

**TOWN OF OCEAN ISLE BEACH**  
Ocean Isle Beach, North Carolina

**FINANCIAL STATEMENTS**  
Year Ended June 30, 2015

TOWN OF OCEAN ISLE BEACH

Ocean Isle Beach, North Carolina

BOARD OF COMMISSIONERS

Betty Williamson

David Grantham

Dean Walters

Bob Williams

Wayne Rowell

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, 2015**

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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, 2015, 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 from material misstatement. The financial statements of Ocean Isle Beach ABC Board were not audited in accordance with *Governmental 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 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.

*Members*

*American Institute of CPAs – N.C. Association of CPAs – AICPA Division of Firms*

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

### ***Opinions***

In our opinion, based on our audit, 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 Ocean Isle Beach, North Carolina, as of June 30, 2015, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund, the Airport Grants Fund, and Tourist Accommodation 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 Management's Discussion and Analysis and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions 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 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 Ocean Isle Beach, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Implementation Act* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate 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 financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2015 on our consideration of the Town of Ocean Isle Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 Ocean Isle Beach's internal control over financial reporting and compliance.

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

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*Thompson, Price, Scott, Adams & Co., P.A.*  
*Wilmington, North Carolina*  
*October 17, 2015*

## MANAGEMENT'S DISCUSSION AND 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, 2015. 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.

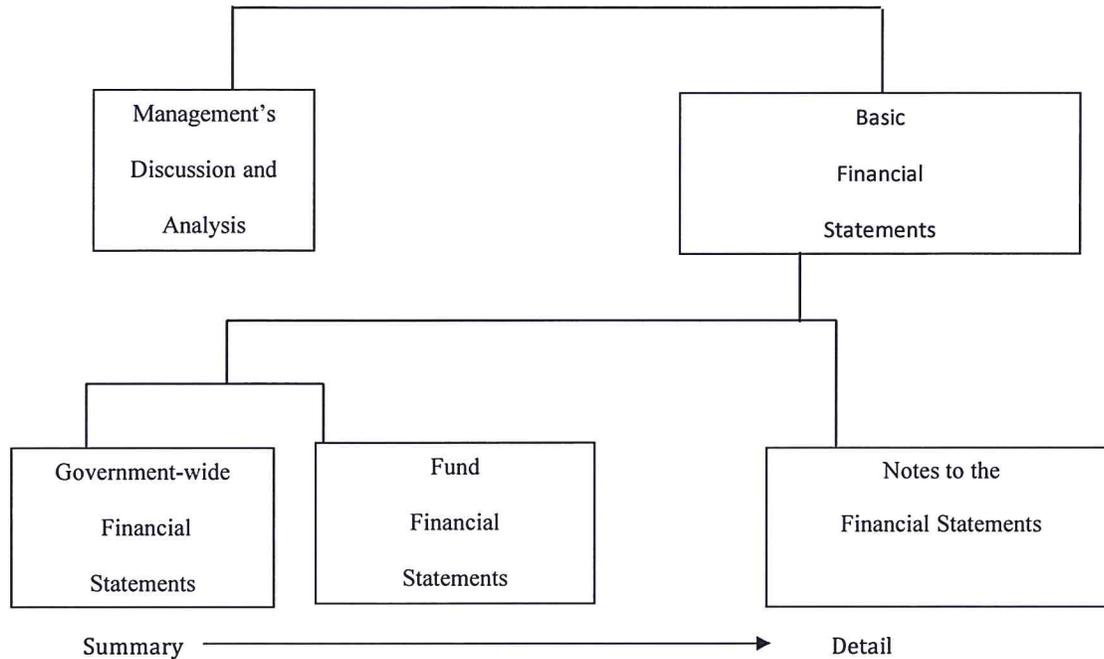
### Financial Highlights

- 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 \$25,009,658 (*net position*).
  - The Town's total net position increased by \$2,828,791, primarily due to increases in the governmental activities.
- As of the close of the current fiscal year, the Town of Ocean Isle Beach's governmental funds reported combined
- ending fund balances of \$9,597,251, a decrease of \$339,217 in comparison with the prior year. Approximately 35 percent of this total amount, or \$2,895,443 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 \$2,895,443 or 46% of total general fund expenditures for the fiscal year.
  - The Town of Ocean Isle Beach's total debt decreased by \$373,707 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the 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.

**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 8) 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 three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements are 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 additional details about the Town's individual funds. Budgetary information required by the General Statutes can also be found in this part of the statements.

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

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, 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, 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 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.

**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 follow Exhibit 8 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information.

**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.

**Government-Wide Financial Analysis**

**Town of Ocean Isle Beach's Net Position**  
**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 9,864,634	\$ 9,924,424	\$ 3,856,572	\$ 3,703,687	\$ 13,721,206	\$ 13,628,111
Restricted Cash	710,688	533,831	234,110	213,841	944,798	747,672
Capital assets	8,996,894	6,740,275	4,866,195	4,717,018	13,863,089	11,457,293
Deferred outflows of resources	113,474	-	24,909	-	138,383	-
Total assets	19,685,690	17,198,530	8,981,786	8,634,546	28,667,476	25,833,076
Long-term liabilities outstanding	1,527,414	1,901,121	-	32,700	1,527,414	1,933,821
Other liabilities	1,034,519	848,055	496,859	499,050	1,531,378	1,347,105
Deferred inflows of resources	491,201	-	107,825	-	599,026	-
Total liabilities	3,053,134	2,749,176	604,684	531,750	3,657,818	3,280,926
<b>Net position:</b>						
Net investment in capital assets	7,095,773	4,455,447	4,866,195	4,717,018	11,961,968	9,172,465
Restricted	464,543	434,634	-	-	464,543	434,634
Unrestricted	9,072,240	9,549,273	3,510,907	3,385,778	12,583,147	12,935,051
Total net position	\$ 16,632,556	\$ 14,439,354	\$ 8,377,102	\$ 7,899,294	\$ 25,009,658	\$ 22,542,150

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 Ocean Isle Beach exceeded liabilities and deferred inflows by \$25,009,658 as of June 30, 2015. The Town's net position increased by \$2,828,791 for the fiscal year ended June 30, 2015. However, the largest portion \$11,961,968 reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Ocean Isle Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Ocean Isle Beach'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. The remaining balance of \$12,583,147 is unrestricted. An additional portion of the Town of Ocean Isle Beach's net position, \$465,543, represents resources that are subject to external restrictions on how they may be used. Also, the Town of Ocean Isle Beach implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$361,283. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Ocean Isle's management.

