

Town of Oak Island, North Carolina



**Comprehensive Annual Financial Report
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

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TOWN OF OAK ISLAND, NORTH CAROLINA

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Introductory Section

**Town of Oak Island, North Carolina
List of Principal Officials
June 30, 2016**

Mayor and Town Council

Cin Brochure, Mayor
James B. Medlin, Mayor Pro Tem
Loman Scott
Jeff Winecoff
Charlie K. Blalock
Sheila M. Bell

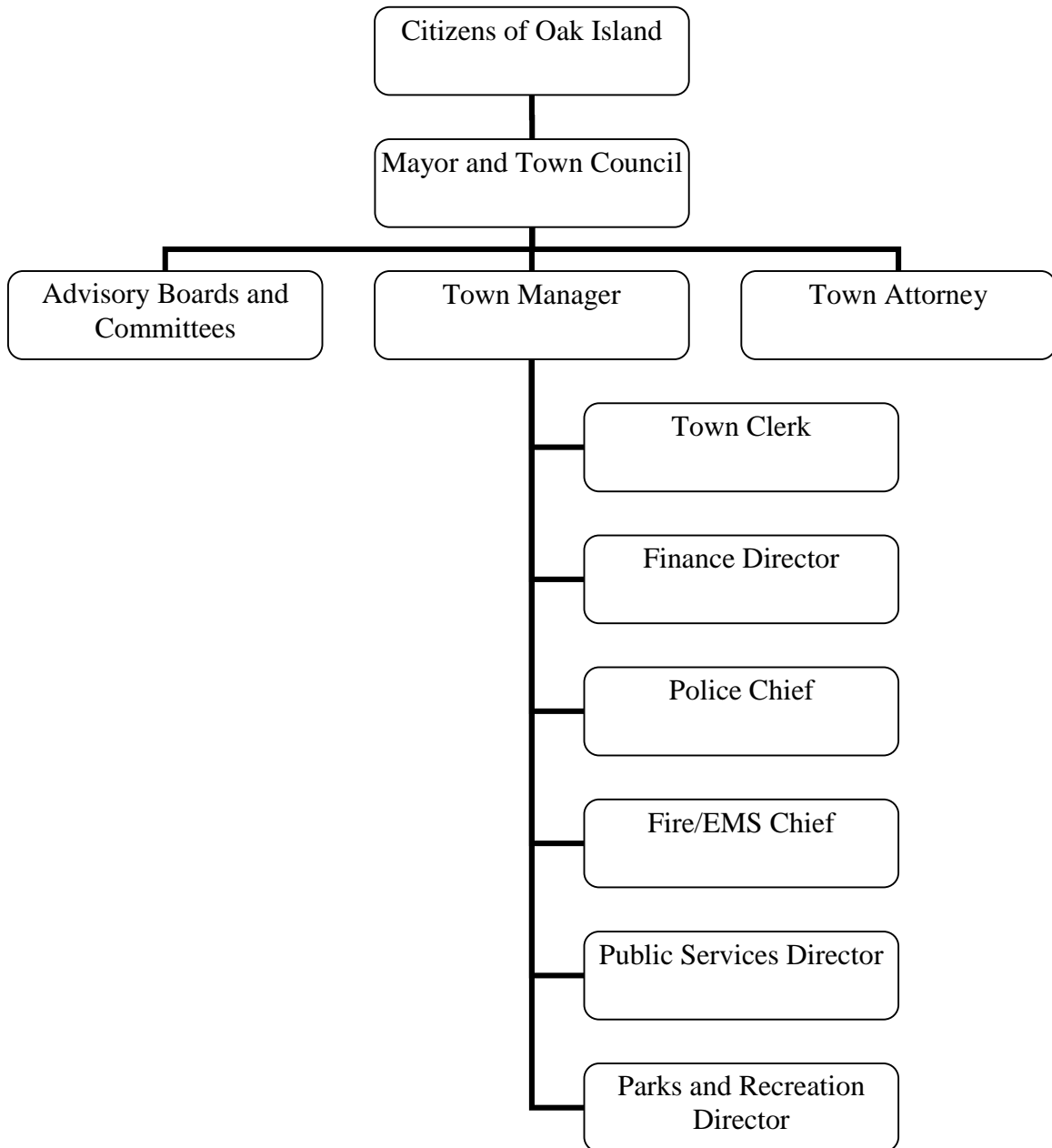
Town Officials

Lisa Stites
Greg Jordan
Chris Anselmo
David Hatten
David Kelly
Rebecca Squires
Katie Coleman

Interim Town Manager/Town Clerk
Chief of Police
Fire Chief
Finance Director
Public Services Director
Parks & Recreation Director
Tax Collector

Town of Oak Island, North Carolina

Organizational Chart June 30, 2016



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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, 2016, 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, 2016, 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 as required by U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act 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 December 21, 2016 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
December 21, 2016

Town of Oak Island

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Oak Island, we offer readers of the Town of Oak Island's financial statements this narrative overview and analysis of the financial activities of the Town of Oak Island for the fiscal year ended June 30, 2016. 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

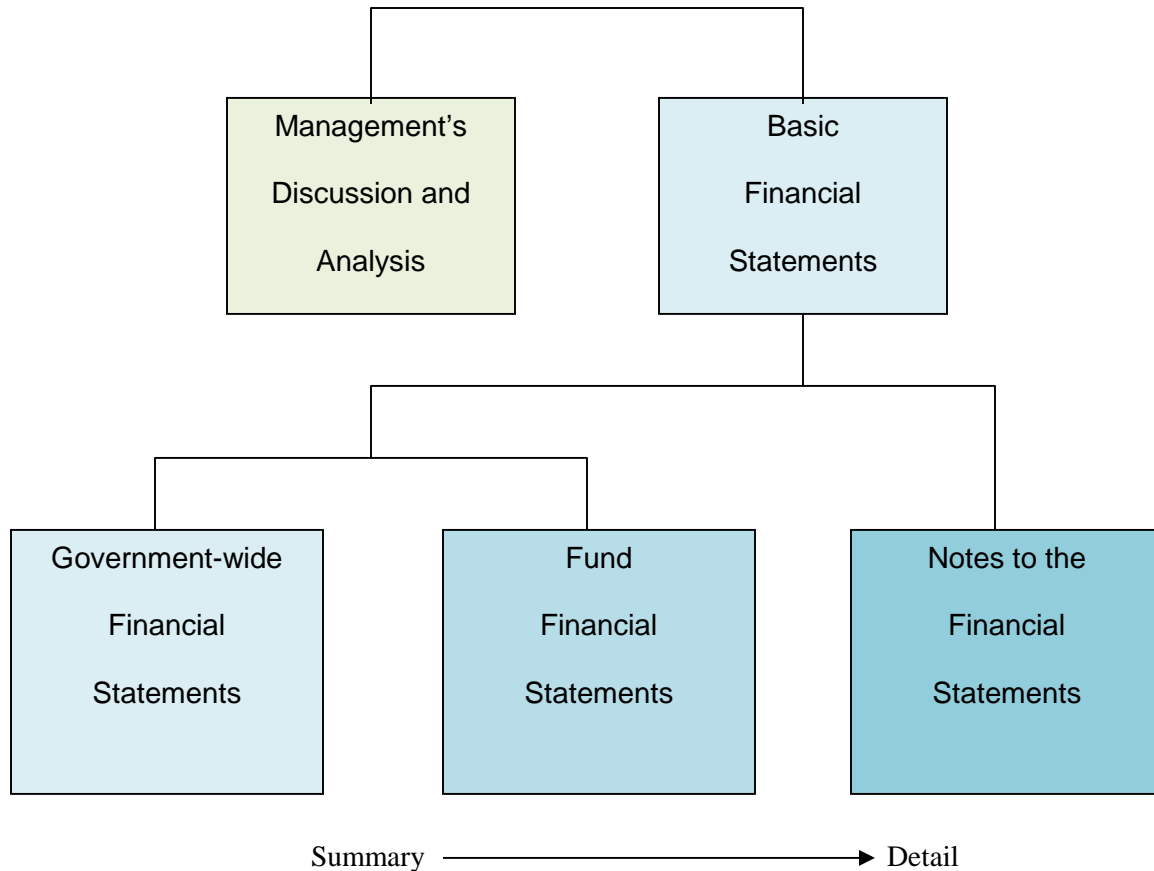
- The assets and deferred outflows of resources of the Town of Oak Island exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$85,240,866 (*net position*).
- The government's total net position increased by \$6,378,274 during the period, primarily due to increases in the governmental 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 \$16,464,197 with a net change of \$1,750,423 in fund balance. Approximately 43.66 percent of this total amount, or \$7,188,387, is non spendable or restricted. An additional \$483,205 is considered committed by the Town.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,792,605 or 70.78 percent of total general fund expenditures for the fiscal year.
- The Town of Oak Island's total debt decreased by \$4,235,611 (4.01%) during the current 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.

REQUIRED COMPONENTS OF ANNUAL FINANCIAL REPORT

FIGURE 1



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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as 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 and solid waste 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 integral 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.

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

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 governmental entities in North Carolina, 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.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of 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 what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's 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 North Carolina General Statutes. The budget is a legally adopted document that includes 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 fund 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 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 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 in 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.

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

TOWN OF OAK ISLAND NET POSITION FIGURE 2

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 17,332,391	\$ 17,535,31	\$ 37,316,826	\$ 34,273,226	\$ 54,710,861	\$ 51,808,539
Capital assets	28,855,934	29,006,145	107,951,652	110,876,852	136,807,586	139,882,997
Deferred Outflows of resources	1,900,877	299,777	535,508	80,826	2,436,385	380,603
Total assets and deferred outflows of resources	\$ 48,089,202	\$ 46,841,235	\$ 145,803,986	\$ 145,230,904	\$ 193,954,832	\$ 192,072,139
Long-term liabilities outstanding	\$ 7,949,322	\$ 9,315,759	\$ 88,632,728	\$ 91,941,300	\$ 96,582,050	\$ 101,257,059
Other liabilities	2,410,261	3,153,445	7,165,819	7,263,500	9,576,080	10,416,945
Deferred inflows of resources	1,917,375	1,199,748	576,817	335,795	2,494,192	1,535,543
Total liabilities and deferred inflows of resources	\$ 12,276,958	\$ 13,668,952	\$ 96,375,364	\$ 99,540,595	\$ 108,652,322	\$ 113,209,547
Net position:						
Net Investment in capital assets	\$ 19,348,092	\$ 19,348,092	\$ 20,149,688	\$ 21,789,047	\$ 39,497,780	\$ 41,137,139
Restricted	7,716,212	6,945,199	20,922,210	18,617,616	28,638,422	25,562,815
Unrestricted	8,747,940	6,578,992	8,356,724	5,283,646	17,104,664	12,162,638
Total net position	\$ 35,812,244	\$ 33,172,283	\$ 49,428,622	\$ 45,690,309	\$ 85,240,866	\$ 78,862,592

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Oak Island exceeded liabilities and deferred inflows by \$85,240,866 as of June 30, 2016. The Town's net position increased by \$6,378,274. The largest portion of this, \$39,497,780 (46.31 percent) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Oak Island uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Oak Island's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Oak Island's net position, \$28,638,422, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$17,104,664 is unrestricted.

TOWN OF OAK ISLAND CHANGES IN NET POSITION

FIGURE 3

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 3,326,929	\$ 4,873,805	\$ 15,979,168	\$ 13,710,361	\$ 19,306,097	\$ 18,584,166
Operating grants and contributions	309,969	309,095	209,231	4,057,999	519,200	313,669
Capital grants and contributions	309,596	8,020	4,057,999	3,255,066	4,367,595	3,263,086
General revenues:						
Property taxes	7,373,718	7,484,119	-	-	7,373,718	7,484,119
Local option sales tax	1,475,318	1,687,594	-	-	1,475,318	1,687,594
Accommodation tax	1,083,546	1,284,187	-	-	1,083,546	1,284,187
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	1,352,313	273,476	497	10,081	1,352,810	283,557
Total revenues	\$ 15,231,389	\$ 15,920,296	\$ 20,246,895	\$ 16,980,082	\$ 35,478,284	\$ 32,900,378
Expenses:						
General government	\$ 2,516,788	\$ 2,510,088	\$ -	\$ -	\$ 2,516,788	\$ 2,510,088
Public safety	6,781,142	4,486,670	-	-	6,781,142	4,486,670
Transportation	967,976	1,847,906	-	-	967,976	1,847,906
Environmental protection	380,320	143,027	-	-	380,320	143,027
Cultural and recreation	1,772,305	4,390,206	-	-	1,772,305	4,390,206
Interest on long-term debt	479,146	515,501	-	-	479,146	515,501
Water	-	-	2,039,590	1,922,893	2,039,590	1,922,893
Wastewater	-	-	12,774,267	12,853,774	12,774,267	12,853,774
Non-major funds	-	-	1,388,476	1,250,484	1,388,476	1,250,484
Total expenses	\$ 12,897,677	\$ 13,893,398	\$ 16,202,333	\$ 16,027,151	\$ 29,100,010	\$ 29,920,549
Increase in net position before transfers	\$ 2,333,712	\$ 2,026,898	\$ 4,044,562	\$ 952,931	\$ 6,378,274	\$ 2,979,829
Transfers	306,249	107,000	(306,249)	(107,000)	-	-
Special Item-Disposal of Government	-	(5,356)	-	-	-	(5,356)
Operations	-	-	-	-	-	-
Increase in net position	\$ 2,639,961	\$ 2,128,542	\$ 3,738,313	\$ 845,931	\$ 6,378,274	\$ 2,974,473
Net position – beginning	33,712,283	31,043,741	45,690,309	44,844,378	78,862,592	75,888,119
Net position – ending	\$ 35,812,244	\$ 33,172,283	\$ 49,428,622	\$ 45,690,309	\$ 85,240,866	\$ 78,862,592

Governmental activities. Governmental activities increased the Town's net position by \$2,639,961 thereby accounting for 41.38% of the total growth in the net position of the Town of Oak Island. A decrease in expenditures by \$995,721 was the key element in the growth in net position:

Business-type activities. For consecutive years, business-type activities again increased the Town of Oak Island's net position. Net position grew by \$3,738,313.

Financial Analysis of the Town'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 of Oak Island'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 of Oak Island's financing requirements.

At June 30, 2016, the governmental funds of Town of Oak Island reported a combined fund balance of \$16,464,197 with a net increase in fund balance of \$1,750,423. 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 2016 fiscal year, the fund balance for the Town of Oak Island's General Fund reached \$10,558,559. Of this, \$1,262,840 was restricted, \$19,909 represented non-spendable inventories and prepaid expenditures and \$483,205 was committed by the Town for capital projects, leaving an unassigned fund balance of \$8,792,605 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 currently has an available fund balance of 70.78% of general fund expenditures, while total fund balance represents 85.00% of the same amount.

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 utilized to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Differences between the budgeted and actual expenditures primarily occurred because of the increased conservatism in budgeting the Town's revenues and the reduction of planned expenditures where possible. The Town received more revenues than were budgeted, but generally held expenditures to levels lower than the appropriated amounts. The Town also moved toward recording less interfund transfers where possible.

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 \$8,356,724. The change in net position for the Water, Wastewater and Other Enterprise Funds was \$2,940,293, \$770,026 and \$27,994, 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. 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.

Capital Asset and Debt Administration

Capital assets. The Town of Oak Island's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totals \$136,807,586 (net of accumulated depreciation). These assets include: utility systems, buildings and other structures, land, machinery and equipment, infrastructure, and vehicles (both motor vehicles and heavy motor vehicles).

Major capital asset transactions during the year include the following:

- Investment in the Water and Wastewater Equipment and Wastewater Heavy Vehicles

TOWN OF OAK ISLAND CAPITAL ASSETS

FIGURE 4

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 9,529,923	\$ 9,529,923	\$ 4,684,602	\$ 4,684,602	\$ 14,214,525	\$ 14,214,525
Buildings	13,580,808	13,770,182	11,575,699	11,911,173	25,156,507	25,681,355
Improvements other than buildings	1,501,111	1,445,302	-	-	1,501,111	1,445,302
Motor vehicles	381,687	185,334	22,122	-	403,809	185,334
Heavy motor vehicles	676,094	386,099	516,965	247,140	1,193,059	633,239
Equipment	314,174	424,760	3,577,534	3,992,802	3,891,708	4,417,562
Office equipment	46,836	62,688	-	-	46,836	62,688
Computers and electrical equipment	30,039	31,525	-	109	30,039	31,634
Infrastructure	2,795,263	2,920,331	77,615,355	79,411,361	80,410,618	82,331,693
Construction in progress	-	250,000	-	-	-	250,000
Intangible assets	-	-	9,959,375	10,629,665	9,959,375	10,629,665
Total	\$ 28,855,935	\$ 29,006,145	\$ 107,951,652	\$ 110,876,852	\$ 136,807,586	\$ 139,882,997

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, 2016, the Town of Oak Island had total bonded debt outstanding of \$81,560,707. All 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.

TOWN OF OAK ISLAND OUTSTANDING DEBT OBLIGATIONS

FIGURE 5

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Installment purchases	\$ 8,448,140	\$ 9,658,053	\$ 109,275	\$ 213,476	\$ 8,557,415	\$ 9,871,529
Capital leases	-	-	-	-	-	-
Revolving loan funds	-	-	10,137,096	10,774,948	10,137,096	10,774,948
Revenue notes	-	-	-	-	-	-
Revenue bonds	-	-	81,560,707	83,856,303	81,560,707	83,856,303
Total	\$ 8,448,140	\$ 9,658,053	\$ 91,807,078	\$ 94,844,727	\$ 100,255,218	\$ 104,502,780

Town of Oak Island's Outstanding Debt

The Town of Oak Island's total long-term debt outstanding decreased by \$4,247,562 (4.01%) during the past fiscal year, primarily due to the Town's efforts to pay its existing debt. The Town's debt associated with governmental activities decreased \$1,209,913 or (12.56%) while the debt of the Town's business-type activities decreased by \$3,037,649 (3.21%).

