

# TOWN OF OAK ISLAND NORTH CAROLINA



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**TOWN OF OAK ISLAND, NORTH CAROLINA**

Table of Contents

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	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
<b>List of Principal Officers</b>	8
<b>Organizational Chart</b>	9
<b>FINANCIAL SECTION</b>	
<b>Independent Auditor's Report</b>	11
<b>Management's Discussion and Analysis</b>	13
Government-Wide Financial Statements	
1        Statement of Net Position	28
2        Statement of Activities	30
Fund Financial Statements	
3        Balance Sheet - Governmental Funds	32
3        Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	33
4        Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	34
4        Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	35
5        Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	36
6        Statement of Net Position - Proprietary Funds	38
7        Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	40
8        Statement of Cash Flows - Proprietary Funds	41
9        Statement of Fiduciary Net Position - Fiduciary Funds	43
Notes to the Financial Statements	45

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	<b>Page</b>
 <b>Required Supplementary Financial Data</b>	
Law Enforcement Officers' Special Separation Allowance - Schedule of Funding Progress	84
Law Enforcement Officers' Special Separation Allowance - Schedule of Employer Contributions	85
Other Postemployment Benefits - Schedule of Funding Progress	86
Other Postemployment Benefits - Schedule of Employer Contributions	87
 <b>Supplementary Statements and Schedules</b>	
<b>Individual Statements and Schedules</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	90
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Capital Reserve Fund	95
Combining Balance Sheet - Other Governmental Funds	96
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Other Governmental Funds	97
Combining Balance Sheet - Other Governmental Special Revenue Funds	98
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Other Governmental Special Revenue Funds	99
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Revenue - Beach Preservation Fund	100
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Revenue - Emergency 911 Fund	101
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Revenue - Accommodations Tax Fund	102
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Special Revenue - Beach Tax Fund	103

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Table of Contents (Continued)

---

	<u>Page</u>
Combining Balance Sheet - Other Governmental Capital Projects Funds	104
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Other Governmental Capital Projects Funds	105
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Capital Project Fund - Police Headquarters	106
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Capital Project Fund - Town Hall Replacement	107
<b>Proprietary Funds</b>	
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual (Non-GAAP) - Water Fund	110
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual (Non-GAAP) - Wastewater Fund	112
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual (Non-GAAP) - Wastewater Capital Project Fund	114
Combining Statement of Net Position - Other Enterprise Funds	116
Combining Statement of Revenues, Expenditures and Changes in Fund Net Position - Other Enterprise Funds	117
Combining Statement of Cash Flows - Other Enterprise Funds	118
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual (Non-GAAP) - Solid Waste Fund	120
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual (Non-GAAP) - South Harbour Golf Course Fund	122
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual (Non-GAAP) - Sewer District Fund	124
<b>Other Schedules</b>	
Schedule of Ad Valorem Taxes Receivable	126
Analysis of Current Levy Town Wide Levy	127
Statement of Changes in Assets and Liabilities - Agency Fund	128

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 Table of Contents (Continued)

---

	<b>Page</b>
<b>STATISTICAL SECTION</b>	129
<b>Financial Trends</b>	
Net Position by Component	130
Changes in Net Postion	134
Fund Balance - Governmental Funds	136
Changes in Fund Balances - Governmental Funds	138
<b>Revenue Capacity</b>	
Government Activities Tax Revenues by Source	140
Assessed Value and Estimated Actual Value of Taxable Property	141
Direct and Overlapping Tax Rates	142
Property Tax Levies and Collections	143
Principal Property Tax Payers	144
<b>Debt Capacity</b>	
Ratio of Outstanding Debt by Type	145
Direct and Underlying Governmental Activities Debt	146
Legal Debt Margin	147
Pledged Revenue Coverage	148
<b>Demographic and Economic Information</b>	
Demographic and Economic Stats	149
Principal Employers for Brunswick County	150
<b>Operating Information</b>	
Full-time Equivalent Town Government Emploeyss by Function	151
Operating Indicators by Function	152
Capital Assets by Function	154

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Table of Contents (Continued)

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	<u>Page</u>
<b>COMPLIANCE SECTION</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	157
Schedule of Findings and Questioned Costs	159
Corrective Action Plan	161
Summary Schedule of Prior Audit Findings	162

**Town of Oak Island, North Carolina  
List of Principal Officials  
June 30, 2014**

**Mayor and Town Council**

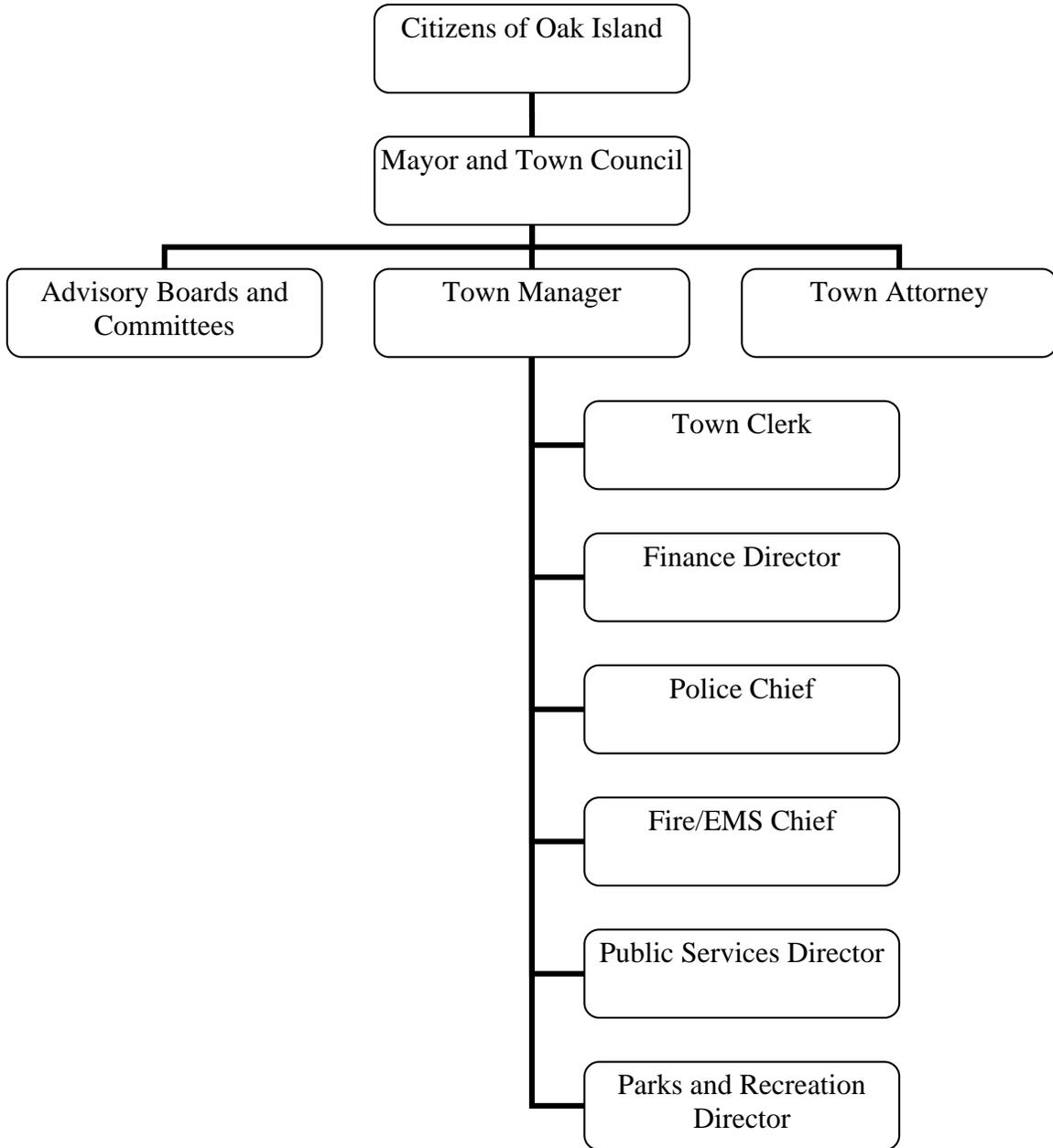
Betty W. Wallace, Mayor  
James B. Medlin, Mayor Pro Tem  
Loman Scott  
Carol Painter  
Danny Kiser  
Jeff Winecoff

**Town Officials**

Steve Foster	Town Manager
Lisa Stites	Town Clerk
Van Eddinger	Chief of Police
Chris Anselmo	Interim Fire Chief
John Micheaux	Public Works Manager
Bonnie Schwerd	Finance Director
David Kelly	Public Utilities Director
Rebecca Squires	Parks & Recreation Director
Linda Harris	Tax Collector

# Town of Oak Island, North Carolina

## Organizational Chart June 30, 2014





*The Town of*  
**Oak Island**  
*NORTH CAROLINA*

## Financial Section

- Independent Auditor's Report
- Management's Discussion and Analysis
- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements
- Supplementary Information

## 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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of Oak Island Board of Alcoholic Control were not audited in accordance with Government Auditing Standards.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

## **Opinions**

In our opinion, based on our audit of the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Oak Island, North Carolina as of June 30, 2014, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General 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 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 combining and individual fund statements, budgetary schedules, and other schedules 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 and other schedules 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, and other schedules 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 February 6, 2015 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  
February 6, 2015



# The Town of Oak Island NORTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Oak Island, we offer readers of the Town of Oak Island's financial statements this narrative overview and analysis of the financial activities of the Town of Oak Island for the fiscal year ended June 30, 2014. 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

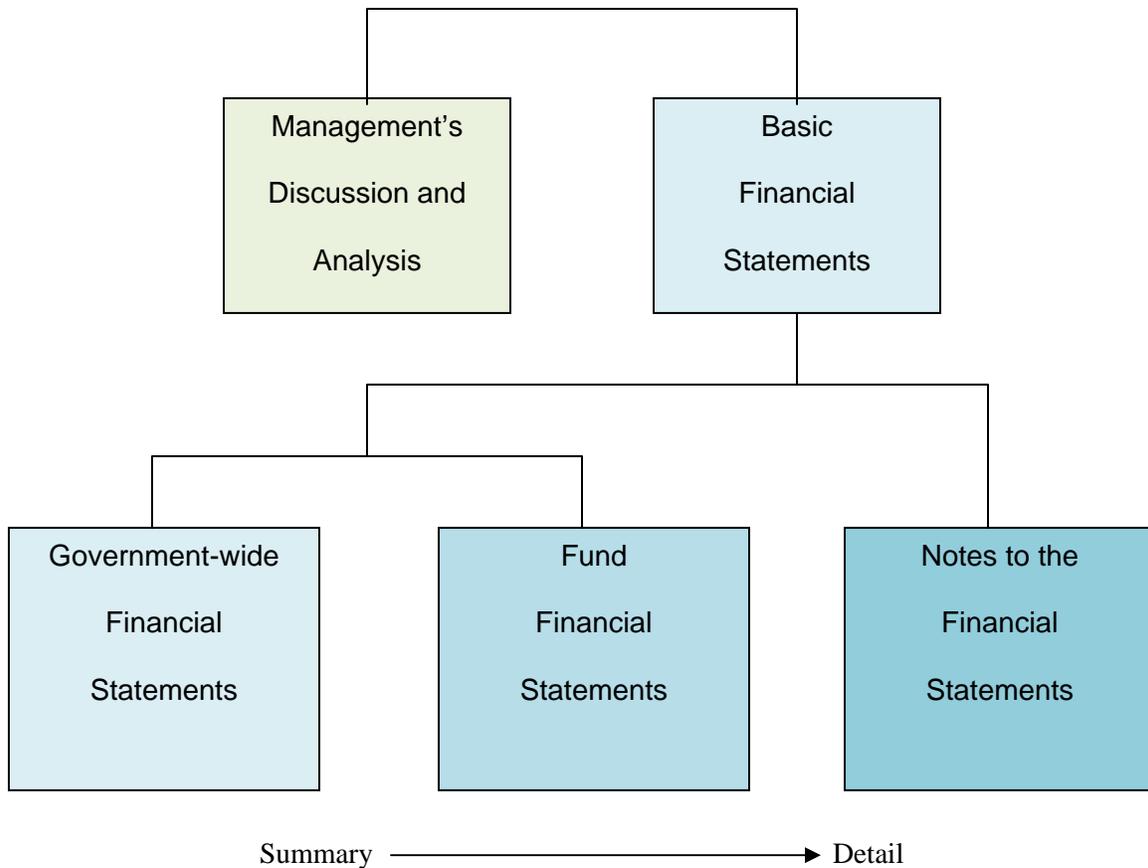
- The assets and deferred outflows of resources of the Town of Oak Island exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$76,814,570 (*net position*).
- The government's total net position increased by \$2,223,427 during the period, primarily due to increases in the governmental activities net position. The net position of Business-type activities was reduced by \$245,361 primarily due to a \$1,997,454 loss in Wastewater Operations.
- As of the close of the current fiscal year, the Town of Oak Island's governmental funds reported combined ending fund balances of \$13,741,959 with a net change of \$2,187,529 in fund balance. Approximately 50.2 percent of this total amount, or \$6,898,928, is non spendable or restricted. An additional \$811,313 is considered committed by the Town.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,034,454 or 56.2 percent of total general fund expenditures for the fiscal year.
- The Town of Oak Island's total debt decreased by \$4,824,011 (4.23%) during the current fiscal year.

### Overview of the Financial Statements

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

## REQUIRED COMPONENTS OF ANNUAL FINANCIAL REPORT

FIGURE 1



### Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

## Government-Wide Financial Statements

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

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

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

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

## Fund Financial Statements

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

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements. The Town of Oak Island adopts an annual budget for its General Fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that includes input from the citizens of the Town, the

management of the Town, and the decisions of the Board about which services to provide and how to fund them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

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

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

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

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

## Government-Wide Financial Analysis

### TOWN OF OAK ISLAND NET POSITION FIGURE 2

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 15,774,531	\$ 13,456,403	\$ 34,842,927	\$ 31,807,476	50,617,458	\$ 45,263,879
Capital assets	30,084,764	31,172,645	113,426,349	116,605,384	143,511,113	147,778,029
<b>Total assets and deferred outflows of resources</b>	<b>45,859,295</b>	<b>44,629,048</b>	<b>148,269,276</b>	<b>148,412,860</b>	<b>194,128,571</b>	<b>193,041,908</b>
Long-term liabilities outstanding	10,687,995	13,613,399	95,081,183	101,436,431	105,769,178	115,049,830
Other liabilities	2,558,704	844,420	8,128,932	1,671,540	10,687,636	2,515,960
Deferred inflows of resources	839,148	866,569	18,039	18,406	857,187	884,975
<b>Total liabilities and deferred inflows of resources</b>	<b>14,085,847</b>	<b>16,215,577</b>	<b>103,228,154</b>	<b>103,126,377</b>	<b>117,314,001</b>	<b>118,450,765</b>
Net position:						
Net Investment in capital assets	18,743,833	18,669,603	21,324,460	21,260,926	40,068,293	39,930,529
Restricted	6,816,053	6,355,004	20,922,210	20,922,210	27,738,263	27,277,214
Unrestricted	6,213,562	4,280,053	2,794,452	3,103,347	9,008,014	7,383,400
<b>Total net position</b>	<b>31,773,448</b>	<b>\$ 26,769,076</b>	<b>\$ 45,041,122</b>	<b>\$ 45,286,483</b>	<b>\$ 76,814,570</b>	<b>\$ 74,591,143</b>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Oak Island exceeded liabilities and deferred inflows by \$76,814,570 as of June 30, 2014. The Town's net position increased by \$2,223,427 to an ending net position of \$76,814,570 for the fiscal year ended June 30, 2014. However, the largest portion of this, \$39,919,394, (51.9 percent) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Oak Island uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Oak Island's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Oak Island's net position, \$27,738,263, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,008,014 is unrestricted.

Several particular aspects of the Town's financial operations influenced the total unrestricted governmental net position:

- The actual expenses in Fiscal Year 2014 were slightly higher than Fiscal Year 2013 levels for most of the Town's functions, including General Governmental functions such as: Public Safety, Transportation, Environmental Protection, Culture and Recreation and Interest on Long-term debt. Business-type activities expenses were also at reduced levels from the prior fiscal year in the Water, Wastewater, Solid Waste and Golf Course operations. Total primary government expenses were 1.47% higher than recorded in the prior fiscal year.
- The Town recorded increases in revenues from prior fiscal year levels in Charges for Services for Water, Wastewater and Solid Waste operations with total business-type activities revenues for charges for services increasing 6.5 percent over the prior year.
- The increased user fees and similar expenditures in the Town's business-type activities helped to partially close the gap between the total revenues and total expenditures in the enterprise funds.

**TOWN OF OAK ISLAND CHANGES IN NET POSITION**  
**FIGURE 3**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,896,494	\$ 2,055,657	\$ 11,886,143	\$ 10,580,729	\$ 13,782,637	\$ 12,636,386
Operating grants and contributions	\$ 354,166	\$ 411,336	\$ 4,246	\$ 3,872	\$ 358,412	\$ 415,208
Capital grants and contributions	\$ 1,822	\$ 1,441	\$ 3,493,407	\$ 3,787,571	\$ 3,495,229	\$ 3,789,012
General revenues:						
Property taxes	\$ 6,812,760	\$ 7,016,323	\$ -	\$ -	\$ 6,821,335	\$ 7,016,323
Local option sales tax	\$ 1,531,327	\$ 1,476,163	\$ -	\$ -	\$ 1,531,327	\$ 1,476,163
Accommodation tax	\$ 1,166,651	\$ 1,128,868	\$ -	\$ -	\$ 1,166,651	\$ 1,128,868
Grants and contributions not restricted to specific programs	\$ 660,137	\$ 616,694			\$ 660,137	\$ 616,694
Other	\$ 863,544	\$ 110,385	\$ 11,108	\$ 18,119	\$ 874,652	\$ 128,504
<b>Total revenues</b>	<b>\$ 13,286,901</b>	<b>\$ 12,816,867</b>	<b>\$ 15,394,904</b>	<b>\$ 14,390,291</b>	<b>\$ 28,681,805</b>	<b>\$ 27,207,158</b>
Expenses:						
General government	\$ 2,797,601	\$ 3,129,366	\$ -	\$ -	\$ 2,797,601	\$ 3,129,366
Public safety	\$ 4,348,192	\$ 4,458,998	\$ -	\$ -	\$ 4,348,192	\$ 4,458,998
Transportation	\$ 1,675,984	\$ 930,438	\$ -	\$ -	\$ 1,675,984	\$ 930,438
Environmental protection	\$ 156,499	\$ 23,831	\$ -	\$ -	\$ 156,499	\$ 23,831
Cultural and recreation	\$ 1,006,435	\$ 1,108,161	\$ -	\$ -	\$ 1,006,435	\$ 1,108,161
Interest on long-term debt	\$ 471,343	\$ 550,489	\$ -	\$ -	\$ 471,343	\$ 550,489
Water	\$ -	\$ -	\$ 1,852,484	\$ 1,655,847	\$ 1,852,484	\$ 1,655,847
Wastewater	\$ -	\$ -	\$ 12,756,238	\$ 12,800,557	\$ 12,756,238	\$ 12,800,557
Non-major funds	\$ -	\$ -	\$ 1,101,543	\$ 1,122,390	\$ 1,101,543	\$ 1,122,390
<b>Total expenses</b>	<b>\$ 10,456,054</b>	<b>\$ 10,201,283</b>	<b>\$ 15,710,265</b>	<b>\$ 15,578,794</b>	<b>\$ 26,166,319</b>	<b>\$ 25,780,077</b>
<b>Increase in net position   before transfers</b>	<b>\$ 2,830,847</b>	<b>\$ 2,615,584</b>	<b>\$ (315,361)</b>	<b>\$ (1,188,503)</b>	<b>\$ 2,515,486</b>	<b>\$ 1,427,081</b>
Transfers	\$ (70,000)	\$ (80,000)	\$ 70,000	\$ 80,000	\$ -	\$ -
Special Item-Disposal of Government Operations	\$ (292,059)	\$ -	\$ -	\$ -	\$ (292,059)	\$ -
<b>Increase in net position</b>	<b>\$ 2,468,788</b>	<b>\$ 2,535,584</b>	<b>\$ (245,361)</b>	<b>\$ (1,108,503)</b>	<b>\$ 2,223,427</b>	<b>\$ 1,427,081</b>
Net position, July 1 prev. reported	\$ 29,304,660	\$ 26,769,076	\$ 45,286,483	\$ 47,450,395	\$ 74,591,143	\$ 74,219,471
Restatement	\$ -	\$ -	\$ -	\$ (1,055,409)	\$ -	\$ (1,055,409)
Net position – beginning	\$ 29,304,660	\$ 26,769,076	\$ 45,286,483	\$ 46,394,986	\$ 74,591,143	\$ 73,164,062
Net position – ending	<b>\$ 31,773,448</b>	<b>\$ 29,304,660</b>	<b>\$ 45,041,122</b>	<b>\$ 45,286,483</b>	<b>\$ 76,814,570</b>	<b>\$ 74,591,143</b>

**Governmental activities.** Governmental activities increased the Town's net position by \$2,477,363, thereby accounting for 110% of the total growth in the net position of the Town of Oak Island. Key elements of this increase are as follows:

- Accommodations tax revenues increased by 3.24 percent over the FY 2013 revenues. The expenditures from these resources were reduced in this fiscal year so that additional reserves can be built to meet the future needs of maintaining and nourishing the Town's beaches.
- The Town adopted a Fiscal Year 2013-2014 budget that maintained the tax rate at 27.5 cents per \$100 valuation. With an increased property valuation, this yielded additional tax revenues over the prior fiscal year.
- After a multi-year pattern of declining revenues, the local option sales tax revenues increased by 1.2 percent in 2013 and 3.6 percent in 2014.
- The Town has continued to look at methods to hold expenditures down across all functions of the Town by outsourcing functions where possible and by making further personnel reductions.

**Business-type activities.** Business-type activities decreased the Town of Oak Island's net position by \$245,361 accounting for -8% of the total growth in the government's net position. Key elements of this decrease are as follows:

- The Town's Business-type activity expenditures exceeded the period's revenues by \$315,361 prior to interfund transfers.
- The Town's Charges for Services did not produce adequate inflows of revenues to cover the period's expenditures. This is anticipated in the early years of the system and will be supplemented by Sewer Assessment Revenues collected in prior periods.

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

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

**Governmental Funds.** The focus of the Town of Oak Island's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Oak Island's financing requirements.

At June 30, 2014, the governmental funds of Town of Oak Island reported a combined fund balance of \$13,741,959 with a net increase in fund balance of \$2,187,529. 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 2014 fiscal year, the fund balance for the Town of Oak Island's General Fund reached \$7,883,372. Of this, \$1,594,929 was restricted, \$26,712 represented non-spendable inventories and prepaid expenditures and \$425,432 was committed by the Town for capital projects, leaving an unassigned fund balance of \$6,031,718 available for spending at the Town's discretion. The Governing Body of Town of Oak Island has determined that the Town should maintain an available fund balance of no less than 25% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 56.2% of general fund expenditures, while total fund balance represents 73.43% of the same amount.

**General Fund Budgetary Highlights.** During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are utilized to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

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

**Proprietary Funds.** The Town of Oak Island's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Town's proprietary funds at the end of the fiscal year amounted to \$2,943,351. The change in net position for the Water, Wastewater and Other Enterprise Funds was \$1,731,833, (\$1,997,454) and 20,260 respectively. The change in net position in the Water Fund is a result of excess charges for service producing revenues that exceed the expenditures in the fund. The Wastewater Fund's decrease in net position is due to interest payments and depreciation that exceed the revenues in that Fund. This is anticipated to occur in the early years of the system's operations and is offset by Sewer Assessment revenues and Sewer District Fees, which are both considered non-operating sources. Since the Water and Wastewater operations together form the Town's Enterprise System, the excess Water Fund revenues help to offset those in the Wastewater Fund for bond covenant coverage test purposes.

