894,872</b>	<b>\$ 1,056,398</b>
<b>Nonoperating Revenues</b>			
Infrastructure Reimbursement		404,920	
Sewer Assessments		1,813,472	
Interest on Sewer Assessments		405,976	
Interest Earned-Revenue Bonds		2,136	
Interest Earnings		-	
Bond Refunding Proceeds		175,755	
Wastewater Treatment Capacity Lease		346,154	
<b>Total Nonoperating Revenues</b>	<b>1,715,755</b>	<b>3,148,413</b>	<b>1,432,658</b>
<b>Total Revenues</b>	<b>10,554,229</b>	<b>13,043,285</b>	<b>2,489,056</b>
<b>Expenditures</b>			
<b>Waste Collection</b>			
Salaries and Wages		212,415	
Employee Benefits		90,749	
Other Operating Expenditures		475,252	
Maintenance and Repair		198,867	
<b>Total Waste Collection</b>	<b>1,258,927</b>	<b>977,283</b>	<b>281,644</b>
<b>Waste Treatment</b>			
Salaries and Wages		342,482	
Employee Benefits		128,091	
County Treatment Capital Charge		2,868,510	
County Treatment Service Fees		405,626	
Other Operating Expenditures		176,248	
Maintenance and Repair		89,005	
<b>Total Waste Treatment</b>	<b>6,313,208</b>	<b>4,009,962</b>	<b>2,303,246</b>
<b>Debt Service</b>			
Principal Payments	3,491,626	3,491,627	(1)
Interest	4,058,277	3,627,858	430,419
<b>Total Debt Service</b>	<b>7,549,903</b>	<b>7,119,485</b>	<b>430,418</b>
<b>Capital Outlay</b>			
Utility System II	1,293,560	560,686	732,874
<b>Total Capital Outlay</b>	<b>1,293,560</b>	<b>560,686</b>	<b>732,874</b>
<b>Total Expenditures</b>	<b>16,415,598</b>	<b>12,667,416</b>	<b>3,748,182</b>
<b>Revenue Over (Under) Expenditures</b>	<b>\$ (5,861,369)</b>	<b>\$ 375,869</b>	<b>\$ 6,237,238</b>

**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, 2016

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other Financing Sources (Uses)</b>			
Fund Balance Appropriated	\$ 3,562,482	\$ -	\$ (3,562,482)
Transfers in:			
Sewer District Fund	2,301,239	2,410,723	109,484
Water Fund	1,636,570	1,636,570	-
Capital Reserve Fund	370,829	-	(370,829)
Transfers out:			
Accommodations fund	(1,400,000)	-	1,400,000
Capital Reserve Fund	(609,751)	(492,751)	117,000
<b>Total Other Financing Sources (Uses)</b>	<u>5,861,369</u>	<u>3,554,542</u>	<u>(2,306,827)</u>
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	<u>\$ -</u>	<u>3,930,411</u>	<u>\$ 3,930,411</u>

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

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

3,930,411

Reconciling Items:

Principal Retirement	3,491,627
Amortization of Bond Issuance Costs	(575,895)
Unamortized Bond Premium	(6,911,108)
Amortization of Premium and Discount	(174,661)
Capital Outlay	560,686
Increase (Decrease) in Deferred Outflows of Resources - Pensions	(79,436)
(Increase) Decrease in Net Pension Liability	(143,757)
(Increase) Decrease in Deferred Inflows of Resources - Pensions	222,017
Depreciation Expense	(3,133,912)
Wastewater Assessments Deferred	(2,218,392)
(Increase) Decrease in:	
Accrued Vacation Pay	15,542
Other Postemployment Benefits	(22,260)
Sewer District Fund	
Sewer District Fees	2,598,711
Transfer to Wastewater Fund	(2,410,723)
Total Reconciling Items	<u>(8,781,561)</u>

**Change in Net Position**

\$ (4,851,150)

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Combining Statement of Net Position  
Other Enterprise Funds  
June 30, 2017

	<b>Non-Major Enterprise Funds</b>			
	<b>Solid Waste Fund</b>	<b>South Harbour Golf Course Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Investments	\$ 205,028	\$ 15,320	\$ 428,782	\$ 649,130
Accounts Receivable (net)	178,483	-	78,239	256,722
Other Receivables	-	-	-	-
Inventories	-	5,038	-	5,038
<b>Total Current Assets</b>	<b>383,511</b>	<b>20,358</b>	<b>507,021</b>	<b>910,890</b>
<b>Noncurrent Assets</b>				
Capital Assets:				
Land Improvement	-	1,401,795	-	1,401,795
Buildings	5,304	98,205	37,154	140,663
Motor Vehicles	52,784	-	29,038	81,822
Heavy Vehicles	999,138	-	173,751	1,172,889
Equipment	-	170,849	180,956	351,805
Less Accumulated Depreciation	(702,384)	(105,558)	(163,612)	(971,554)
<b>Total Non-current Assets</b>	<b>354,842</b>	<b>1,565,291</b>	<b>257,287</b>	<b>2,177,420</b>
<b>Total Assets</b>	<b>738,353</b>	<b>1,585,649</b>	<b>764,308</b>	<b>3,088,310</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Deferrals	59,734	20,402	25,149	105,285
<b>Total Deferred Outflows of Resources</b>	<b>\$ 59,734</b>	<b>\$ 20,402</b>	<b>\$ 25,149</b>	<b>\$ 105,285</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 71,893	\$ 3,177	\$ 31,291	\$ 106,361
Salaries Payable	4,691	2,850	2,930	10,471
Compensated Absences	25,748	3,823	5,636	35,207
<b>Total Current Liabilities</b>	<b>102,332</b>	<b>9,850</b>	<b>39,857</b>	<b>152,039</b>
<b>Noncurrent Liabilities</b>				
Other Postemployment Benefits	47,116	-	10,790	57,906
Net Pension Liability	67,969	24,410	28,836	121,215
<b>Total Non-current Liabilities</b>	<b>115,085</b>	<b>24,410</b>	<b>39,626</b>	<b>179,121</b>
<b>Total Liabilities</b>	<b>\$ 217,417</b>	<b>\$ 34,260</b>	<b>\$ 79,483</b>	<b>\$ 331,160</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned Revenue	\$ -	\$ 1,218	\$ -	\$ 1,218
Pension Deferrals	6,900	2,357	2,905	12,162
<b>Total Deferred Inflows of Resources</b>	<b>\$ 6,900</b>	<b>\$ 3,575</b>	<b>\$ 2,905</b>	<b>\$ 13,380</b>



**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Combining Statement of Net Postion  
Other Enterprise Funds  
June 30, 2017

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**NET POSITION**

Net Investment in Capital Assets	\$	354,842	\$	1,565,291	\$	257,287	\$	2,177,420
Unrestricted		<u>218,928</u>		<u>2,925</u>		<u>449,782</u>		<u>671,635</u>
<b>Total Net Position</b>	<b>\$</b>	<b><u>573,770</u></b>	<b>\$</b>	<b><u>1,568,216</u></b>	<b>\$</b>	<b><u>707,069</u></b>	<b>\$</b>	<b><u>2,849,055</u></b>

