

# *Town of Oak Island, North Carolina*



**Comprehensive Annual Financial Report  
For the Fiscal Year Ended  
June 30, 2018**

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**TOWN OF OAK ISLAND, NORTH CAROLINA**

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## ***Introductory Section***

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**Town of Oak Island, North Carolina  
List of Principal Officials  
June 30, 2018**

**Mayor and Town Council**

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

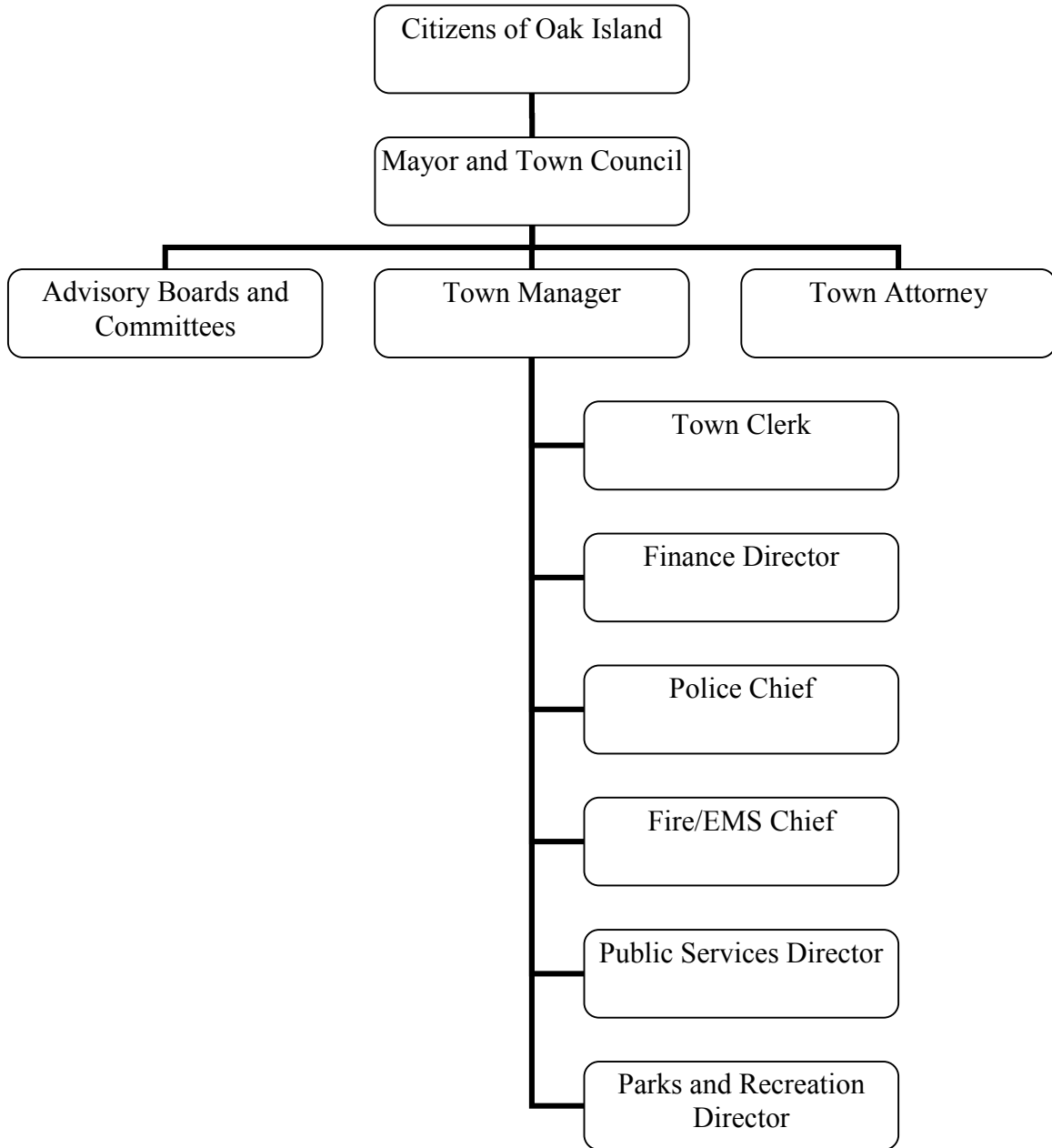
**Town Officials**

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



# Town of Oak Island, North Carolina

## Organizational Chart June 30, 2018



## 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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Oak Island ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Oak Island ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Oak Island ABC Board were not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Oak Island, North Carolina as of June 30, 2018, 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, the Other Post Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Oak Island, North Carolina. The introductory information, combining and individual fund statements, budgetary schedules, and other schedules and statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2018 on our consideration of Town of Oak Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Oak Island's internal control over financial reporting and compliance.

*S. Preston Douglas & Associates, LLP*

Whiteville, North Carolina

January 24, 2019

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

**Town of Oak Island, North Carolina  
Management's Discussion and Analysis  
June 30, 2018**

**Management's Discussion and Analysis**

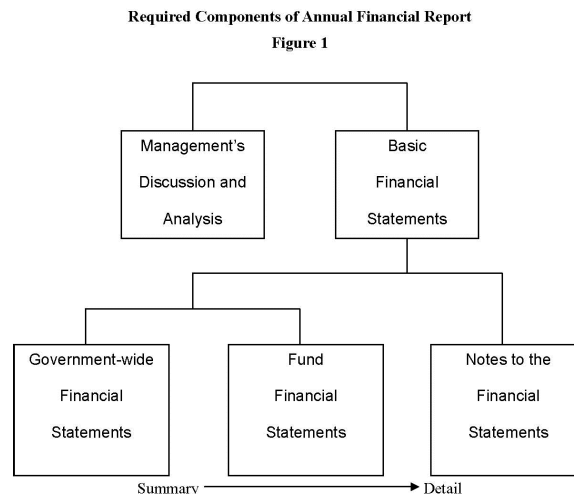
As management of the Town of Oak Island, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Oak Island for the fiscal year ending June 30, 2018. We encourage readers to read the information presented here in conjunction 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 \$89,645,714 (*net position*).
- The government's total net position increased by \$5,809,546 during the period
- As of the close of the current fiscal year, the Town of Oak Island's governmental funds reported combined ending fund balances of \$19,899,695 with a net change of \$1,345,560 in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,511,569 or 67.68% percent of total governmental fund expenditures for the fiscal year.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Town of Oak Island's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Oak Island.



**Town of Oak Island, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2018**

**Basic Financial Statements**

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements.

There are four parts to the Fund Financial Statements: 1) the governmental funds statements, 2) The budgetary comparison statements, 3) The proprietary fund statements, and 4) the fiduciary fund statements.

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

**Government-Wide Financial Statements**

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

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

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

**Fund Financial Statements.** The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Oak Island, like all other state and local governments, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Oak Island can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Town of Oak Island, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2018**

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies that are unexpended at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Oak Island adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities.

The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

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

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the financial statements of this report.

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



**Town of Oak Island, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2018**

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

**Government-Wide Financial Analysis**

**The Town of Oak Island's Net Position**  
**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$20,324,341	\$19,185,582	\$39,186,240	\$37,244,145	\$ 59,510,581	\$56,429,727
Capital assets	27,463,987	27,955,458	104,501,094	105,434,496	131,965,081	133,389,954
<b>Total assets</b>	<b>47,788,328</b>	<b>47,141,040</b>	<b>143,687,334</b>	<b>142,678,641</b>	<b>191,475,662</b>	<b>189,819,681</b>
Deferred outflow s of resources	1,116,307	1,190,160	315,497	389,094	1,431,804	1,579,254
<b>Total assets and deferred outflow s of resources</b>	<b>48,904,635</b>	<b>48,331,200</b>	<b>144,002,831</b>	<b>143,067,735</b>	<b>192,907,466</b>	<b>191,398,935</b>
Long-term liabilities	7,763,326	6,754,900	88,498,629	91,728,946	96,261,955	98,483,846
Other liabilities	1,946,228	2,940,703	4,682,573	4,516,713	6,628,801	7,457,416
<b>Total liabilities</b>	<b>9,709,554</b>	<b>9,695,603</b>	<b>93,181,202</b>	<b>96,245,659</b>	<b>102,890,756</b>	<b>105,941,262</b>
Deferred Inflow s of resources	221,762	154,722	149,234	89,173	370,996	243,895
<b>Total liabilities and deferred inflow s of resources</b>	<b>9,931,316</b>	<b>9,850,325</b>	<b>93,330,436</b>	<b>96,334,832</b>	<b>103,261,752</b>	<b>106,185,157</b>
<b>Net position</b>						
Net investment in capital assets	22,175,880	21,420,948	18,252,459	17,097,053	40,428,339	38,518,001
Restricted	6,850,045	7,272,466	3,669,799	3,669,799	10,519,844	10,942,265
Unrestricted	9,947,394	9,787,461	28,750,137	25,966,051	38,697,531	35,753,512
<b>Total net position</b>	<b>\$38,973,319</b>	<b>\$38,480,875</b>	<b>\$50,672,395</b>	<b>\$46,732,903</b>	<b>\$ 89,645,714</b>	<b>\$ 85,213,778</b>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$89,645,714 at the close of the current fiscal year. The Town's net position increased by \$5,809,546 for the fiscal year ended June 30, 2018. By far the largest portion of the Town's net position, 45.10%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Town of Oak Island, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2018**

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

The restricted portion of net position, \$10,519,844 or 11.73%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$38,697,531 or 41.96% of the total.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,516,587	\$ 3,043,448	\$19,282,615	\$19,108,825	\$ 22,799,202	\$22,152,273
Operating grants and contributions	412,861	366,159	-	34,911	412,861	401,070
Capital grants and contributions	4,132,910	691,700	994,648	1,075,417	5,127,558	1,767,117
General revenues:						
Property taxes	7,695,090	7,445,239	-	-	7,695,090	7,445,239
Local option sales tax	2,183,968	1,897,533	-	-	2,183,968	1,897,533
Accommodations tax	2,202,209	1,446,852	-	-	2,202,209	1,446,852
Other	312,725	170,660	33,360	5,067	346,085	175,727
<b>Total revenues</b>	<b>20,456,350</b>	<b>15,061,591</b>	<b>20,310,623</b>	<b>20,224,220</b>	<b>40,766,973</b>	<b>35,285,811</b>
<b>Expenses:</b>						
General government	2,620,927	2,877,541	-	-	2,620,927	2,877,541
Public safety	5,247,129	4,986,023	-	-	5,247,129	4,986,023
Transportation	1,157,263	1,184,313	-	-	1,157,263	1,184,313
Environmental protection	6,784,657	-	-	-	6,784,657	-
Cultural and recreation	1,475,350	1,255,071	-	-	1,475,350	1,255,071
Interest on long-term debt	147,026	272,071	-	-	147,026	272,071
Water	-	-	3,086,872	2,166,108	3,086,872	2,166,108
Wastewater	-	-	12,266,799	19,417,518	12,266,799	19,417,518
Non-major funds	-	-	2,171,404	1,687,121	2,171,404	1,687,121
<b>Total expenses</b>	<b>17,432,352</b>	<b>10,575,019</b>	<b>17,525,075</b>	<b>23,270,747</b>	<b>34,957,427</b>	<b>33,845,766</b>
Increase in net position before transfers and special item	3,023,998	4,486,572	2,785,548	(3,046,527)	5,809,546	1,440,045
Transfers	(696,355)	432,084	696,355	(432,084)	-	-
Special item:						
Hurricane Matthew	-	(1,085,390)	-	-	-	(1,085,390)
<b>Increase in net position</b>	<b>2,327,643</b>	<b>3,833,266</b>	<b>3,481,903</b>	<b>(3,478,611)</b>	<b>5,809,546</b>	<b>354,655</b>
Net position, beginning	38,480,875	35,812,244	46,732,903	49,428,622	85,213,778	85,240,866
Restatement	(1,835,199)	(1,164,635)	457,589	782,892	(1,377,610)	(381,743)
Net position, beginning, restated	36,645,676	34,647,609	47,190,492	50,211,514	83,836,168	84,859,123
<b>Net position - June 30</b>	<b>\$38,973,319</b>	<b>\$38,480,875</b>	<b>\$50,672,395</b>	<b>\$46,732,903</b>	<b>\$ 89,645,714</b>	<b>\$85,213,778</b>

**Town of Oak Island, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2018**

**Governmental activities.** Governmental activities increased the Town's net position by \$2,327,643. An increase in revenues of \$5,394,759 was the key element in the growth in net position.

**Business-type activities.** The business-type activities increased the Town of Oak Island's net position. Net position was increased by \$3,481,903. A decrease in expenses of \$5,745,672 was the key component of the decrease in net position. This was primarily due to the lower costs associated with the refinancing of bonds.

#### **Financial Analysis of the Government's Funds**

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

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

At June 30, 2018, the governmental funds of Town of Oak Island reported a combined fund balance of \$19,899,695 with a net increase in fund balance of \$1,345,560. Included in this change in fund balance are increases in the fund balance of the General Fund and the Town's Other Governmental Funds. The General Fund is the chief operating fund of the Town of Oak Island. At the end of the 2017 fiscal year, the fund balance for the Town of Oak Island's General Fund reached \$14,713,200. Of this, \$1,406,623 was restricted, \$49,548 represented non-spendable inventories and prepaid expenditures and \$745,460 was committed by the Town for administration, public safety, and transportation, leaving an unassigned fund balance of \$12,511,569 available for spending at the Town's discretion. The Governing Body of Town of Oak Island has determined that the Town should maintain an available fund balance of no less than 25% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town's general fund currently has an available fund balance of 67.68% of governmental fund expenditures.

#### **General Fund Budgetary Highlights**

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

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

**Proprietary Funds.** The Town of Oak Island's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Town's proprietary funds at the end of the fiscal year amounted to \$28,750,137. The change in net position for the Water, Wastewater and Other Enterprise Funds was \$2,867,894, \$840,130 and (\$226,121) respectively. The change in net position in the Water Fund is a result of excess charges for service producing revenues that exceed the expenditures in the fund. The Wastewater Fund's increase in net position is due to lowered interest payments and depreciation in that Fund as well as the lowered costs associated with the refinancing of bonds. This is anticipated to occur in the early years of the system's operations and is offset by Sewer Assessment revenues and Sewer District Fees, which are both considered non-operating sources. Since the Water and Wastewater operations together form the Town's Enterprise System, the excess Water Fund revenues help to offset those in the Wastewater Fund for bond covenant coverage test purposes.

**Town of Oak Island, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2018**

**Capital Assets and Debt Administration Capital Assets**

The Town of Oak Island's investments in capital assets for its governmental and business-type activities as of June 30, 2018, totals \$131,965,081 (net of accumulated depreciation). The investments in capital assets includes land, buildings, improvements, furniture and equipment, infrastructure (including distribution systems), and vehicles.

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

Figure 4

	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Land and CIP	\$ 9,875,921	\$ 9,529,923	\$ 7,435,088	\$ 4,969,999	\$ 17,311,009	\$ 14,499,922
Buildings	12,702,494	13,144,195	10,889,655	11,240,222	23,592,149	24,384,417
Improvements	1,369,593	1,446,900	-	-	1,369,593	1,446,900
Motor Vehicles	474,764	466,873	41,670	51,441	516,434	518,314
Heavy Motor Vehicles	190,201	413,979	415,401	484,252	605,602	898,231
Equipment	201,087	167,617	2,846,506	3,245,441	3,047,593	3,413,058
Office Equipment	15,143	35,875	-	-	15,143	35,875
Computers and electrical					-	-
equipment	109,166	106,654	108	108	109,274	106,762
Infrastructure	2,525,618	2,643,442	73,649,255	75,894,004	76,174,873	78,537,446
Intangible assets	-	-	9,223,411	9,549,029	\$ 9,223,411	\$ 9,549,029
<b>Total capital assets, net</b>	<b>\$ 27,463,987</b>	<b>\$ 27,955,458</b>	<b>\$104,501,094</b>	<b>\$105,434,496</b>	<b>\$131,965,081</b>	<b>\$133,389,954</b>

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

**Long-term debt.** As of June 30, 2018, the Town of Oak Island had total bonded debt outstanding of \$81,702,723. 100% of that amount represents bonds secured solely by specified revenue sources (e.g. revenue bonds.) The Town of Oak Island has no outstanding bonded debt backed by the full faith and credit of the Town.

**Outstanding Liabilities**

Figure 5

	Governmental		Busines		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Installment purchase	\$ 4,904,676	\$ 6,534,510	\$ -	\$ -	\$ 4,904,676	\$ 6,534,510
Revolving loans	-	-	8,817,344	9,484,525	8,817,344	9,484,525
Revenue bonds	-	-	81,702,723	85,071,477	81,702,723	85,071,477
Compensated absences	383,431	368,050	104,248	99,582	487,679	467,632
OPEB liability	2,449,166	447,637	1,282,579	228,769	3,731,745	676,406
Net pension liability (LGERS)	992,585	1,395,066	328,134	451,156	1,320,719	1,846,222
Total pension liability	682,477	519,423	-	-	682,477	519,423
<b>Total outstanding debt</b>	<b>\$ 9,412,335</b>	<b>\$ 9,264,686</b>	<b>\$ 92,235,028</b>	<b>\$ 95,335,509</b>	<b>\$101,647,363</b>	<b>\$104,600,195</b>

**Town of Oak Island, North Carolina  
Management's Discussion and Analysis (continued)  
June 30, 2018**

**Town of Oak Island Outstanding Debt**

North Carolina's general statutes limit the amount of general obligation debt that a governmental unit can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Oak Island is presently at \$99,917,945 (the amount of additional debt the town could obligate itself to under NC General Statute).

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

**Economic Factors and Next Year's Budgets and Rates**

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

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

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

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

**Business-type Activities.** Town Management during the budget process implemented a 1.5% increase in water and sewer rates, which became effective July 1, 2017. The Sewer District Fee for utility system users (and potential users) remained the same with no increase. The Town continues to collect Wastewater Assessments to supplement the operations of the wastewater system. Management will continue to examine future rate increases for the generating of system revenues and to continue to reduce operating expenditures where feasible to enable the Town's system to maintain its services to the Town's utility customers.

