REQUIRED

SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principals.

Schedule of the Proportionate Share of the Net Pension Asset – Local Government Employees' Retirement System

Schedule of Contributions – Local Government Employees' Retirement System

Town of Ocean Isle Beach, North Carolina
Town of Ocean Isle Beach's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Two Fiscal Years

Local Government Employees' Retirement System

	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.0393%	0.0418%
Town's proportion of the net pension liability (asset) ($)	$ (231,770)	$ 503,851
Town's covered-employee payroll	$ 1,934,271	$ 2,000,311
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(11.98%)	25.19%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Town of Ocean Isle Beach, North Carolina
Town of Ocean Isle Beach's Contributions
Required Supplementary Information
Last Two Fiscal Years

Local Government Employees' Retirement System

	2015	2014
Contractually required contribution	$ 138,383	$ 142,569
Contributions in relation to the contractually required contribution	138,383	142,569
Contribution deficiency (excess)	$ -	$ -
Town's covered-employee payroll	$ 1,934,271	$ 2,000,311
Contributions as a percentage of covered-employee payroll	7.15%	7.14%

GENERAL FUND

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

Town of Ocean Isle Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	$	$ 2,629,662	$
Penalties and interest		17,156	
Total	2,869,882	2,646,818	(223,064)
Other taxes and licenses:			
Licenses & Fees		5,759	
Total	6,350	5,759	(591)
Unrestricted intergovernmental:			
ABC profit distribution		85,710	
Utility sales tax		270,379	
Local option sales taxes		137,963	
Telecommunications tax		12,619	
Video programming		89,824	
Beer and wine tax		2,819	
Tax/ Other Refunds		18,840	
Total	648,610	618,154	(30,456)
Restricted intergovernmental:			
Federal and State grants		17,580	
Mosquito control grant		1,600	
CAMA grant		6,010	
Powell Bill allocation		33,029	
Total	105,564	58,219	(47,345)
Permits and fees:			
CAMA local fees		4,750	
Contractor/Development fees		346,871	
Business reigistration fee		1,133	
Miscellaneous		7,162	
Fire fees		705,709	
Public safety fees/donations		1,517	
Total	1,045,673	1,067,142	21,469

Town of Ocean Isle Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Sales and services:			
Canal dredge project		352,716	
Sale of fixed assets		25,168	
Rent		39,000	
Total	1,448,350	416,884	(1,031,466)
Investment earnings	1,700	774	(926)
Total Revenues	6,126,129	4,813,750	(1,312,379)
General government:			
Administration:			
Salaries & benefits		502,401	
Operating expense		257,582	
Capital Outlay		5,900	
Total	840,070	765,883	74,187
Building Inspector:			
Salaries & benefits		156,267	
Operating expense		35,436	
Capital Outlay		5,665	
Total	201,792	197,368	4,424
Governing board:			
Salaries & benefits		21,638	
Operating expense		5,309	
Capital Outlay		-	
Total	30,772	26,947	3,825
Public Buildings/Property:			
Salaries & benefits		60,355	
Operating expense		147,376	
Capital Outlay		-	
Total	240,410	207,731	32,679
Total General Government	1,313,044	1,197,929	115,115
Environmental:			
Contracted Services		58,993	
Total	73,000	58,993	14,007

Town of Ocean Isle Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Streets:			
Salaries & benefits		157,716	
Operating expense		247,560	
Capital Outlay		-	
Total	431,302	405,276	26,026
Public Safety:			
Police:			
Salaries & benefits		767,584	
Operating expense		91,174	
Capital Outlay		107,544	
Total	1,122,371	966,302	156,069
Fire:			
Salaries & benefits		711,986	
Operating expense		88,885	
Capital Outlay		32,051	
Total	921,987	832,922	89,065
Total Public Safety	2,044,358	1,799,224	245,134
Mosquito control:			
Salaries & benefits		-	
Operating expense		8,977	
Capital Outlay		-	
Total	9,050	8,977	73
Planning and zoning:			
Salaries & benefits		138,614	
Operating expense		32,195	
Capital Outlay		5,664	
Total	195,153	176,473	18,680

