



ANNUAL FINANCIAL REPORT
6.30.13



SUNSET BEACH
North Carolina

TOWN OF SUNSET BEACH, NORTH CAROLINA

Report of Audit

For the Fiscal Year Ended June 30, 2013



SUNSET BEACH
North Carolina

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	5
Management's Discussion and Analysis	8
 <i>Basic Financial Statements</i> 	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	16
Statement of Activities.....	18
 <i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	24
Statement of Fiduciary Net Position – Fiduciary Funds	26
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	27
Notes to the Financial Statements	28
 <i>Required Supplementary Financial Data</i> 	
Schedule of Funding Progress – Law Enforcement Officers' Special Separation Allowance.....	52
Schedule of Employer Contributions – Law Enforcement Officers' Special Separation Allowance.....	53
 <i>Major Governmental Funds – General Fund</i> 	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	56

Special Revenue Funds Consolidated with General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Future Development Fund.....	62
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Beach Erosion Fund	63
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Future Street Paving Fund.....	64
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Bike and Walk Paths Fund	65

Major Governmental Funds – Capital Project Funds

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual From Inception – Capital Improvement Project Fund	68
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Nonmajor Governmental Funds – Special Revenue Funds

Combining Balance Sheet – Nonmajor Special Revenue Funds	70
Combining Statement of Revenues, Expenditures, and Change in Fund Balances – Nonmajor Special Revenue Funds.....	71
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Festival Fund	72

Agency Funds

Combining Statement of Changes in Assets and Liabilities – Agency Funds	74
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Other Schedules

Schedule of Ad Valorem Taxes Receivable – General Fund	76
Analysis of Current Tax Levy.....	77

COMPLIANCE SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	80
Schedule of Findings and Responses.....	82
Corrective Action Plan	84



Financial Section

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



SUNSET BEACH
North Carolina

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Sunset Beach, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Sunset Beach, North Carolina as of June 30, 2013, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance's Schedule of Funding Progress and Schedule of Employer 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 Sunset Beach, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2013 on our consideration of Town of Sunset Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Sunset Beach's internal control over financial reporting and compliance.

W Greene & Company PLLC

Whiteville, North Carolina
October 29, 2013

Management's Discussion and Analysis

As management of the Town of Sunset Beach, we offer readers of the Town of Sunset Beach's financial statements this narrative overview and analysis of the financial activities of the Town of Sunset Beach for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

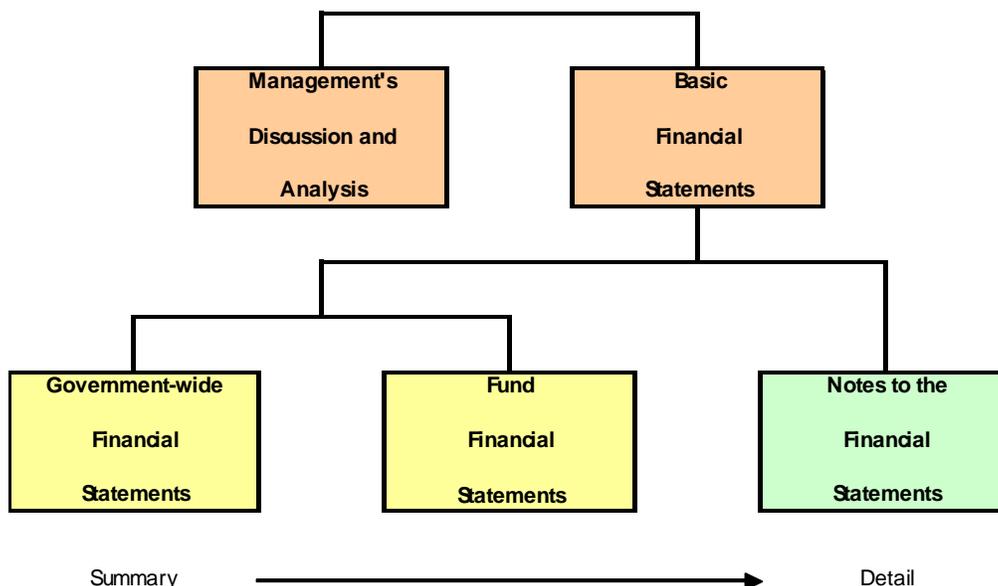
- The assets and deferred outflows of resources of the Town of Sunset Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$19,227,702 (net position).
- The government's total net position increased by \$174,645.
- As of the close of the current fiscal year, the Town of Sunset Beach's governmental funds reported combined ending fund balances of \$8,606,426, with a decrease of \$646,466 in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,864,246 or 80.61 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Sunset 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 Sunset Beach.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages 16 through 19) 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 (pages 20 through 27) 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 fiduciary fund statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) component units. The governmental activities include most of the Town's basic services such as administration, streets and highways, and inspections. Property taxes and state and federal grant funds finance most of these activities. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

The government-wide financial statements are on pages 16 through 19 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Sunset 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 General Statutes or the Town's budget ordinance. All of the funds of Town of Sunset Beach can be divided into one category: governmental 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 Sunset 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Town of Sunset Beach has two fiduciary funds, a pension trust fund and a agency fund.

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 are on pages 28 through 49 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Sunset Beach's progress in funding its obligation to provided pension benefits to its employees. Required supplementary information can be found beginning on page 52 of this report.

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

Management's Discussion and Analysis (Continued)

Government-Wide Financial Analysis

The Town of Sunset Beach's Net Position

Figure 2

	Governmental Activities	
	2013	2012
Current and other assets	\$ 8,895,069	\$ 9,495,397
Capital assets	11,205,033	10,854,317
Deferred outflows of resources	-	-
Total assets and deferred outflows of resources	<u>20,100,102</u>	<u>20,349,714</u>
Long-term liabilities outstanding	562,400	869,337
Other liabilities	310,000	427,320
Deferred inflows of resources	-	-
Total liabilities and deferred inflows of resources	<u>872,400</u>	<u>1,296,657</u>
Net position:		
Net investment in capital assets	10,585,033	9,822,410
Restricted	681,047	1,109,758
Unrestricted	<u>7,961,622</u>	<u>8,120,889</u>
Total net position	<u>\$ 19,227,702</u>	<u>\$ 19,053,057</u>

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 Sunset Beach exceeded liabilities and deferred inflows by \$19,227,702 as of June 30, 2013. The Town's net position increased by \$174,645 for the fiscal year ended June 30, 2013. However, the largest portion (55%) 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 Sunset Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Sunset Beach's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Sunset Beach's net position \$681,047 represents sources that are subject to external restrictions on how they may be used. The remaining balance of \$7,961,622 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.01%

Management's Discussion and Analysis (Continued)

The Town of Sunset Beach's Changes in Net Position

Figure 3

	Governmental Activities	
	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 207,739	\$ 251,968
Operating grants and contributions	140,508	183,886
Capital grants and contributions	-	2,149,552
General Revenues		
Property taxes	1,954,625	1,937,862
Other taxes	3,089,263	2,700,614
Other	84,541	39,990
Total revenues	<u>5,476,676</u>	<u>7,263,872</u>
Expenses:		
General government	734,648	762,659
Public safety	3,012,692	2,947,608
Transportation	1,015,084	913,372
Environmental protection	170,417	86,106
Economic and physical development	268,628	178,026
Human services	64,690	26,100
Interest on long-term debt	35,872	49,485
Total expenses	<u>5,302,031</u>	<u>4,963,356</u>
Increase(Decrease) in net position before transfers	174,645	2,300,516
Transfers	-	-
Change in net position	174,645	2,300,516
Net position, July 1 (consolidated)	<u>19,053,057</u>	<u>16,752,541</u>
Net position, June 30	<u>\$ 19,227,702</u>	<u>\$ 19,053,057</u>

Governmental activities. Governmental activities increased the Town's net position by \$174,645.