**Future Expenditures and Budget Priorities**

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

**Request for Information**

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

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

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

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## ***Basic Financial Statements***

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**TOWN OF OAK ISLAND, NORTH CAROLINA**

Statement of Net Position

June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Oak Island ABC Board
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Equivalent	\$ 16,641,719	\$ 26,764,195	\$ 43,405,914	\$ 327,298
Taxes Receivables, Net	65,993	-	65,993	-
Assessments Receivable	22,612	-	22,612	-
Accounts Receivable, Net	482,971	3,321,681	3,804,652	-
Due from Other Funds	-	-	-	-
Due From Component Unit	77,512	-	77,512	-
Inventories	12,307	505,712	518,019	179,829
Prepaid Items	128,201	-	128,201	15,111
<b>Total Current Assets</b>	<b>17,431,315</b>	<b>30,591,588</b>	<b>48,022,903</b>	<b>522,238</b>
<b>Non-current Assets</b>				
Restricted Cash and Cash Equivalents	2,893,026	5,533,284	8,426,310	257,662
Restricted Receivables	-	2,198,751	2,198,751	-
Accrued Interest on Restricted Assets	-	135,350	135,350	-
Prepaid Bond Insurance	-	727,267	727,267	-
Capital Assets				
Land, Non-depreciable Improvements, and Construction in Progress	9,875,921	7,435,188	17,311,109	101,178
Other Capital Assets, Net of Depreciation	17,588,066	97,065,906	114,653,972	227,949
Total Capital Assets	27,463,987	104,501,094	131,965,081	329,127
<b>Total Non-current Assets</b>	<b>30,357,013</b>	<b>113,095,746</b>	<b>143,452,759</b>	<b>586,789</b>
<b>Total Assets</b>	<b>47,788,328</b>	<b>143,687,334</b>	<b>191,475,662</b>	<b>1,109,027</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Deferrals	908,684	255,581	1,164,265	40,338
OPEB Deferrals	207,623	59,916	267,539	1,775
<b>Total Deferred Outflows of Resources</b>	<b>\$ 1,116,307</b>	<b>\$ 315,497</b>	<b>\$ 1,431,804</b>	<b>\$ 42,113</b>



**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Net Position (Continued)  
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Oak Island ABC Board
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable and Accrued Expenses	\$ 220,930	\$ 535,354	\$ 756,284	\$ 132,395
Accrued Interest Payable	-	299,874	299,874	-
Customer Deposits	76,289	110,946	187,235	-
Due to Other Funds	-	-	-	-
Due to Primary Government	-	-	-	99,921
Current Portion of Long-Term Liabilities	1,649,009	3,736,399	5,385,408	-
<b>Total Current Liabilities</b>	<b>1,946,228</b>	<b>4,682,573</b>	<b>6,628,801</b>	<b>232,316</b>
<b>Long-Term Liabilities</b>				
Due In More Than One Year	3,639,098	86,887,916	90,527,014	124,037
Net Pension Liability	992,585	328,134	1,320,719	21,388
Total Pension Liability	682,477	-	682,477	-
OPEB Liability	2,449,166	1,282,579	3,731,745	-
<b>Total Long-Term Liabilities</b>	<b>7,763,326</b>	<b>88,498,629</b>	<b>96,261,955</b>	<b>145,425</b>
<b>Total Liabilities</b>	<b>9,709,554</b>	<b>93,181,202</b>	<b>102,890,756</b>	<b>377,741</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	-	60,036	60,036	-
Pension Deferrals	99,287	29,771	129,058	605
OPEB Deferrals	122,475	59,427	181,902	7,001
<b>Total Deferred Inflows of Resources</b>	<b>221,762</b>	<b>149,234</b>	<b>370,996</b>	<b>7,606</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	22,175,880	18,252,459	40,428,339	329,127
Restricted For:				
Stabilization by State Statute	519,417	-	519,417	-
Streets	887,206	-	887,206	-
Public Safety	-	-	-	-
Cultural and Recreation	5,393,874	-	5,393,874	-
Other Functions	49,548	3,669,799	3,719,347	363,596
Unrestricted	9,947,394	28,750,137	38,697,531	73,070
<b>Total Net Position</b>	<b>\$ 38,973,319</b>	<b>\$ 50,672,395</b>	<b>\$ 89,645,714</b>	<b>\$ 765,793</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Statement of Activities

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General Government	\$ 2,620,927	\$ 1,931,935	\$ 84,252	\$ -
Public Safety	5,247,129	1,415,204	7,986	-
Transportation	1,157,263	-	320,623	-
Environmental Protection	6,784,657	-	-	4,003,535
Cultural and Recreation	1,475,350	169,448	-	129,375
Interest on Long-Term Debt	147,026	-	-	-
<b>Total Governmental Activities</b>	<b>17,432,352</b>	<b>3,516,587</b>	<b>412,861</b>	<b>4,132,910</b>
<b>Business-Type Activities:</b>				
Water Operations	3,086,872	5,196,253	-	190,314
Wastewater Operations	12,266,799	12,500,387	-	804,334
Solid Waste Operations	1,419,362	1,106,054	-	-
Golf Course Operations	237,088	160,057	-	-
Stormwater Operations	514,954	319,864	-	-
<b>Total Business-Type Activities</b>	<b>17,525,075</b>	<b>19,282,615</b>	<b>-</b>	<b>994,648</b>
<b>Total Primary Government</b>	<b>\$ 34,957,427</b>	<b>\$ 22,799,202</b>	<b>\$ 412,861</b>	<b>\$ 5,127,558</b>
<b>Component Units:</b>				
Oak Island ABC Board	\$ 2,575,544	\$ 2,596,559	\$ -	\$ -
<b>Total Component Units</b>	<b>\$ 2,575,544</b>	<b>\$ 2,596,559</b>	<b>\$ -</b>	<b>\$ -</b>

**General Revenues:**

Taxes:

Property Taxes, Levied for General Purpose

Local Option Sales Taxes

Accommodations Taxes

Unrestricted Investment Earnings

Miscellaneous

Sale of Capital Assets

**Total General Revenues**

**Transfers**

**Total General Revenues, Special Items, and Transfers**

**Change in Net Position**

**Net Position - Beginning Previously Reported**

**Restatement**

**Net Position Beginning Restated**

**Net Position -Ending**

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

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (604,740)	\$ -	\$ (604,740)	\$ -
(3,823,939)	-	(3,823,939)	-
(836,640)	-	(836,640)	-
(2,781,122)	-	(2,781,122)	-
(1,176,527)	-	(1,176,527)	-
(147,026)	-	(147,026)	-
<u>(9,369,994)</u>	<u>-</u>	<u>(9,369,994)</u>	<u>-</u>
-	2,299,695	2,299,695	-
-	1,037,922	1,037,922	-
-	(313,308)	(313,308)	-
-	(77,031)	(77,031)	-
-	(195,090)	(195,090)	-
<u>-</u>	<u>2,752,188</u>	<u>2,752,188</u>	<u>-</u>
<u>(9,369,994)</u>	<u>2,752,188</u>	<u>(6,617,806)</u>	<u>-</u>
-	-	-	47,871
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,871</u>
7,695,090	-	7,695,090	-
2,183,968	-	2,183,968	-
2,202,209	-	2,202,209	-
113,227	23,593	136,820	1,979
144,003	9,767	153,770	14,218
55,495	-	55,495	-
<u>12,393,992</u>	<u>33,360</u>	<u>12,427,352</u>	<u>16,197</u>
<u>(696,355)</u>	<u>696,355</u>	<u>-</u>	<u>-</u>
<u>11,697,637</u>	<u>729,715</u>	<u>12,427,352</u>	<u>16,197</u>
2,327,643	3,481,903	5,809,546	64,068
38,480,875	46,732,903	85,213,778	733,696
(1,835,199)	457,589	(1,377,610)	(31,971)
<u>36,645,676</u>	<u>47,190,492</u>	<u>83,836,168</u>	<u>701,725</u>
<u>\$ 38,973,319</u>	<u>\$ 50,672,395</u>	<u>\$ 89,645,714</u>	<u>\$ 765,793</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Balance Sheet  
 Governmental Funds  
 June 30, 2018

	<u>Major Funds</u>			<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Beach Tax</u>	<u>Beach Renourishment</u>		
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 11,526,449	\$ 747,464	\$ 433,897	\$ 3,933,909	\$ 16,641,719
Restricted Cash	2,893,026	-	-	-	2,893,026
Receivables (net):					-
Taxes	65,993	-	2,244	-	68,237
Assessments	16,575	-	-	6,037	22,612
Accounts	482,971	-	-	-	482,971
Due from Component Unit	77,512	-	-	-	77,512
Due from Other Funds	-	-	-	-	-
Inventories	12,307	-	-	-	12,307
<b>Total Assets</b>	<u>\$ 15,074,833</u>	<u>\$ 747,464</u>	<u>\$ 436,141</u>	<u>\$ 3,939,946</u>	<u>\$ 20,198,384</u>
<b>DEFERRED OUTFLOWS OF REOURCES</b>					
Prepays	37,241	-	-	90,960	128,201
<b>Total Deferred Outflows of Resources</b>	<u>37,241</u>	<u>-</u>	<u>-</u>	<u>90,960</u>	<u>128,201</u>
<b>LIABILITIES</b>					
Accounts Payable	198,951	4,632	-	17,347	220,930
Due to Other Funds	-	-	-	-	-
Customer Deposits	76,289	-	-	-	76,289
<b>Total Liabilities</b>	<u>275,240</u>	<u>4,632</u>	<u>-</u>	<u>17,347</u>	<u>297,219</u>
<b>DEFERRED INFLOWS OF REOURCES</b>					
Unavailable Revenue	123,634	-	-	6,037	129,671
<b>Total Deferred Inflows of Resources</b>	<u>123,634</u>	<u>-</u>	<u>-</u>	<u>6,037</u>	<u>129,671</u>
<b>FUND BALANCES</b>					
Non Spendable					
Inventories	12,307	-	-	-	12,307
Prepays	37,241	-	-	-	37,241
Restricted:					
Stabilization by State Statute	519,417	-	-	-	519,417
Streets - Powell Bill	887,206	-	-	-	887,206
Public Safety	-	-	-	-	-
Environmental Protection	-	742,832	436,141	-	1,178,973
Tourism	-	-	-	3,549,890	3,549,890
Cultural and Recreation	-	-	-	457,632	457,632
Committed:					
Administration	31,450	-	-	-	31,450
Public Safety	230,805	-	-	-	230,805
Cultural and Recreation	483,205	-	-	-	483,205
Unassigned:	12,511,569	-	-	-	12,511,569
<b>Total Fund Balances</b>	<u>14,713,200</u>	<u>742,832</u>	<u>436,141</u>	<u>4,007,522</u>	<u>19,899,695</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 15,112,074</u>	<u>\$ 747,464</u>	<u>\$ 436,141</u>	<u>\$ 4,030,906</u>	<u>\$ 20,326,585</u>

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 Balance Sheet  
 Governmental Funds  
 June 30, 2018

	<b>Total Governmental Funds</b>
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
Total Fund Balance, Governmental Funds	\$ 19,899,695
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>	
Gross capital assets at historical cost	40,382,298
Accumulated depreciation	(12,918,311)
	27,463,987
Deferred outflows of resources related to pensions are not reported in the funds	908,684
Deferred outflows of resources related to OPEB are not reported in the funds	207,623
<p>Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds</p>	
Earned revenues considered deferred inflows of resources in fund statements	123,634
<p>Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.</p>	
Installment notes payable	(4,900,883)
Compensated absences payable	(383,431)
OPEB Liability	(2,449,166)
Net Pension Liability	(992,585)
Total Pension Liability	(682,477)
	(9,408,542)
Deferred inflows of resources related to pensions are not reported in the funds	(99,287)
Deferred inflows of resources related to OPEB are not reported in the funds	(122,475)
<b>Net Position of Governmental Activities</b>	<b><u>\$ 38,973,319</u></b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2018

	<u>Major Funds</u>			<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Beach Tax</u>	<u>Beach Renourishment</u>		
<b>Revenues</b>					
Ad Valorem Taxes	\$ 7,695,090	\$ -	\$ -	\$ -	\$ 7,695,090
Other Taxes and Licenses	2,183,968	681,267	498,776	1,022,166	4,386,177
Unrestricted Intergovernmental	1,031,475	-	-	-	1,031,475
Restricted Intergovernmental	1,814,049	4,003,535	-	-	5,817,584
Sales and Services	808,070	-	-	-	808,070
Permits and Fees	347,803	-	-	-	347,803
Investment Earnings	113,227	-	-	-	113,227
Miscellaneous	67,111	-	-	206,267	273,378
<b>Total Revenues</b>	<u>14,060,793</u>	<u>4,684,802</u>	<u>498,776</u>	<u>1,228,433</u>	<u>20,472,804</u>
<b>Expenditures</b>					
Current:					
General Government	2,447,289	-	-	-	2,447,289
Public Safety	4,734,325	-	-	-	4,734,325
Transportation	1,245,694	-	-	-	1,245,694
Environmental Protection	-	3,499,682	3,064,879	-	6,564,561
Tourism	-	-	-	162,737	162,737
Cultural and Recreational	904,924	56,548	-	589,652	1,551,124
Debt Service:					
Principal	1,633,628	-	-	-	1,633,628
Interest and Other Charges	147,026	-	-	-	147,026
<b>Total Expenditures</b>	<u>11,112,886</u>	<u>3,556,230</u>	<u>3,064,879</u>	<u>752,389</u>	<u>18,486,384</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>2,947,907</u>	<u>1,128,572</u>	<u>(2,566,103)</u>	<u>476,044</u>	<u>1,986,420</u>
<b>Other Financing Sources (Uses)</b>					
Transfers from Other Funds	270,417	-	3,000,000	756,309	4,026,726
Transfers to Other Funds	(1,059,532)	(3,000,000)	-	(663,549)	(4,723,081)
Sales of Capital Assets	55,495	-	-	-	55,495
<b>Total Other Financing Sources (Uses)</b>	<u>(733,620)</u>	<u>(3,000,000)</u>	<u>3,000,000</u>	<u>92,760</u>	<u>(640,860)</u>
<b>Net Change in Fund Balance</b>	2,214,287	(1,871,428)	433,897	568,804	1,345,560
<b>Fund Balance - Beginning</b>	<u>12,498,913</u>	<u>2,614,260</u>	<u>-</u>	<u>3,438,718</u>	<u>18,551,891</u>
<b>Net Change in Fund Balance</b>	2,214,287	(1,871,428)	433,897	568,804	1,345,560
<b>Fund Balance - Ending</b>	<u>\$ 14,713,200</u>	<u>\$ 742,832</u>	<u>\$ 433,897</u>	<u>\$ 4,007,522</u>	<u>\$ 19,897,451</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2018

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

Net changes in fund balances - total governmental funds \$ 1,345,560

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	\$ 629,953	
Depreciation expense for governmental assets	(1,064,744)	
Loss on disposal of capital assets	(53,646)	
		(488,437)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 340,365

Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities 20,641

OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities 114,414

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 (62,650)  
(62,650)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	1,633,628	
		1,633,628

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences	(15,381)	
Pension Expense LGERS	(306,086)	
Pension Expense LEOSSA	(67,876)	
OPEB plan expense	(186,535)	
	<u>(186,535)</u>	<u>(575,878)</u>

Change in net position of governmental activities \$ 2,327,643

**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, 2018

	<b>General Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Ad Valorem Taxes	\$ 7,415,989	\$ 7,400,989	\$ 7,695,090	\$ 294,101
Other Taxes and Licenses	1,601,100	1,633,122	2,183,968	550,846
Unrestricted Intergovernmental	747,600	654,766	1,031,475	376,709
Restricted Intergovernmental	1,769,310	1,850,170	1,814,049	(36,121)
Permits and Fees	474,390	489,600	808,070	318,470
Sales and Services	233,000	234,872	347,803	112,931
Investment Earnings	-	15,000	113,227	98,227
Miscellaneous	102,400	102,400	67,111	(35,289)
<b>Total Revenues</b>	<b>12,343,789</b>	<b>12,380,919</b>	<b>14,060,793</b>	<b>1,679,874</b>
<b>Expenditures</b>				
Current				
General Government	2,374,278	2,609,594	2,447,289	162,305
Public Safety	4,877,933	4,921,850	4,734,325	187,525
Transportation	1,572,327	1,623,027	1,245,694	377,333
Cultural and Recreation	942,308	1,095,926	904,924	191,002
Debt Service				
Principal	1,633,628	1,633,628	1,633,628	-
Interest and Other Charges	185,471	185,471	147,026	38,445
Contingency	-	-	-	-
<b>Total Expenditures</b>	<b>11,585,945</b>	<b>12,069,496</b>	<b>11,112,886</b>	<b>956,610</b>
<b>Revenues Over (Under) Expenditures</b>	<b>757,844</b>	<b>311,423</b>	<b>2,947,907</b>	<b>2,636,484</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	150,055	281,417	270,417	(11,000)
Transfers to Other Funds	(218,813)	(302,015)	(1,059,532)	(757,517)
Sales of Capital Assets	-	-	55,495	55,495
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (68,758)</b>	<b>\$ (20,598)</b>	<b>\$ (733,620)</b>	<b>\$ (713,022)</b>
<b>Fund Balance Appropriated</b>	<b>(689,086)</b>	<b>(290,825)</b>	<b>-</b>	<b>(290,825)</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>2,214,287</b>	<b>2,214,287</b>
<b>Fund Balance - Beginning of Year</b>			<b>11,151,688</b>	
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,214,287</b>	<b>\$ 2,214,287</b>
<b>Fund Balance - End of Year</b>			<b>13,365,975</b>	
A legally adopted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
<b>Fund Balance - Beginning of Year</b>			<b>1,347,225</b>	
<b>Fund Balance - End of Year</b>			<b>\$ 14,713,200</b>	



**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, 2018

	Beach Tax Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues</b>				
Restricted Intergovernmental				
FEMA Reimbursement-Emergency Sand Project	\$ -	\$ 6,957,700	\$ 4,003,535	\$ 2,954,165
Other Taxes and Licenses:				
Restricted Accomodations Tax Receipts	450,000	450,000	681,267	(231,267)
<b>Total Revenues</b>	<u>450,000</u>	<u>7,407,700</u>	<u>4,684,802</u>	<u>2,722,898</u>
<b>Expenditures</b>				
Current				
Environmental Protection				
Hurricane Matthew Emergency Sand Project	-	4,839,700	3,499,682	1,340,018
Lockwood Folly Dredging Project	25,667	41,467	40,722	745
Other Operating Expenditures	100,000	100,000	15,826	84,174
Total Environmental Protection	<u>125,667</u>	<u>4,981,167</u>	<u>3,556,230</u>	<u>1,424,937</u>
<b>Total Expenditures</b>	<u>125,667</u>	<u>4,981,167</u>	<u>3,556,230</u>	<u>1,424,937</u>
<b>Revenues Over (Under) Expenditures</b>	<u>324,333</u>	<u>2,426,533</u>	<u>1,128,572</u>	<u>1,297,961</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds				
Wastewater Fund	294,000	1,176,000	-	\$ 1,176,000
Transfers to Other Funds				
Beach Renourishment Fund	(618,333)	(3,602,533)	(3,000,000)	602,533
<b>Total Other Financing Sources (Uses)</b>	<u>(324,333)</u>	<u>(2,426,533)</u>	<u>(3,000,000)</u>	<u>573,467</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,871,428)</u>	<u>\$ 1,871,428</u>
<b>Fund Balance - Beginning of Year</b>			<u>2,614,260</u>	
<b>Fund Balance - End of Year</b>			<u>\$ 742,832</u>	

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 Major Special Revenue Fund - Beach Renourishment Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Fiscal Year Ended June 30, 2018

	Beach Renourishment Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues</b>				
Other Taxes and Licenses:				
Restricted Ad Valorem Tax Receipts	\$ 1,102,884	\$ 1,102,884	\$ 498,776	\$ 604,108
<b>Total Revenues</b>	<u>1,102,884</u>	<u>1,102,884</u>	<u>498,776</u>	<u>604,108</u>
<b>Expenditures</b>				
Current				
Environmental Protection				
Emergency Sand Project	1,102,884	4,102,884	3,064,879	1,038,005
Total Environmental Protection	<u>1,102,884</u>	<u>4,102,884</u>	<u>3,064,879</u>	<u>1,038,005</u>
<b>Total Expenditures</b>	<u>1,102,884</u>	<u>4,102,884</u>	<u>3,064,879</u>	<u>1,038,005</u>
<b>Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>(3,000,000)</u>	<u>(2,566,103)</u>	<u>433,897</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	-	3,000,000	3,000,000	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>433,897</u>	<u>\$ 433,897</u>
<b>Fund Balance - Beginning of Year</b>			<u>-</u>	
<b>Fund Balance - End of Year</b>			<u>\$ 433,897</u>	

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**TOWN OF OAK ISLAND, NORTH CAROLINA**

Statement of Fund Net Position

Proprietary Funds

June 30, 2018

	Major Funds		Non-Major Funds	Total
	Water Fund	Wastewater Fund	Other Enterprise Funds	
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 14,191,558	\$ 11,819,276	\$ 753,361	\$ 26,764,195
Accounts Receivables (net):	970,813	2,075,278	275,590	3,321,681
Inventories	130,306	372,303	3,103	505,712
<b>Total Current Assets</b>	<b>15,292,677</b>	<b>14,266,857</b>	<b>1,032,054</b>	<b>30,591,588</b>
Non-Current Assets				
Restricted Assets				
Net Pension Asset	-	-	-	-
Cash and Cash Equivalents	-	5,533,284	-	5,533,284
Assessments Receivables (net):	-	2,141,139	-	2,141,139
Sewer District Fees Receivable (net)	-	57,612	-	57,612
Accrued Interest Receivable	-	135,350	-	135,350
<b>Total Restricted Assets</b>	<b>-</b>	<b>7,867,385</b>	<b>-</b>	<b>7,867,385</b>
Other Assets				
Prepaid Bond Insurance Costs	-	727,267	-	727,267
Capital Assets				
Land and Construction in Progress	2,597,442	3,433,136	1,404,610	7,435,188
Other Capital Assets, Net of Depreciation	2,873,339	93,513,708	678,859	97,065,906
Capital Assets	5,470,781	96,946,844	2,083,469	104,501,094
<b>Total Non-Current Assets</b>	<b>5,470,781</b>	<b>105,541,496</b>	<b>2,083,469</b>	<b>113,095,746</b>
<b>TOTAL ASSETS</b>	<b>20,763,458</b>	<b>119,808,353</b>	<b>3,115,523</b>	<b>143,687,334</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Deferrals	81,825	103,928	69,828	255,581
OPEB Deferrals	29,889	14,861	15,166	59,916
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 111,714</b>	<b>\$ 118,789</b>	<b>\$ 84,994</b>	<b>\$ 315,497</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Statement of Fund Net Position

