

TOWN OF OCEAN ISLE BEACH  
Ocean Isle Beach, North Carolina

FINANCIAL STATEMENTS  
Year Ended June 30, 2013

TOWN OF OCEAN ISLE BEACH  
Ocean Isle Beach, North Carolina

BOARD OF COMMISSIONERS

Betty Williamson

David Grantham

Dean Walters

Bob Williams

Carolyn Blythe

ADMINISTRATIVE OFFICERS

Debbie Smith  
Mayor

Dean Walters  
Mayor Pro-Tem

Daisy Ivey  
Finance Officer & Town Administrator

Town of Ocean Isle Beach, North Carolina  
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June 30, 2013

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## FINANCIAL SECTION



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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the Town Council  
Ocean Isle Beach, 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 Ocean Isle Beach, North Carolina, as of and for the year ended June 30, 2013, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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 to 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 evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## MANAGEMENT'S DISCUSSION & ANALYSIS

# The Town of Ocean Isle Beach

3 WEST THIRD STREET, OCEAN ISLE BEACH, NC  
ZIP CODE 28469

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## Management's Discussion and Analysis

As management of the Town of Ocean Isle Beach, we offer readers of the Town of Ocean Isle Beach's financial statements this narrative overview and analysis of the financial activities of the Town of Ocean Isle Beach for the fiscal year ended June 30, 2013. 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 Ocean Isle Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$21,645,362 (*net position*).
- The Town's total net position decreased by \$5,305,585, primarily due to the sale of the wastewater facilities.

- As of the close of the current fiscal year, the Town of Ocean Isle Beach's governmental funds reported combined
- ending fund balances of \$9,503,522, an increase of \$767,980 in comparison with the prior year. Approximately 25 percent of this total amount, or \$2,348,773 is available for spending at the government's discretion (unassigned).
  - At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,348,773 or 49% of total general fund expenditures for the fiscal year.
- The Town of Ocean Isle Beach's total debt decreased by \$1,143,405 during the current fiscal year. The key factors in
- this change were the current year principal payments made on the various debt instruments and the sale of the wastewater facilities.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Town of Ocean Isle Beach'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 Ocean Isle Beach.

## Management Discussion and Analysis

### Town of Ocean Isle Beach

The two government-wide statements report the Town's net position and how they have 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, sales tax and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and stormwater services offered by the Town of Ocean Isle Beach. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the Town.

The government-wide financial statements are on 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 are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Ocean Isle Beach, 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 North Carolina General Statutes or the Town's budget ordinance. All of the funds of the Town of Ocean Isle Beach can be divided into two categories: governmental funds and proprietary 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 Ocean Isle Beach adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds** – Town of Ocean Isle Beach has two proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Ocean Isle Beach uses enterprise funds to account for its water and sewer activities. 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.

Management Discussion and Analysis  
 Town of Ocean Isle Beach

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.70%.
- Expenditure decreases within the Governmental Activities.

**Town of Ocean Isle Beach**  
**Changes in Net Assets**  
**Figure 3**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Program Revenues						
Charges for Services	\$ 1,538,902	\$ 1,474,112	\$ 2,607,613	\$ 2,467,398	\$ 4,146,515	\$ 3,941,510
Operating grants & contributions	58,009	109,444	-	-	58,009	109,444
Capital grants & contributions	31,701	56,013	-	103,817	31,701	159,830
General revenues:						
Property taxes	2,329,739	2,309,535	-	-	2,329,739	2,309,535
Other taxes	2,218,001	2,238,168	-	-	2,218,001	2,238,168
Investment earnings	15,179	17,758	6,466	8,585		26,343
Other	7,011	52,735	78,645	76,932	85,656	129,667
<b>Total revenues</b>	<b>6,198,542</b>	<b>6,257,765</b>	<b>2,692,724</b>	<b>2,656,732</b>	<b>8,869,621</b>	<b>8,914,497</b>
<b>Expenses:</b>						
General government	2,139,544	1,053,756	-	-	2,139,544	1,053,756
Public Safety	1,697,429	1,742,566	-	-	1,697,429	1,742,566
Transportation	319,869	291,589	-	-	319,869	291,589
Environmental Protections	68,032	18,346	-	-	68,032	18,346
Mosquito control	5,525	5,155	-	-	5,525	5,155
Economic Development	525,785	718,142	-	-	525,785	718,142
Interest on long-term debt	42,774	51,986	-	-	42,774	51,986
Water and Sewer	-	-	2,044,953	2,210,587	2,044,953	2,210,587
<b>Total expenses</b>	<b>4,798,958</b>	<b>3,881,540</b>	<b>2,044,953</b>	<b>2,210,587</b>	<b>6,843,911</b>	<b>6,092,127</b>
Increase (decrease) in net position before transfers	1,399,584	2,376,225	647,771	446,145	2,025,710	2,822,370
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	1,399,584	2,376,225	647,771	446,145	2,047,355	2,822,370
Special item	-	-	(7,352,940)	-	(7,352,940)	-
Net position, July 1	12,346,484	9,970,259	14,604,463	14,158,318	26,950,947	24,128,577
Net position, June 30	\$ 13,746,068	\$ 12,346,484	\$ 7,899,294	\$ 14,604,463	\$ 21,645,362	\$ 26,950,947