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 92.98%.
- Increase in revenues within the Governmental Activities.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program Revenues						
Charges for Services	\$ 1,464,617	\$ 1,387,784	\$ 2,506,935	\$ 2,520,894	\$ 3,971,552	\$ 3,908,678
Operating grants & contributions	1,009,842	1,562,234	-	-	1,009,842	1,562,234
Capital grants & contributions	-	-	79,453	297,785	79,453	297,785
General revenues:						
Property taxes	2,749,789	2,800,625	-	-	2,749,789	2,800,625
Other taxes	2,602,861	2,254,915	-	-	2,602,861	2,254,915
Investment earnings	933	2,273	318	1,001	1,251	3,274
Other	37,077	-	88,552	70,654	125,629	70,654
<b>Total revenues</b>	<b>7,865,119</b>	<b>8,007,831</b>	<b>2,675,258</b>	<b>2,890,334</b>	<b>10,540,377</b>	<b>10,898,165</b>
<b>Expenses:</b>						
General government	1,366,140	1,200,065	-	-	1,366,140	1,200,065
Public Safety	1,671,900	1,744,860	-	-	1,671,900	1,744,860
Transportation	441,350	373,319	-	-	441,350	373,319
Environmental Protections	58,993	80,722	-	-	58,993	80,722
Mosquito control	8,977	8,350	-	-	8,977	8,350
Economic Development	1,763,502	3,873,676	-	-	1,763,502	3,873,676
Interest on long-term debt	64,802	33,553	-	-	64,802	33,553
Water and Sewer	-	-	2,335,922	2,686,832	2,335,922	2,686,832
<b>Total expenses</b>	<b>5,375,664</b>	<b>7,314,545</b>	<b>2,335,922</b>	<b>2,686,832</b>	<b>7,711,586</b>	<b>10,001,377</b>
Increase (decrease) in net position before transfers	2,489,455	693,286	339,336	203,502	2,828,791	896,788
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	2,489,455	693,286	339,336	203,502	2,828,791	896,788
Special item	-	-	-	-	-	-
Net position, beginning, previously reported	14,439,354	13,746,068	8,102,796	7,899,294	22,542,150	21,645,362
Restatement	(296,253)	-	(65,030)	-	(361,283)	-
Net position, beginning, restated	14,143,101	13,746,068	8,037,766	7,899,294	22,180,867	21,645,362
Net position, June 30, ending	\$ 16,632,556	\$ 14,439,354	\$ 8,377,102	\$ 8,102,796	\$ 25,009,658	\$ 22,542,150

**Governmental activities.** Governmental activities increased the Town's net position by \$2,489,455 thereby accounting for all of the total increase in the net position of the Town of Ocean Isle Beach. Key elements of this increase are as follows:

- Increased revenues.
- Decrease in expenditures.

**Business-type activities.** Business-type activities increased the Town of Ocean Isle Beach's net position by \$339,336, accounting for 12% of the total growth in the government's net position. Key elements of this increase are as follows:

- Customer base flat but steady.
- Decrease in expenditures.

### Financial Analysis of the Town's Funds

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

**Governmental Funds.** The focus of the Town of Ocean Isle Beach'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 Ocean Isle Beach's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Ocean Isle Beach. At the end of the current fiscal year, Town of Ocean Isle Beach's unassigned fund balance in the General Fund was \$2,895,443, while total fund balance reached \$8,251,437. The Governing Body of Town of Ocean Isle Beach has determined that the Town should maintain an available fund balance of 8% 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 46% of general fund expenditures, while total fund balance represents 130% of the same amount.

At June 30, 2015 the governmental funds of Town of Ocean Isle Beach reported a combined fund balance of \$9,597,251, with a net decrease in fund balance of \$339,217. Included in this change in fund balance is an decrease in the fund balance in the Tourist Accommodation fund.

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

**Proprietary Funds.** The Town of Ocean Isle Beach's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,510,907. The total change in net position funds was \$339,336. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Ocean Isle Beach's business-type activities.

**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, 2015 totals \$13,863,089 (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:

- Construction of a water tank and equipment.
- Purchase of land.
- Purchase of a (2) trucks and various equipment.

**Town of Ocean Isle Beach’s Capital Assets  
(net of depreciation)  
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 7,177,167	\$ 4,927,167	\$ 1,346,936	\$ 1,346,936	\$ 8,524,103	\$ 6,274,103
Buildings and system	899,227	924,227	3,350,958	3,118,929	4,250,185	4,043,156
Machinery and equipment	-	-	144,725	221,683	144,725	221,683
Infrastructure	472,545	512,037	-	-	472,545	512,037
Vehicles and motor equipment	380,628	366,844	23,576	29,470	404,204	396,314
Other Improvements	67,327	-	-	-	67,327	-
Construction in progress	-	-	-	-	-	-
<b>Total</b>	<b>\$ 8,996,894</b>	<b>\$ 6,730,275</b>	<b>\$ 4,866,195</b>	<b>\$ 4,717,018</b>	<b>\$ 13,863,089</b>	<b>\$ 11,447,293</b>

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

Long-term Debt. As of June 30, 2015 the Town of Ocean Isle Beach had total bonded debt outstanding of \$-0-.