Proprietary Funds

June 30, 2018

	<u>Major Funds</u>		<u>Non-Major Funds</u>	<u>Total</u>
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Other Enterprise Funds</u>	
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	\$ 299,335	\$ 107,881	\$ 93,384	\$ 500,600
Salaries Payable	9,054	13,059	12,641	34,754
Accrued Interest Payable	-	299,874	-	299,874
Due to Other Funds	-	-	-	-
Customer Deposits	110,946	-	-	110,946
Compensated Absences Payable, Current	30,035	41,074	33,139	104,248
Installment Notes Payable, Current	-	-	-	-
Revenue Notes Payable, Current	-	682,151	-	682,151
Revenue Bonds Payable, Current	-	2,950,000	-	2,950,000
<b>Total Current Liabilities</b>	<b>449,370</b>	<b>4,094,039</b>	<b>139,164</b>	<b>4,682,573</b>
Non-current Liabilities				
Other Postemployment Benefits	639,808	318,126	324,645	1,282,579
Net Pension Liability	103,299	134,591	90,244	328,134
Revenue Notes Payable, Non-current	-	8,135,193	-	8,135,193
Revenue Bonds Payable, Non-current	-	78,752,723	-	78,752,723
<b>Total Non-Current Liabilities</b>	<b>743,107</b>	<b>87,340,633</b>	<b>414,889</b>	<b>88,498,629</b>
<b>TOTAL LIABILITIES</b>	<b>1,192,477</b>	<b>91,434,672</b>	<b>554,053</b>	<b>93,181,202</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned Revenue	48,166	11,870	-	60,036
Pension Deferrals	9,262	12,021	8,488	29,771
OPEB Deferrals	29,645	14,740	15,042	59,427
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>87,073</b>	<b>38,631</b>	<b>23,530</b>	<b>149,234</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	3,194,484	12,977,321	2,080,654	18,252,459
Restricted for Capital Projects	-	3,669,799	-	3,669,799
Unrestricted	16,401,138	11,806,719	542,280	28,750,137
<b>NET POSITION OF BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 19,595,622</b>	<b>\$ 28,453,839</b>	<b>\$ 2,622,934</b>	<b>\$ 50,672,395</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

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

Proprietary Funds

For the Year Ended June 30, 2018

	Major Funds		Non-Major Funds	Total
	Water Fund	Wastewater Fund	Other Enterprise Funds	
<b>Revenues</b>				
Charges for Services	\$ 4,879,379	\$ 12,489,858	\$ 1,585,975	\$ 18,955,212
Other Operating Revenues	316,874	400,000	-	716,874
<b>Total Operating Revenues</b>	<u>5,196,253</u>	<u>12,889,858</u>	<u>1,585,975</u>	<u>19,672,086</u>
<b>Operating Expenses</b>				
Administration	491,128	-	314,619	805,747
Water Purchases	1,011,648	-	-	1,011,648
Waste Collection and Treatment	-	5,408,263	1,364,257	6,772,520
Maintenance	1,398,119	78,543	193,248	1,669,910
Other Operating	-	-	202,513	202,513
Depreciation	185,977	3,613,949	96,766	3,896,692
<b>Total Operating Expenses</b>	<u>3,086,872</u>	<u>9,100,755</u>	<u>2,171,403</u>	<u>14,359,030</u>
<b>Operating Income (Loss)</b>	<u>2,109,381</u>	<u>3,789,103</u>	<u>(585,428)</u>	<u>5,313,056</u>
<b>Non-Operating Revenues (Expenses)</b>				
Investment Earnings	-	23,593	-	23,593
Sewer Assessment Interest	-	244,843	-	244,843
Other Non-operating Revenue	-	-	9,766	9,766
Interest and Other Charges	-	(3,169,100)	-	(3,169,100)
Sale of Capital Assets	-	-	-	-
<b>Total Non-Operating Revenues (Expenses)</b>	<u>-</u>	<u>(2,900,664)</u>	<u>9,766</u>	<u>(2,890,898)</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>2,109,381</u>	<u>888,439</u>	<u>(575,662)</u>	<u>2,422,158</u>
Capital Contributions	190,314	173,077	-	363,391
Transfers In	568,199	49,031	349,541	966,771
Transfers Out	-	(270,417)	-	(270,417)
<b>Change in Net Position</b>	<u>2,867,894</u>	<u>840,130</u>	<u>(226,121)</u>	<u>3,481,903</u>
<b>Net Position- Beginning Previously Reported</b>	<u>16,270,139</u>	<u>27,613,709</u>	<u>2,849,055</u>	<u>46,732,903</u>
Restatement	457,589	-	-	457,589
<b>Total Net Position- Beginning Restated</b>	<u>16,727,728</u>	<u>27,613,709</u>	<u>2,849,055</u>	<u>47,190,492</u>
<b>Total Net Position - Ending</b>	<u>\$ 19,595,622</u>	<u>\$ 28,453,839</u>	<u>\$ 2,622,934</u>	<u>\$ 50,672,395</u>

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**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Cash Flows-Proprietary Funds  
For the Year Ended June 30, 2018

	<u>Major Enterprise Funds</u>		<u>Non-Major</u>	<u>Total</u>
	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Enterprise Funds</u>	
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 4,971,017	\$ 12,752,058	\$ 1,564,051	\$ 19,287,126
Cash Paid for Goods and Services	(1,563,920)	(4,606,893)	(1,197,258)	(7,368,071)
Cash Paid to Employees	(615,180)	(859,358)	(619,055)	(2,093,593)
Customer Deposits Received	59,455	-	-	59,455
Customer Deposits Returned	(62,076)	-	-	(62,076)
Other Operating Revenue	316,874	400,000	-	716,874
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>3,106,170</u>	<u>7,685,807</u>	<u>(252,262)</u>	<u>10,539,715</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Grants Received	-	-	-	-
Sale of Materials	-	-	9,767	9,767
Transfers from Other Funds	568,199	49,031	349,541	966,771
Transfers to Other Funds	-	(270,417)	-	(270,417)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<u>568,199</u>	<u>(221,386)</u>	<u>359,308</u>	<u>706,121</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and Construction of Capital Assets	(2,462,724)	(498,201)	(2,815)	(2,963,740)
Proceeds from Sale of Capital Assets	-	-	-	-
Principal Paid on Debt	-	(3,507,181)	-	(3,507,181)
Interest and Other Charges	-	(3,169,100)	-	(3,169,100)
Contributions	190,314	4,209,288	-	4,399,602
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(2,272,410)</u>	<u>(2,965,194)</u>	<u>(2,815)</u>	<u>(5,240,419)</u>
<b>Cash Flows Provided by Investing Activities</b>				
Interest on Investments	-	23,593	-	23,593
<b>Net Cash Provided by Investing Activities</b>	<u>-</u>	<u>23,593</u>	<u>-</u>	<u>23,593</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>1,401,959</u>	<u>4,522,820</u>	<u>104,231</u>	<u>6,029,010</u>
<b>Cash and Cash Equivalents - July 1</b>	<u>12,789,599</u>	<u>12,829,740</u>	<u>649,130</u>	<u>26,268,469</u>
<b>Cash and Cash Equivalents - June 30</b>	<u>\$ 14,191,558</u>	<u>\$ 17,352,560</u>	<u>\$ 753,361</u>	<u>\$ 32,297,479</u>



**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Cash Flows-Proprietary Funds  
For the Year Ended June 30, 2018

	<u>Major Enterprise Funds</u>		<u>Non-Major</u>	<u>Total</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Enterprise</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	
<b>Reconciliation of Operating Income (Loss) to</b>				
<b>Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	\$ 2,109,381	\$ 3,789,103	\$ (585,428)	\$ 5,313,056
<b>Adjustments to Reconcile Operating Income (Loss)</b>				
<b>to Net Cash Provided (Used) by Operating Activities</b>				
Depreciation	185,977	3,613,949	96,766	3,896,692
Changes in Assets and Liabilities				
(Increase) Decrease in:				
Accounts Receivable	75,429	262,200	(18,868)	318,761
Inventory	14,822	(264,940)	1,935	(248,183)
Deferred Outflows of Resources for Pensions	42,100	61,669	35,456	139,225
Deferred Outflows of Resources for OPEB	(29,889)	(14,861)	(15,166)	(59,916)
Increase (Decrease) in:				
Net Pension Liability	(37,721)	(54,330)	(30,971)	(123,022)
Deferred Inflows of Resources for Pensions	(4,477)	(6,448)	(3,675)	(14,600)
Deferred Inflows of Resources for OPEB	29,645	14,740	15,042	59,427
Accounts Payable	186,427	13,069	(12,976)	186,520
Customer Deposits	(2,621)	-	-	(2,621)
Unearned Revenue	16,211	2,665	(1,218)	17,658
Accrued Wages	(7,385)	(89)	2,171	(5,303)
Accrued Vacation Pay	2,583	7,697	(2,068)	8,212
OPEB Liability	525,688	261,383	217,037	1,004,108
<b>Net Cash Total Adjustments</b>	<b>996,789</b>	<b>3,896,704</b>	<b>283,465</b>	<b>5,176,958</b>
<b>Activities</b>				
	<u>\$ 3,106,170</u>	<u>\$ 7,685,807</u>	<u>\$ (301,963)</u>	<u>\$ 10,490,014</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Statement of Fiduciary Net Position

For the Year Ended June 30, 2018

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

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2018

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Oak Island and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

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

**Town of Oak Island ABC Board**

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

**B. Basis of Presentation**

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following non-major governmental funds:

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

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

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

The Town reports the following major enterprise funds:

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

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

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

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

The Town reports the following non-major enterprise funds:

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

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

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

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

The Town reports the following fund type:

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

**C. Measurement Focus and Basis of Accounting**

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

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

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

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

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

**C. Measurement Focus and Basis of Accounting (Continued)**

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Oak Island because the tax is levied by Brunswick County and then remitted to and distributed by the State. Most Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**D. Budgetary Data**

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

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

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

1. Deposits and Investments

All deposits of the Town and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at no cost. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

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

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

3. Restricted Assets (Continued)

**Town of Oak Island's Restricted Cash**

Governmental Activities

General Fund	Capital Reserve	\$	2,005,820
	Streets		887,206
Total Governmental Activities		\$	<u>2,893,026</u>

Business-type Activities

Wastewater Fund	Unexpended Bond Revenue	\$	5,533,284
Total Business-type Activities		\$	<u>5,533,284</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2016. As allowed by state law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.



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

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

6. Inventory and Prepaid Items

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

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

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost is \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consisting mainly of road networks, are not reported, because the Town is a Phase III town under GASB 34, and is not required to report those assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	30
Utility Systems I	40
Utility Systems II	50
Utility Systems III	60
Buildings	40
Improvements	10-25
Motor Vehicles	5
Heavy Motor Vehicles	10
Computer and Electric Equipment	5
Office Equipment	10
Equipment	10
Intangible Assets	30

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

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

**7. Capital Assets (Continued)**

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

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

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

**8. Deferred Outflows/Inflows of Resources**

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

**9. Long-Term Obligations**

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

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

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

9. Long-Term Obligations (Continued)

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of both the Town and the ABC Board provides for the accumulation of up to two hundred forty (240) hours earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of compiling accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Both the Town and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

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

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

11. Net Position/Fund Balances (Continued)

The governmental fund types classify fund balances as follows:

**Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

*Prepays* – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses, which are not spendable resources.

**Restricted Fund Balance** – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

*Restricted for Stabilization by State statute* – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]

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

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

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

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

**Committed Fund Balance** – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Oak Island’s governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

11. Net Position/Fund Balances (Continued)

*Committed for Capital Projects* - portion of fund balance committed by Town Council for certain capital project related purposes. This amount represents the balance in the legally budgeted capital reserve fund.

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

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

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

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

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Oak Island's employer contributions are recognized when due and the Town of Oak Island has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

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

None.

**C. Excess of Expenditures over Appropriations**

None.

**III. DETAIL NOTES ON ALL FUNDS**

**A. Assets**

1. Deposits

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

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

**A. Assets (Continued)**

1. Deposits (Continued)

At June 30, 2018, the Town's deposits had a carrying amount of \$46,299,840 and a bank balance of \$43,890,106. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2018, the Town's petty cash funds totaled \$1,050. The carrying amount of deposits for the ABC Board was \$583,460 and the bank balance was \$711,369. Of the bank balance, \$357,462 was covered by federal depository insurance and the remainder was maintained in institutions collateralizing deposits using the pooling method. At June 30, 2018, the ABC Board's cash on hand totaled \$1,500.

2. Cash and Cash Equivalents

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

<b>Investments by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2018</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 2,402,906	N/A	AAAm
Total:		\$ 2,402,906		

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

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

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

**A. Assets (Continued)**

3. Receivables - Allowances for Doubtful Accounts (Continued)

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2018 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 15,086
Total General Fund	<u>15,086</u>
Enterprise Funds:	
Water Fund	78,801
Wastewater Fund:	
Wastewater Billing	72,534
Sewer District Fees	582
Solid Waste Fund	<u>29,459</u>
Total Enterprise Funds	<u>181,376</u>
Total	<u>\$ 196,462</u>



**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2018

**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, 2018, was as follows:

<b>Governmental activities:</b>	Beginning			Ending
	Balances	Increases	Decreases	Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 9,529,923	\$ 226,661	\$ -	\$ 9,756,584
Construction in progress	-	119,337	-	119,337
Total capital assets not being depreciated	<u>9,529,923</u>	<u>345,998</u>	<u>-</u>	<u>9,875,921</u>
<b>Capital assets being depreciated:</b>				
Buildings	17,336,233	23,262	-	17,359,495
Motor vehicles	1,806,490	93,342	13,390	1,886,442
Heavy motor vehicles	2,175,059	-	134,917	2,040,142
Equipment	1,340,806	81,025	-	1,421,831
Office equipment	177,840	-	-	177,840
Other structures/improvements	3,044,391	53,910	-	3,098,301
Computers/electrical equipment	774,140	26,416	-	800,556
Infrastructure	3,715,770	6,000	-	3,721,770
Total capital assets being depreciated:	<u>30,370,729</u>	<u>283,955</u>	<u>148,307</u>	<u>30,506,377</u>
<b>Less accumulated depreciation for:</b>				
Buildings	4,192,038	464,963	-	4,657,001
Motor vehicles	1,339,617	85,451	13,390	1,411,678
Heavy motor vehicles	1,761,080	167,098	78,237	1,849,941
Equipment	1,173,189	47,555	-	1,220,744
Office equipment	141,965	20,732	-	162,697
Other structures/improvements	1,597,491	131,217	-	1,728,708
Computers/electrical equipment	667,486	23,904	-	691,390
Infrastructure	1,072,328	123,824	-	1,196,152
Total accumulated depreciation	<u>11,945,194</u>	<u>1,064,744</u>	<u>91,627</u>	<u>12,918,311</u>
Total capital assets being depreciated, net	<u>18,425,535</u>			<u>17,588,066</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 27,955,458</u>			<u>\$ 27,463,987</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2018

**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	\$ 330,544
Public safety	569,943
Transportation	13,814
Cultural and recreational	<u>150,443</u>
<b>Total depreciation expense</b>	<b><u>\$ 1,064,744</u></b>

<b>Business-type activities:</b>	Beginning			Ending
	Balances	Increases	Decreases	Balances
<b>Water Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 135,068	\$ -	\$ -	\$ 135,068
Construction in progress	-	2,462,274	-	2,462,274
Total capital assets not being depreciated	<u>135,068</u>	<u>2,462,274</u>	<u>-</u>	<u>2,597,342</u>
<b>Capital assets being depreciated:</b>				
Buildings	134,596	-	-	134,596
Motor vehicles	288,734	-	-	288,734
Equipment	439,765	-	-	439,765
Computers/electrical equipment	93,727	-	-	93,727
Utility systems I	1,973,903	-	-	1,973,903
Utility systems III	4,631,870	-	-	4,631,870
Total capital assets being depreciated:	<u>7,562,595</u>	<u>-</u>	<u>-</u>	<u>7,562,595</u>
<b>Less accumulated depreciation for:</b>				
Buildings	77,402	2,193	-	79,595
Motor vehicles	258,324	7,155	-	265,479
Equipment	330,875	16,942	-	347,817
Computers/electrical equipment	93,619	-	-	93,619
Utility systems I	1,222,626	43,890	-	1,266,516
Utility systems III	2,520,333	115,797	-	2,636,130
Total accumulated depreciation	<u>4,503,179</u>	<u>185,977</u>	<u>-</u>	<u>4,689,156</u>
Total capital assets being depreciated, net	<u>3,059,416</u>			<u>2,873,439</u>
Water Fund capital assets, net	<u>\$ 3,194,484</u>			<u>\$ 5,470,781</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2018

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

**A. Assets (Continued)**

4. Capital Assets (Continued)

<b>Business-type activities:</b>	Beginning Balances	Increases	Decreases	Ending Balances
<b><i>Wastewater Fund</i></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 3,147,739	\$ -	\$ -	\$ 3,147,739
Future treatment rights	285,397	-	-	285,397
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>3,433,136</u>	-	-	<u>3,433,136</u>
<b>Capital assets being depreciated:</b>				
Buildings	13,266,014	-	-	13,266,014
Motor vehicles	110,070	-	-	110,070
Heavy motor vehicles	180,711	-	-	180,711
Equipment	7,831,245	498,201	-	8,329,446
Utility systems I	27,067	-	-	27,067
Utility systems II	85,279,342	-	-	85,279,342
Intangible assets	11,961,437	-	-	11,961,437
Total capital assets being depreciated:	<u>118,655,886</u>	498,201	-	<u>119,154,087</u>
<b>Less accumulated depreciation for:</b>				
Buildings	2,160,907	344,906	-	2,505,813
Motor vehicles	110,068	-	-	110,068
Heavy motor vehicles	190,847	-	-	190,847
Equipment	4,849,015	787,601	-	5,636,616
Utility systems I	12,371	-	-	12,371
Utility systems II	12,290,814	2,083,824	-	14,374,638
Intangible assets	2,412,408	397,618	-	2,810,026
Total accumulated depreciation	<u>22,026,430</u>	3,613,949	-	<u>25,640,379</u>
Total capital assets being depreciated, net	<u>96,629,456</u>			<u>93,513,708</u>
Wastewater Fund capital assets, net	<u>\$ 100,062,592</u>			<u>\$ 96,946,844</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2018

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

**A. Assets (Continued)**

4. Capital Assets (Continued)

<b>Business-type activities:</b>	Beginning Balances	Increases	Decreases	Ending Balances
<b><i>Stormwater Fund</i></b>				
<b>Capital assets being depreciated:</b>				
Buildings	\$ -	\$ -	\$ -	\$ -
Motor vehicles	29,038	-	-	29,038
Heavy motor vehicles	173,751	-	-	173,751
Equipment	180,956	-	-	180,956
Infrastructure	37,154	-	-	37,154
Total capital assets being depreciated:	420,899	-	-	420,899
<b>Less accumulated depreciation for:</b>				
Buildings	-	-	-	-
Motor vehicles	29,038	-	-	29,038
Heavy motor vehicles	10,136	17,375	-	27,511
Equipment	115,250	10,855	-	126,105
Infrastructure	9,188	1,238	-	10,426
Total accumulated depreciation	163,612	29,468	-	193,080
Total capital assets being depreciated, net	257,287			227,819
Stormwater Fund capital assets, net	\$ 257,287			\$ 227,819

<b>Solid Waste Fund</b>	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets being depreciated:</b>				
Buildings	\$ 5,304	\$ -	\$ -	\$ 5,304
Motor vehicles	52,784	-	-	52,784
Heavy motor vehicles	999,138	-	-	999,138
Total capital assets being depreciated:	1,057,226	-	-	1,057,226
<b>Less accumulated depreciation for:</b>				
Buildings	2,264	1,013	-	3,277
Motor vehicles	31,755	2,616	-	34,371
Heavy motor vehicles	668,365	51,475	-	719,841
Total accumulated depreciation	702,384	55,104	-	757,489
Total capital assets being depreciated, net	354,842			299,737
Solid Waste Fund capital assets, net	\$ 354,842			\$ 299,737

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2018

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

**A. Assets (Continued)**

4. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>South Harbor Golf Course Fund</i>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,401,795	\$ 2,815	\$ -	\$ 1,404,610
Total capital assets not being depreciated	<u>1,401,795</u>	<u>2,815</u>	<u>-</u>	<u>1,404,610</u>
<b>Capital assets being depreciated:</b>				
Buildings	98,205	-	-	98,205
Equipment	170,849	-	-	170,849
Total capital assets being depreciated:	<u>269,054</u>	<u>-</u>	<u>-</u>	<u>269,054</u>
<b>Less accumulated depreciation for:</b>				
Buildings	23,324	2,455	-	25,779
Equipment	82,234	9,738	-	91,972
Total accumulated depreciation	<u>105,558</u>	<u>12,193</u>	<u>-</u>	<u>117,751</u>
Total capital assets being depreciated, net	<u>163,496</u>			<u>151,303</u>
SHGC Fund capital assets, net	<u>\$ 1,565,291</u>			<u>\$ 1,555,913</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 105,434,496</u>			<u>\$ 104,501,094</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2018

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

**A. Assets (Continued)**

4. Capital Assets (Continued)

**Discretely Presented Component Unit**

Activity for the ABC Board for the year ended June 30, 2018 was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 101,178	\$ -	\$ -	\$ 101,178
Total capital assets not being depreciated	<u>101,178</u>	<u>-</u>	<u>-</u>	<u>101,178</u>
<b>Capital assets being depreciated:</b>				
Buildings	330,523	-	-	330,523
Other improvements	15,000			15,000
Equipment and furniture	134,802	11,917	-	146,719
Total capital assets being depreciated:	<u>480,325</u>	<u>11,917</u>	<u>-</u>	<u>492,242</u>
<b>Less accumulated depreciation for:</b>				
Buildings	132,894	8,263	-	141,157
Other improvements	15,000	-	-	15,000
Equipment and furniture	97,145	10,991	-	108,136
Total accumulated depreciation	<u>245,039</u>	<u>19,254</u>	<u>-</u>	<u>264,293</u>
Total capital assets being depreciated, net	<u>235,286</u>			<u>227,949</u>
<b>ABC Board capital assets, net</b>	<u>\$ 336,464</u>			<u>\$ 329,127</u>

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

**B. Liabilities**

1. Pension Plan and Post Employment Obligations

***a. Local Governmental Employees' Retirement System***

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

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

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

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

**B. Liabilities (Continued)**

1. Pension Plan and Postemployment Obligations (Continued)

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Oak Island employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Oak Island's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 \$444,399 for the year ended June 30, 2018.