## Management Discussion and Analysis

### Town of Ocean Isle Beach

#### Capital Asset and Debt Administration

**Capital assets.** The Town of Ocean Isle Beach's investment in capital assets for its governmental and business-type activities as of June 30, 2013 totals \$8,700,769 (net of accumulated depreciation). These assets include buildings, land, infrastructure, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Purchase of a vehicle and land for the future ABC store.
- Purchase of equipment and water system improvements.
- Sale of the wastewater facilities at a loss to Brunswick County.

#### Town of Ocean Isle Beach's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,327,167	\$ 2,912,167	\$ 1,346,936	\$ 2,359,510	\$ 4,674,103	\$ 5,271,677
Buildings and system	949,228	1,048,330	1,851,222	9,136,015	2,800,450	10,184,345
Machinery and equipment	-	-	308,302	126,482	308,302	126,482
Infrastructure	623,372	591,020	-	-	623,372	591,020
Vehicles and motor equipment	249,789	305,428	44,753	57,120	294,542	362,548
Construction in progress	-	-	-	-	-	-
<b>Total</b>	<b>\$ 5,149,556</b>	<b>\$ 4,856,945</b>	<b>\$ 3,551,213</b>	<b>\$ 11,679,127</b>	<b>\$ 8,700,769</b>	<b>\$ 16,536,072</b>

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

**Long-term Debt.** As of June 30, 2013 the Town of Ocean Isle Beach had total bonded debt outstanding of \$0.

#### Town of Ocean Isle Beach's Outstanding Debt

The Town of Ocean Isle Beach's total debt decreased by \$1,143,405 during the past fiscal year, primarily due to timely principle payments.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Ocean Isle Beach is \$203,776,443.

Additional information regarding the Town of Ocean Isle Beach's long-term debt can be found in the notes of the Basic Financial Statements.

## BASIC FINANCIAL STATEMENTS

Town of Ocean Isle Beach, North Carolina  
Statement of Net Position  
June 30, 2013

	Primary Government			Ocean Isle Beach ABC Board
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 9,275,271	\$ 4,067,056	\$ 13,342,327	\$ 251,056
Restricted cash	248,290	-	248,290	-
Receivables (net)	133,529	554,119	687,648	-
Prepaid items	-	-	-	-
Inventories	-	33,443	33,443	176,185
Due from other funds	67,034	(67,034)	-	-
Non Current Assets:				
Capital assets:				
Land, improvements, and construction in progress	3,327,167	1,346,936	4,674,103	-
Other capital assets, net of depreciation	1,822,389	2,204,277	4,026,666	12,084
Total capital assets	<u>5,149,556</u>	<u>3,551,213</u>	<u>8,700,769</u>	<u>12,084</u>
Total assets	<u>\$ 14,873,680</u>	<u>\$ 8,138,797</u>	<u>\$ 23,012,477</u>	<u>\$ 439,325</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 140,226	\$ 26,275	\$ 166,501	\$ 101,176
Due to other funds	-	-	-	-
Accrued interest	-	-	-	-
Customer deposits	-	187,163	187,163	-
Long-term liabilities:				
Compensated absences payable	98,851	26,065	124,916	-
Due within one year	213,707	-	213,707	-
Due in more than one year	674,828	-	674,828	-
Total liabilities	<u>1,127,612</u>	<u>239,503</u>	<u>1,367,115</u>	<u>101,176</u>
<b>NET POSITION</b>				
Net investment in capital assets	4,261,021	3,551,213	7,812,234	12,084
Restricted for:				
Streets	248,290	-	248,290	-
State Stabilization	176,014	-	176,014	-
Working Capital	-	-	-	38,774
Unrestricted (deficit)	9,060,743	4,348,081	13,408,824	287,291
Total net position	<u>\$ 13,746,068</u>	<u>\$ 7,899,294</u>	<u>\$ 21,645,362</u>	<u>\$ 338,149</u>