Economic Factors and Next Year's Budgets and Rates

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

- The Town continues to see a steady growth in the number of new building permits issued. This growth will result in an increase to the Town's future tax base and in turn increased water and wastewater revenues.
- The Town during the Fiscal Year began an initiative to educate the public regarding the responsibility to pay to the Town Accommodations Tax. In addition, reviews were performed on rental agencies and individuals who rent there home or condominium to ascertain if they were paying the tax as required. These initiatives have generated an increase in accommodations revenue for the fiscal year as for future years to come. The visitors to the Town continues to be steady with a small growth each year.
- Sales Tax Revenues as well as other general fund revenues remained steady for the fiscal year as was budgeted.
- On July 1, 2015 the Town issued Enterprise Revenue Refunding Bonds (Series 2015) in the amount of \$41,110,000 for the purpose of refunding in advance the Series 2009 Revenue Bonds. This resulted in an average annual cash savings to the Enterprise Fund of \$250,000 and a total cash savings of approximately \$5,242,000 over the life of the bonds.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities: The Town of Oak Island is beginning to see some new economic growth as the tourism and building construction markets increase slightly. Town management is optimistic about these improvements and will continue preparing budgets to maintain spending where possible while maintaining its current property tax rate. Increases in some Town service fees will assist the increase in the property tax base and slight increases in sales tax revenues. The Town anticipates the funds produced by the additional revenues and reduced expenditures will finance programs currently in place and to make advance payments toward reducing the Town's long-term debts, with the remainder to be kept on hand to build the Town's available fund balance.

Business-type Activities: After three years of double digit increases in water and sewer rates Town Management increased these rates 1.5% effective July 1, 2016. Also the Sewer District Fee for utility system users (and potential users) remained the same with no increase. Town management will continue to examine options of 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 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 in FY 16-17. The funding of the Beach Nourishment program is undetermined at this time. It could be funded through multiple sources including ad valorem taxes, grants, assessments, etc.

Future Expenditures and Budget Priorities

The Town anticipates implementation of a long term Beach and Inlet plan in FY 16-17. This may be funded through multiple sources including ad valorem taxes.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

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

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

Basic Financial Statements

TOWN OF OAK ISLAND, NORTH CAROLINA

Statement of Net Position

June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Oak Island ABC Board
ASSETS				
Current Assets				
Cash and Equivalent	\$ 12,257,580	\$ 16,461,125	\$ 28,718,705	\$ 424,417
Taxes Receivables, Net	224,667	-	224,667	-
Assessments Receivable	24,254	-	24,254	-
Accounts Receivable, Net	202,100	3,258,344	3,460,444	62
Due from Other Funds	3,149,999	-	3,149,999	-
Due From Component Unit	81,531	-	81,531	-
Inventories	9,744	218,177	227,921	261,330
Prepaid Items	62,921	-	62,921	13,332
Total Current Assets	16,012,796	19,937,646	35,950,442	699,141
Non-current Assets				
Restricted Cash and Cash Equivalents	1,319,595	9,838,068	11,157,663	200,279
Restricted Receivables	-	5,645,415	5,645,415	-
Accrued Interest on Restricted Assets	-	683,404	683,404	-
Prepaid Bond Insurance	-	1,212,293	1,212,293	-
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	19,326,011	102,981,653	122,307,664	255,098
Total Capital Assets	28,855,934	107,951,652	136,807,586	356,276
Total Non-current Assets	30,175,529	125,330,832	155,506,361	556,555
Total Assets	46,188,325	145,268,478	191,456,803	1,255,696
DEFERRED OUTFLOWS OF RESOURCES				
Pension Deferrals	1,900,877	535,508	2,436,385	26,848
Total Deferred Outflows of Resources	\$ 1,900,877	\$ 535,508	\$ 2,436,385	\$ 26,848

TOWN OF OAK ISLAND, NORTH CAROLINA
Statement of Net Position (Conitnued)
June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Oak Island ABC Board
LIABILITIES				
Current Liabilities				
Accounts Payable and				
Accrued Expenses	\$ 603,035	\$ 312,069	\$ 915,104	\$ 396,831
Accrued Interest Payable	-	341,302	341,302	-
Customer Deposits	83,598	113,557	197,155	-
Due to Other Funds	-	2,800,000	2,800,000	-
Due to Primary Government	-	-	-	81,531
Current Portion of Long-Term Liabilities	1,723,628	3,598,891	5,322,519	-
Total Current Liabilities	2,410,261	7,165,819	9,576,080	478,362
Long-Term Liabilities				
Due In More Than One Year	7,618,142	88,537,641	96,155,783	84,787
Net Pension Liability	331,180	95,087	426,267	7,227
Total Long-Term Liabilities	7,949,322	88,632,728	96,582,050	92,014
Total Liabilities	10,359,583	95,798,547	106,158,130	570,376
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	11,732	44,577	56,309	-
Pension Deferrals	1,905,643	532,240	2,437,883	3,755
Total Deferred Inflows of Resources	1,917,375	576,817	2,494,192	3,755
NET POSITION				
Net Investment in Capital Assets	19,348,092	20,149,688	39,497,780	356,276
Restricted For:				
Stabilization by State Statute	804,784	-	804,784	-
Streets	458,056	-	458,056	-
Public Safety	-	-	-	-
Cultural and Recreation	5,905,638	-	5,905,638	-
Other Functions	547,734	20,922,210	21,469,944	281,303
Unrestricted	8,747,940	8,356,724	17,104,664	70,834
Total Net Position	\$ 35,812,244	\$ 49,428,622	\$ 85,240,866	\$ 708,413

TOWN OF OAK ISLAND, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2016

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,516,788	\$ 1,421,249	\$ -	\$ -
Public Safety	6,781,142	1,117,548	1,638	-
Transportation	967,976	-	308,331	20,000
Environmental Protection	380,320	631,204	-	289,596
Cultural and Recreation	1,772,305	156,928	-	-
Interest on Long-Term Debt	479,146	-	-	-
Total Governmental Activities	12,897,677	3,326,929	309,969	309,596
Business-Type Activities:				
Water Operations	2,039,590	4,871,588	-	108,128
Wastewater Operations	12,774,267	9,820,349	200,000	3,949,871
Solid Waste Operations	1,162,144	1,155,593	9,231	-
Golf Course Operations	226,332	131,638	-	-
Total Business-Type Activities	16,202,333	15,979,168	209,231	4,057,999
Total Primary Government	\$ 29,100,010	\$ 19,306,097	\$ 519,200	\$ 4,367,595
Component Units:				
Oak Island ABC Board	\$ 2,575,544	\$ 2,596,559	\$ -	\$ -
Total Component Units	\$ 2,575,544	\$ 2,596,559	\$ -	\$ -

General Revenues:

Taxes:

Property Taxes, Levied for General Purpose

Local Option Sales Taxes

Accomodations Taxes

Unrestricted Investment Earnings

Miscellaneous

Sale of Capital Assets

Total General Revenues
Transfers
Total General Revenues, Special Items, and Transfers
Change in Net Position
Net Position - Beginning
Net Position -Ending

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (1,095,539)	\$ -	\$ (1,095,539)	\$ -
(5,661,956)	-	(5,661,956)	-
(639,645)	-	(639,645)	-
540,480	-	540,480	-
(1,615,377)	-	(1,615,377)	-
(479,146)	-	(479,146)	-
(8,951,183)	-	(8,951,183)	-
-	2,940,126	2,940,126	-
-	1,195,953	1,195,953	-
-	2,680	2,680	-
-	(94,694)	(94,694)	-
-	4,044,065	4,044,065	-
(8,951,183)	4,044,065	(4,907,118)	-
-	-	-	20,690
-	-	-	20,690
7,373,718	-	7,373,718	-
1,475,318	-	1,475,318	-
1,083,546	-	1,083,546	-
19,162	497	19,659	501
897,067	-	897,067	-
436,084	-	436,084	-
11,284,895	497	11,285,392	501
306,249	(306,249)	-	-
11,591,144	(305,752)	11,285,392	501
2,639,961	3,738,313	6,378,274	21,191
33,172,283	45,690,309	78,862,592	687,222
\$ 35,812,244	\$ 49,428,622	\$ 85,240,866	\$ 708,413

TOWN OF OAK ISLAND, NORTH CAROLINA

Balance Sheet

Governmental Funds

June 30, 2016

	Major Funds		Total	Total
	General	Beach Tax	Non-Major Funds	Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 9,888,653	\$ -	\$ 2,368,927	\$ 12,257,580
Restricted Cash	941,261	378,334	-	1,319,595
Receivables (net):				-
Taxes	224,667	-	-	224,667
Assessments	18,217	-	6,037	24,254
Accounts	202,100	-	-	202,100
Due from Component Unit	81,531	-	-	81,531
Due from Other Funds	-	2,635,958	514,041	3,149,999
Inventories	9,744	-	-	9,744
Total Assets	\$ 11,366,173	\$ 3,014,292	\$ 2,889,005	\$ 17,269,470
DEFERRED OUTFLOWS OF RESOURCES				
Prepays	10,165	-	52,756	62,921
Total Deferred Outflows of Resources	10,165	-	52,756	62,921
LIABILITIES				
Accounts Payable	558,657	-	44,378	603,035
Due to Other Funds	-	-	-	-
Customer Deposits	83,598	-	-	83,598
Total Liabilities	642,255	-	44,378	686,633
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	169,829	-	-	169,829
Unearned Revenue	5,695	-	6,037	11,732
Total Deferred Inflows of Resources	175,524	-	6,037	181,561
FUND BALANCES				
Non Spendable				
Inventories	9,744	-	-	9,744
Prepays	10,165	-	-	10,165
Restricted:				
Stabilization by State Statute	804,784	-	-	804,784
Streets - Powell Bill	458,056	-	-	458,056
Public Safety	-	-	-	-
Tourism	-	-	-	-
Cultural and Recreation	-	3,014,292	2,891,346	5,905,638
Committed:				
Capital Projects	483,205	-	-	483,205
Administration	-	-	-	-
Public Safety	-	-	-	-
Unassigned:	8,792,605	-	-	8,792,605
Total Fund Balances	10,558,559	3,014,292	2,891,346	16,464,197
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,376,338	\$ 3,014,292	\$ 2,941,761	\$ 17,332,391

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, 2016

		Total Governmental Funds
<hr/>		
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total Fund Balance, Governmental Funds		16,464,197
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 39,954,435	
Accumulated depreciation	(11,098,501)	28,855,934
		-
Deferred outflows of resources related to pensions are not reported in the funds		1,900,877
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		
Earned revenues considered deferred inflows of resources in fund statements		169,829
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Installment notes payable	(8,448,140)	
Compensated absences payable	(327,195)	
Other postemployment benefits payable	(460,491)	
Net Pension Obligation	(105,944)	
Net Pension Liability	(331,180)	(9,672,950)
Deferred inflows of resources related to pensions are not reported in the funds		(1,905,643)
Net Position of Governmental Activities		<u><u>\$ 35,812,244</u></u>

TOWN OF OAK ISLAND, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

	Major Funds		Total	Total
	General	Beach Tax	Non-Major Funds	Governmental Funds
Revenues				
Ad Valorem Taxes	\$ 7,058,420	\$ -	\$ -	\$ 7,058,420
Other Taxes and Licenses	1,475,318	424,161	659,385	2,558,864
Unrestricted Intergovernmental	1,117,456	-	-	1,117,456
Restricted Intergovernmental	1,443,937	289,596	-	1,733,533
Sales and Services	467,801	-	-	467,801
Permits and Fees	628,504	-	-	628,504
Investment Earnings	19,129	-	33	19,162
Miscellaneous	112,191	-	22,662	134,853
Total Revenues	12,322,756	713,757	682,080	13,718,593
Expenditures				
Current:				
General Government	2,498,959	-	-	2,498,959
Public Safety	5,124,685	-	-	5,124,685
Transportation	959,743	-	-	959,743
Environmental Protection	384,110	-	-	384,110
Cultural and Recreational	655,503	676,190	397,127	1,728,820
Debt Service:				
Principal	2,319,916	-	-	2,319,916
Interest and Other Charges	479,146	-	-	479,146
Total Expenditures	12,422,062	676,190	397,127	13,495,379
Excess (Deficiency) of Revenues Over Expenditures	(99,306)	37,567	284,953	223,214
Other Financing Sources (Uses)				
Transfers from Other Funds	105,016	294,000	56,000	455,016
Transfers to Other Funds	(148,767)	-	-	(148,767)
Loan Proceeds	784,876	-	-	784,876
Sales of Capital Assets	436,084	-	-	436,084
Total Other Financing Sources (Uses)	1,177,209	294,000	56,000	1,527,209
Net Change in Fund Balance	1,077,903	331,567	340,953	1,750,423
Fund Balance - Beginning	9,480,656	2,682,725	2,550,393	14,713,774
Fund Balance - Ending	\$ 10,558,559	\$ 3,014,292	\$ 2,891,346	\$ 16,464,197

TOWN OF OAK ISLAND, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2016

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

Net changes in fund balances - total governmental funds		1,750,423
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Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities the cost of those assets is allocated over the assets' estimated lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 1,466,073	
Depreciation expense for governmental assets	(1,092,686)	
Asset disposal	(523,601)	(150,214)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		288,028
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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	315,298	315,298

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	2,319,916	
New debt issued	(1,670,687)	649,229

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	47,336	
Pension Expense	(196,797)	
Net pension obligation	(44,394)	
Other postemployment benefits	(18,948)	(212,803)

Change in net position of governmental activities		<u>\$ 2,639,961</u>
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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, 2016

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Ad Valorem Taxes	\$ 6,764,218	\$ 6,764,218	\$ 7,058,420	\$ 294,202
Other Taxes and Licenses	1,543,500	1,543,500	1,475,318	(68,182)
Unrestricted Intergovernmental	618,800	618,800	1,117,456	498,656
Restricted Intergovernmental	1,377,750	1,377,750	1,443,937	66,187
Permits and Fees	301,000	301,000	628,504	327,504
Sales and Services	474,056	474,056	467,801	(6,255)
Investment Earnings	1,725	1,725	19,129	17,404
Miscellaneous	87,850	97,290	112,191	14,901
Total Revenues	11,168,899	11,178,339	12,322,756	1,144,417
Expenditures				
Current				
General Government	2,669,663	2,753,834	2,498,959	254,875
Public Safety	4,419,156	5,369,371	5,124,685	244,686
Transportation	1,301,906	1,301,906	959,743	342,163
Environmental Protection	179,875	425,999	384,110	41,889
Cultural and Recreation	680,454	671,864	655,503	16,361
Debt Service				
Principal	1,369,017	1,369,017	2,319,916	(950,899)
Interest and Other Charges	424,196	424,196	479,146	(54,950)
Contingency	-	-	-	-
Total Expenditures	11,044,267	12,316,187	12,422,062	(105,875)
Revenues Over (Under) Expenditures	124,632	(1,137,848)	(99,306)	1,038,542
Other Financing Sources (Uses)				
Transfers from Other Funds	-	306,571	76,249	(230,322)
Transfers to Other Funds	(245,551)	(201,846)	(120,000)	81,846
Loan Proceeds	-	780,000	784,876	4,876
Sales of Capital Assets	120,919	120,919	436,084	315,165
Total Other Financing Sources (Uses)	\$ (124,632)	\$ 1,005,644	\$ 1,177,209	\$ 171,565
Fund Balance Appropriated	-	132,204	-	(132,204)
Net Change in Fund Balance	\$ -	\$ -	1,077,903	1,077,903
Fund Balance - Beginning of Year			9,044,942	
Fund Balance - End of Year			10,122,845	
A legally adopted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Fund Balance - Beginning of Year			435,714	
Fund Balance - End of Year			\$ 10,558,559	

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, 2016

	Beach Tax Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Restricted Intergovernmental				
NCDENR Grant-Lockwood Folly Project	\$ -	\$ -	\$ 122,930	\$ 122,930
Brunswick County Grant-Lockwood Folly Project	-	-	166,666	166,666
Other Taxes and Licenses:				
Restricted Accomodations Tax Receipts	-	350,000	424,161	74,161
Total Revenues	-	350,000	713,757	363,757
Expenditures				
Current				
Culture and Recreation				
Repairs and Maintenance	-	37,000	14,883	22,117
Lockwood Folly Dredging Project	-	30,000	661,307	(631,307)
Total Expenditures	-	67,000	676,190	(609,190)
Revenues Over (Under) Expenditures	-	283,000	37,567	(245,433)
Other Financing Sources (Uses)				
Transfers from Other Funds		294,000	294,000	-
Total Expenditures	-	294,000	294,000	-
Fund Balance Appropriated	-	(577,000)	-	577,000
Net Change in Fund Balance	\$ -	\$ -	\$ 331,567	\$ 331,567
Fund Balance - Beginning of Year			2,682,725	
Fund Balance - End of Year			3,014,292	

TOWN OF OAK ISLAND, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Funds
June 30, 2016

	Major Funds		Non-Major Funds	
		Wastewater	Other	
	Water Fund	Fund	Enterprise	Total
			Funds	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 10,840,224	\$ 5,429,175	\$ 191,726	\$ 16,461,125
Accounts Receivables (net):	976,866	2,092,624	188,854	3,258,344
Other Receivables	-	-	-	-
Inventories	158,055	53,084	7,038	218,177
Total Current Assets	11,975,145	7,574,883	387,618	19,937,646
Non-Current Assets				
Restricted Assets				
Net Pension Asset	-	-	-	-
Cash and Cash Equivalents	-	9,838,068	-	9,838,068
Assessments Receivables (net):	-	5,007,368	-	5,007,368
Sewer District Fees Receivable (net)	-	638,047	-	638,047
Accrued Interest Receivable	-	683,404	-	683,404
Total Restricted Assets	-	16,166,887	-	16,166,887
Other Assets				
Prepaid Insurance on Bonds	-	1,212,293	-	1,212,293
Capital Assets				
Land and Construction in Progress	135,068	3,433,136	1,401,795	4,969,999
Other Capital Assets, Net of Depreciation	3,168,390	99,326,407	486,856	102,981,653
Capital Assets	3,303,458	102,759,543	1,888,651	107,951,652
Total Non-Current Assets	3,303,458	120,138,723	1,888,651	125,330,832
TOTAL ASSETS	15,278,603	127,713,606	2,276,269	145,268,478
DEFERRED OUTFLOWS OF RESOURCES				
Pension Deferrals	182,859	239,320	113,329	535,508
TOTAL DEFERRED OUTFLOWS OF RESOURCES	182,859	239,320	113,329	535,508