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

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

At June 30, 2018, the Town reported a liability of \$1,320,717 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Town's proportion was .08645%, which was a decrease of 0.00054% from its proportion measured as of June 30, 2016.



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

**B. Liabilities (Continued)**

1. Pension Plan and Postemployment Obligations (Continued)

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

For the year ended June 30, 2018, the Town recognized pension expense of \$406,012. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 76,086	\$ 37,385
Changes of assumptions	188,617	-
Net difference between projected and actual earnings on pension plan investments	320,672	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	82,677
Town contributions subsequent to the measurement date	444,399	-
Total	<u>\$ 1,029,774</u>	<u>\$ 120,062</u>

\$444,399 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2019	\$ 21,844
2020	362,420
2021	182,195
2022	(101,147)
2023	-
Thereafter	-
	<u>\$ 465,312</u>

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

**B. Liabilities (Continued)**

1. Pension Plan and Postemployment Obligations (Continued)

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

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

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

**B. Liabilities (Continued)**

1. Pension Plan and Postemployment Obligations (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.20%. 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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
\$ 3,964,821	\$ 1,320,717	\$ (886,276)

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

**B. Liabilities (Continued)**

1. Pension Plan and Postemployment Obligations (Continued)

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

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

**b. *Law Enforcement Officers Special Separation Allowance***

1. Plan Description

The Town of Oak Island administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of credible service or have attained 55 years of age and have completed five years or more of credible service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	<u>1</u>
Active plan members	<u>24</u>
Total	<u>25</u>

2. Summary of Significant Accounting Policies

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Postemployment Obligations (Continued)

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.13%

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

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$20,641 as benefits came due for the reporting period.

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

At June 30, 2018, the Town reported a total pension liability of \$682,477. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$67,876.

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

**B. Liabilities (Continued)**

1. Pension Plan and Postemployment Obligations (Continued)

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

4. Contributions (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 79,807	\$ -
Changes of assumptions and other inputs	34,043	8,996
Benefit payments and plan administrative expenses made subsequent to the measurement date	<u>20,641</u>	<u>-</u>
Total	<u>\$ 134,491</u>	<u>\$ 8,996</u>

No amount was reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2019	20,665
2020	20,665
2021	20,665
2022	20,665
2023	21,514
Thereafter	680

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

**B. Liabilities (Continued)**

1. Pension Plan and Postemployment Obligations (Continued)

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

4. Contributions (Continued)

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.16 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	<b>1% Decrease (2.16%)</b>	<b>Discount Rate (3.16%)</b>	<b>1% Increase (4.16%)</b>
Total pension liability	\$ 738,281	\$ 682,477	\$ 631,404

	<b>2018</b>
Beginning balance	\$ 519,423
Service Cost	27,560
Interest on the total pension liability	19,651
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	95,673
Changes of assumptions or other inputs	-
Benefit payments	40,811
Other changes	(20,641)
Ending balance of the total pension liability	<u>\$ 682,477</u>

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

**B. Liabilities (Continued)**

1. Pension Plan and Postemployment Obligations (Continued)

	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
Pension Expense	\$ 406,012	\$ 67,876	\$ 541,764
Pension Liability	1,320,717	682,477	2,685,671
Proportionate share of the net pension liability	0.08645	n/a	0.08645
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	76,086	\$ 79,807	155,893
Changes of assumptions	188,617	34,043	222,660
Net difference between projected and actual earnings on plan investments	320,672	-	320,672
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	444,399	20641	465,040
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	37,385	-	37,385
Changes of assumptions	-	-	8,996
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	82,677	-	82,677

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

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

Contributions for the year ended June 30, 2018 were \$121,600, which consisted of \$76,758 for general employees the Town and \$44,842 for the law enforcement officers. No amounts were forfeited.



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

**B. Liabilities (Continued)**

1. Pension Plan and Postemployment Obligations (Continued)

**d. *Other Postemployment Benefit***

1. Healthcare Benefits

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

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

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

**B. Liabilities (Continued)**

1. Pension Plan and Postemployment Obligations (Continued)

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

1. Healthcare Benefits (Continued)

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

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

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

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

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

**B. Liabilities (Continued)**

1. Pension Plan and Postemployment Obligations (Continued)

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

1. Healthcare Benefits (Continued)

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

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

**Total OPEB Liability**

The Town's total OPEB liability of \$3,731,745 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

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

Inflation	2.50 percent
Salary Increases	3.5 percent-7.5 percent
Discount rate	3.56 percent
Healthcare cost trend rates	
Pre-Medicare	7.5% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2020

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

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

**B. Liabilities (Continued)**

1. Pension Plan and Postemployment Obligations (Continued)

*d. Other Postemployment Benefit (Continued)*

	<u>Total OPEB Liability</u>
<b>Balance at July 1, 2017</b>	\$ 3,794,760
Service Cost	198,295
Interest	111,618
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(146)
Changes of assumptions or other inputs	(198,451)
Benefit payments	<u>(174,331)</u>
<b>Net changes</b>	<u>(63,015)</u>
<b>Balance at 6/30/2018</b>	<u><u>\$ 3,731,745</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.17% to 3.18%

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

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

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Town, as well as what the Board's total OPEB liability would be if it were calculated using the discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate:

<u>1% Decrease (2.56%)</u>	<u>Discount Rate (3.56%)</u>	<u>1% Increase (4.56%)</u>
\$ 4,101,597	\$ 3,731,745	\$ 3,400,341

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

**B. Liabilities (Continued)**

1. Pension Plan Obligations (Continued)

**d. Other Post-Employment Benefits (Continued)**

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

<u>1%</u> <u>Decrease</u>	<u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
\$ 3,315,507	\$ 3,731,745	\$ 4,227,055

For the year ended June 30, 2018, the Town recognized OPEB expense of \$284,220. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ (127)
Changes of assumptions and other inputs	-	(172,778)
Benefit payments and plan administrative expenses made subsequent to the measurement date	174,331	-
Total	<u>\$ 174,331</u>	<u>\$ (172,905)</u>

\$174,331 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease in the OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<b>Year ended June 30:</b>	
2018	25,692
2019	25,692
2020	25,692
2021	25,692
2022	25,692
Thereafter	44,445

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

**B. Liabilities (Continued)**

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multiple employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employers who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 444,399
Benefit payments made and administrative expenses for LEOSSA	20,641
Benefit payments made and administrative expenses for OPEB	174,331
Differences between expected and actual experience	155,893
Changes of assumptions and other inputs	222,660
Net difference between projected and actual earnings	320,672
Changes in proportion and differences between Town contributions and proportionate share of contributions	-
Total	<u>\$ 1,338,596</u>

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

**A. Liabilities (Continued)**

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

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

	<b>Statement of Net Position</b>	<b>General Fund Balance Sheet</b>
Prepaid Assessments	\$ 60,036	\$ 6,037
Taxes receivable, less penalties (General Fund)	-	123,634
Changes in assumptions	8,996	-
Differences between expected and actual experience	37,512	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
	<u>257,008</u>	<u>-</u>
Total	<u>\$ 363,552</u>	<u>\$ 129,671</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)**

**A. Liabilities (Continued)**

4. Risk Management

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, 2018, the Town was a defendant to various claims and lawsuits. In the opinion of the Town's management and the Town Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

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

**B. Liabilities (Continued)**

6. Long-Term Obligations

**a. *Installment Purchases***

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

Governmental Activities

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

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

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

On July 1, 2015, the Town entered into an installment purchase contract with BB&T for the construction of Town Hall, due in annual principal installments of \$588,000 plus interest of 2.25% through September, 2021. Total debt service payments of the installment purchases as of June 30, 2018, including \$278,208 of interest, are as follows:



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

**B. Liabilities (Continued)**

6. Long-Term Obligations

a. *Installment Purchases (Continued)*

<u>Years Ending June 30:</u>	<u>Governmental-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	1,633,627	139,104
2020	1,633,628	92,736
2021	1,633,628	46,368
Total	<u>\$ 4,900,883</u>	<u>\$ 278,208</u>

b. *Revolving Loans*

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

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

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

**B. Liabilities (Continued)**

6. Long-Term Obligations (Continued)

*a. Revolving Loans (Continued)*

Annual debt service payments of the revolving loans as of June 30, 2018, including \$1,312,142 of interest, are as follows:

Years Ending June 30:	Business-type Activities	
	Principal	Interest
2019	682,351	201,530
2020	697,867	186,013
2021	713,739	170,141
2022	729,974	153,906
2023-2027	3,906,725	512,675
2028-2033	2,086,688	87,877
Total	\$ 8,817,344	\$ 1,312,142

*c. Revenue Bonds*

\$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%.	1,409,780
\$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%.	628,871
\$41,110,000 Enterprise System Bonds, series 2015, net of \$4,298,140 issuance premium issued for wastewater system improvements. Principal installments are due annually on June 1 with semiannual interest payments due on December 1 and June 1, at an annual interest rate of 2.25% to 5.00%.	44,177,413
\$32,695,000 Enterprise System Bonds, series 2017, net of \$3,030,944 issuance premium issued for wastewater system improvements. Principal installments are due annually on June 1 with semiannual interest payments due on December 1 and June 1, at an annual interest rate of 3.00% to 5.00%.	35,486,659
	\$ 81,702,723

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

**B. Liabilities (Continued)**

6. Long-Term Obligations (Continued)

*c. Revenue Bonds*

The future payments of the revenue bonds are as follows:

Years Ending June 30:	Principal	Interest
2019	3,296,915	3,393,120
2020	3,406,694	3,262,632
2021	3,558,630	3,196,069
2022	3,718,630	2,949,819
2023	3,888,630	2,780,319
2024-2028	22,278,150	11,047,595
Thereafter	41,555,074	6,967,377
Total	\$ 81,702,723	\$ 33,596,931

The Town has been in compliance with the covenants as to rates, fees, rental, and charges in Section 704 of the Bond Order, authorizing the issuance of the Enterprise System Bonds, Series 2008A, 2009, 2011, 2015, and 2017. Section 704(A) of the Bond Order requires the sum of (i) Income available for debt service for such fiscal year and (ii) 15% of the balance in the Revenue Fund as of the last day of the preceding fiscal year will not be less than the sum of (1) 120% of the long-term debt service requirement for parity indebtedness for such fiscal year and (2) 100% of the long-term debt service requirement for subordinated indebtedness, System G.O. indebtedness and System Other Indebtedness for such fiscal year. Section 704(B) requires income available for debt service for such fiscal year will not be less than 100% of the long-term debt service requirement for parity indebtedness, subordinated indebtedness, System G.O. indebtedness and System Other Indebtedness for such fiscal year.

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

**B. Liabilities (Continued)**

6. Long-Term Obligations (Continued)

*c. Revenue Bonds (Continued)*

The debt service coverage calculation for the year ended June 30, 2018 is as follows:

Operating and Non-operating Revenues	\$ 14,415,222
Sewer District Fee	2,313,875
Sewer Assessment Revenue	1,536,553
Total Revenues*	<u>18,265,650</u>
Current Expenses**	<u>(8,387,701)</u>
Income Available for Debt Service	9,877,949
15% of the Balance of the Revenue Fund	<u>3,416,625</u>
Total	<u><u>13,294,574</u></u>

100% of the Long Term Debt Service requirement for parity indebtedness, subordinated indebtedness, System G.O. indebtedness, and System Other Indebtedness for 2018.

7,227,001

Additional 20% of the Long Term Debt Service Requirement for Parity Indebtedness for 2018.

1,445,400

Total

\$ 8,672,401

Coverage Test 704(a)

1.84

Coverage Test 704(b)

1.53

\*In accordance with the Revenue Bond trust agreement assessment revenues shall be included in revenues if and to the extent specified in the Officer's Certificate filed in such fiscal year. In the current year \$2,313,875 in assessment revenue was included.

\*\*Per rate covenants, this does not include depreciation expense of \$3,799,926.

The Town has pledged future water and wastewater customer revenues, net of specified current expenses, to repay \$81,702,723 in water and wastewater revenue bonds issued in March, 2009, January, 2011 and July, 2015, and February 2017. Proceeds from the bonds provided financing for the extension to the wastewater system to the entire island. The bonds are payable solely from water and wastewater income available for debt service and are payable through 2036. The total principal and interest remaining to be paid on the bonds, net of issuance premium, is \$108,477,451. Principal and interest paid for the current year was \$7,227,001. Section 706 (b) of the Bond Order requires that the amount held by the Trustee be reported in the audit report.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2018

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

**B. Liabilities (Continued)**

6. Long-Term Obligations (Continued)

**c. Revenue Bonds (Continued)**

At June 30, 2018 US Bank as Trustee for the Town of Oak Island held the following deposits:

Enterprise Systems Bonds, Series 2009 Special Reserve Account	\$	1,514,995
Enterprise Systems Bonds, Series 2011 Special Reserve Account		343,160
Enterprise Systems Bonds, Series 2015 Special Reserve Account		2,855,823
Enterprise Systems Bonds, Series 2017 Special Reserve Account		819,306
Total on deposit with trustee	<u>\$</u>	<u>5,533,284</u>

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

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Installment purchase	\$ 6,534,510	\$ -	\$ (1,633,627)	\$ 4,900,883	\$ 1,633,628
Compensated absences	368,050	15,381	-	383,431	-
Other postemployment benefits	2,449,166	-	-	2,449,166	-
Net pension liability (LGERS)	1,395,066	-	(402,481)	992,585	-
Total Pension Liability	<u>519,423</u>	<u>163,054</u>	<u>-</u>	<u>682,477</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 11,266,215</u>	<u>\$ 178,435</u>	<u>\$ (2,036,108)</u>	<u>\$ 9,408,542</u>	<u>\$ 1,633,628</u>
Business-type activities:					
State revolving loan	9,484,525	-	(667,181)	8,817,344	682,151
Revenue bonds	85,071,477	-	(3,368,754)	81,702,723	2,950,000
Net pension liability (LGERS)	451,156	-	(123,022)	328,134	-
Other postemployment benefits	1,282,579	-	-	1,282,579	-
Compensated absences	<u>99,582</u>	<u>4,666</u>	<u>-</u>	<u>104,248</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 96,389,319</u>	<u>\$ 4,666</u>	<u>\$ (4,158,957)</u>	<u>\$ 92,235,028</u>	<u>\$ 3,632,151</u>

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

**C. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2018, consist if the following

From the General Fund to the South Harbour Golf Course	\$	122,583
From the General Fund to the Pier Project Fund		90,960
From the Accomodations Fund to the Pier Project Fund		663,549
From the Capital Reserve Fund to the Beach Preservation Fund		1,800
From the Wastewater Fund to the Capital Reserve Fund		221,386
From the Capital Reserve Fund to the Water Fund		568,199
From the Capital Reserve Fund to the Solid Waste Fund		99,502
From the Capital Reserve Fund to the Stormwater Fund		127,456
Total	<u>\$</u>	<u>1,772,852</u>

Transfers are used to move unrestricted revenues to finance various programs and projects that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs.

During the 2018 fiscal year, the Town made a one-time transfer from the General Fund to the South Harbour Golf Course fund of \$122,583 for the purchase of new equipment and to finance operating expenses.

During the 2018 fiscal year, the Town made a one-time transfer from the General Fund and the Accommodations Fund to the Pier Project Fund of \$90,960 and \$663,549 respectively to finance the building of the Oak Island Pier.

During the 2018 fiscal year, the Town made a one-time transfer from the Capital Reserve Fund to the Beach Preservation Fund of \$1,800 to assist with payment of repairs to the beach amenities.

During the 2018 fiscal year, the Town made a one-time transfer of \$221,386 from the Wastewater Fund to the Capital Reserve Fund to provide funding for future Wastewater projects.

During the 2018 fiscal year, the Town made a one-time transfer from the Capital Reserve Fund to the Water Fund of \$568,199 to assist with the purchase of the water meter project.

During the 2018 fiscal year, the Town made a one-time transfer from the Capital Reserve Fund to the Solid Waste Fund of \$99,502 to finance operating expenses.

During the 2018 fiscal year, the Town made a one-time transfer from the Capital Reserve Fund to the Stormwater Fund of \$127,456 to finance operating expenses.

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

**D. Fund Balance**

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

Total Fund Balance - General Fund	\$ 14,713,200
Less:	
Inventories	12,307
Prepays	37,241
Stabilization by State Statute	519,417
Streets-Powell Bill	887,206
Administration	31,450
Public Safety	230,805
Cultural and Recreation	483,205
Remaining Fund Balance	\$ 12,511,569

**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, 2018. 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, 2018, 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, 2018. 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, 2017 the Town of Oak Island recorded \$2,868,510 in capacity fees and \$405,626 in service fees to Brunswick County.

**V. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

**Federal and State Assisted Programs**

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

**VI. SUBSEQUENT EVENTS**

Events occurring after June 30, 2018 were evaluated by management on December 12, 2018 to ensure that any subsequent events that met the criteria for recognition and or disclosure in these financial statements have been included. In management's opinion, there are no events that require disclosure in these financial statements.

**VII. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT**

**A. Prior Period Adjustments and Restatements**

During the fiscal year ended June 30, 2018, the Town determined that a portion of pooled cash had been omitted from the Water Fund due to a technical malfunction when converting to a new software program. The net effect of the restatement increased the net position by \$457,589.

**5. Change in Accounting Principle**

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the Town related to OPEB during the measurement period (fiscal year ending December 31, 2017). Beginning deferred outflows and resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$1,835,999.



