



**TOWN OF SUNSET BEACH NORTH CAROLINA**  
**ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2014**



**TOWN OF SUNSET BEACH  
LIST OF PRINCIPAL OFFICIALS  
AS OF JUNE 30, 2014**

**Mayor and Town Council**

Ron Watts, Mayor

Lou DeVita, Mayor Pro Tem

Terry Johnson

Carol Scott

Wilson Sherrill

Mike Williams

**Town Officials**

Susan Parker..... Town Administrator; Interim Finance Director/Budget Officer

Cindi Stephenson ..... Deputy Finance Officer

Lisa Joyner ..... Chief of Police

Kevin Dempsey ..... Fire Chief

Sandy Wood ..... UDO Administrator

Dustin Graham ..... Public Works Director



TOWN OF SUNSET BEACH  
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June 30, 2014

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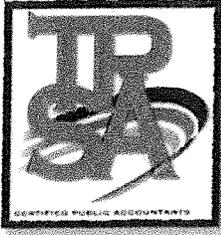




**TOWN OF SUNSET BEACH, NORTH CAROLINA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**FINANCIAL SECTION**





Thompson, Price, Scott, Adams & Co., P.A.  
4024 Oleander Drive Suite 3  
Wilmington, North Carolina 28403  
Telephone (910) 791-4872  
Fax (910) 395-4872

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Sunset Beach ABC Board. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Sunset Beach ABC Board is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Sunset Beach ABC Board were not audited in accordance with Governmental Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express

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

no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, 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, 2014, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Analysis and other 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 and the other auditor 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 financial statements, budgetary schedules, other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the

basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules 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 15, 2014 on our consideration of the 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 grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sunset Beach's internal control over financial reporting and compliance.

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

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

*Wilmington, North Carolina*

*October 15, 2014*



# The Town of Sunset Beach

700 Sunset Blvd. N., Sunset Beach NC  
28468

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## 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, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

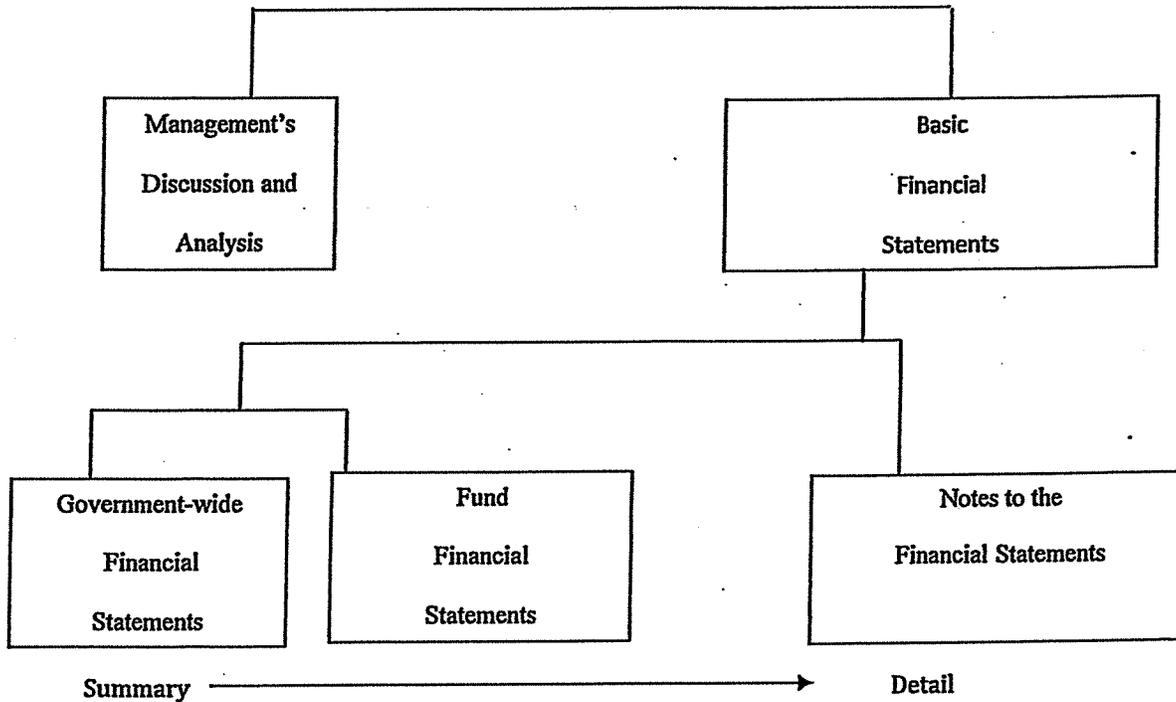
### Financial Highlights

- The assets and deferred outflows of resources of the Town of Sunset Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$18,126,496 (net position).
- The government's total net position decreased by \$1,101,206.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,739,131 or 82% of total general fund expenditures for the fiscal year.
- As of the close of the current fiscal year, the Town of Sunset Beach's governmental funds reported combined ending fund balances of \$7,603,901, with a decrease of \$1,002,525 in fund balance.

### Overview of the Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the 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 additional details about the Town's individual funds. Budgetary information required by the General Statutes can also be found in this part of the statements.

**Government-Wide Financial Statements**

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

## Management Discussion and Analysis

### Town of Sunset Beach

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

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

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

### Fund Financial Statements

The Fund Financial Statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of 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 North Carolina General Statutes or the Town's budget ordinance. All of the funds of the Town of Sunset Beach can be divided into two categories: governmental funds and fiduciary funds.

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

The Town of 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.

**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 an agency fund.

# Management Discussion and Analysis

## Town of Sunset Beach

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit 7 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's progress in finding it's obligation to provide pension benefits to its employees. Required supplementary information follows the note to the financial statements.