TOWN OF OAK ISLAND, NORTH CAROLINA
Statement of Fund Net Position
Proprietary Funds
June 30, 2016

	Major Funds		Non-Major Funds	
		Wastewater	Other	
	Water Fund	Fund	Enterprise Funds	Total
LIABILITIES				
Current Liabilities				
Accounts Payable	106,148	114,778	74,570	295,496
Salaries Payable	4,893	7,790	3,890	16,573
Accrued Interest Payable	-	341,302	-	341,302
Due to Other Funds	-	2,800,000	-	2,800,000
Customer Deposits	113,557	-	-	113,557
Compensated Absences Payable, Current	27,885	52,465	26,915	107,265
Installment Notes Payable, Current	-	109,275	-	109,275
Revenue Notes Payable, Current	-	652,351	-	652,351
Revenue Bonds Payable, Current	-	2,730,000	-	2,730,000
Total Current Liabilities	252,483	6,807,961	105,375	7,165,819
Non-current Liabilities				
Other Postemployment Benefits	101,619	79,003	41,567	222,189
Net Pension Liability	29,597	45,165	20,325	95,087
Revenue Notes Payable, Non-current	-	9,484,745	-	9,484,745
Revenue Bonds Payable, Non-current	-	78,830,707	-	78,830,707
Total Non-Current Liabilities	131,216	88,439,620	61,892	88,632,728
TOTAL LIABILITIES	383,699	95,247,581	167,267	95,798,547
DEFERRED INFLOWS OF RESOURCES				
Unearned Revenue	31,955	11,427	1,195	44,577
Pension Deferrals	191,211	229,059	111,970	532,240
TOTAL DEFERRED INFLOWS OF RESOURCES	223,166	240,486	113,165	576,817
NET POSITION				
Net Investment in Capital Assets	3,303,458	14,957,578	1,888,652	20,149,688
Restricted for Capital Projects	-	20,922,210	-	20,922,210
Unrestricted	11,551,139	(3,414,929)	220,514	8,356,724
NET POSITION OF BUSINESS-TYPE ACTIVITIES	<u>\$ 14,854,597</u>	<u>\$ 32,464,859</u>	<u>\$ 2,109,166</u>	<u>\$ 49,428,622</u>

TOWN OF OAK ISLAND, NORTH CAROLINA

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

Proprietary Funds

For the Year Ended June 30, 2016

	<u>Major Funds</u>		<u>Non-Major Funds</u>	
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Revenues				
Charges for Services	\$ 4,596,718	\$ 9,820,349	\$ 1,287,231	\$ 15,704,298
Other Operating Revenues	274,870	-	-	274,870
Total Operating Revenues	<u>4,871,588</u>	<u>9,820,349</u>	<u>1,287,231</u>	<u>15,979,168</u>
Operating Expenses				
Administration	162,121	-	59,752	221,873
Water Purchases	868,654	-	-	868,654
Waste Collection and Treatment	-	4,309,634	1,121,131	5,430,765
Maintenance	865,909	437,891	154,565	1,458,365
Depreciation	142,906	3,090,578	53,028	3,286,512
Total Operating Expenses	<u>2,039,590</u>	<u>7,838,103</u>	<u>1,388,476</u>	<u>11,266,169</u>
Operating Income (Loss)	<u>2,831,998</u>	<u>1,982,246</u>	<u>(101,245)</u>	<u>4,712,999</u>
Non-Operating Revenues (Expenses)				
Investment Earnings	167	322	8	497
Operating Grants and Contributions	-	200,000	9,231	209,231
Interest and Other Charges	-	(4,874,758)	-	(4,874,758)
Bond Insurance Costs	-	(61,406)	-	(61,406)
Sale of Capital Assets	-	-	-	-
Total Non-Operating Revenues (Expenses)	<u>167</u>	<u>(4,735,842)</u>	<u>9,239</u>	<u>(4,726,436)</u>
Income (Loss) Before Contributions and Transfers	<u>2,832,165</u>	<u>(2,753,596)</u>	<u>(92,006)</u>	<u>(13,437)</u>
Capital Contributions	108,128	3,949,871	-	4,057,999
Transfers In	-	-	120,000	120,000
Transfers Out	-	(426,249)	-	(426,249)
Change in Net Position	<u>2,940,293</u>	<u>770,026</u>	<u>27,994</u>	<u>3,738,313</u>
Total Net Position- Beginning	<u>11,914,304</u>	<u>31,694,833</u>	<u>2,081,172</u>	<u>45,690,309</u>
Total Net Position - Ending	<u>\$ 14,854,597</u>	<u>\$ 32,464,859</u>	<u>\$ 2,109,166</u>	<u>\$ 49,428,622</u>

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TOWN OF OAK ISLAND, NORTH CAROLINA
Statement of Cash Flows-Proprietary Funds
For the Year Ended June 30, 2016

	Major Enterprise Funds		Non-Major	
	Water	Wastewater	Enterprise	
	Fund	Fund	Funds	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 4,146,184	\$ 9,169,717	\$ 1,160,932	\$ 14,476,833
Cash Paid for Goods and Services	(1,177,106)	(2,628,812)	(962,767)	(4,768,685)
Cash Paid to Employees	(690,980)	(786,922)	(371,646)	(1,849,548)
Customer Deposits Received	55,789	-	-	55,789
Customer Deposits Returned	(62,539)	-	-	(62,539)
Other Operating Revenue	274,870	-	-	274,870
Net Cash Provided by (Used in)				
Operating Activities	2,546,218	5,753,983	(173,481)	8,126,720
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	-	200,000	6,656	206,656
Sale of Materials	-	-	2,575	2,575
Transfers from Other Funds	-	-	120,000	120,000
Transfers to Other Funds	-	(426,249)	-	(426,249)
Net Cash Provided by (Used in) Noncapital				
Financing Activities	-	(226,249)	129,231	(97,018)
Cash Flows from Capital and Related				
Financing Activities				
Acquisition and Construction of Capital Assets	(98,804)	(561,032)	(199,885)	(859,721)
Proceeds from Sale of Capital Assets	-	-	-	-
Principal Paid on Debt	-	(3,365,790)	-	(3,365,790)
Interest and Other Charges	-	(4,246,746)	-	(4,246,746)
Contributions	108,128	5,083,016	-	5,191,144
Net Cash Used by Capital and Related				
Financing Activities	9,324	(3,090,552)	(199,885)	(3,281,113)
Cash Flows Provided by Investing Activities				
Interest on Investments	167	321	8	496
Net Cash Provided by Investing Activities	167	321	8	496
Net Increase (Decrease) in Cash and				
Cash Equivalents	2,555,709	2,437,503	(244,127)	4,749,085
Cash and Cash Equivalents - July 1	8,284,515	12,829,740	435,853	21,550,108
Cash and Cash Equivalents - June 30	<u>\$ 10,840,224</u>	<u>\$ 15,267,243</u>	<u>\$ 191,726</u>	<u>\$ 26,299,193</u>

TOWN OF OAK ISLAND, NORTH CAROLINA
Statement of Cash Flows-Proprietary Funds
For the Year Ended June 30, 2016

	Major Enterprise Funds		Non-Major	
	Water	Wastewater	Enterprise	
	Fund	Fund	Funds	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	2,831,998	\$ 1,982,246	\$ (101,245)	4,712,999
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	142,906	3,090,578	53,028	3,286,512
Changes in Assets and Liabilities				
(Increase) Decrease in:				
Accounts Receivable	(450,534)	650,632	(127,353)	72,745
Inventory	174	(419)	469	224
Net Pension Asset	48,053	49,360	25,609	123,022
Deferred Outflows of Resources for Pensions	(151,288)	(206,891)	(96,503)	(454,682)
Increase (Decrease) in:				
Net Pension Liability	29,597	45,165	20,325	95,087
Deferred Inflows of Resources for Pensions	65,458	99,889	44,953	210,300
Accounts Payable	(12,478)	22,446	294	10,262
Customer Depositis	(6,750)	-	-	(6,750)
Unearned Revenue	31,955	(1,374)	142	30,723
Accrued Wages	2,075	3,938	2,048	8,061
Accrued Vacation Pay	2,931	4,473	(629)	6,775
Accrued OPEB Liability	12,121	13,940	5,381	31,442
Total Adjustments	(285,780)	3,771,737	(72,236)	3,413,721
Net Cash Provided by (Used in) Operating Activites	\$ 2,546,218	\$ 5,753,983	\$ (173,481)	\$ 8,126,720

TOWN OF OAK ISLAND, NORTH CAROLINA

Statement of Fiduciary Net Position

June 30, 2016

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

The accompanying notes are an integral part of the financial statement

***Notes to the
Financial Statements***

TOWN OF OAK ISLAND, NORTH CAROLINA

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

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.

Wastewater Capital Projects Fund. This fund is used to account for the extension of the wastewater system currently located on the island.

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.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fun 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.

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 Cash 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 and 2015 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.

**Town of Oak Island Restricted Cash
Governmental Activities**

General Fund	Capital Reserve	\$ 483,205
	Streets	458,056
Accommodations Tax	Cultural and Recreation	378,334
Total Governmental Activities		<u>1,319,595</u>
Business Type Activities		
Wastewater Fund	Unexpended Bond Proceeds	5,154,150
	Capital Reserve	2,344,459
	Wastewater Assessment	2,339,459
Total Business Type Activities		<u>\$ 9,838,068</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015. 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 2016 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 deferral of pension expense that result from the implementation of GASB 68.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Position (Continued)

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.

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 (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.

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. Pensions

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. Excess of Expenditures over Appropriations

For the year ended June 30, 2016, the expenditures in the Town's general fund exceeded the authorized appropriations made by the governing board for general government activities by \$105,875. This over-expenditure occurred because of a miscalculation of principal and interest payments on long term debt.

The unexpected additional expenditures from the Lockwood Folly Dredging Project also exceeded appropriations in the Beach Tax Fund by \$601,190.

The expenditures in the Solid Waste Fund also exceeded the authorized appropriations by \$170,202 due to an unexpected increase in Recycling Program Expenditures as well as a need to increase salary expenditures within the department.

Management will more closely review the budget reports to ensure compliance in future years.

III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2016, the Town's deposits had a carrying amount of \$29,246,019 and a bank balance of \$29,411,392. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2016, the Town's petty cash funds totaled \$1,050. The carrying amount of deposits for the ABC Board was \$623,196 and the bank balance was \$593,823. \$356,044 of the bank balance was covered by federal depository insurance and the balance was maintained in institutions collateralizing deposits using the pooling method. At June 30, 2016, the ABC Board's cash on hand totaled \$1,500.

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

2. Investments

At June 30, 2016, the Town of Oak Island had \$2,343,431 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. \$4,798,937 of the amount represents restricted cash as unexpended bond proceeds in the Wastewater Fund. The Town had \$3,300,050 invested with Finistar and \$192,835 with First Citizens Bank. The Town has no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2016 are net of the following allowances for doubtful accounts:

Fund	06/30/2016
Governmental Funds	
General Fund:	
Taxes Receivable	\$ 15,235
Accounts Receivable	1,733
Total General Fund	<u>16,968</u>
 Total Governmental Funds	 <u>16,968</u>
 Enterprise Funds	
Water Fund	40,336
Wastewater Fund:	
Wastewater Billing	118,583
Sewer District Fees	6,445
Sewer Assessments	195,620
 Solid Waste Fund	 18,975
Total Enterprise Funds	<u>379,959</u>
 Total	 \$ <u>396,927</u>

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, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,529,923	\$ -	\$ -	\$ 9,529,923
Construction in progress	250,000	-	250,000	-
Total Capital Assets not being depreciated	9,779,923	-	250,000	9,529,923
Capital assets being depreciated:				
Buildings	17,086,230	250,000	-	17,336,233
Motor Vehicles	1,528,554	264,177	-	1,792,731
Heavy Motor Vehicles	2,327,461	817,633	970,035	2,175,059
Equipment	1,455,577	58,880	-	1,514,456
Office Equipment	172,405	-	-	172,405
Other Structures/Improvements	2,940,834	59,302	-	3,000,136
Computers/Electrical Equipment	664,487	16,080	-	680,568
Infrastructure	3,752,924	-	-	3,752,924
Total Capital Assets being depreciated	29,928,472	1,366,072	970,035	30,424,512
Less accumulated depreciation for:				
Buildings	3,316,048	439,377	-	3,755,425
Motor Vehicles	1,343,221	67,823	-	1,411,044
Heavy Motor Vehicles	1,941,363	254,038	696,435	1,498,966
Equipment	1,125,859	74,423	-	1,200,282
Office Equipment	109,717	15,852	-	125,569
Other Structures/Improvements	1,400,789	98,236	-	1,499,025
Computers/Electrical Equipment	632,661	17,868	-	650,529
Infrastructure	832,592	125,069	-	957,661
Total Accumulated Depreciation	10,702,250	1,092,686	696,435	11,098,501
Total Capital Assets being depreciated, net	19,226,222			19,326,011
Governmental Activity Capital Assets,	\$ 29,006,148			\$ 28,855,934

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	\$	179,231
Public Safety		540,201
Environmental Protection		10,954
Transportation		136,017
Cultural and Recreational		226,283
Total	\$	<u>1,092,686</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities :				
Water Fund				
Capital assets not Being Depreciated				
Land	\$ 135,068	\$	\$	\$ 135,068
Construction in Progress (CIP)	-	-	-	-
Total capital assets not being depreciated	<u>135,068</u>	<u>-</u>	<u>-</u>	<u>135,068</u>
Capital assets being depreciated:				
Buildings	134,596	-	-	134,596
Motor Vehicles	252,958	-	-	252,958
Equipment	335,821	98,805	-	434,626
Computer and Electric 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>7,422,875</u>	<u>98,805</u>	<u>-</u>	<u>7,521,680</u>
Less accumulated depreciation for:				
Buildings	73,412	1,995	-	75,407
Motor Vehicles	252,958	-	-	252,958
Equipment	289,661	19,850	-	309,511
Computer and Electric Equipment	93,619	-	-	93,619
Utility Systems I	1,134,488	44,069	-	1,178,557
Utility Systems III	2,366,246	76,992	-	2,443,238
Total Accumulated Depreciation	<u>4,210,383</u>	<u>142,906</u>	<u>-</u>	<u>4,353,290</u>
Total Capital Assets being Depreciated, Net	<u>3,212,492</u>			<u>3,168,390</u>
Water Fund Capital Assets, Net	<u>\$ 3,347,560</u>			<u>\$ 3,303,458</u>

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Wastewater Fund				
Capital assets not Being Depreciated				
Land	\$ 3,147,739	\$	\$	\$ 3,147,739
Future Treatment Rights	285,397			285,397
Construction in Progress (CIP)	-	-	-	-
Total Capital Assets not being Depreciated	<u>3,433,136</u>	<u>-</u>	<u>-</u>	<u>3,433,136</u>
Capital assets being depreciated:				
Buildings	13,266,014	-	-	13,266,014
Motor Vehicles	110,070	-	-	110,070
Heavy Vehicles	180,711	-	-	180,711
Equipment	7,394,284	-	-	7,394,284
Utility Systems I	27,067	-	-	27,067
Utility Systems II	85,216,718	62,624	-	85,279,342
Intangible Assets	<u>11,961,437</u>	<u>-</u>	<u>-</u>	<u>11,961,437</u>
Total Capital Assets being Depreciated	<u>118,156,301</u>	<u>62,624</u>	<u>-</u>	<u>118,218,925</u>
Less Accumulated Depreciation for:				
Buildings	1,499,118	330,894	-	1,830,013
Motor Vehicles	110,068	-	-	110,068
Heavy Vehicles	180,711	10,136	-	190,847
Equipment	3,457,407	676,988	-	4,134,395
Utility Systems I	11,027	669	-	11,696
Utility Systems III	8,926,439	1,674,272	-	10,600,711
Intangible Assets	<u>1,617,170</u>	<u>397,619</u>	<u>-</u>	<u>2,014,789</u>
Total Accumulated Depreciation	<u>15,801,940</u>	<u>3,090,578</u>	<u>-</u>	<u>18,892,518</u>
Total Capital Assets being Depreciated, Net	<u>102,354,361</u>			<u>99,326,407</u>
Wastewater Fund Capital Assets, Net	<u>\$ 105,787,497</u>			<u>\$ 102,759,543</u>

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Solid Waste</i>				
Capital assets being depreciated:				
Buildings	\$ 5,304	\$ -	\$ -	\$ 5,304
Motor Vehicles	26,622	26,162	-	52,784
Heavy Vehicles	882,815	143,050	-	1,025,865
Total Capital Assets being Depreciated	914,742	26,162	-	1,083,954
Less Accumulated Depreciation for:				
Buildings	2,001	131	-	2,132
Motor Vehicles	26,622	4,043	-	30,665
Heavy Vehicles	635,675	36,839	-	672,514
Total Accumulated Depreciation	664,298	41,013	-	705,311
Total Capital Assets being Depreciated, Net	250,444			378,642
Solid Waste Fund Capital Assets, Net	\$ 250,444			\$ 378,642
 <i>South Harbour Golf Course Fund</i>				
Capital assets not Being Depreciated				
Land	\$ 1,401,795	\$ -	\$ -	\$ 1,401,795
Total Capital Assets not being Depreciated	1,401,795	-	-	1,401,795
Capital assets being depreciated:				
Buildings	98,205	-	-	98,205
Equipment	73,471	30,674	-	104,145
Total Capital Assets being Depreciated	171,676	30,674	-	202,350
Less Accumulated Depreciation for:				
Buildings	18,414	2,455	-	20,869
Equipment	63,706	9,561	-	73,267
Total Accumulated Depreciation	82,120	12,016	-	94,136
Total Capital Assets being Depreciated, Net	89,556			108,214
SHGC Fund Capital Assets, Net	\$ 1,491,351			\$ 1,510,009
Business-type activities capital assets, net	\$ 110,876,852			\$ 107,951,652

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

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

Water Fund	\$	142,906
Wastewater Fund		3,090,578
Solid Waste Fund		41,013
South Harbour Golf Course Fund		12,016
Total	\$	<u>3,286,513</u>

Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2016 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not Being Depreciated				
Land	\$ 101,178	\$ -	\$ -	\$ 101,178
Total Capital Assets not being Depreciated	<u>101,178</u>	<u>-</u>	<u>-</u>	<u>101,178</u>
Capital assets being depreciated:				
Buildings	330,523	-	-	330,523
Furniture and Equipment	105,053	29,749	-	134,802
Paving	15,000	-	-	15,000
Total Capital Assets being Depreciated	<u>450,576</u>	<u>3,025</u>	<u>-</u>	<u>480,325</u>
Less Accumulated Depreciation for:				
Buildings	116,368	8,263	-	124,631
Furniture and Equipment	76,503	9,093	-	85,596
Paving	14,083	917	-	15,000
Total Accumulated Depreciation	<u>206,954</u>	<u>18,273</u>	<u>-</u>	<u>225,227</u>
Total Capital Assets being Depreciated, Net	<u>243,622</u>	<u>11,476</u>	<u>-</u>	<u>255,098</u>
ABC Board Capital Assets, Net	<u>\$ 344,800</u>			<u>\$ 356,276</u>

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Oak Island and the ABC Board is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan 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, 2016, was 7.41% of compensation for law enforcement officers and 7.07% 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 \$371,073 for the year ended June 30, 2016.