***Required Supplementary***

***Financial Data***

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**TOWN OF OAK ISLAND, NORTH CAROLINA**

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

Required Supplementary Information

Last Five Fiscal Years\*

Local Government Employees' Retirement System

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Oak Island's Proportion of the Net Pension Liability ( Asset) (%)	<b>0.08645%</b>	<b>0.08699%</b>	<b>0.09498%</b>	<b>0.09820%</b>	<b>0.10500%</b>
Oak Island's Proportion of the Net Pension Liability ( Asset) (\$)	<b>\$ 1,320,717</b>	<b>\$ 1,846,219</b>	<b>\$ 426,265</b>	<b>\$ (579,307)</b>	<b>\$ 1,265,653</b>
Oak Island's Covered-Employee Payroll	<b>\$ 5,743,021</b>	<b>\$ 5,266,305</b>	<b>\$ 5,453,950</b>	<b>\$ 5,142,211</b>	<b>\$ 4,767,809</b>
Oak Island's Proportion Share of the Net Pension Liability ( Asset) as a Percentage of its Covered-Employee Payroll	<b>23.00%</b>	<b>35.06%</b>	<b>7.82%</b>	<b>-11.27%</b>	<b>26.55%</b>
Plan fiduciary Net Position as a Percentage of the Total Pension/Liability**	<b>94.18%</b>	<b>91.47%</b>	<b>98.09%</b>	<b>102.64%</b>	<b>94.35%</b>

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

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 444,399	\$ 397,390	\$ 372,877	\$ 367,082	\$ 339,202
Contributions in Relation to the	<u>444,399</u>	<u>397,390</u>	<u>371,073</u>	<u>380,603</u>	<u>339,202</u>
Contractually Required Contribution Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>1,804</u>	<u>(13,521)</u>	<u>-</u>
Oak Island's Covered-Employee Payroll	\$ 5,743,021	\$ 5,266,305	\$ 5,453,950	\$ 5,142,211	\$ 4,767,809
Contributions as a Percentage of Covered-Employee Payroll	7.74%	7.55%	6.80%	7.40%	7.11%

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 Schedule of Changes in Total Pension Liability  
 Law Enforcement Officer's Special Separation Allowance  
 June 30, 2018\*

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

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Schedule of Total Pension Liability as a Percentage of Covered Payroll

Law Enforcement Officer's Special Separation Allowance

June 30, 2018\*\*

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	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 682,477	\$ 519,423
Covered payroll	1,168,794	1,083,115
Total pension liability as a percentage of covered payroll	58.39%	47.96%

Notes to the schedules:

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 Schedule of Changes in Total OPEB Liability and Related Ratios  
 June 30, 2018\*

<b>Total OPEB Liability</b>	<u><b>2018</b></u>
Service Cost	\$ 198,294
Interest	111,618
Changes of benefit terms	-
Differences between expected and actual experience	(146)
Changes of assumptions or other inputs	(198,451)
Benefit payments	<u>(174,331)</u>
Net Change in total OPEB liability	(63,016)
Total OPEB liability-beginning	<u>3,794,760</u>
Total OPEB liability-ending	<u><u>3,731,744</u></u>
Covered payroll	\$ 4,408,979
Total OPEB liability as a percentage of covered payroll	84.64%

Notes to Schedule

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

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

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

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**TOWN OF OAK ISLAND, NORTH CAROLINA**

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
<b>Ad Valorem Taxes</b>			
Current Year	\$	\$ 7,232,270	\$
Prior Years		139,324	
Motor Vehicle Tax		259,197	
Penalties and Interest		64,299	
<b>Total Ad Valorem Taxes</b>	<b>7,400,989</b>	<b>7,695,090</b>	<b>(294,101)</b>
<b>Other Taxes and Licenses</b>			
Local Option Sales Tax			
1%		847,894	
1/2% 40		463,466	
1/2% 42		436,218	
1/2% 44		436,390	
<b>Total Other Taxes and Licenses</b>	<b>1,633,122</b>	<b>2,183,968</b>	<b>(550,846)</b>
<b>Unrestricted Intergovernmental</b>			
Beer and Wine Tax		32,610	
Utility Franchise Tax		718,682	
Telecommunications Tax		23,239	
ABC Profit Distribution		256,944	
<b>Total Unrestricted Intergovernmental</b>	<b>654,766</b>	<b>1,031,475</b>	<b>(376,709)</b>
<b>Restricted Intergovernmental</b>			
NC Control Substance Tax Distribution		7,986	
CAMA Grant		68,827	
Brunswick County Transit Grant		20,000	
Brunswick County Fire District Fees		1,398,628	
State Street Aid Allocation		310,623	
NCDOT Mowing Agreement		7,985	
<b>Total Restricted Intergovernmental</b>	<b>1,850,170</b>	<b>1,814,049</b>	<b>36,121</b>
<b>Permits and Fees</b>			
Homeowners Recovery Fund		3,080	
Building Permits		519,541	
Inspection Fees		157,082	
Other Permits and Fees		120,927	
CAMA Reimbursement		7,440	
<b>Total Permits and Fees</b>	<b>\$ 489,600</b>	<b>\$ 808,070</b>	<b>(318,470)</b>



**TOWN OF OAK ISLAND, NORTH CAROLINA**

General Fund

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

Budget and Actual

For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
<b>Sales and Services</b>			
Recreation Department Fees	\$	\$ 117,358	\$
EMS Service Fees		940	
Fire Service Fees		15,636	
Weight Room Fees		52,090	
Merchandising		9,317	
Mosquito Control		2,871	
Video Programming Revenue		149,591	
<b>Total Sales and Services</b>	<b>234,872</b>	<b>347,803</b>	<b>(112,931)</b>
<b>Investment Earnings</b>			
General Fund		113,227	-
<b>Total Investment Earnings</b>	<b>15,000</b>	<b>113,227</b>	<b>(98,227)</b>
<b>Miscellaneous</b>			
Pier Lease		16,296	
Donations		17,700	
Civil Citations		12,339	
Turtle Program		3,546	
Miscellaneous		17,230	
<b>Total Miscellaneous</b>	<b>102,400</b>	<b>67,111</b>	<b>(35,289)</b>
<b>Total Revenues</b>	<b>12,380,919</b>	<b>14,060,793</b>	<b>(1,750,452)</b>
<b>Expenditures</b>			
<b>Governing Board</b>			
Salaries and Wages		39,000	
Employee Benefits		4,500	
Operating Expenditures		103,130	
Donations:			
Brunswick Family Assistance		2,000	
Chamber of Commerce		5,000	
Oak Island Senior Citizens		1,500	
Communities in Schools		1,800	
NC Fourth of July Festival		1,000	
Sea Biscuit Wildlife Shelter		1,000	
Oak Island Water Rescue		22,500	
Brunswick County Planning		3,000	
Brunswick County Airport		15,000	
<b>Total Governing Board</b>	<b>\$ 209,237</b>	<b>\$ 199,430</b>	<b>\$ 9,807</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

General Fund

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

Budget and Actual

For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
<b>Administration</b>			
Salaries and Wages	\$	\$ 797,852	\$
Employee Benefits		337,672	
Operating Expenditures		446,190	
Capital Outlay		282,003	
<b>Total Administration</b>	<b>1,943,269</b>	<b>1,863,717</b>	<b>79,552</b>
<b>Facilities Management</b>			
Salaries and Wages		81,516	
Employee Benefits		42,605	
Operating Expenditures		202,976	
Capital Outlay		57,045	
<b>Total Facilities Management</b>	<b>457,088</b>	<b>384,142</b>	<b>72,946</b>
<b>Total General Government</b>	<b>2,609,594</b>	<b>2,447,289</b>	<b>162,305</b>
<b>Public Safety</b>			
<b>Police</b>			
Salaries and Wages		1,258,088	
Employee Benefits		536,965	
Operating Expenditures		179,931	
Capital Outlay		16,440	
<b>Total Police</b>	<b>2,122,868</b>	<b>1,991,424</b>	<b>131,444</b>
<b>Fire</b>			
Salaries and Wages		1,178,671	
Employee Benefits		387,663	
Operating Expenditures		451,769	
Capital Outlay		36,624	
<b>Total Fire</b>	<b>2,071,449</b>	<b>2,054,727</b>	<b>16,722</b>
<b>Developmental Services</b>			
Salaries and Wages		462,971	
Employee Benefits		169,672	
Operating Expenditures		33,412	
Capital Outlay		22,119	
<b>Total Developmental Services</b>	<b>727,533</b>	<b>688,174</b>	<b>39,359</b>
<b>Total Public Safety</b>	<b>\$ 4,921,850</b>	<b>\$ 4,734,325</b>	<b>\$ 187,525</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

General Fund

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

Budget and Actual

For the Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
<b>Transportation</b>			
<b>Public Works</b>			
Administration			
Salaries and Wages	\$	\$ 101,842	\$
Employee Benefits		39,594	
Operating Expenditures		4,254	
<b>Total Administration, Public Works</b>	<b>183,766</b>	<b>145,690</b>	<b>38,076</b>
Operations			
Salaries and Wages		252,073	
Employee Benefits		83,193	
Operating Expenditures		554,908	
Capital Outlay		46,146	
<b>Total Operations, Public Works</b>	<b>1,278,458</b>	<b>936,320</b>	<b>342,138</b>
<b>Fleet Maintenance</b>			
Salaries and Wages		94,196	
Employee Benefits		33,325	
Operating Expenditures		36,163	
<b>Total Fleet Maintenance</b>	<b>160,803</b>	<b>163,684</b>	<b>(2,881)</b>
<b>Total Transportation</b>	<b>1,623,027</b>	<b>1,245,694</b>	<b>377,333</b>
<b>Cultural and Recreation</b>			
<b>Recreation</b>			
Salaries and Wages		264,698	
Employee Benefits		123,217	
Operating Expenditures		211,586	
Capital Outlay		169,576	
<b>Total Recreation</b>	<b>\$ 943,430</b>	<b>\$ 769,077</b>	<b>\$ 174,353</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

General Fund

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

Budget and Actual

For the Year Ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Community Resource Center</b>			
Salaries and Wages	\$	\$ 94,515	\$
Employee Benefits		31,922	
Operating Expenditures		9,410	
<b>Total Community Resource Center</b>	<u>152,496</u>	<u>135,847</u>	<u>16,649</u>
<b>Total Cultural and Recreation</b>	<u>1,095,926</u>	<u>904,924</u>	<u>191,002</u>
<b>Debt Service</b>			
Principal	1,633,628	1,633,628	-
Interest and Fees	185,471	147,026	38,445
<b>Total Debt Service</b>	<u>1,819,099</u>	<u>1,780,654</u>	<u>38,445</u>
<b>Total Expenditures</b>	<u>12,069,496</u>	<u>11,112,886</u>	<u>956,610</u>
<b>Revenues Over (Under) Expenditures</b>	<u>311,423</u>	<u>2,947,907</u>	<u>\$ 2,636,484</u>
<b>Other Financing Sources (Uses)</b>			
Transfers to Other Funds			
Capital Reserve Fund	(445,678)	(1,234,167)	(788,489)
Pier Project	(90,960)	(90,960)	-
Solid Waste	(61,000)	-	61,000
South Harbour Golf Course Fund	(150,055)	(122,583)	27,472
Sale of Capital Assets	-	55,495	55,495
<b>Total Other Financing Sources (Uses)</b>	<u>(747,693)</u>	<u>(1,392,215)</u>	<u>(644,522)</u>
Appropriated Fund Balance	436,270	-	436,270
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>1,555,692</u>	<u>\$ 1,555,692</u>
<b>Fund Balance - Beginning of Year - Restated</b>		<u>11,151,688</u>	
<b>Fund Balance - End of Year</b>		<u><u>\$ 12,707,380</u></u>	

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 Capital Reserve Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Investment Earnings	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>			
Appropriated Fund Balance		-	-
Transfer from Other Funds	728,358	1,563,347	834,989
Transfer to Other Funds	(728,358)	(904,752)	(176,394)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>658,595</u>	<u>658,595</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures</b>	<u>\$ -</u>	<u>658,595</u>	<u>\$ 658,595</u>
<b>Fund Balance - Beginning of Year</b>		<u>1,347,225</u>	
<b>Fund Balance - End of Year</b>		<u><u>\$ 2,005,820</u></u>	

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Combining Balance Sheet

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2018

	Accomodations Tax Fund	Beach Preservation Fund	Pier Project Fund	Total Other Governmental Special Revenue Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 3,564,282	\$ 85,528	\$ 284,099	\$ 3,933,909
Assessments Receivable, Net	6,037	-	-	6,037
Accounts Receivable	-	-	-	-
Due From Other Funds	-	-	-	-
<b>Total Assets</b>	<b>3,570,319</b>	<b>85,528</b>	<b>284,099</b>	<b>3,939,946</b>
<b>Deferred Outflows of Resources</b>				
Prepaid Expenses	-	-	90,960	90,960
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>90,960</b>	<b>90,960</b>
<b>Liabilities</b>				
Accounts Payable	14,392	955	2,000	17,347
Due to Other Funds	-	-	-	-
<b>Total Liabilities</b>	<b>14,392</b>	<b>955</b>	<b>2,000</b>	<b>17,347</b>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue	6,037	-	-	6,037
<b>Total Deferred Inflows of Resources</b>	<b>6,037</b>	<b>-</b>	<b>-</b>	<b>6,037</b>
<b>Fund Balances</b>				
Restricted				
Cultural and Recreation		84,573	373,059	457,632
Tourism	3,549,890			3,549,890
<b>Total Fund Balances</b>	<b>3,549,890</b>	<b>84,573</b>	<b>373,059</b>	<b>4,007,522</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 3,570,319</b>	<b>\$ 85,528</b>	<b>\$ 375,059</b>	<b>\$ 4,030,906</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

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

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2018

	Accomodations Tax Fund	Beach Preservation Fund	Pier Project Fund	Total Other Governmental Special Revenue Funds
<b>Revenues</b>				
Other Taxes and Licenses	\$ 1,022,166	\$ -	\$ -	\$ 1,022,166
Miscellaneous	43	21,263	184,961	206,267
<b>Total Revenues</b>	<b>1,022,209</b>	<b>21,263</b>	<b>184,961</b>	<b>1,228,433</b>
<b>Expenditures</b>				
Tourism	162,737	-	-	162,737
Cultural and Recreation	-	23,241	566,411	589,652
<b>Total Expenditures</b>	<b>162,737</b>	<b>23,241</b>	<b>566,411</b>	<b>752,389</b>
<b>Revenues Over (Under) Expenditures</b>	<b>859,472</b>	<b>(1,978)</b>	<b>(381,450)</b>	<b>476,044</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	-	1,800	754,509	756,309
Transfers to Other Funds	(663,549)	-	-	(663,549)
<b>Total Other Financing Sources (Uses)</b>	<b>(663,549)</b>	<b>1,800</b>	<b>754,509</b>	<b>92,760</b>
<b>Net Change in Fund Balance</b>	<b>195,923</b>	<b>(178)</b>	<b>373,059</b>	<b>568,804</b>
<b>Fund Balance - Beginning of Year</b>	<b>3,353,967</b>	<b>84,751</b>	<b>-</b>	<b>3,438,718</b>
<b>Fund Balance - End of Year</b>	<b>\$ 3,549,890</b>	<b>\$ 84,573</b>	<b>\$ 373,059</b>	<b>\$ 4,007,522</b>

**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, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Other Taxes and Licenses			
Accomodations Tax Receipts	\$	\$ 1,022,166	\$
Total Other Taxes and Licenses	967,775	1,022,166	54,391
Miscellaneous			
Miscellaneous Revenue		43	43
Total Miscellaneous	50	43	43
<b>Total Revenues</b>	<b>967,825</b>	<b>1,022,209</b>	<b>54,434</b>
<b>Expenditures</b>			
Tourism			
Professional Services		1,303	
Utilities		6,331	
Greenhouse		2,706	
Tourism and Marketing		11,194	
Maintenance Plan		6,774	
Supplies		9,101	
Contracted Services		9,537	
Ice Machine Lease		2,115	
Dune Maintenance		107	
Oak Island Pier Repairs		48,569	
Oak Island Pier Insurance		65,000	
Total Tourism	165,000	162,737	2,263
<b>Total Expenditures</b>	<b>165,000</b>	<b>162,737</b>	<b>2,263</b>
<b>Revenues Over (Under) Expenditures</b>	<b>802,825</b>	<b>859,472</b>	<b>56,647</b>
<b>Other Financing Sources (Uses)</b>			
Transfers to Other Funds			
Pier Project	(802,825)	(663,549)	139,276
<b>Total Other Financing Sources (Uses)</b>	<b>(802,825)</b>	<b>(663,549)</b>	<b>139,276</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures</b>	<b>\$ -</b>	<b>195,923</b>	<b>195,923</b>
<b>Fund Balance Beginning of the Year</b>		<b>3,353,967</b>	
<b>Fund Balance End of the Year</b>		<b>\$ 3,549,890</b>	



**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Special Revenue-Beach Preservation Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Miscellaneous			
Fundraisers	\$	\$ 13,613	\$
Donations		1,035	
Memberships		6,615	
Total Miscellaneous	<u>29,200</u>	<u>21,263</u>	<u>7,937</u>
<b>Total Revenues</b>	<u>29,200</u>	<u>21,263</u>	<u>7,937</u>
<b>Expenditures</b>			
Cultural and Recreational			
Salaries		3,571	
Fringe Benefits		273	
Miscellaneous Supplies		2,768	
Float and Other Events		420	
Amenity Repairs		7,300	
Organization Membership Dues		225	
Fundraiser Events		1,665	
Miscellaneous		936	
Beach Preservation Newsletter		681	
Beach Ambassador Expenses		1,917	
Beach Lover's Campaign		3,485	
Total Cultural and Recreational	<u>29,200</u>	<u>23,241</u>	<u>5,959</u>
<b>Total Expenditures</b>	<u>29,200</u>	<u>23,241</u>	<u>5,959</u>
<b>Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>(1,978)</u>	<u>(1,978)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds			
Capital Reserve Fund	<u>-</u>	<u>1,800</u>	<u>1,800</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>1,800</u>	<u>1,800</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures</b>	<u>-</u>	<u>(178)</u>	<u><u>(178)</u></u>
<b>Fund Balance - Beginning of Year</b>		<u>84,751</u>	
<b>Fund Balance - End of Year</b>		<u><u>\$ 84,573</u></u>	

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Pier Project Capital Projects Fund

Schedule of Revenues and Expenditures, and Changes in Fund Balances

Budget and Actual

From Inception and For the Fiscal Year Ended June 30, 2018

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
<b>Restricted Intergovernmental</b>					
Insurance Recovery	\$ 55,586	\$ -	\$ 55,586	\$ 55,586	\$ -
FEMA Assistance	129,375	-	129,375	129,375	-
<b>Total Restricted Intergovernmental</b>	<b>184,961</b>	<b>-</b>	<b>184,961</b>	<b>184,961</b>	<b>-</b>
<b>Total Revenues</b>	<b>184,961</b>	<b>-</b>	<b>184,961</b>	<b>184,961</b>	<b>-</b>
<b>Expenditures</b>					
Current					
Engineering Services	200,000	-	111,788	111,788	88,212
Pier House Improvements	80,000	-	11,500	11,500	68,500
Pier Construction	539,086	-	443,123	443,123	95,963
<b>Total Expenditures</b>	<b>819,086</b>	<b>-</b>	<b>566,411</b>	<b>566,411</b>	<b>252,675</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ (634,125)</b>	<b>\$ -</b>	<b>\$ (381,450)</b>	<b>\$ (381,450)</b>	<b>\$ 252,675</b>
<b>Other Financing Sources</b>					
Transfers In:					
Accommodations Tax Fund	634,125	-	663,549	663,549	29,424
General Fund	90,960	-	90,960	90,960	-
<b>Total Other Financing Sources</b>	<b>725,085</b>	<b>-</b>	<b>754,509</b>	<b>754,509</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ 90,960</b>	<b>\$ -</b>	<b>\$ 373,059</b>	<b>\$ 373,059</b>	<b>\$ 252,675</b>
<b>Fund Balance-Beginning of the Year</b>			<b>-</b>		
<b>Fund Balance-Beginning of the Year</b>			<b>\$ 373,059</b>		

***Individual Fund Statements and Schedules***  
***Proprietary Funds***

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**TOWN OF OAK ISLAND, NORTH CAROLINA**