**Interdependence with Other Entities** – The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

### Government-Wide Financial Analysis

**Town of Sunset Beach's Net Position**  
**Figure 2**

	Governmental Activities	
	2013	2014
Current and other assets	\$ 8,895,069	\$ 7,752,019
Capital assets	11,205,033	10,947,790
Deferred outflows of resources	-	-
<b>Total assets</b>	<b>20,100,102</b>	<b>18,699,809</b>
Long-term liabilities outstanding	562,400	263,313
Other liabilities	310,000	310,000
Deferred inflows of resources	-	-
<b>Total liabilities</b>	<b>872,400</b>	<b>573,313</b>
<b>Net position:</b>		
Net investment in capital assets	10,585,033	10,637,790
Restricted	681,047	481,604
Unrestricted	7,961,622	7,007,102
<b>Total net position</b>	<b>\$ 19,227,702</b>	<b>\$ 18,126,496</b>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Sunset Beach exceeded liabilities and deferred inflows by \$18,126,496 as of June 30, 2014. The Town's net position decreased by \$1,101,206 for the fiscal year ended June 30, 2014. However, the largest portion \$10,637,790 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 capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of \$7,008,008 is unrestricted. An additional portion of the Town of Sunset Beach's net position, \$481,604, represents resources that are subject to external restrictions on how they may be used.

Management Discussion and Analysis  
Town of Sunset Beach

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.58%.

**Town of Sunset Beach  
Changes in Net Position  
Figure 3**

	Governmental	
	Activities	
	2013	2014
<b>Revenues:</b>		
<b>Program Revenues</b>		
Charges for Services	\$ 207,739	\$ 230,907
Operating grants & contributions	140,508	197,062
Capital grants & contributions	-	-
<b>General revenues:</b>		
Property taxes	1,954,625	1,982,076
Other taxes	3,089,263	2,926,449
Investment earnings	-	2,892
Other	84,541	46,245
<b>Total revenues</b>	<b>5,476,676</b>	<b>5,385,631</b>
<b>Expenses:</b>		
General government	734,648	1,023,398
Public Safety	3,012,692	2,953,609
Transportation	1,015,084	839,764
Environmental Protections	170,417	215,442
Human services	64,690	13,259
Economic Development	268,628	1,419,169
Interest on long-term debt	35,872	22,196
Water and Sewer	-	-
<b>Total expenses</b>	<b>5,302,031</b>	<b>6,486,837</b>
Increase (decrease) in net position before transfers	174,645	(1,101,206)
Increase (decrease) in net position	174,645	(1,101,206)
Special item	-	-
<b>Net position, July 1</b>	<b>19,053,057</b>	<b>19,227,702</b>
<b>Net position, June 30</b>	<b>\$ 19,227,702</b>	<b>\$ 18,126,496</b>

**Governmental activities.** Governmental activities decrease the Town's net position by \$1,101,206.

### **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, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Sunset Beach. At the end of the current fiscal year, Town of Sunset Beach's fund balance available in the General Fund was \$4,739,131, while total fund balance reached \$7,603,901. The Town currently has an available fund balance of 82% of general fund expenditures, while total fund balance represents 131% of the same amount.

At June 30, 2014 the governmental funds of Town of Sunset Beach reported a combined fund balance of \$7,603,901, with a net decrease in fund balance of \$1,002,525.

**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.

## Management Discussion and Analysis

### Town of Sunset Beach

#### Capital Asset and Debt Administration

**Capital assets.** The Town of Sunset Beach's investment in capital assets for its governmental activities as of June 30, 2014 totals \$10,947,790 (net of accumulated depreciation). These assets include buildings, land, infrastructure, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

**Town of Sunset Beach's Capital Assets  
(net of depreciation)  
Figure 4**

	Governmental Activities	
	2013	2014
Land	\$ 5,035,742	\$ 5,035,742
Buildings and system	4,359,997	4,493,230
Equipment and furniture	232,820	319,139
Infrastructure	123,243	118,638
Vehicles and motor equipment	1,446,948	976,063
Land improvements	6,283	4,978
Construction in progress	-	-
<b>Total</b>	<b>\$ 11,205,033</b>	<b>\$ 10,947,790</b>

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

**Long-term Debt.** As of June 30, 2014 the Town of Sunset Beach had total debt outstanding of \$310,000.

#### **Town of Sunset Beach's Outstanding Debt**

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Sunset Beach is \$150,471,943.

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

## Management Discussion and Analysis

### Town of Sunset Beach

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

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

- Unemployment remained steady.

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

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

#### **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Sunset Beach, 700 Sunset Boulevard North, Sunset Beach, NC 28445. You can also call (910) 579-6297.



**TOWN OF SUNSET BEACH, NORTH CAROLINA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**BASIC FINANCIAL STATEMENTS**



**Town of Sunset Beach, North Carolina**  
**Statement of Net Position**  
**June 30, 2014**

	<u>Primary Government</u>		<u>Sunset Beach ABC Board</u>
	<u>Governmental Activities</u>	<u>Total</u>	
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 7,148,978	\$ 7,148,978	\$ 77,020
Restricted cash	74,970	74,970	-
Receivables (net)	528,071	528,071	-
Inventories	-	-	182,655
Due from other funds	-	-	-
Non Current Assets:			
Capital assets:			
Land, improvements, and construction in progress	5,035,742	5,035,742	220,572
Other capital assets, net of depreciation	5,912,048	5,912,048	592,306
Total capital assets	<u>10,947,790</u>	<u>10,947,790</u>	<u>812,878</u>
Total assets	<u>\$ 18,699,809</u>	<u>\$ 18,699,809</u>	<u>\$ 1,072,553</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 26,681	\$ 26,681	\$ 6,993
Due to other funds	-	-	-
Compensated absences payable	106,598	106,598	-
Long-term liabilities:			
Compensated absences payable	44,462	44,462	-
Net pension obligation	85,572	85,572	-
Due within one year	310,000	310,000	28,846
Due in more than one year	-	-	425,213
Total liabilities	<u>573,313</u>	<u>573,313</u>	<u>461,052</u>
<b>NET POSITION</b>			
Net investment in capital assets	10,637,790	10,637,790	358,819
Restricted for:			
Streets	74,970	74,970	-
State Stabilization	406,634	406,634	-
Working Capital	-	-	44,416
Unrestricted (deficit)	7,007,102	7,007,102	208,266
Total net position	<u>\$ 18,126,496</u>	<u>\$ 18,126,496</u>	<u>\$ 611,501</u>