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, 2016, the Town reported a liability of \$426,267 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the Town's proportion was .09498%, which was a decrease of 0.00322% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$158,078. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 100,197
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	121,356
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	117,925
Town contributions subsequent to the measurement date	371,073	-
Total	<u>\$ 371,073</u>	<u>\$ 339,478</u>

\$371,073 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:

Year ended June 30:

2017	\$ (177,939)
2018	(177,939)
2019	(379,103)
2020	193,926
Thereafter	-
	<u>\$ (339,478)</u>

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	4.25 to 8.55 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.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 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%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

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.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

a. Local Governmental Employees' Retirement System (Continued)

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:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ 2,972,405	\$ 426,265	\$ (1,718,802)

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.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	21
Total	<u>21</u>

A separate report was not issued for the plan.

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 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefit to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

3. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments 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. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 3.57% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.50 – 7.35% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post-employment benefit increases.

Annual pension cost and net pension obligation. The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 55,674
Interest on net pension obligation	3,077
Adjustment to annual required contribution	(5,409)
Annual pension cost (expense)	<u>53,342</u>
Contributions made	<u>8,948</u>
Increase (decrease) in net pension obligation	44,394
Net pension obligation, beginning of year	<u>61,550</u>
Net pension obligation, end of year	<u><u>\$ 105,944</u></u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2014	\$ 44,615	68.74%	\$ 28,123
2015	\$ 50,403	33.68%	\$ 61,550
2016	\$ 53,342	16.77%	\$ 105,944

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

4. Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$518,458. The covered payroll (annual payroll of active employees covered by the plan) was \$1,083,115, and the ratio of the UAAL to the covered payroll was 47.87 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan

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, 2016 were \$102,472 which consisted of \$48,781 for general employees the Town and \$53,691 for the law enforcement officers.

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Liabilities (Continued)

2. Other Employment Benefits

a. 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.

1. 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.
2. 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.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Other Employment Benefits (Continued)

a. Healthcare Benefits (Continued)

3. 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.

Membership in the HCB Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation

Law Enforcement Officers	21
General Employees	114
Retirees	11
Total	<u>146</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 \$100,120. 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.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Other Employment Benefits (Continued)

a. Healthcare Benefits (Continued)

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:

Annual required contribution	\$	151,503
Interest on net pension obligation		25,207
Adjustment to annual required contribution		(24,080)
Annual OPEB cost (expense)		<u>152,630</u>
Contributions made		<u>100,120</u>
Increase (decrease) in net OPEB obligation		52,510
Net OPEB obligation, beginning of year		<u>630,167</u>
Net OPEB obligation, end of year	\$	<u><u>682,677</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, 2016 were as follows:

For Year Ended June 30	Annual OPEB Cost	% of Annual OPEB Contributed	Net OPEB Obligation
2014	\$ 167,171	58.7%	\$ 543,227
2015	\$ 172,285	49.5%	\$ 630,167
2016	\$ 152,630	65.6%	\$ 682,677

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

2. Other Employment Benefits (Continued)

Healthcare Benefits (Continued *Funding Status and Funding Progress*)

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.

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.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Other Employment Benefits (Continued)

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 is comprised of the following:

Contributions to Pension Plan	
In Current Fiscal Year	\$ 371,073
Pension Deferrals	1,529,804
	<u>\$ 1,900,877</u>

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

Unavailable Revenue	\$ 56,309
Pension Deferrals	2,437,883
	<u>\$ 2,494,192</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and workers' compensation in excess of \$1,000,000 and property in excess of \$500,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town provides health, dental, vision and life insurance through a commercial vendor. Employee health claims are insured to with no lifetime limit. Employees can provide dependent if desired.

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

The Town carries flood insurance through the National Flood Insurance Program ("NFIP") for 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.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

4. Risk Management (Continued)

The Town of Oak Island ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

5. Claims, Judgments and Contingent Liabilities

At June 30, 2016, 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.

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:

General Fund

- a. 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.
- b. 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.
- c. 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.
- d. 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.
- e. 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.

Wastewater Fund

- a. 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.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

a. Installment Purchases (Continued)

Annual debt service payments on installment loans to maturity are as follows:

Year Ending June 30	Governmental Type Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 1,723,628	\$ 247,244	\$ 109,275	\$ 5,322
2018	1,728,628	193,373		
2019	1,723,628	143,055		
2020-2024	3,272,256	139,104		
Total	\$ 8,448,140	\$ 722,776	\$ 109,275	\$ 5,322

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 be no future withdrawals.

Current annual debt service requirement to maturity for the revolving loans are as follows:

Annual debt service requirements to maturity for revolving loans are as follows:

Year Ending June 30	Business Type Activities	
	Principal	Interest
2017	\$ 652,351	\$ 231,529
2018	667,181	216,700
2019	682,351	201,530
2020-2024	3,651,732	767,670
2025-2028	4,074,394	332,796
Thereafter	409,087	10,145
Total	\$ 10,137,096	\$ 1,760,371

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

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%. \$ 27,718,532

\$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%. 3,791,872

\$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%. 9,288,709

\$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%. 41,059,108

\$ 81,858,221

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30	Business Type Activities	
	Principal	Interest
2017	\$ 2,734,050	\$ 3,821,426
2018	2,844,050	3,709,401
2019	2,959,050	3,589,170
2020-2024	16,990,225	15,778,821
2025-2029	21,405,250	11,340,084
2030-2034	33,015,250	6,289,144
Thereafter	1,910,346	86,050
Total	\$ 81,858,221	\$ 44,614,096

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

c. Revenue Bonds (Continued)

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 and 2015. 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.

The debt service coverage calculation for the year ended June 30, 2016 is as follows:

Operating and Non-operating Revenues	\$ 12,515,651
Sewer District Fee	2,965,116
Sewer Assessment Revenue	<u>3,469,658</u>
Total Revenues*	18,950,425
Current Expenses**	<u>7,070,458</u>
Income Available for Debt Service	11,879,967
15% of the Balance of the Revenue Fund	<u>776,269</u>
Total	<u>12,656,236</u>
100% of the Long Term Debt Service requirement for parity indebtedness, subordinated indebtedness, System G.O. indebtedness, and System Other Indebtedness for 2016.	
	6,551,426
Additional 20% of the Long Term Debt Service Requirement for Parity Indebtedness for 2016.	
	<u>998,478</u>
Total	<u>7,549,904</u>
Coverage Test 704(a)	1.43
Coverage Test 704(b)	1.57

*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 \$3,469,658 in assessment revenue was included.

**Per rate covenants, this does not include depreciation expense of \$3,233,484

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

6. Long-Term Obligations (Continued)

c. Revenue Bonds (Continued)

The Town has pledged future water and wastewater customer revenues, net of specified current expenses, to repay \$81,558,221 in water and wastewater revenue bonds issued in January, 2008, March, 2009, January, 2011 and July, 2015. 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 \$126,472,317. Principal and interest paid for the current year was \$6,552,654.

Section 706 (b) of the Bond Order requires that the amount held by the Trustee be reported in the audit report.

At June 30, 2016 US Bank as Trustee for the Town of Oak Island held the following deposits:

Enterprise Systems Bonds, Series 2009 Special Reserve Account	\$	1,506,265
Enterprise Systems Bonds, Series 2011 Special Revenue Account		787,441
Enterprise Systems Bonds, Series 2015 Special Reserve Account		2,855,444
Total on Deposit with Trustee	\$	<u>5,149,150</u>

e. C

Changes in Long-Term Liabilities

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 9,658,053	\$ -	\$ 1,209,613	\$ 8,448,140	\$ 1,723,628
Compensated absences	374,532	2,594	49,931	327,195	-
Other Postemployment Benefits	441,540	34,971	16,020	460,491	-
Net Pension Liability (LGERS)	-	331,180	-	331,180	-
Net pension obligation	61,550	44,394	-	105,944	-
Governmental activity long-term Liabilities	<u>\$ 10,535,675</u>	<u>\$ 413,139</u>	<u>\$ 1,275,564</u>	<u>\$ 9,672,950</u>	<u>\$ 1,723,628</u>
Business-type activities:					
Installment Purchases	\$ 213,476	\$ -	\$ 104,201	\$ 109,275	\$ 109,275
State Revolving Loan	10,774,948	-	637,852	10,137,096	652,321
Revenue Bonds	83,856,303	-	1,998,082	81,858,221	2,734,050
Net Pension Liability (LGERS)	-	95,087	-	95,087	-
Other Postemployment Benefits	188,627	33,562	-	222,189	-
Compensated Absences	100,490	6,775	-	107,265	107,265
Business-type activity long-term Liabilities	<u>\$ 95,133,844</u>	<u>\$ 135,424</u>	<u>\$ 2,740,135</u>	<u>\$ 92,529,133</u>	<u>\$ 3,603,911</u>

III. DETAIL NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Activity

Balances due/to other funds at June 20, 2016, consist of the following:

Due to the Beach Tax Fund from:

Wastewater Capital Project	\$ 2,351,959
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Due to the Accommodations Tax Fund from:

Wastewater Capital Project	\$ 458,041
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This balance was necessary to finance the remaining costs of the Wastewater System. The Town Council approved the loan with the requirement that the Accommodations Tax Fund be repaid over the next ten years. During the year Council approved a split of the Accommodations Tax Fund which is now made up of the Beach Tax Fund and the Accommodations Tax Fund. So the loan was divided among the two funds based on the balance in each. The loan bears interest at the rate that the Town's investment accounts are paying at the payment date. Per GASB requirements, this loan is shown as a receivable in the lending fund and a payable in the receiving fund. The loan is not reported in the fund financial statements as other sources and uses.

Transfers to/from other funds at June 30, 2016, consist if the following

From the General Fund	
To the South Harbour Golf Course Fund	120,000
From the Wastewater Capital Project Fund	
To the Accommodations Tax Fund	294,000
From the Wastewater Capital Project Fund	
To the Accommodations Tax Fund	56,000
From the Wastewater Fund Fund	
To the Capital Reserve Fund	<u>76,249</u>
Total	<u>\$ 546,249</u>

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	\$	10,564,727
Less:		
Inventories		9,744
Prepays		10,165
Stabilization by State Statute		804,784
Streets-Powell Bill		458,056
Capital Projects		483,205
Remaining Fund Balance	\$	8,798,773

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, 2016. 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, 2016, 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, 2016. Complete financial information for the Airport Commission can be obtained at the airport's administrative offices at 380 Long Beach Road, Southport, NC 28461.

IV. JOINTLY GOVERNED ORGANIZATION (Continued)

C. West Brunswick Regional Water Reclamation Facility

The Facility is owned, operated and maintained by Brunswick County, The Town of Oak Island, Town of Holden Beach, Town of Shallotte and the County have entered into a wastewater service agreement for a portion of the treatment capacity in the plant. Currently the Town of Oak Island is allocated treatment of three million gallons per day. Each participant is charged capacity service fees based on their share of capacity in the plant. Participants are also charged treatment service fees based on their share of capacity in the plant, Participants are also charged treatment service fees based on metered flow they send to the plant. The participant fees and costs allocation to the County for their flow are combined so that the operating and maintenance costs of the plant are recovered by county retail revenues and participant service fees on a proportional and breakeven basis. Each participant 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, 2016 the Town of Oak Island recorded \$2,872,436 in capacity fees and \$100,649 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, 2016 were evaluated by management on December 10, 2015 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.

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Required Supplementary

Financial Data

TOWN OF OAK ISLAND, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance

Required Supplementary Information

Schedule of Funding Progress

June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2000	\$ -	\$ 190,934	\$ 190,934	0.00%	\$ 833,443	22.91%
12/31/2001	-	212,480	212,480	0.00%	848,902	25.03%
12/31/2002	-	268,781	268,781	0.00%	836,623	32.13%
12/31/2003	-	278,926	278,926	0.00%	792,942	35.18%
12/31/2004	-	369,658	369,658	0.00%	780,787	47.34%
12/31/2005	-	322,470	322,470	0.00%	918,365	35.11%
12/31/2006	-	298,853	298,853	0.00%	994,570	30.05%
12/31/2007	-	391,206	391,206	0.00%	1,011,832	38.66%
12/31/2008	-	376,725	376,725	0.00%	1,073,205	35.10%
12/31/2009	-	439,890	439,890	0.00%	1,129,298	38.95%
12/31/2010	-	414,197	414,197	0.00%	1,139,599	36.35%
12/31/2011	-	427,131	427,131	0.00%	1,220,744	34.99%
12/31/2012	-	364,518	364,518	0.00%	1,067,720	34.14%
12/31/2013	-	352,937	352,937	0.00%	986,882	35.76%
12/31/2014	-	373,488	373,488	0.00%	997,865	37.43%
12/31/2015	-	518,458	518,458	0.00%	1,083,115	47.87%

TOWN OF OAK ISLAND, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance

Required Supplementary Information

Schedule of Employer Contributions

June 30, 2016

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2002	22,755	73.07%
2003	24,648	67.47%
2004	29,916	55.59%
2005	34,761	146.19%
2006	32,482	156.44%
2007	31,352	182.58%
2008	37,884	159.25%
2009	37,997	154.68%
2010	38,565	134.61%
2011	45,841	99.99%
2012	46,933	84.71%
2013	51,349	55.13%
2014	44,615	68.74%
2015	50,403	33.68%
2016	53,342	16.77%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation Date	12/31/2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Projected Unit Credit
Remaining Amortization Period	15 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	5.00%
Projected Salary Increases	4.25%-7.85%
Includes Inflation at	3.00%
Cost of Living Adjustments	N/A

TOWN OF OAK ISLAND, NORTH CAROLINA

Other Postemployment Benefits

Required Supplementary Information

Schedule of Funding Progress

June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
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%

TOWN OF OAK ISLAND, NORTH CAROLINA

Other Postemployment Benefits

Required Supplementary Information

Schedule of Employer Contributions

June 30, 2016

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2014	166,324	58.70%
2015	171,314	49.82%
2016	151,503	66.08%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation Date	12/31/2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage of Pay, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.00%
Medical Cost Trend Rate	7.5%-5.00%
Years of Ultimate Trend Rate	2020
Includes Inflation at	3.00%

TOWN OF OAK ISLAND, NORTH CAROLINA
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Two Fiscal Years
Local Government Employee's Retirement System

	2016	2015	2014
Town's Proportion of the Net Pension Liability (Asset) (%)	0.09498%	0.09820%	0.10500%
Town's Proportion of the Net Pension Liability (Asset) (\$)	\$ 426,265	\$ (579,307)	\$ 1,265,653
Town's Covered-Employee Payroll	\$ 5,453,950	\$ 5,142,211	\$ 4,767,809
Town's Proportion Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	7.82%	-11.27%	26.55%
Plan fiduciary Net Position as a Percentage of the Total Pension Liability	98.09%	102.64%	94.35%

TOWN OF OAK ISLAND, NORTH CAROLINA
Contributions
Required Supplementary Information
Last Two Fiscal Years
Local Government Employee's Retirement System

	2016	2015	2014
Contractually Required Contribution	\$ 372,877	\$ 367,082	\$ 339,202
Contributions in Relation to the Contractually Required Contribution	371,073	380,603	339,202
Contribution Surplus (Deficit)	(1,804)	13,521	-
Town's Covered-Employee Payroll	\$ 5,453,950	\$ 5,142,211	\$ 4,767,809
Contributions as a Percentage of Covered-Employee Payroll	6.80%	7.40%	7.11%