Water Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Operating Revenues</b>			
Charges for Services:			
Utility Charges		\$ 4,381,051	
Reconnect Fees		120,280	
Late Fees		53,770	
Water Taps		324,278	
Other Operating Revenues		316,874	
<b>Total Operating Revenues</b>	<b>\$ 5,801,638</b>	<b>5,196,253</b>	<b>\$ 605,385</b>
<b>Nonoperating Revenues</b>			
Infrastructure Reimbursement Fees		190,314	
Interest Earnings		-	
<b>Total Nonoperating Revenues</b>	<b>200,000</b>	<b>190,314</b>	<b>9,686</b>
<b>Total Revenues</b>	<b>6,001,638</b>	<b>5,386,567</b>	<b>615,071</b>
<b>Expenditures</b>			
<b>Water Administration</b>			
Salaries and Wages		93,249	
Employee Benefits		35,816	
Cost of Water		1,011,648	
Other Operating Expenditures		51,625	
<b>Total Waste Administration</b>	<b>2,101,638</b>	<b>1,192,338</b>	<b>909,300</b>
<b>Water Maintenance</b>			
Salaries and Wages		394,273	
Employee Benefits		117,909	
Other Operating Expenditures		668,896	
Capital Outlay		2,462,274	
<b>Total Water Maintenance</b>	<b>\$ 4,500,000</b>	<b>\$ 3,643,352</b>	<b>\$ 856,648</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 Water Fund  
 Schedule of Revenues and Expenditures  
 Budget and Actual (Non-GAAP)  
 For the Fiscal Year Ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Total Expenditures</b>	\$ 6,601,638	\$ 4,835,690	\$ 1,765,948
<b>Other Financing Sources (Uses)</b>			
Fund Balance Appropriated	-	-	-
Transfers In			
Capital Reserve Fund	600,000	568,199	(31,801)
<b>Total Other Financing Sources (Uses)</b>	<u>600,000</u>	<u>568,199</u>	<u>(31,801)</u>
<b>Revenues and Other Financing Sources (Uses)</b>			
<b>Over (Under) Expenditures</b>	-	1,119,076	1,119,076
Prior Period Adjustment	-	457,589	457,589
<b>Revenues and Other Financing Sources (Uses)</b>			
<b>Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ 1,576,665</u>	<u>\$ 1,576,665</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
<b>Revenues and Other Financing Sources (Uses)</b>			
<b>Over (Under) Expenditures</b>		<u>1,576,665</u>	
Reconciling Items:			
Capital Outlay		2,462,724	
Depreciation Expense		(185,977)	
Increase (Decrease) in Deferred Outflows of Resources - Pensions		(42,100)	
(Increase) Decrease in Net Pension Liability		37,721	
(Increase) Decrease in Deferred Inflows of Resources - Pensions		4,477	
Increase (Decrease) in Deferred Outflows of Resources-OPEB		29,889	
(Increase) Decrease in Deferred Inflows of Resources-OPEB		(29,645)	
(Increase) Decrease in OPEB Liability		(525,688)	
(Increase) Decrease in:			
Accrued Vacation Pay		(2,583)	
Restatement		<u>(457,589)</u>	
Total Reconciling Items		<u>1,291,229</u>	
<b>Change in Net Position</b>		<u>\$ 2,867,894</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, 2018

	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>			
Charges for Services:			
Utility Charges		\$ 9,082,888	
Caswell Beach Utility Charges		288,219	
Sewer Taps		443,029	
Other Operating Income		400,000	
<b>Total Operating Revenues</b>	<b>\$ 8,838,474</b>	<b>10,214,136</b>	<b>\$ 1,375,662</b>
<b>Nonoperating Revenues</b>			
System Development Fees		386,414	
Sewer Assessments		1,291,710	
Interest on Sewer Assessments		244,843	
Interest Earned-Revenue Bonds		23,593	
Interest Earnings		-	
Bond Refunding Proceeds		-	
Wastewater Treatment Capacity Lease		173,077	
<b>Total Nonoperating Revenues</b>	<b>1,715,755</b>	<b>2,119,637</b>	<b>403,882</b>
<b>Total Revenues</b>	<b>10,554,229</b>	<b>12,333,773</b>	<b>1,779,544</b>
<b>Expenditures</b>			
<b>Waste Collection</b>			
Salaries and Wages		286,880	
Employee Benefits		119,515	
Other Operating Expenditures		576,131	
Maintenance and Repair		47,151	
<b>Total Waste Collection</b>	<b>1,258,927</b>	<b>1,029,677</b>	<b>229,250</b>
<b>Waste Treatment</b>			
Salaries and Wages		321,471	
Employee Benefits		139,991	
County Treatment Capital Charge		2,866,717	
County Treatment Service Fees		503,002	
Other Operating Expenditures		324,706	
Maintenance and Repair		31,392	
<b>Total Waste Treatment</b>	<b>6,313,208</b>	<b>4,187,279</b>	<b>2,125,929</b>
<b>Debt Service</b>			
Principal Payments	3,491,626	3,507,181	(15,555)
Interest	4,058,277	3,724,272	334,005
<b>Total Debt Service</b>	<b>7,549,903</b>	<b>7,231,453</b>	<b>318,450</b>
<b>Capital Outlay</b>			
Equipment	1,293,560	498,201	795,359
<b>Total Capital Outlay</b>	<b>1,293,560</b>	<b>498,201</b>	<b>795,359</b>
<b>Total Expenditures</b>	<b>16,415,598</b>	<b>12,946,610</b>	<b>3,468,988</b>
<b>Revenue Over (Under) Expenditures</b>	<b>\$ (5,861,369)</b>	<b>\$ (612,837)</b>	<b>\$ 5,248,532</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Wastewater Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other Financing Sources (Uses)</b>			
Fund Balance Appropriated	\$ 3,562,482	\$ -	\$ (3,562,482)
Transfers in:			
Sewer District Fund	2,301,239	3,297,415	996,176
Water Fund	1,636,570	-	(1,636,570)
Capital Reserve Fund	370,829	49,031	(321,798)
Transfers out:			
Accommodations fund	(1,400,000)	-	1,400,000
Capital Reserve Fund	(609,751)	(270,417)	339,334
<b>Total Other Financing Sources (Uses)</b>	<b>5,861,369</b>	<b>3,076,029</b>	<b>(2,785,340)</b>
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	<b>\$ -</b>	<b>2,463,192</b>	<b>\$ 2,463,192</b>

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

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

2,463,192

Reconciling Items:

Principal Retirement	3,507,181
Amortization of Bond Issuance Costs	26,418
Amortization of Premium and Discount	528,754
Capital Outlay	498,201
Increase (Decrease) in Deferred Outflows of Resources - Pensions	(61,669)
(Increase) Decrease in Net Pension Liability	54,330
(Increase) Decrease in Deferred Inflows of Resources - Pensions	6,448
Increase (Decrease) in Deferred Outflows of Resources-OPEB	14,861
(Increase) Decrease in Deferred Inflows of Resources-OPEB	(14,740)
(Increase) Decrease in OPEB Liability	(261,383)
Depreciation Expense	(3,613,949)
Wastewater Assessments Deferred	(1,316,277)
(Increase) Decrease in:	
Accrued Vacation Pay	(7,697)
Other Postemployment Benefits	-
Sewer District Fund	
Sewer District Fees	2,313,875
Transfer to Wastewater Fund	<u>(3,297,415)</u>
Total Reconciling Items	<u>(1,623,062)</u>

**Change in Net Position**

\$ 840,130

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Combining Statement of Net Position  
Other Enterprise Funds  
June 30, 2018

	<b>Non-Major Enterprise Funds</b>			
	<b>Solid Waste Fund</b>	<b>South Harbour Golf Course Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Investments	\$ 272,921	\$ 74,495	\$ 405,945	\$ 753,361
Accounts Receivable (net)	192,442	-	83,148	275,590
Other Receivables	-	-	-	-
Inventories	-	3,103	-	3,103
<b>Total Current Assets</b>	<b>465,363</b>	<b>77,598</b>	<b>489,093</b>	<b>1,032,054</b>
<b>Noncurrent Assets</b>				
Capital Assets:				
Land Improvement	-	1,404,610	-	1,404,610
Buildings	5,304	98,205	37,154	140,663
Motor Vehicles	52,784	-	29,038	81,822
Heavy Vehicles	999,138	-	173,751	1,172,889
Equipment	-	170,849	180,956	351,805
Less Accumulated Depreciation	(757,489)	(117,751)	(193,080)	(1,068,320)
<b>Total Non-current Assets</b>	<b>299,737</b>	<b>1,555,913</b>	<b>227,819</b>	<b>2,083,469</b>
<b>Total Assets</b>	<b>765,100</b>	<b>1,633,511</b>	<b>716,912</b>	<b>3,115,523</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Deferrals	39,724	14,338	15,766	69,828
OPEB Deferrals	12,340	-	2,826	15,166
<b>Total Deferred Outflows of Resources</b>	<b>52,064</b>	<b>14,338</b>	<b>18,592</b>	<b>84,994</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	89,662	2,611	1,111	93,384
Salaries Payable	7,484	1,580	3,577	12,641
Compensated Absences	21,327	3,660	8,152	33,139
<b>Total Current Liabilities</b>	<b>118,473</b>	<b>7,851</b>	<b>12,840</b>	<b>139,164</b>
<b>Noncurrent Liabilities</b>				
Other Postemployment Benefits	264,153	-	60,492	324,645
Net Pension Liability	50,765	21,198	18,281	90,244
<b>Total Non-current Liabilities</b>	<b>314,918</b>	<b>21,198</b>	<b>78,773</b>	<b>414,889</b>
<b>Total Liabilities</b>	<b>433,391</b>	<b>29,049</b>	<b>91,613</b>	<b>554,053</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Deferrals	4,859	1,976	1,653	8,488
OPEB Deferrals	12,239	-	2,803	15,042
<b>Total Deferred Inflows of Resources</b>	<b>\$ 17,098</b>	<b>\$ 1,976</b>	<b>\$ 4,456</b>	<b>\$ 23,530</b>



**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 Combining Statement of Net Postion  
 Other Enterprise Funds  
 June 30, 2018

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<b>NET POSITION</b>								
Net Investment in Capital Assets	\$	299,737	\$	1,553,098	\$	227,819	\$	2,080,654
Unrestricted		66,938		63,726		411,616		542,280
<b>Total Net Position</b>		<u>\$ 366,675</u>		<u>\$ 1,616,824</u>		<u>\$ 639,435</u>		<u>\$ 2,622,934</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

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

## Other Enterprise Funds

For the Year Ended June 30, 2018

	<b>Non-Major Enterprise Funds</b>			<b>Total</b>
	<b>Solid Waste Fund</b>	<b>South Harbour Golf Course Fund</b>	<b>Stormwater Fund</b>	
<b>Operating Revenues</b>				
Charges for Services				
Charges for Collection	\$ 1,106,054	\$ 160,057	\$ 319,864	\$ 1,585,975
<b>Total Operating Revenues</b>	<b>1,106,054</b>	<b>160,057</b>	<b>319,864</b>	<b>1,585,975</b>
<b>Operating Expenses</b>				
Administration	-	68,286	246,333	314,619
Waste Collection and Treatment	1,364,257	-	-	1,364,257
Repairs and Maintenance	-	-	193,248	193,248
Other Operating	-	156,609	45,905	202,514
Depreciation	55,105	12,193	29,468	96,766
<b>Total Operating Expenses</b>	<b>1,419,362</b>	<b>237,088</b>	<b>514,954</b>	<b>2,171,404</b>
<b>Operating Income</b>	<b>(313,308)</b>	<b>(77,031)</b>	<b>(195,090)</b>	<b>(585,429)</b>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Earnings	-	-	-	-
Operating Grants and Contributions	-	-	-	-
Other Non-operating Revenue	6,711	3,056	-	9,767
<b>Total Nonoperating Revenues (Expenses)</b>	<b>6,711</b>	<b>3,056</b>	<b>-</b>	<b>9,767</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(306,597)</b>	<b>(73,975)</b>	<b>(195,090)</b>	<b>(575,662)</b>
<b>Contributions and Transfers</b>				
Transfers in	99,502	122,583	127,456	349,541
Transfers to Other Funds	-	-	-	-
<b>Total Contributions and Transfers</b>	<b>99,502</b>	<b>122,583</b>	<b>127,456</b>	<b>349,541</b>
<b>Change in Net Position</b>	<b>(207,095)</b>	<b>48,608</b>	<b>(67,634)</b>	<b>(226,121)</b>
<b>Net Position - Beginning of Year</b>	<b>573,770</b>	<b>1,568,216</b>	<b>707,069</b>	<b>2,849,055</b>
<b>Net Position - End of Year</b>	<b>\$ 366,675</b>	<b>\$ 1,616,824</b>	<b>\$ 639,435</b>	<b>\$ 2,622,934</b>

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**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Combining Statement of Cash Flows  
Other Enterprise Funds  
For the Year Ended June 30, 2018

	<b>Non-Major Enterprise Funds</b>			
	<b>Solid Waste Fund</b>	<b>South Harbour Golf Course Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers and Users	\$ 1,092,095	\$ 157,001	\$ 314,955	\$ 1,564,051
Cash Paid for Goods and Services	(835,926)	(92,000)	(269,332)	(1,197,258)
Cash Paid to Employees	(294,489)	(128,650)	(195,916)	(619,055)
<b>Net Cash Provided by Operating Activities</b>	<b>(38,320)</b>	<b>(63,649)</b>	<b>(150,293)</b>	<b>(252,262)</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Grants Received	-	-	-	-
Other Non-Operating Revenue	6,711	3,056	-	9,767
Transfers from Other Funds	99,502	122,583	127,456	349,541
Transfers to Other Funds	-	-	-	-
<b>Net Cash Used by Noncapital Financing Activities</b>	<b>106,213</b>	<b>125,639</b>	<b>127,456</b>	<b>359,308</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and Construction of Capital Assets	-	(2,815)	-	(2,815)
<b>Net Cash Used by Noncapital Financing Activities</b>	<b>-</b>	<b>(2,815)</b>	<b>-</b>	<b>(2,815)</b>
<b>Cash Flows from Investing Activities</b>				
Interest on Investments	-	-	-	-
<b>Net Increase in Cash and Cash Equivalents</b>	<b>67,893</b>	<b>59,175</b>	<b>(22,837)</b>	<b>104,231</b>
<b>Cash and Cash Equivalents - July 1</b>	<b>205,028</b>	<b>15,320</b>	<b>428,782</b>	<b>649,130</b>
<b>Cash and Cash Equivalents - June 30</b>	<b>\$ 272,921</b>	<b>\$ 74,495</b>	<b>\$ 405,945</b>	<b>\$ 753,361</b>

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

	<b>Non-Major Enterprise Funds</b>			
	<b>Solid Waste Fund</b>	<b>South Harbour Golf Course Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>				
<b>Operating Income (Loss)</b>	\$ (313,308)	\$ (77,031)	\$ (195,090)	\$ (585,429)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</b>				
Depreciation	55,105	12,193	29,468	96,766
Changes in Assets and Liabilities				
(Increase) Decrease in:				
Accounts Receivable	(13,959)	-	(4,909)	(18,868)
Inventory	-	1,935	-	1,935
Deferred Outflows of Resources - Pensions	20,010	6,063	9,383	35,456
Deferred Outflows of Resources -OPEB	(12,340)	-	(2,826)	(15,166)
Increase (Decrease) in:				
Net Pension Liability	(17,204)	(3,212)	(10,555)	(30,971)
Deferred Inflows of Resources - Pensions	(2,041)	(381)	(1,253)	(3,675)
Deferred Inflows of Resources - OPEB	12,239	-	2,803	15,042
Accounts Payable	17,769	(566)	(30,179)	(12,976)
Unearned Revenue	-	(1,218)	-	(1,218)
Accrued Wages	2,793	(1,269)	647	2,171
Accrued Vacation Pay	(4,421)	(163)	2,516	(2,068)
OPEB liability	217,037	-	49,702	266,739
<b>Total Adjustments</b>	<b>274,988</b>	<b>13,382</b>	<b>44,797</b>	<b>333,167</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ (38,320)</b>	<b>\$ (63,649)</b>	<b>\$ (150,293)</b>	<b>\$ (252,262)</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Solid Waste Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Operating Revenues</b>			
Charges for Services			
Charges for collection	\$ 1,185,500	\$ 1,106,054	\$ (79,446)
<b>Total Operating Revenues</b>	<b>1,185,500</b>	<b>1,106,054</b>	<b>(79,446)</b>
<b>Nonoperating Revenues</b>			
Solid Waste Disposal Tax	6,000	6,184	184
Interest Earnings	-	-	-
Beach Access Recycling Grant	-	-	-
Other Nonoperating Revenue	-	527	527
<b>Total Nonoperating Revenues</b>	<b>6,000</b>	<b>6,711</b>	<b>711</b>
<b>Total Revenues</b>	<b>1,191,500</b>	<b>1,112,765</b>	<b>(78,735)</b>
<b>Expenditures</b>			
Salaries and Wages	175,000	169,777	5,223
Employee Benefits	73,500	72,401	1,099
Operating Expenditures	225,000	223,104	1,896
Maintenance and Repair	63,000	50,899	12,101
Recycling Program	525,000	514,292	10,708
Yard Waste Recycling	130,000	120,505	9,495
Capital Outlay	-	-	-
<b>Total Sanitation Operation Expenditures</b>	<b>1,191,500</b>	<b>1,150,978</b>	<b>40,522</b>
<b>Total Expenditures</b>	<b>1,191,500</b>	<b>1,150,978</b>	<b>40,522</b>
<b>Revenue Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ (38,213)</b>	<b>\$ (38,213)</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Solid Waste Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other Financing Sources (Uses)</b>			
Appropriated Fund Balance	\$ -	\$ -	\$ -
Transfers in:			
General Fund	-	-	-
Capital Reserve	-	99,502	99,502
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>99,502</b>	<b>99,502</b>
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>			
	<b>\$ -</b>	<b>61,289</b>	<b>\$ 61,289</b>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>			
		<u>61,289</u>	
Reconciling Items:			
Depreciation Expense		(55,105)	
Capital Outlay		-	
(Increase) Decrease in Accrued Vacation Pay		4,421	
Increase (Decrease) in Deferred Outflows of Resources-Pensions		(20,010)	
(Increase) Decrease in Net Pension Liability		17,204	
(Increase) Decrease in Deferred Inflows of Resources-Pensions		2,042	
Increase (Decrease) in Deferred Outflows of Resources-OPEB		12,340	
(Increase) Decrease in Deferred Inflows of Resources-OPEB		(12,239)	
(Increase) Decrease in OPEB Liability		(217,037)	
Total Reconciling Items		<u>(268,384)</u>	
<b>Change in Net Position</b>		<u>\$ (207,095)</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, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Operating Revenues</b>			
<b>Charges for Services</b>			
Annual Membership	\$ 30,000	\$ 29,213	\$ (787)
Green Fee Play	200,000	123,849	(76,151)
Merchandise Sales	9,555	6,995	(2,560)
<b>Total Operating Revenues</b>	<b>239,555</b>	<b>160,057</b>	<b>(79,498)</b>
<b>Nonoperating Revenues</b>			
Interest Earnings	-	-	-
Sponsorships	-	3,056	3,056
<b>Total Nonoperating Revenues</b>	<b>-</b>	<b>3,056</b>	<b>3,056</b>
<b>Total Revenues</b>	<b>239,555</b>	<b>163,113</b>	<b>(76,442)</b>
<b>Expenditures</b>			
<b>Administration</b>			
Salaries and Wages	46,000	38,551	7,449
Employee Benefits	6,000	3,055	2,945
Operating Expenditures	27,646	27,112	534
<b>Total Administration</b>	<b>79,646</b>	<b>68,718</b>	<b>10,928</b>
<b>Maintenance</b>			
Salaries and Wages	80,000	57,292	22,708
Employee Benefits	25,000	17,562	7,438
Operating Expenditures	101,909	79,016	22,893
<b>Total Maintenance</b>	<b>206,909</b>	<b>153,870</b>	<b>53,039</b>
<b>Capital Outlay</b>			
Equipment	3,000	2,815	185
<b>Total Capital Outlay</b>	<b>3,000</b>	<b>2,815</b>	<b>185</b>
<b>Total Expenditures</b>	<b>289,555</b>	<b>225,403</b>	<b>64,152</b>
<b>Revenue Over (Under) Expenditures</b>	<b>\$ (50,000)</b>	<b>\$ (62,290)</b>	<b>\$ (12,290)</b>



**TOWN OF OAK ISLAND, NORTH CAROLINA**

South Harbour Golf Course Fund  
 Schedule of Revenues and Expenditures  
 Budget and Actual (Non-GAAP)  
 For the Fiscal Year Ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in:			
General Fund	\$ 50,000	\$ 122,583	\$ 72,583
Transfers out:			
Accommodations Tax	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>50,000</u>	<u>122,583</u>	<u>72,583</u>
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>			
	<u>\$ -</u>	<u>60,293</u>	<u>\$ 60,293</u>

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

<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	60,293
Reconciling Items	
Capital Outlay	2,815
Depreciation	(12,193)
(Increase) Decrease in Accrued Vacation Pay	163
Increase (Decrease) in Deferred Outflows of Resources-Pensions	(6,063)
(Increase) Decrease in Net Pension Liability	3,212
(Increase) Decrease in Deferred Inflows of Resources-Pensions	381
Total Reconciling Items	<u>(11,685)</u>
<b>Change in Net Position</b>	<u>\$ 48,608</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Stormwater Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2018

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	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Operating Revenues</b>			
Charges for Services			
Stormwater Fees - Residential	\$	\$ 288,581	\$
Stormwater Fees - Commercial		31,283	
<b>Total Operating Revenues</b>	640,234	319,864	(320,370)
<b>Nonoperating Revenues</b>			
NC Cistern Grant	23,000	22,651	(349)
<b>Total Nonoperating Revenues</b>	23,000	22,651	(349)
<b>Total Revenues</b>	663,234	342,515	(320,719)
<b>Expenditures</b>			
Salaries and Wages		168,541	
Employee Benefits		50,673	
Operating Expenditures		45,905	
Maintenance and Repair		193,248	
Capital Outlay		-	
<b>Total Expenditures</b>	663,234	458,367	204,867
<b>Revenue Over (Under) Expenditures</b>	\$ -	\$ (115,852)	\$ (115,852)