	Balance			Balance 30-Jun-15
	1-Jul-14	Increases	Decreases	
<b>Governmental activities:</b>				
Installment purchases	\$ 2,274,828	\$ -	\$ (373,707)	\$ 1,901,121
Compensated absences	112,404	101,296	(78,094)	135,606
Governmental activity long-term liabilities	<u>\$ 2,387,232</u>	<u>\$ 101,296</u>	<u>\$ (451,801)</u>	<u>\$ 2,036,727</u>
<b>Business-type activities:</b>				
Compensated absences	\$ 32,700	\$ 18,946	\$ (20,837)	\$ 30,809
Installment purchases	-	-	-	-
Note payable	-	-	-	-
Business-type activity long-term liabilities	<u>\$ 32,700</u>	<u>\$ 18,946</u>	<u>\$ (20,837)</u>	<u>\$ 30,809</u>

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

The Town of Ocean Isle Beach's total debt increased by \$373,707 during the past fiscal year, primarily due to timely debt 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 \$169,116,664.

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

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

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

- Unemployment remained steady.

### **Budget Highlights for the Fiscal Year Ending June 30, 2016**

**Governmental Activities.** Property taxes are expected to remain the same as the current tax rate. The Town will use increases in revenues to finance programs currently in place. No new revenues are anticipated and other current sources remain constant. Management continually seeks grants and funding from outside sources to supplement the Town's revenue streams.

**Business-type Activities.** The water and sewer rates in the Town were left unchanged for the coming year.

### **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 the Director of Finance, Town of Ocean Isle Beach, 3 West Third Street, Ocean Isle Beach, NC 28469. You can also call (910) 579-2166.

## BASIC FINANCIAL STATEMENTS

**Town of Ocean Isle Beach, North Carolina**  
**Statement of Net Position**  
**June 30, 2015**

	<u>Primary Government</u>			<u>Ocean Isle Beach ABC Board</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 9,415,666	\$ 3,254,913	\$ 12,670,579	\$ 199,074
Restricted cash	476,578	234,110	710,688	-
Receivables (net)	425,993	593,973	1,019,966	-
Prepaid items	-	-	-	3,685
Inventories	-	33,001	33,001	273,882
Due from other funds	67,034	(67,034)	-	-
Non Current Assets:				
Net pension asset	190,051	41,719	231,770	9,082
Capital assets:				
Land, improvements, and construction in progress	7,177,167	1,346,936	8,524,103	-
Other capital assets, net of depreciation	1,819,727	3,519,259	5,338,986	11,336
Total capital assets	<u>8,996,894</u>	<u>4,866,195</u>	<u>13,863,089</u>	<u>11,336</u>
Total assets	<u>19,572,216</u>	<u>8,956,877</u>	<u>28,529,093</u>	<u>497,059</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 113,474</u>	<u>\$ 24,909</u>	<u>\$ 138,383</u>	<u>\$ 8,921</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 227,002	\$ 231,940	\$ 458,942	\$ 150,668
Due to other funds	-	-	-	-
Compensated absences payable	101,296	18,946	120,242	-
Long-term liabilities:				
Liabilities payable from restricted assets:				
Deposits	298,204	234,110	532,314	-
Compensated absences payable	34,310	11,863	46,173	-
Due within one year	373,707	-	373,707	-
Due in more than one year	1,527,414	-	1,527,414	-
Total liabilities	<u>2,561,933</u>	<u>496,859</u>	<u>3,058,792</u>	<u>150,668</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>491,201</u>	<u>107,825</u>	<u>599,026</u>	<u>17,427</u>
<b>NET POSITION</b>				
Net investment in capital assets	7,095,773	4,866,195	11,961,968	11,336
Restricted for:				
Streets	178,374	-	178,374	-
State Stabilization	286,169	-	286,169	-
Working Capital	-	-	-	48,437
Unrestricted	9,072,240	3,510,907	12,583,147	278,112
Total net position	<u>\$ 16,632,556</u>	<u>\$ 8,377,102</u>	<u>\$ 25,009,658</u>	<u>\$ 337,885</u>

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

**Town of Ocean Isle Beach, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 1,189,667	\$ 53,054	\$ -	\$ -
Public safety	1,671,900	1,054,097	1,089	-
Mosquito control	8,977	-	-	-
Transportation	441,350	-	33,029	-
Environmental protection	58,993	4,750	7,610	-
Economic development	758,171	-	968,114	-
Special projects	1,005,331	352,716	-	-
Planning and zoning	176,473	-	-	-
Interest on long-term debt	64,802	-	-	-
Total governmental activities	<u>5,375,664</u>	<u>1,464,617</u>	<u>1,009,842</u>	<u>-</u>
Business-type activities:				
Water	1,138,506	1,391,406	-	-
Sewer	1,197,416	1,115,529	-	79,453
Total business-type activities	<u>2,335,922</u>	<u>2,506,935</u>	<u>-</u>	<u>79,453</u>
Total Primary Government	<u>\$ 7,711,586</u>	<u>\$ 3,971,552</u>	<u>\$ 1,009,842</u>	<u>\$ 79,453</u>
Component unit:				
ABC Board	1,725,236	1,731,355	-	-
Total component unit	<u>\$ 1,725,236</u>	<u>\$ 1,731,355</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Town of Ocean Isle Beach, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

<b>Functions/Programs</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>			
	<b>Primary Government</b>			<b>Ocean Isle Beach ABC Board</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ (1,136,613)	\$ -	\$ (1,136,613)	\$ -
Public safety	(616,714)	-	(616,714)	-
Mosquito control	(8,977)	-	(8,977)	-
Transportation	(408,321)	-	(408,321)	-
Environmental protection	(46,633)	-	(46,633)	-
Economic development	209,943	-	209,943	-
Special projects	(652,615)	-	(652,615)	-
Planning and zoning	(176,473)	-	(176,473)	-
Interest on long-term debt	(64,802)	-	(64,802)	-
Total governmental activities	<u>(2,901,205)</u>	<u>-</u>	<u>(2,901,205)</u>	<u>-</u>
Business-type activities:				
Water	-	252,900	252,900	-
Sewer	-	(2,434)	(2,434)	-
Total business-type activities	<u>-</u>	<u>250,466</u>	<u>250,466</u>	<u>-</u>
Total Primary Government	<u>(2,901,205)</u>	<u>250,466</u>	<u>(2,650,739)</u>	<u>-</u>
Component unit:				
ABC Board	-	-	-	6,119
Total component unit	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,119</u>
General revenues:				
Taxes:				
Property taxes, levied for general purpose	2,749,789	-	2,749,789	-
Local option sales tax	137,963	-	137,963	-
Other taxes and licenses	2,464,898	-	2,464,898	-
Grants and contributions not restricted to specific programs	-	-	-	-
Investment earnings, unrestricted	933	318	1,251	214
Miscellaneous	37,077	88,552	125,629	-
Total general revenues	<u>5,390,660</u>	<u>88,870</u>	<u>5,479,530</u>	<u>214</u>
Change in net position	2,489,455	339,336	2,828,791	6,333
Net position, beginning, previously reported	14,439,354	8,102,796	22,542,150	338,147
Restatement	(296,253)	(65,030)	(361,283)	(6,595)
Net position, beginning, restated	14,143,101	8,037,766	22,180,867	331,552
Net position, ending	<u>\$ 16,632,556</u>	<u>\$ 8,377,102</u>	<u>\$ 25,009,658</u>	<u>\$ 337,885</u>