Financial Analysis of the Town's Funds

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

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

Management's Discussion and Analysis (Continued)

The general fund is the chief operating fund of the Town of Sunset Beach. At the end of the current fiscal year, Town of Sunset Beach's fund balance available in the General Fund was \$8,143,242, while total fund balance reached \$8,588,037. The Town currently has an available fund balance of 134.95 percent of total General Fund expenditures, while total fund balance represents 142.32 percent of the same amount.

At June 30, 2013, the governmental funds of Town of Sunset Beach reported a combined fund balance of \$8,606,426, with a net decrease in fund balance of \$646,466. Included in this change in fund balance are decreases in fund balance in the General 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.

Revenues were less than the budgeted amounts primarily because the Town did not receive some of the unrestricted intergovernmental funds that were anticipated. Expenditures were held in check to comply with its budgetary requirements.

Capital Asset and Debt Administration

Capital assets. The Town of Sunset Beach's investment in capital assets for its governmental and business-type activities as of June 30, 2013, totals \$11,205,033 (net of accumulated depreciation). These assets include buildings, land, vehicles, infrastructure, and equipment.

Major capital asset transactions during the year include the following:

- Fire truck and police vehicles

The Town of Sunset Beach's Capital Assets

Figure 4

	(Net of depreciation)	
	Governmental Activities	
	2013	2012
Land	\$ 5,035,742	\$ 5,035,742
Construction in Progress	-	1,507,154
Buildings	4,359,997	3,327,943
Infrastructure	123,243	8,992
Vehicles	1,446,948	655,028
Land improvements	6,283	9,230
Equipment and furniture	232,820	310,228
Total	\$ 11,205,033	\$ 10,854,317

Additional information on the Town's capital assets can be found on page 38 in the Notes to the Financial Statements.

Management's Discussion and Analysis (Continued)

Long-term Debt. As of June 30, 2013, the Town of Sunset Beach had total debt outstanding of \$620,000. Of this, \$-0- is debt backed by the full faith and credit of the Town of Sunset Beach.

The Town of Sunset Beach's Outstanding Debt Installment Purchases and Capital Leases

Figure 5

	Governmental Activities	
	2013	2012
Installment purchases	\$ 620,000	\$ 1,031,907
Capital leases	-	-
Total	\$ 620,000	\$ 1,031,907

The Town of Sunset Beach's total debt decreased by \$411,907 during the fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Sunset Beach is \$147,933,850. The Town of Sunset Beach does not have any authorized but un-issued debt at June 30, 2013.

Additional information regarding the Town of Sunset Beach's long-term debt can be found beginning on page 52 in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- Population growth
- New construction

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities. Taxes and permits and fees are expected to increase during the fiscal year.

Requests for Information

This report is designed to provide an overview of the Town 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 following:

Donna Rogers
Finance Director
Town of Sunset Beach
700 Sunset Boulevard North
Sunset Beach, NC 28445
Telephone: 910.579.6297
Email: sunsetbeach@atmc.net

Basic Financial Statements

TOWN OF SUNSET BEACH, NORTH CAROLINA
Statement of Net Position
June 30, 2013

	<u>Primary Government</u>	
	Governmental	Sunset Beach
	Activities	ABC Board
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 7,925,002	\$ 86,498
Receivables (net):		
Ad Valorem Taxes	177,999	-
Fire District Fees	83,508	-
Accommodations Tax	174,889	-
Interest	27,136	-
Inventories	-	166,699
Due from Component Unit	13,720	-
Due from Other Governments	256,563	-
Restricted Cash and Cash Equivalents	236,252	-
	<hr/>	<hr/>
Total Current Assets	8,895,069	253,197
Noncurrent Assets:		
Capital Assets		
Land, Nondepreciable Improvements, and Construction in Progress	5,035,742	220,572
Other Capital Assets, Net of Depreciation	6,169,291	605,717
	<hr/>	<hr/>
Total Noncurrent Assets	11,205,033	826,289
	<hr/>	<hr/>
Total Assets	\$ 20,100,102	\$ 1,079,486

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

TOWN OF SUNSET BEACH, NORTH CAROLINA
Statement of Net Position (Continued)
June 30, 2013

	<u>Primary Government</u>	
	Governmental	Sunset Beach
	Activities	ABC Board
LIABILITIES		
Current Liabilities:		
Accounts Payable and		
Accrued Liabilities	\$ -	\$ -
Due to Primary Government	-	13,720
Current Portion of Long-Term Liabilities	310,000	28,005
	<hr/>	<hr/>
Total Current Liabilities	310,000	41,725
Long-Term Liabilities:		
Due in More Than One year	562,400	454,041
	<hr/>	<hr/>
Total Liabilities	872,400	495,766
	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES		
Prepaid Taxes	-	-
	<hr/>	<hr/>
Total Deferred Inflows of Resources	-	-
	<hr/>	<hr/>
NET POSITION		
Net Investment in Capital Assets	10,585,033	344,243
Restricted for:		
Transportation	236,252	-
Stabilization by State Statute	444,795	-
Working Capital	-	41,936
Unrestricted	7,961,622	197,541
	<hr/>	<hr/>
Total Net Position	\$ 19,227,702	\$ 583,720
	<hr/> <hr/>	<hr/> <hr/>

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

TOWN OF SUNSET BEACH, NORTH CAROLINA

Statement of Activities

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 734,648	\$ 2,160	\$ -	\$ -
Public Safety	3,012,692	200,284	2,159	-
Transportation	1,015,084	5,295	133,254	-
Environmental Protection	170,417	-	2,300	-
Economic and Physical Development	268,628	-	-	-
Human Services	64,690	-	2,795	-
Interest on long-term debt	35,872	-	-	-
Total Governmental Activities	5,302,031	207,739	140,508	-
Total Primary Government	5,302,031	207,739	140,508	-
Component Units:				
Sunset Beach ABC Board	1,376,726	1,416,744	-	-
Total Component Units	\$ 1,376,726	\$ 1,416,744	\$ -	\$ -

General Revenues:

Property Taxes, Levied for General Purpose
 Other Taxes and Licenses
 Investment Earnings
 Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Totals	Sunset Beach ABC Board
\$ (732,488)	\$ (732,488)	-
(2,810,249)	(2,810,249)	-
(876,535)	(876,535)	-
(168,117)	(168,117)	-
(268,628)	(268,628)	-
(61,895)	(61,895)	-
(35,872)	(35,872)	-
(4,953,784)	(4,953,784)	-
(4,953,784)	(4,953,784)	-
-	-	40,018
-	-	40,018
1,954,625	1,954,625	-
3,089,263	3,089,263	-
4,767	4,767	379
79,774	79,774	-
-	-	-
5,128,429	5,128,429	379
174,645	174,645	40,397
19,053,057	19,053,057	543,323
\$ 19,227,702	\$ 19,227,702	\$ 583,720