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**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Stormwater Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2018

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in:			
Capital Reserve	\$	\$ 127,456	\$ 127,456
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>127,456</u>	<u>127,456</u>
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	<u>\$ -</u>	<u>11,604</u>	<u>\$ 11,604</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>		<u>11,604</u>	
Reconciling Items:			
Depreciation Expense		(29,468)	
Capital Outlay		-	
(Increase) Decrease in Accrued Vacation Pay		(2,516)	
Increase (Decrease) in Deferred Outflows of Resources-Pensions		(9,383)	
(Increase) Decrease in Net Pension Liability		10,555	
(Increase) Decrease in Deferred Inflows of Resources-Pensions		1,253	
Increase (Decrease) in Deferred Outflows of Resources-OPEB		2,826	
(Increase) Decrease in Deferred Inflows of Resources-OPEB		(2,803)	
(Increase) Decrease in OPEB Liability		(49,702)	
Total Reconciling Items		<u>(79,238)</u>	
<b>Change in Net Position</b>		<u>\$ (67,634)</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, 2018

	Final Budget	Actual	Variance Positive (Negative)
<b>Nonoperating Revenues</b>			
Sewer Distric Fees-Current	\$ 2,068,161	\$ 2,220,545	\$ 152,384
Sewer Distric Fees-Prior Years	90,000	93,330	3,330
Investment Earnings	-	-	-
<b>Total Nonoperating Revenues</b>	<b>2,158,161</b>	<b>2,313,875</b>	<b>155,714</b>
<b>Total Revenues</b>	<b>2,158,161</b>	<b>2,313,875</b>	<b>155,714</b>
<b>Expenditures</b>			
<b>Total Expenditures</b>	-	-	-
<b>Revenue Over (Under) Expenditures</b>	<b>2,158,161</b>	<b>2,313,875</b>	<b>155,714</b>
<b>Other Financing Uses:</b>			
<b>Transfers Out:</b>			
Sewer Distric Fees-Current	(2,158,161)	(2,597,415)	(439,254)
<b>Revenue and Other Financing Sources Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ (283,540)</b>	<b>\$ (283,540)</b>

## ***Other Schedules***

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**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 General Fund  
 Schedule of Ad Valorem Taxes Receivable  
 June 30, 2018

Fiscal Year	Uncollected Balance June 30, 2017	Additions and Adjustments	Collections and Credits	Uncollected Balance June 30, 2018
2017-18	\$ -	\$ 8,029,518	\$ 7,966,357	\$ 63,161
2016-17	98,138	3,976	87,924	14,190
2015-16	50,252	(1,053)	41,433	7,766
2014-15	6,756	15,490	16,130	6,116
2013-14	8,688	2,493	6,963	4,218
2012-13	6,546	114	3,450	3,210
2011-12	11,428	(1,324)	6,779	3,325
2010-11	18,335	(15,763)	887	1,685
2009-10	1,859	2,116	1,642	2,333
2008-09	1,086	175	56	1,205
2007-08	1,566	(1,459)	107	-
	\$ 204,654	\$ 8,034,283	\$ 8,131,728	\$ 107,209

Less: Allowance for Uncollectible Accounts:

General Fund 15,086

Ad Valorem Taxes Receivable - Net \$ 92,123

Reconcilement with Revenues

Ad Valorem Taxes - General Fund and Beach Renourishment \$ 8,193,866

Reconciling Items:

Interest Collected (1,042)

Penalties Collected (63,477)

Taxes Written Off 2,381

Total Collections and Credits \$ 8,131,728

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2018

	Town-Wide			Total Levy	
	Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property Taxed at Current Year's Rate	\$ 2,590,553,226	0.3100	\$ 8,030,715	\$ 7,771,518	\$ 259,197
<b>Total Levy</b>	<u>\$ 2,590,553,226</u>	<u>0.3100</u>	<u>\$ 8,030,715</u>	<u>\$ 7,771,518</u>	<u>\$ 259,197</u>
<b>Discoveries:</b>					
Current and Previous Year Taxes	-	0.3100	\$ -	-	-
<b>Releases:</b>					
Property Taxes - Current Year's Rate	<u>(386,168)</u>	<u>0.3100</u>	<u>\$ (1,197)</u>	<u>(1,197)</u>	<u>-</u>
<b>Total Property Valuations</b>	<u><u>\$ 2,590,167,058</u></u>				
<b>Net Levy</b>			8,029,518	7,770,321	259,197
<b>Uncollected Taxes at June 30, 2018</b>			<u>(63,161)</u>	<u>(63,161)</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 7,966,357</u>	<u>\$ 7,707,160</u>	<u>\$ 259,197</u>
<b>Current Levy Collection Percentage</b>			<u>99.21%</u>	<u>99.19%</u>	<u>100.00%</u>

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# Statistical Section

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

## **Financial Trends**

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

## **Revenue Capacity**

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

## **Debt Capacity**

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

## **Demographic and Economic Information**

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

## **Operating Information**

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

**Sources:** *Unless otherwise noted, the information in these schedules is derived from 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)

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Governmental activities				
Invested in capital assets, net of related debt	12,186,929	16,607,639	17,522,549	18,239,987
Restricted	2,554,360	2,738,128	6,567,058	5,288,746
Unrestricted	7,477,697	5,111,876	2,828,017	3,240,343
Total governmental activities net position	<u>22,218,986</u>	<u>24,457,643</u>	<u>26,917,624</u>	<u>26,769,076</u>
Business-type activities				
Invested in capital assets, net of related debt	18,522,970	28,836,777	22,390,247	22,380,413
Restricted			30,693,040	20,509,542
Unrestricted	(652,921)	(4,794,831)	(2,122,361)	4,560,440
Total business-type activities net position	<u>17,870,049</u>	<u>24,041,946</u>	<u>50,960,926</u>	<u>47,450,395</u>
Primary government				
Invested in capital assets, net of related debt	30,709,899	45,444,416	39,912,796	40,620,400
Restricted	2,554,360	2,738,128	37,260,098	25,798,288
Unrestricted	6,824,776	317,045	705,656	7,800,783
Total primary government net position	<u>40,089,035</u>	<u>48,499,589</u>	<u>77,878,550</u>	<u>74,219,471</u>

2013	2014	2015	2016	2017	2018
18,669,603	18,743,833	18,515,755	19,348,092	21,295,948	22,175,880
6,355,004	6,816,053	6,478,048	7,716,212	7,272,466	6,850,045
4,280,053	6,213,562	8,238,462	8,747,940	9,912,461	9,947,394
29,304,660	31,773,448	33,232,265	35,812,244	38,480,875	38,973,319
21,260,926	21,175,561	21,789,047	20,149,688	20,338,449	18,252,459
20,922,210	20,922,210	18,617,616	20,922,210	3,669,799	3,669,799
3,103,347	2,794,452	5,283,646	8,356,724	22,792,235	28,750,137
45,286,483	44,892,223	45,690,309	49,428,622	46,800,483	50,672,395
39,930,529	39,919,394	40,304,802	39,497,780	41,634,397	40,428,339
27,277,214	27,738,263	25,095,664	28,638,422	10,942,265	10,519,844
7,383,400	9,008,014	13,522,108	17,104,664	32,704,696	38,697,531
74,591,143	76,665,671	78,922,574	85,240,866	85,281,358	89,645,714

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2009	2010	2011	2012
<b>Expenses</b>				
Governmental activities:				
General Government	2,609,454	2,818,584	2,778,225	2,736,767
Public Safety	4,865,023	5,708,808	5,627,760	5,466,506
Transportation	1,091,194	1,220,894	1,175,304	2,596,254
Environmental Protection	168,901	201,611	186,828	226,484
Cultural and Recreation	1,251,666	1,327,630	1,260,386	1,264,960
Interest on long-term debt	348,881	547,956	654,795	600,751
Total governmental activities expenses	10,335,119	11,825,483	11,683,298	12,891,722
Business-type activities:				
Water	2,306,039	2,360,243	2,384,420	2,400,664
Wastewater	877,710	1,305,677	9,135,515	13,052,025
Solid Waste	828,169	857,941	927,608	1,004,513
Golf Course	251,971	256,183	258,018	246,743
Stormwater				
Total business-type activities expenses:	4,263,889	4,780,044	12,705,561	16,703,945
Total primary government expenses	14,599,008	16,605,527	24,388,859	29,595,667
<b>Program Revenues</b>				
Governmental activities:				
Charges of services:				
General Government	1,290	260,452	286,690	245,924
Public Safety	1,389,593	1,426,437	1,551,164	1,447,452
Transportation	-	-	-	-
Environmental Protection	273,169	268,250	266,223	271,142
Cultural and Recreation	134,658	142,649	124,152	145,861
Operating grants and contributions	593,557	674,770	785,599	629,907
Capital grants and contributions	1,033,792	3,615,699	129,225	16,236
Total governmental activities program revenue	3,426,059	6,388,257	3,143,053	2,756,522
Business-type activities:				
Charges of services:				
Water	2,775,465	2,869,997	3,194,533	3,116,147
Wastewater	847,739	876,112	2,206,517	5,664,011
Solid Waste	836,354	847,213	847,437	845,919
Golf Course	129,705	131,266	132,919	135,714
Stormwater				
Operating grants and contributions	48,574	5,715	5,825	49,909
Capital grants and contributions	38,616	4,862,482	34,194,519	3,240,574
Total business-type activities program revenue	4,676,453	9,592,785	40,581,750	13,052,274
Total primary government program revenues	8,102,512	15,981,042	43,724,803	15,808,796
<b>Net (Expense)/Revenue</b>				
Governmental activities	(6,909,060)	(5,437,226)	(8,540,245)	(10,135,200)
Business-type activities	412,564	4,812,741	27,876,189	(3,651,671)
<b>Total primary government net revenue</b>	<b>(6,496,496)</b>	<b>(624,485)</b>	<b>19,335,944</b>	<b>(13,786,871)</b>

(Continued on next page)

Table 1

2013	2014	2015	2016	2017	2018
3,129,366	2,797,601	2,447,635	2,516,788	2,877,541	
4,458,998	4,348,192	4,486,670	6,781,142	4,986,023	
930,438	1,675,984	1,847,906	967,976	1,184,313	
23,831	156,499	143,027	380,320	0	
1,108,161	1,006,435	4,390,206	1,772,305	1,255,071	
550,489	471,343	515,501	479,146	272,071	
10,201,283	10,456,054	13,830,945	12,897,677	10,575,019	0
1,655,847	1,852,484	1,922,893	2,039,590	2,166,011	
12,800,557	12,756,238	12,853,774	12,774,267	19,417,518	
914,958	896,411	1,055,665	1,162,144	1,139,955	
207,432	205,132	194,819	226,332	243,277	
				303,889	
15,578,794	15,710,265	16,027,151	16,202,333	23,270,650	0
25,780,077	26,166,319	29,858,096	29,100,010	33,845,669	0
233,974	354,336	796,887	1,421,249	2,057,261	
1,381,941	1,072,612	1,560,975	1,117,548	830,500	
-	0	0	0		
276,893	348,804	198,002	631,204		
162,849	120,742	2,317,941	156,928	155,687	
411,336	354,166	309,095	309,969	366,159	
1,441	1,822	8,020	309,596	691,700	
2,468,434	2,252,482	5,190,920	3,946,494	4,101,307	0
3,168,232	3,512,854	4,145,086	4,871,588	5,069,632	
6,425,573	7,325,872	8,500,771	9,820,349	12,493,584	
862,931	922,232	949,762	1,155,593	1,078,887	
123,993	125,185	114,742	131,638	153,209	
				313,513	
3,872	4,246	4,574	209,231	34,911	
3,787,571	3,493,407	3,255,066	4,057,999	1,075,417	
14,372,172	15,383,796	16,970,001	20,246,398	20,219,153	0
16,840,606	17,636,278	22,160,921	24,192,892	24,320,460	0
(7,732,849)	(8,203,572)	(8,640,025)	(8,951,183)	(6,473,712)	0
(1,206,622)	(326,469)	942,850	4,044,065	(3,051,497)	0
(8,939,471)	(8,530,041)	(7,697,175)	(4,907,118)	(9,525,209)	-

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2009	2010	2011	2012
<b>General Revenue and Other Changes in Net Position</b>				
Governmental activities:				
Taxes				
Property taxes, levied for general purposes	5,981,663	5,928,590	6,699,824	6,866,837
Local option sales tax	1,802,031	1,640,696	1,639,858	1,458,619
Accommodation Tax	930,170	887,478	950,143	1,068,434
Other Taxes	-	-	-	48,303
Grants and contributions not restricted	791,850	581,317	65,128	613,268
Unrestricted investment earnings	68,872	14,201	610,523	7,701
Miscellaneous	6,926	63,305	15,586	83,571
Law Suit Settlement				
Gain (loss) on sale of assets	(240,090)	-	62,481	-
Extraordinary item-environmental remediation	(192,741)	(90,404)	(21,022)	(33,081)
Special Items	-	-	-	-
Transfers in (out)	(394,925)	(1,349,300)	977,705	(127,000)
Total governmental activities	8,753,756	7,675,883	11,000,226	9,986,652
Business-type activities:				
Interest and investment earnings	47,853	9,856	20,496	14,140
Miscellaneous	-	-	-	-
Gain on sale of assets	-	-	-	-
Transfers in (out)	394,925	1,349,300	(977,705)	127,000
Total business-type activities	442,778	1,359,156	(957,209)	141,140
Total primary government	9,196,534	9,035,039	10,043,017	10,127,792
<b>Changes in Net Position</b>				
Governmental activities	1,844,696	2,238,657	2,459,981	(148,548)
Business-type activities	855,342	6,171,897	26,918,980	(3,510,531)
Total primary government	2,700,038	8,410,554	29,378,961	(3,659,079)

Table 2

2013	2014	2015	2016	2017	2018
7,016,323	6,812,760	7,284,500	7,373,718	7,445,239	7,695,090
1,476,163	1,531,327	1,687,594	1,475,318	1,897,533	2,183,968
1,128,868	1,166,651	1,284,187	1,083,546	1,446,852	2,202,209
12,059	62,711	-	-	-	-
616,694	660,137	-	-	-	-
5,225	3,594	2,742	19,162	49,949	113,227
93,101	172,239	270,734	897,067	105,640	144,003
-	625,000	-	-	-	-
-	-	-	436,084	15,071	55,495
-	-	-	-	(1,085,390)	-
-	(292,059)	(5,356)	-	-	-
(80,000)	(70,000)	(242,163)	306,249	432,084	(696,355)
10,268,433	10,672,360	10,282,238	11,591,144	10,306,978	11,697,637
18,119	6,617	5,379	497	2,136	23,593
-	4,491	4,702	-	2,931	9,767
-	-	-	-	-	-
80,000	70,000	(107,000)	(306,249)	(432,084)	696,355
98,119	81,108	(96,919)	(305,752)	(427,017)	729,715
10,366,552	10,753,468	10,185,319	11,285,392	9,879,961	12,427,352
2,535,584	2,468,788	1,642,213	2,639,961	3,833,266	2,327,643
(1,108,503)	(245,361)	845,931	3,738,313	(3,478,514)	3,481,903
1,427,081	2,223,427	2,488,144	6,378,274	354,752	5,809,546

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

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



2013	2014	2015	2016	2017	2018
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,972	26,712	577,803	19,909	669,379	49,548
1,594,929	1,399,510	231,413	1,262,840	822,821	1,406,623
425,432	425,432	435,714	483,205	380,835	745,460
-	-	-	-	-	-
4,307,979	6,031,718	8,238,462	8,798,773	10,625,878	12,511,569
6,341,312	7,883,372	9,483,392	10,564,727	12,498,913	14,713,200
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
56,163	56,163	-	-	-	-
4,771,566	5,416,543	5,233,118	5,905,638	6,052,978	5,186,495
385,389	385,881	-	-	-	-
5,213,118	5,858,587	5,233,118	5,905,638	6,052,978	5,186,495
11,554,430	13,741,959	14,716,510	16,470,365	18,551,891	19,899,695

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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)**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Revenues</b>					
Ad valorem taxes	5,833,628	5,942,136	6,505,967	6,735,314	6,890,355
Other taxes and licenses	2,740,787	2,533,834	2,632,584	2,571,414	2,649,447
Unrestricted intergovernmental	791,850	581,317	610,523	613,268	616,694
Restricted intergovernmental	3,291,287	1,908,855	2,032,749	1,717,301	1,439,435
Permits and fees	165,901	189,532	335,236	293,638	297,489
Sales and services	430,006	635,174	632,458	613,350	623,556
Investment earnings	163,029	29,465	19,301	9,795	6,683
Miscellaneous	62,244	224,287	164,816	280,752	165,581
<b>Total revenues</b>	<b>13,478,732</b>	<b>12,044,600</b>	<b>12,933,634</b>	<b>12,834,832</b>	<b>12,689,240</b>
<b>Expenditures</b>					
General Government	5,159,304	5,662,558	2,635,942	2,565,883	2,872,851
Public Safety	8,798,376	5,228,736	5,190,729	5,519,623	3,934,916
Transportation	1,164,819	1,063,382	1,099,366	2,445,600	802,832
Environmental protection	155,129	186,713	171,984	211,712	120,781
Cultural and recreational	1,170,426	1,185,947	1,203,127	1,070,600	858,003
Debt Service:					
Interest	241,949	719,169	752,320	655,200	596,245
Principal	914,239	1,551,011	1,928,790	1,642,697	1,402,702
<b>Total expenditures</b>	<b>17,604,242</b>	<b>15,597,516</b>	<b>12,982,258</b>	<b>14,111,315</b>	<b>10,588,330</b>
Excess of revenues over (under) expenditures	(4,125,510)	(3,552,916)	(48,624)	(1,276,483)	2,100,910
<b>Other Financing</b>					
<b>Sources (Uses)</b>					
Debt Issuances	8,218,215	-	88,000	318,000	-
Transfers in	1,526,522	1,368,766	3,695,659	360,078	-
Transfers Out	(1,921,447)	(2,718,066)	(2,717,954)	(487,078)	(80,000)
Special Items	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	-
<b>Total other financing</b>	<b>7,823,290</b>	<b>(1,349,300)</b>	<b>1,065,705</b>	<b>191,000</b>	<b>(80,000)</b>
sources (uses)					
<b>Net change in fund balances</b>	<b>3,697,780</b>	<b>(4,902,216)</b>	<b>1,017,081</b>	<b>(1,085,483)</b>	<b>2,020,910</b>
Capital outlay included in total expenditures	7,058,008	3,332,698	579,263	745,806	185,009
Debt service as a percentage of noncapital expenditures	11.0%	18.5%	21.6%	17.2%	19.2%

2014	2015	2016	2017	2018
7,031,553	7,626,159	7,156,543	7,461,694	7,695,090
2,717,387	2,977,147	1,475,318	3,344,385	4,386,177
660,137	796,887	1,117,456	927,645	1,031,475
1,396,215	3,502,037	1,443,937	1,875,540	5,817,584
348,334	405,913	628,504	336,617	347,803
510,718	464,172	467,801	978,569	808,070
3,594	2,742	19,120	49,949	113,227
782,957	180,395	112,191	109,278	273,378
13,450,895	15,955,452	12,420,870	15,083,677	20,472,804
2,628,089	2,398,394	2,498,959	2,639,184	2,447,289
3,763,473	4,222,273	5,124,685	4,611,679	4,734,325
1,534,817	1,730,833	959,743	1,113,871	1,245,694
138,990	134,960	384,110	-	6,564,561
755,862	4,164,295	655,503	2,331,345	1,713,861
		-	-	-
539,172	514,707	479,146	272,071	147,026
1,555,186	1,682,906	2,319,916	1,903,628	1,633,628
10,915,589	14,848,368	12,422,062	12,871,778	18,486,384
2,535,306	1,107,084	(1,192)	2,211,899	1,986,420
-	-	784,876	-	-
2,929,959	617,968	28,767	695,158	4,026,726
(2,999,959)	(860,131)	(120,000)	(263,114)	(4,723,081)
(292,059)	(5,356)	-	-	-
14,282	112,250	436,084	15,071	55,495
(347,777)	(135,269)	1,129,727	447,115	(640,860)
2,187,529	971,815	1,128,535	2,659,014	1,345,560
56,476	207,953	1,466,073	466,252	629,953
19.3%	15.0%	25.5%	17.5%	10.0%

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

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Fiscal Year	Property	Sales	Occupancy	Franchise	Video	Alcohol	
Ended	Tax	Tax	Tax	Tax	Programming	Beverage	Total
June 30					Tax	Tax	
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	1,083,546	959,952	74,998	31,387	10,781,744
2017	7,479,356	1,897,496	1,446,852	706,173	151,047	33,335	11,714,259
2018	7,695,090	2,183,968	2,202,209	718,682	149,591	32,610	12,982,151

**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
2009	4,147,111,229	26,043,527	17,175,781	60,612,679	9,172,173	4,241,771,043	0.1400
2010	4,180,139,988	27,063,889	16,788,818	55,585,536	10,002,490	4,269,575,741	0.1400
2011	4,189,866,332	39,721,852	17,141,597	54,725,092	11,008,727	4,290,446,146	0.1550
2012	2,399,746,526	24,372,523	17,024,122	57,466,173	7,987,556	2,490,621,788	0.2750
2013	2,449,726,454	19,158,930	16,672,444	60,055,636	11,123,655	2,534,489,809	0.2750
2014	2,487,456,775	11,964,755	15,860,319	85,781,004	10,922,121	2,590,140,732	0.2750
2015	2,562,328,870	22,453,252	16,431,960	74,194,545	11,171,900	2,664,236,727	0.2750
2016	2,356,385,149	24,348,200	17,769,388	-	11,128,265	2,387,374,472	0.2750
2017	2,397,469,996	27,160,669	19,135,751	51,188,663	11,258,182	2,483,696,897	0.2900
2018	2,474,590,496	35,616,877	19,700,946	94,377,861	25,056,550	2,599,229,630	0.2900

Source: Town's Tax Department

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

Fiscal Year Ended June 30,	Town of Oak Island			Overlapping Rates		Total Direct & Overlapping Rates
	Operating Rate	Debt Service Rate	Total Town Rate	Brunswick County	Smithville Township	
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	0.4425	0.0400	0.7575
2013	0.19620	0.07880	0.2750	0.4425	0.0400	0.7575
2014	0.19414	0.08086	0.2750	0.4425	0.0400	0.7575
2015	0.19414	0.08086	0.2750	0.4425	0.0400	0.7575
2016	0.15776	0.11724	0.2750	0.4850	0.0400	0.8000
2017	0.19968	0.09032	0.2900	0.4850	0.0400	0.8150
2018	0.22149	0.06851	0.2900	0.4850	0.0400	0.8150

Notes:

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

(2) The property tax rates listed above are based on unit-wide tax rates.