## **Capital Asset and Debt Administration**

**Capital assets.** The Town of Oak Island's investment in capital assets for its governmental and business-type activities as of June 30, 2014, totals 143,511,113 (net of accumulated depreciation). These assets include: utility systems, buildings and other structures, land, machinery and equipment, infrastructure, and vehicles (both motor vehicles and heavy motor vehicles).

Major capital asset transactions during the year include the following:

- Investments in Water Equipment and Water Utility System

- Investment in the Wastewater Equipment and Utility Systems

**TOWN OF OAK ISLAND CAPITAL ASSETS**  
**FIGURE 4**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$9,529,923	\$9,529,923	\$4,684,602	\$4,684,602	\$14,214,525	\$14,214,525
Buildings	14,200,793	14,601,160	12,247,409	12,583,645	26,448,202	27,184,805
Improvements other than buildings	1,696,217	1,850,013			1,696,217	1,850,013
Motor vehicles	126,555	225,076	4,161	13,260	130,716	238,336
Heavy motor vehicles	649,503	802,158	130,406	177,018	779,909	979,176
Equipment	413,552	495,459	4,736,764	5,431,136	5,150,316	5,926,595
Office equipment	78,595	95,106	0	0	78,595	95,106
Computers and electrical equipment	94,196	153,223	7,625	15,825	101,821	169,048
Infrastructure	3,045,430	3,170,527	80,587,203	82,272,804	83,632,633	85,443,331
Construction in progress	250,000	250,000			250,000	250,000
Intangible assets			11,028,179	11,427,094	11,028,179	11,427,094
<b>Total</b>	<b>\$30,084,764</b>	<b>\$31,172,645</b>	<b>\$113,426,349</b>	<b>\$116,605,384</b>	<b>\$143,511,113</b>	<b>\$147,778,029</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, 2014, the Town of Oak Island had total bonded debt outstanding of \$86,226,777. All 100% of that amount represents bonds secured solely by specified revenue sources (e.g. revenue bonds). The Town of Oak Island has no outstanding bonded debt backed by the full faith and credit of the Town.

**TOWN OF OAK ISLAND OUTSTANDING DEBT OBLIGATIONS**  
**FIGURE 5**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Installment purchases	\$ 10,877,969	\$ 12,097,884	\$ 312,838	\$ 549,486	\$ 11,190,807	\$ 12,647,370
Capital leases	\$ 462,990	\$ 798,261	\$ -	\$ -	\$ 462,990	\$ 798,261
Revolving loan funds	\$ -	\$ -	\$ 11,398,628	\$ 12,008,451	\$ 11,398,628	\$ 12,008,451
Revenue notes	\$ -	\$ -	\$ -	\$ 157,973	\$ -	\$ 157,973
Revenue bonds	\$ -	\$ -	\$ 86,226,777	\$ 88,491,158	\$ 86,226,777	\$ 88,491,158
<b>Total</b>	<b>\$ 11,340,959</b>	<b>\$ 12,896,145</b>	<b>\$ 97,938,243</b>	<b>\$ 101,207,068</b>	<b>\$ 109,279,202</b>	<b>\$ 114,103,213</b>

### **Town of Oak Island's Outstanding Debt**

The Town of Oak Island's total long-term debt outstanding decreased by \$4,824,011 (4.23%) during the past fiscal year, primarily due to the Town's efforts to pay its existing debt and refrain from the issuance of any new debt. The Town's debt associated with governmental activities decreased \$1,555,186 or (12.06%) while the debt of the Town's business-type activities decreased by \$3,268,825 (3.23%).

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. This sets the legal debt margin for Town of Oak Island at \$196 million. The Town neither has general obligation bonds authorized nor issued as of June 30, 2014. The Town's governmental activities have outstanding installment purchases and capital lease obligations that total \$11.7 million. This represents 0.51% percent of the total assessed value of taxable property within the jurisdiction.

Since the debts of the Town's business-type activities do not pledge the taxing powers of the Town, the obligations of those funds do not count toward the Town's statutory debt limit. However, for informational purposes, the total of the Town's outstanding long-term debts for all activities is \$108.4 million, which represents 4.52% of the Town's property valuation.

Additional information regarding the Town of Oak Island's long-term debt can be found in the notes section 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 is starting to experience an increasing number of new building permits issued, which will result in a growth in the Town's tax base, as well as, water and wastewater revenue.
- The Accommodations Tax receipts have continued a multi-year increasing pattern for the Town, indicating that the Tourism market in the local area is growing. This pattern is expected to continue in FY 2015.
- Sales Tax Revenues, which began to rebound for the Town in the 2013 fiscal year, are expected to show modest growth in FY 2015.

### **Budget Highlights for the Fiscal Year Ending June 30, 2015**

**Governmental Activities:** The Town of Oak Island is beginning to see some new economic growth as the tourism and building construction markets increase slightly. Town management is optimistic about these improvements and will continue preparing budgets to maintain spending where possible while maintaining its current property tax rate.. Increases in some Town service fees will assist the increase in the property tax base

and slight increases in sales tax revenues. These increases, when netted with an anticipated reduction in grant revenues are expected to produce an overall increase of less than 1% in governmental revenues. The Town plans the funds produced by the additional revenues and reduced expenditures to finance programs currently in place and to make advance payments toward reducing the Town's long-term debts, with the remainder to be kept on hand to build the Town's available fund balance.

**Business-type Activities:** In an effort to reach target revenue levels, the water and sewer rates and Sewer District Fees for utility system users (and potential users) will again increase by 11.75%. Based upon consultant recommendations, in FY 2014, the Town implemented year two of a three-year rate increase plan in order to reach the system revenue goals for adequate coverage of operations, debt service payments and resources on hand necessary for bond debt covenants.

The Town continues to look at ways to reduce the operating expenditures while maximizing the system revenues so that the Town's Enterprise System will reach adequate revenue levels to sustain healthy operation of the system when the Town's Sewer Assessments revenues are no longer on hand.

## Requests for Information

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

Steve Foster, Town Manager  
Town of Oak Island  
4601 E. Oak Island Drive  
Oak Island, NC 28465

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

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

## ***Basic Financial Statements***

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***Government-Wide***  
***Financial Statements***

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**TOWN OF OAK ISLAND, NORTH CAROLINA**

Statement of Net Position

June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Oak Island ABC Board
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Equivalent	\$ 8,147,536	\$ 7,145,156	\$ 15,292,692	\$ 348,236
Taxes Receivables, Net	802,197	-	802,197	-
Assessments Receivable	31,264	-	31,264	-
Accrued Interest Receivable on Taxes	169,990	-	169,990	-
Accounts Receivable, Net	888,035	1,636,777	2,524,812	35
Due from Other Funds	3,500,000	-	3,500,000	-
Due From Component Unit	57,968	-	57,968	-
Inventories	7,998	215,835	223,833	191,571
Prepaid Items	74,875	-	74,875	13,150
<b>Total Current Assets</b>	<b>13,679,863</b>	<b>8,997,768</b>	<b>22,677,631</b>	<b>552,992</b>
<b>Non-current Assets</b>				
Restricted Cash and Cash Equivalents	2,094,668	13,312,298	15,406,966	157,978
Restricted Receivables	-	10,034,804	10,034,804	-
Accrued Interest on Restricted Assets	-	1,336,636	1,336,636	-
Prepaid Bond Insurance	-	1,161,421	1,161,421	-
Capital Assets				
Land, Non-depreciable Improvements, and Construction in Progress	9,779,923	4,969,999	14,749,922	101,178
Other Capital Assets, Net of Depreciation	20,304,841	108,456,350	128,761,191	256,250
Total Capital Assets	30,084,764	113,426,349	143,511,113	357,428
<b>Total Non-current Assets</b>	<b>32,179,432</b>	<b>139,271,508</b>	<b>171,450,940</b>	<b>515,406</b>
<b>Total Assets</b>	<b>\$ 45,859,295</b>	<b>\$ 148,269,276</b>	<b>\$ 194,128,571</b>	<b>\$ 1,068,398</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable and Accrued Expenses	\$ 876,607	\$ 327,213	\$ 1,203,820	\$ 274,853
Accrued Interest Payable	150,997	284,453	435,450	-
Customer Deposits	85,282	115,947	201,229	-
Due to Other Funds	-	3,500,000	3,500,000	-
Due to Primary Government	-	-	-	57,968
Payable from Restricted Assets	-	774,628	774,628	-
Current Portion of Long-Term Liabilities	1,445,818	3,126,691	4,572,509	-
<b>Total Current Liabilities</b>	<b>2,558,704</b>	<b>8,128,932</b>	<b>10,687,636</b>	<b>332,821</b>
<b>Long-Term Liabilities</b>				
Due In More Than One Year	10,687,995	95,081,183	105,769,178	63,102
<b>Total Liabilities</b>	<b>13,246,699</b>	<b>103,210,115</b>	<b>116,456,814</b>	<b>395,923</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Net Position (Conitnued)  
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Oak Island ABC Board
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	833,461	888	834,349	-
Prepaid Taxes and Assessments	5,687	17,151	22,838	-
<b>Total Deferred Inflows of Resources</b>	<b>839,148</b>	<b>18,039</b>	<b>857,187</b>	<b>-</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	18,743,833	21,324,460	40,068,293	369,244
Restricted For:				
Stabilization by State Statute	699,079	-	699,079	-
Streets	700,431	-	700,431	-
Public Safety	5,356	-	5,356	-
Tourism	5,327,155	-	5,327,155	-
Cultural and Recreation	84,032	-	84,032	-
Other Functions	-	20,922,210	20,922,210	206,369
Unrestricted	6,213,562	2,794,452	9,008,014	96,862
<b>Total Net Position</b>	<b>\$ 31,773,448</b>	<b>\$ 45,041,122</b>	<b>\$ 76,814,570</b>	<b>\$ 672,475</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Statement of Activities

For the Year Ended June 30, 2014

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	\$ 2,797,601	\$ 354,336	\$ -	\$ 375
Public Safety	4,348,192	1,072,612	48,430	1,447
Transportation	1,675,984	-	305,736	-
Environmental Protection	156,499	348,804	-	-
Cultural and Recreation	1,006,435	120,742	-	-
Interest on Long-Term Debt	471,343	-	-	-
<b>Total Governmental Activities</b>	<b>10,456,054</b>	<b>1,896,494</b>	<b>354,166</b>	<b>1,822</b>
<b>Business-Type Activities:</b>				
Water Operations	1,852,484	3,512,854	-	64,960
Wastewater Operations	12,756,238	7,325,872	-	3,428,447
Solid Waste Operations	896,411	922,232	4,246	-
Golf Course Operations	205,132	125,185	-	-
<b>Total Business-Type Activities</b>	<b>15,710,265</b>	<b>11,886,143</b>	<b>4,246</b>	<b>3,493,407</b>
<b>Total Primary Government</b>	<b>\$ 26,166,319</b>	<b>\$ 13,782,637</b>	<b>\$ 358,412</b>	<b>\$ 3,495,229</b>
<b>Component Units:</b>				
Oak Island ABC Board	\$ 2,327,743	\$ 2,342,337	\$ -	\$ -
<b>Total Component Units</b>	<b>\$ 2,327,743</b>	<b>\$ 2,342,337</b>	<b>\$ -</b>	<b>\$ -</b>

**General Revenues:**

Taxes:

- Property Taxes, Levied for General Purpose
- Local Option Sales Taxes
- Accommodations Taxes
- Other Taxes

Grants and Contributions not Restricted to Specific Programs

Unrestricted Investment Earnings

Lawsuit Settlement

Miscellaneous

**Total General Revenues**

**Special Item- Disposal of Government Operations**

**Transfers**

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

**Change in Net Position**

**Net Position - Beginning**

**Net Position - Ending**

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

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (2,442,890)	\$ -	\$ (2,442,890)	\$ -
(3,225,703)	-	(3,225,703)	-
(1,370,248)	-	(1,370,248)	-
192,305	-	192,305	-
(885,693)	-	(885,693)	-
(471,343)	-	(471,343)	-
<u>(8,203,572)</u>	<u>-</u>	<u>(8,203,572)</u>	<u>-</u>
-	1,725,330	1,725,330	-
-	(2,001,919)	(2,001,919)	-
-	30,067	30,067	-
-	(79,947)	(79,947)	-
<u>-</u>	<u>(326,469)</u>	<u>(326,469)</u>	<u>-</u>
<u>(8,203,572)</u>	<u>(326,469)</u>	<u>(8,530,041)</u>	<u>-</u>
-	-	-	14,594
-	-	-	<u>14,594</u>
6,812,760	-	6,812,760	-
1,531,327	-	1,531,327	-
1,166,651	-	1,166,651	-
62,711	-	62,711	-
660,137	-	660,137	-
3,594	6,617	10,211	435
625,000	-	625,000	-
172,239	4,491	176,730	-
<u>11,034,419</u>	<u>11,108</u>	<u>11,045,527</u>	<u>1,061</u>
(292,059)	-	(292,059)	-
(70,000)	70,000	-	-
<u>10,672,360</u>	<u>81,108</u>	<u>10,753,468</u>	<u>1,061</u>
2,468,788	(245,361)	2,223,427	15,655
29,304,660	45,286,483	74,591,143	656,820
<u>\$ 31,773,448</u>	<u>\$ 45,041,122</u>	<u>\$ 76,814,570</u>	<u>\$ 672,475</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Balance Sheet  
 Governmental Funds  
 June 30, 2014

	<u>Major Funds</u>		
	<u>General</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,449,430	\$ 1,698,106	\$ 8,147,536
Restricted Cash	1,701,073	393,595	2,094,668
Receivables (net):			
Taxes	802,197	-	802,197
Assessments	24,859	6,405	31,264
Accounts	637,709	220,427	858,136
Due from Component Unit	57,968	-	57,968
Due from Other Funds	-	3,500,000	3,500,000
Due from Other Governments	29,899	-	29,899
Inventories	7,998	-	7,998
Prepays	18,712	56,163	74,875
<b>Total Assets</b>	<u>\$ 9,729,845</u>	<u>\$ 5,874,696</u>	<u>\$ 15,604,541</u>
<b>LIABILITIES</b>			
Accounts Payable	866,903	1,157	868,060
Due to Other Funds	-	8,547	8,547
Customer Deposits	85,282	-	85,282
<b>Total Liabilities</b>	<u>952,185</u>	<u>9,704</u>	<u>961,889</u>
<b>DEFERRED INFLOWS OF REOURCES</b>			
Unavailable Revenue	888,601	6,405	895,006
Unearned Revenue	5,687	-	5,687
<b>Total Deferred Inflows of Resources</b>	<u>894,288</u>	<u>-</u>	<u>900,693</u>
<b>FUND BALANCES</b>			
Non Spendable			
Inventories	7,999	-	7,999
Prepays	18,713	56,163	74,876
Restricted:			
Stabilization by State Statute	699,079	-	699,079
Streets - Powell Bill	700,431	-	700,431
Public Safety	-	5,356	5,356
Tourism	-	5,327,155	5,327,155
Cultural and Recreation	-	84,032	84,032
Committed:			
Capital Projects	425,597	-	425,597
Administration	16,570	385,048	401,618
Public Safety	-	833	833
Unassigned:	6,014,983	-	6,014,983
<b>Total Fund Balances</b>	<u>7,883,372</u>	<u>5,858,587</u>	<u>13,741,959</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 9,729,845</u>	<u>\$ 5,868,291</u>	<u>\$ 15,604,541</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, 2014

	<b>Total Governmental Funds</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total Fund Balance, Governmental Funds	\$ 13,741,959
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical cost	\$ 40,400,674
Accumulated depreciation	<u>(10,315,910)</u> 30,084,764
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are not reported in this fund financial statement, but are reported in the fund governmental activities of the Statement of Net Position.	
Accrued interest receivable from taxes	169,990
Liabilities for earned revenues considered deferred inflows of resources in the fund statements.	
	61,545
Other long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Installment notes payable	(10,877,969)
Capitalized lease contracts payable	(462,990)
Compensated absences payable	(371,958)
Other postemployment benefits payable	(392,773)
Net pension obligation	(28,123)
Accrued interest payable	<u>(150,997)</u> (12,284,810)
<b>Net Position of Governmental Activities</b>	<b><u>\$ 31,773,448</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, 2014

	<u>Major Funds</u>		
	<u>General</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Ad Valorem Taxes	\$ 7,031,553	\$ -	\$ 7,031,553
Other Taxes and Licenses	1,550,736	1,166,651	2,717,387
Unrestricted Intergovernmental	660,137	-	660,137
Restricted Intergovernmental	1,396,215	-	1,396,215
Sales and Services	510,718	-	510,718
Permits and Fees	348,334	-	348,334
Investment Earnings	2,190	1,404	3,594
Miscellaneous	764,481	18,476	782,957
<b>Total Revenues</b>	<u>12,264,364</u>	<u>1,186,531</u>	<u>13,450,895</u>
<b>Expenditures</b>			
Current:			
General Government	2,628,089	-	2,628,089
Public Safety	3,763,473	-	3,763,473
Transportation	1,534,817	-	1,534,817
Environmental Protection	138,990	-	138,990
Cultural and Recreational	576,859	179,003	755,862
Debt Service:			
Principal	1,555,186	-	1,555,186
Interest and Other Charges	539,172	-	539,172
<b>Total Expenditures</b>	<u>10,736,586</u>	<u>179,003</u>	<u>10,915,589</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,527,778</u>	<u>1,007,528</u>	<u>2,535,306</u>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	-	2,929,959	2,929,959
Transfers to Other Funds	-	(2,999,959)	(2,999,959)
Sales of Capital Assets	14,282	-	14,282
Disposal of Government Operations	-	(292,059)	(292,059)
<b>Total Other Financing Sources (Uses)</b>	<u>14,282</u>	<u>(362,059)</u>	<u>(347,777)</u>
<b>Net Change in Fund Balance</b>	1,542,060	645,469	2,187,529
<b>Fund Balance - Beginning</b>	<u>6,341,312</u>	<u>5,213,118</u>	<u>11,554,430</u>
<b>Fund Balance - Ending</b>	<u>\$ 7,883,372</u>	<u>\$ 5,858,587</u>	<u>\$ 13,741,959</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

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

## Governmental Funds

For the Year Ended June 30, 2014

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

Net changes in fund balances - total governmental funds \$ 2,187,529

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	\$ 56,476	
Depreciation expense for governmental assets	<u>(1,144,357)</u>	(1,087,881)

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	(224,897)	
Change in unavailable revenue for assessment revenues	354	
Change in unavailable revenue for privilege licenses	46,267	(178,276)

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	1,555,186	1,555,186
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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:

Accrued interest not reflected in Governmental Funds	67,829	
Compensated absences	(20,882)	
Net pension obligation	(13,946)	
Other postemployment benefits	<u>(40,771)</u>	<u>(7,770)</u>

Change in net position of governmental activities		<u><u>\$ 2,468,788</u></u>
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**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Fiscal Year Ended June 30, 2014

	<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	\$ 6,877,011	\$ 6,877,011	\$ 7,031,553	\$ 154,542
Other Taxes and Licenses	1,531,001	1,531,001	1,550,736	19,735
Unrestricted Intergovernmental	526,000	526,000	660,137	134,137
Restricted Intergovernmental	1,341,512	1,347,997	1,396,215	48,218
Permits and Fees	199,700	199,700	348,334	148,634
Sales and Services	492,486	492,486	510,718	18,232
Investment Earnings	1,900	1,900	2,025	125
Miscellaneous	96,200	102,230	764,481	662,251
<b>Total Revenues</b>	<b>11,065,810</b>	<b>11,078,325</b>	<b>12,264,199</b>	<b>1,185,874</b>
<b>Expenditures</b>				
Current				
General Government	3,102,192	3,218,742	2,628,089	590,653
Public Safety	3,981,556	4,050,849	3,763,473	287,376
Transportation	1,323,700	2,298,755	1,534,817	763,938
Environmental Protection	164,516	182,016	138,990	43,026
Cultural and Recreation	634,826	613,109	576,859	36,250
Debt Service				
Principal	1,408,701	1,569,705	1,555,186	14,519
Interest and Other Charges	539,192	540,698	539,172	1,526
Contingency	-	-	-	-
<b>Total Expenditures</b>	<b>11,154,683</b>	<b>12,473,874</b>	<b>10,736,586</b>	<b>1,737,288</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(88,873)</b>	<b>(1,395,549)</b>	<b>1,527,613</b>	<b>2,923,162</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	88,873	103,573	-	(103,573)
Transfers to Other Funds	-	-	-	-
Sales of Capital Assets	-	-	14,282	14,282
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 88,873</b>	<b>\$ 103,573</b>	<b>\$ 14,282</b>	<b>\$ (89,291)</b>
<b>Fund Balance Appropriated</b>	<b>-</b>	<b>1,291,976</b>	<b>-</b>	<b>(1,291,976)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,541,895</b>	<b>2,833,871</b>
<b>Fund Balance - Beginning of Year</b>			<b>5,915,880</b>	
<b>Fund Balance - End of Year</b>			<b>7,457,775</b>	
A legally adopted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Interest Income			165	
<b>Fund Balance - Beginning of Year</b>			<b>425,432</b>	
<b>Fund Balance - End of Year</b>			<b>7,883,372</b>	

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**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Fund Net Position  
Proprietary Funds  
June 30, 2014

	Major Funds		Non-Major Funds	
	Water Fund	Wastewater Fund	Other Enterprise Funds	Total
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 5,439,851	\$ 1,204,600	\$ 500,705	\$ 7,145,156
Accounts Receivables (net):	425,607	1,154,873	55,322	1,635,802
Other Receivables	-	-	975	975
Inventories	158,055	53,084	4,696	215,835
Total Current Assets	6,023,513	2,412,557	561,698	8,997,768
Non-Current Assets				
Restricted Assets				
Cash and Cash Equivalents	539,534	12,772,764	-	13,312,298
Assessments Receivables (net):	-	9,789,321	-	9,789,321
Sewer District Fees Receivable (net)	-	245,483	-	245,483
Accrued Interest Receivable	-	1,336,636	-	1,336,636
Total Restricted Assets	539,534	24,144,204	-	24,683,738
Other Assets				
Prepaid Insurance on Bonds	-	1,161,421	-	1,161,421
Capital Assets				
Land and Construction in Progress	135,068	3,433,136	1,401,795	4,969,999
Other Capital Assets, Net of Depreciation	3,366,803	104,856,548	232,999	108,456,350
Capital Assets	3,501,871	108,289,684	1,634,794	113,426,349
Total Non-Current Assets	4,041,405	133,595,309	1,634,794	139,271,508
<b>TOTAL ASSETS</b>	<b>10,064,918</b>	<b>136,007,866</b>	<b>2,196,492</b>	<b>148,269,276</b>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	134,100	80,087	66,402	280,589
Salaries Payable	18,622	18,662	9,340	46,624
Accrued Interest Payable	-	284,453	-	284,453
Due to Other Funds	-	3,500,000	-	3,500,000
Customer Deposits	115,947	-	-	115,947
Payable from Restricted Assets	-	774,628	-	774,628
Compensated Absences Payable, Current	19,857	25,047	14,683	59,587
Installment Notes Payable, Current	-	99,362	-	99,362
Revenue Notes Payable, Current	-	623,680	-	623,680
Revenue Bonds Payable, Current	-	2,350,000	-	2,350,000
Total Current Liabilities	288,526	7,755,919	90,425	8,134,870
Non-current Liabilities				
Other Postemployment Benefits	75,718	44,671	30,068	150,457
Compensated Absences	19,858	25,047	14,682	59,587
Installment Notes Payable, Non-current	-	213,476	-	213,476
Revenue Notes Payable, Non-current	-	10,774,948	-	10,774,948
Revenue Bonds Payable, Non-current	-	83,876,777	-	83,876,777
Total Non-Current Liabilities	95,576	94,934,919	44,750	95,075,245
<b>TOTAL LIABILITIES</b>	<b>384,102</b>	<b>102,690,838</b>	<b>135,175</b>	<b>103,210,115</b>