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

**Town of Ocean Isle Beach, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	<b>Major Funds</b>			<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Tourist Accommodation Fund</b>	<b>Airport Grant Fund</b>		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,053,568	\$ 1,129,548	\$ 31,925	\$ 200,625	\$ 9,415,666
Restricted cash	476,578	-	-	-	476,578
Taxes receivables, net	244,295	-	-	-	244,295
Due from other funds	122,990	-	-	-	122,990
Account receivables, net	79,676	83,503	-	-	163,179
Total assets	<u>\$ 8,977,107</u>	<u>\$ 1,213,051</u>	<u>\$ 31,925</u>	<u>\$ 200,625</u>	<u>\$ 10,422,708</u>
<b>LIABILITIES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 178,608	\$ 35,220	\$ 11,874	\$ 1,300	\$ 227,002
Surety bond/Escrow payable	298,204	-	-	-	298,204
Due to other funds	4,563	51,376	-	17	55,956
Total liabilities	<u>481,375</u>	<u>86,596</u>	<u>11,874</u>	<u>1,317</u>	<u>581,162</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes receivable	244,295	-	-	-	244,295
Total deferred inflows of resources	<u>244,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>244,295</u>
<b>FUND BALANCES</b>					
Restricted					
Stabilization by State Statute	202,666	83,503	-	-	286,169
Streets - Powell Bill	178,374	-	-	-	178,374
Committed					
Economic development	4,974,954	1,042,952	20,051	199,308	6,237,265
Unassigned	2,895,443	-	-	-	2,895,443
Total fund balances	<u>8,251,437</u>	<u>1,126,455</u>	<u>20,051</u>	<u>199,308</u>	<u>9,597,251</u>
Total Liabilities, deferred inflows of resources and fund balances	<u>\$ 8,977,107</u>	<u>\$ 1,213,051</u>	<u>\$ 31,925</u>	<u>\$ 200,625</u>	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.					8,996,894
Liabilities for earned revenues but considered deferred inflows in fund statements.					244,295
Net pension asset.					190,051
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.					113,474
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.					18,519
Pension related deferrals.					(491,201)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 4).					<u>(2,036,727)</u>
Net position of governmental activities					<u>\$ 16,632,556</u>

**Town of Ocean Isle Beach, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	<u>Major Funds</u>			<u>Total Non-Major Fund</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Tourist Accommodation Fund</u>	<u>Airport Grant Fund</u>		
<b>REVENUES</b>					
Ad valorem taxes	\$ 2,646,818	\$ -	\$ -	\$ -	\$ 2,646,818
Other taxes and licenses	5,759	1,960,628	-	-	1,966,387
Unrestricted intergovernmental	618,154	-	-	-	618,154
Restricted intergovernmental	58,219	-	950,534	-	1,008,753
Permits and fees	1,067,142	-	-	-	1,067,142
Sales and services	416,884	-	-	-	416,884
Investment earnings	774	159	-	-	933
Miscellaneous	-	8,889	-	28,187	37,076
Total revenues	<u>4,813,750</u>	<u>1,969,676</u>	<u>950,534</u>	<u>28,187</u>	<u>7,762,147</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,197,929	-	-	-	1,197,929
Public safety	1,799,224	-	-	-	1,799,224
Transportation	405,276	-	-	-	405,276
Mosquito control	8,977	-	-	-	8,977
Planning and zoning	176,473	-	-	-	176,473
Special projects	2,255,331	-	-	-	2,255,331
Environmental protection	58,993	-	-	-	58,993
Economic development	-	728,838	921,393	110,421	1,760,652
Debt principal	373,707	-	-	-	373,707
Debt interest	64,802	-	-	-	64,802
Total expenditures	<u>6,340,712</u>	<u>728,838</u>	<u>921,393</u>	<u>110,421</u>	<u>8,101,364</u>
Excess (deficiency) of revenues over	<u>(1,526,962)</u>	<u>1,240,838</u>	<u>29,141</u>	<u>(82,234)</u>	<u>(339,217)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	1,546,361	-	-	-	1,546,361
Transfers to other funds	-	(1,546,361)	-	-	(1,546,361)
Installment purchase obligations issued	-	-	-	-	-
Total other financing sources and uses	<u>1,546,361</u>	<u>(1,546,361)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	19,399	(305,523)	29,141	(82,234)	(339,217)
Fund balances-beginning	8,232,038	1,431,978	(9,090)	281,542	9,936,468
Fund balances-ending	<u>\$ 8,251,437</u>	<u>\$ 1,126,455</u>	<u>\$ 20,051</u>	<u>\$ 199,308</u>	<u>\$ 9,597,251</u>

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

**Town of Ocean Isle Beach, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2015**

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

Net changes in fund balances - total governmental funds		\$ (339,217)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	2,406,824	
Depreciation expense for governmental assets	<u>(140,206)</u>	
		2,266,618
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		113,474
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Change in deferred revenue for tax revenues		102,974
<p>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:</p>		
Compensated absences		(23,202)
Pension expense		(4,899)
<p>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.</p>		
		<u>373,707</u>
Total changes in net position of governmental activities		<u>\$ 2,489,455</u>