TOWN OF SUNSET BEACH, NORTH CAROLINA

Balance Sheet
 Governmental Funds
 June 30, 2013

	<u>Major Funds</u>			
	<u>General</u>	<u>Capital Improvement Project Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 7,906,990	\$ -	\$ 18,012	\$ 7,925,002
Restricted Cash	236,252	-	-	236,252
Receivables (net):				
Ad Valorem Taxes	177,999	-	-	177,999
Fire District Fees	83,508	-	-	83,508
Accommodations Tax	174,889	-	-	174,889
Due from Component Unit	13,720	-	-	13,720
Due from Other Governments	256,186	-	377	256,563
Total Assets	8,849,544	-	18,389	8,867,933
LIABILITIES				
Accounts Payable and Accrued Liabilities	-	-	-	-
Total Liabilities	-	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Property Taxes Receivable	177,999	-	-	177,999
Fire District Fees Receivable	83,508	-	-	83,508
Total Deferred Inflows of Resources	261,507	-	-	261,507
FUND BALANCES				
Restricted				
Stabilization by State Statute	444,795	-	-	444,795
Streets	236,252	-	-	236,252
Committed				
Development	1,556,379	-	-	1,556,379
Beach Erosion	256,923	-	-	256,923
Street Paving	943,858	-	-	943,858
Bike and Walk Paths	431,668	-	-	431,668
Economic and Physical Development	-	-	18,389	18,389
Assigned				
Subsequent Year's Expenditures:	168,772	-	-	168,772
Unassigned	4,549,390	-	-	4,549,390
Total Fund Balances	8,588,037	-	18,389	8,606,426
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,849,544	\$ -	\$ 18,389	

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

TOWN OF SUNSET BEACH, NORTH CAROLINA
 Balance Sheet (Continued)
 Governmental Funds
 June 30, 2013

	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total Governmental Fund Balance	\$ 8,606,426
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical costs	14,430,320
Accumulated depreciation	<u>(3,225,287)</u>
	11,205,033
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred	
Accrued interest - taxes	<u>27,136</u>
	27,136
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	
Ad valorem taxes	177,999
Fire district fees	<u>83,508</u>
	261,507
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Installment purchases	(620,000)
Net pension obligation	(79,204)
Compensated absences	<u>(173,196)</u>
	(872,400)
Net position of governmental activities.	<u><u>\$ 19,227,702</u></u>

TOWN OF SUNSET BEACH, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	Major Funds			
	General	Capital Improvement Project Fund	Total Non-Major Funds	Total Governmental Funds
Revenues				
Ad Valorem Taxes	\$ 1,912,615	\$ -	\$ -	\$ 1,912,615
Other Taxes and Licenses	1,747,481	-	-	1,747,481
Unrestricted Intergovernmental	1,322,746	-	-	1,322,746
Restricted Intergovernmental	140,508	-	-	140,508
Permits and Fees	172,634	-	-	172,634
Sales and Services	6,950	-	-	6,950
Public Safety	27,650	-	-	27,650
Investment Earnings	4,767	-	-	4,767
Miscellaneous	67,340	-	12,434	79,774
Total Revenues	5,402,691	-	12,434	5,415,125
Expenditures				
Current				
General Government	639,589	-	-	639,589
Public Safety	2,849,072	-	-	2,849,072
Transportation	971,642	-	-	971,642
Environmental Protection	170,417	-	-	170,417
Economic and Physical Development	268,628	-	27,107	295,735
Human Services	25,716	-	-	25,716
Debt Service				
Principal	411,907	-	-	411,907
Interest and Other Charges	35,872	-	-	35,872
Capital Outlay				
Public Safety	537,032	-	-	537,032
Economic and Physical Development	124,609	-	-	124,609
Total Expenditures	6,034,484	-	27,107	6,061,591
Excess (Deficiency) of Revenues Over Expenditures	(631,793)	-	(14,673)	(646,466)
Other Financing Sources (Uses)				
Transfers from Other Funds	286,949	-	-	286,949
Transfers to Other Funds	-	(286,949)	-	(286,949)
Total Other Financing Sources (Uses)	286,949	(286,949)	-	-
Net Change in Fund Balance	(344,844)	(286,949)	(14,673)	(646,466)
Fund Balance - Beginning of Year	8,932,881	286,949	33,062	9,252,892
Fund Balance - End of Year	\$ 8,588,037	\$ -	\$ 18,389	\$ 8,606,426

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

TOWN OF SUNSET BEACH, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Fiscal Year Ended June 30, 2013

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

Net changes in fund balances - total governmental funds	\$	(646,466)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures which were capitalized	661,641	
Depreciation expense	<u>(310,925)</u>	350,716

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Change in unavailable revenue for tax revenues	50,955	
Interest earned on ad valorem taxes	<u>10,596</u>	61,551

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.

Debt issuance	-	
Debt retirement	<u>411,907</u>	411,907

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:

Net Pension obligation	1,807	
Compensated absences	<u>(4,870)</u>	(3,063)

Total changes in net position of governmental activities	<u>\$</u>	<u>174,645</u>
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TOWN OF SUNSET BEACH, NORTH CAROLINA
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Fiscal Year Ended June 30, 2013

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Ad Valorem Taxes	\$ 1,896,000	\$ 1,918,500	\$ 1,912,615	\$ (5,885)
Other Taxes and Licenses	2,878,583	1,956,005	1,747,481	(208,524)
Unrestricted Intergovernmental	20,000	1,121,483	1,322,746	201,263
Restricted Intergovernmental	422,700	374,382	140,508	(233,874)
Permits and Fees	181,500	179,900	172,634	(7,266)
Sales and Services	297,000	49,000	6,950	(42,050)
Public Safety	33,000	33,000	27,650	(5,350)
Investment Earnings	4,100	4,100	3,354	(746)
Miscellaneous	327,400	27,000	67,340	40,340
Total Revenues	6,060,283	5,663,370	5,401,278	(262,092)
Expenditures				
General Government	1,063,235	728,997	639,589	89,408
Public Safety	3,532,828	3,482,548	3,386,104	96,444
Transportation	1,075,309	1,075,309	971,642	103,667
Environmental Protection	156,860	170,417	170,417	-
Economic and Physical Development	530,087	393,873	393,237	636
Human Services	27,500	28,500	25,716	2,784
Debt Service				
Principal	-	411,907	411,907	-
Interest and Other Charges	-	35,873	35,872	1
Total Expenditures	6,385,819	6,327,424	6,034,484	292,940
Revenues Over (Under) Expenditures	(325,536)	(664,054)	(633,206)	30,848
Other Financing Sources (Uses)				
Transfers from Other Funds	-	300,000	586,949	286,949
Transfers to Other Funds	-	(260,000)	(260,000)	-
Total Other Financing Sources (Uses)	-	40,000	326,949	286,949
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(325,536)	(624,054)	(306,257)	317,797
Appropriated Fund Balance	325,536	624,054	-	(624,054)
Net Change in Fund Balance	\$ -	\$ -	(306,257)	\$ (306,257)
Fund Balance - Beginning of Year			5,705,466	
Fund Balance - End of Year			\$ 5,399,209	