Town of Ocean Isle Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Special projects:			
Dredging		764,823	
Erosion control		1,490,508	
Debt principal		373,707	
Debt interest		64,802	
Total	3,417,248	2,693,840	723,408
Total Expenditures	7,483,155	6,340,712	1,142,443
Revenues over (under) expenditures	(1,357,026)	(1,526,962)	(169,936)
Other financing sources (uses):			
Proceeds from installment purchase	-	-	
Transfers (to)/from other funds	1,143,362	1,546,361	
Transfers (to)/from other funds	-	-	
Fund Balance Appropriated	213,664	-	
Total	1,357,026	1,546,361	189,335
Net change in fund balance	$ -	19,399	$ 19,399
Fund balances:			
Beginning of year, July 1		8,232,038	
End of year, June 30		$ 8,251,437	

OTHER MAJOR GOVERNMENTAL FUND

Major Governmental Funds - Accomodation Tax Fund
- Airport Grant Fund

Town of Ocean Isle Beach, North Carolina
Special Revenue Fund - Tourist Accommodation Tax Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Accomodation Tax	$	$ 1,960,628	$
Investment income		159	
Restricted Revenue		-	
Miscellaneous		8,889	
Total revenues	2,299,913	1,969,676	(330,237)
Expenditures:			
Current:			
Economic and physical development:			
Public property & other		728,838	
Total expenditures	776,978	728,838	48,140
Revenues over expenditures	1,522,935	1,240,838	(282,097)
Other financing sources (uses)			
Transfers in (out)	(1,522,935)	(1,546,361)	-
Fund Balance Appropriated	-	-	-
Total other financing sources (uses)	(1,522,935)	(1,546,361)	(23,426)
Revenues over expenditures and other sources	$ -	(305,523)	$ (305,523)
Fund balances:			
Beginning of year, July 1		1,431,978	
End of year, June 30		$ 1,126,455	

Town of Ocean Isle Beach, North Carolina
Special Revenue Fund - Airport Grant Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest income	$	$ -	$
Grants		950,534	
Total	1,189,932	950,534	(239,398)
Expenditures:			
Current:			
Economic and physical development:			
Approach clear zone project		921,393	
Total expenditures	1,189,932	921,393	268,539
Revenues over expenditures	-	29,141	29,141
Fund Balance Appropriated	-	-	-
Other Financing Sources (Uses):			
Transfers In (Out)	-	-	-
Net change in fund balance	$ -	29,141	$ 29,141
Fund balances:			
Beginning of year, July 1		(9,090)	
End of year, June 30		$ 20,051	

SPECIAL REVENUE FUNDS

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

Town of Ocean Isle Beach, North Carolina
Combining Balance Sheet
Non Major Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Airport Local	2015 Totals
Assets		
Cash and Investments	$ 200,625	$ 200,625
Accounts Receivable	-	-
Total Assets	200,625	200,625
Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	$ 1,300	$ 1,300
Due to other funds	17	17
	1,317	1,317
Fund Balances:		
Restricted		
Stabilization by State Statute	-	-
Economic development	199,308	199,308
Total Fund Balance	199,308	199,308
Total Liabilities and Fund Equity	$ 200,625	$ 200,625

Town of Ocean Isle Beach, North Carolina
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non Major Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Airport Local	2015 Totals
Revenues:		
Local Revenues	$ 27,500	$ 27,500
Investment Income	-	-
Restricted Revenue	-	-
Miscellaneous	687	687
Total Revenues	28,187	28,187
Expenditures:		
Current:		
Economic Development	110,421	110,421
Revenues over expenditures	(82,234)	(82,234)
Other Financing Sources (Uses):		
Transfers In (Out)	-	-
Fund balances:		
Beginning of year, July 1	281,542	281,542
End of year, June 30	$ 199,308	$ 199,308

Town of Ocean Isle Beach, North Carolina
Special Revenue Fund - Airport Local Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment Income	$	$ -	$
Local revenues		27,500	
Miscellaneous		687	
Total	136,436	28,187	(108,249)
Expenditures:			
Current:			
Economic and physical development:			
Clear zone project		-	
Other improvements		110,421	
Total expenditures	136,436	110,421	26,015
Revenues over expenditures	-	(82,234)	(82,234)
Fund Balance Appropriated	-	-	-
Other Financing Sources (Uses):			
Transfers In (Out)	-	-	-
Net change in fund balance	$ -	(82,234)	$ (82,234)
Fund balances:			
Beginning of year, July 1		281,542	
End of year, June 30		$ 199,308	