**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, 2017

	<b>Non-Major Enterprise Funds</b>			
	<b>Solid Waste Fund</b>	<b>South Harbour Golf Course Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Operating Revenues</b>				
Charges for Services				
Charges for Collection	\$ 1,078,887	\$ 153,209	\$ 313,514	\$ 1,545,610
<b>Total Operating Revenues</b>	<b>1,078,887</b>	<b>153,209</b>	<b>313,514</b>	<b>1,545,610</b>
<b>Operating Expenses</b>				
Administration	-	68,504	179,823	248,327
Waste Collection and Treatment	1,116,156	163,351	-	1,279,507
Repairs and Maintenance	-	-	49,638	49,638
Other Operating	-	-	54,635	54,635
Depreciation	23,799	11,422	19,794	55,015
<b>Total Operating Expenses</b>	<b>1,139,955</b>	<b>243,277</b>	<b>303,890</b>	<b>1,687,122</b>
<b>Operating Income</b>	<b>(61,068)</b>	<b>(90,068)</b>	<b>9,624</b>	<b>(141,512)</b>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Earnings	-	-	-	-
Operating Grants and Contributions	34,911	-	-	34,911
Other Non-operating Revenue	2,931	-	-	2,931
<b>Total Nonoperating Revenues (Expenses)</b>	<b>37,842</b>	<b>-</b>	<b>-</b>	<b>37,842</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(23,226)</b>	<b>(90,068)</b>	<b>9,624</b>	<b>(103,670)</b>
<b>Contributions and Transfers</b>				
Transfers in	-	146,114	-	146,114
Transfers to Other Funds	-	-	(85,447)	(85,447)
<b>Total Contributions and Transfers</b>	<b>-</b>	<b>146,114</b>	<b>(85,447)</b>	<b>60,667</b>
<b>Change in Net Position</b>	<b>(23,226)</b>	<b>56,046</b>	<b>(75,823)</b>	<b>(43,003)</b>
<b>Net Position - Beginning of Year</b>	<b>596,996</b>	<b>1,512,170</b>	<b>782,892</b>	<b>2,892,058</b>
<b>Net Position - End of Year</b>	<b>\$ 573,770</b>	<b>\$ 1,568,216</b>	<b>\$ 707,069</b>	<b>\$ 2,849,055</b>

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**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Combining Statement of Cash Flows  
Other Enterprise Funds  
For the Year Ended June 30, 2017

	<b>Non-Major Enterprise Funds</b>			
	<b>Solid Waste Fund</b>	<b>South Harbour Golf Course Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers and Users	\$ 1,089,258	\$ 153,209	\$ 299,006	\$ 1,541,473
Cash Paid for Goods and Services	(838,146)	(110,563)	(81,178)	(1,029,887)
Cash Paid to Employees	(262,586)	(119,803)	(166,164)	(548,553)
<b>Net Cash Provided by Operating Activities</b>	<b>(11,474)</b>	<b>(77,157)</b>	<b>51,664</b>	<b>(36,967)</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Grants Received	34,911	-	-	34,911
Sale of Materials	2,931	-	-	2,931
Transfers from Other Funds	-	146,114	-	146,114
Transfers to Other Funds	-	-	(85,477)	(85,477)
<b>Net Cash Used by Noncapital Financing Activities</b>	<b>37,842</b>	<b>146,114</b>	<b>(85,477)</b>	<b>98,479</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and Construction of Capital Assets	-	(66,703)	-	(66,703)
<b>Net Cash Used by Noncapital Financing Activities</b>	<b>-</b>	<b>(66,703)</b>	<b>-</b>	<b>(66,703)</b>
<b>Cash Flows from Investing Activities</b>				
Interest on Investments	-	-	-	-
<b>Net Increase in Cash and Cash Equivalents</b>	<b>26,368</b>	<b>2,254</b>	<b>(33,813)</b>	<b>(5,191)</b>
<b>Cash and Cash Equivalents - July 1</b>	<b>178,660</b>	<b>13,066</b>	<b>462,595</b>	<b>654,321</b>
<b>Cash and Cash Equivalents - June 30</b>	<b>\$ 205,028</b>	<b>\$ 15,320</b>	<b>\$ 428,782</b>	<b>\$ 649,130</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Combining Statement of Cash Flows (Continued)  
Other Enterprise Funds  
For the Year Ended June 30, 2017

	<b>Non-Major Enterprise Funds</b>			
	<b>Solid Waste Fund</b>	<b>South Harbour Golf Course Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>				
<b>Operating Income (Loss)</b>	\$ (61,068)	\$ (90,068)	\$ 9,624	\$ (141,512)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</b>				
Depreciation	23,799	11,422	19,794	55,015
Changes in Assets and Liabilities				
(Increase) Decrease in:				
Accounts Receivable	10,371	-	(14,507)	(4,136)
Inventory	-	2,000	-	2,000
Deferred Outflows of Resources - Pensions	19,843	13,350	13,140	46,333
Increase (Decrease) in:				
Net Pension Liability	53,709	18,345	22,612	94,666
Deferred Inflows of Resources - Pensions	(71,762)	(30,951)	(31,081)	(133,794)
Accounts Payable	2,648	(2,150)	23,095	23,593
Unearned Revenue	-	23	-	23
Accrued Wages	2,267	1,385	1,965	5,617
Accrued Vacation Pay	3,169	(513)	5,636	8,292
Accrued OPEB liability	5,550	-	1,386	6,936
<b>Total Adjustments</b>	<b>49,594</b>	<b>12,911</b>	<b>42,040</b>	<b>104,545</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ (11,474)</b>	<b>\$ (77,157)</b>	<b>\$ 51,664</b>	<b>\$ (36,967)</b>

**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, 2017

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Operating Revenues</b>			
Charges for Services			
Charges for collection	\$ 910,000	\$ 1,078,887	\$ 168,887
<b>Total Operating Revenues</b>	<b>910,000</b>	<b>1,078,887</b>	<b>168,887</b>
<b>Nonoperating Revenues</b>			
Solid Waste Disposal Tax	1,500	4,911	3,411
Interest Earnings	-	-	-
Beach Access Recycling Grant	-	30,000	-
Other Nonoperating Revenue	-	2,931	2,931
<b>Total Nonoperating Revenues</b>	<b>1,500</b>	<b>37,842</b>	<b>36,342</b>
<b>Total Revenues</b>	<b>911,500</b>	<b>1,116,729</b>	<b>205,229</b>
<b>Expenditures</b>			
<b>Water</b>			
Salaries and Wages	173,435	200,726	(27,291)
Employee Benefits	60,652	69,423	(8,771)
Operating Expenditures	143,901	217,073	(73,172)
Maintenance and Repair	66,500	46,779	19,721
Recycling Program	414,000	498,145	(84,145)
Yard Waste Recycling	120,000	73,500	46,500
Capital Outlay	-	-	-
<b>Total Sanitation Operation Expenditures</b>	<b>978,488</b>	<b>1,105,646</b>	<b>(127,158)</b>
<b>Total Expenditures</b>	<b>978,488</b>	<b>1,105,646</b>	<b>(127,158)</b>
<b>Revenue Over (Under) Expenditures</b>	<b>\$ (66,988)</b>	<b>\$ 11,083</b>	<b>\$ 78,071</b>

**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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Other Financing Sources (Uses)</b>			
Appropriated Fund Balance	\$ -	\$ -	\$ -
Transfers in:			
General Fund	66,988	-	(66,988)
Capital Reserve	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>66,988</u>	<u>-</u>	<u>(66,988)</u>
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	<u>\$ -</u>	<u>11,083.00</u>	<u>\$ 11,083</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>		<u>11,083</u>	
Reconciling Items:			
Depreciation Expense		(23,799)	
Capital Outlay		-	
(Increase) Decrease in Accrued Vacation Pay		(3,170)	
Increase (Decrease) in Deferred Outflows of Resources-Pensions		(19,843)	
(Increase) Decrease in Net Pension Liability		(53,709)	
(Increase) Decrease in Deferred Inflows of Resources-Pensions		71,762	
(Increase) Decrease in Accrued OPEB Liability		(5,550)	
Total Reconciling Items		<u>(34,309)</u>	
<b>Change in Net Position</b>		<u>\$ (23,226)</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, 2017