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

Net (Expense) Revenue and Changes in Net Position

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Ocean Isle Beach ABC Board</u>
\$ (826,721)	\$ -	\$ (826,721)	\$ -
(802,655)	-	(802,655)	-
(5,525)	-	(5,525)	-
(288,304)	-	(288,304)	-
(52,882)	-	(52,882)	-
99,513	-	99,513	-
(1,094,196)	-	(1,094,196)	-
(156,802)	-	(156,802)	-
(42,774)	-	(42,774)	-
<u>(3,170,346)</u>	<u>-</u>	<u>(3,170,346)</u>	<u>-</u>
-	325,226	325,226	-
-	237,434	237,434	-
-	562,660	562,660	-
<u>(3,170,346)</u>	<u>562,660</u>	<u>(2,607,686)</u>	<u>-</u>
-	-	-	(8,897)
-	-	-	(8,897)
2,329,739	-	2,329,739	-
121,407	-	121,407	-
2,096,594	-	2,096,594	-
-	-	-	-
15,179	6,466	21,645	210
7,011	78,645	85,656	9,015
-	(7,352,940)	(7,352,940)	-
<u>4,569,930</u>	<u>(7,267,829)</u>	<u>(2,697,899)</u>	<u>9,225</u>
1,399,584	(6,705,169)	(5,305,585)	328
<u>12,346,484</u>	<u>14,604,463</u>	<u>26,950,947</u>	<u>337,821</u>
<u>\$ 13,746,068</u>	<u>\$ 7,899,294</u>	<u>\$ 21,645,362</u>	<u>\$ 338,149</u>

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

Town of Ocean Isle Beach, North Carolina  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2013

	Major Funds			Total Governmental Funds
	General Fund	Tourist Accommodation Fund	Total Non- Major Fund	
<b>REVENUES</b>				
Ad valorem taxes	\$ 2,238,486	\$ -	\$ -	\$ 2,238,486
Other taxes and licenses	160,099	1,725,112	-	1,885,211
Unrestricted intergovernmental	354,637	-	-	354,637
Restricted intergovernmental	61,302	-	26,561	87,863
Permits and fees	901,950	-	-	901,950
Sales and services	597,428	-	-	597,428
Investment earnings	13,727	1,452	-	15,179
Miscellaneous	-	7,355	39,180	46,535
Total revenues	<u>4,327,629</u>	<u>1,733,919</u>	<u>65,741</u>	<u>6,127,289</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,281,128	-	-	1,281,128
Public safety	1,665,286	-	-	1,665,286
Transportation	269,927	-	-	269,927
Mosquito control	5,525	-	-	5,525
Planning and zoning	156,802	-	-	156,802
Special projects	1,389,723	-	-	1,389,723
Environmental protection	68,032	-	-	68,032
Economic development	-	484,493	38,393	522,886
Total expenditures	<u>4,836,423</u>	<u>484,493</u>	<u>38,393</u>	<u>5,359,309</u>
Excess (deficiency) of revenues over	<u>(508,794)</u>	<u>1,249,426</u>	<u>27,348</u>	<u>767,980</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	1,070,542	-	-	1,070,542
Transfers to other funds	-	(1,070,542)	-	(1,070,542)
Installment purchase obligations issued	-	-	-	-
Total other financing sources and uses	<u>1,070,542</u>	<u>(1,070,542)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	561,748	178,884	27,348	767,980
Fund balances-beginning	7,804,101	670,441	261,000	8,735,542
Fund balances-ending	<u>\$ 8,365,849</u>	<u>\$ 849,325</u>	<u>\$ 288,348</u>	<u>\$ 9,503,522</u>