TOWN OF SUNSET BEACH, NORTH CAROLINA
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Fiscal Year Ended June 30, 2013

Fund Balance - End of Year \$ 5,399,209

A legally budgeted Future Development Fund is consolidated into the General Fund for reporting purposes:

Investment Earnings	664
Transfer from the General Fund	-
Fund Balance - Beginning	<u>1,555,715</u>
	<u>1,556,379</u>

A legally budgeted Beach Erosion Fund is consolidated into the General Fund for reporting purposes:

Investment Earnings	104
Transfer from the General Fund	10,000
Fund Balance - Beginning	<u>246,819</u>
	<u>256,923</u>

A legally budgeted Future Street Paving Fund is consolidated into the General Fund for reporting purposes:

Investment Earnings	528
Transfer to the General Fund	(300,000)
Transfer from the General Fund	150,000
Fund Balance - Beginning	<u>1,093,330</u>
	<u>943,858</u>

A legally budgeted Bike and Walk Paths Fund is consolidated into the General Fund for reporting purposes:

Investment Earnings	117
Transfer from the General Fund	100,000
Fund Balance - Beginning	<u>331,551</u>
	<u>431,668</u>

Fund Balance - End of Year (Consolidated) \$ 8,588,037

TOWN OF SUNSET BEACH, NORTH CAROLINA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

Assets	Pension Trust Fund	Agency Funds
Cash and Cash Equivalents	\$ 57,467	\$ 35,098
Total Assets	\$ 57,467	\$ 35,098
Liabilities and Net Position		
Liabilities		
Due to Other Governments	\$ -	\$ 35,098
Total Liabilities	-	35,098
Net Position		
Assets Held in Trust for Pension Benefits	57,467	-
Total Net Position	\$ 57,467	\$ -

TOWN OF SUNSET BEACH, NORTH CAROLINA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013

	Pension Trust Fund
Additions	
Employer Contributions	\$ 40,000
Investment Earnings	
Interest	<u>36</u>
Total Additions	40,036
Deductions	
Benefits	<u>46,286</u>
Changes in Net Position	(6,250)
Net Position - Beginning of Year	<u>63,717</u>
Net Position - End of Year	<u><u>\$ 57,467</u></u>

TOWN OF SUNSET BEACH, NORTH CAROLINA

Notes to Financial Statements

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Town of Sunset Beach ABC Board

The Board, as provided by North Carolina Alcoholic Beverage Control Laws, operate one retail location in Sunset Beach. 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 (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Sunset Beach ABC Board, 7400 High Market St., Sunset Beach, North Carolina 28468.

B. Basis of Presentation, Basis of Accounting

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.

TOWN OF SUNSET BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued)

The Town reports the following major governmental funds:

General Fund – This 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, and general administration. Under GASB 54 guidance the Future Development Fund, Beach Erosion Fund, Future Street Paving Fund, and Bike and Walk Paths Fund are consolidated in the General Fund. The budgetary comparison for the Future Development Fund, Beach Erosion Fund, Future Street Paving Fund, and Bike and Walk Paths Fund have been included in the supplemental information.

Capital Improvement Project Fund – This fund is used to account for funds held for expected future costs associated capital improvements.

The Town reports the following non-major governmental funds:

Festival Fund – This fund is used to account for funds held for the Town Festival.

The Town reports the following fund types:

Pension Trust Fund – The Town has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the Law Enforcement Separation Allowance, a single-employer, public employee retirement system.

Agency Funds – Agency Funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the Town holds on behalf of others. The Town maintains the following agency funds: the Brunswick County – Accommodation Taxes Fund, which accounts for accommodation taxes that are collected by the Town on behalf of Brunswick County.

C. Measurement Focus, 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting (Continued)

Government-wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange 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.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Brunswick County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Sunset Beach. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting (Continued)

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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 is 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, Future Development Fund, Beach Erosion Fund, Future Street Paving Fund, Bike and Walk Paths Fund, and Festival Fund. All annual appropriations lapse at the fiscal year end. 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 object level for the multi-year funds. The Budget Officer may transfer appropriations between functional areas within a fund up to \$1,000; however, any revisions that alter total expenditures of any fund or that change departmental expenses by more than \$1,000 must be approved by the governing board. All amendments must be approved by the governing board and must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town and the ABC Board are made in board-designated official depositories and are secured as required by 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 deposits.

State law [G.S.159-30(c)] authorized 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, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

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

TOWN OF SUNSET BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. Sunset Beach ABC Board considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

3. 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.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S.105-347 and G.S.159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2012.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

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

The inventories of the ABC Board consists of materials and supplies held for consumption or resale. The cost of these inventories is expensed when held for resale rather than when purchased.

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

TOWN OF SUNSET BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, buildings, and infrastructure, \$100,000; furniture, equipment, and vehicles, \$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. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Town are depreciated on a straight-line basis over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	25
Buildings	50
Improvements	25
Vehicles	5
Furniture and Fixtures	10
Equipment	5
Computer Equipment	3
Software	3

Capital assets of the Town of Sunset Beach ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Land Improvements	20
Buildings	40
Furniture and Fixtures	10
Equipment	5

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category – prepaid taxes, and property taxes receivable, and fire district fees receivable.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities 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 period in which they occur. Prepaid insurance costs are expensed over the life of the 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.

10. Compensated Absences

The vacation policy of the Town provides for an accumulation of up to 240 hours annual vacation leave and the ABC Board provides up to a maximum of three weeks earned vacation leave with such leave being fully vested when earned. For the Town's government-wide, and the ABC Board an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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

11. Net Position/Fund Balances

Net Position

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Position/Fund Balances (Continued)

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 the total unexpended Powell Bill funds.

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

 Committed for Development – portion of fund balance committed by the Board for development.

 Committed for Beach Erosion – portion of fund balance committed by the Board for beach erosion.

 Committed for Street Paving – portion of fund balance committed by the Board for street paving.

 Committed for Bike and Walk Paths – portion of fund balance committed by the Board for bike and walk paths.

 Committed for Festival – portion of fund balance committed by the Board for the festival.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Net Position/Fund Balances (Continued)

Fund Balances (Continued)

Assigned fund balance – portion of fund balance that Town of Sunset Beach intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

The Town of Sunset Beach has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 75% of budgeted expenditures. Any portion of the general fund balance in excess of 75% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

TOWN OF SUNSET BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2013

II. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of 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 exceeding the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board or with the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town, or the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows.

However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has 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. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2013, the Town's deposits had a carrying amount of \$3,662,720 and a bank balance of \$4,555,981. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$85,598 and the bank balance was \$219,272. All of the bank balance was covered by federal depository insurance. At June 30, 2013, the Town's petty cash fund totaled \$500.

2. Investments

The investments in North Carolina Capital Management Trust are exempt from risk categorization because neither the Town nor the ABC Board owns any identifiable securities, but are shareholders of a percentage of the fund.