	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>			
<b>Charges for Services</b>			
Annual Membership	\$ 24,000	\$ 29,528	\$ 5,528
Green Fee Play	99,500	114,515	15,015
Merchandise Sales	12,500	9,166	(3,334)
<b>Total Operating Revenues</b>	<b>136,000</b>	<b>153,209</b>	<b>17,209</b>
<b>Nonoperating Revenues</b>			
Interest Earnings	-	-	-
Sponsorships	-	-	-
<b>Total Nonoperating Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Revenues</b>	<b>136,000</b>	<b>153,209</b>	<b>17,209</b>
<b>Expenditures</b>			
<b>Administration</b>			
Salaries and Wages	59,631	39,342	20,289
Employee Benefits	5,132	2,714	2,418
Operating Expenditures	33,200	27,054	6,146
<b>Total Administration</b>	<b>97,963</b>	<b>69,110</b>	<b>28,853</b>
<b>Maintenance</b>			
Salaries and Wages	77,038	67,808	9,230
Employee Benefits	27,389	25,496	1,893
Operating Expenditures	62,850	69,211	(6,361)
<b>Total Maintenance</b>	<b>167,277</b>	<b>162,515</b>	<b>4,762</b>
<b>Capital Outlay</b>			
Equipment	62,585	66,703	(4,118)
<b>Total Capital Outlay</b>	<b>62,585</b>	<b>66,703</b>	<b>(4,118)</b>
<b>Total Expenditures</b>	<b>327,825</b>	<b>298,328</b>	<b>29,497</b>
<b>Revenue Over (Under) Expenditures</b>	<b>\$ (191,825)</b>	<b>\$ (145,119)</b>	<b>\$ 46,706</b>



**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, 2017

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in:			
General Fund	\$ 191,825	\$ 146,114	\$ (45,711)
Transfers out:			
Accommodations Tax	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>191,825</u>	<u>146,114</u>	<u>(45,711)</u>
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>			
	<u>\$ -</u>	<u>995</u>	<u>\$ 995</u>

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

<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	995
Reconciling Items	
Capital Outlay	66,703
Depreciation	(11,422)
(Increase) Decrease in Accrued Vacation Pay	514
Increase (Decrease) in Deferred Outflows of Resources-Pensions	(13,350)
(Increase) Decrease in Net Pension Liability	(18,345)
(Increase) Decrease in Deferred Inflows of Resources-Pensions	30,951
Total Reconciling Items	<u>55,051</u>
<b>Change in Net Position</b>	<u>\$ 56,046</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, 2017

---

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Operating Revenues</b>			
Charges for Services			
Stormwater Fees - Residential	\$	\$ 281,361	\$
Stormwater Fees - Commercial		32,152	
<b>Total Operating Revenues</b>	442,741	313,513	(129,228)
<b>Total Revenues</b>	442,741	313,513	(129,228)
<b>Expenditures</b>			
<b>Water</b>			
Salaries and Wages		135,486	
Employee Benefits		36,314	
Operating Expenditures		54,635	
Maintenance and Repair		49,638	
Capital Outlay		-	
<b>Total Sanitation Operation Expenditures</b>	442,741	276,073	166,668
<b>Total Expenditures</b>	442,741	276,073	166,668
<b>Revenue Over (Under) Expenditures</b>	\$ -	\$ 37,440	\$ 37,440

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**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, 2017

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers out:			
Capital Reserve	\$	\$ (85,447)	\$ (85,447)
<b>Total Other Financing Sources (Uses)</b>	-	(85,447)	(85,447)
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	\$ -	(48,007)	\$ (48,007)
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>		(48,007)	
Reconciling Items:			
Depreciation Expense		(19,794)	
Capital Outlay		-	
(Increase) Decrease in Accrued Vacation Pay		(1,965)	
Increase (Decrease) in Deferred Outflows of Resources-Pensions		(13,140)	
(Increase) Decrease in Net Pension Liability		(22,612)	
(Increase) Decrease in Deferred Inflows of Resources-Pensions		31,081	
(Increase) Decrease in Accrued OPEB Liability		(1,386)	
Total Reconciling Items		(27,816)	
<b>Change in Net Position</b>		\$ (75,823)	

**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, 2017

---

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Operating Revenues</b>			
Charges for Services			
Stormwater Fees - Residential	\$	\$ 281,361	\$
Stormwater Fees - Commercial		32,152	
<b>Total Operating Revenues</b>	442,741	313,513	(129,228)
<b>Total Revenues</b>	442,741	313,513	(129,228)
<b>Expenditures</b>			
<b>Water</b>			
Salaries and Wages		135,486	
Employee Benefits		36,314	
Operating Expenditures		54,635	
Maintenance and Repair		49,638	
Capital Outlay		-	
<b>Total Sanitation Operation Expenditures</b>	442,741	276,073	166,668
<b>Total Expenditures</b>	442,741	276,073	166,668
<b>Revenue Over (Under) Expenditures</b>	\$ -	\$ 37,440	\$ 37,440

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**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, 2017

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers out:			
Capital Reserve	\$	\$ (85,447)	\$ (85,447)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(85,447)</u>	<u>(85,447)</u>
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>			
	<u>\$ -</u>	<u>(48,007)</u>	<u>\$ (48,007)</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>			
		<u>(48,007)</u>	
Reconciling Items:			
Depreciation Expense		(19,794)	
Capital Outlay		-	
(Increase) Decrease in Accrued Vacation Pay		(1,965)	
Increase (Decrease) in Deferred Outflows of Resources-Pensions		(13,140)	
(Increase) Decrease in Net Pension Liability		(22,612)	
(Increase) Decrease in Deferred Inflows of Resources-Pensions		31,081	
(Increase) Decrease in Accrued OPEB Liability		(1,386)	
Total Reconciling Items		<u>(27,816)</u>	
<b>Change in Net Position</b>		<u>\$ (75,823)</u>	

## ***Other Schedules***

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**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 General Fund  
 Schedule of Ad Valorem Taxes Receivable  
 June 30, 2017

Fiscal Year	Uncollected Balance June 30, 2016	Additions and Adjustments	Collections and Credits	Uncollected Balance June 30, 2017
2016-17	\$ -	\$ 7,200,617	\$ 7,102,479	\$ 98,138
2015-16	18,636	145,434	114,649	50,252
2014-15	47,239	(619)	39,864	6,756
2013-14	41,592	31	32,935	8,688
2012-13	35,861	(4,268)	25,048	6,546
2011-12	29,149	(3,312)	14,409	11,428
2010-11	34,097	(1,669)	14,093	18,335
2009-10	8,439	(1,770)	4,809	1,859
2008-09	6,245	(1,852)	3,307	1,086
2007-08	6,456	(3,277)	1,613	1,566
	\$ 227,714	\$ 7,329,315	\$ 7,353,206	\$ 204,654

Less: Allowance for Uncollectible Accounts:  
 General Fund

15,086

Ad Valorem Taxes Receivable - Net

\$ 189,568

Reconcilement with Revenues

Ad Valorem Taxes - General Fund

\$ 7,461,694

Reconciling Items:

Interest Collected

(109,274)