**Town of Ocean Isle Beach, North Carolina**  
**General Fund and Annually Budgeted Special Revenue Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	General Fund				Tourist Accommodation Fund			
	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>								
Ad valorem taxes	\$ 2,761,250	\$ 2,869,882	\$ 2,646,818	\$ (223,064)	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	185,419	6,350	5,759	(591)	1,960,628	1,960,628	1,960,628	-
Unrestricted intergovernmental	461,750	648,610	618,154	(30,456)	-	-	-	-
Restricted intergovernmental	84,943	105,564	58,219	(47,345)	19,253	19,253	-	(19,253)
Permits and fees	483,042	1,045,673	1,067,142	21,469	-	-	-	-
Sales and services	701,457	1,448,350	416,884	(1,031,466)	-	-	-	-
Investment earnings	700	1,700	774	(926)	500	500	159	(341)
Miscellaneous	7,000	-	-	-	10,342	10,342	8,889	(1,453)
Total revenues	<u>4,685,561</u>	<u>6,126,129</u>	<u>4,813,750</u>	<u>(1,312,379)</u>	<u>1,990,723</u>	<u>1,990,723</u>	<u>1,969,676</u>	<u>(21,047)</u>
<b>Expenditures</b>								
Current:								
General government	1,913,410	1,313,044	1,197,929	115,115	-	-	-	-
Public safety	2,082,502	2,044,358	1,799,224	245,134	-	-	-	-
Transportation	412,446	431,302	405,276	26,026	-	-	-	-
Mosquito control	9,050	9,050	8,977	73	-	-	-	-
Planning and zoning	195,153	195,153	176,473	18,680	-	-	-	-
Special projects	-	2,977,248	2,255,331	721,917	-	-	-	-
Environmental protection	73,000	73,000	58,993	14,007	-	-	-	-
Economic development	-	-	-	-	776,978	776,978	728,838	48,140
Debt principal	-	375,000	373,707	1,293	-	-	-	-
Debt interest	-	65,000	64,802	198	-	-	-	-
Total expenditures	<u>4,685,561</u>	<u>7,483,155</u>	<u>6,340,712</u>	<u>1,140,952</u>	<u>776,978</u>	<u>776,978</u>	<u>728,838</u>	<u>48,140</u>
Revenues over (under) expenditures	-	(1,357,026)	(1,526,962)	(171,427)	1,213,745	1,213,745	1,240,838	27,093
<b>Other financing sources (uses):</b>								
Proceeds from installment purchases	-	-	-	-	-	-	-	-
Transfers (to)/from	-	1,143,362	1,546,361	-	(1,522,935)	(1,522,935)	(1,546,361)	-
Fund Balance Appropriated	-	213,664	-	-	309,190	309,190	-	-
Total other financing sources (uses)	-	<u>1,357,026</u>	<u>1,546,361</u>	<u>189,335</u>	<u>(1,213,745)</u>	<u>(1,213,745)</u>	<u>(1,546,361)</u>	<u>(332,616)</u>
Net change in fund balance	\$ -	\$ -	19,399	\$ 17,908	\$ -	\$ -	(305,523)	\$ (305,523)
<b>Fund balances:</b>								
Beginning of year, July 1			8,232,038				1,431,978	
End of year, June 30			<u>\$ 8,251,437</u>				<u>\$ 1,126,455</u>	

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

**Town of Ocean Isle Beach, North Carolina**  
**General Fund and Annually Budgeted Special Revenue Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	Airport Grant Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	1,189,932	1,189,932	950,534	(239,398)
Permits and fees	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,189,932</u>	<u>1,189,932</u>	<u>950,534</u>	<u>(239,398)</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Mosquito control	-	-	-	-
Planning and zoning	-	-	-	-
Special projects	-	-	-	-
Environmental protection	-	-	-	-
Economic development	1,189,932	1,189,932	921,393	268,539
Debt principal	-	-	-	-
Debt interest	-	-	-	-
Total expenditures	<u>1,189,932</u>	<u>1,189,932</u>	<u>921,393</u>	<u>268,539</u>
Revenues over (under) expenditures	-	-	29,141	29,141
<b>Other financing sources (uses):</b>				
Proceeds from installment purchas	-	-	-	-
Transfers (to)/from	-	-	-	-
Fund Balance Appropriated	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	29,141	<u>\$ 29,141</u>
<b>Fund balances:</b>				
Beginning of year, July 1			-	
End of year, June 30			<u>(9,090)</u>	
			<u>\$ 20,051</u>	

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

**Town of Ocean Isle Beach, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	<u>Major Enterprise Funds</u>		<u>Totals</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>June 30, 2015</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,922,219	\$ 1,332,694	\$ 3,254,913
Accounts Receivable (net)	264,538	329,435	593,973
Due from other funds	12,949	18,534	31,483
Inventories	17,818	15,183	33,001
Total current assets	<u>2,217,524</u>	<u>1,695,846</u>	<u>3,913,370</u>
Noncurrent assets:			
Net pension asset	32,448	9,271	41,719
Restricted cash and cash equivalents	234,110	-	234,110
Capital assets (net)	<u>3,523,097</u>	<u>1,343,098</u>	<u>4,866,195</u>
Total assets	<u>6,007,179</u>	<u>3,048,215</u>	<u>9,055,394</u>
Deferred Outflows of Resources	\$ <u>19,374</u>	\$ <u>5,535</u>	\$ <u>24,909</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 171,418	\$ 60,522	\$ 231,940
Due to other funds	72,134	26,383	98,517
Compensated absences payable	18,946	-	18,946
Note payable - current	-	-	-
Total	<u>262,498</u>	<u>86,905</u>	<u>349,403</u>
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Deposits	234,110	-	234,110
Compensated absences payable	11,863	-	11,863
Note payable - non-current	-	-	-
Total	<u>245,973</u>	<u>-</u>	<u>245,973</u>
Total liabilities	<u>508,471</u>	<u>86,905</u>	<u>595,376</u>
Deferred Inflows of Resources	<u>83,864</u>	<u>23,961</u>	<u>107,825</u>
<b>Net Position</b>			
Net investment in capital assets	3,523,097	1,343,098	4,866,195
Unrestricted	1,911,121	1,599,786	3,510,907
Total net position	<u>\$ 5,434,218</u>	<u>\$ 2,942,884</u>	<u>\$ 8,377,102</u>