Individual Fund Statements and Schedules
Governmental Funds

TOWN OF OAK ISLAND, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Current Year	\$ 6,412,218	\$ 6,473,638	\$ 61,420
Prior Years	150,000	276,862	126,862
Motor Vehicle Tax	150,000	168,275	18,275
Penalties and Interest	52,000	139,645	87,645
Total Ad Valorem Taxes	6,764,218	7,058,420	294,202
Other Taxes and Licenses			
Local Option Sales Tax			
1%	605,000	605,542	542
1/2% 40	330,000	316,333	(13,667)
1/2% 42	310,000	295,272	(14,728)
1/2% 44	297,500	258,171	(39,329)
Animal Control	1,000	-	(1,000)
Total Other Taxes and Licenses	1,543,500	1,475,318	(68,182)
Unrestricted Intergovernmental			
Beer and Wine Tax	33,800	31,387	(2,413)
Utility Franchise Tax	420,000	959,952	539,952
Telecommunications Tax	25,000	15,195	(9,805)
ABC Profit Distribution	140,000	110,922	(29,078)
Total Unrestricted Intergovernmental	618,800	1,117,456	498,656
Restricted Intergovernmental			
NC Control Substance Tax Distribution	-	391	391
NC OI Arboretum Grant	6,750	800	(5,950)
Brunswick County Transit Grant	20,000	20,000	-
Brunswick County Fire District Fees	1,015,000	1,078,046	63,046
Brunswick County Rescue Contract	36,000	27,000	(9,000)
State Street Aid Allocation	300,000	308,331	8,331
NCLM Safety Grant	-	1,247	750
NCDOT Mowing Agreement	-	8,122	8,122
Total Restricted Intergovernmental	1,377,750	1,443,937	66,187
Permits and Fees			
Planning Board Fees	-	200	200
Homeowners Recovery Fund	1,000	2,040	1,040
Building Permits	195,500	412,857	217,357
Inspection Fees	66,000	126,025	60,025
Other Permits and Fees	34,000	75,672	41,672
CAMA Reimbursement	4,500	11,710	7,210
Total Permits and Fees	301,000	628,504	327,504

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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Sales and Services			
Recreation Department Fees	53,000	105,623	52,623
Stormwater Fees, Residential	198,356	191,502	(6,854)
Stormwater Fees, Commercial	25,000	20,678	(4,322)
EMS Service Fees	30,000	3,065	(26,935)
Fire Service Fees	29,200	9,437	(19,763)
Weight Room Fees	45,000	51,305	6,305
Merchandising	2,500	8,293	5,793
Mosquito Control	-	2,900	2,900
Video Programming Revenue	91,000	74,998	(16,002)
Total Sales and Services	474,056	467,801	(6,255)
Investment Earnings			
General Fund	1,625	19,129	-
Total Investment Earnings	1,625	19,129	17,504
Miscellaneous			
Pier Lease	78,000	84,675	6,675
Donations	10,990	5,793	(5,197)
Civil Citations	5,000	8,961	3,961
Turtle Program	-	1,350	1,350
Miscellaneous	3,300	11,412	8,112
Total Miscellaneous	97,290	112,191	14,901
Total Revenues	\$ 11,178,239	\$ 12,322,756	\$ 1,144,517
Expenditures			
Governing Board			
Salaries and Wages	\$ 42,500	\$ 37,505	\$ 4,995
Employee Benefits	3,601	2,847	754
Operating Expenditures	259,700	184,047	75,653
Donations:			
Brunswick Family Assistance	2,000	2,000	-
Chamber of Commerce	3,000	3,000	-
Oak Island Senior Citizens	1,500	1,500	-
Communities in Schools	1,000	-	1,000
Hope Harbor Home	1,500	1,500	-
NC Fourth of July Festival	1,000	1,000	-
Brunswick County Literacy Council	1,500	1,000	500
Sea Biscuit Wildlife Shelter	1,000	2,000	(1,000)
Lower Cape Fear Hospice	2,500	1,000	1,500
Oak Island Beautification	1,000	1,000	-
Brunswick County Planning	5,000	4,000	1,000
Vietnam Veterans Wall	1,000	-	1,000
Brunswick Search and Rescue	1,000	-	1,000
Brunswick Shores Radio Club	4,000	-	4,000
Total Governing Board	332,801	242,399	90,402

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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Administration			
Salaries and Wages	835,064	784,706	50,358
Employee Benefits	271,905	287,592	(15,687)
Operating Expenditures	596,800	525,506	71,294
Capital Outlay	176,750	178,003	(1,253)
Total Administration	1,880,519	1,775,807	104,712
Facilities Management			
Salaries and Wages	45,138	57,739	(12,601)
Employee Benefits	15,190	16,277	(1,087)
Operating Expenditures	451,363	378,070	73,293
Capital Outlay	28,823	28,667	156
Total Public Works	540,514	480,753	59,761
Total General Government	2,753,834	2,498,959	254,875
Public Safety			
Police			
Salaries and Wages	1,139,457	1,124,887	14,570
Employee Benefits	416,171	398,034	18,137
Operating Expenditures	197,322	161,632	35,690
Capital Outlay	111,780	78,280	33,500
Total Police	1,864,730	1,762,833	101,897
Fire			
Salaries and Wages	1,171,876	1,191,186	(19,310)
Employee Benefits	391,313	366,777	24,536
Operating Expenditures	399,581	357,239	42,342
Capital Outlay	846,668	846,668	-
Total Fire	2,809,438	2,761,870	47,568
Developmental Services			
Salaries and Wages	379,274	363,292	15,982
Employee Benefits	148,049	123,222	24,827
Operating Expenditures	162,380	108,506	53,874
Capital Outlay	5,500	4,962	538
Total Developmental Services	695,203	599,982	95,221
Total Public Safety	5,369,371	5,124,685	244,686

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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Transportation			
Public Works			
Administration			
Salaries and Wages	107,252	77,039	30,213
Employee Benefits	32,666	31,125	1,541
Operating Expenditures	7,550	5,263	2,287
Total Administration, Public Works	147,468	113,427	34,041
Operations			
Salaries and Wages	231,389	169,950	61,439
Employee Benefits	69,513	64,179	5,334
Operating Expenditures	693,280	469,177	224,103
Total Operations, Public Works	994,182	703,306	290,876
Fleet Maintenance			
Salaries and Wages	85,324	86,062	(738)
Employee Benefits	33,352	30,025	3,327
Operating Expenditures	41,580	26,923	14,657
Total Fleet Maintenance	160,256	143,010	17,246
Total Transportation	1,301,906	959,743	342,163
Environmental Protection			
Salaries and Wages	75,640	79,933	(4,293)
Employee Benefits	34,050	32,185	1,865
Operating Expenditures	113,791	69,028	44,763
Capital Outlay	202,518	202,964	(446)
Total Environmental Protection	425,999	384,110	41,889
Cultural and Recreation			
Recreation			
Salaries and Wages	236,669	240,891	(4,222)
Employee Benefits	72,112	82,386	(10,274)
Operating Expenditures	134,690	146,921	(12,231)
Capital Outlay	114,030	84,366	29,664
Total Recreation	557,501	554,564	2,937

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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Community Resource Center			
Salaries and Wages	74,572	70,321	4,251
Employee Benefits	21,991	19,485	2,506
Operating Expenditures	17,800	11,133	6,667
Total Community Resource Center	114,363	100,939	13,424
Total Cultural and Recreation	671,864	655,503	16,361
Debt Service			
Principal	1,369,017	2,319,916	(950,899)
Interest and Fees	424,196	479,146	(54,950)
Total Debt Service	1,793,213	2,799,062	(1,005,849)
Total Expenditures	\$ 12,316,187	\$ 12,422,062	\$ (105,875)
Revenues Over (Under) Expenditures	(1,137,948)	(99,306)	1,038,642
Other Financing Sources (Uses)			
Appropriated Fund Balance	382,304	-	(382,304)
Transfers from Other Funds			
Capital Reserve Fund	28,767	76,249	
Accommodations Tax Fund	27,804	-	(27,804)
Transfers to Other Funds			
Solid Waste Fund	(65,196)	-	65,196
South Harbour Golf Course Fund	(136,650)	(120,000)	16,650
Loan Proceeds	780,000	784,876	4,876
Sale of Capital Assets	120,919	436,084	315,165
Total Other Financing Sources (Uses)	\$ 1,137,948	\$ 1,177,209	\$ (8,221)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	1,077,903	1,030,421
Fund Balance - Beginning of Year		9,044,942	
Fund Balance - End of Year		\$ 10,122,845	

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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment Earnings	\$ 100	\$ 9	\$ (91)
Total Revenues	<u>100</u>	<u>9</u>	<u>(91)</u>
Other Financing Sources (Uses)			
Appropriated Fund Balance	(250,100)	-	250,100
Transfer from Other Funds	293,606	76,249	(217,357)
Transfer to Other Funds	(43,606)	(28,767)	14,839
Total Other Financing Sources (Uses)	<u>(100)</u>	<u>47,482</u>	<u>47,582</u>
Revenues and Other Financing Sources Over (Under) Expenditures	<u>-</u>	<u>47,491</u>	<u>47,491</u>
Fund Balance - Beginning of Year		<u>435,714</u>	
Fund Balance - End of Year		<u><u>\$ 483,205</u></u>	

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

TOWN OF OAK ISLAND, NORTH CAROLINA

Special Revenue-Beach Tax Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted Intergovernmental			
NCDENR Grant-Lockwood Folly Project	- \$	122,930 \$	122,930
Brunswick County-Lockwood Folly Project	-	166,666	166,666
Total Restricted Intergovernmental	-	289,596	289,596
Other Taxes and Licenses			
Restricted Accomodations Tax Receipts	\$ 350,000	\$ 424,161	\$ 74,161
Total Other Taxes and Licenses	350,000	424,161	74,161
Investment Earnings	-	-	-
Total Revenues	350,000	713,757	363,757
Expenditures			
Cultural and Recreational			
Lockwood Folly Dredging Project	30,000	661,307	(631,307)
Other Operating Expenditures	37,000	14,883	22,117
Total Cultural and Recreational	67,000	676,190	(609,190)
Total Expenditures	67,000	676,190	(609,190)
Revenues Over (Under) Expenditures	283,000	37,567	(245,433)
Other Financing Sources (Uses)			
Appropriated Fund Balance	(577,000)	-	(577,000)
Transfers from			
Wastewater Capital Projects Fund	294,000	294,000	-
Total Other Financing Sources (Uses)	(283,000)	294,000	(577,000)
Revenues and Other Financing Sources Over (Under) Expenditures	-	331,567	331,567
Fund Balance Beginning of the Year		2,682,725	
Fund Balance End of the Year		\$ 3,014,292	

TOWN OF OAK ISLAND, NORTH CAROLINA

Combining Balance Sheet

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2016

	Accommodations Tax Fund	Beach Preservation Fund	Total Other Governmental Special Revenue Funds
Assets			
Cash and Cash Equivalents	\$ 2,274,574	\$ 94,353	\$ 2,368,927
Assessments Receivable, Net	6,037	-	6,037
Accounts Receivable	-	-	-
Due From Other Funds	514,041	-	514,041
Total Assets	2,794,652	94,353	2,889,005
Deferred Outflows of Resources			
Prepaid Expenses	52,756	-	52,756
Total Deferred Outflows of Resources	52,756	-	52,756
Liabilities			
Accounts Payable	44,060	318	44,378
Due to Other Funds	-	-	-
Total Liabilities	44,060	318	44,378
Deferred Inflows of Resources			
Unavailable Revenue	6,037	-	6,037
Total Deferred Inflows of Resources	6,037	-	6,037
Fund Balances			
Restricted			
Public Safety	-	-	-
Cultural and Recreation	2,797,311	94,035	2,891,346
Total Fund Balances	2,797,311	94,035	2,891,346
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,847,408	\$ 94,353	\$ 2,941,761

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, 2016

	Accommodations Tax Fund	Beach Preservation Fund	Total Other Governmental Special Revenue Funds
Revenues			
Other Taxes and Licenses	\$ 659,385	\$ -	\$ 659,385
Restricted Intergovernmental	-	-	-
Investment Earnings	31	2	33
Miscellaneous	-	22,662	22,662
Total Revenues	659,416	22,664	682,080
Expenditures			
Current			
Culture and Recreation	381,008	16,119	397,127
Total Expenditures	381,008	16,119	397,127
Revenues Over (Under) Expenditures	278,408	6,545	284,953
Other Financing Sources (Uses)			
Transfers from Other Funds	56,000	-	56,000
Transfers to Other Funds	-	-	-
Total Other Financing Sources (Uses)	56,000	-	56,000
Net Change in Fund Balance	334,408	6,545	340,953
Fund Balance - Beginning of Year	2,462,903	87,490	2,550,393
Fund Balance - End of Year	\$ 2,797,311	\$ 94,035	\$ 2,891,346

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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Other Taxes and Licenses			
Accomodations Tax Receipts	\$ 600,000	\$ 659,385	\$ 59,385
Total Other Taxes and Licenses	600,000	659,385	59,385
Investment Earnings	375	31	(344)
Miscellaneous			
Miscellaneous Revenue	1,000	-	(1,000)
Total Miscellaneous	1,000	-	(1,000)
Total Revenues	601,375	659,416	58,041
Expenditures			
Cultural and Recreational			
Professional Services	20,000	40,340	(20,340)
Utilities	6,000	5,415	585
Greenhouse	2,000	1,751	249
Maintenance Plan	150,000	225,181	(75,181)
Contracted Services	10,000	100	9,900
Bulkheading	12,000	272	11,728
Dredging Project	650,000	-	650,000
Oak Island Pier	54,190	16,985	37,205
Oak Island Pier Insurance	61,375	61,375	-
Beach Access	-	3,956	(3,956)
Capital Outlay	26,000	25,633	367
Total Cultural and Recreational	991,565	381,008	610,557
Total Expenditures	991,565	381,008	610,557
Revenues Over (Under) Expenditures	(390,190)	278,408	668,598
Other Financing Sources (Uses)			
Appropriated Fund Balance	361,994	-	(361,994)
Transfers from			
Wastewater Capital Projects Fund	56,000	56,000	-
Transfers to			
General Fund	(27,804)	-	27,804
Total Other Financing Sources (Uses)	390,190	56,000	(334,190)
Revenues and Other Financing Sources Over (Under) Expenditures	-	334,408	334,408
Fund Balance Beginning of the Year		2,462,903	
Fund Balance End of the Year		\$ 2,797,311	

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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment Earnings	\$ 25	\$ 2	\$ (23)
Miscellaneous			
Fund Raisers	7,875	12,876	5,001
Donations	1,500	457	(1,043)
Memberships	5,500	9,329	3,829
Total Miscellaneous	14,875	22,662	7,787
Total Revenues	14,900	22,664	7,764
Expenditures			
Cultural and Recreational			
Salaries	2,550	4,451	(1,901)
Fringe Benefits	200	347	(147)
Miscellaneous Supplies	2,000	1,485	515
Float and Other Events	843	1,217	(374)
Contract Services	3,500	1,738	1,762
Organization Membership Dues	500	-	500
Fund Raiser Events	3,000	2,269	731
Miscellaneous	407	381	26
Beach Preservation Newsletter	1,300	884	416
Beach Visitor Amenities	2,300	1,883	417
Beach Lover's Campaign	1,800	1,464	336
Total Expenditures	18,400	16,119	4,329
Revenues Over (Under) Expenditures	(3,500)	6,545	10,045
Other Financing Sources (Uses)			
Appropriated Fund Balance	3,500	-	(3,500)
Total Other Financing Sources (Uses)	3,500	-	(3,500)
Revenues and Other Financing Sources Over (Under) Expenditures	<u>-</u>	6,545	<u>6,545</u>
Fund Balance - Beginning of Year		<u>87,490</u>	
Fund Balance - End of Year		<u>\$ 94,035</u>	

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Individual Fund Statements and Schedules
Proprietary Funds

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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Charges for Services:			
Utility Charges	\$ 3,248,820	\$ 4,277,967	\$ 1,029,147
Reconnect Fees	55,000	87,471	32,471
Late Fees	40,000	48,122	8,122
Water Taps	100,000	183,158	83,158
Other Operating Revenues	240,000	274,870	34,870
Total Operating Revenues	3,683,820	4,871,588	1,187,768
Nonoperating Revenues			
Impact Fees	63,000	108,128	45,128
Interest Earnings	2,000	167	(1,833)
Total Nonoperating Revenues	65,000	108,295	43,295
Total Revenues	3,748,820	4,979,883	1,231,063
Expenditures			
Water Administration			
Salaries and Wages	70,821	68,509	2,312
Employee Benefits	28,026	26,221	1,805
Other Operating Expenditures	57,351	60,516	(3,165)
Total Waste Administration	156,198	155,246	952
Water Maintenance			
Salaries and Wages	362,425	372,017	(9,592)
Employee Benefits	103,212	95,388	7,824
Other Operating Expenditures	452,036	398,504	53,532
Capital Outlay	98,804	98,804	-
Cost of Water	850,000	868,654	(18,654)
Total Water Maintenance	1,866,477	1,833,367	33,110