Discounts Allowed

Taxes Written Off

786

Total Collections and Credits

\$ 7,353,206

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2017

	Town-Wide			Total Levy	
	Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property Taxed at Current Year's Rate	\$ 2,483,696,897	0.2900	\$ 7,202,721	\$ 6,930,015	\$ 272,706
	<u>\$ 2,483,696,897</u>	<u>0.2900</u>	<u>\$ 7,202,721</u>	<u>\$ 6,930,015</u>	<u>\$ 272,706</u>
<b>Discoveries:</b>					
Current and Previous Year Taxes	-	0.2900	\$ -	247,539	-
<b>Releases:</b>					
Property Taxes - Current Year's Rate	(725,500)	0.2900	\$ (2,104)	(2,104)	-
<b>Total Property Valuations</b>	<u><u>\$ 2,482,971,397</u></u>				
<b>Net Levy</b>			7,200,617	7,175,450	272,706
<b>Uncollected Taxes at June 30, 2017</b>			(98,138)	(98,138)	-
<b>Current Year's Taxes Collected</b>			<u>\$ 7,102,479</u>	<u>\$ 7,077,312</u>	<u>\$ 272,706</u>
<b>Current Levy Collection Percentage</b>			<u>98.64%</u>	<u>98.63%</u>	<u>100.00%</u>



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# Statistical Section

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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*

**TOWN OF OAK ISLAND, NORTH CAROLINA**

## Net Position By Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities				
Invested in capital assets, net of related debt	13,385,214	12,186,929	16,607,639	17,522,549
Restricted	1,201,767	2,554,360	2,738,128	6,567,058
Unrestricted	<u>5,787,309</u>	<u>7,477,697</u>	<u>5,111,876</u>	<u>2,828,017</u>
Total governmental activities net position	<u>20,374,290</u>	<u>22,218,986</u>	<u>24,457,643</u>	<u>26,917,624</u>
Business-type activities				
Invested in capital assets, net of related debt	17,144,378	18,522,970	28,836,777	22,390,247
Restricted				30,693,040
Unrestricted	<u>(129,671)</u>	<u>(652,921)</u>	<u>(4,794,831)</u>	<u>(2,122,361)</u>
Total business-type activities net position	<u>17,014,707</u>	<u>17,870,049</u>	<u>24,041,946</u>	<u>50,960,926</u>
Primary government				
Invested in capital assets, net of related debt	30,529,592	30,709,899	45,444,416	39,912,796
Restricted	1,201,767	2,554,360	2,738,128	37,260,098
Unrestricted	<u>5,657,638</u>	<u>6,824,776</u>	<u>317,045</u>	<u>705,656</u>
Total primary government net position	<u>37,388,997</u>	<u>40,089,035</u>	<u>48,499,589</u>	<u>77,878,550</u>

<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
18,239,987	18,669,603	18,743,833	18,515,755	19,348,092	21,295,948
5,288,746	6,355,004	6,816,053	6,478,048	7,716,212	7,272,466
3,240,343	4,280,053	6,213,562	8,238,462	8,747,940	9,912,461
<u>26,769,076</u>	<u>29,304,660</u>	<u>31,773,448</u>	<u>33,232,265</u>	<u>35,812,244</u>	<u>38,480,875</u>
22,380,413	21,260,926	21,175,561	21,789,047	20,149,688	20,338,449
20,509,542	20,922,210	20,922,210	18,617,616	20,922,210	3,669,799
4,560,440	3,103,347	2,794,452	5,283,646	8,356,724	22,792,235
<u>47,450,395</u>	<u>45,286,483</u>	<u>44,892,223</u>	<u>45,690,309</u>	<u>49,428,622</u>	<u>46,800,483</u>
40,620,400	39,930,529	39,919,394	40,304,802	39,497,780	41,634,397
25,798,288	27,277,214	27,738,263	25,095,664	28,638,422	10,942,265
7,800,783	7,383,400	9,008,014	13,522,108	17,104,664	32,704,696
<u>74,219,471</u>	<u>74,591,143</u>	<u>76,665,671</u>	<u>78,922,574</u>	<u>85,240,866</u>	<u>85,281,358</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Expenses</b>				
Governmental activities:				
General Government	2,543,281	2,609,454	2,818,584	2,778,225
Public Safety	4,460,532	4,865,023	5,708,808	5,627,760
Transportation	1,124,923	1,091,194	1,220,894	1,175,304
Environmental Protection	913,861	168,901	201,611	186,828
Cultural and Recreation	1,103,879	1,251,666	1,327,630	1,260,386
Interest on long-term debt	100,775	348,881	547,956	654,795
Total governmental activities expenses	<u>10,247,251</u>	<u>10,335,119</u>	<u>11,825,483</u>	<u>11,683,298</u>
Business-type activities:				
Water	2,268,926	2,306,039	2,360,243	2,384,420
Wastewater	847,312	877,710	1,305,677	9,135,515
Solid Waste	751,182	828,169	857,941	927,608
Golf Course	251,594	251,971	256,183	258,018
Stormwater	-	-	-	-
Total business-type activities expenses:	<u>4,119,014</u>	<u>4,263,889</u>	<u>4,780,044</u>	<u>12,705,561</u>
Total primary government expenses	<u>14,366,265</u>	<u>14,599,008</u>	<u>16,605,527</u>	<u>24,388,859</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges of services:				
General Government	1,999	1,290	260,452	286,690
Public Safety	902,128	1,389,593	1,426,437	1,551,164
Transportation	-	-	-	-
Environmental Protection	310,884	273,169	268,250	266,223
Cultural and Recreation	123,270	134,658	142,649	124,152
Operating grants and contributions	491,894	593,557	674,770	785,599
Capital grants and contributions	322,534	1,033,792	3,615,699	129,225
Total governmental activities program revenue	<u>2,152,709</u>	<u>3,426,059</u>	<u>6,388,257</u>	<u>3,143,053</u>
Business-type activities:				
Charges of services:				
Water	2,516,987	2,775,465	2,869,997	3,194,533
Wastewater	745,123	847,739	876,112	2,206,517
Solid Waste	747,861	836,354	847,213	847,437
Golf Course	160,400	129,705	131,266	132,919
Stormwater	-	-	-	-
Operating grants and contributions	-	48,574	5,715	5,825
Capital grants and contributions	1,560,049	38,616	4,862,482	34,194,519
Total business-type activities program revenue	<u>5,730,420</u>	<u>4,676,453</u>	<u>9,592,785</u>	<u>40,581,750</u>
Total primary government program revenues	<u>7,883,129</u>	<u>8,102,512</u>	<u>15,981,042</u>	<u>43,724,803</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	(8,094,542)	(6,909,060)	(5,437,226)	(8,540,245)
Business-type activities	<u>1,611,406</u>	<u>412,564</u>	<u>4,812,741</u>	<u>27,876,189</u>
<b>Total primary government net revenue</b>	<u>(6,483,136)</u>	<u>(6,496,496)</u>	<u>(624,485)</u>	<u>19,335,944</u>

(Continued on next page)