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

**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, 2015**

	<u>Major Enterprise Funds</u>		<u>Totals</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>June 30, 2015</u>
Operating revenues:			
Charges for services	\$ 1,340,747	\$ 1,050,155	\$ 2,390,902
Water & Sewer taps	41,250	58,100	99,350
Other operating revenues	9,409	7,274	16,683
Total operating revenues	<u>1,391,406</u>	<u>1,115,529</u>	<u>2,506,935</u>
Operating expenses:			
Administration	101,892	11,012	112,904
Operations	965,960	1,094,990	2,060,950
Depreciation	70,654	91,414	162,068
Total operating expenses	<u>1,138,506</u>	<u>1,197,416</u>	<u>2,335,922</u>
Operating income	<u>252,900</u>	<u>(81,887)</u>	<u>171,013</u>
Nonoperating revenues (expenses):			
Investment earnings	209	109	318
Interest and fees	-	-	-
Lease	88,552	-	88,552
Total nonoperating revenues (expenses)	<u>88,761</u>	<u>109</u>	<u>88,870</u>
Net Income before transfers and capital contributions	<u>341,661</u>	<u>(81,778)</u>	<u>259,883</u>
Capital contributions	-	79,453	79,453
Transfer in (out)	-	-	-
Change in net position	341,661	(2,325)	339,336
Total net position, beginning, previously reported	5,143,136	2,959,660	8,102,796
Restatement	(50,579)	(14,451)	(65,030)
Net Position - Beginning of Year, restated	<u>5,092,557</u>	<u>2,945,209</u>	<u>8,037,766</u>
Total net position, ending	<u>\$ 5,434,218</u>	<u>\$ 2,942,884</u>	<u>\$ 8,377,102</u>

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

**Town of Ocean Isle Beach, North Carolina**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For The Year Ended June 30, 2015**

	<u>Major Enterprise Funds</u>		<u>Totals</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>June 30, 2015</u>
Cash flows from operating activities:			
Cash received from customers	\$ 1,407,330	\$ 1,147,493	\$ 2,554,823
Cash paid for goods and services	(849,228)	(960,963)	(1,810,191)
Cash paid to employees for services	(371,402)	(109,138)	(480,540)
Customer deposits net	20,269	-	20,269
Net cash provided/(used) by operating activities	<u>206,969</u>	<u>82,927</u>	<u>289,896</u>
Cash flows from noncapital financing activities:			
Capital contributions	-	79,453	79,453
Lease/rental proceeds	<u>88,552</u>	<u>-</u>	<u>88,552</u>
Net cash provided/(used) by noncapital financing activities	<u>88,552</u>	<u>79,453</u>	<u>88,552</u>
Cash flows from capital and related financing activities:			
Transfers in (out) net	-	-	-
Acquisition and construction of capital assets	(311,245)	-	(311,245)
Principal paid on bond maturities and note agreements	-	-	-
Interest and fees paid on bond maturities and notes agreements	-	-	-
Net cash provided/(used) by capital and related financing activities	<u>(311,245)</u>	<u>-</u>	<u>(311,245)</u>
Cash flows from investing activities:			
Interest on investments	<u>209</u>	<u>109</u>	<u>318</u>
Net increase(decrease) in cash and cash equivalents	(15,515)	162,489	146,974
Cash and cash equivalents:			
Beginning of year, July 1	2,171,844	1,170,205	3,342,049
End of year, June 30	<u>\$ 2,156,329</u>	<u>\$ 1,332,694</u>	<u>\$ 3,489,023</u>

The notes to the financial statements 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, 2015**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals June 30, 2015</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income/(loss)	\$ 252,900	\$ (81,887)	\$ 171,013
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	70,654	91,414	162,068
Pension expense	836	239	1,075
Changes in assets, deferred outflows of resources and liabilities:			
(Increase) decrease in accounts receivable	15,924	31,964	47,888
(Increase) decrease in inventory	2,176	2,677	4,853
Increase (decrease) in accounts payable and accrued liabilities	(136,416)	44,055	(92,361)
(Increase) decrease in deferred outflows of resources for pensions	(19,374)	(5,535)	(24,909)
Increase(decrease) in deposits	20,269	-	20,269
Total adjustments	<u>(45,931)</u>	<u>164,814</u>	<u>118,883</u>
Net cash provided/(used) by operating activities	<u>\$ 206,969</u>	<u>\$ 82,927</u>	<u>\$ 289,896</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

**Town of Ocean Isle Beach, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

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 six-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, 1505 Ocean Isle Beach Road, Ocean Isle Beach, North Carolina 28469.

B. Basis of Presentation

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

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 or ancillary activities. 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 public safety, street maintenance and construction, and sanitation services.

**Tourist Accommodation Tax Fund.** This fund is used to account for accommodation tax monies.

The town reports the following non-major governmental fund:

**Airport Local Fund.** This fund is used to account for development of the airport.

**Airport Grant Fund.** This fund is used to account for development of the airport with grant monies.

The Town reports the following major enterprise funds:

**Water Fund and Sewer Fund.** These two separate funds are used to account for the Town's water and sewer operations.

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 and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary 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 principal 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.

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

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

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

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

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town and the ABC board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

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

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. 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.

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2014. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

4. 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.

5. Inventory

The inventories of the Town and the ABC board are valued at cost (first in, first out), which approximates market.

The inventories of the Town's enterprise funds and those of the Town of Ocean Isle Beach ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories are expensed when consumed rather than purchased.

6. 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 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	2%
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	50 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 have one item that meet this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only two items that meet the criterion for this category - property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

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.

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.