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Other financing sources (uses):								
Proceeds from installment purchase								
Transfers (to)/from								
Fund Balance Appropriated	1,070,853	1,085,350	1,070,542	(1,070,853)	(1,070,853)	(1,070,542)	(1,070,542)	-
Total other financing sources (uses)	<u>217,731</u>	<u>1,225,397</u>	<u>1,070,542</u>	<u>(1,070,853)</u>	<u>(1,070,853)</u>	<u>(1,070,542)</u>	<u>(1,070,542)</u>	<u>311</u>
	1,288,584	2,310,747	1,240,205					
	<u>1,288,584</u>	<u>2,310,747</u>	<u>1,240,205</u>	<u>(1,070,853)</u>	<u>(1,070,853)</u>	<u>(1,070,542)</u>	<u>(1,070,542)</u>	<u>311</u>
Net change in fund balance	\$ -	\$ -	\$ 561,748	\$ -	\$ -	\$ 178,884	\$ 178,884	\$ 178,884
Fund balances:								
Beginning of year, July 1			7,804,101			670,441		
End of year, June 30			<u>\$ 8,365,849</u>			<u>\$ 849,325</u>		

Town of Ocean Isle Beach, North Carolina  
Statement of Revenues, Expenses, and  
Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended June 30, 2013

	Major Enterprise Funds		Totals
	Water Fund	Sewer Fund	June 30, 2013
Operating revenues:			
Charges for services	\$ 1,294,518	\$ 1,173,771	\$ 2,468,289
Water & Sewer taps	19,050	9,000	28,050
Other operating revenues	70,492	40,782	111,274
Total operating revenues	<u>1,384,060</u>	<u>1,223,553</u>	<u>2,607,613</u>
Operating expenses:			
Administration	98,130	7,403	105,533
Operations	907,321	843,936	1,751,257
Depreciation	53,383	118,430	171,813
Total operating expenses	<u>1,058,834</u>	<u>969,769</u>	<u>2,028,603</u>
Operating income	<u>325,226</u>	<u>253,784</u>	<u>579,010</u>
Nonoperating revenues (expenses):			
Investment earnings	4,651	1,815	6,466
Interest and fees	-	(16,350)	(16,350)
Lease	78,645	-	78,645
Total nonoperating revenues (expenses)	<u>83,296</u>	<u>(14,535)</u>	<u>68,761</u>
Net Income before transfers and capital contributions	<u>408,522</u>	<u>239,249</u>	<u>647,771</u>
Capital contributions	-	-	-
Special Item: Loss on dispositon of sewer facilities	-	(7,352,940)	(7,352,940)
Transfer in (out)	-	-	-
Change in net position	408,522	(7,113,691)	(6,705,169)
Total net position, beginning	<u>4,610,008</u>	<u>9,994,455</u>	<u>14,604,463</u>
Total net position, ending	<u>\$ 5,018,530</u>	<u>\$ 2,880,764</u>	<u>\$ 7,899,294</u>

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

Town of Ocean Isle Beach, North Carolina  
 Proprietary Fund  
 Statement of Cash Flows  
 For The Year Ended June 30, 2013

	Water Fund	Sewer Fund	Totals June 30, 2013
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 325,226	\$ 253,784	\$ 579,010
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	53,383	118,430	171,813
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	14,563	(107,104)	(92,541)
(Increase) decrease in inventory	(4,132)	3,189	(943)
Increase (decrease) in accounts payable and accrued liabilities	(679)	(22,852)	(23,531)
Increase(decrease) in deposits	12,194	-	12,194
Total adjustments	<u>75,329</u>	<u>(8,337)</u>	<u>66,992</u>
Net cash provided by operating activities	<u>\$ 400,555</u>	<u>\$ 245,447</u>	<u>\$ 646,002</u>

## NOTES TO THE FINANCIAL STATEMENTS

**Town of Ocean Isle Beach, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2013**

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Town of Ocean Isle Beach ABC Board

The members of the ABC Board's governing board are 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 ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Ocean Isle Beach ABC Board, 3 Causeway, Ocean Isle Beach, North Carolina 28469.