Table 1

2012	2013	2014	2015	2016	2017
2,736,767	3,129,366	2,797,601	2,447,635	2,516,788	2,877,541
5,466,506	4,458,998	4,348,192	4,486,670	6,781,142	4,986,023
2,596,254	930,438	1,675,984	1,847,906	967,976	1,184,313
226,484	23,831	156,499	143,027	380,320	-
1,264,960	1,108,161	1,006,435	4,390,206	1,772,305	1,255,071
600,751	550,489	471,343	515,501	479,146	272,071
<u>12,891,722</u>	<u>10,201,283</u>	<u>10,456,054</u>	<u>13,830,945</u>	<u>12,897,677</u>	<u>10,575,019</u>
2,400,664	1,655,847	1,852,484	1,922,893	2,039,590	2,166,011
13,052,025	12,800,557	12,756,238	12,853,774	12,774,267	19,417,518
1,004,513	914,958	896,411	1,055,665	1,162,144	1,139,955
246,743	207,432	205,132	194,819	226,332	243,277
-	-	-	-	-	303,889
<u>16,703,945</u>	<u>15,578,794</u>	<u>15,710,265</u>	<u>16,027,151</u>	<u>16,202,333</u>	<u>23,270,650</u>
<u>29,595,667</u>	<u>25,780,077</u>	<u>26,166,319</u>	<u>29,858,096</u>	<u>29,100,010</u>	<u>33,845,669</u>
245,924	233,974	354,336	796,887	1,421,249	2,057,261
1,447,452	1,381,941	1,072,612	1,560,975	1,117,548	830,500
-	-	-	-	-	-
271,142	276,893	348,804	198,002	631,204	-
145,861	162,849	120,742	2,317,941	156,928	155,687
629,907	411,336	354,166	309,095	309,969	366,159
16,236	1,441	1,822	8,020	309,596	691,700
<u>2,756,522</u>	<u>2,468,434</u>	<u>2,252,482</u>	<u>5,190,920</u>	<u>3,946,494</u>	<u>4,101,307</u>
3,116,147	3,168,232	3,512,854	4,145,086	4,871,588	5,069,632
5,664,011	6,425,573	7,325,872	8,500,771	9,820,349	12,493,584
845,919	862,931	922,232	949,762	1,155,593	1,078,887
135,714	123,993	125,185	114,742	131,638	153,209
-	-	-	-	-	313,513
49,909	3,872	4,246	4,574	209,231	34,911
<u>3,240,574</u>	<u>3,787,571</u>	<u>3,493,407</u>	<u>3,255,066</u>	<u>4,057,999</u>	<u>1,075,417</u>
<u>13,052,274</u>	<u>14,372,172</u>	<u>15,383,796</u>	<u>16,970,001</u>	<u>20,246,398</u>	<u>20,219,153</u>
<u>15,808,796</u>	<u>16,840,606</u>	<u>17,636,278</u>	<u>22,160,921</u>	<u>24,192,892</u>	<u>24,320,460</u>
(10,135,200)	(7,732,849)	(8,203,572)	(8,640,025)	(8,951,183)	(6,473,712)
<u>(3,651,671)</u>	<u>(1,206,622)</u>	<u>(326,469)</u>	<u>942,850</u>	<u>4,044,065</u>	<u>(3,051,497)</u>
<u>(13,786,871)</u>	<u>(8,939,471)</u>	<u>(8,530,041)</u>	<u>(7,697,175)</u>	<u>(4,907,118)</u>	<u>(9,525,209)</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>General Revenue and Other Changes in Net Position</b>				
Governmental activities:				
Taxes				
Property taxes, levied for general purposes	5,299,352	5,981,663	5,928,590	6,699,824
Local option sales tax	1,967,505	1,802,031	1,640,696	1,639,858
Accommodation Tax	964,054	930,170	887,478	950,143
Other Taxes	-	-	-	-
Grants and contributions not restricted	727,434	791,850	581,317	65,128
Unrestricted investment earnings	158,552	68,872	14,201	610,523
Miscellaneous	36,269	6,926	63,305	15,586
Law Suit Settlement				
Gain (loss) on sale of assets	7,500	(240,090)	-	62,481
Extraordinary item-environmental remediation	(738,561)	(192,741)	(90,404)	(21,022)
Special Items	-	-	-	-
Transfers in (out)	(347,552)	(394,925)	(1,349,300)	977,705
Total governmental activities	<u>8,074,553</u>	<u>8,753,756</u>	<u>7,675,883</u>	<u>11,000,226</u>
Business-type activities:				
Interest and investment earnings	103,333	47,853	9,856	20,496
Miscellaneous	-	-	-	-
Gain on sale of assets	-	-	-	-
Transfers in (out)	347,552	394,925	1,349,300	(977,705)
Total business-type activities	<u>450,885</u>	<u>442,778</u>	<u>1,359,156</u>	<u>(957,209)</u>
Total primary government	<u>8,525,438</u>	<u>9,196,534</u>	<u>9,035,039</u>	<u>10,043,017</u>
<b>Changes in Net Position</b>				
Governmental activities	(19,989)	1,844,696	2,238,657	2,459,981
Business-type activities	2,062,291	855,342	6,171,897	26,918,980
Total primary government	<u>2,042,302</u>	<u>2,700,038</u>	<u>8,410,554</u>	<u>29,378,961</u>

Table 2

2012	2013	2014	2015	2016	2017
6,866,837	7,016,323	6,812,760	7,284,500	7,373,718	7,445,239
1,458,619	1,476,163	1,531,327	1,687,594	1,475,318	1,897,533
1,068,434	1,128,868	1,166,651	1,284,187	1,083,546	1,446,852
48,303	12,059	62,711	-	-	-
613,268	616,694	660,137	-	-	-
7,701	5,225	3,594	2,742	19,162	49,949
83,571	93,101	172,239	270,734	897,067	105,640
-	-	625,000	-	-	-
-	-	-	-	436,084	15,071
(33,081)	-	-	-	-	(1,085,390)
-	-	(292,059)	(5,356)	-	-
(127,000)	(80,000)	(70,000)	(242,163)	306,249	432,084
<u>9,986,652</u>	<u>10,268,433</u>	<u>10,672,360</u>	<u>10,282,238</u>	<u>11,591,144</u>	<u>10,306,978</u>
14,140	18,119	6,617	5,379	497	2,136
-	-	4,491	4,702	-	2,931
-	-	-	-	-	-
127,000	80,000	70,000	(107,000)	(306,249)	(432,084)
<u>141,140</u>	<u>98,119</u>	<u>81,108</u>	<u>(96,919)</u>	<u>(305,752)</u>	<u>(427,017)</u>
<u>10,127,792</u>	<u>10,366,552</u>	<u>10,753,468</u>	<u>10,185,319</u>	<u>11,285,392</u>	<u>9,879,961</u>
(148,548)	2,535,584	2,468,788	1,642,213	2,639,961	3,833,266
(3,510,531)	(1,108,503)	(245,361)	845,931	3,738,313	(3,478,514)
<u>(3,659,079)</u>	<u>1,427,081</u>	<u>2,223,427</u>	<u>2,488,144</u>	<u>6,378,274</u>	<u>354,752</u>



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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>General Fund</b>					
Reserved	3,039,927	3,309,170	3,121,360	-	-
Unreserved					
Designated	40,867	715,079	-	-	-
Undesignated	2,283,143	2,684,359	2,549,135	-	-
Non-spendable	-	-	-	33,756	25,457
Restricted	-	-	-	3,058,316	1,381,631
Committed	-	-	-	424,667	425,139
Assigned	-	-	-	388,199	-
Unassigned	-	-	-	2,668,659	3,372,614
<b>Total general fund</b>	<u>5,363,937</u>	<u>6,708,608</u>	<u>5,670,495</u>	<u>6,573,597</u>	<u>5,204,841</u>
<b>All Other Governmental Funds</b>					
Reserved	254,575	315,801	318,271	-	-
Unreserved, reported in:					
Special Revenue Funds	3,462,467	3,616,626	3,142,790	-	-
Capital Projects Funds	1,725,379	3,863,103	470,366	-	-
Non-Spendable in Special Revenue Funds	-	-	-	55,435	56,163
Restricted in Special Revenue Funds	-	-	-	3,453,307	3,850,952
Committed in Capital Projects Funds	-	-	-	536,664	421,564
<b>Total all other governmental funds</b>	<u>5,442,421</u>	<u>7,795,530</u>	<u>3,931,427</u>	<u>4,045,406</u>	<u>4,328,679</u>
<b>Total governmental funds</b>	<u>10,806,358</u>	<u>14,504,138</u>	<u>9,601,922</u>	<u>10,619,003</u>	<u>9,533,520</u>