At June 30, 2013, the Town of Sunset Beach had \$4,590,599 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

TOWN OF SUNSET BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2013

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

3. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2013 are net of the following allowances for doubtful accounts:

Fund	06/30/2013
General Fund	
Taxes Receivable	\$ 20,000
Fire District Fees	9,000
Total	<u>\$ 29,000</u>

4. Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,035,742	\$ -	\$ -	\$ 5,035,742
Construction in Progress	1,507,154	-	1,507,154	-
Total capital assets not being depreciated	<u>6,542,896</u>	-	1,507,154	<u>5,035,742</u>
Capital assets being depreciated:				
Buildings	3,909,745	1,507,154	-	5,416,899
Land Improvements	36,969	-	-	36,969
Equipment and Furniture	979,672	98,212	-	1,077,884
Vehicles	2,323,832	438,820	36,935	2,725,717
Infrastructure	12,500	124,609	-	137,109
Total capital assets being depreciated	<u>7,262,718</u>	<u>2,168,795</u>	<u>36,935</u>	<u>9,020,098</u>
Less accumulated depreciation for:				
Buildings	581,802	93,943	-	675,745
Land Improvements	27,739	2,947	-	30,686
Equipment and Furniture	669,444	175,620	-	845,064
Vehicles	1,668,804	28,057	36,935	1,659,926
Infrastructure	3,508	10,358	-	13,866
Total accumulated depreciation	<u>2,951,297</u>	<u>310,925</u>	<u>36,935</u>	<u>3,225,287</u>
Total capital assets being depreciated, net	<u>4,311,421</u>			<u>5,794,811</u>
Governmental activity capital assets, net	<u>\$ 10,854,317</u>			<u>\$ 11,205,033</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

4. Capital Assets (Continued)

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

	<u>Depreciation</u>
General Government	\$ 93,944
Public Safety	161,992
Transportation	43,122
Human Services	<u>11,867</u>
Total	<u>\$ 310,925</u>

Discretely presented component unit

Activity for the Town of Sunset Beach ABC Board for the year ended June 30, 2013 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land	\$ 220,572	\$ -	\$ -	\$ 220,572
Total capital assets not being depreciated	<u>220,572</u>	<u>-</u>	<u>-</u>	<u>220,572</u>
Capital assets being depreciated:				
Buildings	670,536	-	-	670,536
Furniture and fixtures	-	-	-	-
Equipment	-	-	-	-
Total capital assets being depreciated	<u>670,536</u>	<u>-</u>	<u>-</u>	<u>670,536</u>
Less accumulated depreciation for:				
Buildings	51,408	13,411	-	64,819
Furniture and fixtures	-	-	-	-
Equipment	-	-	-	-
Total accumulated depreciation	<u>51,408</u>	<u>13,411</u>	<u>-</u>	<u>64,819</u>
Total capital assets being depreciated, net	<u>619,128</u>			<u>605,717</u>
ABC Board capital assets, net	<u>\$ 839,700</u>			<u>\$ 826,289</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description – Town of Sunset Beach and Town of Sunset Beach ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy – Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 7.22%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 18.88% of annual covered payroll. The contribution requirements of members and of Town of Sunset Beach and the ABC Board are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERS for the years ended June 30, 2013, 2012 and 2011 were \$146,516, \$146,706, and \$139,223 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2013, 2012 and 2011 were \$15,594, \$15,960, and \$21,750, respectively. The contributions made by the Town and the ABC Board equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description

The Town of Sunset 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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Other Postemployment Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

1. Plan Description (Continued)

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

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>14</u>
Total	<u>17</u>

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

Basis of Accounting – Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the Town has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments – Investments are reported at fair value. Short-term money market debt instruments, deposits, and repurchase agreements, are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

3. Contributions

The Town is required by Article 12D of Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments by making contributions based on actuarial valuations. For the current year, the Town contributed \$40,000, or 5.18% of annual covered payroll. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25-7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post employment benefit increases.

TOWN OF SUNSET BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2013

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Other Postemployment Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

3. Contributions (Continued)

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

Annual required contribution	\$	39,183
Interest on net pension obligation		4,051
Adjustment to annual required contribution		(5,041)
Annual pension cost		<u>38,193</u>
Contributions made		<u>40,000</u>
Increase (decrease) in net pension obligation		(1,807)
Net pension obligation beginning of year		<u>81,011</u>
Net pension obligation end of year	\$	<u><u>79,204</u></u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 38,249	83.22%	\$ 76,294
2012	37,217	87.33%	81,011
2013	38,193	104.73%	79,204

4. Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 7.82% funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$518,930, and the actuarial value of assets was \$40,595, resulting in an unfunded actuarial accrued liability (UAAL) of \$478,335. The covered payroll (annual payroll of active employees covered by the plan) was \$771,978, and the ratio of UAAL to the covered payroll was 61.96 percent.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Other Postemployment Obligations (Continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Law Enforcement Officers

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

Funding Policy - Article 12E of G.S. Chapter 143 requires that the Town contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan. In addition to the Town's mandatory five percent contribution, Town policy also mandates that the Town provide active law enforcement personnel a match of one percent of their gross salary as a contribution to their 401(k) plan. Contributions for the year ended June 30, 2013 were \$53,249, which consisted of \$43,299 from the Town and \$9,950 from the law enforcement officers.

All Other Employees

Plan Description - All other employees have the option of contributing to the Supplemental Retirement Plan of North Carolina 401(k). This plan is a defined contribution pension plan and participation is optional.

Funding Policy - The Town matches up to six percent of employees' wages. For the year ended June 30, 2013, total contributions to the plan equaled \$106,673, which consisted of \$61,723 from the participating employees.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Other Postemployment Obligations (Continued)

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

Plan Description - The State of North Carolina contributes, on behalf of the Town of Sunset Beach, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town contributes the entire amount to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

e. Other Postemployment Benefits

Healthcare Benefits

Plan Description - The postemployment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Comprehensive Major Medical Plan (also, referred to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan and Other Postemployment Obligations (Continued)

e. Other Postemployment Benefits (Continued)

Funding Policy - The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establishes premium rates except as, may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2013, 2012, and 2011, the Town paid all annual required contributions to the Plan for postemployment healthcare benefits of \$112,245, \$103,897, and \$90,537, respectively. These contributions represented 5.30%, 5.00%, and 4.90% of covered payroll, respectively.

2. 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.

TOWN OF SUNSET BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2013

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

3. Deferred Outflows and Inflows of Resources

Deferred inflows of resources at year-end are composed of the following:

	Unavailable Revenue	Unearned Revenue
Taxes receivable (General Fund)	\$ 177,999	\$ -
Fire District Fees (General Fund)	83,508	-
Total	<u>\$ 261,507</u>	<u>\$ -</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability, law enforcement liability, and auto liability coverage of \$2 million per occurrence; public officials' liability and employee benefits liability coverage of \$1 million per occurrence; property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to \$1 million lifetime limit. The Town also carries commercial flood insurance of \$5 million per occurrence.

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.

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 Director is individually bonded for \$50,000.

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

In accordance with G.S. 18B-700(i), the ABC Board's employees that have access to any money at any given time of the Board's funds are performance bonded through a commercial surety bond. The policy provides a blanket bond of \$50,000 for the store manager, finance officer, and each Board member.