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, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 1,023,398	\$ 3,081	\$ -	\$ -
Public safety	2,953,609	33,400	8,665	-
Inspections	428,870	173,272	-	-
Transportation	823,620	-	140,865	-
Environmental protection	215,442	8,310	4,279	-
Economic development	990,299	12,844	43,253	-
Special projects	13,259	-	-	-
Planning and zoning	16,144	-	-	-
Interest on long-term debt	22,196	-	-	-
<b>Total governmental activities</b>	<b>6,486,837</b>	<b>230,907</b>	<b>197,062</b>	<b>-</b>
<b>Component unit:</b>				
ABC Board	1,473,629	1,500,775	-	-
<b>Total component unit</b>	<b>1,473,629</b>	<b>1,500,775</b>	<b>-</b>	<b>-</b>

**General revenues:**

**Taxes:**

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Grants and contributions not restricted to specific programs

Investment earnings, unrestricted

Miscellaneous

Special item: Loss on sale of sewer facilities

Total general revenues

Change in net position

Net position, beginning

Net position, ending

<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Total</b>	<b>Sunset Beach ABC Board</b>	
\$ (1,020,317)	\$ (1,020,317)	\$ -	
(2,911,544)	(2,911,544)	-	
(255,598)	(255,598)	-	
(682,755)	(682,755)	-	
(202,853)	(202,853)	-	
(934,202)	(934,202)	-	
(13,259)	(13,259)	-	
(16,144)	(16,144)	-	
(22,196)	(22,196)	-	
<u>(6,058,868)</u>	<u>(6,058,868)</u>	<u>-</u>	
-	-	27,146	
-	-	<u>27,146</u>	
1,982,076	1,982,076	-	
819,181	819,181	-	
2,107,268	2,107,268	-	
-	-	-	
2,892	2,892	635	
46,245	46,245	-	
-	-	-	
<u>4,957,662</u>	<u>4,957,662</u>	<u>635</u>	
<u>(1,101,206)</u>	<u>(1,101,206)</u>	<u>27,781</u>	
19,227,702	19,227,702	583,720	
<u>\$ 18,126,496</u>	<u>\$ 18,126,496</u>	<u>\$ 611,501</u>	

**Town of Sunset Beach, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<u>Major Fund</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Total Non- Major Funds</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,679,356	\$ 469,622	\$ 7,148,978
Restricted cash	74,970	-	74,970
Taxes receivables, net	112,274	-	112,274
Due from other funds	-	-	-
Account receivables, net	405,728	906	406,634
Total assets	<u>\$ 7,272,328</u>	<u>\$ 470,528</u>	<u>\$ 7,742,856</u>
<b>LIABILITIES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 26,681	\$ -	\$ 26,681
Due to other funds	-	-	-
Total liabilities	<u>26,681</u>	<u>-</u>	<u>26,681</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	52,727	-	52,727
Fire district fees receivable	59,547	-	59,547
Total deferred inflows of resources	<u>112,274</u>	<u>-</u>	<u>112,274</u>
<b>FUND BALANCES</b>			
<b>Restricted</b>			
Stabilization by State Statute	405,728	906	406,634
Streets - Powell Bill	74,970	-	74,970
<b>Committed</b>			
Economic development	-	469,622	469,622
Future development	532,185	-	532,185
Beach erosion	245,689	-	245,689
Street paving	943,963	-	943,963
Bike and walk paths	191,707	-	191,707
Unassigned	4,739,131	-	4,739,131
Total fund balances	<u>7,133,373</u>	<u>470,528</u>	<u>7,603,901</u>
Total Liabilities, deferred inflows of resources and fund balances	<u>\$ 7,272,328</u>	<u>\$ 470,528</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the Liabilities for earned revenues but considered deferred inflows in fund statements.	10,947,790
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.	112,274
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 4).	9,163
	<u>(546,632)</u>
Net position of governmental activities	<u>\$ 18,126,496</u>

**Town of Sunset Beach, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	<u>Major Fund</u>		Total Governmental Funds
	<u>General Fund</u>	<u>Total Non- Major Fund</u>	
<b>REVENUES</b>			
Ad valorem taxes	\$ 2,125,321	\$ -	\$ 2,125,321
Other taxes and licenses	2,485,864	-	2,485,864
Unrestricted intergovernmental	436,582	-	436,582
Restricted intergovernmental	151,773	43,253	195,026
Permits and fees	241,003	12,844	253,847
Sales and services	53,305	-	53,305
Investment earnings	2,892	-	2,892
Miscellaneous	-	-	-
<b>Total revenues</b>	<u>5,496,740</u>	<u>56,097</u>	<u>5,552,837</u>
<b>EXPENDITURES</b>			
Current:			
General government	765,798	-	765,798
Public safety	2,884,570	-	2,884,570
Transportation	898,338	-	898,338
Inspections	428,870	-	428,870
Planning and zoning	13,923	-	13,923
Special projects	13,259	-	13,259
Environmental protection	215,442	-	215,442
Debt service	332,196	-	332,196
Economic development	249,978	752,988	1,002,966
<b>Total expenditures</b>	<u>5,802,374</u>	<u>752,988</u>	<u>6,555,362</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(305,634)</u>	<u>(696,891)</u>	<u>(1,002,525)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	115,271	1,149,030	1,264,301
Transfers to other funds	(1,264,301)	-	(1,264,301)
Installment purchase obligations issued	-	-	-
<b>Total other financing sources and uses</b>	<u>(1,149,030)</u>	<u>1,149,030</u>	<u>-</u>
Net change in fund balance	(1,454,664)	452,139	(1,002,525)
Fund balances-beginning	8,588,037	18,389	8,606,426
Fund balances-ending	<u>\$ 7,133,373</u>	<u>\$ 470,528</u>	<u>\$ 7,603,901</u>