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Fund Net Position  
Proprietary Funds  
June 30, 2014

	<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>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned Revenue	-	17,151	888	18,039
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	-	17,151	888	18,039
<b>NET POSITION</b>				
Net Investment in Capital Assets	3,352,972	16,187,795	1,634,794	21,175,561
Restricted for Capital Projects	-	20,922,210	-	20,922,210
Unrestricted	6,327,844	(3,810,128)	425,635	2,943,351
<b>NET POSITION OF BUSINESS-TYPE ACTIVITIES</b>	<u>\$ 9,680,816</u>	<u>\$ 33,299,877</u>	<u>\$ 2,060,429</u>	<u>\$ 45,041,122</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2014

	<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>Revenues</b>				
Charges for Services	\$ 3,271,916	\$ 7,325,872	\$ 1,029,410	\$ 11,627,198
Other Operating Revenues	240,938	-	18,007	258,945
<b>Total Operating Revenues</b>	<u>3,512,854</u>	<u>7,325,872</u>	<u>1,047,417</u>	<u>11,886,143</u>
<b>Operating Expenses</b>				
Administration	160,031	-	58,054	218,085
Water Purchases	810,542	-	-	810,542
Waste Collection and Treatment	-	4,592,481	849,466	5,441,947
Maintenance	774,622	221,111	137,275	1,133,008
Depreciation	107,289	3,136,984	56,748	3,301,021
<b>Total Operating Expenses</b>	<u>1,852,484</u>	<u>7,950,576</u>	<u>1,101,543</u>	<u>10,904,603</u>
<b>Operating Income (Loss)</b>	<u>1,660,370</u>	<u>(624,704)</u>	<u>(54,126)</u>	<u>981,540</u>
<b>Non-Operating Revenues (Expenses)</b>				
Investment Earnings	2,012	4,465	140	6,617
Operating Grants and Contributions	-	-	4,246	4,246
Interest Expense	-	(4,752,151)	-	(4,752,151)
Interest on Assessments	-	935,694	-	935,694
Bond Issuance Costs	-	(53,511)	-	(53,511)
Sale of Capital Assets	4,491	-	-	4,491
<b>Total Non-Operating Revenues (Expenses)</b>	<u>6,503</u>	<u>(3,865,503)</u>	<u>4,386</u>	<u>(3,854,614)</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>1,666,873</u>	<u>(4,490,207)</u>	<u>(49,740)</u>	<u>(2,873,074)</u>
Capital Contributions	64,960	2,492,753	-	2,557,713
Transfers In	-	-	70,000	70,000
Transfers Out	-	-	-	-
<b>Change in Net Position</b>	<u>1,731,833</u>	<u>(1,997,454)</u>	<u>20,260</u>	<u>(245,361)</u>
<b>Total Net Position- Beginning</b>	<u>7,948,983</u>	<u>35,297,331</u>	<u>2,040,169</u>	<u>45,286,483</u>
<b>Total Net Position - Ending</b>	<u>\$ 9,680,816</u>	<u>\$ 33,299,877</u>	<u>\$ 2,060,429</u>	<u>\$ 45,041,122</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Cash Flows-Proprietary Funds  
For the Year Ended June 30, 2014

	Major Enterprise Funds		Non-Major	Total
	Water Fund	Wastewater Fund	Enterprise Funds	
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 3,210,484	\$ 7,163,753	\$ 1,042,503	\$ 11,416,740
Cash Paid for Goods and Services	(1,085,220)	(4,369,335)	(813,449)	(6,268,004)
Cash Paid to Employees	(578,275)	(411,708)	(225,125)	(1,215,108)
Customer Deposits Received	55,013	-	-	55,013
Customer Deposits Returned	(50,832)	-	-	(50,832)
Other Operating Revenue	240,938	-	-	240,938
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,792,108</b>	<b>2,382,710</b>	<b>3,929</b>	<b>4,178,747</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Grants Received	-	-	4,246	4,246
Loan from Another Fund	-	-	-	-
Transfers from Other Funds	-	-	70,000	70,000
Transfers to Other Funds	-	-	-	-
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>-</b>	<b>-</b>	<b>74,246</b>	<b>74,246</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and Construction of Capital Assets	(12,578)	(163,156)	-	(175,734)
Proceeds from Sale of Capital Assets	4,491	-	-	-
Principal Paid on Debt	(141,899)	(3,122,543)	-	(3,264,442)
Interest Paid on Debt	-	(4,880,726)	-	(4,880,726)
Contributions from Customers	64,960	5,484,703	-	5,549,663
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(85,026)</b>	<b>(2,681,722)</b>	<b>-</b>	<b>(2,771,239)</b>
<b>Cash Flows Provided by Investing Activities</b>				
Interest on Investments	2,012	4,465	139	6,616
<b>Net Cash Provided by Investing Activities</b>	<b>2,012</b>	<b>4,465</b>	<b>139</b>	<b>6,616</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,709,094</b>	<b>(294,547)</b>	<b>78,314</b>	<b>1,492,861</b>
<b>Cash and Cash Equivalents - July 1</b>	<b>4,270,291</b>	<b>14,267,446</b>	<b>422,391</b>	<b>18,960,128</b>
<b>Cash and Cash Equivalents - June 30</b>	<b>\$ 5,979,385</b>	<b>\$ 13,977,364</b>	<b>\$ 500,705</b>	<b>\$ 20,459,605</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Cash Flows-Proprietary Funds  
For the Year Ended June 30, 2014

	Major Enterprise Funds		Non-Major	Total
	Water Fund	Wastewater Fund	Enterprise Funds	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	1,660,370	\$ (624,704)	\$ (54,126)	981,540
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Depreciation	107,289	3,136,984	56,747	3,301,020
Changes in Assets and Liabilities				
(Increase) Decrease in:				
Accounts Receivable	20,882	(162,119)	(5,225)	(146,462)
Inventory	17,850	22,312	3,920	44,082
(Increase) Decrease in:				
Accounts Payable	5,759	23,711	(4,443)	25,027
Customer Deposits	(4,181)	-	-	(4,181)
Unearned Revenue	-	-	312	312
Accrued Wages	80	4,136	28	4,244
Accrued Vacation Pay	(4,114)	(7,007)	816	(10,305)
Accrued OPEB Liability	(11,827)	(10,603)	5,900	(16,530)
<b>Total Adjustments</b>	<b>131,738</b>	<b>3,007,414</b>	<b>58,055</b>	<b>3,197,207</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 1,792,108</b>	<b>\$ 2,382,710</b>	<b>\$ 3,929</b>	<b>\$ 4,178,747</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Statement of Fiduciary Net Position  
June 30, 2014

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	<b>Total Nonmajor Governmental Funds</b>
	<u>                    </u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 16,570
<b>Total Assets</b>	<u><u>\$ 16,570</u></u>
<b>Liabilities</b>	
Due to Other Governments	\$ 16,570
<b>Total Liabilities</b>	<u><u>\$ 16,570</u></u>

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***Notes to Financial Statements***

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## TOWN OF OAK ISLAND, NORTH CAROLINA

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Oak Island, North Carolina 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 funds 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. 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. 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 this fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve fund has been included in the supplemental information.

The Town reports the following non-major governmental funds:

**Town Hall Replacement Capital Project Fund.** This fund is used to account for the construction of a new town hall.

**Police Department Headquarters Capital Project Fund.** This fund is used to account for construction of the Police Headquarters.

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

**Emergency 911 System Fund.** This fund is used to account for the 911 revenues received by the State 911 Board to enhance the State 911 system.

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

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

The Town reports the following major enterprise funds:

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

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

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

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

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

The Town reports the following non-major enterprise funds:

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

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

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

The Town reports the following fund type:

**Agency Fund.** Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the Town holds on behalf of others. The Town maintains the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the Town is required to remit to the Brunswick County Board of Education.

**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 are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, 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, Brunswick County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Oak Island. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Brunswick County from March 2013 through February 2014 apply to the fiscal year ended June 30, 2014. Uncollected taxes that were billed during this period 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. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Capital Reserve Fund, Accommodations Tax Fund, Emergency 911 Fund, Beach Preservation Fund, Water Fund, Wastewater Fund, Solid Waste Fund, South Harbour Golf Course Fun and Sewer District Fee Fund. All annual appropriations lapse at the fiscal year-end. Project budget ordinances are adopted for the Capital Project funds. The Wastewater Capital Project Fund and the Sewer District Fee Fund are consolidated with the Wastewater Fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Town Manager is authorized to transfer appropriations within a fund as he sees necessary; however, the governing board must approve any revisions that alter the total expenditures of any fund or change functional appropriations by more than \$1,000. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

All deposits of the Town 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 securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

**2. Cash and Cash Equivalents**

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

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

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

**3. Restricted Assets**

Certain proceeds of the Town's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. As a part of the 2009 Series and 2011 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.

**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, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2013.

**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.

**6. Inventory and Prepaid Items**

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventories of the Town's general and enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased. Inventory of the Town of Oak Island ABC Board consists of products for resale to customers. 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.

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

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

**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 are recorded at their estimated fair value at the date of donation. 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

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

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

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

**7. Capital Assets (Continued)**

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 no items that meet this criterion. 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. Currently, the Town has prepaid taxes, property taxes receivable, prepaid assessments and assessments receivable.

**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 reported as deferred charges and amortized over the term of the related debt.

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

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

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

**10. Compensated Absences**

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

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

**11. Net Position**

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

**11. Net Position (Continued)**

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

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

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

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Oak Island's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

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

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

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

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

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

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

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

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

**11. Net Position (Continued)**

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.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

No instances noted.

**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, 2014, the Town's deposits had a carrying amount of \$20,269,756 and a bank balance of \$20,457,112. Of the bank balance, \$692,864 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2014, the Town's petty cash funds totaled \$1,050. The carrying amount of deposits for the ABC Board was \$504,714 and the bank balance was \$484,396. \$355,621 of the bank balance was covered by federal depository insurance and the balance was maintained in institutions collateralizing deposits using the pooling method. At June 30, 2014, the ABC Board's cash on hand totaled \$1,500.

**2. Investments**

At June 30, 2014, the Town of Oak Island had \$6,964,881 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. \$4,648,156 of the amount represents restricted cash as unexpended bond proceeds in the Wastewater Fund. The Town had \$3,287,677 invested with Finistar and \$192,864 with First Citizens Bank. The Town has no policy regarding credit risk.

**3. Receivables - Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

Fund	06/30/2014
General Fund:	
Taxes Receivable	\$ 85,152
Storm Water Fees Receivable	2,097
Total General Fund	<u>87,249</u>
Enterprise Funds	
Water Fund	371,560
Wastewater Fund:	
Wastewater Billing	238,475
Sewer District Fees	42,292
Sewer Assessments	515,227
Solid Waste Fund	100,084
Total Enterprise Funds	<u>1,267,638</u>
Total	<u>\$ 1,354,887</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

**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, 2014, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 9,529,923	\$ -	\$ -	\$ 9,528,923
Construction in progress	250,000	-	-	250,000
<b>Total Capital Assets not being depreciated</b>	<u>9,779,923</u>	<u>-</u>	<u>-</u>	<u>9,779,923</u>
<b>Capital assets being depreciated:</b>				
Buildings	17,055,412	30,242	-	17,085,654
Motor Vehicles	1,572,377	-	32,503	1,539,874
Heavy Motor Vehicles	2,772,698	-	201,083	2,571,614
Equipment	1,552,448	9,497	-	1,561,945
Office Equipment	180,443	-	-	180,443
Other Structures/Improvements	2,947,253	-	-	2,947,253
Computers/Electrical Equipment	964,307	16,737	-	981,044
Infrastructure	3,752,924	-	-	3,752,924
<b>Total Capital Assets being depreciated</b>	<u>30,797,861</u>	<u>56,476</u>	<u>233,586</u>	<u>30,620,751</u>
<b>Less accumulated depreciation for:</b>				
Buildings	2,454,252	430,609	-	2,884,861
Motor Vehicles	1,347,300	98,523	32,503	1,413,319
Heavy Motor Vehicles	1,970,540	152,653	201,087	1,922,111
Equipment	1,056,989	91,404	-	1,148,393
Office Equipment	85,338	16,510	-	101,848
Other Structures/Improvements	1,097,238	153,798	-	1,251,036
Computers/Electrical Equipment	811,085	75,762	-	886,848
Infrastructure	582,397	125,097	-	707,494
<b>Total Accumulated Depreciation</b>	<u>9,405,140</u>	<u>1,144,357</u>	<u>233,586</u>	<u>10,315,910</u>
<b>Total Capital Assets being depreciated, net</b>	<u>21,392,722</u>			<u>20,304,841</u>
<b>Governmental Activity Capital Assets,</b>	<u>\$ 31,172,643</u>			<u>\$ 30,084,764</u>

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Assets (Continued)

4. Capital Assets (Continued)

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

General Government	\$ 198,599
Public Safety	555,723
Environmental Protection	16,328
Transportation	136,065
Cultural and Recreational	<u>237,642</u>
Total	<u>\$ 1,144,357</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type activities:</b>				
<b>Water Fund</b>				
<b>Capital assets not Being Depreciated</b>				
Land	\$ 135,068	\$ -	\$ -	\$ 135,068
Construction in Progress (CIP)	-	-	-	-
<b>Total capital assets not being depreciated</b>	<u>135,068</u>	<u>-</u>	<u>-</u>	<u>135,068</u>
<b>Capital assets being depreciated:</b>				
Buildings	134,596	-	-	134,596
Motor Vehicles	306,705	-	53,747	252,958
Equipment	323,244	12,577	-	335,821
Computer and Electric Equipment	93,727	-	-	93,727
Utility Systems I	2,028,136	-	54,233	1,973,903
Utility Systems III	<u>4,577,638</u>	<u>54,232</u>	<u>-</u>	<u>4,631,870</u>
<b>Total capital assets being depreciated</b>	<u>7,464,046</u>	<u>66,809</u>	<u>107,980</u>	<u>7,422,875</u>
<b>Less accumulated depreciation for:</b>				
Buildings	69,418	1,997	-	71,415
Motor Vehicles	294,225	8,320	53,747	248,798
Equipment	249,867	20,825	-	270,692
Computer and Electric Equipment	77,902	8,200	-	86,102
Utility Systems I	1,045,521	44,495	-	1,090,016
Utility Systems III	<u>2,211,850</u>	<u>77,198</u>	<u>-</u>	<u>2,289,048</u>
Total Accumulated Depreciation	<u>3,948,783</u>	<u>161,036</u>	<u>53,747</u>	<u>4,056,072</u>
<b>Total Capital Assets being Depreciated, Net</b>	<u>3,515,263</u>			<u>3,366,803</u>
<b>Water Fund Capital Assets, Net</b>	<u>\$ 3,650,331</u>			<u>\$ 3,501,871</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

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

**C. Assets (Continued)**

**4. Capital Assets (Continued)**

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balances</b>
<b>Business-type activities:</b>				
<i>Wastewater Fund</i>				
<b>Capital assets not Being Depreciated</b>				
Land	\$ 3,147,739	\$	\$	\$ 3,147,739
Future Treatment Rights	285,397			285,397
Construction in Progress (CIP)	-	-	-	-
<b>Total Capital Assets not being Depreciated</b>	<u>3,433,136</u>	<u>-</u>	<u>-</u>	<u>3,433,136</u>
<b>Capital assets being depreciated:</b>				
Buildings	13,266,014	-	-	13,266,014
Motor Vehicles	110,070	-	-	110,070
Heavy Vehicles	180,711	-	-	180,711
Equipment	7,357,843	36,441	-	7,394,284
Utility Systems I	27,067	-	-	27,067
Utility Systems II	84,449,393	126,718	-	84,576,111
Intangible Assets	11,961,438	-	1	11,961,437
<b>Total Capital Assets being Depreciated</b>	<u>117,352,535</u>	<u>163,159</u>	<u>1</u>	<u>117,515,694</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	835,818	331,650	-	1,167,468
Motor Vehicles	109,289	779	-	110,068
Heavy Vehicles	180,711	-	-	180,711
Equipment	2,024,543	715,217	-	2,739,760
Utility Systems I	9,672	678	-	10,350
Utility Systems III	5,542,387	1,689,947	-	7,232,334
Intangible Assets	819,740	398,715	-	1,218,455
Total Accumulated Depreciation	<u>9,522,160</u>	<u>3,136,984</u>	<u>-</u>	<u>12,659,146</u>
<b>Total Capital Assets being Depreciated, Net</b>	<u>107,830,375</u>			<u>104,856,548</u>
<b>Wastewater Fund Capital Assets, Net</b>	<u>\$ 111,263,511</u>			<u>\$ 108,289,684</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

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

**D. Assets (Continued)**

**4. Capital Assets (Continued)**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type activities:</b>				
<i><b>Solid Waste</b></i>				
<b>Capital assets being depreciated:</b>				
Buildings	\$ 5,304	\$ -	\$ -	\$ 5,304
Motor Vehicles	53,349	-	-	53,349
Heavy Vehicles	<u>717,952</u>	<u>-</u>	<u>-</u>	<u>717,952</u>
Total Capital Assets being Depreciated	<u>776,605</u>	<u>-</u>	<u>-</u>	<u>776,605</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	1,735	133	-	1,868
Motor Vehicles	53,350	-	-	53,350
Heavy Vehicles	<u>540,934</u>	<u>46,612</u>	<u>-</u>	<u>587,546</u>
Total Accumulated Depreciation	<u>596,019</u>	<u>46,945</u>	<u>-</u>	<u>642,964</u>
Total Capital Assets being Depreciated, Net	<u>180,586</u>			<u>133,641</u>
<b>Solid Waste Fund Capital Assets, Net</b>	<u>\$ 180,586</u>			<u>\$ 133,641</u>
 <i><b>South Harbour Golf Course Fund</b></i>				
<b>Capital assets not Being Depreciated</b>				
Land	\$ <u>1,401,795</u>	\$ -	\$ -	\$ <u>1,401,795</u>
<b>Total Capital Assets not being Depreciated</b>	<u>1,401,795</u>	<u>-</u>	<u>-</u>	<u>1,401,795</u>
<b>Capital assets being depreciated:</b>				
Buildings	98,205	-	-	98,205
Equipment	<u>73,471</u>	<u>-</u>	<u>-</u>	<u>73,471</u>
Total Capital Assets being Depreciated	<u>171,676</u>	<u>-</u>	<u>-</u>	<u>171,676</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	13,503	2,456	-	15,959
Equipment	<u>49,013</u>	<u>7,347</u>	<u>-</u>	<u>56,360</u>
Total Accumulated Depreciation	<u>62,516</u>	<u>9,803</u>	<u>-</u>	<u>72,319</u>
Total Capital Assets being Depreciated, Net	<u>109,160</u>			<u>1,501,153</u>
<b>SHGC Fund Capital Assets, Net</b>	<u>\$ 1,510,956</u>			<u>\$ 1,501,153</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 116,605,384</u>			<u>\$ 113,426,349</u>

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

**E. Assets (Continued)**

**4. Capital Assets (Continued)**

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

Water Fund	\$	107,289
Wastewater Fund		3,136,984
Solid Waste Fund		46,945
South Harbour Golf Course Fund		9,803
Total	\$	<u>3,301,021</u>

**Discretely Presented Component Unit**

Activity for the ABC Board for the year ended June 30, 2014 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Capital assets not Being Depreciated</b>				
Land	\$ 101,178	\$ -	\$ -	\$ 101,178
<b>Total Capital Assets not being Depreciated</b>	<u>101,178</u>	<u>-</u>	<u>-</u>	<u>101,178</u>
<b>Capital assets being depreciated:</b>				
Buildings	330,523	-	-	330,523
Furniture and Equipment	98,628	3,400	-	102,028
Paving	15,000	-	-	15,000
Total Capital Assets being Depreciated	<u>444,151</u>	<u>-</u>	<u>-</u>	<u>447,551</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	99,842	8,521	-	108,363
Furniture and Equipment	64,160	5,695	-	69,855
Paving	12,083	1,000	-	13,083
Total Accumulated Depreciation	<u>176,085</u>	<u>15,216</u>	<u>-</u>	<u>191,301</u>
Total Capital Assets being Depreciated, Net	<u>268,066</u>	<u>(11,816)</u>	<u>-</u>	<u>252,850</u>
<b>ABC Board Capital Assets, Net</b>	<u>\$ 369,244</u>			<u>\$ 357,428</u>

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

**Plan Description.** The Town of Oak Island and the ABC Board contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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.

**Funding Policy.** Plan members are required to contribute six percent of their annual covered salary. The Town and the ABC Board are required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 7.07% of annual covered payroll. The contribution requirements of members and of the Town of Oak Island and the ABC Board are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$339,202, \$340,961, and \$406,414 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2014, 2013 and 2012 were \$13,897, \$12,968 and \$10,918 respectively. The contributions made by the Town and the ABC Board equaled the required contributions for each year.

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

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

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

**1. Plan Description**

The Town of Oak Island administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>21</u>
Total	<u><u>22</u></u>

A separate report was not issued for the plan.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting.** The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

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

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

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

**3. Contributions**

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25 – 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post employment benefit increases.

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

Annual required contribution	\$	45,061
Interest on net pension obligation		709
Adjustment to annual required contribution		(1,155)
Annual pension cost (expense)		<u>44,615</u>
Contributions made		<u>30,669</u>
Increase (decrease) in net pension obligation		13,946
Net pension obligation, beginning of year		<u>14,177</u>
Net pension obligation, end of year	\$	<u><u>28,123</u></u>

**3 Year Trend Information**

For Year Ended June 30	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2012	\$ 47,089	84.44%	\$ (8,863)
2013	\$ 51,349	55.13%	\$ 14,177
2014	\$ 44,615	68.74%	\$ 28,123

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

**B. Liabilities (Continued)**

**1. Pension Plan Obligations (Continued)**

**4. Funded Status and Funding Progress**

As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$352,937. The covered payroll (annual payroll of active employees covered by the plan) was \$986,882, and the ratio of the UAAL to the covered payroll was 35.76 percent.

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

**c. Supplemental Retirement Income Plan**

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

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. 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, 2014 were \$232,183, which consisted of \$181,743 from the Town and \$50,440 from the law enforcement officers.

III. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

d. Firemen's and Rescue Squad Workers' Pension Fund

**Plan Description.** The State of North Carolina contributes on behalf of the Town of Oak Island, to the Firefighter's and Rescue Squad Workers' Pension Fund, a cost-sharing multiple-employer defined pension plan with a special funding situation administered by the State of North Carolina. The fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firefighter's and Rescue Squad Workers' Pension Fund 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 the Firemen's and Rescue Squad Workers' Pension Fund. 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.** The Town contributes \$10 per month to the Fund for members. The State, a non-employer contributor, funds the plan through appropriations. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

2. Other Employment Benefits

a. Healthcare Benefits

**Plan Description.** Under the terms of a Town resolution, the Town administers a single employer defined benefit Healthcare Benefits Plan (the HCB Plan). The HCB Plan provides postemployment health and dental care benefits to retirees of the Town who meet the following requirements:

1. An employee who has a minimum of fifteen year in the North Carolina Local Government Employees Retirement System ("NCLGERS"), and a minimum of five years service to the Town, and are fifty-five years of age or older may continue health insurance with the Town until age sixty-five. The retiree shall share the cost of coverage at the rate of 5% for every year of service to the NCLGERS below twenty-five years. Medicare supplemental insurance shall be offered to retirees sixty-five or older who meet the above criteria with all costs being borne by the retiree. Continuation of coverage for the retiree's spouse or family may be allowed until the retiree reaches age sixty-five, provided all costs are borne by the retiree.
2. An employee retiring from the Town of Oak Island who has a minimum of twenty-five years in the NCLGERS, a minimum five years service with the Town and who is fifty years of age or older, may continue health insurance coverage with the Town until age sixty-five at no cost to the retiree. Medicare supplemental insurance shall be offered to retirees sixty-five or older who meet the above criteria with all costs being borne by the retiree. Continuation of coverage for the retiree's spouse or family shall be available until the retiree reaches age sixty-five, provided all costs are borne by the retiree.

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

**B. Liabilities (Continued)**

**2. Other Employment Benefits (Continued)**

**a. Healthcare Benefits (Continued)**

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

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

Membership in the HCB Plan consisted of the following at December 12, 2012, the date of the latest actuarial valuation

Law Enforcement Officers	25
General Employees	104
Retirees	9
Total	138

***Funding Policy***

The Town has chosen to fund the healthcare benefits on a pay as you go basis. The current annual required contribution (ARC) is 3.21% of annual covered payroll. For the current year, the Town contributed \$98,071. The Town obtains healthcare coverage through private insurers. The Town's obligation to contribute to the HCB Plan is established and may be amended by the Town Council.

***Summary of Significant Accounting Policies***

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

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

**B. Liabilities (Continued)**

**2. Other Employment Benefits (Continued)**

**a. Healthcare Benefits (Continued)**

***Annual OPEB Cost and Net OPEB Obligation***

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

Annual required contribution	\$	166,324
Interest on net pension obligation		18,965
Adjustment to annual required contribution		(18,118)
Annual OPEB cost (expense)		<u>167,171</u>
Contributions made		<u>(98,071)</u>
Increase (decrease) in net OPEB obligation		69,100
Net OPEB obligation, beginning of year		<u>474,127</u>
Net OPEB obligation, end of year	\$	<u><u>543,227</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014 were as follows:

For Year Ended June 30	Annual OPEB Cost	% of Annual OPEB Contributed	Net OPEB Obligation
2012	\$ 195,989	33.7%	\$ 350,272
2013	\$ 185,692	33.3%	\$ 474,127
2014	\$ 167,171	58.7%	\$ 543,227

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

**B. Liabilities (Continued)**

**2. Other Employment Benefits (Continued)**

**a. Healthcare Benefits (Continued)**

***Funding Status and Funding Progress***

As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial liability was \$1,599,866. The covered payroll (annual payroll of active employees covered by the plan) was \$5,191,047, and the ratio of the UAAL to the covered payroll was 30.8 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

***Actuarial Methods and Assumptions***

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

In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 8.50 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The assumed investment rate of return reflects that no assets are set aside within the Town that is legally held exclusively for retiree health benefits. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012 was 30 years.

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

**B. Liabilities (Continued)**

**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.

For the fiscal year ended June 30, 2014, the Town made contributions to the State for death benefits of \$0. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

<u>No. Years Contributing</u>	<u>Years Relief</u>	<u>FY Contributions Resume</u>
Less than 10	1	2014
10 – 20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. The Town of Oak Island will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

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

**B. Liabilities (Continued)**

**3. Deferred Inflows of Resources**

The balance in deferred inflows of resources at year-end is comprised of the following:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
General Fund:		
Prepaid Taxes	\$ -	\$ 5,687
Taxes Receivable	802,197	-
Privilege Licenses Receivable	61,545	-
Assessment Receivable	24,859	-
	<u>888,601</u>	<u>5,687</u>
Non-major Governmental Funds:		
Assessments Receivable	6,405	-
	<u>6,405</u>	<u>-</u>
	<u>\$ 895,006</u>	<u>\$ 5,687</u>
Proprietary Funds:		
Wastewater Fund		
Prepaid Assessments		\$ 17,151
Non-major Proprietary Funds:		
Unredeemed Gift Cards		888
		<u>\$ 18,039</u>

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

**B. Liabilities (Continued)**

**4. Risk Management**

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

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

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

The Town carries flood insurance through the National Flood Insurance Program ("NFIP") for three buildings. All three buildings were required to obtain flood insurance as part of their installment purchase agreement. The Town does not feel that additional flood insurance is necessary because the danger of flooding as defined by the insurance companies is low.

In accordance with G.S. 159-29 the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are bonded for \$100,000 and \$50,000 respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

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

**5. Claims, Judgments and Contingent Liabilities**

At June 30, 2014, 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.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

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

**B. Liabilities (Continued)**

**6. Long-Term Obligations**

**a. Capital Leases**

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of all future minimum lease payments as of the date of their inception. In all agreements, title passes to the Town at the end of the lease term. The provisions of the capital leases are summarized below:

Date of Lease	Fund	Property Leased	Total of Lease	Payment Amount	Remaining Payments	Frequency of Payments
3/25/2005	General	2005 Emergency One Pumper Fire Truck	\$ 272,000	\$ 32,525	1	Annual
6/22/2009	General	2008 Rosenburgh Fire Truck	\$ 675,000	\$ 84,186	6	Annual
9/28/2010	General	Caterpillar Motor Grader	\$ 88,000	\$ 18,491	1	Annual

The following is an analysis of the assets recorded under capital leases at June 30, 2014:

Fund	Class of Property	Cost	Accumulated Depreciation	Net Book Value
General	Equipment	\$ 118,000	\$ 45,233	\$ 72,767
General	Heavy Motor Vehicles	873,651	556,345	317,306
		<u>\$ 991,651</u>	<u>\$ 601,578</u>	<u>\$ 390,073</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2015	\$ 116,678
2016	84,187
2017	84,186
2018	84,186
2019-2021	<u>168,373</u>
Total Minimum Lease Payments	537,610
Less: Amount representing Interest , end of year	<u>74,611</u>
Present Value of the Minimum Lease Payments	\$ <u>462,999</u>

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

**B. Liabilities (Continued)**

**6. Long-Term Obligations (Continued)**

**b. Installment Purchases**

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

General Fund

- a. On May 15, 2008, the Town entered into an installment purchase contract with BB&T for construction of police headquarters, due in annual principal installments of \$266,667 plus interest of 3.89% through July 2021.
- b. On May 15, 2008 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 \$408,643 plus interest of 3.93% through July 2022.
- c. On August 14, 2008, 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 \$127,940 plus interest of 4.39% through June 2019.
- d. On June 17, 2009, the Town entered into an installment purchase contract with BB&T for the purchase and repair of the Yaupon Pier, due in annual principal installments of \$90,000 plus interest of 4.39% through June 2019.
- e. On May 13, 2009, the Town entered into an installment purchase contract with BB&T for the construction of Town Hall, due in annual principal installments of \$326,667 plus interest of 4.59% through July, 2024.

Wastewater Fund

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

Water Fund

- a. On April 25, 2012, the Town entered into an installment obligation to NC Department of Transportation for the relocation of water lines during the construction of the new bridge to the Island due in annual installments of \$141,900 with no interest through April, 2014.

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

**B. Liabilities (Continued)**

**6. Long-Term Obligations (Continued)**

**b. Installment Purchases (Continued)**

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

<u>Year Ending June 30</u>	<b>Governmental Type Activities</b>		<b>Business Type Activities</b>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,219,917	\$ 457,657	\$ 99,362	\$ 15,235
2016	1,219,917	406,598	104,201	10,396
2017	1,219,917	355,540	109,275	5,322
2018	1,219,917	304,481		
2019-2025	5,998,301	825,217		
<b>Total</b>	<b>\$ 10,877,969</b>	<b>\$ 2,349,493</b>	<b>\$ 312,838</b>	<b>\$ 30,953</b>

**c. 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.

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

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

<u>Year Ending June 30</u>	<b>Business Type Activities</b>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 623,679	\$ 260,201
2016	637,853	246,057
2017	652,351	231,529
2018	667,181	216,700
2019-2023	3,570,513	848,890
2024-2027	3,995,646	423,756
Thereafter	1,251,406	39,496
<b>Total</b>	<b>\$ 11,398,629</b>	<b>\$ 2,266,599</b>

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

**B. Liabilities (Continued)**

**6. Long-Term Obligations (Continued)**

**c. Revenue Debt**

On August 1, 1993, the Town of Yaupon Beach received a \$3,159,476 loan from the North Carolina Water Pollution Revolving Fund. The Town of Oak Island assumed the balance of \$2,369,607 owed on July 1, 1999. The proceeds of this debt were used to finance a wastewater treatment system. Solely the revenues produced by the wastewater treatment system collateralize this note. Principal payments are due annually on November 1, 2014 with semi-annual interest payments due on May 1 and November 1 at an annual interest rate of 3.57%.

Annual debt service requirements to maturity for revenue indebtedness in the Wastewater Fund have been fulfilled.

**d. Revenue Bonds**

\$33,040,000 Enterprise System Bonds, series 2008A, net of \$561,329 issuance premium for wastewater system improvements. Principal installments are due annually on June 1 with semiannual interest payments due on December 1 and June 1, at an annual interest rate of 3.50%-5.00%. \$ 29,556,671

\$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%. 46,838,843

\$10,670,000 Enterprise System Bonds, series 2011, net of \$77,888 issuance discount issued for wastewater system improvements. Principal installments are due annually on June 1 with semiannual interest payments due on December 1 and June 1, at an annual interest rate of 2.25% to 5.75%. 9,835,645

\$ 86,226,777

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

**B. Liabilities (Continued)**

**6. Long-Term Obligations (Continued)**

**d. Revenue Bonds (Continued)**

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

<u>Year Ending June 30</u>	<b>Business Type Activities</b>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 2,352,190	\$ 4,487,356
2016	2,447,190	4,393,881
2017	2,547,190	4,298,931
2018	2,652,190	4,190,606
2019-2023	15,170,949	19,036,744
2024-2027	19,345,949	14,856,006
Thereafter	41,713,310	10,774,250
Total	<u>\$ 86,226,777</u>	<u>\$ 62,037,774</u>

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 and 2011. 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)**

**d. Revenue Bonds (Continued)**

The debt service coverage calculation for the year ended June 30, 2014 is as follows:

Operating and Non-operating Revenues	\$ 11,868,869
Sewer District Fee	2,004,788
Sewer Assessment Revenue	<u>1,700,000</u>
Total Revenues*	15,573,657
Current Expenses**	<u>6,558,787</u>
Income Available for Debt Service	9,014,870
15% of the Balance of the Revenue Fund	<u>776,269</u>
Total	<u><u>9,791,139</u></u>
100% of the Long Term Debt Service requirement for parity indebtedness, subordinated indebtedness, System G.O. indebtedness, and System Other Indebtedness for 2015.	6,836,933
Additional 20% of the Long Term Debt Service Requirement for Parity Indebtedness for 2015.	<u>1,367,386</u>
Total	<u><u>8,204,319</u></u>
Coverage Test 704(a)	1.03
Coverage Test 704(b)	1.11

\*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 \$1,700,000 in assessment revenue was included.

\*\*Per rate covenants, this does not include depreciation expense of \$3,244,273

The Town has pledged future water and wastewater customer revenues, net of specified current expenses, to repay \$88,491,458 in water and wastewater revenue bonds issued in January 2008, March, 2009 and January, 2011. 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 \$148,266,742. Principal and interest paid for the current year was \$6,845,696.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Notes to the Financial Statements (Continued)  
For the Fiscal Year Ended June 30, 2014

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

**B. Liabilities (Continued)**

**6. Long-Term Obligations (Continued)**

**d. Revenue Bonds (Continued)**

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

At June 30, 2014 US Bank as Trustee for the Town of Oak Island held the following deposits:

Enterprise Systems Bonds, Series 2009 Special Reserve Account	\$	3,860,894
Enterprise Systems Bonds, Series 2011 Special Revenue Account		787,262
Total on Deposit with Trustee	\$	<u>4,648,156</u>

At June 30, 2014, the Town of Oak Island had a legal debt margin of \$195,870,328.

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

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
<b>Governmental activities:</b>					
Installment purchases	\$ 12,097,884	\$ -	\$ 1,219,915	\$ 10,877,969	\$ 1,219,916
Capitalized Leases	798,261	-	335,271	462,990	31,388
Compensated absences	351,076	317,053	296,171	371,958	194,514
Other Postemployment Benefits	352,001	138,842	98,070	392,773	-
Net pension obligation	14,177	13,946	-	28,123	-
Governmental activity long-term Liabilities	<u>\$ 13,613,399</u>	<u>\$ 469,841</u>	<u>\$ 1,949,427</u>	<u>\$ 12,133,813</u>	<u>\$ 1,445,818</u>
<b>Business-type activities:</b>					
Installment Purchases	\$ 549,486	\$ -	\$ 236,648	\$ 312,838	\$ 99,362
State Revolving Loan	12,008,451	-	609,823	11,398,628	623,680
Revenue Debt	157,973	-	157,973	-	-
Revenue Bonds	88,491,158	-	2,264,381	86,226,777	2,350,000
Other Postemployment Benefits	122,126	33,217	4,886	150,457	-
Compensated Absences	107,237	82,985	71,048	119,174	53,649
Business-type activity long-term Liabilities	<u>\$ 101,436,431</u>	<u>\$ 116,202</u>	<u>\$ 3,344,759</u>	<u>\$ 98,207,874</u>	<u>\$ 3,126,691</u>

Compensated absences for governmental activities typically have been liquidated in the General Fund.

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

**C. Interfund Balances and Activity**

Balances due/to other funds at June 20, 2014, consist of the following:

Due to the Beach Tax Fund from:

Wastewater Capital Project	\$ 2,929,959
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Due to the Accommodations Tax Fund from:

Wastewater Capital Project	\$ 570,041
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This balance was necessary to finance the remaining costs of the Wastewater System. The Town Council approved the loan with the requirement that the Accommodations Tax Fund be repaid over the next ten years. During the year Council approved a split of the Accommodations Tax Fund which is now made up of the Beach Tax Fund and the Accommodations Tax Fund. So the loan was divided among the two funds based on the balance in each. The loan bears interest at the rate that the Town's investment accounts are paying at the payment date. Per GASB requirements, this loan is shown as a receivable in the lending fund and a payable in the receiving fund. The loan is not reported in the fund financial statements as other sources and uses.

Transfers to/from other funds at June 30, 2014, consist if the following

From the Accommodations Tax Fund to the Beach Tax Fund	\$ 2,929,959
From the Accommodations Tax Fund to the South Harbour Golf Course Fund	70,000
Totals	\$ 3,291,933

The interfund transfer from the Accommodations Tax Fund to the Beach Tax fund was the result of the Council approved division of the Accommodations Tax Fund. The accommodations revenues are taxed at a tax rate of five percent. Two percent remains in the Accommodations Tax fund while three percent is recorded in the Beach Tax Fund. Other interfund transfers were made during the year to accumulate resources to supplement other funding sources in the South Harbour Golf Course Fund.

**D. Disposal of Operations**

On February 11, 2014, the Town transferred \$292, 059 from its Emergency 911 fund to the Brunswick County Government for the purpose of enhancing Emergency 911 services. There were no expenses related to the Town's Emergency 911 operations and \$85 in investment revenue. The remaining \$5,356 in the Emergency 911 Fund will be transferred to the County in the upcoming fiscal year.

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

**E. 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	\$	7,883,372
Less:		
Inventories		7,999
Prepays		18,713
Stabilization by State Statute		699,079
Streets-Powell Bill		700,431
Capital Projects		425,432
Remaining Fund Balance	\$	6,031,718

**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 \$550 to the Council during the fiscal year ended June 30, 2014. 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 City 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 City 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, 2014, 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, 2014. 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 cost s 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, 2014 the Town of Oak Island recorded \$ 2,907,369 in capacity fees and \$437,221 in service fees to Brunswick County.

**VI. 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.

**VII. SUBSEQUENT EVENTS**

Events occurring after June 30, 2014 were evaluated by management on February 6, 2015 to ensure that any subsequent events that met the criteria for recognition and or disclosure in these financial statements have been included. In management's opinion, there are no events that require disclosure in these financial statements.

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 Law Enforcement Officers' Special Separation Allowance  
 Required Supplementary Information  
 Schedule of Funding Progress  
 June 30, 2014

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
12/31/1999	\$ -	\$ 137,986	\$ 137,986	0.00%	\$ 674,267	22.10%
12/31/2000	-	190,934	190,934	0.00%	833,443	22.91%
12/31/2001	-	212,480	212,480	0.00%	848,902	25.03%
12/31/2002	-	268,781	268,781	0.00%	836,623	32.13%
12/31/2003	-	278,926	278,926	0.00%	792,942	35.18%
12/31/2004	-	369,658	369,658	0.00%	780,787	47.34%
12/31/2005	-	322,470	322,470	0.00%	918,365	35.11%
12/31/2006	-	298,853	298,853	0.00%	994,570	30.05%
12/31/2007	-	391,206	391,206	0.00%	1,011,832	38.66%
12/31/2008	-	376,725	376,725	0.00%	1,073,205	35.10%
12/31/2009	-	439,890	439,890	0.00%	1,129,298	38.95%
12/31/2010	-	414,197	414,197	0.00%	1,139,599	36.35%
12/31/2011	-	427,131	427,131	0.00%	1,220,744	34.99%
12/31/2012	-	364,518	364,518	0.00%	1,067,720	34.14%
12/31/2013	-	352,937	352,937	0.00%	986,882	35.76%

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 Law Enforcement Officers' Special Separation Allowance  
 Required Supplementary Information  
 Schedule of Employer Contributions  
 June 30, 2014

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2001	\$ 18,634	68.90%
2002	22,755	73.07%
2003	24,648	67.47%
2004	29,916	55.59%
2005	34,761	146.19%
2006	32,482	156.44%
2007	31,352	182.58%
2008	37,884	159.25%
2009	37,997	154.68%
2010	38,565	134.61%
2011	45,841	99.99%
2012	46,933	84.71%
2013	51,240	55.24%
2014	51,373	55.24%

Notes to the Required Schedules:

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

Valuation Date	12/31/2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar Closed
Remaining Amortization Period	17 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	5.00%
Projected Salary Increases	4.25% - 7.85%
Includes Inflation at	3.00%
Cost of Living Adjustments	N/A

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Other Postemployment Benefits

Required Supplementary Information

Schedule of Funding Progress

June 30, 2014

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
12/31/2008	\$ -	\$ 1,813,586	\$ 1,813,586	0.00%	\$ 5,555,994	32.60%
12/31/2011	-	1,851,682	1,851,682	0.00%	6,123,242	30.20%
12/31/2012	-	1,599,866	1,599,866	0.00%	5,191,047	30.80%

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Other Postemployment Benefits  
Required Supplementary Information  
Schedule of Employer Contributions  
June 30, 2014

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<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 195,989	33.70%
2013	185,692	33.30%
2014	166,324	58.70%

Notes to the Required Schedules:

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

Valuation Date	12/31/2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Pay Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.00%
Medical Cost Trend Rate	8.5%-5.00%
Years of Ultimate Trend Rate	2018
Includes Inflation at	3.00%

***Supplementary Statements  
and Schedules***

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***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, 2014

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
<b>Ad Valorem Taxes</b>			
Current Year	\$ 6,592,403	\$ 6,533,693	\$ (58,710)
Prior Years	153,358	205,497	52,139
Motor Vehicle Tax	100,000	235,898	135,898
Penalties and Interest	31,250	56,465	25,215
<b>Total Ad Valorem Taxes</b>	<b>6,877,011</b>	<b>7,031,553</b>	<b>154,542</b>
<b>Other Taxes and Licenses</b>			
Local Option Sales Tax			
1%	604,154	604,488	334
1/2% 40	311,096	325,951	14,855
1/2% 42	308,429	309,805	1,376
1/2% 44	274,822	291,083	16,261
Privilege Licenses	28,000	16,444	(11,556)
Animal Control	4,500	2,965	(1,535)
<b>Total Other Taxes and Licenses</b>	<b>1,531,001</b>	<b>1,550,736</b>	<b>19,735</b>
<b>Unrestricted Intergovernmental</b>			
Beer and Wine Tax	31,000	30,401	(599)
Utility Franchise Tax	415,000	440,598	25,598
Telecommunications Tax	-	29,997	29,997
Video Franchise Fees	-	12,585	12,585
ABC Profit Distribution	80,000	146,556	66,556
<b>Total Unrestricted Intergovernmental</b>	<b>526,000</b>	<b>660,137</b>	<b>134,137</b>
<b>Restricted Intergovernmental</b>			
FEMA SAFR Grant	-	31,684	31,684
NC Control Substance Tax Distribution	-	1,191	1,191
Brunswick County Fire District Fees	975,000	1,004,227	29,227
Brunswick County Rescue Contract	36,000	36,000	-
State Street Aid Allocation	305,735	305,736	1
NCLM Safety Grant	750	750	750
US Office of Justice Programs-Bullet Proof Vest Grant	-	1,072	1,072
DHS - Marine Fire Equipment and Training Grant	10,512	15,555	5,043
Recreation Grants	20,000	-	(20,000)
<b>Total Restricted Intergovernmental</b>	<b>1,347,997</b>	<b>1,396,215</b>	<b>48,218</b>
<b>Permits and Fees</b>			
Planning Board Fees	-	1,050	1,050
Homeowners Recovery Fund	500	1,280	780
Building Permits	130,000	196,234	66,234
Inspection Fees	40,000	71,852	31,852
Other Permits and Fees	24,700	70,053	45,353
CAMA Reimbursement	4,500	7,865	3,365
<b>Total Permits and Fees</b>	<b>199,700</b>	<b>348,334</b>	<b>148,634</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, 2014

	Final Budget	Actual	Variance Positive (Negative)
<b>Sales and Services</b>			
Recreation Department Fees	76,000	69,469	(6,531)
Salty Dog Park Revenues	-	931	931
Stormwater Fees, Residential	165,186	175,240	10,054
Stormwater Fees, Commercial	24,000	21,984	(2,016)
Rescue Squad Fees	35,000	29,420	(5,580)
Sponsorship Ads	2,300	2,390	90
Weight Room Fees	35,000	50,342	15,342
Merchandising	5,000	2,566	(2,434)
Mosquito Control	-	1,648	1,648
Video Programming Revenue	150,000	153,498	3,498
Commercial Plan Review Fee	-	350	350
Lease, Southern Bell	-	2,880	2,880
<b>Total Sales and Services</b>	<b>492,486</b>	<b>510,718</b>	<b>18,232</b>
<b>Investment Earnings</b>			
General Fund	1,900	2,025	125
<b>Total Investment Earnings</b>	<b>1,900</b>	<b>2,025</b>	<b>125</b>
<b>Miscellaneous</b>			
Underground Utility Assessments	-	354	354
Pier Lease	76,000	72,535	(3,465)
Sponsorship-Oak Island Fireworks	-	2,900	2,900
Donations	3,100	3,883	783
Civil Citations	13,000	9,810	(3,190)
Turtle Program	5,000	8,393	3,393
Interest on Assessments	-	111	111
Lawsuit Settlement	-	625,000	625,000
Miscellaneous	5,130	41,495	36,365
<b>Total Miscellaneous</b>	<b>102,230</b>	<b>764,481</b>	<b>662,251</b>
<b>Total Revenues</b>	<b>\$ 11,078,325</b>	<b>\$ 12,264,199</b>	<b>\$ 1,185,874</b>
<b>Expenditures</b>			
<b>Governing Board</b>			
Salaries and Wages	\$ 39,500	\$ 39,500	\$ -
Employee Benefits	2,640	2,249	391
Operating Expenditures	512,700	503,775	8,925
Donations:			
Brunswick Family Assistance	2,000	2,000	-
Chamber of Commerce	3,000	3,000	-
Oak Island Senior Citizens	3,000	3,000	-
Communities in Schools	1,000	1,000	-
Hope Harbor Home	1,000	1,000	-
Family Emergency Teen Shelter	1,000	1,000	-
NC Fourth of July Festival	1,000	1,000	-
Oak Island Community Watch	4,000	4,000	-
Lower Cape Fear Hospice	2,500	2,500	-
Oak Island Feral Cat Program	1,000	1,000	-
<b>Total Governing Board</b>	<b>574,340</b>	<b>565,024</b>	<b>9,316</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, 2014