TOWN OF SUNSET BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2013

II. DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

5. Claims, Judgments and Contingent Liabilities

At June 30, 2013, the Town did not have any litigation pending.

6. Long-Term Obligations

a. Installment Purchases

In October 2004, the Town entered into an installment loan in the amount of \$3,100,000 for the construction of a new fire station. The financing contract requires principal payments beginning October 2005. Principal installments are due annually on October 15 at an annual interest rate of 3.58%.

For Town of Sunset Beach, the future minimum payments as of June 30, 2013, including \$33,294 of interest, are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2014	\$ 310,000	\$ 22,196
2015	310,000	11,098
Total	\$ 620,000	\$ 33,294

b. Long-Term Obligation Activity

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Installment purchase	\$ 1,031,907	\$ -	\$ 411,907	\$ 620,000	\$ 310,000
Compensated absences	168,326	95,443	90,573	173,196	-
Net Pension Obligation	81,011	-	1,807	79,204	-
Total governmental activities	\$ 1,281,244	\$ 95,443	\$ 504,287	\$ 872,400	\$ 310,000

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

TOWN OF SUNSET BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2013

II. DETAIL NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2013, consists of the following:

From the Future Street Paving Fund to the General Fund	\$ 300,000
From the Capital Improvement Project Fund to the General Fund	286,949
From the General Fund to the Future Street Paving Fund	150,000
From the General Fund to the Beach Erosion Fund	10,000
From the General Fund to the Bike and Walk Paths Fund	<u>100,000</u>
 Total	 <u>\$ 846,949</u>

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

D. Fund Balance

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

<i>Total fund balance – General Fund</i>	\$ 8,588,037
Less:	
Stabilization by State Statute	444,795
Streets – Powell Bill	236,252
Development	1,556,379
Beach Erosion	256,923
Street Paving	943,858
Bike and Walk Paths	431,668
Appropriated Fund Balance in 2014 budget	168,772
Working Capital/Fund Balance Policy	4,745,568
Remaining Fund Balance	<u>(196,178)</u>

The Town of Sunset Beach has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 75% of budgeted expenditures.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contract that remain unperformed at year-end.

<i>Encumbrances</i>	General Fund	Non-Major Funds
\$ -	\$ -	\$ -

TOWN OF SUNSET BEACH, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2013

III. JOINT VENTURES

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Fireman's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Fireman's Relief Fund is funded by a portion of the fire and lightning insurance premiums, which insurers remit to the State. The State passes these moneys to the local board of the Fireman's Relief Fund. The Funds are used to assist fire fighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2013. The Fireman's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Fireman's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, NC 27603.

IV. SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

A. 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 funds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

V. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.



Required Supplementary

Financial Data

TOWN OF SUNSET BEACH, NORTH CAROLINA
 Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/1997	\$ -	\$ 27,934	\$ 27,934	0.00%	\$ 234,851	11.89%
12/31/1998	-	26,116	26,116	0.00%	292,836	8.92%
12/31/1999	-	24,775	24,775	0.00%	344,729	7.19%
12/31/2000	-	56,465	56,465	0.00%	403,703	13.99%
12/31/2001	-	65,473	65,473	0.00%	419,724	15.60%
12/31/2002	-	84,126	84,126	0.00%	464,946	18.09%
12/31/2003	10,732	102,825	92,093	10.44%	477,744	19.28%
12/31/2004	10,840	131,913	121,073	8.22%	530,982	22.80%
12/31/2005	32,979	143,084	110,105	23.05%	572,234	19.24%
12/31/2006	34,106	298,162	264,056	11.44%	527,865	50.02%
12/31/2007	16,135	328,786	312,651	4.91%	624,247	50.08%
12/31/2008	34,559	352,085	317,526	9.82%	670,912	47.33%
12/31/2009	45,308	433,413	388,105	10.45%	691,770	56.10%
12/31/2010	55,998	416,347	360,349	13.45%	792,532	45.47%
12/31/2011	94,197	484,200	390,003	19.45%	708,930	55.01%
12/31/2012	40,595	518,930	478,335	7.82%	771,978	61.96%

TOWN OF SUNSET BEACH, NORTH CAROLINA
 Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2001	\$ 4,869	0.00%
2002	10,166	0.00%
2003	11,434	0.00%
2004	13,973	76.50%
2005	15,492	69.00%
2006	19,066	56.07%
2007	18,816	102.94%
2008	27,044	105.58%
2009	31,664	94.74%
2010	32,934	94.18%
2011	37,249	83.22%
2012	37,217	87.33%
2013	38,193	104.73%

Notes to the Required Schedules:

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

Valuation Date	12/31/2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Pay Closed
Remaining Amortization Period	19 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	5.00%
Projected Salary Increases	4.25 - 7.85%
Includes Inflation at	3.00%
Cost of Living Adjustments	N/A



Major Governmental Funds

General Fund

TOWN OF SUNSET BEACH, NORTH CAROLINA
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Ad Valorem Taxes			
Taxes		\$ 1,907,118	
Penalties and Interest		5,497	
Total Ad Valorem Taxes	\$ 1,918,500	1,912,615	\$ (5,885)
Other Taxes and Licenses			
Fire District Fees		856,868	
Privilege Licenses		505	
Accommodations Tax		890,108	
Total Other Taxes and Licenses	1,956,005	1,747,481	(208,524)
Unrestricted Intergovernmental			
Local Option Sales Tax		799,621	
Utility Franchise Tax		261,988	
Telecommunications Tax		146,867	
Video Franchise Tax		43,362	
Cama Permit Reimbursements		1,090	
Beer and Wine Tax		14,781	
Gasoline Excise Tax		14,599	
ABC Profit Distribution		40,438	
Total Unrestricted Intergovernmental	1,121,483	1,322,746	201,263
Restricted Intergovernmental			
Powell Bill		133,254	
State Grants		2,795	
Solid Waste Disposal Tax		2,300	
ABC Revenue for Law Enforcement		2,159	
Total Restricted Intergovernmental	374,382	140,508	(233,874)
Sales and Services			
Street Maintenance		5,295	
Accommodations Tax Collection Fee		1,655	
Total Sales and Services	49,000	6,950	(42,050)
Permits and Fees			
Zoning Permits		1,100	
Court Facilities		203	
Cama Permit Fees		1,150	
Building Permits		168,731	
Certificate of Occupancy		1,450	
Total Permits and Fees	179,900	172,634	(7,266)

TOWN OF SUNSET BEACH, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Public Safety			
Police Fines		\$ 5,250	
Fire Inspections		22,400	
Total Public Safety	\$ 33,000	27,650	\$ (5,350)
Investment Earnings			
General Fund		3,082	
Powell Bill		272	
Total Investment Earnings	4,100	3,354	(746)
Miscellaneous			
Proceeds from Sales of Fixed Assets		36,935	
Other		30,405	
Total Miscellaneous	27,000	67,340	40,340
Total Revenues	5,663,370	5,401,278	(262,092)
Expenditures			
General Government			
Governing Body			
Council Fees		14,986	
Other Operating Expenditures		6,453	
Total Governing Body		21,439	
Administration			
Salaries, Wages and Employee Benefits		281,288	
Other Operating Expenditures		85,605	
Total Administration		366,893	
Finance			
Salaries, Wages and Employee Benefits		112,035	
Other Operating Expenditures		24,839	
Total Finance		136,874	
Taxes			
Other Operating Expenditures		14,814	
Legal			
Professional Services		17,007	
Public Buildings			
Other Operating Expenditures		82,562	
Total General Government	728,997	639,589	89,408