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

**Town of Sunset Beach, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2014**

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

Net changes in fund balances - total governmental funds		\$ (1,002,525)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	246,215	
Depreciation expense for governmental assets	<u>(503,458)</u>	(257,243)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Change in unavailable revenue for tax revenues		(167,206)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Compensated absences		22,136
Net pension obligation		(6,368)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		<u>310,000</u>
<b>Total changes in net position of governmental activities</b>		<b><u><u>\$ (1,101,206)</u></u></b>

**Town of Sunset Beach, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,490,476	\$ 2,038,586	\$ 2,125,321	\$ 86,735
Other taxes and licenses	1,967,187	2,467,751	2,485,864	18,113
Unrestricted intergovernmental	338,420	415,000	436,582	21,582
Restricted intergovernmental	123,882	123,823	151,773	27,950
Permits and fees	183,500	240,075	241,003	928
Sales and services	78,700	343,398	53,305	(290,093)
Investment earnings	4,100	1,100	2,616	1,516
Miscellaneous	25,000	-	-	-
Total revenues	<u>5,211,265</u>	<u>5,629,733</u>	<u>5,496,464</u>	<u>(133,269)</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	1,063,255	874,584	765,798	108,786
Public safety	3,028,780	2,945,726	2,884,570	61,156
Transportation	1,058,251	898,713	898,338	375
Inspections	399,562	443,760	428,870	14,890
Planning and zoning	39,401	50,903	13,923	36,980
Special projects	27,500	29,100	13,259	15,841
Environmental protection	146,860	204,510	204,183	327
Debt service	300,000	332,196	332,196	-
Economic development	27,500	260,013	249,978	10,035
Total expenditures	<u>6,091,109</u>	<u>6,039,505</u>	<u>5,791,115</u>	<u>248,390</u>
Revenues over (under) expenditures	(879,844)	(409,772)	(294,651)	115,121
<b>Other financing sources (uses):</b>				
Proceeds from installment purchase	-	-	-	-
Transfers (to)/from	598,518	120,659	115,271	-
Transfers (to)/from	-	-	-	-
Fund Balance Appropriated	281,326	289,113	-	-
Total other financing sources (uses)	<u>879,844</u>	<u>409,772</u>	<u>115,271</u>	<u>(294,501)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(179,380)	<u>\$ (179,380)</u>
<b>Fund balances:</b>				
Beginning of year, July 1			5,399,209	
End of year, June 30			<u>\$ 5,219,829</u>	

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

**Town of Sunset Beach, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Consolidated Reconciliation**  
**For the Year Ended June 30, 2014**

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Fund Balance - End of Year \$ 5,219,829

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

Investment earnings	107
Transfers	(1,024,301)
Fund Balance - Beginning	<u>1,556,379</u>
Fund Balance - Ending	<u>532,185</u>

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

Investment earnings	25
Expenditures	(11,259)
Fund Balance - Beginning	<u>256,923</u>
Fund Balance - Ending	<u>245,689</u>

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

Investment earnings	105
Transfers	-
Fund Balance - Beginning	<u>943,858</u>
Fund Balance - Ending	<u>943,963</u>

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

Investment earnings	39
Transfers	(240,000)
Fund Balance - Beginning	<u>431,668</u>
Fund Balance - Ending	<u>191,707</u>

Fund Balance - End of Year (Consolidated) \$ 7,133,373

**Town of Sunset Beach, North Carolina**  
**Statement of Fiduciary Net Position**  
**June 30, 2014**

Exhibit 6

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ <u>45,388</u>	\$ <u>15,514</u>
<b>Liabilities and Net Position</b>		
Miscellaneous liabilities	-	-
Due to governmental units	<u>-</u>	<u>15,514</u>
Total liabilities	<u>-</u>	<u>15,514</u>
Net Position	\$ <u>45,388</u>	\$ <u>-</u>

**Town of Sunset Beach, North Carolina**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2014**

	<u>Pension Trust Funds</u>
<b>Additions:</b>	
Employer contributions	\$ 39,000
<b>Investment income:</b>	
Interest	<u>5</u>
Total additions	39,005
<b>Deductions:</b>	
Benefits	<u>51,084</u>
Total deductions	51,084
Change in net position	(12,079)
Net position, beginning	<u>57,467</u>
Net position, ending	\$ <u><u>45,388</u></u>

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



**TOWN OF SUNSET BEACH, NORTH CAROLINA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTES TO THE FINANCIAL STATEMENTS**



**Town of Sunset Beach, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2014**

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Town of 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

*Government-wide Statement:* The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety and general administration. Under GASB 54 guidance the Future Development Fund, Beach Erosion Fund, Future Street Paving Fund, and the 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.

The town reports the following non-major governmental fund:

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

**Sunset Beach Park Fund** - This fund is used to account for funds held for a Town park.

**Streetscape Fund** - This fund is used to account for funds held for Town streetscape improvements.

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 and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

*Government-wide and 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. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

Sales taxes and certain intergovernmental revenues collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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. All annual appropriations lapse at the fiscal-year end. An annual budget is also adopted for the Special Revenue Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Finance Officer is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$1,000; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000 must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

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

2. Cash and Cash Equivalents

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

3. 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.