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Administration</b>			
Salaries and Wages	669,298	664,798	4,500
Employee Benefits	266,066	258,122	7,944
Operating Expenditures	1,060,394	638,956	421,438
Capital Outlay	132,787	16,737	116,050
<b>Total Administration</b>	<b>2,128,545</b>	<b>1,578,613</b>	<b>549,932</b>
<b>Grounds Maintenance</b>			
Operating Expenditures	-	71	(71)
<b>Total Grounds Maintenance</b>	<b>-</b>	<b>71</b>	<b>(71)</b>
<b>Facilities Management</b>			
Salaries and Wages	40,859	40,837	22
Employee Benefits	15,893	15,745	148
Operating Expenditures	420,505	397,557	22,948
Capital Outlay	38,600	30,242	8,358
<b>Total Public Works</b>	<b>515,857</b>	<b>484,381</b>	<b>31,476</b>
<b>Total General Government</b>	<b>3,218,742</b>	<b>2,628,089</b>	<b>590,653</b>
<b>Public Safety</b>			
<b>Police</b>			
Salaries and Wages	1,120,437	1,083,688	36,749
Employee Benefits	455,851	414,038	41,813
Operating Expenditures	190,991	147,906	43,085
<b>Total Police</b>	<b>1,767,279</b>	<b>1,645,632</b>	<b>121,647</b>
<b>Fire</b>			
Salaries and Wages	1,037,099	980,805	56,294
Employee Benefits	356,499	333,578	22,921
Operating Expenditures	298,922	264,866	34,056
Capital Outlay	12,000	-	12,000
<b>Total Fire</b>	<b>1,704,520</b>	<b>1,579,249</b>	<b>125,271</b>
<b>Developmental Services</b>			
Salaries and Wages	264,980	263,894	1,086
Employee Benefits	113,115	104,839	8,276
Operating Expenditures	50,932	32,448	18,484
<b>Total Developmental Services</b>	<b>429,027</b>	<b>401,181</b>	<b>27,846</b>
<b>Animal Control</b>			
Salaries and Wages	80,316	80,191	125
Employee Benefits	34,552	34,511	41
Operating Expenditures	16,465	9,888	6,577
<b>Total Animal Control</b>	<b>131,333</b>	<b>124,590</b>	<b>6,743</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, 2014

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Beach Ambassador</b>			
Salaries and Wages	2,650	1,040	1,610
Employee Benefits	290	80	210
Operating Expenditures	4,750	2,204	2,546
Capital Outlay	11,000	9,497	1,503
<b>Total Beach Ambassador</b>	<b>18,690</b>	<b>12,821</b>	<b>5,869</b>
<b>Total Public Safety</b>	<b>4,050,849</b>	<b>3,763,473</b>	<b>287,376</b>
<b>Transportation</b>			
<b>Public Works</b>			
Administration			
Salaries and Wages	103,416	94,748	8,668
Employee Benefits	40,802	33,693	7,109
Operating Expenditures	14,900	7,942	6,958
<b>Total Administration, Public Works</b>	<b>159,118</b>	<b>136,383</b>	<b>22,735</b>
Operations			
Salaries and Wages	242,128	239,332	2,796
Employee Benefits	104,017	99,315	4,702
Operating Expenditures	1,637,257	916,157	721,100
<b>Total Operations, Public Works</b>	<b>1,983,402</b>	<b>1,254,804</b>	<b>728,598</b>
<b>Street Repair and Construction</b>			
Operating Expenditures	-	238	(238)
<b>Total Street Repair and Construction</b>	<b>-</b>	<b>238</b>	<b>(238)</b>
<b>Fleet Maintenance</b>			
Salaries and Wages	79,285	79,256	29
Employee Benefits	34,170	32,805	1,365
Operating Expenditures	42,780	31,331	11,449
<b>Total Fleet Maintenance</b>	<b>156,235</b>	<b>143,392</b>	<b>12,843</b>
<b>Total Transportation</b>	<b>2,298,755</b>	<b>1,534,817</b>	<b>741,203</b>
<b>Environmental Protection</b>			
Salaries and Wages	74,125	73,744	381
Employee Benefits	32,511	29,307	3,204
Operating Expenditures	75,380	35,939	39,441
<b>Total Environmental Protection</b>	<b>182,016</b>	<b>138,990</b>	<b>43,026</b>
<b>Cultural and Recreation</b>			
<b>Recreation</b>			
Salaries and Wages	307,944	300,517	7,427
Employee Benefits	91,870	87,966	3,904
Operating Expenditures	102,323	88,343	13,980
<b>Total Recreation</b>	<b>502,137</b>	<b>476,826</b>	<b>25,311</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, 2014

	Final Budget	Actual	Variance Positive (Negative)
<b>Community Resource Center</b>			
Salaries and Wages	71,414	67,669	3,745
Employee Benefits	19,648	18,878	770
Operating Expenditures	19,910	13,486	6,424
<b>Total Community Resource Center</b>	<u>110,972</u>	<u>100,033</u>	<u>10,939</u>
<b>Total Cultural and Recreation</b>	<u>613,109</u>	<u>576,859</u>	<u>36,250</u>
<b>Debt Service</b>			
Principal	1,569,705	1,555,186	14,519
Interest and Fees	540,698	539,172	1,526
<b>Total Debt Service</b>	<u>2,110,403</u>	<u>2,094,358</u>	<u>16,045</u>
<b>Total Expenditures</b>	<u>12,473,874</u>	<u>10,736,586</u>	<u>1,671,527</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(1,395,549)</u>	<u>1,527,613</u>	<u>2,923,162</u>
<b>Other Financing Sources (Uses)</b>			
Appropriated Fund Balance	1,291,976	-	(1,291,976)
Transfers from Other Funds:			
Accomodations Tax Fund	62,706	-	(62,706)
Beach Tax Fund	10,000	-	(10,000)
Beach Preservation Fund	14,700	-	(14,700)
Solid Waste Fund	16,167	-	(16,167)
Sale of Capital Assets	-	14,282	14,282
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 1,395,549</u>	<u>\$ 14,282</u>	<u>\$ (1,381,267)</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>-</u>	<u>1,541,895</u>	<u>1,541,895</u>
<b>Fund Balance - Beginning of Year</b>		<u>5,915,880</u>	
<b>Fund Balance - End of Year</b>		<u><u>\$ 7,457,775</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, 2014

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Investment Earnings	\$ -	\$ 165	\$ 165
<b>Total Revenues</b>	<u>-</u>	<u>165</u>	<u>165</u>
<b>Other Financing Sources (Uses)</b>			
Appropriated Fund Balance	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures</b>	<u>-</u>	<u>165</u>	<u>165</u>
<b>Fund Balance - Beginning of Year</b>		<u>425,432</u>	
<b>Fund Balance - End of Year</b>		<u><u>\$ 425,597</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  
Other Governmental Funds  
For the Year Ended June 30, 2014

	<b>Total Other Governmental Special Revenue Funds</b>	<b>Total Other Governmental Capital Project Funds</b>	<b>Total Other Governmental Funds</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,697,273	\$ 394,428	\$ 2,091,701
Restricted Cash	-	-	-
Assessments Receivable, Net	6,405	-	6,405
Accounts Receivable	220,427	-	220,427
Due From Other Funds	3,500,000	-	3,500,000
Prepays	56,163	-	56,163
<b>Total Assets</b>	<b>5,480,268</b>	<b>-</b>	<b>5,874,696</b>
<b>Liabilities</b>			
Accounts Payable	1,157	-	1,157
Due to Other Funds	-	8,547	8,547
<b>Total Liabilities</b>	<b>1,157</b>	<b>8,547</b>	<b>9,704</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	6,405	-	6,405
<b>Total Deferred Inflows of Resources</b>	<b>6,405</b>	<b>-</b>	<b>6,405</b>
<b>Fund Balances</b>			
Non Spendable			
Prepays	56,163	-	56,163
Restricted			
Tourism	5,327,155	-	5,327,155
Public Safety	5,356	-	5,356
Cultural and Recreation	84,032	-	84,032
Committed			
Administration	-	385,048	385,048
Public Safety	-	833	833
<b>Total Fund Balances</b>	<b>5,472,706</b>	<b>385,881</b>	<b>5,858,587</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>5,480,268</b>	<b>394,428</b>	<b>5,874,696</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

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

Other Governmental Funds

For the Year Ended June 30, 2014

	<b>Total Other Governmental Special Revenue Funds</b>	<b>Total Other Governmental Capital Projects Funds</b>	<b>Total Other Governmental Funds</b>
<b>Revenues</b>			
Other Taxes and Licenses	\$ 1,166,651	\$ -	\$ 1,166,651
Restricted Intergovernmental	-	-	-
Investment Earnings	912	492	1,404
Miscellaneous	18,476	-	18,476
<b>Total Revenues</b>	<b>1,186,039</b>	<b>492</b>	<b>1,186,531</b>
<b>Expenditures</b>			
Current:			
General Government	-	-	-
Public Safety	-	-	-
Culture and Recreation	179,003	-	179,003
<b>Total Expenditures</b>	<b>179,003</b>	<b>-</b>	<b>179,003</b>
<b>Revenues Over (Under) Expenditures</b>	<b>1,007,036</b>	<b>492</b>	<b>1,007,528</b>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	2,929,959	-	2,929,959
Transfers to Other Funds	(2,999,959)	-	(2,999,959)
Disposal of Government Operations	(292,059)	-	(292,059)
<b>Total Other Financing Sources (Uses)</b>	<b>(362,059)</b>	<b>-</b>	<b>(362,059)</b>
<b>Net Change in Fund Balance</b>	<b>644,977</b>	<b>492</b>	<b>645,469</b>
<b>Fund Balance - Beginning of Year</b>	<b>4,827,729</b>	<b>385,389</b>	<b>5,213,118</b>
<b>Fund Balance - End of Year</b>	<b>\$ 5,472,706</b>	<b>\$ 385,881</b>	<b>\$ 5,858,587</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Combining Balance Sheet

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2014

	<b>Accommodations Tax Fund</b>	<b>Beach Tax Fund</b>	<b>Emergency 911 Fund</b>	<b>Beach Preservation Fund</b>	<b>Total Other Governmental Special Revenue Funds</b>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 1,167,221	\$ 440,664	\$ 5,356	\$ 84,032	\$ 1,697,273
Assessments Receivable, Net	6,405	-	-	-	6,405
Accounts Receivable	132,309	88,118	-	-	220,427
Due From Other Funds	570,041	2,929,959	-	-	3,500,000
Prepays	56,163	-	-	-	56,163
<b>Total Assets</b>	<b>1,932,139</b>	<b>3,458,741</b>	<b>5,356</b>	<b>84,032</b>	<b>5,480,268</b>
<b>Liabilities</b>					
Accounts Payable	1,157	-	-	-	1,157
<b>Total Liabilities</b>	<b>1,157</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,157</b>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue	6,405	-	-	-	6,405
<b>Total Deferred Inflows of Resources</b>	<b>6,405</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,405</b>
<b>Fund Balances</b>					
Non Spendable					
Prepays	56,163	-	-	-	56,163
Restricted					
Tourism	1,868,414	3,458,741	-	-	5,327,155
Public Safety	-	-	5,356	-	5,356
Cultural and Recreation	-	-	-	84,032	84,032
<b>Total Fund Balances</b>	<b>1,924,577</b>	<b>3,458,741</b>	<b>5,356</b>	<b>84,032</b>	<b>5,472,706</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,932,139</b>	<b>\$ 3,458,741</b>	<b>\$ 5,356</b>	<b>\$ 84,032</b>	<b>\$ 5,480,268</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

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

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2014

	<b>Accomodations Tax Fund</b>	<b>Beach Tax Fund</b>	<b>Emergency 911 Fund</b>	<b>Beach Preservation Fund</b>	<b>Total Other Governmental Special Revenue Funds</b>
<b>Revenues</b>					
Other Taxes and Licenses	\$ 609,005	\$ 557,646	\$ -	\$ -	\$ 1,166,651
Restricted Intergovernmental	-	-	-	-	-
Investment Earnings	497	386	-	29	912
Miscellaneous	631	-	85	17,760	18,476
<b>Total Revenues</b>	<b>610,133</b>	<b>558,032</b>	<b>85</b>	<b>17,789</b>	<b>1,186,039</b>
<b>Expenditures</b>					
Current:					
Public Safety	-	-	-	-	-
Culture and Recreation	144,541	29,250	-	5,212	179,003
<b>Total Expenditures</b>	<b>144,541</b>	<b>29,250</b>	<b>-</b>	<b>5,212</b>	<b>179,003</b>
<b>Revenues Over (Under) Expenditures</b>	<b>465,592</b>	<b>528,782</b>	<b>85</b>	<b>12,577</b>	<b>1,007,036</b>
<b>Other Financing Sources (Uses)</b>					
Transfers from Other Funds	-	2,929,959	-	-	2,929,959
Transfers to Other Funds	(2,999,959)	-	-	-	(2,999,959)
Disposal of Government Operations	-	-	(292,059)	-	(292,059)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,999,959)</b>	<b>2,929,959</b>	<b>(292,059)</b>	<b>-</b>	<b>(362,059)</b>
<b>Net Change in Fund Balance</b>	<b>(2,534,367)</b>	<b>3,458,741</b>	<b>(291,974)</b>	<b>12,577</b>	<b>644,977</b>
<b>Fund Balance - Beginning of Year</b>	<b>4,458,944</b>	<b>-</b>	<b>297,330</b>	<b>71,455</b>	<b>4,827,729</b>
<b>Fund Balance - End of Year</b>	<b>\$ 1,924,577</b>	<b>\$ 3,458,741</b>	<b>\$ 5,356</b>	<b>\$ 84,032</b>	<b>\$ 5,472,706</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, 2014

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Investment Earnings	\$ 60	\$ 29	\$ (31)
Miscellaneous			
Fund Raisers	7,500	12,043	4,543
Donations	1,500	202	(1,298)
Memberships	4,000	5,515	1,515
Total Miscellaneous	<u>13,000</u>	<u>17,760</u>	<u>4,760</u>
<b>Total Revenues</b>	<u>13,060</u>	<u>17,789</u>	<u>(31)</u>
<b>Expenditures</b>			
Cultural and Recreational:			
Miscellaneous Supplies	1,000	294	706
Float and Other Events	1,000	277	723
Beach Lobbyist	1,500	-	1,500
Fund Raiser Events	2,500	1,875	625
Miscellaneous	1,000	735	265
Beach Preservation Newsletter	1,000	693	307
Beach Preservation Projects	2,360	700	1,660
Beach Lover's Campaign	2,700	638	2,062
<b>Total Expenditures</b>	<u>13,060</u>	<u>5,212</u>	<u>7,848</u>
<b>Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>12,577</u>	<u>12,577</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures</b>	<u>-</u>	<u>12,577</u>	<u>12,577</u>
<b>Fund Balance - Beginning of Year</b>		<u>71,455</u>	
<b>Fund Balance - End of Year</b>		<u>\$ 84,032</u>	

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Special Revenue-Emergency 911 Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2014

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Restricted Intergovernmental:			
State 911 Fund	\$ -	\$ -	\$ -
Total Restricted Intergovernmental	<u>-</u>	<u>-</u>	<u>0</u>
Investment Earnings	<u>-</u>	<u>85</u>	<u>85</u>
<b>Total Revenues</b>	<u>-</u>	<u>85</u>	<u>85</u>
<b>Expenditures</b>			
Public Safety:			
911 Service	<u>-</u>	<u>-</u>	<u>-</u>
Total Public Safety	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>85</u>	<u>85</u>
<b>Other Financing Sources (Uses)</b>			
Disposal of Government Operations	<u>-</u>	<u>(292,059)</u>	<u>(292,059)</u>
<b>Total Other Financing Uses</b>	<u>-</u>	<u>(292,059)</u>	<u>(292,059)</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures</b>	<u><u>-</u></u>	<u><u>(291,974)</u></u>	<u><u>(291,974)</u></u>
<b>Fund Balance - Beginning of Year</b>		<u>297,330</u>	
<b>Fund Balance - End of Year</b>		<u><u>\$ 5,356</u></u>	

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Special Revenue-Accomodations Tax Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Other Taxes and Licenses:			
Accomodations Tax Receipts	\$ 606,000	\$ 609,005	\$ 3,005
Total Other Taxes and Licenses	<u>606,000</u>	<u>609,005</u>	<u>3,005</u>
Investment Earnings	<u>1,540</u>	<u>497</u>	<u>(1,043)</u>
Miscellaneous			
Sand Project Assessments	-	450	450
Miscellaneous Revenue	-	181	181
Total Miscellaneous	<u>-</u>	<u>631</u>	<u>631</u>
<b>Total Revenues</b>	<u>607,540</u>	<u>610,133</u>	<u>2,593</u>
<b>Expenditures</b>			
Cultural and Recreational:			
Salaries	27,890	27,883	7
Employee Benefits	3,390	3,383	7
Greenhouse	8,020	7,281	739
Contracted Services	25,030	25,020	10
Bulkheading	7,000	6,358	642
Dredging Project	4,050	-	4,050
Oak Island Pier	74,620	74,616	4
Reserve-2% Accomodations Tax	264,258	-	264,258
Total Cultural and Recreational	<u>414,258</u>	<u>144,541</u>	<u>269,717</u>
<b>Total Expenditures</b>	<u>414,258</u>	<u>144,541</u>	<u>269,717</u>
<b>Revenues Over (Under) Expenditures</b>	<u>193,282</u>	<u>465,592</u>	<u>272,310</u>
<b>Other Financing Sources (Uses)</b>			
Transfers to:			
Beach Tax Fund	-	(2,929,959)	(2,929,959)
South Harbour Golf Fund	(102,076)	(70,000)	32,076
Other Transfers	(91,206)	-	91,206
<b>Total Other Financing Sources (Uses)</b>	<u>(193,282)</u>	<u>(2,999,959)</u>	<u>(2,806,677)</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures</b>	<u>-</u>	<u>(2,534,367)</u>	<u>(2,534,367)</u>
<b>Fund Balance Beginning of the Year</b>		<u>4,458,944</u>	
<b>Fund Balance End of the Year</b>		<u>\$ 1,924,577</u>	

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Special Revenue-Beach Tax Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2014

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
Other Taxes and Licenses:			
Restricted Accomodations Tax Receipts	\$ 402,760	\$ 557,646	\$ 154,886
Total Other Taxes and Licenses	<u>402,760</u>	<u>557,646</u>	<u>154,886</u>
Investment Earnings	<u>2,000</u>	<u>386</u>	<u>(1,614)</u>
<b>Total Revenues</b>	<u>404,760</u>	<u>558,032</u>	<u>153,272</u>
<b>Expenditures</b>			
Cultural and Recreational:			
Other Operating Expenditures	97,000	29,250	67,750
Total Cultural and Recreational	<u>97,000</u>	<u>29,250</u>	<u>67,750</u>
<b>Total Expenditures</b>	<u>97,000</u>	<u>29,250</u>	<u>67,750</u>
<b>Revenues Over (Under) Expenditures</b>	<u>307,760</u>	<u>528,782</u>	<u>221,022</u>
<b>Other Financing Sources (Uses)</b>			
Appropriated Fund Balance	307,760	-	307,760
Transfers from:	-	-	-
Accomodations Tax Fund	-	2,929,959	2,929,959
<b>Total Other Financing Sources (Uses)</b>	<u>307,760</u>	<u>2,929,959</u>	<u>3,237,719</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures</b>	<u>-</u>	<u>3,458,741</u>	<u>3,458,741</u>
<b>Fund Balance Beginning of the Year</b>		<u>-</u>	
<b>Fund Balance End of the Year</b>		<u>\$ 3,458,741</u>	

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Combining Balance Sheet  
Other Governmental Capital Project Funds  
For the Year Ended June 30, 2014

	<b>Police Headquarters Capital Project Fund</b>	<b>Town Hall Replacement Capital Project Fund</b>	<b>Total Other Governmental Capital Project Funds</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 833	\$ -	\$ 833
Restricted Cash		393,595	393,595
<b>Total Assets</b>	<b>833</b>	<b>393,595</b>	<b>394,428</b>
<b>Liabilities</b>			
Accounts Payable and Accrued Liabilities	-	-	-
Due to Other Funds	-	8,547	8,547
<b>Total Liabilities</b>	<b>-</b>	<b>8,547</b>	<b>8,547</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>			
Committed			
Administration	-	385,048	385,048
Public Safety	833	-	833
<b>Total Fund Balances</b>	<b>833</b>	<b>385,048</b>	<b>394,428</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 833</b>	<b>\$ 393,595</b>	<b>\$ 394,428</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

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

Other Governmental Capital Project Funds

For the Year Ended June 30, 2014

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	<b>Police Headquarters Capital Project Fund</b>	<b>Town Hall Replacement Capital Project Fund</b>	<b>Total Other Governmental Capital Project Funds</b>
<b>Revenues</b>			
Investment Earnings	\$ -	\$ 492	\$ 492
<b>Total Revenues</b>	-	492	492
<b>Expenditures</b>			
Current:	-	-	-
General Government	-	-	-
<b>Total Expenditures</b>	-	-	-
<b>Revenues Over (Under) Expenditures</b>	-	492	492
<b>Net Change in Fund Balance</b>	-	492	492
<b>Fund Balance - Beginning of Year</b>	833	384,556	385,389
<b>Fund Balance - End of Year</b>	\$ 833	\$ 385,048	\$ 385,881

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Capital Projects Fund-Police Headquarters

Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual

From Inception and For the Fiscal Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
Investment Earnings	\$ 207,427	\$ 208,258		\$ 208,258	\$ 831
<b>Total Revenues</b>	<u>207,427</u>	<u>208,258</u>	-	<u>208,258</u>	<u>831</u>
<b>Expenditures</b>					
Project Expenditures					
Professional Services	165,140	165,140	-	165,140	-
Environmental Remediation Costs	838,647	838,646	-	838,646	1
Miscellaneous	27,996	27,995	-	27,995	1
Building Construction	5,160,245	5,160,246	-	5,160,246	(1)
Capital Outlay	49,059	49,058	-	49,058	1
<b>Total Expenditures</b>	<u>6,241,087</u>	<u>6,241,085</u>	-	<u>6,241,085</u>	<u>2</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(6,033,660)</u>	<u>(6,032,827)</u>	-	<u>(6,032,827)</u>	<u>833</u>
<b>Other Financing Sources</b>					
Debt Issued	5,663,215	5,663,215	-	5,663,215	-
Transfers From Other Funds:					
General Fund	16,445	16,445	-	16,445	-
Capital Reserve Fund	354,000	354,000	-	354,000	-
<b>Total Other Financing Sources</b>	<u>370,445</u>	<u>370,445</u>	-	<u>370,445</u>	-
<b>Revenues and Other Financing Sources Over (Under) Expenditures</b>	<u>(5,663,215)</u>	<u>(5,662,382)</u>	-	<u>(5,662,382)</u>	<u>833</u>
<b>Fund Balance, Beginning</b>			<u>833</u>		
<b>Fund Balance, Ending</b>			<u>\$ 833</u>		