2013	2014	2015	2016	2017
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
12,972	26,712	577,803	19,909	669,379
1,594,929	1,399,510	231,413	1,262,840	822,821
425,432	425,432	435,714	483,205	380,835
-	-	-	-	-
4,307,979	6,031,718	8,238,462	8,798,773	10,625,878
<u>6,341,312</u>	<u>7,883,372</u>	<u>9,483,392</u>	<u>10,564,727</u>	<u>12,498,913</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
56,163	56,163	-	-	-
4,771,566	5,416,543	5,233,118	5,905,638	6,052,978
385,389	385,881	-	-	-
<u>5,213,118</u>	<u>5,858,587</u>	<u>5,233,118</u>	<u>5,905,638</u>	<u>6,052,978</u>
<u>11,554,430</u>	<u>13,741,959</u>	<u>14,716,510</u>	<u>16,470,365</u>	<u>18,551,891</u>

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Revenues</b>					
Ad valorem taxes	5,306,256	5,833,628	5,942,136	6,505,967	6,735,314
Other taxes and licenses	3,115,973	2,740,787	2,533,834	2,632,584	2,571,414
Unrestricted intergovernmental	559,452	791,850	581,317	610,523	613,268
Restricted intergovernmental	1,132,564	3,291,287	1,908,855	2,032,749	1,717,301
Permits and fees	212,613	165,901	189,532	335,236	293,638
Sales and services	388,682	430,006	635,174	632,458	613,350
Investment earnings	436,062	163,029	29,465	19,301	9,795
Miscellaneous	225,457	62,244	224,287	164,816	280,752
Total revenues	<u>11,377,059</u>	<u>13,478,732</u>	<u>12,044,600</u>	<u>12,933,634</u>	<u>12,834,832</u>
<b>Expenditures</b>					
General Government	2,827,219	5,159,304	5,662,558	2,635,942	2,565,883
Public Safety	9,782,918	8,798,376	5,228,736	5,190,729	5,519,623
Transportation	1,043,830	1,164,819	1,063,382	1,099,366	2,445,600
Environmental protection	916,103	155,129	186,713	171,984	211,712
Cultural and recreational	1,244,600	1,170,426	1,185,947	1,203,127	1,070,600
Debt Service:					
Interest	275,353	241,949	719,169	752,320	655,200
Principal	912,311	914,239	1,551,011	1,928,790	1,642,697
Total expenditures	<u>17,002,334</u>	<u>17,604,242</u>	<u>15,597,516</u>	<u>12,982,258</u>	<u>14,111,315</u>
Excess of revenues over (under) expenditures	(5,625,275)	(4,125,510)	(3,552,916)	(48,624)	(1,276,483)
<b>Other Financing</b>					
<b>Sources (Uses)</b>					
Debt Issuances	5,721,000	8,218,215	-	88,000	318,000
Transfers in	1,310,072	1,526,522	1,368,766	3,695,659	360,078
Transfers Out	(1,607,133)	(1,921,447)	(2,718,066)	(2,717,954)	(487,078)
Special Items	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	-
Total other financing sources (uses)	<u>5,423,939</u>	<u>7,823,290</u>	<u>(1,349,300)</u>	<u>1,065,705</u>	<u>191,000</u>
Net change in fund balances	<u>(201,336)</u>	<u>3,697,780</u>	<u>(4,902,216)</u>	<u>1,017,081</u>	<u>(1,085,483)</u>
Capital outlay included in total expenditures	<u>5,719,117</u>	<u>7,058,008</u>	<u>3,332,698</u>	<u>579,263</u>	<u>745,806</u>
Debt service as a percentage of noncapital expenditures	10.5%	11.0%	18.5%	21.6%	17.2%

2013	2014	2015	2016	2017
6,890,355	7,031,553	7,626,159	7,156,543	7,461,694
2,649,447	2,717,387	2,977,147	1,475,318	3,344,385
616,694	660,137	796,887	1,117,456	927,645
1,439,435	1,396,215	3,502,037	1,443,937	1,875,540
297,489	348,334	405,913	628,504	336,617
623,556	510,718	464,172	467,801	978,569
6,683	3,594	2,742	19,120	49,949
165,581	782,957	180,395	112,191	109,278
<u>12,689,240</u>	<u>13,450,895</u>	<u>15,955,452</u>	<u>12,420,870</u>	<u>15,083,677</u>
2,872,851	2,628,089	2,398,394	2,498,959	2,639,184
3,934,916	3,763,473	4,222,273	5,124,685	4,611,679
802,832	1,534,817	1,730,833	959,743	1,113,871
120,781	138,990	134,960	384,110	-
858,003	755,862	4,164,295	655,503	2,331,345
596,245	539,172	514,707	479,146	272,071
<u>1,402,702</u>	<u>1,555,186</u>	<u>1,682,906</u>	<u>2,319,916</u>	<u>1,903,628</u>
<u>10,588,330</u>	<u>10,915,589</u>	<u>14,848,368</u>	<u>12,422,062</u>	<u>12,871,778</u>
2,100,910	2,535,306	1,107,084	(1,192)	2,211,899
-	-	-	784,876	-
-	2,929,959	617,968	28,767	695,158
(80,000)	(2,999,959)	(860,131)	(120,000)	(263,114)
-	(292,059)	(5,356)	-	-
-	14,282	112,250	436,084	15,071
<u>(80,000)</u>	<u>(347,777)</u>	<u>(135,269)</u>	<u>1,129,727</u>	<u>447,115</u>
<u>2,020,910</u>	<u>2,187,529</u>	<u>971,815</u>	<u>1,128,535</u>	<u>2,659,014</u>
<u>185,009</u>	<u>56,476</u>	<u>207,953</u>	<u>1,466,073</u>	<u>466,252</u>
19.2%	19.3%	15.0%	25.5%	17.5%

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

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Fiscal Year	Property	Sales	Occupancy	Franchise	Video	Alcohol	
Ended	Tax	Tax	Tax	Tax	Programming	Beverage	Total
June 30					Tax	Tax	
2008	5,306,256	1,967,505	964,154	359,803	153,994	37,280	8,788,992
2009	5,833,628	1,802,031	930,170	415,512	191,626	37,100	9,210,067
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

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

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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
2008	4,095,479,230	26,453,402	16,649,108	64,269,743	6,998,541	4,195,852,942	0.1245
2009	4,147,111,229	26,043,527	17,175,781	60,612,679	9,172,173	4,241,771,043	0.1400
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	51,188,663	11,258,182	2,483,696,897	0.2900

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	
2008	0.09619	0.02831	0.1245	0.3050	0.0225	0.4520
2009	0.11272	0.02728	0.1400	0.3050	0.0225	0.4675
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