Town of Sunset Beach Restricted Cash

Governmental Activities

General Fund

Streets \$ 74,970

Total Restricted Cash \$ 74,970

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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2013. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

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.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost for the Town's assets 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.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Infrastructure	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 the useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Land and Improvements	20 years
Buildings	40 years
Furniture and Fixtures	10 years
Equipment	5 years

**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 does not have any items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category - prepaid taxes, and property taxes receivable, and fire district fees receivable.

**9. Long-Term Obligations**

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

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

**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.

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

**11. Net Position/Fund Balances**

**Net Position**

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

**Committed Fund Balance** – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum 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.

**Assigned Fund Balance** – portion of fund balance that the 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 appropriations; however the budget ordinance authorizes the manager to modify the appropriations by resources 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 Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification, expenditures are to be spent from restricted balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Office has the authority to deviate from this policy if it is in the best interest of the Town.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or ABC board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town or ABC Board, these deposits are considered to be held by the Town's or ABC Boards agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town and the ABC Board have no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2014, the Town's deposits had a carrying amount of \$3,704,910 and a bank balance of \$3,891,010. Of the bank balance, \$250,000 of which was covered by federal depository insurance. The rest of which was covered under the pooling method. The ABC Board's deposits had a carrying amount of \$77,020 and a bank balance of \$169,374. All of the bank balance was covered by federal depository insurance. At June 30, 2014, the Town's petty cash fund totaled \$500.

2. Investments

The investment 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, 2014, the Town of Sunset Beach had \$3,518,538 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.

3. Receivables

Receivables - Allowances for Doubtful Accounts

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

Fund	6/30/2014
General Fund	
Taxes receivable	\$ 20,000
Fire District Fees	9,000
Total	<u>\$ 29,000</u>

## 4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 5,035,742	\$ -	\$ -	\$ 5,035,742
Construction in progress	-	-	-	-
Total capital assets not being depreciated	5,035,742	-	-	5,035,742
<b>Capital assets being depreciated:</b>				
Buildings	5,416,899	-	-	5,416,899
Land Improvements	36,969	-	-	36,969
Equipment and Furniture	1,077,884	164,134	128,491	1,370,509
Vehicles	2,725,717	82,081	355,160	3,162,958
Infrastructure	137,109	-	-	137,109
Total capital assets being depreciated	9,394,578	246,215	483,651	10,124,444
<b>Less accumulated depreciation for:</b>				
Buildings	675,745	247,924	-	923,669
Land Improvements	30,686	1,305	-	31,991
Equipment and Furniture	845,064	77,815	128,491	1,051,370
Vehicles	1,659,926	171,809	355,160	2,186,895
Infrastructure	13,866	4,605	-	18,471
Total accumulated Depreciation	3,225,287	503,458	483,651	4,212,396
Total capital assets being depreciates, net	6,169,291			5,912,048
Governmental activity capital assets, net	\$ 11,205,033			\$ 10,947,790

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

General Government	\$ 260,727
Public Safety	216,202
Transportation	24,308
Human Services	2,221
Total Depreciation Expense	\$ 503,458

## Discretely Presented Component Unit

Activity for the Town of Sunset Beach ABC Board for the year ended June 30, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 220,572	\$ -	\$ -	\$ 220,572
Total capital assets not being depreciated	220,572	-	-	220,572
<b>Capital assets being depreciated:</b>				
Buildings	670,536	-	-	670,536
Furniture and Fixtures	-	-	-	-
Equipment	-	-	-	-
Total capital assets being depreciated	670,536	-	-	670,536
<b>Less accumulated depreciation for:</b>				
Buildings	51,408	26,822	-	78,230
Furniture and Fixtures	-	-	-	-
Equipment	-	-	-	-
Total accumulated depreciation	51,408	26,822	-	78,230
Total capital assets being depreciated, net	619,128			592,306
ABC Board capital assets, net	\$ 839,700			\$ 812,878

**B. Liabilities**

**1. Pension Plan and Other Postemployment Obligations**

**a. Local Governmental Employees' Retirement System**

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

**Funding Policy.** Plan members are required to contribute six percent of their annual covered salary. The Town and the ABC Board are required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 12.47% and 12.68%, respectively, of annual covered payroll. The contribution requirements of members and of the 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, 2014, 2013 and 2012 were \$292,360, \$146,516, and \$146,706, respectively. The ABC Board's contribution to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$17,065, \$15,594, and \$15,960, 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. The Town has not obtained an actuarial plan because its required contributions are considered immaterial. The Town funds the plan when benefits become due.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At June 30, 2014, the Separation Allowance's membership consisted of:

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

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 G.S. 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 \$39,000, or 5.08% 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, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25-7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post employment benefit increases.

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

Annual required contribution	\$ 48,861
Interest on net pension obligation	3,960
Adjustment to annual required contribution	<u>(7,453)</u>
Annual pension cost	45,368
Contributions made	<u>39,000</u>
Increase (decrease) in net pension obligation	6,368
Net pension obligation beginning of year	<u>79,204</u>
Net pension obligation end of year	<u><u>\$ 85,572</u></u>

#### 3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 37,217	87.33%	\$ 81,011
2013	38,193	104.73%	79,204
2014	43,368	86.27%	85,572

### 4. Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 14.94% funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$528,524 and the actuarial value of assets was \$78,981, resulting in an unfunded actuarial accrued liability (UAAL) of \$449,543. The covered payroll (annual payroll of active employees covered by the plan) was \$800,837, and the ratio of UAAL to the covered payroll was 56.13%.

#### c. Supplemental Retirement Income Plan for Law Enforcement Officers

##### Law Enforcement Officers and Other Employees

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

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers and all other town employees 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, 2014 were \$181,444 which consisted of \$94,649 from the Town and \$86,795 from the law enforcement officers and all other town employees.