**TOWN OF OAK ISLAND, NORTH CAROLINA**

## Capital Projects Fund-Town Hall Replacement

## Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual

From Inception and For the Fiscal Year Ended June 30, 2014

	Project	Prior	Actual	Total to	Variance
	Authorization	Years	Current	Date	Positive
			Year		(Negative)
<b>Revenues</b>					
Restricted Intergovernmental					
Rural Center PEG Grant	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -
Investment Earnings	4,828	6,039	492	6,531	1,703
<b>Total Revenues</b>	<b>29,828</b>	<b>31,039</b>	<b>492</b>	<b>31,531</b>	<b>1,703</b>
<b>Expenditures</b>					
Capital Outlay					
General Government					
Professional Services	193,152	193,152	-	193,152	-
Special Inspections	22,506	22,505	-	22,505	1
Environmental Remediation	255,515	262,391	-	262,391	(6,876)
Miscellaneous	45,835	45,412	-	45,412	423
Capital Outlay-Land	628,742	628,741	-	628,741	1
Land Improvements	8,305	8,305	-	8,305	-
Construction	2,608,541	2,580,036	-	2,580,036	28,505
Site Work	53,769	53,769	-	53,769	-
Furnishings	30,812	30,812	-	30,812	-
Equipment	382,331	370,065	-	370,065	12,266
Contingency	50,000	-	-	-	50,000
<b>Total Expenditures</b>	<b>4,279,508</b>	<b>4,195,188</b>	<b>-</b>	<b>4,195,188</b>	<b>84,320</b>
<b>Revenues Over (Under)</b>					
<b>Expenditures</b>	<b>(4,249,680)</b>	<b>(4,164,149)</b>	<b>492</b>	<b>(4,163,657)</b>	<b>86,023</b>
<b>Other Financing Sources</b>					
Transfers to Other Funds:					
General Fund	(650,320)	(351,295)	-	(351,295)	299,025
Installment Purchase Obligations Issued	4,900,000	4,900,000	-	4,900,000	-
<b>Total Other Financing Sources</b>	<b>4,249,680</b>	<b>4,548,705</b>	<b>-</b>	<b>4,548,705</b>	<b>-</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures</b>	<b>-</b>	<b>384,556</b>	<b>492</b>	<b>385,048</b>	<b>86,023</b>
<b>Fund Balance, Beginning</b>			<b>384,556</b>		
<b>Fund Balance, Ending</b>			<b>\$ 385,048</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, 2014

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Operating Revenues</b>			
Charges for Services:			
Utility Charges	\$ 2,815,390	\$ 3,058,333	\$ 242,943
Reconnect Fees	55,000	67,327	12,327
Late Fees	53,000	56,280	3,280
Water Taps	50,000	89,976	39,976
Other Operating Revenues	248,040	240,938	(7,102)
<b>Total Operating Revenues</b>	<b>3,221,430</b>	<b>3,512,854</b>	<b>291,424</b>
<b>Nonoperating Revenues</b>			
Impact Fees	35,000	64,960	29,960
Interest Earnings	3,000	2,012	(988)
<b>Total Nonoperating Revenues</b>	<b>38,000</b>	<b>66,972</b>	<b>28,972</b>
<b>Total Revenues</b>	<b>3,259,430</b>	<b>3,579,826</b>	<b>320,396</b>
<b>Expenditures</b>			
<b>Water Administration</b>			
Salaries and Wages	71,521	71,518	3
Employee Benefits	33,894	31,559	2,335
Other Operating Expenditures	64,550	61,068	3,482
<b>Total Waste Administration</b>	<b>169,965</b>	<b>164,145</b>	<b>5,820</b>
<b>Water Maintenance</b>			
Salaries and Wages	352,761	348,797	3,964
Employee Benefits	115,936	107,652	8,284
Other Operating Expenditures	264,490	244,370	20,120
Capital Outlay	12,600	12,578	22
Cost of Water	815,750	810,542	5,208
<b>Total Water Maintenance</b>	<b>1,561,537</b>	<b>1,523,939</b>	<b>37,598</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, 2014

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Debt Payments</b>			
Line Relocation NCDOT	141,900	141,899	(1)
<b>Total Expenditures</b>	<u>1,873,402</u>	<u>1,829,983</u>	<u>(43,419)</u>
<b>Other Financing Sources (Uses)</b>			
Sale of Fixed Assets	-	4,491	4,491
Fund Balance Appropriated	(1,386,028)		1,386,028
<b>Total Other Financing Sources (Uses)</b>	<u>(1,386,028)</u>	<u>4,491</u>	<u>1,390,519</u>
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	<u>-</u>	<u>1,754,334</u>	<u>1,754,334</u>
<b>Reconc</b>			
<b>(Modified Accrual) to Full Accrual:</b>			
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>		<u>\$ 1,754,334</u>	
Reconciling Items:			
Principal Payments		141,899	
Book Value of Assets Sold		(53,747)	
Depreciation Expense		(107,289)	
Capital Outlay		12,578	
(Increase) Decrease in:			
Accrued Vacation Pay		(4,115)	
Other Postemployment Benefits		(11,827)	
<b>Total Reconciling Items</b>		<u>(22,501)</u>	
<b>Change in Net Position</b>		<u>\$ 1,731,833</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, 2014

	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>			
Charges for Services:			
Utility Charges	\$ 6,674,172	\$ 6,854,767	\$ 180,595
Caswell Beach Utility Charges	405,000	361,755	(43,245)
Sewer Taps	8,000	109,350	101,350
Other Operating Income	3,500	-	(3,500)
<b>Total Operating Revenues</b>	<b>7,090,672</b>	<b>7,325,872</b>	<b>235,200</b>
<b>Nonoperating Revenues</b>			
Impact Fees	12,000	57,110	45,110
Sewer Assessments	1,225,000	3,029,841	1,804,841
Interest on Sewer Assessments	695,000	588,207	(106,793)
Interest Earned-Revenue Bonds	2,300	479	(1,821)
Interest Earnings	3,500	3,544	44
<b>Total Nonoperating Revenues</b>	<b>1,937,800</b>	<b>3,679,181</b>	<b>1,741,381</b>
<b>Total Revenues</b>	<b>9,028,472</b>	<b>11,005,053</b>	<b>1,976,581</b>
<b>Expenditures</b>			
<b>Waste Collection</b>			
Salaries and Wages	196,871	196,854	17
Employee Benefits	71,413	71,035	378
Other Operating Expenditures	476,420	468,626	7,794
Maintenance and Repair	160,000	159,750	250
<b>Total Waste Collection</b>	<b>904,704</b>	<b>896,265</b>	<b>8,439</b>
<b>Waste Treatment</b>			
Salaries and Wages	228,030	218,990	9,040
Employee Benefits	85,874	80,005	5,869
County Treatment Capital Charge	2,907,370	2,907,369	1
County Treatment Service Fees	502,630	437,221	65,409
Other Operating Expenditures	250,256	194,771	55,485
Maintenance and Repair	61,710	61,361	349
<b>Total Waste Treatment</b>	<b>4,035,870</b>	<b>3,899,717</b>	<b>136,153</b>
<b>Debt Service</b>			
Principal Payments	3,425,781	3,122,543	303,238
Interest	4,883,064	4,880,726	2,338
<b>Total Debt Service</b>	<b>8,308,845</b>	<b>8,003,269</b>	<b>305,576</b>
<b>Capital Outlay</b>			
Equipment	37,040	36,441	599
Utility System II	-	126,717	(126,717)
<b>Total Capital Outlay</b>	<b>37,040</b>	<b>163,158</b>	<b>(126,118)</b>
<b>Total Expenditures</b>	<b>13,286,459</b>	<b>12,962,409</b>	<b>324,050</b>
<b>Revenue Over (Under) Expenditures</b>	<b>\$ (4,257,987)</b>	<b>\$ (1,957,356)</b>	<b>\$ 2,300,631</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, 2014

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other Financing Sources (Uses)</b>			
Fund Balance Appropriated	\$ 2,233,697	-	\$ (2,233,697)
Transfers in:			
Sewer District Fund	2,024,290	1,961,010	(63,280)
<b>Total Other Financing Sources (Uses)</b>	<u>4,257,987</u>	<u>1,961,010</u>	<u>(2,296,977)</u>
<b>Revenues and Other Financing Sources (Uses)</b>			
<b>Over (Under) Expenditures</b>	<u>-</u>	<u>3,654</u>	<u>3,654</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>\$ 3,654</u>	
Reconciling Items:			
Payment of Debt Principal		3,122,543	
Amortization of Debt Issuance Costs		(53,511)	
Amortization of Premium and Discount		2,190	
Capitalization of Equipment		163,156	
Wastewater Assessments Deferred		(2,588,149)	
Accrued Interest on Assessments		347,487	
Depreciation Expense		(3,136,984)	
(Increase) Decrease in:			
Accrued Vacation Pay		(7,007)	
Other Postemployment Benefits		(10,603)	
Interest Expense Accrual		126,385	
Sewer District Fund			
Sewer District Fees		1,967,991	
Accrued Interest on Sewer District Fees		29,616	
Interest Income		442	
Transfer to Wastewater Fund		(1,961,010)	
<b>Total Reconciling Items</b>		<u>(1,997,454)</u>	
<b>Change in Net Position</b>		<u>\$ (1,997,454)</u>	

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Wastewater Capital Projects Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and For the Fiscal Year Ended June 30, 2014

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
<b>Restricted Intergovernmental</b>					
NC Rural Center Grant-Phase I	\$ 96,849	\$ 96,849	\$ -	\$ 96,849	\$ -
NC Rural Center Grant-Phase II	500,000	500,000	-	500,000	-
NC Clean Water Management Trust Phase I	2,487,000	2,302,812	-	2,302,812	(184,188)
Brunswick County Reimbursement	400,000	400,000	-	400,000	-
<b>Total Restricted Intergovernmental</b>	<b>3,483,849</b>	<b>3,299,661</b>	<b>-</b>	<b>3,299,661</b>	<b>(184,188)</b>
<b>Miscellaneous</b>					
Prepaid Discount Assessment	5,314,050	5,314,050		5,314,050	-
Miscellaneous Revenues	72,666	72,666		72,666	-
<b>Total Miscellaneous</b>	<b>5,386,716</b>	<b>5,386,716</b>		<b>5,386,716</b>	<b>-</b>
<b>Interest Earnings</b>	<b>888,863</b>	<b>888,863.0</b>		<b>888,863</b>	<b>-</b>
<b>Total Revenues</b>	<b>9,759,428</b>	<b>9,575,240</b>	<b>-</b>	<b>9,575,240</b>	<b>(184,188)</b>
<b>Expenditures</b>					
Capital Outlay:					
Wastewater System					
Phase I	61,408,742	61,408,744	-	61,408,744	(2)
Phase II	54,245,788	53,191,162	124,831	53,315,993	929,795
<b>Total Expenditures</b>	<b>115,654,530</b>	<b>114,599,906</b>	<b>124,831</b>	<b>114,724,737</b>	<b>929,793</b>
<b>Revenues Over (Under) Expenditures</b>	<b>\$ (105,895,102)</b>	<b>\$ (105,024,666)</b>	<b>\$ (124,831)</b>	<b>\$ (105,149,497)</b>	<b>\$ 745,605</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Wastewater Capital Projects Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and For the Fiscal Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
<b>Other Financing Sources</b>					
Transfers In:					
General Fund	1,613,500	1,613,500	-	1,613,500	-
Water Fund	1,896,133	1,896,133	-	1,896,133	-
Wastewater Fund	1,273,039	1,273,039	-	1,273,039	-
Accomodations Tax Fund	3,831,041	3,831,041	-	3,831,041	-
Commercial Wastewater Project	266,706	266,706	-	266,706	-
Capital Reserve Fund	462,253	462,253	-	462,253	-
Transfers Out					
General Fund	(1,613,500)	(1,613,500)	-	(1,613,500)	-
Water Fund	(1,760,000)	(1,760,000)	-	(1,760,000)	-
Wastewater Fund	(10,055,102)	(10,055,101)	-	(10,055,101)	-
Accomodations Tax Fund	(331,041)	(331,041)	-	(331,041)	-
Capital Reserve Fund	(728,959)	(728,959)	-	(728,959)	-
Reuse Park Phase I	(200,000)	(200,000)	-	(200,000)	-
Debt Issued					
NC State Revolving Loan Fund- 1st Allocation	7,524,846	7,524,846	-	7,524,846	-
NC State Revolving Loan Fund- 2nd Allocation	6,579,167	6,579,167	-	6,579,167	-
Loan Proceeds-Land Acquisition	3,710,000	3,710,000	-	3,710,000	-
Revenue Bond Proceeds- Series 2008A-Ph I	33,601,329	33,601,329	-	33,601,329	-
Revenue Bond Proceeds- Series 2008B-Ph II	49,006,528	49,006,528	-	49,006,528	-
Revenue Bond Proceeds- Series 2011-Ph II	10,592,112	10,592,112	-	10,592,112	-
<b>Total Other Financing Sources</b>	<b>154,674,580</b>	<b>154,674,581</b>	<b>-</b>	<b>154,674,581</b>	<b>-</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures</b>					
	<b>\$ 48,779,478</b>	<b>\$ 49,649,915</b>	<b>\$ (124,831)</b>	<b>\$ 49,525,084</b>	<b>\$ 745,605</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 Combining Statement of Net Position  
 Other Enterprise Funds  
 June 30, 2014

	<u>Non-Major Enterprise Funds</u>		
	<u>Solid Waste Fund</u>	<u>South Harbour Golf Course Fund</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Investments	\$ 352,087	\$ 148,618	\$ 500,705
Accounts Receivable (net)	55,322	-	55,322
Other Receivables	975	-	975
Inventories	-	4,696	4,696
<b>Total Current Assets</b>	<u>408,384</u>	<u>153,314</u>	<u>561,698</u>
<b>Noncurrent Assets</b>			
Capital Assets:			
Land Improvement	\$ -	\$ 1,401,795	\$ 1,401,795
Buildings	5,304	98,205	103,509
Motor Vehicles	53,349	-	53,349
Heavy Vehicles	717,952	-	717,952
Equipment	-	73,471	73,471
Less Accumulated Depreciation	(642,963)	(72,319)	(715,282)
<b>Total Non-current Assets</b>	<u>133,642</u>	<u>1,501,152</u>	<u>1,634,794</u>
<b>Total Assets</b>	<u>\$ 542,026</u>	<u>\$ 1,654,466</u>	<u>\$ 2,196,492</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 60,793	\$ 5,609	\$ 66,402
Salaries Payable	5,207	4,133	9,340
Compensated Absences	9,153	5,530	14,683
<b>Total Current Liabilities</b>	<u>75,153</u>	<u>15,272</u>	<u>90,425</u>
<b>Noncurrent Liabilities</b>			
Other Postemployment Benefits	30,068	-	30,068
Compensated Absences	9,152	5,530	14,682
<b>Total Non-current Liabilities</b>	<u>39,220</u>	<u>5,530</u>	<u>44,750</u>
<b>Total Liabilities</b>	<u>\$ 114,373</u>	<u>\$ 20,802</u>	<u>\$ 135,175</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned Revenue	\$ -	\$ 888	\$ 888
<b>Total Deferred Inflows of Resources</b>	<u>\$ -</u>	<u>\$ 888</u>	<u>\$ 888</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 133,642	\$ 1,501,152	\$ 1,634,794
Unrestricted	294,011	131,624	425,635
<b>Total Net Position</b>	<u>\$ 427,653</u>	<u>\$ 1,632,776</u>	<u>\$ 2,060,429</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, 2014

	<u>Non-Major Enterprise Funds</u>		
	<u>Solid Waste Fund</u>	<u>South Harbour Golf Course Fund</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for Services			
Charges for Collection	\$ 914,798	\$ 114,612	\$ 1,029,410
Miscellaneous	7,434	10,573	18,007
<b>Total Operating Revenues</b>	<u>922,232</u>	<u>125,185</u>	<u>1,047,417</u>
<b>Operating Expenses</b>			
Administration	-	58,054	58,054
Waste Collection and Treatment	849,466	-	849,466
Repairs and Maintenance	-	137,275	137,275
Depreciation	46,945	9,803	56,748
<b>Total Operating Expenses</b>	<u>896,411</u>	<u>205,132</u>	<u>1,101,543</u>
<b>Operating Income</b>	<u>25,821</u>	<u>(79,947)</u>	<u>(54,126)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment Earnings	96	44	140
Operating Grants and Contributions	4,246	-	4,246
<b>Total Nonoperating Revenues (Expenses)</b>	<u>4,342</u>	<u>44</u>	<u>4,386</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>30,163</u>	<u>(79,903)</u>	<u>(49,740)</u>
<b>Contributions and Transfers</b>			
Transfers in	-	70,000	70,000
Transfers to Other Funds	-	-	-
<b>Total Contributions and Transfers</b>	<u>-</u>	<u>70,000</u>	<u>70,000</u>
<b>Change in Net Position</b>	<u>30,163</u>	<u>(9,903)</u>	<u>20,260</u>
<b>Net Position - Beginning of Year</b>	<u>397,490</u>	<u>1,642,679</u>	<u>2,040,169</u>
<b>Net Position - End of Year</b>	<u>\$ 427,653</u>	<u>\$ 1,632,776</u>	<u>\$ 2,060,429</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Combining Statement of Cash Flows

Other Enterprise Funds

For the Year Ended June 30, 2014

	<b>Non-Major Enterprise Funds</b>		
	<b>Solid Waste Fund</b>	<b>South Harbour Golf Course Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers and Users	\$ 917,007	\$ 125,496	\$ 1,042,503
Cash Paid for Goods and Services	(748,672)	(64,777)	(813,449)
Cash Paid to Employees	(98,887)	(126,238)	(225,125)
<b>Net Cash Provided by Operating Activities</b>	<b>69,448</b>	<b>(65,519)</b>	<b>3,929</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating Grants Received	4,246	-	4,246
Transfers from Other Funds	-	70,000	70,000
<b>Net Cash Used by Noncapital Financing Activities</b>	<b>4,246</b>	<b>70,000</b>	<b>74,246</b>
<b>Cash Flows from Investing Activities</b>			
Interest on Investments	96	43	139
<b>Net Increase in Cash and Cash Equivalents</b>	<b>73,790</b>	<b>4,524</b>	<b>78,314</b>
<b>Cash and Cash Equivalents - July 1</b>	<b>278,297</b>	<b>144,094</b>	<b>422,391</b>
<b>Cash and Cash Equivalents - June 30</b>	<b>\$ 352,087</b>	<b>\$ 148,618</b>	<b>\$ 500,705</b>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
Combining Statement of Cash Flows (Continued)  
Other Enterprise Funds  
For the Year Ended June 30, 2014

	<u>Non-Major Enterprise Funds</u>		
	<u>Solid Waste Fund</u>	<u>South Harbour Golf Course Fund</u>	<u>Total</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>			
<b>Operating Income (Loss)</b>	\$ 25,821	\$ (79,947)	\$ (54,126)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</b>			
Depreciation	46,945	9,802	56,747
Changes in Assets and Liabilities (Increase) Decrease in:			
Accounts Receivable	(5,225)	-	(5,225)
Inventory	-	3,920	3,920
Increase (Decrease) in:			
Accounts Payable	(4,702)	259	(4,443)
Unearned Revenue	-	312	312
Accrued Wages	327	(299)	28
Accrued Vacation Pay	382	434	816
Accrued OPEB liability	5,900	-	5,900
<b>Total Adjustments</b>	<u>43,627</u>	<u>14,428</u>	<u>58,055</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 69,448</u>	<u>\$ (65,519)</u>	<u>\$ 3,929</u>

**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, 2014

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Operating Revenues</b>			
Charges for Services			
Charges for collection	\$ 816,369	\$ 914,798	\$ 98,429
Other Operating Revenue	-	7,434	
<b>Total Operating Revenues</b>	<b>816,369</b>	<b>922,232</b>	<b>105,863</b>
<b>Nonoperating Revenues</b>			
Solid Waste Disposal Tax	2,600	4,246	1,646
Interest Earnings	149	96	(53)
<b>Total Nonoperating Revenues</b>	<b>2,749</b>	<b>4,342</b>	<b>1,593</b>
<b>Total Revenues</b>	<b>819,118</b>	<b>926,574</b>	<b>107,456</b>
<b>Expenditures</b>			
<b>Water</b>			
Salaries and Wages	79,029	71,050	7,979
Employee Benefits	36,572	28,164	8,408
Operating Expenditures	162,430	156,546	5,884
Maintenance and Repair	43,580	43,570	10
Recycling Program	461,340	461,336	4
Yard Waste Recycling	84,000	82,518	1,482
<b>Total Sanitation Operation Expenditures</b>	<b>866,951</b>	<b>843,184</b>	<b>23,767</b>
<b>Total Expenditures</b>	<b>866,951</b>	<b>843,184</b>	<b>23,767</b>
<b>Revenue Over (Under) Expenditures</b>	<b>\$ (47,833)</b>	<b>\$ 83,390</b>	<b>\$ 131,223</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, 2014

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other Financing Sources (Uses)</b>			
Appropriated Fund Balance	\$ 35,500	\$ -	\$ (35,500)
Transfers in:			
Accommodations Tax	28,500	-	(28,500)
Transfers out:			
Capital Reserve	(16,167)	-	16,167
<b>Total Other Financing Sources (Uses)</b>	<u>47,833</u>	<u>-</u>	<u>16,167</u>
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	<u>-</u>	<u>83,390</u>	<u>147,390</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:</b>			
<b>Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>		<u>\$ 83,390</u>	
Reconciling Items:			
Depreciation Expense		(46,945)	
(Increase) Decrease in Accrued Vacation Pay		(382)	
Other Postemployment Benefits		(5,900)	
Total Reconciling Items		<u>(53,227)</u>	
<b>Change in Net Position</b>		<u>\$ 30,163</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, 2014

	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>			
<b>Charges for Services</b>			
Annual Membership	\$ 22,000	\$ 21,990	\$ (10)
Green Fee Play	95,000	92,622	(2,378)
Merchandise Sales	11,450	10,573	(877)
<b>Total Operating Revenues</b>	<b>128,450</b>	<b>125,185</b>	<b>(3,265)</b>
<b>Nonoperating Revenues</b>			
Interest Earnings	-	43	43
<b>Total Nonoperating Revenues</b>	<b>-</b>	<b>43</b>	<b>43</b>
<b>Total Revenues</b>	<b>128,450</b>	<b>125,228</b>	<b>(3,222)</b>
<b>Expenditures</b>			
<b>Administration</b>			
Salaries and Wages	35,483	30,367	5,116
Employee Benefits	3,800	2,686	1,114
Operating Expenditures	31,850	23,610	8,240
<b>Total Administration</b>	<b>71,133</b>	<b>56,663</b>	<b>14,470</b>
<b>Maintenance</b>			
Salaries and Wages	68,222	68,215	7
Employee Benefits	25,951	24,671	1,280
Operating Expenditures	65,220	45,346	19,874
<b>Total Maintenance</b>	<b>159,393</b>	<b>138,232</b>	<b>21,161</b>
<b>Total Expenditures</b>	<b>230,526</b>	<b>194,895</b>	<b>35,631</b>
<b>Revenue Over (Under) Expenditures</b>	<b>\$ (102,076)</b>	<b>\$ (69,667)</b>	<b>\$ 32,409</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, 2014