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

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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	
2008	5,274,322	5,147,268	97.59%	120,598	5,267,866	99.88%	6,456
2009	5,931,901	5,698,669	96.07%	226,987	5,925,656	99.89%	6,245
2010	5,973,528	5,743,851	96.16%	221,238	5,965,089	99.86%	8,439
2011	6,645,496	6,314,365	95.02%	297,034	6,611,399	99.49%	34,097
2012	6,830,366	6,510,859	95.32%	290,358	6,801,217	99.57%	29,149
2013	6,971,984	6,629,931	95.09%	306,192	6,936,123	99.49%	35,861
2014	7,120,396	6,829,735	95.92%	249,069	7,078,804	99.42%	41,592
2015	7,327,088	7,160,619	97.73%	119,230	7,279,849	99.36%	47,239
2016	6,516,395	6,497,759	99.71%	-	6,497,759	99.71%	18,636
2017	7,202,721	7,102,479	98.61%	250,727	7,353,206	102.09%	98,138



**TOWN OF OAK ISLAND, NORTH CAROLINA**

Principal Property Tax Payers

Current Year and Five Years Ago

Taxpayer	Types of Property	Fiscal Year 2017		Fiscal Year 2012		Fiscal Year 2012	
		2017 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	2012 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
		Value		Value	Value		Value
Brunswick Electric Membership Corp	Utility	15,526,087	1	0.64%	13,934,105	1	0.57%
MDI Management Inc.	Developer	9,343,110	2	0.38%	N/A	N/A	
Equity Investments	Developer	8,110,680	3	0.33%	N/A	N/A	
DWE III LLC& Ladane Enterprises	Developer	6,169,710	4	0.25%	10,239,440	2	0.42%
	Commercial &						
Lowes Food Stores Inc.	Residential	5,016,112	5	0.21%	N/A	N/A	
DWE II LLC	Developer	4,527,740	6	0.19%			
Capel Jesse Etals	Residential	3,599,980	7	0.15%	6,665,416	3	0.27%
Wilmington Holding Corp	Developer	3,483,750	8	0.14%	N/A	N/A	N/A
Oak Island Property Holdings LLC	Residential	2,579,000	9	0.11%	2,572,500	5	0.10%
Bright Parsun LLC	Developer	2,802,290	10	0.12%	N/A	N/A	N/A
St James Plantation Prop	Residential	N/A	N/A	N/A	2,193,130	9	0.09%
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	0.10%
Air Travel LLC	Aviation	N/A	N/A	N/A	2,092,283	8	0.08%
		<u>61,158,459</u>		<u>2.51%</u>	<u>45,272,658</u>		<u>1.84%</u>

Source: Town's Tax Department

Total Tax Value

2,432,508,234

2,464,321,150

**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 Debt to	
	Installment Purchases	Capital Leases	Installment Purchases	Revenue Notes & Bonds	State Revolving Loan Fund	Capital Lease		Personal Income <sup>(1)</sup>	Per Capita <sup>(1)</sup>
	2008	11,311,227	400,142	819,272	33,987,842	-		62,735	46,581,218
2009	17,949,723	1,065,622	744,573	83,372,526	6,510,920	-	109,643,364	3.23%	13,075
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	8,448,140	-	109,275	81,858,221	10,137,096	-	100,552,732	4.48%	12,119
2017	6,534,510	-	-	85,071,477	9,484,525	-	101,090,512	4.55%	13,427

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

<sup>(1)</sup>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, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Brunswick County's general obligation debt	122,900,000	13.40%	16,468,600
Town of Oak Island direct debt	6,998,189	100.00%	<u>6,998,189</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 23,466,789</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, 2017

Fiscal Year Ended June 30	Debt Limit	Total Debt Applicable to Limit	Legal Debt Margin	Total Debt as a Percentage of Debt Limit
2008	335,668,235	11,711,369	323,956,866	3.49%
2009	339,341,683	19,015,351	320,326,332	5.60%
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	194,600,659	6,998,189	187,602,470	3.60%

**Calculation of Legal Debt Margin for Fiscal Year 2015**

Assessed value of taxable property	2,432,508,234
	<u>x0.08</u>
Debt limit- (8 % of assessed value)	194,600,659
Debt applicable to limit:	
Total installment purchases	6,998,189
Total capital leases	<u>-</u>
Total amount of debt applicable to debt limit (net debt)	<u>6,998,189</u>
Legal debt margin	<u><u>187,602,470</u></u>

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 June 30	<u>Enterprise Funds</u>				<u>All Enterprise Parity Debt</u>			<u>Total Other System Indebtness</u>		
	Operating and Non-operating Revenue	Operating Expenses Less Depreciation	Sewer District Fee Revenue	Net Available Revenue	Principal	Interest	Total	Principal	Interest	Total
	2011	11,517,674	6,446,729	443,102	5,514,047	750,000	2,985,650	3,735,650	978,290	381,270
2012	14,338,243	7,080,777	496,361	7,753,827	1,030,000	4,699,406	5,729,406	697,147	283,323	980,470
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

Required Coverage:

Fiscal Year Ended June 30	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
2011	5,514,047	343,458	5,857,505	5,095,210	747,130	5,842,340	1.08	1.00
2012	7,753,827	568,061	8,321,888	6,709,876	1,145,881	7,855,757	1.16	1.06
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	7,231,331	1,269,530	8,500,861	1.46	1.53

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

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Fiscal Year Ended June 30	Population <sup>(2)</sup>	Personal Income <sup>(1)</sup> (in thousands)	Per Capita Income <sup>(1)</sup>	Median Age <sup>(3)</sup>	School Enrollment <sup>(3)</sup>	Unemployment Rate <sup>(1)</sup>
2008	8,261	2,907,482	29,379	45.0	769	6.1%
2009	8,386	3,394,034	32,255	47.7	769	11.0%
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%

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:*

<sup>(1)</sup> Brunswick County Finance Department

<sup>(2)</sup> Office of State Budget and Management

<sup>(3)</sup> 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 2017			Fiscal Year 2008		
		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	3.71%	1,650	1	3.44%
County of Brunswick	Local Government	1,035	2	1.97%	903	3	1.89%
Wal-Mart Associates, Inc.	Retail	932	3	1.78%	750	4	1.57%
Duke Energy	Utility	850	4	1.62%	1,050	2	2.19%
Brunswick Novant Medical	Medical Care Facility	700	5	1.33%	426	5	0.89%
Food Lion, Inc.	Grocery	520	6	0.99%	372	7	0.78%
Brunswick Community College	Education	481	7	0.92%	N/A	N/A	N/A
Lowe's Food	Grocery	409	8	0.78%	N/A	N/A	N/A
Dosher Memorial Hospital	Medical Care Facility	364	9	0.69%	N/A	N/A	N/A
McAnderson's Inc.	Restaurant Chain	350	10	0.67%	N/A	N/A	N/A
DAK Americas	Dacron Polyester Fiber	N/A	11	N/A	377	4	0.79%
Rampage	Yacht Manufacture	N/A	12	N/A	357	8	0.75%
Victaulic Company of America	Pipe Fittings & Seals	N/A	13	N/A	343	9	0.72%
Bald Head Island LP	Financial Activities	N/A		N/A	315	10	0.66%
Totals		<u>7,588</u>		<u>14.46%</u>	<u>6,543</u>		<u>13.68%</u>