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

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

(5) Components of the Overlapping Rates are not available

Source: Town of Oak Island and Brunswick County Tax Department

**TOWN OF OAK ISLAND, NORTH CAROLINA**

## Property Tax Levies and Collections

Last Ten Fiscal Years

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Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of Levy		Collections in in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes
		Amount	% of Levy		Amount	% of Levy	
2009	5,931,901	5,698,669	96.07%	232,027	5,930,696	99.98%	1,205
2010	5,973,528	5,743,851	96.16%	227,344	5,971,195	99.96%	2,333
2011	6,645,496	6,314,365	95.02%	329,446	6,643,811	99.97%	1,685
2012	6,830,366	6,510,859	95.32%	316,182	6,827,041	99.95%	3,325
2013	6,971,984	6,629,931	95.09%	338,843	6,968,774	99.95%	3,210
2014	7,120,396	6,829,735	95.92%	286,443	7,116,178	99.94%	4,218
2015	7,327,088	7,160,619	97.73%	160,353	7,320,972	99.92%	6,116
2016	6,516,395	6,497,759	99.71%	10,870	6,497,759	99.71%	7,766
2017	7,202,721	7,102,479	98.61%	86,052	7,188,531	99.80%	14,190
2018	7,771,518	7,707,160	99.17%	1,197	7,708,357	99.19%	63,161

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Principal Property Tax Payers  
Current Year and Five Years Ago

Taxpayer	Types of Property	Fiscal Year 2018				Fiscal Year 2013			
		2017 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	2013 Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value		
		Value	Rank	Value	Value	Rank	Value		
Brunswick Electric Members	Utility	15,526,087	1	0.60%	13,880,351	1	0.55%		
MDI Management Inc.	Developer	9,343,110	2	0.36%	N/A	N/A			
St James Plantation Prop. Ow	Residential	7,342,120	3	0.28%	2,193,130	9	0.09%		
DWE III LLC& Ladane Enterpr	Developer	6,169,710	4	0.24%	10,239,440	2	0.40%		
Lowe's Food Stores Inc.	Comm./ Res.	4,581,162	5	0.18%	N/A	N/A			
DWE II LLC	Developer	4,527,740	6	0.17%					
Capel Jesse Etals	Residential	3,599,980	7	0.14%	6,665,416	3	0.26%		
Wilmington Holding Corp	Developer	3,483,750	8	0.13%	N/A	N/A	N/A		
Oak Island Property Holdings	Residential	-	9	0.00%		6	0.00%		
Bright Parsun LLC	Developer	3,157,135	10	0.12%	N/A	N/A	N/A		
Time Warner Cable SE LLC	Utility		N/A	N/A	2,127,774	5	0.08%		
At Beach Homes LLC	Residential	3,019,523	N/A	N/A		9	0.00%		
HP Oak Island LLC	Residential	2,874,987	N/A	N/A	2,572,500	6	0.10%		
Food Lion LLC	Commercial	N/A	N/A	N/A	2,737,674	4	0.11%		
Pacula Family Rev Trust	Comm./ Res.	N/A	N/A	N/A	2,368,270	7	0.09%		
John Brinklery	Developer	N/A	N/A	N/A	1,965,532	8	0.08%		
		<u>63,625,304</u>		<u>2.22%</u>	<u>44,750,087</u>		<u>1.77%</u>		

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			Total Primary Government	Ratio	
	Installment	Capital	Installment	Revenue	State	Capital		Debt to Personal Income <sup>(1)</sup>	Per Capita <sup>(1)</sup>
	Ended June 30	Purchases	Leases	Contracts	Notes & Bonds	Revolving Loan Fund			
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	-	109,275	81,858,221	10,137,096	-	101,275,508	2.27%	13,749
2017	6,998,189	-	-	85,071,477	9,484,525	-	101,554,191	2.21%	13,488
2018	4,900,883	-	-	75,360,000	8,817,564	-	89,078,447	1.85%	10,699

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

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 Direct and Underlying Governmental Activities Debt  
 As of June 30, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Brunswick County's general obligation debt	108,677,485	13.40%	14,562,783
Town of Oak Island direct debt	4,900,883	100.00%	<u>4,900,883</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 19,463,666</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, 2018

Fiscal Year Ended June 30	Debt Limit	Total Debt Applicable to Limit	Legal Debt Margin	Total Debt as a Percentage of Debt Limit
2009	339,341,683	-	339,341,683	0.00%
2010	341,566,059	17,949,723	323,616,336	5.26%
2011	343,632,700	16,506,893	327,125,807	4.80%
2012	199,249,743	14,777,319	184,472,424	7.42%
2013	214,951,330	13,317,801	201,633,529	6.20%
2014	200,832,130	12,097,885	188,734,245	6.02%
2015	213,139,460	10,877,969	202,261,491	5.10%
2016	190,989,958	9,170,916	181,819,042	4.80%
2017	194,600,659	6,998,189	187,602,470	3.60%
2018	207,938,370	4,900,883	203,037,487	2.36%

**Calculation of Legal Debt Margin for Fiscal Year 2018**

Assessed value of taxable property	2,599,229,630
	<u>x0.08</u>
Debt limit- (8 % of assessed value)	207,938,370
Debt applicable to limit:	
Total installment purchases	4,900,883
Total capital leases	<u>-</u>
Total amount of debt applicable to debt limit (net debt)	<u>4,900,883</u>
Legal debt margin	<u><u>203,037,487</u></u>

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**

**Pledged Revenue Coverage**

**Last Seven Fiscal Years**

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

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
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	996,268	11,814,667	7,828,216	1,365,948	9,194,164	1.38	1.29
2016	11,879,967	1,690,835	13,570,802	7,549,904	1,310,285	8,860,189	1.57	1.53
2017	10,548,552	2,440,410	12,988,962	7,231,331	1,269,530	8,500,861	1.46	1.53
2018	9,877,949	3,416,625	13,294,574	7,227,001	1,445,400	8,672,401	1.84	1.53

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

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Fiscal Year Ended June 30	Population <sup>(2)</sup>	Personal Income <sup>(1)</sup> (in thousands)	Per Capita Income <sup>(1)</sup>	Median Age <sup>(3)</sup>	School Enrollment <sup>(3)</sup>	Unemployment Rate <sup>(1)</sup>
2009	8,386	3,394,034	31,903	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	35,360	49.3	769	6.9%
2015	7,345	4,300,000	36,307	51.4	769	6.8%
2016	7,366	4,457,288	36,307	50	850	6.6%
2017	7,529	4,600,000	46,955	50.2	900	5.0%
2018	8,326	4,820,010	36,874	51	1000	4.9%

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

*Source:*

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

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

<sup>(3)</sup> State Data Center, 2010 Census Data

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

Name of Employer	Type of Business	Fiscal Year 2018			Fiscal Year 2009		
		Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Brunswick County Board of Education	Education	2,004	1	3.71%	1,951	1	3.44%
County of Brunswick	Local Government	1,055	2	1.97%	994	3	1.89%
Duke Energy	Utility	895	3	1.62%	1,050	2	2.19%
Wal-Mart Associates, Inc.	Retail	866	4	1.78%	750	4	1.57%
Brunswick Novant Medical	Medical Care Facility	725	5	1.33%	708	5	0.89%
Food Lion, Inc.	Grocery	627	6	0.99%	372	9	0.78%
Brunswick Community College	Education	466	7	0.92%	464	6	N/A
Lowe's Food	Grocery	481	8	0.78%	N/A	N/A	N/A
Dosher Memorial Hospital	Medical Care Facility	317	9	0.69%	N/A	N/A	N/A
McAnderson's Inc.	Restaurant Chain	310	10	0.67%	N/A	N/A	N/A
DAK Americas	Dacron Polyester Fibe	N/A		N/A	397	8	0.79%
US Marine (Rampage)	Yacht Manufacture	N/A		N/A	N/A	N/A	0.75%
Troon Golf	Leisure & Entertainment	N/A		N/A	250	10	0.72%
Bald Head Island LP	Financial Activities	N/A		N/A	400	7	0.66%
<b>Totals</b>		<u>7,746</u>		<u>14.46%</u>	<u>7,336</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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administration	12	14	16	16	16	16	16	17	17	17
Public Safety										
Police	26	26	25	25	23	23	23	23	24	24
Communications	6	6	6	4	0	0	0	0	0	0
Animal Control	2	2	2	2	2	2	2	0	0	0
Fire	19	20	19	20	21	22	22	22	22	22
Development Services	12	12	11	8	6	6	6	8	8	8
Public Works	2	2	4	2	2	2	2	2	2	2
Fleet Maintenance	4	4	3	3	2	2	2	2	2	2
Building and Ground	9	6	8	9	9	4	4	4	3	3
Street Department	8	8	7	7	5	5	5	6	6	6
Cultural and Recreation	10	10	9	7	6	4	4	6	6	6
Utility										
Water	12	12	12	10	9	9	9	9	8	8
Sewer	4	4	7	7	7	7	7	11	11	11
Solid Waste	4	4	4	4	4	4	4	4	3	3
Stormwater	1	1	1	1	2	2	2	2	3	3
Golf Course	2	2	2	2	2	2	2	2	2	2
Capital Projects	5	5	0	0	0	0	0	0	0	0
<b>Total</b>	<b>138</b>	<b>138</b>	<b>136</b>	<b>127</b>	<b>116</b>	<b>110</b>	<b>110</b>	<b>118</b>	<b>117</b>	<b>117</b>

Source: Town's human resource department

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Operating Indicators by Function

Last Ten Years

Function	2009	2010	2011	2012	2013	2014
<b>Public Safety</b>						
<b>Police</b>						
Number of calls dispatched <sup>(1)</sup>	10,565	12,042	12,620	11,741	10,029	10,332
Number of physical arrests	269	301	331	288	322	285
Number of violations	2,422	2,070	4,255	2,741	2,688	3,139
<b>Fire</b>						
Number of Fire runs	228	249	258	215	280	327
Number of EMS and Rescue runs <sup>(2)</sup>	863	945	942	948	916	946
<b>Code Enforcement/Building permits</b>						
Number of building permits	1,153	2,184	1,286	1,448	1,681	1,875
Number of inspections	10,392	8,532	13,278	9,941	8,549	7,994
<b>Transportation</b>						
<b>Streets</b>						
New streets paved (miles)	0.00	0.00	0.00	0.00	0.00	0.00
Streets resurfaced (miles)	0.00	0.00	0.00	12.04	0.00	4.58
<b>Environmental Protection</b>						
<b>Sanitation</b>						
Refuse collected (tons)	3,200	4,000	4,100	13,148	NA	NA
Bulky/Brush collected (tons)	2,250	2,300	2,300	1,200	1,500	8,011
Recyclables collected (tons)	625	650	670	820	863	1,250
<b>Cultural and Recreation</b>						
<b>Number of Participants:</b>						
weight fitness program	24,023	22,624	22,858	23,521	23,532	21,352
Fitness class	5,235	5,990	5,980	5,466	5,267	4,267
Athletic program	12,644	11,549	12,153	14,984	13,171	13,981
Teen program	5,420	4,234	3,744	2,409	3,743	448
Community Center program	1,933	7,834	7,907	7,466	6,849	1,437
Skate Park	2,189	1,625	1,335	1,722	1,735	1,711
Number of Ocean Education Center	2,341	2,151	2,268	2,760	1,083	939
Number of Nature Center participants	4,058	3,664	3,376	3,684	3,527	1,623
Number of paid golf course rounds played	11,373	17,832	11,048	12,442	10,595	9,063
Number of youth and miscellaneous program participants	3,903	4,884	5,017	6,375	6,861	2,953
<b>Water</b>						
Number of water customers	8,203	8,236	8,240	8,042	8,021	8,378
Average daily water consumption (gallons)	893,941	878,257	878,700	749,542	739,818	804,170
<b>Wastewater</b>						
Number of sewer customers	925	929	4,241	7,542	7,974	8,004
Sewer average daily treatment (gallons)	148,335	145,425	663,900	580,289	591,917	543,838

Source: Various Town Departments



2015	2016	2017	2018
10,332	10,899	10,899	9,737
285	563	563	238
3,139	3,645	3,645	2,779
322	364	491	434
956	982	949	641
1,875	2,636	2,768	3,399
7,994	10,767	11,305	15,000
0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00
NA	NA	NA	NA
8,011	11,250	14,100	15,200
1,260	1,116	1,194	2,100
21,352	21,459	21,566	26,724
4,267	4,288	4,310	4,489
13,981	14,051	14,121	14,786
448	450	452	4,084
1,437	1,444	1,451	6,490
1,711	1,720	1,728	1,543
939	944	948	64
1,623	1,631	1,639	1,847
9,063	9,108	9,154	8,855
2,953	2,968	2,983	19,561
8,700	8,829	9,015	9,395
804,170	812,000	891,683	805,920
8,100	8,318	8,505	8,574
543,838	537,866	601,219	692,399

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Capital Assets by Function

Last Ten Years

Function	2009	2010	2011	2012	2013
<b>Public Safety</b>					
Police					
Police Stations	2	2	2	2	2
Police Patrol Units	25	26	26	26	26
Police Motorcycle Units	2	1	1	1	1
Fire					
Fire Stations	4	3	3	3	3
Fire Trucks	6	6	6	6	6
<b>Transportation</b>					
Streets -Paved (miles)	92.57	96.00	96.00	96	96
Sidewalks (miles)	7.68	7.68	7.68	7.68	7.68
<b>Environmental Protection</b>					
Curbside Truck	2	2	3	2	2
Leaf Machine	2	2	2	2	2
Beach Trash Truck	2	2	3	2	2
<b>Cultural and Recreation</b>					
Parks	17	17	17	17	17
Tennis Courts	4	6	6	6	6
Playgrounds	1	1	2	2	2
Baseball/Softball fields	5	5	5	5	5
Soccer Fields	1	1	1	1	1
Recreation Center	1	1	1	1	1
Community Centers	1	1	1	1	1
Golf Courses	1	1	1	1	1
Croquet Court	1	1	1	1	1
Disc Golf Course	1	1	1	1	1
Fishing Pier	1	1	1	1	1
Dog Park	1	1	1	1	2
<b>Water</b>					
Water Mains (miles)	120	120	120	120	120
Fire Hydrants	800	800	800	800	800
Average daily water consumption (in gallons)	893,491	878,257	878,700	749,542	739,818
Peak daily demand (in gallons)	2,336,000	2,488,000	2,485,000	2,111,000	2,174,330
<b>Wastewater</b>					
Sanitary Sewers (miles)	20	20	106	106	106
Lift Stations	15	15	34	34	34
Man Holes	220	220	220	245	245
Sewer Treatment Capacity (in gallons)	400,000	400,000	2,535,308	3,400,000	3,400,000

Source: Various Town Departments

2014	2015	2016	2017	2018
2	2	2	2	2
25	25	25	25	25
1	1	1	1	1
3	3	3	3	3
6	6	7	7	7
96	96	96	96	96
7.68	7.68	7.68	7.68	7.68
2	2	2	2	2
2	2	2	2	2
2	2	2	2	2
17	17	17	17	17
6	6	6	6	6
2	2	2	2	2
5	5	5	5	5
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
2	2	2	2	2
120	120	120	120	120
800	800	800	800	800
804,170	804,170	812,000	891,683	805,920
2,188,950	2,188,950	2,239,000	2,250,000	2,200,000
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

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

**Independent Auditor's Report**

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

***Report on Compliance for Each Major State Program***

We have audited the Town of Oak Island, North Carolina, compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a material effect on each of the Town of Oak Island's major state programs for the year ended June 30, 2018. The Town of Oak Island's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with state statutes, regulations, contracts and the terms and conditions of its state awards applicable to its state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion for each of the Town of Oak Island's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the *State Single Audit Implementation Act*. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Town of Oak Island's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Oak Island's compliance.

***Opinion on Each Major State Program***

In our opinion, the Town of Oak Island complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

### ***Report on Internal Control Over Compliance***

Management of the Town of Oak Island is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Oak Island's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Oak Island's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

***S. Preston Douglas & Associates, LLP***

Whiteville, NC  
January 24, 2019

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2018

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**Section I. Summary of Auditor's Results**

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**Financial Statements**

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

**Federal and State Awards**

Type of auditor's report issued on compliance for major federal programs	<b>Unmodified</b>	
Internal control over major federal programs:		
Material weaknesses identified?	_____ Yes	_____ <b>X</b> No
Significant deficiency(s) identified that are not considered to be material weaknesses	_____ Yes	_____ <b>X</b> None reported
Noncompliance material to financial statements noted	_____ Yes	_____ <b>X</b> No
Any audit finding disclosed that is required to be reported in accordance with the State Single Audit Implementation Act	_____ Yes	_____ <b>X</b> No

Identification of major Federal programs:

**Program Name**

NC Department of Public Safety-Presidentially Declared Disaster

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Schedule of Findings and Questioned Costs (continued)  
For the Fiscal Year Ended June 30, 2018

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

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

See Independent Auditor's Report.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 Schedule of Expenditures of Federal and State Awards  
 For the Fiscal Year Ended June 30, 2018

Grantor / Pass-through Grantor/ Program Title	Award Number/ State		Federal (Direct Pass- through) Expenditures	State Contract Number	State Expenditures
	Federal CFDA Number	Pass-through Grantor's Number			
<b>Federal Grants:</b>					
<b>Cash Programs:</b>					
<u>US Department of Homeland Security</u>					
NC Department of Public Safety					
Presidentially Declared Disaster	97.036		\$ 6,605,283		\$ -
<b>State Grants:</b>					
<b>Cash Assistance</b>					
<u>NC Department of Environmental Quality</u>					
Marine Resources Fund				7232	110,600
Public Beach & Coastal Waterfront Access Program				7139	109,460
<u>NC Department of Transportation</u>					
Powell Bill		DOT-4			42,146
<b>Total assistance</b>			<u>\$ 6,605,283</u>		<u>\$ 262,206</u>

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

**1. Basis of presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Oak Island under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Oak Island, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Oak Island.

**2. Summary of Significant Accounting Principles**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



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