B. Basis of Presentation

*Government-wide Statement*: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements 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* and *proprietary* – 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.

*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 Ocean Isle Beach. 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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes which 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 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 position 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.

As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

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, Tourist Accommodations Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. An annual budget is also adopted for the Special Revenue Funds. 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 Finance Officer is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$10,000; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$10,000 must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim 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

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 for the Town's assets are \$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, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. 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.

Other assets of the Town are depreciated on a class life basis at the following rates:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Infrastructure	2%
Buildings	5%
Furniture and office equipment	20%
Maintenance and construction equipment	20%
Medium and heavy motor vehicles	20%
Automobiles and light trucks	20%

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	20 years
Furniture & Equipment	10 years
Vehicles	3-5 years
Leasehold Improvements	10-20 years
Computers, etc.	3 years

#### 7. 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 does not have any 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. The Town has only one item that meet the criterion for this category - property taxes receivable.

#### 8. Long-Term Obligations

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

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

Assigned Fund Balance – portion of fund balance that the Town of Ocean Isle Beach intends to use for specific purposes.

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

The Town of Ocean Isle Beach 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-city funds, city funds. For purposes of fund balance classification, expenditures are to be spent from restricted balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Office has the authority to deviate from this policy if it is in the best interest of the Town.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

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 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 or ABC Board, these deposits are considered to be held by the Town's or ABC Boards 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 or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town 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 credit risk for deposits, but relies 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.

Notes to the Financial Statements

Other improvements	311,103	2,258	-	313,361
Equipment and Vehicles	1,557,435	94,345	(106,246)	1,545,534
Infrastructure	198,822	39,491	-	238,313
Total accumulated depreciation	2,510,812	\$ 161,095	\$ (106,246)	2,565,661
Total capital assets being depreciated, net	1,944,778			1,822,389
<b>Governmental activity capital assets, net</b>	<b>\$ 4,856,945</b>			<b>\$ 5,149,556</b>

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

General Government	\$ 22,828
Public Safety	82,065
Economic Development	2,709
Public Works	53,493
Total Depreciation Expense	<u>\$ 161,095</u>

**Business-Type Activities:**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Water Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 486,374	\$ -	\$ -	\$ 486,374
Construction in progress	-	-	-	-
Total capital assets not being depreciated	486,374	-	-	486,374
<b>Capital assets being depreciated:</b>				
Plant and Distribution Systems	2,462,187	101,901	-	2,564,088
Furniture, Equipment & Maintenance	343,651	-	-	343,651
Vehicles	148,448	25,454	-	173,902
Total capital assets being depreciated	2,954,286	127,355	-	3,081,641
<b>Less accumulated depreciation for:</b>				
Plant and Distribution Systems	1,009,501	31,092	-	1,040,593
Furniture, Equipment & Maintenance	278,243	13,082	-	291,325
Vehicles	127,855	9,209	-	137,064
Total accumulated depreciation	1,415,599	53,383	-	1,468,982
Total capital assets being depreciated, net	1,538,687			1,612,659
<b>Water Fund capital assets, net</b>	<b>\$ 2,025,061</b>			<b>\$ 2,099,033</b>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Sewer Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,873,136	\$ -	\$ (1,012,574)	\$ 860,562
Construction in progress	-	-	-	-
Capital assets not being depreciated	1,873,136	-	(1,012,574)	860,562
<b>Capital assets being depreciated:</b>				
Plant and Distribution Systems	11,809,782	-	(11,126,822)	682,960
Furniture, Equipment & Maintenance	431,967	-	(51,198)	380,769
Vehicles	200,442	-	(143,068)	57,374
Total capital assets being depreciated	12,442,191	-	(11,321,088)	1,121,103
<b>Less accumulated depreciation for:</b>				
Plant and Distribution Systems	4,126,633	13,663	(3,785,063)	355,233
Furniture, Equipment & Maintenance	370,893	76,154	(322,254)	124,793
Vehicles	163,915	28,614	(143,070)	49,459
Total accumulated depreciation	4,661,441	118,431	(4,250,387)	529,485
Total capital assets being depreciated, net	7,780,750			591,618