9. Compensated Absences

Vacation leave is accumulated at the rate of up to thirty (30) days per year with each leave being fully vested when earned. For the Town's government wide and proprietary funds and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded with the funds as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time 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 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.

10. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Also, customer deposits and monies held in escrow.

Town Restricted Cash

Enterprise Fund

	Customer Deposits	\$ 234,110
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General Fund

	Escrow Deposits	298,204
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	Powell Bill Funds	178,374
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Total Restricted Cash

		\$ 710,688
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11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as investment in capital assets; restricted; and unrestricted. Restricted net assets represent 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.

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

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

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

Notes to the Financial Statements

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. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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 Officer has the authority to deviate from this policy if it is in the best interest of the Town.

Pensions

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

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.

At June 30, 2015, the Town's deposits had a carrying amount of \$13,381,267 and a bank balance of \$13,452,725. \$1,750,000 of which was covered by federal depository insurance. The rest of which was covered under the pooling method. The ABC Board's deposits had a carrying amount of \$199,074 and a bank balance of \$253,843. All of the bank balance was covered by federal depository insurance.

2. Investments

All investments of the Town are in local banks, as Smart Money Market interest bearing accounts and certificates of deposit.

Notes to the Financial Statements

3. Receivables

	Accounts	Taxes and Related Accrued Interest	Due From Other Governments	Other	Total
<b>Governmental Activities:</b>					
General	\$ 33,769	\$ 262,814	\$ 45,907	\$ -	\$ 342,490
Special Revenue	83,503	-	-	-	83,503
Total Governmental Activities	<u>\$ 117,272</u>	<u>\$ 262,814</u>	<u>\$ 45,907</u>	<u>\$ -</u>	<u>\$ 425,993</u>
<b>Business-Type Activities:</b>					
Water	\$ 593,973	\$ -	\$ -	\$ -	\$ 593,973
Total Business-Type Activities	<u>\$ 593,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 593,973</u>

Receivables - Allowances for Doubtful Accounts

The amounts presented in the above chart are net of the following allowances for doubtful accounts.

<u>Fund</u>	<u>6/30/2015</u>
General Fund	
Taxes receivable	\$ -
Enterprise Funds	<u>12,798</u>
Total	<u>\$ 12,798</u>

Notes to the Financial Statements

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 4,927,167	\$ 2,250,000	\$ -	\$ 7,177,167
Construction in progress	-	-	-	-
Total capital assets not being depreciated	4,927,167	2,250,000	-	7,177,167
<b>Capital assets being depreciated:</b>				
Buildings	1,417,681	-	-	1,417,681
Other improvements	385,204	-	-	385,204
Equipment and Vehicles	1,930,569	156,824	-	2,087,393
Infrastructure	789,842	-	-	789,842
Total capital assets being depreciated	4,523,296	156,824	-	4,680,120
<b>Less accumulated depreciation for:</b>				
Buildings	493,454	25,000	-	518,454
Other improvements	315,619	2,258	-	317,877
Equipment and Vehicles	1,633,310	73,455	-	1,706,765
Infrastructure	277,805	39,492	-	317,297
Total accumulated depreciation	2,720,188	140,205	-	2,860,393
Total capital assets being depreciated, net	1,803,108			1,819,727
<b>Governmental activity capital assets, net</b>	<b>\$ 6,730,275</b>			<b>\$ 8,996,894</b>

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

General Government	\$ 35,642
Public Safety	60,624
Economic Development	2,709
Public Works	41,230
Total Depreciation Expense	<u>\$ 140,205</u>

Notes to the Financial Statements

**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	3,821,002	301,785	-	4,122,787
Furniture, Equipment & Maintenance	343,651	9,460	-	353,111
Vehicles	173,902	-	-	173,902
Total capital assets being depreciated	4,338,555	311,245	-	4,649,800
<b>Less accumulated depreciation for:</b>				
Plant and Distribution Systems	1,096,201	54,496	-	1,150,697
Furniture, Equipment & Maintenance	301,790	10,264	-	312,054
Vehicles	144,432	5,894	-	150,326
Total accumulated depreciation	1,542,423	70,654	-	1,613,077
Total capital assets being depreciated, net	2,796,132			3,036,723
<b>Water Fund capital assets, net</b>	<b>\$ 3,282,506</b>			<b>\$ 3,523,097</b>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Sewer Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 860,562	\$ -	\$ -	\$ 860,562
Construction in progress	-	-	-	-
Total Capital assets not being depreciated	860,562	-	-	860,562
<b>Capital assets being depreciated:</b>				
Plant and Distribution Systems	763,020	-	-	763,020
Furniture, Equipment & Maintenance	380,769	-	-	380,769
Vehicles	57,374	-	-	57,374
Total capital assets being depreciated	1,201,163	-	-	1,201,163
<b>Less accumulated depreciation for:</b>				
Plant and Distribution Systems	368,892	15,260	-	384,152
Furniture, Equipment & Maintenance	200,947	76,154	-	277,101
Vehicles	57,374	-	-	57,374
Total accumulated depreciation	627,213	91,414	-	718,627
Total capital assets being depreciated, net	573,950			482,536
<b>Sewer Fund capital assets, net</b>	<b>\$ 1,434,512</b>			<b>\$ 1,343,098</b>

Notes to the Financial Statements

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Total Business-Type Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,346,936	\$ -	\$ -	\$ 1,346,936
Construction in progress	-	-	-	-
Total capital assets not being depreciated	1,346,936	-	-	1,346,936
<b>Capital assets being depreciated:</b>				
Plant and Distribution Systems	4,584,022	301,785	-	4,885,807
Furniture, Equipment & Maintenance	724,420	9,460	-	733,880
Vehicles	231,276	-	-	231,276
Total capital assets being depreciated	5,539,718	311,245	-	5,850,963
<b>Less accumulated depreciation for:</b>				
Plant and Distribution Systems	1,465,093	69,756	-	1,534,849
Furniture, Equipment & Maintenance	502,737	86,418	-	589,155
Vehicles	201,806	5,894	-	207,700
Total accumulated depreciation	2,169,636	162,068	-	2,331,704
Total capital assets being depreciated, net	3,370,082			3,519,259
<b>Total business-type activities, net</b>	<b>\$ 4,717,018</b>			<b>\$ 4,866,195</b>

**Discretely Presented Component Unit:**

Activity for the ABC Board for the year ended June 30, 2015, was as follows:

	Cost	Accumulated Depreciation	Net Amount
Furniture & Equipment	\$ 26,828	\$ (15,492)	\$ 11,336
Total	\$ 26,828	\$ (15,492)	\$ 11,336

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town’s contractually required contribution rate for the year ended June 30, 2015, was 7.24% of compensation for law enforcement officers and 7.24% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$138,383 for the year ended June 30, 2015.