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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Total Expenditures	2,022,675	1,988,613	34,062
Other Financing Sources (Uses)			
Fund Balance Appropriated	(80,665)	-	80,665
Transfers Out			
Wastewater Fund	(1,645,480)	-	1,645,480
Total Other Financing Sources (Uses)	(1,726,145)	-	1,726,145
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	-	2,991,270	2,991,270
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures		<u>\$ 2,991,270</u>	
Reconciling Items:			
Capital Outlay		98,804	
Depreciation Expense		(142,906)	
Increase (Decrease) in Net Pension Asset		(48,053)	
Increase (Decrease) in Deferred Outflows of Resources - Pensions		151,286	
(Increase) Decrease in Net Pension Liability		(29,597)	
(Increase) Decrease in Deferred Inflows of Resources - Pensions		(65,459)	
(Increase) Decrease in:			
Accrued Vacation Pay		(2,931)	
Other Postemployment Benefits		(12,121)	
Total Reconciling Items		<u>(50,977)</u>	
Change in Net Position		<u><u>\$ 2,940,293</u></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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Charges for Services:			
Utility Charges	\$ 8,129,433	\$ 9,035,772	\$ 906,339
Caswell Beach Utility Charges	318,000	324,096	6,096
Sewer Taps	85,000	181,436	96,436
Other Operating Income	-	-	-
Total Operating Revenues	8,532,433	9,541,304	1,008,871
Nonoperating Revenues			
Impact Fees	40,000	133,100	93,100
Sewer Assessments	1,200,000	2,813,145	1,613,145
Interest on Sewer Assessments	300,000	656,513	356,513
Interest Earned-Revenue Bonds	500	155	(345)
Interest Earnings	2,000	166	(1,834)
Other Income	-	227	227
Total Nonoperating Revenues	1,542,500	3,603,306	2,060,806
Total Revenues	10,074,933	13,144,610	3,069,677
Expenditures			
Waste Collection			
Salaries and Wages	229,378	223,129	6,249
Employee Benefits	84,381	81,017	3,364
Other Operating Expenditures	470,730	396,337	74,393
Maintenance and Repair	374,180	330,321	43,859
Total Waste Collection	1,158,669	1,030,804	127,865
Waste Treatment			
Salaries and Wages	292,610	367,913	(75,303)
Employee Benefits	92,553	116,681	(24,128)
County Treatment Capital Charge	2,909,697	2,872,436	37,261
County Treatment Service Fees	525,000	100,649	424,351
Other Operating Expenditures	206,600	167,301	39,299
Maintenance and Repair	101,250	107,570	(6,320)
Total Waste Treatment	4,127,710	3,732,550	395,160
Debt Service			
Principal Payments	3,187,054	3,365,790	(178,736)
Interest	4,650,305	4,185,340	464,965
Total Debt Service	7,837,359	7,551,130	286,229
Capital Outlay			
Utility System II	1,046,139	498,408	547,731
Total Capital Outlay	1,046,139	498,408	547,731
Total Expenditures	14,169,877	12,812,892	1,356,985
Revenue Over (Under) Expenditures	\$ (4,094,944)	\$ 331,718	\$ 4,426,662

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

	Final Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses)			
Fund Balance Appropriated	\$ 66,324	-	\$ (66,324)
Transfers in:			
Sewer District Fund	2,809,389	2,270,232	(539,157)
Water Fund	1,645,480	-	(1,645,480)
Transfers out:			
Wastewater Capital Projects Fund	(350,000)	(350,000)	-
Capital Reserve Fund	(76,249)	(76,249)	-
Total Other Financing Sources (Uses)	4,094,944	1,843,983	(2,250,961)
Revenues and Other Financing Sources (Uses)			
Over (Under) Expenditures	-	2,175,701	2,175,701

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

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

\$ 2,175,701

Reconciling Items:

Principal Retirement	3,365,790
Bond Issuance Costs	165,790
Amortization of Bond Issuance Costs	(61,406)
Unamortized Bond Discount	227,351
Amortization of Premium and Discount	(6,755)
Capital Outlay	498,408
Increase (Decrease) in Net Pension Asset	(49,360)
Increase (Decrease) in Deferred Outflows of Resources - Pensions	206,891
(Increase) Decrease in Net Pension Liability	(45,165)
(Increase) Decrease in Deferred Outflows of Resources - Pensions	(99,889)
Depreciation Expense	(3,090,578)
Accrued Interest on Assessments	(782,040)
Wastewater Assessments Deferred	(2,873,422)
(Increase) Decrease in:	
Accrued Vacation Pay	(4,473)
Other Postemployment Benefits	(16,060)
Interest Expense Accrual	73,594
Sewer District Fund	
Sewer District Fees	2,965,116
Accrued Interest on Sewer District Fees	3,281
Interest Income	1
Transfer to Wastewater Fund	(2,270,232)
Wastewater Capital Projects Fund	
Grant Revenue	200,000
Capital Contributions	537,483
Transfer to Accommodations Tax Fund	(350,000)
Total Reconciling Items	<u>(1,405,675)</u>

Change in Net Position

\$ 770,026

TOWN OF OAK ISLAND, NORTH CAROLINA

Wastewater Capital Projects Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

From Inception and For the Fiscal Year Ended June 30, 2016

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
Restricted Intergovernmental					
NC Rural Center Grant-Phase I	\$ 96,849	\$ 96,849	\$ -	\$ 96,849	\$ -
NC Rural Center Grant-Phase II	500,000	500,000	-	500,000	-
NC Clean Water Management Trust Phase I	2,487,000	2,302,812	200,000	2,502,812	15,812
Brunswick County Reimbursement	400,000	400,000	-	400,000	-
Total Restricted Intergovernmental	3,483,849	3,299,661	200,000	3,499,661	15,812
Miscellaneous					
Prepaid Discount Assessment	5,314,050	5,314,050	-	5,314,050	-
Miscellaneous Revenues	72,666	82,766	-	82,766	10,100
Total Miscellaneous	5,386,716	5,396,816	-	5,396,816	10,100
Interest Earnings	888,863	888,863		888,863	-
Total Revenues	9,759,428	9,585,340	200,000	9,785,340	25,912
Expenditures					
Capital Outlay:					
Wastewater System					
Phase I	61,408,742	61,408,744	-	61,408,744	(2)
Phase II	54,245,788	53,916,099	62,624	53,978,723	267,065
Total Expenditures	115,654,530	115,324,843	62,624	115,387,467	267,063
Revenues Over (Under) Expenditures	\$ (105,895,102)	\$ (105,739,503)	\$ 137,376	\$ (105,602,127)	\$ 292,975

TOWN OF OAK ISLAND, NORTH CAROLINA

Wastewater Capital Projects Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

From Inception and For the Fiscal Year Ended June 30, 2016

	Project	Prior	Actual	Total to	Variance
	Authorization	Years	Current	Date	Positive
			Year		(Negative)
Other Financing Sources					
Transfers In:					
General Fund	1,613,500	1,613,500	-	1,613,500	-
Water Fund	1,896,133	1,896,133	-	1,896,133	-
Wastewater Fund	1,273,039	1,623,039	-	1,623,039	350,000
Accommodations Tax Fund	3,831,041	3,831,041	-	3,831,041	-
Commercial Wastewater Project	266,706	266,706	-	266,706	-
Capital Reserve Fund	462,253	462,253	-	462,253	-
Transfers Out					
General Fund	(1,613,500)	(1,613,500)	-	(1,613,500)	-
Water Fund	(1,760,000)	(1,760,000)	-	(1,760,000)	-
Wastewater Fund	(10,055,102)	(10,055,101)	-	(10,055,101)	-
Accommodations Tax Fund	(331,041)	(681,041)	-	(681,041)	(350,000)
Capital Reserve Fund	(728,959)	(728,959)	-	(728,959)	-
Reuse Park Phase I	(200,000)	(200,000)	-	(200,000)	-
Debt Issued					
NC State Revolving Loan Fund-			-	-	-
1st Allocation	7,524,846	7,524,846	-	7,524,846	-
NC State Revolving Loan Fund-			-	-	-
2nd Allocation	6,579,167	6,579,167	-	6,579,167	-
Loan Proceeds-Land Acquisition	3,710,000	3,710,000	-	3,710,000	-
Revenue Bond Proceeds-			-	-	-
Series 2008A-Ph I	33,601,329	33,601,329	-	33,601,329	-
Revenue Bond Proceeds-			-	-	-
Series 2009-Ph II	49,006,528	49,006,528	-	49,006,528	-
Revenue Bond Proceeds-			-	-	-
Series 2011-Ph II	10,592,112	10,592,112	-	10,592,112	-
Total Other Financing Sources	105,668,052	105,668,053	-	105,668,053	-
Revenues and Other Financing					
Sources Over (Under) Expenditures	\$ (227,050)	\$ (71,450)	\$ 137,376	\$ 65,926	\$ 292,975

TOWN OF OAK ISLAND, NORTH CAROLINA
Combining Statement of Net Position
Other Enterprise Funds
June 30, 2016

Non-Major Enterprise Funds			
	Solid Waste Fund	South Harbour Golf Course Fund	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 178,660	\$ 13,066	\$ 191,726
Accounts Receivable (net)	188,854	-	188,854
Other Receivables	-	-	-
Inventories	-	7,038	7,038
Total Current Assets	367,514	20,104	387,618
Noncurrent Assets			
Capital Assets:			
Land Improvement	\$ -	\$ 1,401,795	\$ 1,401,795
Buildings	5,304	98,205	103,509
Motor Vehicles	52,784	-	52,784
Heavy Vehicles	1,025,865	-	1,025,865
Equipment	-	104,145	104,145
Less Accumulated Depreciation	(705,311)	(94,136)	(799,447)
Total Non-current Assets	378,642	1,510,009	1,888,651
Total Assets	746,156	1,530,113	2,276,269
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferrals	79,577	33,752	113,329
Total Deferred Outflows of Resources	\$ 79,577	\$ 33,752	\$ 113,329
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 69,245	\$ 5,325	\$ 74,570
Salaries Payable	2,425	1,465	3,890
Compensated Absences	22,578	4,337	26,915
Total Current Liabilities	94,248	11,127	105,375
Noncurrent Liabilities			
Other Postemployment Benefits	41,567	-	41,567
Net Pension Liability	14,260	6,065	20,325
Total Non-current Liabilities	55,827	6,065	61,892
Total Liabilities	\$ 150,075	\$ 17,192	\$ 167,267
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	\$ -	\$ 1,195	\$ 1,195
Pension Deferrals	78,662	33,308	111,970
Total Deferred Inflows of Resources	\$ 78,662	\$ 34,503	\$ 113,165

TOWN OF OAK ISLAND, NORTH CAROLINA
Combining Statement of Net Postion
Other Enterprise Funds
June 30, 2016

NET POSITION			
Net Investment in Capital Assets	\$ 378,642	\$ 1,510,010	\$ 1,888,652
Unrestricted	218,354	2,160	220,514
	<hr/>		
Total Net Position	\$ 596,996	\$ 1,512,170	\$ 2,109,166
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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, 2016

	Non-Major Enterprise Funds		
	Solid Waste Fund	South Harbour Golf Course Fund	Total
Operating Revenues			
Charges for Services			
Charges for Collection	\$ 1,155,593	\$ 131,638	\$ 1,287,231
Total Operating Revenues	1,155,593	131,638	1,287,231
Operating Expenses			
Administration	-	59,752	59,752
Waste Collection and Treatment	1,121,131	-	1,121,131
Repairs and Maintenance	-	154,565	154,565
Depreciation	41,013	12,015	53,028
Total Operating Expenses	1,162,144	226,332	1,388,476
Operating Income	(6,551)	(94,694)	(101,245)
Nonoperating Revenues (Expenses)			
Investment Earnings	8	-	8
Operating Grants and Contributions	3,356	-	3,356
Other Non-operating Revenue	2,575	3,300	5,875
Total Nonoperating Revenues (Expenses)	5,939	3,300	9,239
Income (Loss) Before Contributions and Transfers	(612)	(91,394)	(92,006)
Contributions and Transfers			
Transfers in	-	120,000	120,000
Transfers to Other Funds	-	-	-
Total Contributions and Transfers	-	120,000	120,000
Change in Net Position	(612)	28,606	27,994
Net Position - Beginning of Year	597,608	1,483,564	2,081,172
Net Position - Beginning of Year Restated	-	-	-
Net Position - End of Year	\$ 596,996	\$ 1,512,170	\$ 2,109,166

TOWN OF OAK ISLAND, NORTH CAROLINA

Combining Statement of Cash Flows

Other Enterprise Funds

For the Year Ended June 30, 2016

	Non-Major Enterprise Funds		
	Solid Waste Fund	South Harbour Golf Course Fund	Total
Cash Flows from Operating Activities			
Cash Received from Customers and Users	\$ 1,028,240	\$ 132,692	\$ 1,160,932
Cash Paid for Goods and Services	(871,264)	(91,503)	(962,767)
Cash Paid to Employees	(248,111)	(123,535)	(371,646)
Net Cash Provided by Operating Activities	(91,135)	(82,346)	(173,481)
Cash Flows from Noncapital Financing Activities			
Operating Grants Received	3,356	3,300	6,656
Sale of Materials	2,575	-	2,575
Transfers from Other Funds	-	120,000	120,000
Transfers to Other Funds	-	-	-
Net Cash Used by Noncapital Financing Activities	5,931	123,300	129,231
Cash Flows from Capital and Related Financing Activities			
Acquisition and Construction of Capital Assets	(169,211)	(30,674)	(199,885)
Net Cash Used by Noncapital Financing Activities	(169,211)	(30,674)	(199,885)
Cash Flows from Investing Activities			
Interest on Investments	8	-	8
Net Increase in Cash and Cash Equivalents	(254,407)	10,280	(244,127)
Cash and Cash Equivalents - July 1	433,067	2,786	435,853
Cash and Cash Equivalents - June 30	\$ 178,660	\$ 13,066	\$ 191,726

TOWN OF OAK ISLAND, NORTH CAROLINA
Combining Statement of Cash Flows (Continued)
Other Enterprise Funds
For the Year Ended June 30, 2016

	Non-Major Enterprise Funds		
	Solid Waste Fund	South Harbour Golf Course Fund	Total
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (6,551)	\$ (94,694)	\$ (101,245)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation	41,013	12,015	53,028
Changes in Assets and Liabilities			
(Increase) Decrease in:			
Accounts Receivable	(127,353)	-	(127,353)
Inventory	-	469	469
Net Pension Asset	18,007	7,602	25,609
Deferred Outflows of Resources - Pensions	(67,746)	(28,757)	(96,503)
Increase (Decrease) in:			
Net Pension Liability	14,260	6,065	20,325
Deferred Inflows of Resources - Pensions	31,539	13,414	44,953
Accounts Payable	(1,713)	2,007	294
Unearned Revenue	-	142	142
Accrued Wages	1,126	922	2,048
Accrued Vacation Pay	902	(1,531)	(629)
Accrued OPEB liability	5,381	-	5,381
Total Adjustments	(84,584)	12,348	(72,236)
Net Cash Provided by Operating Activities	\$ (91,135)	\$ (82,346)	\$ (173,481)

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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Charges for Services			
Charges for collection	\$ 910,000	\$ 1,155,593	\$ 245,593
Total Operating Revenues	910,000	1,155,593	245,593
Nonoperating Revenues			
Solid Waste Disposal Tax	1,500	3,356	1,856
Interest Earnings	75	8	(67)
Other Nonoperating Revenue	-	2,575	2,575
Total Nonoperating Revenues	1,575	5,939	4,364
Total Revenues	911,575	1,161,532	249,957
Expenditures			
Water			
Salaries and Wages	170,462	193,718	(23,256)
Employee Benefits	57,229	56,421	808
Operating Expenditures	171,600	192,306	(20,706)
Maintenance and Repair	42,812	37,481	5,331
Recycling Program	434,980	560,263	(125,283)
Yard Waste Recycling	80,000	78,600	1,400
Capital Outlay	160,715	169,211	(8,496)
Total Sanitation Operation Expenditures	1,117,798	1,288,000	(170,202)
Total Expenditures	1,117,798	1,288,000	(170,202)
Revenue Over (Under) Expenditures	\$ (206,223)	\$ (126,468)	\$ 79,755

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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses)			
Appropriated Fund Balance	\$ 141,027	\$ -	\$ (141,027)
Transfers in:			
General Fund	65,196	-	(65,196)
Capital Reserve	-	-	-
Total Other Financing Sources (Uses)	<u>206,223</u>	<u>-</u>	<u>(206,223)</u>
Revenues and Other Financing Sources (Uses)			
Over (Under) Expenditures	<u>-</u>	<u>(126,468)</u>	<u>(126,468)</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Financing Sources (Uses)			
Over (Under) Expenditures		<u>\$ (126,468)</u>	
Reconciling Items:			
Depreciation Expense		(41,013)	
Capital Outlay		169,211	
(Increase) Decrease in Accrued Vacation Pay		(902)	
Increase (Decrease) in Net Pension Asset		(18,007)	
Increase (Decrease) in Deferred Outflows of Resources-Pensions		67,746	
(Increase) Decrease in Net Pension Liability		(14,260)	
(Increase) Decrease in Deferred Inflows of Resources-Pensions		(31,539)	
(Increase) Decrease in Accrued OPEB Liability		(5,381)	
Total Reconciling Items		<u>125,855</u>	
Change in Net Position		<u><u>\$ (613)</u></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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Charges for Services			
Annual Membership	\$ 24,000	\$ 21,191	\$ (2,809)
Green Fee Play	99,500	102,928	3,428
Merchandise Sales	12,500	7,519	(4,981)
Total Operating Revenues	<u>136,000</u>	<u>131,638</u>	<u>(4,362)</u>
Nonoperating Revenues			
Interest Earnings	-	-	-
Sponsorships	3,300	3,300	-
Total Nonoperating Revenues	<u>3,300</u>	<u>3,300</u>	<u>-</u>
Total Revenues	<u>139,300</u>	<u>134,938</u>	<u>(4,362)</u>
Expenditures			
Administration			
Salaries and Wages	47,349	28,639	18,710
Employee Benefits	4,490	4,565	(75)
Operating Expenditures	34,300	29,755	4,545
Total Administration	<u>86,139</u>	<u>62,959</u>	<u>23,180</u>
Maintenance			
Salaries and Wages	74,188	72,426	1,762
Employee Benefits	28,473	18,197	10,276
Operating Expenditures	59,150	63,942	(4,792)
Total Maintenance	<u>161,811</u>	<u>154,565</u>	<u>7,246</u>
Capital Outlay			
Equipment	28,000	30,674	(2,674)
Total Capital Outlay	<u>28,000</u>	<u>30,674</u>	<u>(2,674)</u>
Total Expenditures	<u>275,950</u>	<u>248,198</u>	<u>27,752</u>
Revenue Over (Under) Expenditures	<u>\$ (136,650)</u>	<u>\$ (113,260)</u>	<u>\$ 23,390</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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Other Financing Sources (Uses)			
Transfers in:			
General Fund	\$ 136,650	\$ 120,000	\$ (16,650)
Transfers out:			
Accommodations Tax	-	-	-
Total Other Financing Sources (Uses)	<u>136,650</u>	<u>120,000</u>	<u>(16,650)</u>
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures			
	<u>-</u>	<u>6,740</u>	<u>6,740</u>
Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:			
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures		\$ 6,740	
Reconciling Items			
Capital Outlays		30,674	
Depreciation		(12,015)	
(Increase) Decrease in Accrued Vacation Pay		1,531	
Increase (Decrease) in Net Pension Asset		(7,602)	
Increase (Decrease) in Deferred Outflows of Resources-Pensions		28,757	
(Increase) Decrease in Net Pension Liability		(6,065)	
(Increase) Decrease in Deferred Inflows of Resources-Pensions		(13,414)	
Total Reconciling Items		<u>21,866</u>	
Change in Net Position		<u>\$ 28,606</u>	