TOWN OF SUNSET BEACH, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Public Safety			
Police Department			
Salaries, Wages and Employee Benefits		\$ 1,146,037	
Capital Outlay		39,651	
Other Operating Expenditures		136,328	
Total Police Department		<u>1,322,016</u>	
Fire Department			
Salaries, Wages and Employee Benefits		974,419	
Capital Outlay		497,381	
Other Operating Expenditures		209,671	
Total Fire Department		<u>1,681,471</u>	
Inspections			
Salaries, Wages and Employee Benefits		329,025	
Other Operating Expenditures		53,592	
Total Inspections		<u>382,617</u>	
Total Public Safety	\$ 3,482,548	3,386,104	\$ 96,444
Transportation			
Streets and Highways			
Salaries, Wages and Employee Benefits		302,993	
Other Operating Expenditures		261,418	
Total Streets and Highways		<u>564,411</u>	
Powell Bill Expenditures			
Other Operating Expenditures		407,231	
Total Transportation	1,075,309	971,642	103,667
Environmental Protection			
Sanitation			
Other Operating Expenditures		137,551	
Drainage and Watershed Protection			
Other Operating Expenditures		32,866	
Total Environmental Protection	170,417	170,417	-

TOWN OF SUNSET BEACH, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Economic and Physical Development			
Planning and Zoning			
Salaries and Wages		\$ 4,702	
Other Operating Expenditures		53,290	
Total Planning and Zoning		<u>57,992</u>	
Economic Development			
Chamber of Commerce		2,500	
Other Operating Expenditures		76,781	
Total Economic Development		<u>79,281</u>	
Community Development			
Other Operating Expenditures		<u>24,367</u>	
Beach and Strand			
Salaries, Wages and Employee Benefits		38,195	
Capital Outlay		124,609	
Other Operating Expenditures		68,793	
Total Beach and Strand		<u>231,597</u>	
Total Economic and Physical Development	\$ 393,873	393,237	\$ 636
Human Services			
Social Services			
Donation		<u>20,500</u>	
Environmental Health			
Other Operating Expenditures		<u>5,216</u>	
Total Human Services	28,500	25,716	2,784
Debt Service			
Principal Retirement		411,907	
Interest Expense		35,872	
Total Debt Service	447,780	447,779	1
Total Expenditures	6,327,424	6,034,484	292,940

TOWN OF SUNSET BEACH, NORTH CAROLINA

General Fund

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

Budget and Actual

For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (664,054)	\$ (633,206)	\$ 30,848
Other Financing Sources (Uses)			
Transfers In:			
Future Street Paving Fund	300,000	300,000	-
Capital Improvement Project Fund	-	286,949	286,949
Transfers Out:			
Festival Fund	-	-	-
Future Development Fund	-	-	-
Future Street Paving Fund	(150,000)	(150,000)	-
Beach Erosion Fund	(10,000)	(10,000)	-
Bike and Walk Paths Fund	(100,000)	(100,000)	-
Total Other Financing Sources (Uses)	<u>40,000</u>	<u>326,949</u>	<u>286,949</u>
Fund Balance Appropriated	<u>624,054</u>	<u>-</u>	<u>(624,054)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(306,257)</u>	<u>\$ (306,257)</u>
Fund Balance - Beginning of Year		<u>5,705,466</u>	
Fund Balance - End of Year		<u>\$ 5,399,209</u>	

Special Revenue Funds Consolidated with General Fund

TOWN OF SUNSET BEACH, NORTH CAROLINA
 Future Development Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment Earnings	\$ -	\$ 664	\$ 664
Other Financing Sources (Uses)			
Transfers in:			
General Fund	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Appropriated Fund Balances	-	-	-
Net Change in Fund Balances	<u>\$ -</u>	<u>664</u>	<u>\$ 664</u>
Fund Balance - Beginning of Year		<u>1,555,715</u>	
Fund Balance - End of Year		<u>\$ 1,556,379</u>	

TOWN OF SUNSET BEACH, NORTH CAROLINA

Beach Erosion Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment Earnings	\$ -	\$ 104	\$ 104
Other Financing Sources (Uses)			
Transfers in:			
General Fund	10,000	10,000	-
Total Other Financing Sources (Uses)	10,000	10,000	-
Appropriated Fund Balances	(10,000)	-	10,000
Net Change in Fund Balances	<u>\$ -</u>	<u>10,104</u>	<u>\$ 10,104</u>
Fund Balance - Beginning of Year		<u>246,819</u>	
Fund Balance - End of Year		<u>\$ 256,923</u>	

TOWN OF SUNSET BEACH, NORTH CAROLINA
 Future Street Paving Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Investment Earnings	\$ -	\$ 528	\$ 528
Other Financing Sources (Uses)			
Transfers in:			
General Fund	150,000	150,000	-
Transfers out:			
General Fund	(300,000)	(300,000)	-
Total Other Financing Sources (Uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Appropriated Fund Balances	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>(149,472)</u>	<u>\$ (149,472)</u>
Fund Balance - Beginning of Year		<u>1,093,330</u>	
Fund Balance - End of Year		<u>\$ 943,858</u>	

TOWN OF SUNSET BEACH, NORTH CAROLINA

Bike and Walk Paths Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Investment Earnings	\$ -	\$ 117	\$ 117
Other Financing Sources (Uses)			
Transfers in:			
General Fund	100,000	100,000	-
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Appropriated Fund Balances	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>100,117</u>	<u>\$ 100,117</u>
Fund Balance - Beginning of Year		<u>331,551</u>	
Fund Balance - End of Year		<u>\$ 431,668</u>	



Major Governmental Funds

Capital Project Funds

TOWN OF SUNSET BEACH, NORTH CAROLINA
 Capital Improvement Project Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2013

	<u>Project Authorization</u>	<u>Actual</u>		<u>Totals to Date</u>	<u>Variance Positive (Negative)</u>
		<u>Prior Year</u>	<u>Current Year</u>		
Revenues					
 Restricted Intergovernmental					
ARRA-SCG Grant	\$ 1,494,103	\$ 1,494,103	\$ -	\$ 1,494,103	\$ -
Total Revenues	<u>1,494,103</u>	<u>1,494,103</u>	<u>-</u>	<u>1,494,103</u>	<u>-</u>
Expenditures					
 Public Buildings					
Fire Building	1,523,575	1,224,417	-	1,224,417	299,158
Design Fees	204,682	-	-	-	204,682
Contingencies	65,846	-	-	-	65,846
Total Expenditures	<u>1,794,103</u>	<u>1,224,417</u>	<u>-</u>	<u>1,224,417</u>	<u>569,686</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(300,000)</u>	<u>269,686</u>	<u>-</u>	<u>269,686</u>	<u>569,686</u>
Other Financing Sources (Uses)					
 Transfers in:					
General Fund	300,000	-	-	-	(300,000)
 Transfers out:					
General Fund	-	-	(286,949)	(286,949)	(286,949)
Total Other Financing Sources (Uses)	<u>300,000</u>	<u>-</u>	<u>(286,949)</u>	<u>(286,949)</u>	<u>(586,949)</u>
Net Change in Fund Balance	\$ <u><u>-</u></u>	\$ <u><u>269,686</u></u>	<u>(286,949)</u>	\$ <u><u>(17,263)</u></u>	\$ <u><u>(17,263)</u></u>
Fund Balance - Beginning			<u>286,949</u>		
Fund Balance - Ending			\$ <u><u>-</u></u>		