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

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

At June 30, 2015, the Town reported an asset of \$231,770 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension asset was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town’s proportion was 0.0393%, which was an decrease of 0.0025% from its proportion measured as of June 30, 2013.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 25,326
Net difference between projected and actual earnings on pension plan investments	-	539,556
Changes in proportion and differences between Town's contributions and proportionate share of contributions	-	34,144
Town's contributions subsequent to the measurement date	138,383	-
Total	\$ 138,383	\$ 599,026

Notes to the Financial Statements

\$138,383 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30</b>		
2016	\$	(149,794)
2017		(149,794)
2018		(149,794)
2019		(149,644)
2020		-
Thereafter		-
	<u>\$</u>	<u>(599,026)</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of position plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1 % Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share	\$786,729	(\$231,770)	(\$1,089,313)

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

2. Deferred Outflows and Inflows of Resources

The Town has one deferred outflows of resources. Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	138,383
Total	<u>\$ 138,383</u>

Deferred inflows of resources at year-end is comprised of the following:

Pension deferrals	\$ 599,026
Taxes Receivable	\$ 244,295

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.

Notes to the Financial Statements

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At June 30, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>13</u>
Total	<u><u>15</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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

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

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

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 and Other Employees

*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 and other employees 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 pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers and other employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$119,830 which consisted of \$98,634 from the Town and \$21,195 from the law enforcement officers and other employees.

d. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental 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 employees 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 months 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. All death benefit payments are made from the Death Benefit Plan. 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. The Town considers these contributions to be immaterial.

Retired Employees' Years of	Date Hired	
	Pre-July 1, 2007	On or after July 1, 2007
Less than 5 years	Not eligible for coverage	Not eligible for coverage
5 - 20 years	Full coverage paid for by Town	Not eligible for coverage
20+ years	Full coverage paid for by Town	Full coverage paid for by Town

#### 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 \$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 blanket bond for \$50,000.

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, 2015, 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. 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, 2015 was \$360,000.

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, 2015 was 101,121.

Notes to the Financial Statements

On March 13, 2015 the Town entered into an installment/purchase contract for the purchase of a land for a park area. The contract will be paid in annual installments of \$160,000 plus interest at 2.46% per annum for 10 years. The balance at June 30, 2015 was \$1,440,000.

The future minimum payments of the installment purchases as of June 30, 2015 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2016	373,707	53,762
2017	373,707	42,459
2018	193,707	28,661
2019	160,000	23,616
2020	160,000	19,680
Next Five Years	640,000	39,360
	<u>\$ 1,901,121</u>	<u>\$ 207,538</u>

General Obligation Indebtedness

None.

e. Changes in Long-Term Liabilities

	Balance 1-Jul-14	Increases	Decreases	Balance 30-Jun-15	Current Portion
<b>Governmental activities:</b>					
Installment purchases	\$ 2,274,828	\$ -	\$ (373,707)	\$ 1,901,121	\$ 373,707
Compensated absences	112,404	101,296	(78,094)	135,606	101,296
Governmental activity long-term liabilities	<u>\$ 2,387,232</u>	<u>\$ 101,296</u>	<u>\$ (451,801)</u>	<u>\$ 2,036,727</u>	<u>\$ 475,003</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 32,700	\$ 18,946	\$ (20,837)	\$ 30,809	\$ 18,946
Installment purchases	-	-	-	-	-
Note payable	-	-	-	-	-
Business-type activity long-term liabilities	<u>\$ 32,700</u>	<u>\$ 18,946</u>	<u>\$ (20,837)</u>	<u>\$ 30,809</u>	<u>\$ 18,946</u>

At June 30, 2015, the Town of Ocean Isle Beach had a legal debt margin of \$169,116,664.

C. Interfund Balances and Activity

The composition of transfer activity as of June 30, 2015 is as follows:

Transfers to/From Other Funds

Transfers to/From Other Funds on June 30, 2015, consist of the following:

From the Accommodation Fund to the General Fund for expenditures	\$ 1,546,361
Total	<u>\$ 1,546,361</u>

The composition of interfund balances as of June 30, 2015 is as follows (shown net):

Interfund Balances (Net)

Due to/From Other Funds on June 30, 2015, consist of the following:

***Due to Water Fund***

Due to Water Fund from the General Fund for expenditures	\$ 4,563
	<u>\$ 4,563</u>

***Due to Sewer Fund***

Due to Sewer Fund from the Water Fund for expenditures	\$ 18,534
	<u>\$ 18,534</u>

***Due to General Fund***

Due from Accommodation Fund to the General Fund for expenditures	51,376
Due to General Fund from the Sewer Fund for expenditures	26,383
Due to General Fund from the Water Fund for expenditures	45,214
Due to General Fund from the Airport - Local Fund for expenditures	17
Total	<u>\$ 122,990</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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>\$ 8,251,437</b>
<b>Less:</b>	
<b>Stabilization by State Statute</b>	202,666
<b>Streets - Powell Bill</b>	178,374
<b>Economic Development</b>	4,974,954
<b>Remaining Fund Balance</b>	<b>\$ 2,895,443</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. Significant Effects of Subsequent Events

There are no subsequent events that would have a material affect on the financial statements. Subsequent events have been analyzed through the date that the financial statements were available to be issued.

VI. Change in Accounting/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental activities decreased by \$296,253 and decreased by \$65,030 for the business-type activities.