TOWN OF OAK ISLAND, NORTH CAROLINA

Sewer District Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
Nonoperating Revenues			
Sewer Distric Fees-Current	\$ 2,291,239	\$ 2,934,962	\$ 643,723
Sewer Distric Fees-Prior Years	50,000	30,154	(19,846)
Investment Earnings	150	1	(149)
Total Nonoperating Revenues	2,341,389	2,965,117	623,728
Total Revenues	2,341,389	2,965,117	623,728
Expenditures			
Total Expenditures	-	-	-
Revenue Over (Under) Expenditures	2,341,389	2,965,117	623,728
Other Financing Uses:			
Transfers Out:			
Sewer Distric Fees-Current	(2,341,389)	(2,270,232)	71,157
Revenue and Other Financing Sources Over (Under) Expenditures	\$ -	\$ 694,885	\$ 694,885

Other Schedules

TOWN OF OAK ISLAND, NORTH CAROLINA

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2016

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2015</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-16	\$ -	\$ 6,516,395	\$ 6,497,759	\$ 18,636
2014-15	166,469	-	119,230	47,239
2013-14	94,454	-	52,862	41,592
2012-13	100,460	-	64,599	35,861
2011-12	81,878	-	52,729	29,149
2010-11	51,810	-	17,713	34,097
2009-10	24,119	-	15,680	8,439
2008-09	11,508	-	5,263	6,245
2007-08	7,708	-	1,252	6,456
2006-07	5,752	-	4	5,748
	<u>\$ 544,158</u>	<u>\$ 6,516,395</u>	<u>\$ 6,827,091</u>	<u>\$ 233,462</u>

Less: Allowance for Uncollectible Accounts:
General Fund

15,235

Ad Valorem Taxes Receivable - Net

\$ 218,227Reconcilement with Revenues

Ad Valorem Taxes - General Fund

\$ 7,058,420

Reconciling Items:

Interest and Penalties Collected

(237,768)

Taxes Written Off

6,439

Total Collections and Credits

\$ 6,827,091

TOWN OF OAK ISLAND, NORTH CAROLINA

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2016

	Town-Wide			Total Levy	
	Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at					
Current Year's Rate	\$ 2,387,374,472	0.2750	\$ 6,565,280	\$ 6,565,280	\$ (0)
Penalties			\$ 419	\$ 419	
	<u>\$ 2,387,374,472</u>	<u>0.2750</u>	<u>\$ 6,565,699</u>	<u>\$ 6,565,699</u>	<u>\$ (0)</u>
Discoveries:					
Current Year Taxes	5,480,608	0.2750	\$ 15,072	15,072	-
Abatelements:					
Property Taxes -					
Current Year's Rate	<u>(23,409,090)</u>	<u>0.2750</u>	<u>\$ (64,375)</u>	<u>(64,375)</u>	<u>-</u>
Total Property Valuations	<u><u>\$ 2,369,445,990</u></u>				
Net Levy			6,516,395	6,516,395	(0)
Uncollected Taxes at June 30, 2016			<u>(18,636)</u>	<u>(18,636)</u>	<u>-</u>
Current Year's Taxes Collected			<u><u>\$ 6,497,759</u></u>	<u><u>\$ 6,497,759</u></u>	<u><u>\$ (0)</u></u>
Current Levy Collection Percentage			<u><u>99.71%</u></u>	<u><u>99.71%</u></u>	<u><u>100.00%</u></u>

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Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

TOWN OF OAK ISLAND, NORTH CAROLINA

Net Position By Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities			
Invested in capital assets, net of related debt	11,367,542	13,385,214	12,186,929
Restricted	3,525,983	1,201,767	2,554,360
Unrestricted	<u>5,691,674</u>	<u>5,787,309</u>	<u>7,477,697</u>
Total governmental activities net position	<u><u>20,585,199</u></u>	<u><u>20,374,290</u></u>	<u><u>22,218,986</u></u>
Business-type activities			
Invested in capital assets, net of related debt	13,346,979	17,144,378	18,522,970
Restricted	-		
Unrestricted	<u>1,605,437</u>	<u>(129,671)</u>	<u>(652,921)</u>
Total business-type activities net position	<u><u>14,952,416</u></u>	<u><u>17,014,707</u></u>	<u><u>17,870,049</u></u>
Primary government			
Invested in capital assets, net of related debt	24,714,521	30,529,592	30,709,899
Restricted	3,525,983	1,201,767	2,554,360
Unrestricted	<u>7,297,111</u>	<u>5,657,638</u>	<u>6,824,776</u>
Total primary government net position	<u><u>35,537,615</u></u>	<u><u>37,388,997</u></u>	<u><u>40,089,035</u></u>

2010	2011	2012	2013	2014	2015	2016
16,607,639	17,522,549	18,239,987	18,669,603	18,743,833	18,515,755	19,348,092
2,738,128	6,567,058	5,288,746	6,355,004	6,816,053	6,478,048	7,716,212
5,111,876	2,828,017	3,240,343	4,280,053	6,213,562	8,238,462	8,747,940
24,457,643	26,917,624	26,769,076	29,304,660	31,773,448	33,232,265	35,812,244
28,836,777	22,390,247	22,380,413	21,260,926	21,175,561	21,789,047	20,149,688
	30,693,040	20,509,542	20,922,210	20,922,210	18,617,616	20,922,210
(4,794,831)	(2,122,361)	4,560,440	3,103,347	2,794,452	5,283,646	8,356,724
24,041,946	50,960,926	47,450,395	45,286,483	44,892,223	45,690,309	49,428,622
45,444,416	39,912,796	40,620,400	39,930,529	39,919,394	40,304,802	39,497,780
2,738,128	37,260,098	25,798,288	27,277,214	27,738,263	25,095,664	28,638,422
317,045	705,656	7,800,783	7,383,400	9,008,014	13,522,108	17,104,664
48,499,589	77,878,550	74,219,471	74,591,143	76,665,671	78,922,574	85,240,866

TOWN OF OAK ISLAND, NORTH CAROLINA

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2007	2008	2009
Expenses			
Governmental activities:			
General Government	2,656,802	2,543,281	2,609,454
Public Safety	4,140,542	4,460,532	4,865,023
Transportation	963,276	1,124,923	1,091,194
Environmental Protection	1,638,627	913,861	168,901
Cultural and Recreation	1,046,713	1,103,879	1,251,666
Interest on long-term debt	278,218	100,775	348,881
Total governmental activities expenses	10,724,178	10,247,251	10,335,119
Business-type activities:			
Water	2,030,019	2,268,926	2,306,039
Wastewater	749,095	847,312	877,710
Solid Waste	684,144	751,182	828,169
Golf Course	244,545	251,594	251,971
Total business-type activities expenses:	3,707,803	4,119,014	4,263,889
Total primary government expenses	14,431,981	14,366,265	14,599,008
Program Revenues			
Governmental activities:			
Charges of services:			
General Government	1,050	1,999	1,290
Public Safety	943,087	902,128	1,389,593
Transportation	(4,382)	-	-
Environmental Protection	23,082	310,884	273,169
Cultural and Recreation	617,276	123,270	134,658
Operating grants and contributions	1,324,283	491,894	593,557
Capital grants and contributions	303,480	322,534	1,033,792
Total governmental activities program revenue	3,207,876	2,152,709	3,426,059
Business-type activities:			
Charges of services:			
Water	2,213,385	2,516,987	2,775,465
Wastewater	743,500	745,123	847,739
Solid Waste	660,241	747,861	836,354
Golf Course	118,655	160,400	129,705
Operating grants and contributions	-	-	48,574
Capital grants and contributions	-	1,560,049	38,616
Total business-type activities program revenue	3,735,781	5,730,420	4,676,453
Total primary government program revenues	6,943,657	7,883,129	8,102,512
Net (Expense)/Revenue			
Governmental activities	(7,516,302)	(8,094,542)	(6,909,060)
Business-type activities	27,978	1,611,406	412,564
Total primary government net revenue	(7,488,324)	(6,483,136)	(6,496,496)

(Continued on next page)

Table 1

2010	2011	2012	2013	2014	2015	2016
2,818,584	2,778,225	2,736,767	3,129,366	2,797,601	2,447,635	2,516,788
5,708,808	5,627,760	5,466,506	4,458,998	4,348,192	4,486,670	6,781,142
1,220,894	1,175,304	2,596,254	930,438	1,675,984	1,847,906	967,976
201,611	186,828	226,484	23,831	156,499	143,027	380,320
1,327,630	1,260,386	1,264,960	1,108,161	1,006,435	4,390,206	1,772,305
547,956	654,795	600,751	550,489	471,343	515,501	479,146
11,825,483	11,683,298	12,891,722	10,201,283	10,456,054	13,830,945	12,897,677
2,360,243	2,384,420	2,400,664	1,655,847	1,852,484	1,922,893	2,039,590
1,305,677	9,135,515	13,052,025	12,800,557	12,756,238	12,853,774	12,774,267
857,941	927,608	1,004,513	914,958	896,411	1,055,665	1,162,144
256,183	258,018	246,743	207,432	205,132	194,819	226,332
4,780,044	12,705,561	16,703,945	15,578,794	15,710,265	16,027,151	16,202,333
16,605,527	24,388,859	29,595,667	25,780,077	26,166,319	29,858,096	29,100,010
260,452	286,690	245,924	233,974	354,336	796,887	1,421,249
1,426,437	1,551,164	1,447,452	1,381,941	1,072,612	1,560,975	1,117,548
-	-	-	-	-	-	-
268,250	266,223	271,142	276,893	348,804	198,002	631,204
142,649	124,152	145,861	162,849	120,742	2,317,941	156,928
674,770	785,599	629,907	411,336	354,166	309,095	309,969
3,615,699	129,225	16,236	1,441	1,822	8,020	309,596
6,388,257	3,143,053	2,756,522	2,468,434	2,252,482	5,190,920	3,946,494
2,869,997	3,194,533	3,116,147	3,168,232	3,512,854	4,145,086	4,871,588
876,112	2,206,517	5,664,011	6,425,573	7,325,872	8,500,771	9,820,349
847,213	847,437	845,919	862,931	922,232	949,762	1,155,593
131,266	132,919	135,714	123,993	125,185	114,742	131,638
5,715	5,825	49,909	3,872	4,246	4,574	209,231
4,862,482	34,194,519	3,240,574	3,787,571	3,493,407	3,255,066	4,057,999
9,592,785	40,581,750	13,052,274	14,372,172	15,383,796	16,970,001	20,246,398
15,981,042	43,724,803	15,808,796	16,840,606	17,636,278	22,160,921	24,192,892
(5,437,226)	(8,540,245)	(10,135,200)	(7,732,849)	(8,203,572)	(8,640,025)	(8,951,183)
4,812,741	27,876,189	(3,651,671)	(1,206,622)	(326,469)	942,850	4,044,065
(624,485)	19,335,944	(13,786,871)	(8,939,471)	(8,530,041)	(7,697,175)	(4,907,118)

TOWN OF OAK ISLAND, NORTH CAROLINA

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2007	2008	2009
General Revenue and Other Changes in Net Position			
Governmental activities:			
Taxes			
Property taxes, levied for general purposes	4,972,207	5,299,352	5,981,663
Local option sales tax	2,005,558	1,967,505	1,802,031
Accommodation Tax	936,253	964,054	930,170
Other Taxes	-	-	-
Grants and contributions not restricted	726,866	727,434	791,850
Unrestricted investment earnings	645,011	158,552	68,872
Miscellaneous	18,009	36,269	6,926
Law Suit Settlement			
Gain (loss) on sale of assets	-	7,500	(240,090)
Extraordinary item-environmental remediation	-	(738,561)	(192,741)
Special Items	-	-	-
Transfers in (out)	(319,644)	(347,552)	(394,925)
Total governmental activities	8,984,260	8,074,553	8,753,756
Business-type activities:			
Interest and investment earnings	124,530	103,333	47,853
Miscellaneous	-	-	-
Gain on sale of assets	446	-	-
Transfers in (out)	319,644	347,552	394,925
Total business-type activities	444,620	450,885	442,778
Total primary government	9,428,880	8,525,438	9,196,534
Changes in Net Position			
Governmental activities	1,467,958	(19,989)	1,844,696
Business-type activities	472,598	2,062,291	855,342
Total primary government	1,940,556	2,042,302	2,700,038

Table 2

2010	2011	2012	2013	2014	2015	2016
5,928,590	6,699,824	6,866,837	7,016,323	6,812,760	7,284,500	7,373,718
1,640,696	1,639,858	1,458,619	1,476,163	1,531,327	1,687,594	1,475,318
887,478	950,143	1,068,434	1,128,868	1,166,651	1,284,187	1,083,546
-	-	48,303	12,059	62,711	-	-
581,317	65,128	613,268	616,694	660,137	-	-
14,201	610,523	7,701	5,225	3,594	2,742	19,162
63,305	15,586	83,571	93,101	172,239	270,734	897,067
-	62,481	-	-	625,000	-	-
(90,404)	(21,022)	(33,081)	-	-	-	436,084
-	-	-	-	(292,059)	(5,356)	-
(1,349,300)	977,705	(127,000)	(80,000)	(70,000)	(242,163)	306,249
7,675,883	11,000,226	9,986,652	10,268,433	10,672,360	10,282,238	11,591,144
9,856	20,496	14,140	18,119	6,617	5,379	497
-	-	-	-	4,491	4,702	-
-	-	-	-	-	-	-
1,349,300	(977,705)	127,000	80,000	70,000	(107,000)	(306,249)
1,359,156	(957,209)	141,140	98,119	81,108	(96,919)	(305,752)
9,035,039	10,043,017	10,127,792	10,366,552	10,753,468	10,185,319	11,285,392
2,238,657	2,459,981	(148,548)	2,535,584	2,468,788	1,642,213	2,639,961
6,171,897	26,918,980	(3,510,531)	(1,108,503)	(245,361)	845,931	3,738,313
8,410,554	29,378,961	(3,659,079)	1,427,081	2,223,427	2,488,144	6,378,274

TOWN OF OAK ISLAND, NORTH CAROLINA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	2007	2008	2009	2010
General Fund				
Reserved	1,507,673	3,039,927	3,309,170	3,121,360
Unreserved				
Designated	189,241	40,867	715,079	-
Undesignated	3,554,482	2,283,143	2,684,359	2,549,135
Non-spendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	5,251,396	5,363,937	6,708,608	5,670,495
All Other Governmental Funds				
Reserved	3,132,151	254,575	315,801	318,271
Unreserved, reported in:				
Special Revenue Funds	2,305,284	3,462,467	3,616,626	3,142,790
Capital Projects Funds	318,863	1,725,379	3,863,103	470,366
Non-Spendable in Special Revenue Funds	-	-	-	-
Restricted in Special Revenue Funds	-	-	-	-
Committed in Capital Projects Funds	-	-	-	-
Total all other governmental funds	5,756,298	5,442,421	7,795,530	3,931,427
Total governmental funds	11,007,694	10,806,358	14,504,138	9,601,922

2011	2012	2013	2014	2015	2016
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
33,756	25,457	12,972	26,712	577,803	19,909
3,058,316	1,381,631	1,594,929	1,399,510	231,413	1,262,840
424,667	425,139	425,432	425,432	435,714	483,205
388,199	-	-	-	-	-
2,668,659	3,372,614	4,307,979	6,031,718	8,238,462	8,798,773
6,573,597	5,204,841	6,341,312	7,883,372	9,483,392	10,564,727
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
55,435	56,163	56,163	56,163	-	-
3,453,307	3,850,952	4,771,566	5,416,543	5,233,118	5,905,638
536,664	421,564	385,389	385,881	-	-
4,045,406	4,328,679	5,213,118	5,858,587	5,233,118	5,905,638
10,619,003	9,533,520	11,554,430	13,741,959	14,716,510	16,470,365

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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)

	2007	2008	2009	2010
Revenues				
Ad valorem taxes	4,963,214	5,306,256	5,833,628	5,942,136
Other taxes and licenses	3,134,220	3,115,973	2,740,787	2,533,834
Unrestricted intergovernmental	542,779	559,452	791,850	581,317
Restricted intergovernmental	1,508,878	1,132,564	3,291,287	1,908,855
Permits and fees	316,213	212,613	165,901	189,532
Sales and services	366,541	388,682	430,006	635,174
Investment earnings	645,011	436,062	163,029	29,465
Miscellaneous	760,016	225,457	62,244	224,287
Total revenues	12,236,872	11,377,059	13,478,732	12,044,600
Expenditures				
General Government	4,826,238	2,827,219	5,159,304	5,662,558
Public Safety	6,440,734	9,782,918	8,798,376	5,228,736
Transportation	1,079,222	1,043,830	1,164,819	1,063,382
Environmental protection	1,627,464	916,103	155,129	186,713
Cultural and recreational	1,367,281	1,244,600	1,170,426	1,185,947
Debt Service:				
Interest	84,298	275,353	241,949	719,169
Principal	508,296	912,311	914,239	1,551,011
Total expenditures	15,933,533	17,002,334	17,604,242	15,597,516
Excess of revenues				
over (under) expenditures	(3,696,661)	(5,625,275)	(4,125,510)	(3,552,916)
Other Financing				
Sources (Uses)				
Debt Issuances	5,151,000	5,721,000	8,218,215	-
Transfers in	1,498,925	1,310,072	1,526,522	1,368,766
Transfers Out	(1,818,569)	(1,607,133)	(1,921,447)	(2,718,066)
Special Items	-	-	-	-
Sale of Capital Assets	-	-	-	-
Total other financing	4,831,356	5,423,939	7,823,290	(1,349,300)
sources (uses)				
Net change in fund balances	1,134,695	(201,336)	3,697,780	(4,902,216)
Capital outlay included in				
total expenditures	7,068,528	5,719,117	7,058,008	3,332,698
Debt service as a percentage				
of noncapital expenditures	6.7%	10.5%	11.0%	18.5%