*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 6.43% and 6.43%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Ocean Isle Beach 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, 2013, 2012 and 2011 were \$141,174, \$147,721, and \$138,038, respectively. The ABC Board's contribution to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$10,343, \$9,970, and \$9,501, respectively. The contributions made by the Town and the ABC Board equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description*

The Town of Ocean Isle Beach 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. The Town has not obtained an actuarial plan because its required contributions are considered immaterial. The Town funds the plan when benefits become due.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At June 30, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	20
Total	<u>20</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.

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.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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 \$1 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon percentage of the total insurance values.

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 each individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a

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 is eligible to and had purchased commercial flood insurance for a total of \$500,000 for three structures.

Town of Ocean Isle Beach ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation, and employee health coverage's. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years.

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

At June 30, 2013, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

#### 6. Long Term Obligations

##### a. Capital Leases

The Town has no capital leases.

##### b. Installment Purchases

On October 30, 2006 the Town entered into an installment/purchase contract for the purchase of a Land for a new Town Hall. The contract will be paid in annual principal installments of \$180,000 not including interest at 3.89% annum for 10 years. The balance at June 30, 2013 was \$720,000.

On July 1, 2008 the Town entered into an installment/purchase contract for the purchase of a fire station building. The contract will be paid in annual installments of \$44,797 including interest at 3.29% annum for 10 years. The balance at June 30, 2013 was \$168,535.

The future minimum payments of the installment purchases as of June 30, 2013 are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	213,707	33,553	-	-
2015	213,707	25,442	-	-

Notes to the Financial Statements

Interfund Balances (Net)

Due to/From Other Funds on June 30, 2013, consist of the following:

Due from Accommodation Fund to the General Fund for expenditures	\$ 51,376
Due to General Fund from the Sewer Fund for expenditures	32,990
Due to General Fund from the Water Fund for expenditures	53,600
Due to Sewer Fund from the Water Fund for expenditures	18,534
Due to General Fund from the Airport - Local Fund for expenditures	16
<b>Total</b>	<b><u>\$ 156,516</u></b>

Fund Balance

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

D. <b>Total fund balance - General Fund</b>	<b>\$ 8,365,849</b>
<b>Less:</b>	
<b>Stabilization by State Statute</b>	<b>176,014</b>
<b>Streets - Powell Bill</b>	<b>248,290</b>
<b>Economic Development</b>	<b>5,592,772</b>
<b>Remaining Fund Balance</b>	<b>\$ 2,348,773</b>

IV. 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.

V. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position.

## GENERAL FUND

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The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

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Town of Ocean Isle Beach, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	\$ 2,233,346	\$
Penalties and interest		5,140	
Total	<u>2,298,330</u>	<u>2,238,486</u>	<u>(59,844)</u>
Other taxes and licenses:			
Local option sales taxes		121,407	
Licenses & Fees		38,692	
Total	<u>159,195</u>	<u>160,099</u>	<u>904</u>
Unrestricted intergovernmental:			
ABC Revenue		57,880	
Utility franchise		185,529	
Telecommunications tax		13,504	
Video programming		88,395	
Beer and wine tax		2,277	
Tax/ Other Refunds		7,052	
Total	<u>377,379</u>	<u>354,637</u>	<u>(22,742)</u>
Restricted intergovernmental:			
Police grants		21,802	
Mosquito control grant		2,795	
CAMA grant		5,140	
Powell Bill allocation		31,565	
Total	<u>61,302</u>	<u>61,302</u>	<u>-</u>
Permits and fees:			
CAMA local fees		5,000	
Contractor/Development fees		183,099	
Miscellaneous		25,825	
Fire fees		669,958	
Public safety fees/donations		18,068	
Total	<u>868,200</u>	<u>901,950</u>	<u>33,750</u>