ENTERPRISE FUNDS

Town of Ocean Isle Beach, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services:			
Water sales:			
Residential & Commercial	$	$ 1,340,747	$
Miscellaneous		-	
Total	1,464,625	1,340,747	(123,878)
Water taps	41,250	41,250	-
Other operating revenues	6,564	9,409	2,845
Total Operating Revenues	1,512,439	1,391,406	(121,033)
Nonoperating revenues:			
Lease	99,557	88,552	(11,005)
Miscellaneous	-	-	-
Interest earnings	1,000	209	(791)
Total Revenues	1,612,996	1,480,167	(132,829)
Expenditures:			
Water Administration:			
Salaries and benefits		83,414	
Repairs and maintenance		4,696	
Telephone		937	
Office supplies		3,803	
Operating Expenses		9,042	
Capital Outlay		-	
Total water administration	106,947	101,892	5,055
Water Operations:			
Salaries and benefits		287,988	
Repairs and maintenance		12,049	
Water purchase		576,940	
Supplies		56,742	
Operating expenditures		45,002	
Capital outlay		9,460	
Total	1,042,450	988,181	54,269

Town of Ocean Isle Beach, North Carolina
Water Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2015

Debt service:			
Interest and fees		-	
Principal retirement		-	
Total debt service	-	-	-
Capital outlay:			
Land acquisition		-	
Vehicle/Equipment		-	
System improvements		301,785	
Total capital outlay	463,599	301,785	161,814
Total expenditures	1,612,996	1,391,858	221,138
Other financing sources (uses):			
Transfers in (out)	-	-	-
Fund balance appropriated	-	-	-
Total other financing sources (uses):	-	-	-
Revenues and other sources over (under) expenditures and other uses	$ -	$ 88,309	$ 88,309

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues over expenditures		$ 88,309
Reconciling items:		
Capital outlay	311,245	
Depreciation	(70,654)	
Change in compensated absences	(3,601)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year	19,374	
Pension expense	(836)	
Increase (decrease) in Inventory	(2,176)	
Total reconciling items	253,352	
Change in net position		$ 341,661

Town of Ocean Isle Beach, North Carolina
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services:			
Sewer charges:			
Residential & Commercial	$	$ 1,050,155	$
Miscellaneous		7,274	
Total	1,101,700	1,057,429	(44,271)
Water & Sewer Taps	58,100	58,100	-
Impact fees and other	-	-	-
Total Operating Revenues	1,159,800	1,115,529	(44,271)
Nonoperating revenues:			
Other	79,453	79,453	-
Interest earnings	110	109	(1)
Total Revenues	1,239,363	1,195,091	(44,272)
Expenditures:			
Sewer Administration:			
Salaries and benefits		-	
Operating Expenses		11,012	
Capital Outlay		-	
Total water administration	16,750	11,012	5,738
Sewer Operations:			
Salaries and benefits		109,138	
Repairs and maintenance		2,841	
Supplies		68,658	
Utilities		51,427	
Contracted services		505,537	
Brunswick County capital charge		275,000	
Operating expenditures		85,761	
Capital outlay		-	
Total	1,222,613	1,098,362	124,251

Town of Ocean Isle Beach, North Carolina
Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2015

Debt service:			
Interest and fees		-	
Principal retirement		-	
Total debt service	-	-	-
Capital outlay:			
Improvements		-	
Equipment		-	
Total capital outlay	-	-	-
Total expenditures	1,239,363	1,109,374	129,989
Other financing sources (uses):			
Fund balance appropriated	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over expenditures and other uses	$ -	$ 85,717	$ 85,717

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues over expenditures	$ 85,717
Reconciling items:	
Capital outlay	-
Depreciation	(91,414)
Deferred outflows of resources for contributions made to pension plan in current fiscal year	5,535
Pension expense	(239)
Change in compensated absences	(3,601)
Increase (decrease) in Inventory	1,677
Total reconciling items	(88,042)
Change in net position	$ (2,325)

OTHER SCHEDULES

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

- Schedule of Ad Valorem Taxes Receivable

- Analysis of Current Tax Levy

Town of Ocean Isle Beach, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2015