Nonmajor Governmental Funds

Special Revenue Funds

TOWN OF SUNSET BEACH, NORTH CAROLINA
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2013

	Festival Fund	Total
Assets		
Cash and Cash Equivalents	\$ 18,012	\$ 18,012
Due From Other Government	377	377
Total Assets	18,389	18,389
Fund Balances		
Committed		
Economic Development	18,389	18,389
Total Fund Balances	\$ 18,389	\$ 18,389

TOWN OF SUNSET BEACH, NORTH CAROLINA

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

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2013

	<u>Festival Fund</u>	<u>Total</u>
Revenues		
Miscellaneous	\$ 12,434	\$ 12,434
Expenditures		
Economic Development	<u>27,107</u>	<u>27,107</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(14,673)</u>	<u>(14,673)</u>
Other Financing Sources		
Transfers from Other Funds	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(14,673)	(14,673)
Fund Balance - Beginning of Year	<u>33,062</u>	<u>33,062</u>
Fund Balance - End of Year	<u>\$ 18,389</u>	<u>\$ 18,389</u>

TOWN OF SUNSET BEACH, NORTH CAROLINA

Festival Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

For the Fiscal Year Ended June 30, 2013

	Final Budget		Actual		Variance Positive (Negative)
Revenues					
Miscellaneous	\$ 12,434	\$	12,434	\$	-
Expenditures					
Economic Development	27,110		27,107		3
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(14,676)</u>		<u>(14,673)</u>		<u>3</u>
Other Financing Sources (Uses)					
Transfers in:					
General Fund	14,676		-		(14,676)
Total Other Financing Sources (Uses)	<u>14,676</u>		<u>-</u>		<u>(14,676)</u>
Net Change in Fund Balance	<u>\$ -</u>		<u>(14,673)</u>	\$	<u>(14,673)</u>
Fund Balance - Beginning			<u>33,062</u>		
Fund Balance - Ending			<u>\$ 18,389</u>		

Agency Funds

TOWN OF SUNSET BEACH, NORTH CAROLINA

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2013

	Balance			Balance
	July 1,	Additions	Deductions	June 30,
	2012			2013
<u>Brunswick County - Accommodations Taxes</u>				
Assets				
Cash and Investments	\$ 23,642	\$ 189,588	\$ 178,132	\$ 35,098
Liabilities				
Dues to Other Governments	\$ 23,642	\$ 189,588	\$ 178,132	\$ 35,098
<u>Totals - All Agency Funds</u>				
Assets				
Cash and Investments	\$ 23,642	\$ 189,588	\$ 178,132	\$ 35,098
Liabilities				
Dues to Other Governments	\$ 23,642	\$ 189,588	\$ 178,132	\$ 35,098

Other Schedules

TOWN OF SUNSET BEACH, NORTH CAROLINA

General Fund

Schedule of Ad Valorem Taxes Receivable

June 30, 2013

<u>Fiscal Year</u>	<u>Uncollected Balance 7-1-12</u>	<u>Additions and Adjustments</u>	<u>Collections and Credits</u>	<u>Uncollected Balance 6-30-13</u>
2012-13	\$ -	\$ 1,942,013	\$ 1,864,470	\$ 77,543
2011-12	81,093	-	35,381	45,712
2010-11	72,759	-	5,158	67,601
2009-10	6,143	-	1,169	4,974
2008-09	1,196	-	490	706
2007-08	537	-	173	364
2006-07	411	-	79	332
2005-06	446	-	153	293
2004-05	278	-	-	278
2003-04	241	-	45	196
2002-03	481	-	481	-
	<u>\$ 163,585</u>	<u>\$ 1,942,013</u>	<u>\$ 1,907,599</u>	197,999

Less: Allowance for Uncollectible Accounts:

General Fund

20,000

Ad Valorem Taxes Receivable - Net

\$ 177,999

Reconciliation with Revenues

Ad Valorem Taxes - General Fund

\$ 1,912,615

Reconciling Items:

Interest and Penalties Collected

(5,497)

Taxes Released

-

Taxes Written Off

481

Total Collections and Credits

\$ 1,907,599

TOWN OF SUNSET BEACH, NORTH CAROLINA

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2013

	Town-Wide		Total Levy		
	Property Valuation	Rate Per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property Taxed at					
Current Year's Rate	\$ 1,848,443,747	0.105	\$ 1,940,868	\$ 1,892,922	\$ 47,946
Penalties	-		348	348	-
	<u>1,848,443,747</u>		<u>1,941,216</u>	<u>1,893,270</u>	<u>47,946</u>
Discoveries:					
Current Year Taxes	1,864,094	0.105	1,988	1,910	78
Penalties	-		-	-	-
	<u>1,864,094</u>		<u>1,988</u>	<u>1,910</u>	<u>78</u>
Abatements:					
Property Taxes -					
Current Year's Rate	(1,134,704)	0.105	\$ (1,191)	(723)	(468)
Total Property Valuations	<u>\$ 1,849,173,137</u>				
Net Levy			1,942,013	1,894,457	47,556
Uncollected Taxes at June 30, 2013			<u>77,543</u>	<u>75,148</u>	<u>2,395</u>
Current Year's Taxes Collected			<u>\$ 1,864,470</u>	<u>\$ 1,819,309</u>	<u>\$ 45,161</u>
Current Levy Collection Percentage			<u>96.01%</u>	<u>96.03%</u>	<u>94.96%</u>





Compliance Section



SUNSET BEACH
North Carolina

Compliance Section

**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 the Town Council
Town of Sunset 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 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Sunset Beach, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the Town of Sunset Beach's basic financial statements, and have issued our report thereon dated October 29, 2013. The financial statements of the Town of Sunset 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 Sunset 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 Sunset 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 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 the Town of Sunset Beach's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

W Greene & Company PLLC

Whiteville, North Carolina
October 29, 2013

TOWN OF SUNSET BEACH, NORTH CAROLINA

Schedule of Findings and Responses

For the Fiscal Year Ended June 30, 2013

SECTION I. SUMMARY OF AUDITOR'S RESULTS
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Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

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

_____ Yes X None

Noncompliance material to financial statements noted

_____ Yes X No

TOWN OF SUNSET BEACH, NORTH CAROLINA
Schedule of Findings and Responses (Continued)
For the Fiscal Year Ended June 30, 2013

SECTION II. FINANCIAL STATEMENT FINDINGS

None Reported.

TOWN OF SUNSET BEACH, NORTH CAROLINA

Corrective Action Plan

For the Fiscal Year Ended June 30, 2013

SECTION II. FINANCIAL STATEMENT FINDINGS

None Reported



SUNSET BEACH
North Carolina



SUNSET BEACH
North Carolina