Town of Ocean Isle Beach, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Public Safety:			
Police:			
Salaries & benefits		774,551	
Operating expense		117,412	
Capital Outlay		27,735	
Total	1,002,363	919,698	82,665
Fire:			
Salaries & benefits		654,451	
Operating expense		85,266	
Capital Outlay		5,871	
Total	802,180	745,588	56,592
Total Public Safety	1,804,543	1,665,286	139,257
Mosquito control:			
Salaries & benefits		-	
Operating expense		5,525	
Capital Outlay		-	
Total	9,050	5,525	3,525
Planning and zoning:			
Salaries & benefits		126,511	
Operating expense		30,291	
Capital Outlay		-	
Total	168,770	156,802	11,968
Special projects:			
Dredging		765,469	
Erosion control		328,727	
Debt principal		252,753	
Debt interest		42,774	
Total	2,927,132	1,389,723	1,537,409
Total Expenditures	6,709,228	4,836,423	1,872,805
Revenues over (under) expenditures	(2,310,747)	(508,794)	1,801,953
Other financing sources (uses):			
Proceeds from installment purchase	-	-	
Transfers (to)/from other funds	1,085,350	1,070,542	
Fund Balance Appropriated	1,225,397	-	
Total	2,310,747	1,070,542	(1,240,205)

OTHER MAJOR GOVERNMENTAL FUND

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Major Governmental Funds - Accomodation Tax Fund

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Town of Ocean Isle Beach, North Carolina  
Special Revenue Fund - Tourist Accommodation Tax Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the year ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Accommodation Tax	\$	\$ 1,725,112	\$
Investment income		1,452	
Restricted Revenue		-	
Miscellaneous		7,355	
Total revenues	<u>1,756,548</u>	<u>1,733,919</u>	<u>(22,629)</u>
Expenditures:			
Current:			
Economic and physical development:			
Public property & other		484,493	
Total expenditures	<u>671,198</u>	<u>484,493</u>	<u>186,705</u>
Revenues over expenditures	1,085,350	1,249,426	164,076
Other financing sources (uses)			
Transfers in (out)	(1,085,350)	(1,070,542)	-
Fund Balance Appropriated	-	-	-
Total other financing sources (uses)	<u>(1,085,350)</u>	<u>(1,070,542)</u>	<u>14,808</u>
Revenues over expenditures and other sources	<u>\$ -</u>	178,884	<u>\$ 178,884</u>
Fund balances:			
Beginning of year, July 1		670,441	
End of year, June 30		<u>\$ 849,325</u>	

## SPECIAL REVENUE FUNDS

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Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

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**Town of Ocean Isle Beach, North Carolina**  
**Combining Balance Sheet**  
**Non Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Airport Local</u>	<u>Airport Grants</u>	<u>2013 Totals</u>
<b>Assets</b>			
Cash and Investments	\$ 256,184	\$ 32,064	\$ 288,248
Accounts Receivable	116	-	116
Total Assets	<u>256,300</u>	<u>32,064</u>	<u>288,364</u>
<b>Liabilities and Fund Balances</b>			
Due to other funds	\$ 16	\$ -	\$ 16
<b>Fund Balances:</b>			
Restricted			
Stabilization by State Statute	116	-	116
Economic development	<u>256,168</u>	<u>32,064</u>	<u>288,232</u>
Total Fund Balance	<u>256,284</u>	<u>32,064</u>	<u>288,348</u>
Total Liabilities and Fund Equity	<u>\$ 256,300</u>	<u>\$ 32,064</u>	<u>\$ 288,364</u>

Town of Ocean Isle Beach, North Carolina  
Special Revenue Fund - Airport Local Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the year ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment Income	\$	\$ -	\$
Local revenues		38,895	
Miscellaneous		285	
Total	<u>113,919</u>	<u>39,180</u>	<u>(74,739)</u>
Expenditures:			
Current:			
Economic and physical development:			
Clear zone project			
Other improvements		11,104	
Total expenditures	<u>113,919</u>	<u>11,104</u>	<u>102,815</u>
Revenues over expenditures	-	28,076	28,076
Fund Balance Appropriated			-
Other Financing Sources (Uses):			
Transfers In (Out)	<u>          </u>	<u>          </u>	<u>          </u>
Net change in fund balance	<u>\$ -</u>	28,076	<u>\$ 28,076</u>
Fund balances:			
Beginning of year, July 1		<u>228,208</u>	
End of year, June 30		<u>\$ 256,284</u>	