**d. Firefighter'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 Firefighter'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 Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the 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 Employment 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.

*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 retirees 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 retirees 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 after 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, 2014, 2013, and 2012, the Town paid all annual required contributions to the Plan for postemployment healthcare benefits of \$123,561, \$112,245, and \$103,897, respectively. These contributions represented 5.30%, 5.30%, and 5.00% 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.

**3. Deferred Outflows and Inflows of Resources**

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

<u>General Fund</u>	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Taxes receivable (General Fund)	\$ 52,727	\$ -
Fire District Fees (General Fund)	59,547	-
Total	<u>\$ 112,274</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 two 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, and 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.

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 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.

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; and natural disasters. The ABC Board has property, general liability, and workers' compensation. The ABC Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage in the prior year and 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.

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

At June 30, 2014, the Town did not have any litigation pending.

**6. Long Term Obligations**

**a. Capital Leases**

The Town has no capital leases.

**b. 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 payment beginning October 2005. Principal installments are due annually on October 15 at an annual interest rate of 3.58%.

The future minimum payments of the installment purchases as of June 30, 2014 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2015	310,000	22,196
	\$ 310,000	\$ 22,196

**c. Long-Term Obligation Activity**

	Balance 1-Jul-13	Increases	Decreases	Balance 30-Jun-14	Current Portion
<b>Governmental activities:</b>					
Installment purchases	\$ 620,000	\$ -	\$ (310,000)	\$ 310,000	\$ 310,000
Compensated absences	173,196	106,598	(128,734)	151,060	106,598
Net Pension Obligation	79,204	6,368	-	85,572	-
<b>Total</b>	<b>\$ 872,400</b>	<b>\$ 112,966</b>	<b>\$ (438,734)</b>	<b>\$ 546,632</b>	<b>\$ 416,598</b>

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

At June 30, 2014, the Town of Sunset Beach had a legal debt margin of \$150,471,943.

**C. Interfund Balances and Activity**

The composition of transfer activity as of June 30, 2014 is as follows:

From the Bike and Walk Paths Fund to the General Fund	\$ 115,271
From the Bike and Walk Paths Fund to the Festival Fund	2,030
From the Bike and Walk Paths Fund to the Sunset Beach Park Fund	122,699
From the Future Development Fund to the Sunset Beach Park Fund	295,301
From the Future Development Fund to the Streetscape Fund	729,000
<b>Total</b>	<b>\$ 1,264,301</b>

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:

<b>Total fund balance - General Fund</b>	<b>\$ 7,133,373</b>
<b>Less:</b>	
Stabilization by State Statute	405,728
Streets - Powell Bill	74,970
Development	532,185
Beach Erosion	245,689
Street Paving	943,963
Bike and Walk Paths	191,707
<b>Remaining Fund Balance</b>	<b>\$ 4,739,131</b>

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

Encumbrances	General Fund	Non-Major Funds
\$ -	\$ -	-

IV. 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 Commissioners appoints one additional member to the local board of trustees. The Fireman's Relief Fund is funded by a portion of the fire and lightening 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, 2014. 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

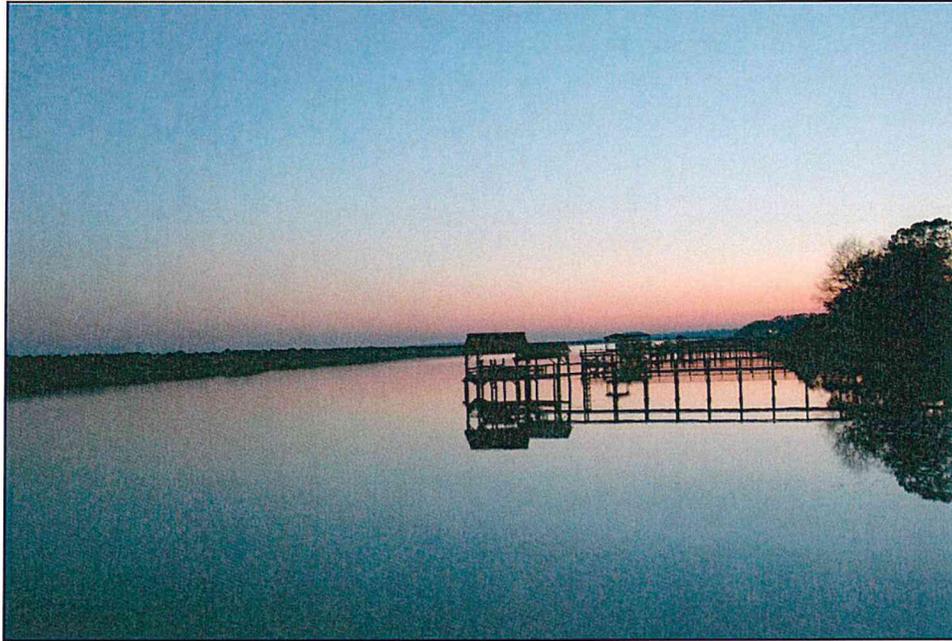
V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. no provision has been made in the accompanying financial statements for the refund of grant moneys.