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in:			
Accommodations Tax	\$ 102,076	\$ 70,000	\$ (32,076)
<b>Total Other Financing Sources (Uses)</b>	<u>102,076</u>	<u>70,000</u>	<u>(32,076)</u>
<b>Revenues and Other Financing Sources (Uses)</b>			
<b>Over (Under) Expenditures</b>	<u>-</u>	<u>333</u>	<u>333</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>		\$ 333	
Reconciling Items			
Depreciation		(9,803)	
(Increase) Decrease in Accrued Vacation Pay		<u>(434)</u>	
Total Reconciling Items		<u>(10,237)</u>	
<b>Change in Net Position</b>		<u>\$ (9,904)</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, 2014

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Nonoperating Revenues</b>			
Sewer Distric Fees-Current	\$ 2,003,840	\$ 1,918,794	\$ (85,046)
Sewer Distric Fees-Prior Years	20,000	34,594	14,594
Penalties and Interest		14,603	14,603
Investment Earnings	450	442	(8)
<b>Total Nonoperating Revenues</b>	<b>2,024,290</b>	<b>1,968,433</b>	<b>(55,857)</b>
<b>Total Revenues</b>	<b>2,024,290</b>	<b>1,968,433</b>	<b>(55,857)</b>
<b>Expenditures</b>			
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Revenue Over (Under) Expenditures</b>	<b>2,024,290</b>	<b>1,968,433</b>	<b>(55,857)</b>
<b>Other Financing Uses:</b>			
<b>Transfers Out:</b>			
Sewer Distric Fees-Current	(2,024,290)	(1,961,010)	63,280
<b>Revenue and Other Financing Sources Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ 7,423</b>	<b>\$ 7,423</b>

*Other Schedules*

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**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 General Fund  
 Schedule of Ad Valorem Taxes Receivable  
 June 30, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-14	\$ -	\$ 7,120,396	\$ 6,829,735	\$ 290,661
2012-13	342,053	-	145,887	\$ 196,166
2010-11	194,162	-	37,478	156,684
2009-10	132,204	-	25,967	106,237
2008-09	72,100	-	10,625	61,475
2007-08	38,484	-	4,610	33,874
2006-07	17,014	-	1,373	15,641
2005-06	10,803	-	853	9,950
2004-05	10,061	-	1,198	8,863
2003-04	8,015	-	217	7,798
	<u>\$ 824,896</u>	<u>\$ 7,120,396</u>	<u>\$ 7,057,943</u>	<u>887,349</u>

Less: Allowance for Uncollectible Accounts:  
 General Fund

85,152

Ad Valorem Taxes Receivable - Net

\$ 802,197

Reconcilement with Revenues

Ad Valorem Taxes - General Fund

\$ 7,031,553

Reconciling Items:

Interest and Penalties Collected

(56,465)

Taxes Written Off

82,855

Total Collections and Credits

\$ 7,057,943

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2014

	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	\$ 2,580,988,668	0.2750	\$ 7,097,719	\$ 6,861,821	\$ 235,898
Penalties			\$ 334	\$ 334	
	<u>\$ 2,580,988,668</u>	<u>0.2750</u>	<u>\$ 7,098,053</u>	<u>\$ 6,862,155</u>	<u>\$ 235,898</u>
<b>Discoveries:</b>					
Current Year Taxes	20,074,185	0.2750	\$ 55,204	55,204	-
<b>Abatements:</b>					
Property Taxes -					
Current Year's Rate	<u>(11,949,521)</u>	<u>0.2750</u>	<u>\$ (32,861)</u>	<u>(32,861)</u>	<u>-</u>
<b>Total Property Valuations</b>	<u><u>\$ 2,589,113,332</u></u>				
<b>Net Levy</b>			7,120,396	6,884,498	235,898
<b>Uncollected Taxes at June 30, 2014</b>			<u>(290,661)</u>	<u>(283,671)</u>	<u>(6,990)</u>
<b>Current Year's Taxes Collected</b>			<u><u>\$ 6,829,735</u></u>	<u><u>\$ 6,600,827</u></u>	<u><u>\$ 228,908</u></u>
<b>Current Levy Collection Percentage</b>			<u><u>95.92%</u></u>	<u><u>95.88%</u></u>	<u><u>97.04%</u></u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**  
 Agency Fund  
 Statement of Changes in Assets and Liabilities  
 For the Fiscal Year Ended June 30, 2014

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	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2014</b>
<b>Assets</b>				
Cash and Investments	\$ 16,070	\$ 500		\$ 16,570
<b>Liabilities</b>				
Accounts Payable	\$ 16,070	\$ 500		\$ 16,570

# Statistical Section

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

## **Financial Trends**

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

## **Revenue Capacity**

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

## **Debt Capacity**

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

## **Demographic and Economic Information**

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

## **Operating Information**

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

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**

## Net Position By Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities				
Invested in capital assets, net of related debt	6,212,996	6,984,228	11,367,542	13,385,214
Restricted	469,495	562,671	3,525,983	1,201,767
Unrestricted	<u>7,834,744</u>	<u>9,751,755</u>	<u>5,691,674</u>	<u>5,787,309</u>
Total governmental activities net position	<u>14,517,235</u>	<u>17,298,654</u>	<u>20,585,199</u>	<u>20,374,290</u>
Business-type activities				
Invested in capital assets, net of related debt	13,077,466	13,312,018	13,346,979	17,144,378
Restricted	-	-	-	-
Unrestricted	<u>1,409,328</u>	<u>1,167,800</u>	<u>1,605,437</u>	<u>(129,671)</u>
Total business-type activities net position	<u>14,486,794</u>	<u>14,479,818</u>	<u>14,952,416</u>	<u>17,014,707</u>
Primary government				
Invested in capital assets, net of related debt	19,290,462	20,296,246	24,714,521	30,529,592
Restricted	469,495	562,671	3,525,983	1,201,767
Unrestricted	<u>9,244,072</u>	<u>10,919,555</u>	<u>7,297,111</u>	<u>5,657,638</u>
Total primary government net position	<u>29,004,029</u>	<u>31,778,472</u>	<u>35,537,615</u>	<u>37,388,997</u>

<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
12,186,929	16,607,639	17,522,549	18,239,987	18,669,603	18,743,833
2,554,360	2,738,128	6,567,058	5,288,746	6,355,004	6,816,053
<u>7,477,697</u>	<u>5,111,876</u>	<u>2,828,017</u>	<u>3,240,343</u>	<u>4,280,053</u>	<u>6,213,562</u>
<u>22,218,986</u>	<u>24,457,643</u>	<u>26,917,624</u>	<u>26,769,076</u>	<u>29,304,660</u>	<u>31,773,448</u>
18,522,970	28,836,777	22,390,247	22,380,413	21,260,926	21,324,460
		30,693,040	20,509,542	20,922,210	20,922,210
<u>(652,921)</u>	<u>(4,794,831)</u>	<u>(2,122,361)</u>	<u>4,560,440</u>	<u>3,103,347</u>	<u>2,794,452</u>
<u>17,870,049</u>	<u>24,041,946</u>	<u>50,960,926</u>	<u>47,450,395</u>	<u>45,286,483</u>	<u>45,041,122</u>
30,709,899	45,444,416	39,912,796	40,620,400	39,930,529	40,068,293
2,554,360	2,738,128	37,260,098	25,798,288	27,277,214	27,738,263
<u>6,824,776</u>	<u>317,045</u>	<u>705,656</u>	<u>7,800,783</u>	<u>7,383,400</u>	<u>9,008,014</u>
<u>40,089,035</u>	<u>48,499,589</u>	<u>77,878,550</u>	<u>74,219,471</u>	<u>74,591,143</u>	<u>76,814,570</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	2005	2006	2007	2008
<b>Expenses</b>				
Governmental activities:				
General Government	1,970,599	2,536,890	2,656,802	2,543,281
Public Safety	3,177,712	3,361,638	4,140,542	4,460,532
Transportation	1,254,597	1,105,765	963,276	1,124,923
Environmental Protection	99,541	621,421	1,638,627	913,861
Cultural and Recreation	1,255,861	1,854,788	1,046,713	1,103,879
Interest on long-term debt	57,372	51,989	278,218	100,775
Total governmental activities expenses	<u>7,815,682</u>	<u>9,532,491</u>	<u>10,724,178</u>	<u>10,247,251</u>
Business-type activities:				
Water	2,063,521	2,060,316	2,030,019	2,268,926
Wastewater	716,819	614,162	749,095	847,312
Solid Waste	628,978	723,015	684,144	751,182
Golf Course	-	-	244,545	251,594
Total business-type activities expenses:	<u>3,409,318</u>	<u>3,397,493</u>	<u>3,707,803</u>	<u>4,119,014</u>
Total primary government expenses	<u>11,225,000</u>	<u>12,929,984</u>	<u>14,431,981</u>	<u>14,366,265</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges of services:				
General Government	38,460	209,562	1,050	1,999
Public Safety	1,041,525	976,032	943,087	902,128
Transportation	59,806	49,134	(4,382)	-
Environmental Protection	997,780	1,481,070	23,082	310,884
Cultural and Recreation	119,947	198,788	617,276	123,270
Operating grants and contributions	340,474	447,792	1,324,283	491,894
Capital grants and contributions	-	422,312	303,480	322,534
Total governmental activities program revenue	<u>2,597,992</u>	<u>3,784,690</u>	<u>3,207,876</u>	<u>2,152,709</u>
Business-type activities:				
Charges of services:				
Water	1,892,817	1,954,676	2,213,385	2,516,987
Wastewater	584,968	679,317	743,500	745,123
Solid Waste	597,625	645,971	660,241	747,861
Golf Course	-	-	118,655	160,400
Operating grants and contributions	-	-	-	-
Capital grants and contributions	5,310,060	3,990	-	1,560,049
Total business-type activities program revenue	<u>8,385,470</u>	<u>3,283,954</u>	<u>3,735,781</u>	<u>5,730,420</u>
Total primary government program revenues	<u>10,983,462</u>	<u>7,068,644</u>	<u>6,943,657</u>	<u>7,883,129</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	(5,217,690)	(5,747,801)	(7,516,302)	(8,094,542)
Business-type activities	4,976,152	(113,539)	27,978	1,611,406
<b>Total primary government net revenue</b>	<u>(241,538)</u>	<u>(5,861,340)</u>	<u>(7,488,324)</u>	<u>(6,483,136)</u>

(Continued on next page)

Table 1

Year Ending June 30,					
2009	2010	2011	2012	2013	2014
2,609,454	2,818,584	2,778,225	2,736,767	3,129,366	2,797,601
4,865,023	5,708,808	5,627,760	5,466,506	4,458,998	4,348,192
1,091,194	1,220,894	1,175,304	2,596,254	930,438	1,675,984
168,901	201,611	186,828	226,484	23,831	156,499
1,251,666	1,327,630	1,260,386	1,264,960	1,108,161	1,006,435
348,881	547,956	654,795	600,751	550,489	471,343
<u>10,335,119</u>	<u>11,825,483</u>	<u>11,683,298</u>	<u>12,891,722</u>	<u>10,201,283</u>	<u>10,456,054</u>
2,306,039	2,360,243	2,384,420	2,400,664	1,655,847	1,852,484
877,710	1,305,677	9,135,515	13,052,025	12,800,557	12,756,238
828,169	857,941	927,608	1,004,513	914,958	896,411
251,971	256,183	258,018	246,743	207,432	205,132
<u>4,263,889</u>	<u>4,780,044</u>	<u>12,705,561</u>	<u>16,703,945</u>	<u>15,578,794</u>	<u>15,710,265</u>
<u>14,599,008</u>	<u>16,605,527</u>	<u>24,388,859</u>	<u>29,595,667</u>	<u>25,780,077</u>	<u>26,166,319</u>
1,290	260,452	286,690	245,924	233,974	354,336
1,389,593	1,426,437	1,551,164	1,447,452	1,381,941	1,072,612
-	-	-	-	-	0
273,169	268,250	266,223	271,142	276,893	348,804
134,658	142,649	124,152	145,861	162,849	120,742
593,557	674,770	785,599	629,907	411,336	354,166
1,033,792	3,615,699	129,225	16,236	1,441	1,822
<u>3,426,059</u>	<u>6,388,257</u>	<u>3,143,053</u>	<u>2,756,522</u>	<u>2,468,434</u>	<u>2,252,482</u>
2,775,465	2,869,997	3,194,533	3,116,147	3,168,232	3,512,854
847,739	876,112	2,206,517	5,664,011	6,425,573	7,325,872
836,354	847,213	847,437	845,919	862,931	922,232
129,705	131,266	132,919	135,714	123,993	125,185
48,574	5,715	5,825	49,909	3,872	4,246
38,616	4,862,482	34,194,519	3,240,574	3,787,571	3,493,407
<u>4,676,453</u>	<u>9,592,785</u>	<u>40,581,750</u>	<u>13,052,274</u>	<u>14,372,172</u>	<u>15,383,796</u>
<u>8,102,512</u>	<u>15,981,042</u>	<u>43,724,803</u>	<u>15,808,796</u>	<u>16,840,606</u>	<u>17,636,278</u>
(6,909,060)	(5,437,226)	(8,540,245)	(10,135,200)	(7,732,849)	(8,203,572)
412,564	4,812,741	27,876,189	(3,651,671)	(1,206,622)	(326,469)
<u>(6,496,496)</u>	<u>(624,485)</u>	<u>19,335,944</u>	<u>(13,786,871)</u>	<u>(8,939,471)</u>	<u>(8,530,041)</u>

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>General Revenue and Other Changes in Net Position</b>				
Governmental activities:				
Taxes				
Property taxes, levied for general purposes	4,740,502	4,773,346	4,972,207	5,299,352
Local option sales tax	1,645,516	1,825,885	2,005,558	1,967,505
Accommodation Tax	692,478	789,577	936,253	964,054
Other Taxes	-	-	-	-
Grants and contributions not restricted	615,060	632,706	726,866	727,434
Unrestricted investment earnings	114,599	323,328	645,011	158,552
Miscellaneous	-	-	18,009	36,269
Law Suit Settlement				
Gain (loss) on sale of assets	-	-	-	7,500
Extraordinary item-environmental remediation	-	-	-	(738,561)
Special Items	-	-	-	-
Transfers in (out)	1,324,641	184,378	(319,644)	(347,552)
Total governmental activities	<u>9,132,796</u>	<u>8,529,220</u>	<u>8,984,260</u>	<u>8,074,553</u>
Business-type activities:				
Interest and investment earnings	56,970	130,444	124,530	103,333
Miscellaneous	139,661	160,497	-	-
Gain on sale of assets	-	-	446	-
Transfers in (out)	(1,324,641)	(184,378)	319,644	347,552
Total business-type activities	<u>(1,128,010)</u>	<u>106,563</u>	<u>444,620</u>	<u>450,885</u>
Total primary government	<u>8,004,786</u>	<u>8,635,783</u>	<u>9,428,880</u>	<u>8,525,438</u>
<b>Changes in Net Position</b>				
Governmental activities	3,915,106	2,781,419	1,467,958	(19,989)
Business-type activities	3,848,142	(6,976)	472,598	2,062,291
Total primary government	<u>7,763,248</u>	<u>2,774,443</u>	<u>1,940,556</u>	<u>2,042,302</u>

Table 2

Year Ending June 30,					
2009	2010	2011	2012	2013	2014
5,981,663	5,928,590	6,699,824	6,866,837	7,016,323	6,812,760
1,802,031	1,640,696	1,639,858	1,458,619	1,476,163	1,531,327
930,170	887,478	950,143	1,068,434	1,128,868	1,166,651
-	-	-	48,303	12,059	62,711
791,850	581,317	65,128	613,268	616,694	660,137
68,872	14,201	610,523	7,701	5,225	3,594
6,926	63,305	15,586	83,571	93,101	172,239
					625,000
(240,090)	-	62,481	-	-	0
(192,741)	(90,404)	(21,022)	(33,081)	-	
-	-	-	-	-	(292,059)
(394,925)	(1,349,300)	977,705	(127,000)	(80,000)	(70,000)
<u>8,753,756</u>	<u>7,675,883</u>	<u>11,000,226</u>	<u>9,986,652</u>	<u>10,268,433</u>	<u>10,672,360</u>
47,853	9,856	20,496	14,140	18,119	6,617
-	-	-	-	-	4,491
-	-	-	-	-	0
394,925	1,349,300	(977,705)	127,000	80,000	70,000
<u>442,778</u>	<u>1,359,156</u>	<u>(957,209)</u>	<u>141,140</u>	<u>98,119</u>	<u>81,108</u>
<u>9,196,534</u>	<u>9,035,039</u>	<u>10,043,017</u>	<u>10,127,792</u>	<u>10,366,552</u>	<u>10,753,468</u>
1,844,696	2,238,657	2,459,981	(148,548)	2,535,584	2,468,788
855,342	6,171,897	26,918,980	(3,510,531)	(1,108,503)	(245,361)
<u>2,700,038</u>	<u>8,410,554</u>	<u>29,378,961</u>	<u>(3,659,079)</u>	<u>1,427,081</u>	<u>2,223,427</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>General Fund</b>				
Reserved	1,194,006	1,321,411	1,507,673	3,039,927
Unreserved				
Designated	-	-	189,241	40,867
Undesignated	4,676,619	4,283,868	3,554,482	2,283,143
Non-spendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>Total general fund</b>	<u>5,870,625</u>	<u>5,605,279</u>	<u>5,251,396</u>	<u>5,363,937</u>
<b>All Other Governmental Funds</b>				
Reserved	321,168	300,101	3,132,151	254,575
Unreserved, reported in:				
Special Revenue Funds	2,216,150	1,331,246	2,305,284	3,462,467
Capital Projects Funds	1,465,057	744,217	318,863	1,725,379
Non-Spendable in Special Revenue Funds	-	-	-	-
Restricted in Special Revenue Funds	-	-	-	-
Committed in Capital Projects Funds	-	-	-	-
<b>Total all other governmental funds</b>	<u>4,002,375</u>	<u>2,375,564</u>	<u>5,756,298</u>	<u>5,442,421</u>
<b>Total governmental funds</b>	<u>9,873,000</u>	<u>7,980,843</u>	<u>11,007,694</u>	<u>10,806,358</u>

(Amounts need to agree with Governmental Funds Balance Sheet per Audit)

2009	2010	2011	2012	2013	2014
3,309,170	3,121,360	-	-	-	-
715,079	-	-	-	-	-
2,684,359	2,549,135	-	-	-	-
-	-	33,756	25,457	12,972	26,712
-	-	3,058,316	1,381,631	1,594,929	1,399,510
-	-	424,667	425,139	425,432	425,432
-	-	388,199	-	-	-
-	-	2,668,659	3,372,614	4,307,979	6,031,718
<u>6,708,608</u>	<u>5,670,495</u>	<u>6,573,597</u>	<u>5,204,841</u>	<u>6,341,312</u>	<u>7,883,372</u>
315,801	318,271	-	-	-	-
3,616,626	3,142,790	-	-	-	-
3,863,103	470,366	-	-	-	-
-	-	55,435	56,163	56,163	56,163
-	-	3,453,307	3,850,952	4,771,566	5,416,543
-	-	536,664	421,564	385,389	385,881
<u>7,795,530</u>	<u>3,931,427</u>	<u>4,045,406</u>	<u>4,328,679</u>	<u>5,213,118</u>	<u>5,858,587</u>
<u>14,504,138</u>	<u>9,601,922</u>	<u>10,619,003</u>	<u>9,533,520</u>	<u>11,554,430</u>	<u>13,741,959</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Revenues</b>				
Ad valorem taxes	4,833,108	4,763,084	4,963,214	5,306,256
Other taxes and licenses	2,494,248	2,766,128	3,134,220	3,115,973
Unrestricted intergovernmental	458,806	489,880	542,779	559,452
Restricted intergovernmental	899,030	1,428,574	1,508,878	1,132,564
Permits and fees	487,185	391,457	316,213	212,613
Sales and services	329,842	486,021	366,541	388,682
Investment earnings	114,599	323,328	645,011	436,062
Miscellaneous	981,236	1,371,017	760,016	225,457
Total revenues	<u>10,598,054</u>	<u>12,019,489</u>	<u>12,236,872</u>	<u>11,377,059</u>
<b>Expenditures</b>				
General Government	1,986,125	3,912,780	4,826,238	2,827,219
Public Safety	3,035,993	3,541,059	6,440,734	9,782,918
Transportation	1,337,887	1,188,093	1,079,222	1,043,830
Environmental protection	126,097	611,311	1,627,464	916,103
Cultural and recreational	1,197,749	2,076,395	1,367,281	1,244,600
Debt Service:				
Interest	85,460	47,646	84,298	275,353
Principal	1,156,280	344,175	508,296	912,311
Total expenditures	<u>8,925,591</u>	<u>11,721,459</u>	<u>15,933,533</u>	<u>17,002,334</u>
Excess of revenues over (under) expenditures	1,672,463	298,030	(3,696,661)	(5,625,275)
<b>Other Financing</b>				
<b>Sources (Uses)</b>				
Debt Issuances	272,000	1,409,749	5,151,000	5,721,000
Transfers in	2,303,754	1,643,500	1,498,925	1,310,072
Transfers Out	(979,113)	(1,459,122)	(1,818,569)	(1,607,133)
Special Items	-	-	-	-
Sale of Capital Assets	-	-	-	-
Total other financing sources (uses)	<u>1,596,641</u>	<u>1,594,127</u>	<u>4,831,356</u>	<u>5,423,939</u>
Net change in fund balances	<u>3,269,104</u>	<u>1,892,157</u>	<u>1,134,695</u>	<u>(201,336)</u>
Capital outlay included in total expenditures	<u>784,819</u>	<u>3,897,623</u>	<u>7,068,528</u>	<u>5,719,117</u>
Debt service as a percentage of noncapital expenditures	15.3%	5.0%	6.7%	10.5%

2009	2010	2011	2012	2013	2014
5,833,628	5,942,136	6,505,967	6,735,314	6,890,355	7,031,553
2,740,787	2,533,834	2,632,584	2,571,414	2,649,447	2,717,387
791,850	581,317	610,523	613,268	616,694	660,137
3,291,287	1,908,855	2,032,749	1,717,301	1,439,435	1,396,215
165,901	189,532	335,236	293,638	297,489	348,334
430,006	635,174	632,458	613,350	623,556	510,718
163,029	29,465	19,301	9,795	6,683	3,594
62,244	224,287	164,816	280,752	165,581	782,957
<u>13,478,732</u>	<u>12,044,600</u>	<u>12,933,634</u>	<u>12,834,832</u>	<u>12,689,240</u>	<u>13,450,895</u>
5,159,304	5,662,558	2,635,942	2,565,883	2,872,851	2,628,089
8,798,376	5,228,736	5,190,729	5,519,623	3,934,916	3,763,473
1,164,819	1,063,382	1,099,366	2,445,600	802,832	1,534,817
155,129	186,713	171,984	211,712	120,781	138,990
1,170,426	1,185,947	1,203,127	1,070,600	858,003	755,862
241,949	719,169	752,320	655,200	596,245	539,172
<u>914,239</u>	<u>1,551,011</u>	<u>1,928,790</u>	<u>1,642,697</u>	<u>1,402,702</u>	<u>1,555,186</u>
<u>17,604,242</u>	<u>15,597,516</u>	<u>12,982,258</u>	<u>14,111,315</u>	<u>10,588,330</u>	<u>10,915,589</u>
(4,125,510)	(3,552,916)	(48,624)	(1,276,483)	2,100,910	2,535,306
8,218,215	-	88,000	318,000	-	-
1,526,522	1,368,766	3,695,659	360,078	-	2,929,959
(1,921,447)	(2,718,066)	(2,717,954)	(487,078)	(80,000)	(2,999,959)
-	-	-	-	-	(292,059)
-	-	-	-	-	14,282
<u>7,823,290</u>	<u>(1,349,300)</u>	<u>1,065,705</u>	<u>191,000</u>	<u>(80,000)</u>	<u>(347,777)</u>
<u>3,697,780</u>	<u>(4,902,216)</u>	<u>1,017,081</u>	<u>(1,085,483)</u>	<u>2,020,910</u>	<u>2,187,529</u>
<u>7,058,008</u>	<u>3,332,698</u>	<u>579,263</u>	<u>745,806</u>	<u>185,009</u>	<u>56,476</u>
11.0%	18.5%	21.6%	17.2%	19.2%	19.3%