## ENTERPRISE FUNDS

Town of Ocean Isle Beach, North Carolina  
Water Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services:			
Water sales:			
Residential &			
Commercial	\$	\$ 1,294,518	\$
Miscellaneous			
Total	<u>1,337,448</u>	<u>1,294,518</u>	<u>(42,930)</u>
Water taps	<u>18,400</u>	<u>19,050</u>	<u>650</u>
Other operating revenues	<u>50,000</u>	<u>70,455</u>	<u>20,455</u>
Total Operating Revenues	<u>1,405,848</u>	<u>1,384,023</u>	<u>(21,825)</u>
Nonoperating revenues:			
Lease	77,700	78,645	945
Miscellaneous	5,041	-	(5,041)
Interest earnings	<u>7,000</u>	<u>4,651</u>	<u>(2,349)</u>
Total Revenues	<u>1,495,589</u>	<u>1,467,319</u>	<u>(28,270)</u>
Expenditures:			
Water Administration:			
Salaries and benefits		80,923	
Repairs and maintenance		3,800	
Telephone		1,145	
Office supplies		4,253	
Operating Expenses		8,009	
Capital Outlay		-	
Total water administration	<u>103,496</u>	<u>98,130</u>	<u>5,366</u>
Water Operations:			
Salaries and benefits		297,140	
Repairs and maintenance		5,081	
Water purchase		513,025	
Supplies		42,392	
Operating expenditures		50,454	
Capital outlay		-	
Total	<u>1,034,154</u>	<u>908,092</u>	<u>126,062</u>

Town of Ocean Isle Beach, North Carolina  
Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Charges for services:			
Sewer charges:			
Residential & Commercial	\$	\$ 1,173,771	\$
Miscellaneous		5,782	
Total	<u>1,460,271</u>	<u>1,179,553</u>	<u>(280,718)</u>
Water & Sewer Taps	<u>9,000</u>	<u>9,000</u>	<u>-</u>
Impact fees and other	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Total Operating Revenues	<u>1,504,271</u>	<u>1,223,553</u>	<u>(280,718)</u>
<b>Nonoperating revenues:</b>			
Other	-	-	-
Interest earnings	<u>3,500</u>	<u>1,815</u>	<u>(1,685)</u>
Total Revenues	<u>1,507,771</u>	<u>1,225,368</u>	<u>(282,403)</u>
<b>Expenditures:</b>			
Sewer Administration:			
Salaries and benefits		-	
Operating Expenses		7,403	
Capital Outlay		-	
Total water administration	<u>17,924</u>	<u>7,403</u>	<u>10,521</u>
Sewer Operations:			
Salaries and benefits		191,217	
Repairs and maintenance		78,381	
Supplies		87,218	
Utilities		82,817	
Contracted services		165,165	
Brunswick County capital charge		83,125	
Operating expenditures		160,435	
Capital outlay		-	
Total	<u>848,847</u>	<u>848,358</u>	<u>489</u>

## OTHER SCHEDULES

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This section includes additional information on property taxes, transfers, and cash and investments.

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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy



## COMPLIANCE SECTION



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Wilmington, North Carolina 28403  
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To the Honorable Mayor and  
Members of the Town Council  
Ocean Isle Beach, North Carolina

In planning and performing our audit of the 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 Ocean Isle Beach as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Town of Ocean Isle Beach's internal control over financial reporting (internal control) as a basis for designing our auditing 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 the Town of Ocean Isle Beach's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Ocean Isle Beach'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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This communication is intended solely for the information and use of those charged with governance within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Thompson, Price, Scott, Adams & Co., P.A.*

*Thompson, Price, Scott, Adams & Co., P.A.  
Wilmington, North Carolina  
October 21, 2013*