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administration	13	12	14	16	16	16	16	16	17	17
Public Safety										
Police	25	26	26	25	25	23	23	23	23	24
Communications	6	6	6	6	4	0	0	0	0	0
Animal Control	2	2	2	2	2	2	2	2	0	0
Fire	13	19	20	19	20	21	22	22	22	22
Development Services	11	12	12	11	8	6	6	6	8	8
Public Works	2	2	2	4	2	2	2	2	2	2
Fleet Maintenance	4	4	4	3	3	2	2	2	2	2
Building and Ground	10	9	6	8	9	9	4	4	4	3
Street Department	8	8	8	7	7	5	5	5	6	6
Cultural and Recreation	13	10	10	9	7	6	4	4	8	6
Utility										
Water	13	12	12	12	10	9	9	9	11	8
Sewer	4	4	4	7	7	7	7	7	11	11
Solid Waste	4	4	4	4	4	4	4	4	4	3
Stormwater	1	1	1	1	1	2	2	2	2	3
Golf Course	5	2	2	2	2	2	2	2	2	2
Capital Projects	4	5	5	0	0	0	0	0	0	0
<b>Total</b>	<b>138</b>	<b>138</b>	<b>138</b>	<b>136</b>	<b>127</b>	<b>116</b>	<b>110</b>	<b>110</b>	<b>122</b>	<b>117</b>

Source: Town's human resource department



**TOWN OF OAK ISLAND, NORTH CAROLINA**

Operating Indicators by Function

Last Ten Years

Function	2008	2009	2010	2011	2012
<b>Public Safety</b>					
<b>Police</b>					
Number of calls dispatched <sup>(1)</sup>	7,224	10,565	12,042	12,620	11,741
Number of physical arrests	267	269	301	331	288
Number of violations	1,561	2,422	2,070	4,255	2,741
<b>Fire</b>					
Number of Fire runs	208	228	249	258	215
Number of EMS and Rescue runs <sup>(2)</sup>	816	863	945	942	948
<b>Code Enforcement/Building permits</b>					
Number of building permits	1,377	1,153	2,184	1,286	1,448
Number of inspections	11,372	10,392	8,532	13,278	9,941
<b>Transportation</b>					
<b>Streets</b>					
New streets paved (miles)	0.00	0.00	0.00	0.00	0.00
Streets resurfaced (miles)	0.00	0.00	0.00	0.00	12.04
<b>Environmental Protection</b>					
<b>Sanitation</b>					
Refuse collected (tons)	3,150	3,200	4,000	4,100	13,148
Bulky/Brush collected (tons)	2,080	2,250	2,300	2,300	1,200
Recyclables collected (tons)	620	625	650	670	820
<b>Cultural and Recreation</b>					
<b>Number of Participants:</b>					
weight fitness program	23,969	24,023	22,624	22,858	23,521
Fitness class	3,568	5,235	5,990	5,980	5,466
Athletic program	12,062	12,644	11,549	12,153	14,984
Teen program	5,884	5,420	4,234	3,744	2,409
Community Center program	7,784	1,933	7,834	7,907	7,466
Skate Park	2,174	2,189	1,625	1,335	1,722
Number of Ocean Education Center	1,178	2,341	2,151	2,268	2,760
Number of Nature Center participants	3,351	4,058	3,664	3,376	3,684
Number of paid golf course rounds played	11,844	11,373	17,832	11,048	12,442
Number of youth and miscellaneous program participants	N/A	3,903	4,884	5,017	6,375
<b>Water</b>					
Number of water customers	7,867	8,203	8,236	8,240	8,042
Average daily water consumption (gallons)	1,017,788	893,941	878,257	878,700	749,542
<b>Wastewater</b>					
Number of sewer customers	906	925	929	4,241	7,542
Sewer average daily treatment (gallons)	125,062	148,335	145,425	663,900	580,289

Notes:

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

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

Source: Various Town Departments

2013	2014	2015	2016	2017
10,029	10,332	10,332	10,899	10,899
322	285	285	563	563
2,688	3,139	3,139	3,645	3,645
280	319	319	300	300
916	888	888	983	983
1,681	1,875	1,875	2,636	2,768
8,549	7,994	7,994	10,767	11,305
0.00	0.00	0.00	0.00	0.00
0.00	4.58	0.00	0.00	0.00
NA	NA	NA	NA	NA
1,500	8,011	8,011	11,250	14,100
863	1,250	1,250	1,116	1,194
23,532	21,352	21,352	21,459	21,566
5,267	4,267	4,267	4,288	4,310
13,171	13,981	13,981	14,051	14,121
3,743	448	448	450	452
6,849	1,437	1,437	1,444	1,451
1,735	1,711	1,711	1,720	1,728
1,083	939	939	944	948
3,527	1,623	1,623	1,631	1,639
10,595	9,063	9,063	9,108	9,154
6,861	2,953	2,953	2,968	2,983
8,021	8,378	8,700	8,829	9,015
739,818	804,170	804,170	812,000	891,683
7,974	8,004	8,100	8,318	8,505
591,917	543,838	543,838	537,866	601,219

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Capital Assets by Function

Last Ten Years

Function	2008	2009	2010	2011	2012
<b>Public Safety</b>					
Police					
Police Stations	1	2	2	2	2
Police Patrol Units	25	25	26	26	26
Police Motorcycle Units	2	2	1	1	1
Fire					
Fire Stations	2	4	3	3	3
Fire Trucks	5	6	6	6	6
<b>Transportation</b>					
Streets -Paved (miles)	92.57	92.57	96.00	96.00	96
Sidewalks (miles)	7.68	7.68	7.68	7.68	7.68
<b>Environmental Protection</b>					
Curbside Truck	2	2	2	3	2
Leaf Machine	2	2	2	2	2
Beach Trash Truck	1	2	2	3	2
<b>Cultural and Recreation</b>					
Parks	17	17	17	17	17
Tennis Courts	4	4	6	6	6
Playgrounds	1	1	1	2	2
Baseball/Softball fields	4	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	1	1
<b>Water</b>					
Water Mains (miles)	120	120	120	120	120
Fire Hydrants	800	800	800	800	800
Average daily water consumption (in gallons)	1,017,788	893,491	878,257	878,700	749,542
Peak daily demand (in gallons)	2,541,000	2,336,000	2,488,000	2,485,000	2,111,000
<b>Wastewater</b>					
Sanitary Sewers (miles)	20	20	20	106	106
Lift Stations	15	15	15	34	34
Man Holes	220	220	220	220	245
Sewer Treatment Capacity (in gallons)	400,000	400,000	400,000	2,535,308	3,400,000

Source: Various Town Departments

2013	2014	2015	2016	2017
2	2	2	2	2
26	25	25	25	25
1	1	1	1	1
3	3	3	3	3
6	6	6	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	1
1	1	1	1	1
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
739,818	804,170	804,170	812,000	891,683
2,174,330	2,188,950	2,188,950	2,239,000	2,250,000
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

## ***Compliance Section***

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**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters—with No Material Weaknesses, Significant Deficiencies, or Reportable  
Instances of Noncompliance or Other Matters Identified.**

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the 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 business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregated remaining fund information of the Town of Oak Island, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the Town of Oak Island's basic financial statements, and have issued our report thereon dated November 7, 2017. 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's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Oak Island's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Oak Island's internal control.

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

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Town of Oak Island's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no

instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

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

*S. Preston Douglas & Associates, LLP*

Whiteville, NC  
November 7, 2017

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Schedule of Findings and Responses

For the Fiscal Year Ended June 30, 2017

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

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

See Independent Auditor's Report.



**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Schedule of Findings and Responses (continued)  
For the Fiscal Year Ended June 30, 2017

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<b>Section II - Financial Statement Findings</b>
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None Reported

<b>Section III - Federal Award Findings and Responses</b>
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None Reported

See Independent Auditor's Report.

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