VI. Significant Effects of Subsequent Events

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



**TOWN OF SUNSET BEACH, NORTH CAROLINA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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

- Schedule of Funding Progress
- Schedule of Employer Contributions



**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	Actuarial Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
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%
12/31/2013	78,981	528,524	449,543	14.94%	800,837	56.13%

**Town of Sunset Beach, North Carolina  
 Law Enforcement Officers' Special Separation Allowance  
 Required Supplementary Information  
 Schedule of Employer Contributions**

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Year Ended 30-Jun	Annual Required Contribution	Percentage Contributed
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%
2014	48,861	86.27%

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**Note to the Required Schedules:**

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

Valuation date	12/31/2013
Actuarial cost needed	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	17 years
Asset valuation method	Market Value
<b>Actuarial assumptions:</b>	
Investment rate of return	5.00%
Project salary increases	4.25%-7.85%
Includes inflation at	3.00%
Cost of living adjustments	N/A



**TOWN OF SUNSET BEACH, NORTH CAROLINA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**

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



**Town of Sunset Beach, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
<b>Ad valorem taxes:</b>			
Taxes	\$	\$ 2,095,173	\$
Penalties and interest		30,148	
Total	<u>2,038,586</u>	<u>2,125,321</u>	<u>86,735</u>
<b>Other taxes and licenses:</b>			
Local option sales taxes		819,181	
Fire district fees		905,873	
Accomodations tax		739,268	
Licenses & Fees		21,542	
Total	<u>2,467,751</u>	<u>2,485,864</u>	<u>18,113</u>
<b>Unrestricted intergovernmental:</b>			
ABC Revenue		62,293	
Utility franchise		260,448	
Telecommunications tax		51,888	
Video programming		43,636	
Beer and wine tax		16,281	
Solid waste disposal tax		2,036	
Total	<u>415,000</u>	<u>436,582</u>	<u>21,582</u>
<b>Restricted intergovernmental:</b>			
State grants		8,665	
Mosquito control grant		1,248	
CAMA grant		995	
Powell Bill allocation		140,865	
Total	<u>123,823</u>	<u>151,773</u>	<u>27,950</u>
<b>Permits and fees:</b>			
CAMA local fees		1,250	
Contractor/Development fees		173,272	
Court facilities		63	
Miscellaneous fees		33,018	
Public safety fees/donatons		33,400	
Total	<u>240,075</u>	<u>241,003</u>	<u>928</u>

**Town of Sunset Beach, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2014**

<b>Sales and services:</b>			
Debris pickup		7,060	
Sale of fixed assets		15,986	
Miscellaneous		30,259	
<b>Total</b>	<u>343,398</u>	<u>53,305</u>	<u>(290,093)</u>
<b>Investment earnings</b>	<u>1,100</u>	<u>2,616</u>	<u>1,516</u>
<b>Total Revenues</b>	<u>5,629,733</u>	<u>5,496,464</u>	<u>(133,269)</u>
<b>General government:</b>			
<b>Administration:</b>			
Salaries & benefits		324,418	
Operating expense		134,740	
Capital Outlay		-	
<b>Total</b>	<u>541,104</u>	<u>459,158</u>	<u>81,946</u>
<b>Taxes:</b>			
Salaries & benefits		-	
Operating expense		15,888	
Capital Outlay		-	
<b>Total</b>	<u>18,600</u>	<u>15,888</u>	<u>2,712</u>
<b>Legal:</b>			
Salaries & benefits		-	
Operating expense		22,206	
Capital Outlay		-	
<b>Total</b>	<u>25,000</u>	<u>22,206</u>	<u>2,794</u>
<b>Elections:</b>			
Salaries & benefits		-	
Operating expense		2,260	
Capital Outlay		-	
<b>Total</b>	<u>6,000</u>	<u>2,260</u>	<u>3,740</u>
<b>Finance:</b>			
Salaries & benefits		139,005	
Operating expense		24,264	
Capital Outlay		-	
<b>Total</b>	<u>165,614</u>	<u>163,269</u>	<u>2,345</u>

**Town of Sunset Beach, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Governing board:</b>			
Salaries & benefits		15,014	
Operating expense		18,499	
Capital Outlay		-	
Total	<u>34,766</u>	<u>33,513</u>	<u>1,253</u>
<b>Public Buildings/Property:</b>			
Salaries & benefits		-	
Operating expense		69,504	
Capital Outlay		-	
Total	<u>83,500</u>	<u>69,504</u>	<u>13,996</u>
Total General Government	<u>874,584</u>	<u>765,798</u>	<u>108,786</u>
<b>Environmental:</b>			
Operating expense		204,183	
Total	<u>204,510</u>	<u>204,183</u>	<u>327</u>
<b>Streets:</b>			
Salaries & benefits		315,379	
Operating expense		337,910	
Powell Bill expenditures		147,807	
Capital Outlay		97,242	
Total	<u>898,713</u>	<u>898,338</u>	<u>375</u>
<b>Public Safety:</b>			
<b>Police:</b>			
Salaries & benefits		1,121,669	
Operating expense		235,486	
Capital Outlay		67,906	
Total	<u>1,450,580</u>	<u>1,425,061</u>	<u>25,519</u>
<b>Fire:</b>			
Salaries & benefits		1,077,722	
Operating expense		313,387	
Capital Outlay		68,400	
Total	<u>1,495,146</u>	<u>1,459,509</u>	<u>35,637</u>
Total Public Safety	<u>2,945,726</u>	<u>2,884,570</u>	<u>61,156</u>

**Town of Sunset Beach, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2014**

	Budget	Actual	Variance Positive (Negative)
<b>Inspections:</b>			
Salaries & benefits		377,615	
Operating expense		51,255	
Capital Outlay		-	
Total	<u>443,760</u>	<u>428,870</u>	<u>14,890</u>
<b>Planning and zoning:</b>			
Salaries & benefits		4,702	
Operating expense		9,221	
Capital Outlay		-	
Total	<u>50,903</u>	<u>13,923</u>	<u>36,980</u>
<b>Economic development:</b>			
Salaries & benefits		43,847	
Operating expense		193,464	
Capital Outlay		12,667	
Total	<u>260,013</u>	<u>249,978</u>	<u>10,035</u>
<b>Special projects:</b>			
Human services		6,000	
Mosquito control		7,259	
Total	<u>29,100</u>	<u>13,259</u>	<u>15,841</u>
<b>Debt service:</b>			
Debt principal		310,000	
Debt interest		22,196	
Total	<u>332,196</u>	<u>332,196</u>	<u>-</u>
Total Expenditures	<u>6,039,505</u>	<u>5,791,115</u>	<u>248,390</u>
Revenues over (under) expenditures	(409,772)	(294,651)	115,121
<b>Other financing sources (uses):</b>			
Proceeds from installment purchase		-	
Transfers (to)/from other funds		-	
Transfers (to)/from other funds		115,271	
Fund Balance Appropriated		-	
Total	<u>409,772</u>	<u>115,271</u>	<u>(294,501)</u>