2011	2012	2013	2014	2015	2016
6,505,967	6,735,314	6,890,355	7,031,553	7,626,159	7,156,543
2,632,584	2,571,414	2,649,447	2,717,387	2,977,147	1,475,318
610,523	613,268	616,694	660,137	796,887	1,117,456
2,032,749	1,717,301	1,439,435	1,396,215	3,502,037	1,443,937
335,236	293,638	297,489	348,334	405,913	628,504
632,458	613,350	623,556	510,718	464,172	467,801
19,301	9,795	6,683	3,594	2,742	19,120
164,816	280,752	165,581	782,957	180,395	112,191
12,933,634	12,834,832	12,689,240	13,450,895	15,955,452	12,420,870
2,635,942	2,565,883	2,872,851	2,628,089	2,398,394	2,498,959
5,190,729	5,519,623	3,934,916	3,763,473	4,222,273	5,124,685
1,099,366	2,445,600	802,832	1,534,817	1,730,833	959,743
171,984	211,712	120,781	138,990	134,960	384,110
1,203,127	1,070,600	858,003	755,862	4,164,295	655,503
752,320	655,200	596,245	539,172	514,707	479,146
1,928,790	1,642,697	1,402,702	1,555,186	1,682,906	2,319,916
12,982,258	14,111,315	10,588,330	10,915,589	14,848,368	12,422,062
(48,624)	(1,276,483)	2,100,910	2,535,306	1,107,084	(1,192)
88,000	318,000	-	-	-	784,876
3,695,659	360,078	-	2,929,959	617,968	28,767
(2,717,954)	(487,078)	(80,000)	(2,999,959)	(860,131)	(120,000)
-	-	-	(292,059)	(5,356)	-
-	-	-	14,282	112,250	436,084
1,065,705	191,000	(80,000)	(347,777)	(135,269)	1,129,727
1,017,081	(1,085,483)	2,020,910	2,187,529	971,815	1,128,535
579,263	745,806	185,009	56,476	207,953	1,466,073
21.6%	17.2%	19.2%	19.3%	15.0%	25.5%

TOWN OF OAK ISLAND, NORTH CAROLINA

Governmental Activities Tax Revenue By Source

Last Ten Fiscal Years

(Accrual Basis of Accounting)

Fiscal Year					Video	Alcohol	
Ended	Property	Sales	Occupancy	Franchise	Programming	Beverage	
June 30	Tax	Tax	Tax	Tax	Tax	Tax	Total
2007	4,963,214	2,005,558	936,253	549,818	-	34,845	8,489,688
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

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

TOWN OF OAK ISLAND, NORTH CAROLINA

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property	Personal Property	Public Service Companies	Motor Vehicles	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2007	1,403,618,416	17,735,723	15,003,707	66,582,294	2,196,822	1,500,743,318	0.3300
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

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	
2007	0.29051	0.03949	0.3300	0.4425	0.0400	0.8125
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

Notes:

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

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

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

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

(5) Components of the Overlapping Rates are not available

Source: Town of Oak Island and Brunswick County Tax Department

TOWN OF OAK ISLAND, NORTH CAROLINA

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes
		Amount	% of Levy		Amount	% of Levy	
2007	4,944,595	4,857,815	98.24%	81,032	4,938,847	99.88%	5,748
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

TOWN OF OAK ISLAND, NORTH CAROLINA

Principal Property Tax Payers

Current Year and Five Years Ago

Taxpayer	Types of Property	Fiscal Year 2016		Fiscal Year 2011		Rank	Percentage of Total Town Taxable Assessed Value
		2016 Taxable Assessed Value	Rank	2011 Taxable Assessed Value	Rank		
		Value	Rank	Value	Rank		
Brunswick Electric Membership Corp	Utility	14,789,961	1	0.61%	13,148,543	1	0.55%
DWE III LLC& Ladane Enterprises	Developer	10,704,480	2	0.44%	11,761,520	2	0.49%
Equity Investments	Developer	8,182,842	3	0.34%	N/A	N/A	N/A
MDI Management Inc.	Developer	3,799,890	4	0.16%	N/A	N/A	N/A
Capel Jesse Etals	Residential	3,599,980	5	0.15%	7,085,000	4	0.29%
JP Double H Properties	Developer	2,930,660	6	0.12%	N/A	N/A	N/A
Oak Island LLC	Developer	2,874,987	7	0.12%	N/A	N/A	N/A
Bright Parson LLC	Developer	2,839,290	8	0.12%	N/A	N/A	N/A
Oak Island Property Holdings LLC	Residential	2,579,000	9	0.11%	3,087,000	7	0.13%
OCP LLC		N/A	N/A	N/A	3,036,330	9	0.13%
Preserve Holdings	Residential	2,574,980	10	0.11%	4,287,980	5	0.18%
Food Lion LLC	Commercial/Retail	N/A	N/A	N/A	3,277,680	6	0.14%
BWPT LLC		N/A	N/A	N/A	8,444,470	3	0.35%
Vereen. Susan Trustee	Commercial & Residential	N/A	N/A	N/A	3,016,770	10	0.13%
Paragon Commercial	Commercial & Residential	N/A	N/A	N/A	3,060,000	8	0.13%
		54,876,070		2.28%	60,205,293		2.52%

Source: Town's Tax Department

TOWN OF OAK ISLAND, NORTH CAROLINA

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities				Ratio			
					State		Total	Debt to		
	Ended	Installment	Capital	Installment	Revenue	Revolving	Capital	Primary	Personal	Per
	June 30	Purchases	Leases	Purchases	Notes & Bonds	Loan Fund	Lease	Government	Income ⁽¹⁾	Capita ⁽¹⁾
2007	6,378,511	524,169	4,714,156	1,105,816	-	40,432	12,763,084	0.48%	1,577	
2008	11,311,227	400,142	819,272	33,987,842	-	62,735	46,581,218	1.60%	5,639	
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	9,170,916	-	114,597	81,775,000	10,137,096		101,197,609		12,197	

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

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

TOWN OF OAK ISLAND, NORTH CAROLINA

Direct and Underlying Governmental Activities Debt

As of June 30, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Brunswick County's general obligation debt	41,949,783	13.40%	5,621,271
Town of Oak Island direct debt	9,170,916	100.00%	<u>9,170,916</u>
Total direct and overlapping debt			<u><u>\$ 14,792,187</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, 2016

Fiscal Year Ended June 30	Debt Limit	Total Debt Applicable to Limit	Legal Debt Margin	Total Debt as a Percentage of Debt Limit
2007	120,128,827	6,902,679	113,226,148	5.75%
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%

Calculation of Legal Debt Margin for Fiscal Year 2014

Assessed value of taxable property	2,387,374,472
	x0.08
Debt limit- (8 % of assessed value)	190,989,958
Debt applicable to limit:	
Total installment purchases	8,448,140
Total capital leases	-
Total amount of debt applicable to debt limit (net debt)	8,448,140
Legal debt margin	182,541,818

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	Enterprise Funds				All Enterprise Parity Debt			Total Other System Indebtness		
	Operating and Non-operating	Operating Expenses Less Depreciation	Sewer District Fee Revenue	Net Available Revenue	Principal	Interest	Total	Principal	Interest	Total
	Revenue	Depreciation	Revenue	Revenue	Principal	Interest	Total	Principal	Interest	Total
2010	3,754,856	2,818,573	585,979	1,522,262	720,000	1,183,156	1,903,156	686,310	287,673	973,983
2011	11,517,674	6,446,729	443,102	5,514,047	750,000	2,985,650	3,735,650	978,290	381,270	1,359,560
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	3,469,658	11,879,967	2,730,000	3,821,426	6,551,426	761,626	236,852	998,478

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	Coverage 100% Parity	120% Parity
2010	1,522,262	342,008	1,864,270	2,877,139	380,631	3,257,770	0.53	0.57
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	776,269	12,656,236	7,549,904	1,310,285	8,860,189	1.57	1.43

Notes:

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

TOWN OF OAK ISLAND, NORTH CAROLINA

Demographic and Economic Stats

Last Ten Fiscal Years

Fiscal Year Ended June 30	Population ⁽²⁾	Personal Income ⁽¹⁾ (in thousands)	Per Capita Income ⁽¹⁾	Median Age ⁽³⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽¹⁾
2007	8,093	2,683,411	28,585	48.7	769	4.7%
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%

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

Source:⁽¹⁾ Brunswick County Finance Department⁽²⁾ Office of State Budget and Management⁽³⁾ State Data Center, 2010 Census Data

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

Name of Employer	Type of Business	Fiscal Year 2016			Fiscal Year 2007		
		Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administration	12	13	12	14	16	16	16	16	16	17
Public Safety										
Police	25	25	26	26	25	25	23	23	23	23
Communications	4	6	6	6	6	4	0	0	0	0
Animal Control	2	2	2	2	2	2	2	2	2	0
Fire	7	13	19	20	19	20	21	22	22	22
Development Services	11	11	12	12	11	8	6	6	6	8
Public Works	2	2	2	2	4	2	2	2	2	2
Fleet Maintenance	3	4	4	4	3	3	2	2	2	2
Building and Ground	9	10	9	6	8	9	9	4	4	4
Street Department	8	8	8	8	7	7	5	5	5	6
Cultural and Recreation	9	13	10	10	9	7	6	4	4	8
Utility										
Water	11	13	12	12	12	10	9	9	9	11
Sewer	4	4	4	4	7	7	7	7	7	11
Solid Waste	4	4	4	4	4	4	4	4	4	4
Stormwater	1	1	1	1	1	1	2	2	2	2
Golf Course	2	5	2	2	2	2	2	2	2	2
Capital Projects	1	4	5	5	0	0	0	0	0	0
Total	115	138	138	138	136	127	116	110	110	122

Source: Town's human resource department

TOWN OF OAK ISLAND, NORTH CAROLINA

Operating Indicators by Function

Last Ten Years

Function	2007	2008	2009	2010	2011
Public Safety					
Police					
Number of calls dispatched ⁽¹⁾	5,314	7,224	10,565	12,042	12,620
Number of physical arrests	350	267	269	301	331
Number of violations	2,404	1,561	2,422	2,070	4,255
Fire					
Number of Fire runs	121	208	228	249	258
Number of EMS and Rescue runs ⁽²⁾	260	816	863	945	942
Code Enforcement/Building permits					
Number of building permits	1,105	1,377	1,153	2,184	1,286
Number of inspections	16,615	11,372	10,392	8,532	13,278
Transportation					
Streets					
New streets paved (miles)	0.18	0.00	0.00	0.00	0.00
Streets resurfaced (miles)	1.04	0.00	0.00	0.00	0.00
Environmental Protection					
Sanitation					
Refuse collected (tons)	3,100	3,150	3,200	4,000	4,100
Bulky/Brush collected (tons)	2,000	2,080	2,250	2,300	2,300
Recyclables collected (tons)	600	620	625	650	670
Cultural and Recreation					
Number of Participants:					
weight fitness program	23,894	23,969	24,023	22,624	22,858
Fitness class	4,411	3,568	5,235	5,990	5,980
Athletic program	12,421	12,062	12,644	11,549	12,153
Teen program	3,835	5,884	5,420	4,234	3,744
Community Center program	7,066	7,784	1,933	7,834	7,907
Skate Park	2,209	2,174	2,189	1,625	1,335
Number of Ocean Education Center	1,575	1,178	2,341	2,151	2,268
Number of Nature Center participants	4,281	3,351	4,058	3,664	3,376
Number of paid golf course rounds played	11,161	11,844	11,373	17,832	11,048
Number of youth and miscellaneous program participants	N/A	N/A	3,903	4,884	5,017
Water					
Number of water customers	7,822	7,867	8,203	8,236	8,240
Average daily water consumption (gallons)	1,101,976	1,017,788	893,941	878,257	878,700
Wastewater					
Number of sewer customers	884	906	925	929	4,241
Sewer average daily treatment (gallons)	156,530	125,062	148,335	145,425	663,900

Notes:

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

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

Source: Various Town Departments

2012	2013	2014	2015	2016
11,741	10,029	10,332	10,332	10,899
288	322	285	285	563
2,741	2,688	3,139	3,139	3,645
215	280	319	319	300
948	916	888	888	983
1,448	1,681	1,875	1,875	2,636
9,941	8,549	7,994	7,994	10,767
0.00	0.00	0.00	0.00	0.00
12.04	0.00	4.58	0.00	0.00
13,148	NA	NA	NA	NA
1,200	1,500	8,011	8,011	11,250
820	863	1,250	1,250	1,116
23,521	23,532	21,352	21,352	21,459
5,466	5,267	4,267	4,267	4,288
14,984	13,171	13,981	13,981	14,051
2,409	3,743	448	448	450
7,466	6,849	1,437	1,437	1,444
1,722	1,735	1,711	1,711	1,720
2,760	1,083	939	939	944
3,684	3,527	1,623	1,623	1,631
12,442	10,595	9,063	9,063	9,108
6,375	6,861	2,953	2,953	2,968
8,042	8,021	8,378	8,700	8,829
749,542	739,818	804,170	804,170	812,000
7,542	7,974	8,004	8,100	8,318
580,289	591,917	543,838	543,838	537,866

TOWN OF OAK ISLAND, NORTH CAROLINA

Capital Assets by Function

Last Ten Years

Function	2007	2008	2009	2010	2011
Public Safety					
Police					
Police Stations	1	1	2	2	2
Police Patrol Units	25	25	25	26	26
Police Motorcycle Units	2	2	2	1	1
Fire					
Fire Stations	2	2	4	3	3
Fire Trucks	5	5	6	6	6
Transportation					
Streets -Paved (miles)	92.48	92.57	92.57	96.00	96.00
Sidewalks (miles)	7.68	7.68	7.68	7.68	7.68
Environmental Protection					
Curbside Truck	N/A	2	2	2	3
Leaf Machine	N/A	2	2	2	2
Beach Trash Truck	1	1	2	2	3
Cultural and Recreation					
Parks	17	17	17	17	17
Tennis Courts	4	4	4	6	6
Playgrounds	1	1	1	1	2
Baseball/Softball fields	4	4	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	0	1	1	1	1
Dog Park	1	1	1	1	1
Water					
Water Mains (miles)	120	120	120	120	120
Fire Hydrants	800	800	800	800	800
Average daily water consumption (in gallons)	1,101,976	1,017,788	893,491	878,257	878,700
Peak daily demand (in gallons)	2,369,000	2,541,000	2,336,000	2,488,000	2,485,000
Wastewater					
Sanitary Sewers (miles)	20	20	20	20	106
Lift Stations	15	15	15	15	34
Man Holes	220	220	220	220	220
Sewer Treatment Capacity (in gallons)	400,000	400,000	400,000	400,000	2,535,308

Source: Various Town Departments

2012	2013	2014	2015	2016
2	2	2	2	2
26	26	25	25	25
1	1	1	1	1
3	3	3	3	3
6	6	6	6	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	2	2	2	2
120	120	120	120	120
800	800	800	800	800
749,542	739,818	804,170	804,170	812,000
2,111,000	2,174,330	2,188,950	2,188,950	2,239,000
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

**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, 2016, 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 December 21, 2016. 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
December 21, 2016

TOWN OF OAK ISLAND, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards

For the Fiscal Year Ended June 30, 2016

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>State Contract Number</u>	<u>Expenditures</u>
State Grants:		
<u>North Carolina Department of Natural Resources</u>	6174	\$ 289,596
Total state assistance		<u>\$ 289,596</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:**1. Basis of presentation**

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Oak Island and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

TOWN OF OAK ISLAND, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2016

Section I. Summary of Auditor's Results

Financial Statements

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

State Awards

Internal control over major State programs:		
Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Reportable conditions identified that are not considered to be material weaknesses	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to State awards	<u> </u> Yes	<u> X </u> No

Type of auditor's report issued on compliance for major State programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	<u> </u> Yes	<u> X </u> No
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TOWN OF OAK ISLAND, NORTH CAROLINA

Schedule of Findings and Questioned Costs (continued)

For the Fiscal Year Ended June 30, 2016

Section II - Financial Statement Findings

- 1) For the year ended June 30, 2016, the expenditures in the Town's general fund exceeded the authorized appropriations made by the governing board for general government activities by \$105,875. This over-expenditure occurred because of a miscalculation of principal and interest payments on long term debt.
- 2) The unexpected additional expenditures from the Lockwood Folly Dredging Project also exceeded appropriations in the Beach Tax Fund by \$601,190.
- 3) The expenditures in the Solid Waste Fund also exceeded the authorized appropriations by \$170,202 due to an unexpected increase in Recycling Program Expenditures as well as a need to increase salary expenditures within the department.

TOWN OF OAK ISLAND, NORTH CAROLINA

Schedule of Findings and Questioned Costs (continued)

For the Fiscal Year Ended June 30, 2016

Section III - Federal Award Findings and Questioned Cost

None reported.

See Independent Auditor's Report.

TOWN OF OAK ISLAND, NORTH CAROLINA

Corrective Action Plan

For the Fiscal Year Ended June 30, 2016

Section II - Financial Statement Findings

In response to findings 1, 2, and 3 in the Financial Statements, Management will more closely review the budget reports to ensure compliance in future years.

TOWN OF OAK ISLAND, NORTH CAROLINA

Summary Schedule of Prior Year Findings

For the Fiscal Year Ended June 30, 2016

Findings:

There were no audit findings from the previous year.