**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	
2005	4,833,108	1,645,516	692,478	451,434	0	31,515	7,654,051
2006	4,763,084	1,825,885	789,577	485,462	0	32,548	7,896,556
2007	4,963,214	2,005,558	936,253	549,818	0	34,845	8,489,688
2008	5,306,256	1,967,505	964,154	359,803	153,994	37,280	8,788,992
2009	5,833,628	1,802,031	930,170	415,512	191,626	37,100	9,210,067
2010	5,942,136	1,640,696	887,658	441,436	187,180	11,961	9,111,067
2011	6,505,967	1,639,858	950,143	466,017	192,221	37,877	9,792,083
2012	6,866,837	1,458,619	1,068,434	381,608	157,974	29,593	9,963,065
2013	6,890,355	1,520,579	1,128,868	421,555	153,897	27,754	10,143,008
2014	7,031,553	1,531,327	1,166,651	440,598	153,498	30,401	10,354,028

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property	Personal Property	Public Service Companies	Motor Vehicles	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2005	1,277,107,430	14,676,870	11,790,912	62,622,873	2,959,228	1,363,238,857	0.3500
2006	1,347,859,840	17,222,164	12,946,463	66,808,965	2,778,038	1,442,059,394	0.3300
2007	1,403,618,416	17,735,723	15,003,707	66,582,294	2,196,822	1,500,743,318	0.3300
2008	4,095,479,230	26,453,402	16,649,108	64,269,743	6,998,541	4,195,852,942	0.1245
2009	4,147,111,229	26,043,527	17,175,781	60,612,679	9,172,173	4,241,771,043	0.1400
2010	4,180,139,988	27,063,889	16,788,818	55,585,536	10,002,490	4,269,575,741	0.1400
2011	4,189,866,332	39,721,852	17,141,597	54,725,092	11,008,727	4,290,446,146	0.1550
2012	2,399,746,526	24,372,523	17,024,122	57,466,173	7,987,556	2,490,621,788	0.2750
2013	2,449,726,454	19,158,930	16,672,444	60,055,636	11,123,655	2,534,489,809	0.2750
2014	2,487,456,775	11,964,755	15,860,319	85,781,004	10,922,121	2,590,140,732	0.2750

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		Total Town Rate	Overlapping Rates		Total Direct & Overlapping Rates
	Operating Rate	Debt Service Rate		Brunswick County	Smithville Township	
2005	0.25891	0.09109	0.3500	0.4425	0.0400	0.8325
2006	0.30283	0.02717	0.3300	0.4425	0.0400	0.8125
2007	0.29051	0.03949	0.3300	0.4425	0.0400	0.8125
2008	0.09619	0.02831	0.1245	0.3050	0.0225	0.4520
2009	0.11272	0.02728	0.1400	0.3050	0.0225	0.4675
2010	0.08679	0.05321	0.1400	0.3050	0.0225	0.4675
2011	0.09247	0.06253	0.1550	0.3050	0.0400	0.5000
2012	0.18248	0.09252	0.2750	0.5400	0.0400	0.8550
2013	0.19620	0.07880	0.2750	0.5400	0.0400	0.8550
2014	0.19414	0.08086	0.2750	0.5400	0.0400	0.8550

Notes:

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

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

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

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

(5) Components of the Overlapping Rates are not available

Source: Town of Oak Island and Brunswick County Tax Department

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Property Tax Levies and Collections

Last Ten Fiscal Years

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Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of Levy		Collections in in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes
		Amount	% of Levy		Amount	% of Levy	
2005	4,771,213	4,687,158	98.24%	76,257	4,763,415	99.84%	7,798
2006	4,742,288	4,646,056	97.97%	87,348	4,733,404	99.81%	8,884
2007	4,944,595	4,857,815	98.24%	76,810	4,934,625	99.80%	9,970
2008	5,274,322	5,147,268	97.59%	111,393	5,258,661	99.70%	15,661
2009	5,931,901	5,698,669	96.07%	199,349	5,898,018	99.43%	33,883
2010	5,973,528	5,743,851	96.16%	168,192	5,912,043	98.97%	61,485
2011	6,645,496	6,314,365	95.02%	224,885	6,539,250	98.40%	106,246
2012	6,830,366	6,510,859	95.32%	162,823	6,673,682	97.71%	156,684
2013	6,971,984	6,629,931	95.09%	145,887	6,775,818	97.19%	196,166
2014	7,120,396	6,829,735	95.92%		6,829,735	95.92%	290,661

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Principal Property Tax Payers

Current Year and Five Years Ago

Taxpayer	Types of Property	Fiscal Year 2014		Fiscal Year 2005		Percentage of Total Taxable Assessed Value	Percentage of Total Taxable Assessed Value
		2013 Taxable Assessed Value	Rank	2005 Taxable Assessed Value	Rank		
Brunswick Electric Membership Corp	Utility	14,138,576	1	12,739,291	2		0.31%
DWE III LLC& Ladane Enterprises	Developer	10,239,440	2				
Capel Jesse Etals	Residential	6,665,416	3	10,000,000	3		0.24%
Food Lion LLC	Commercial/Retail	2,737,674	4	3,277,680	6		0.08%
DWE II LLC		2,860,470	5				
Oak Island Property Holdings LLC	Residential	2,572,500	6	3,087,000	8		0.08%
St. James Plantation Property Owners	Residential	2,175,986	7				
Pacula Family Revocable Living Trust		2,368,270	8				
Personal Jet Group LLC	Airplane	2,280,000	9				
John H. Brinkley III		1,965,532	10				
Preserve Holdings	Residential			15,489,610	1		0.38%
	Commercial &						
Vereen. Susan Trustee	Residential	3,043,290		3,043,290	10		0.07%
Mickey, Carl	Residential			5,479,000	4		0.13%
Bellsouth Communications	Utility			4,139,679	5		0.10%
Air Travel, LLC	Airplane			3,200,000	7		0.08%
Wrenn, Christopher B. Etux Allison	Commercial & Residential			3,060,000	9		0.07%
		<u>51,047,154</u>		<u>0.00%</u>		<u>63,515,550</u>	<u>1.54%</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	Ratio		
	Installment	Capital	Installment	Revenue	State	Capital		Primary	Personal	Per
	Ended	Purchases	Leases	Purchases	Notes & Bonds	Revolving		Lease	Government	Income <sup>(1)</sup>
June 30					Loan Fund					
2005	468,848	725,555	2,898,191	1,421,764	-	149,724	5,664,082	0.26%	735	
2006	1,617,156	642,820	2,833,423	1,263,790	-	156,702	6,513,891	0.27%	845	
2007	6,378,511	524,169	4,714,156	1,105,816	-	40,432	12,763,084	0.48%	1,577	
2008	11,311,227	400,142	819,272	33,987,842	-	62,735	46,581,218	1.60%	5,639	
2009	17,949,723	1,065,622	744,573	83,372,526	6,510,920	-	109,643,364	3.23%	13,075	
2010	16,506,893	957,441	666,237	82,489,298	10,766,911	-	111,386,780	3.33%	16,421	
2011	14,777,319	846,226	584,086	92,133,921	11,116,037	-	119,457,589	3.43%	17,490	
2012	13,317,801	981,046	497,933	90,945,948	12,604,726	-	118,347,454	3.22%	16,900	
2013	12,097,885	798,259	407,586	88,617,974	12,008,450	-	113,930,154	2.92%	16,379	
2014	10,877,969	462,990	312,838	86,226,777	11,398,628	-	109,279,202		N/A	

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, 2014

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	57,895,000	13.40%	7,757,930
Town of Oak Island direct debt	11,340,968	100.00%	<u>11,340,968</u>
<b>Total direct and overlapping debt</b>			<u>\$ 19,098,898</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, 2014

Fiscal Year Ended June 30	Debt Limit	Total Debt Applicable to Limit	Legal Debt Margin	Total Debt as a Percentage of Debt Limit
2005	109,059,109	1,194,403	107,864,706	1.10%
2006	115,364,752	2,259,976	113,104,777	1.96%
2007	120,128,827	6,902,679	113,226,148	5.75%
2008	335,668,235	11,711,369	323,956,866	3.49%
2009	339,341,683	19,015,351	320,326,332	5.60%
2010	341,566,059	17,464,334	324,101,725	5.11%
2011	343,632,700	15,623,544	328,009,156	4.55%
2012	199,249,743	14,298,846	184,950,897	7.18%
2013	214,951,330	12,896,145	202,055,185	6.00%
2014	200,832,130	11,340,958	189,491,172	5.65%

**Calculation of Legal Debt Margin for Fiscal Year 2014**

Assessed value of taxable property	2,590,140,732
	x0.08
Debt limit- (8 % of assessed value)	<u>207,211,259</u>
Debt applicable to limit:	
Total installment purchases	10,877,969
Total capital leases	<u>462,999</u>
Total amount of debt applicable to debt limit (net debt)	<u>11,340,968</u>
Legal debt margin	<u><u>195,870,291</u></u>

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

**TOWN OF OAK ISLAND, NORTH CAROLINA**

**Pledged Revenue Coverage**

**Last Seven Fiscal Years**

Fiscal Year Ended June 30	<u>Enterprise Funds</u>				<u>All Enterprise Parity Debt</u>			<u>Total Other System Indebtness</u>		
	Operating and Non-operating Revenue	Operating Expenses Less Depreciation	Sewer District Fee Revenue	Net Available Revenue	Principal	Interest	Total	Principal	Interest	Total
	2008	3,360,697	2,705,022	-	655,675	229,203	82,845	312,048	-	-
2009	3,667,735	2,767,342	-	900,393	232,672	73,737	306,409	-	-	-
2010	3,754,856	2,818,573	585,979	1,522,262	720,000	1,183,156	1,903,156	686,310	287,673	973,983
2011	11,517,674	6,446,729	443,102	5,514,047	750,000	2,985,650	3,735,650	978,290	381,270	1,359,560
2012	14,338,243	7,080,777	496,361	7,753,827	1,030,000	4,699,406	5,729,406	697,147	283,323	980,470
2013	13,242,439	6,104,613	1,968,750	9,106,576	2,170,000	4,659,907	6,829,907	986,496	323,133	1,309,629
2014	13,568,869	6,558,787	2,004,788	9,014,870	2,260,000	4,576,933	6,836,933	1,004,443	299,547	1,303,990

Required Coverage:

Fiscal Year Ended June 30	Net Available Revenue	15% Unrestricted Net Assets	Total Available Revenue	Total Debt Service	20% Parity Debt Service	Total + 20% Parity Debt	<u>Coverage</u> 100% Parity	120% Parity
2008	655,675	233,737	889,412	312,048	0	312,048	2.10	2.85
2009	900,393	265,924	1,166,317	306,409	0	306,409	2.94	3.81
2010	1,522,262	342,008	1,864,270	2,877,139	380,631	3,257,770	0.53	0.57
2011	5,514,047	343,458	5,857,505	5,095,210	747,130	5,842,340	1.08	1.00
2012	7,753,827	568,061	8,321,888	6,709,876	1,145,881	7,855,757	1.16	1.06
2013	9,106,576	490,670	9,597,246	8,139,536	1,365,981	9,505,517	1.12	1.01
2014	9,014,870	776,269	9,791,139	8,140,923	1,367,387	9,508,309	1.11	1.03

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>
2005	7,711	2,195,457	26,229	43.9	769	5.0%
2006	7,711	2,440,703	27,645	44.1	769	4.1%
2007	8,093	2,683,411	28,585	48.7	769	4.7%
2008	8,261	2,907,482	29,379	45.0	769	6.1%
2009	8,386	3,394,034	32,255	47.7	769	11.0%
2010	6,783	3,347,269	30,973	47.7	769	10.2%
2011	6,830	3,482,031	31,615	48.0	769	10.3%
2012	7,003	3,674,444	32,628	48.4	769	10.3%
2013	6,956	3,899,674	33,715	48.8	769	9.1%
2014	7,088	N/A	N/A	49.3	769	6.9%

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, 2000 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 2014			Fiscal Year 2005		
		Number	Rank	Percentage	Number	Rank	Percentage
		of Employees	of	of Total County Employment	of Employees	of	of Total County Employment
Brunswick County Board of Education	Education	1,947	1	3.71%	1,600	1	3.68%
County of Brunswick	Local Government	1,035	2	1.97%	900	3	2.07%
Wal-Mart Associates, Inc.	Retail	932	3	1.78%	N/A	N/A	N/A
Duke Energy	Utility	850	4	1.62%	1,050	2	2.41%
Brunswick Novant Medical	Medical Care Facility	700	5	1.33%	300	5	0.69%
Food Lion, Inc.	Grocery	520	6	0.99%	N/A	N/A	N/A
Brunswick Community College	Education	481	7	0.92%	N/A	N/A	N/A
Lowe's Food	Grocery	409	8	0.78%	N/A	N/A	N/A
Dosher Memorial Hospital	Medical Care Facility	364	9	0.69%	260	7	0.60%
McAnderson's Inc.	Restaurant Chain	350	10	0.67%	N/A	N/A	N/A
DAK Americas	Dacron Polyester Fiber	N/A	11	N/A	750	4	1.72%
Rampage	Yacht Manufacture	N/A	12	N/A	275	6	0.63%
Victaulic Company of America	Pipe Fittings & Seals	N/A	13	N/A	250	8	0.57%
Sunny Point Military Terminal	Military	N/A	14	N/A	225	9	0.52%
Archer Daniels Midland Company	Citric Acid	N/A	15	N/A	150	10	0.34%
<b>Totals</b>		<b>7,588</b>		<b>14.46%</b>	<b>5,760</b>		<b>13.23%</b>

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	Full time Equivalent Employees as of June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administration	12	12	12	13	12	14	16	16	16	16
Public Safety										
Police	24	24	25	25	26	26	25	25	23	23
Communications	4	4	4	6	6	6	6	4	0	0
Animal Control	1	1	2	2	2	2	2	2	2	2
Fire	3	3	7	13	19	20	19	20	21	22
Development Services	11	10	11	11	12	12	11	8	6	6
Public Works	2	2	2	2	2	2	4	2	2	2
Fleet Maintenance	2	3	3	4	4	4	3	3	2	2
Building and Ground	8	8	9	10	9	6	8	9	9	4
Street Department	8	8	8	8	8	8	7	7	5	5
Cultural and Recreation	8	8	9	13	10	10	9	7	6	4
Utility										
Water	10	10	11	13	12	12	12	10	9	9
Sewer	3	4	4	4	4	4	7	7	7	7
Solid Waste	4	4	4	4	4	4	4	4	4	4
Stormwater	1	1	1	1	1	1	1	1	2	2
Golf Course	0	0	2	5	2	2	2	2	2	2
Capital Projects	0	1	1	4	5	5	0	0	0	0
<b>Total</b>	<b>101</b>	<b>103</b>	<b>115</b>	<b>138</b>	<b>138</b>	<b>138</b>	<b>136</b>	<b>127</b>	<b>116</b>	<b>110</b>

Source: Town's human resource department

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Operating Indicators by Function

Last Ten Years

Function	2005	2006	2007	2008	2009
<b>Public Safety</b>					
<b>Police</b>					
Number of calls dispatched <sup>(1)</sup>	2,205	3,007	5,314	7,224	10,565
Number of physical arrests	335	369	350	267	269
Number of violations	2,932	2,631	2,404	1,561	2,422
<b>Fire</b>					
Number of Fire runs	101	112	121	208	228
Number of EMS and Rescue runs <sup>(2)</sup>	4	70	260	816	863
<b>Code Enforcement/Building permits</b>					
Number of building permits	1,259	1,171	1,105	1,377	1,153
Number of inspections	12,919	12,860	16,615	11,372	10,392
<b>Transportation</b>					
<b>Streets</b>					
New streets paved (miles)	1.07	0	0.18	0.00	0.00
Streets resurfaced (miles)	3.00	0	1.04	0.00	0.00
<b>Environmental Protection</b>					
<b>Sanitation</b>					
Refuse collected (tons)	3,000	3,100	3,100	3,150	3,200
Bulky/Brush collected (tons)	2,000	2,000	2,000	2,080	2,250
Recyclables collected (tons)	550	560	600	620	625
<b>Cultural and Recreation</b>					
<b>Number of Participants:</b>					
weight fitness program	18,124	21,986	23,894	23,969	24,023
Fitness class	4,395	3,817	4,411	3,568	5,235
Athletic program	7,140	10,003	12,421	12,062	12,644
Teen program	4,365	3,961	3,835	5,884	5,420
Community Center program	8,445	7,550	7,066	7,784	1,933
Skate Park	1,075	1,579	2,209	2,174	2,189
Number of Ocean Education Center	800	987	1,575	1,178	2,341
Number of Nature Center participants	2,461	2,617	4,281	3,351	4,058
Number of paid golf course rounds played	0	0	11,161	11,844	11,373
Number of youth and miscellaneous program participants	N/A	N/A	N/A	N/A	3,903
<b>Water</b>					
Number of water customers	7,583	7,718	7,822	7,867	8,203
Average daily water consumption (gallons)	1,040,750	978,000	1,101,976	1,017,788	893,941
<b>Wastewater</b>					
Number of sewer customers	855	859	884	906	925
Sewer average daily treatment (gallons)	126,232	141,084	156,530	125,062	148,335

Notes:

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

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

Source: Various Town Departments

2010	2011	2012	2013	2014
12,042	12,620	11,741	10,029	10,332
301	331	288	322	285
2,070	4,255	2,741	2,688	3,139
249	258	215	280	319
945	942	948	916	888
2,184	1,286	1,448	1,681	1,875
8,532	13,278	9,941	8,549	7,994
0.00	0.00	0.00	0.00	0.00
0.00	0.00	12.04	0.00	4.58
4,000	4,100	13,148	NA	NA
2,300	2,300	1,200	1,500	8,011
650	670	820	863	1,250
22,624	22,858	23,521	23,532	21,352
5,990	5,980	5,466	5,267	4,267
11,549	12,153	14,984	13,171	13,981
4,234	3,744	2,409	3,743	448
7,834	7,907	7,466	6,849	1,437
1,625	1,335	1,722	1,735	1,711
2,151	2,268	2,760	1,083	939
3,664	3,376	3,684	3,527	1,623
17,832	11,048	12,442	10,595	9,063
4,884	5,017	6,375	6,861	2,953
8,236	8,240	8,042	8,021	8,378
878,257	878,700	749,542	739,818	804,170
929	4,241	7,542	7,974	8,008
145,425	663,900	580,289	591,917	543,838

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Capital Assets by Function

Last Ten Years

Function	2005	2006	2007	2008	2009
<b>Public Safety</b>					
Police					
Police Stations	1	1	1	1	2
Police Patrol Units	25	25	25	25	25
Police Motorcycle Units	0	2	2	2	2
Fire					
Fire Stations	2	2	2	2	4
Fire Trucks	5	5	5	5	6
<b>Transportation</b>					
Streets -Paved (miles)	92.38	92.38	92.48	92.57	92.57
Sidewalks (miles)	6.53	7.68	7.68	7.68	7.68
<b>Environmental Protection</b>					
Curbside Truck	N/A	N/A	N/A	2	2
Leaf Machine	N/A	N/A	N/A	2	2
Beach Trash Truck	0	0	1	1	2
<b>Cultural and Recreation</b>					
Parks	15	15	17	17	17
Tennis Courts	4	4	4	4	4
Playgrounds	1	1	1	1	1
Baseball/Softball fields	2	2	4	4	5
Soccer Fields	1	1	1	1	1
Recreation Center	1	1	1	1	1
Community Centers	1	1	1	1	1
Golf Courses	0	0	1	1	1
Croquet Court	0	1	1	1	1
Disc Golf Course	0	0	1	1	1
Fishing Pier	0	0	0	1	1
Dog Park	0	0	1	1	1
<b>Water</b>					
Water Mains (miles)	120	120	120	120	120
Fire Hydrants	800	800	800	800	800
Average daily water consumption (in gallons)	1,040,750	978,000	1,101,976	1,017,788	893,491
Peak daily demand (in gallons)	2,824,000	2,884,000	2,369,000	2,541,000	2,336,000
<b>Wastewater</b>					
Sanitary Sewers (miles)	20	20	20	20	20
Lift Stations	14	14	15	15	15
Man Holes	220	220	220	220	220
Sewer Treatment Capacity (in gallons)	400,000	400,000	400,000	400,000	400,000

Source: Various Town Departments

2010	2011	2012	2013	2014
2	2	2	2	2
26	26	26	26	25
1	1	1	1	1
3	3	3	3	3
6	6	6	6	6
96.00	96.00	96	96	96
7.68	7.68	7.68	7.68	7.68
2	3	2	2	2
2	2	2	2	2
2	3	2	2	2
17	17	17	17	17
6	6	6	6	6
1	2	2	2	2
5	5	5	5	5
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	2	2
120	120	120	120	120
800	800	800	800	800
878,257	878,700	749,542	739,818	804,170
2,488,000	2,485,000	2,111,000	2,174,330	2,188,950
20	106	106	106	106
15	34	34	34	34
220	220	245	245	245
400,000	2,535,308	3,400,000	3,400,000	3,400,000

## ***Compliance Section***

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**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregated remaining fund information of the Town of Oak Island, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Town of Oak Island's basic financial statements, and have issued our report thereon dated February 6, 2015. The financial statements of the Town of Oak Island Board of Alcoholic Control were not audited in accordance with *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Town of Oak Island's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Oak Island's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Oak Island's internal control.

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

Whiteville, NC  
February 6, 2015

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Schedule of Findings and Responses

For the Fiscal Year Ended June 30, 2014

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<b>SECTION I. SUMMARY OF AUDITOR'S RESULTS</b>
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**Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified that are  
not considered to be material weaknesses

\_\_\_\_\_ Yes      X   No

Noncompliance material to financial statements noted

\_\_\_\_\_ Yes      X   No

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Schedule of Findings and Responses

For the Fiscal Year Ended June 30, 2014

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<b>SECTION II. FINANCIAL STATEMENT FINDINGS</b>
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None. Reported

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Corrective Action Plan

For the Fiscal Year Ended June 30, 2014

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<b>SECTION II. FINANCIAL STATEMENT FINDINGS</b>
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None Reported.

**TOWN OF OAK ISLAND, NORTH CAROLINA**

Summary Schedule of Prior Year Findings

For the Fiscal Year Ended June 30, 2014

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<b>SECTION III. SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS</b>
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**Finding: 13-1**

Status: Corrected

**Finding: 13-2**

Status: Corrected

**Finding: 13-3**

Status: Corrected