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections And Credits	Uncollected Balance June 30, 2015
2014-2015	$	$ 2,779,039	$ (2,583,907)	$ 195,132
2013-2014	150,222	-	(101,587)	48,635
2012-2013	860	-	(332)	528
2011-2012	-	-	-	-
	$ 151,082	$ 2,779,039	$ (2,685,826)	244,295

Ad valorem taxes receivable - net	$ 244,295
Reconcilement with revenues:	
Ad valorem taxes - General Fund	$ 2,646,818
Reconciling items:	
Discounts, Releases, Refunds	56,164
Interest collected	(17,156)
Total collections and credits	$ 2,685,826

Town of Ocean Isle Beach, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Year Ended June 30, 2015

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	$ 2,137,722,308	$ 0.13	$ 2,779,039	$ 2,755,362	$ 23,677
Penalties				-	-
Total	2,137,722,308		2,779,039	2,755,362	23,677
Total property valuation	$ 2,137,722,308				
Net levy			2,779,039	2,755,362	23,677
Uncollected taxes at June 30, 2015			(195,132)	(195,082)	(50)
Current year's taxes collected			$ 2,583,907	$ 2,560,280	$ 23,627
Current levy collection percentage			92.98%	92.92%	99.79%

COMPLIANCE SECTION

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Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of 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 comprises the Town of Ocean Isle Beach's basic financial statements, and have issued our report thereon dated October 17, 2015. The financial statements of Town of Ocean Isle Beach ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

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

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Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Ocean Isle Beach, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina* issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Ocean Isle Beach's major federal programs for the year ended June 30, 2015. The Town of Ocean Isle Beach's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Ocean Isle Beach's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Town of Ocean Isle Beach's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the The Town of Ocean Isle Beach's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the Town of Ocean Isle Beach complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Town of Ocean Isle Beach is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Ocean Isle Beach's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

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

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

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Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the Town of Ocean Isle Beach, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina* issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Ocean Isle Beach's major state programs for the year ended June 30, 2015. The Town of Ocean Isle Beach's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Ocean Isle Beach's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Ocean Isle Beach's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Town of Ocean Isle Beach complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Town of Ocean Isle Beach is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Ocean Isle Beach's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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

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

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

Town of Ocean Isle Beach, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? ___yes _X_no
- Significant Deficiency(s) identified that are not considered to be material weaknesses ___ yes _X_none reported

Noncompliance material to financial statements noted ___yes _X_no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___yes _X_no
- Significant Deficiency(s) identified that are not considered to be material weaknesses ___yes _X_ none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 ___yes _X_no

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B Programs $ 300,000

Auditee qualified as low-risk auditee? ___yes _X_no

State Awards

Internal control over major State programs:

- Material Weakness(es) identified? ___yes _X_no
- Significant Deficiency(s) identified that are not considered to be a material weakness. ___yes __X__none reported

Type of auditor's report issued on compliance for major State programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act ___yes _X_no

Identification of major State programs:

Program Name	
Airport Improvement Program	DOT - 8

Town of Ocean Isle Beach, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Town of Ocean Isle Beach, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2015

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Town of Ocean Isle Beach, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2015

Status: N/A

TOWN OF OCEAN ISLE BEACH, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
U. S. Department of Homeland Security					
Passed-through N.C. Department of Public Safety:					
Hazard Mitigation Grant Program	97.039		$ 79,453	$ -	$ -
U.S. Dept. of Transportation					
Passed-through the N.C. Department of Transportation:					
Airport Improvement Program	20.106		300,316	-	-
Passed-through the N.C. Department of Transportation:					
Federal Transit Capital Investment Grants	20.205-6		14,064	-	-
Total U.S. Dept. of Transportation					
State Grants:					
Cash Assistance:					
N.C. Department of Transportation:					
Powell Bill	DOT - 4	N/A	-	62,306	-
Airport Improvement Program	DOT - 8	N/A	-	650,218	-
Bike/Pedestrian Path	DOT - 24		-	3,516	-
N.C. Department of Environment and Natural Resources					
CAMA			-	6,010	-
Mosquito control grant			-	1,600	-
Total assistance			$ 393,833	$ 722,050	$ -

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

Note 1: Basis of Presentation
The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Ocean Isle Beach under the programs of the federal government and the State of North Carolina for the year ended June 30, 2015. The information in this SEFSA is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Because the SEFSA presents only a select