**Town of Sunset Beach, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2014**

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	Budget	Actual	Variance Positive (Negative)
Net change in fund balance	\$ <u>          -</u>	(179,380)	\$ <u>(179,380)</u>
Fund balances:			
Beginning of year, July 1		<u>5,399,209</u>	
End of year, June 30		<u>\$ 5,219,829</u>	





**TOWN OF SUNSET BEACH, NORTH CAROLINA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**MAJOR SPECIAL REVENUE FUNDS**  
**(Consolidated with General Fund)**

Special Revenue Funds are used to account for specific revenues that are legally restricted or committed for expenditure for particular purposes (other than debt or capital projects).



**Town of Sunset Beach, North Carolina  
Special Revenue Fund - Beach Erosion Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the year ended June 30, 2014**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Investment Income	\$	\$ 25	\$
Local revenues		-	
Miscellaneous		-	
Total	12,000	25	(11,975)
<b>Expenditures:</b>			
<b>Current:</b>			
Economic and physical development:			
Beach improvements		-	
Other improvements		11,259	
Total expenditures	12,000	11,259	741
Revenues over expenditures	-	(11,234)	(11,234)
Fund Balance Appropriated			-
<b>Other Financing Sources (Uses):</b>			
Transfers In (Out)	-	-	-
Net change in fund balance	\$ -	(11,234)	\$ (11,234)
<b>Fund balances:</b>			
Beginning of year, July 1		256,923	
End of year, June 30		\$ 245,689	

**Town of Sunset Beach, North Carolina**  
**Special Revenue Fund - Future Development Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2014**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Investment Income	\$	\$ 107	\$
Local revenues		-	
Miscellaneous		-	
<b>Total</b>	-	107	107
<b>Expenditures:</b>			
<b>Current:</b>			
Economic and physical development:			
Clear zone project		-	
Other improvements		-	
<b>Total expenditures</b>	-	-	-
Revenues over expenditures	-	107	107
Fund Balance Appropriated			-
<b>Other Financing Sources (Uses):</b>			
Transfers In (Out)	-	(1,024,301)	1,024,301
Net change in fund balance	\$ -	(1,024,194)	\$ (1,024,194)
<b>Fund balances:</b>			
Beginning of year, July 1		1,556,379	
End of year, June 30		\$ 532,185	

**Town of Sunset Beach, North Carolina**  
**Special Revenue Fund - Future Street Paving Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2014**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Investment Income	\$	\$ 105	\$
Local revenues		-	
Miscellaneous		-	
Total	-	105	105
<b>Expenditures:</b>			
<b>Current:</b>			
Economic and physical development:			
Clear zone project			
Other improvements		-	
Total expenditures	-	-	-
Revenues over expenditures	-	105	105
Fund Balance Appropriated			-
<b>Other Financing Sources (Uses):</b>			
Transfers In (Out)	-	-	-
Net change in fund balance	\$ -	105	\$ 105
<b>Fund balances:</b>			
Beginning of year, July 1		943,858	
End of year, June 30		\$ 943,963	

**Town of Sunset Beach, North Carolina**  
**Special Revenue Fund - Bike and Walk Paths Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2014**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Investment Income	\$	\$ 39	\$
Local revenues		-	
Miscellaneous		-	
<b>Total</b>	<b>240,000</b>	<b>39</b>	<b>(239,961)</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Economic and physical development:			
Clear zone project			
Other improvements		-	
<b>Total expenditures</b>	-	-	-
Revenues over expenditures	240,000	39	(239,961)
Fund Balance Appropriated			-
<b>Other Financing Sources (Uses):</b>			
Transfers In (Out)	(240,000)	(240,000)	-
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>(239,961)</b>	<b>\$ (239,961)</b>
<b>Fund balances:</b>			
Beginning of year, July 1		431,668	
End of year, June 30		\$ 191,707	



**TOWN OF SUNSET BEACH, NORTH CAROLINA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**NON-MAJOR SPECIAL REVENUE & AGENCY FUNDS**

Special Revenue Funds are used to account for specific revenues that are legally restricted or committed for expenditure for particular purposes (other than debt or capital projects).



**Town of Sunset Beach, North Carolina  
Combining Balance Sheet  
Non Major Governmental Funds  
For the Fiscal Year Ended June 30, 2014**

	Festival Fund	Sunset Beach Park Fund	Streetscape Fund	2014 Totals
<b>Assets</b>				
Cash and Investments	\$ 13,482	\$ 217,361	\$ 238,779	\$ 469,622
Accounts Receivable	896	10	-	906
<b>Total Assets</b>	<u>14,378</u>	<u>217,371</u>	<u>238,779</u>	<u>470,528</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
Restricted				
Stabilization by State Statute	896	10	-	906
Economic development	13,482	217,361	238,779	469,622
<b>Total Fund Balance</b>	<u>14,378</u>	<u>217,371</u>	<u>238,779</u>	<u>470,528</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 14,378</u>	<u>\$ 217,371</u>	<u>\$ 238,779</u>	<u>\$ 470,528</u>

**Town of Sunset Beach, North Carolina**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Non Major Governmental Funds**  
**For the Fiscal Year Ended June 30, 2014**

	Sunset Beach			2014 Totals
	Festival Fund	Park Fund	Streetscape Fund	
<b>Revenues:</b>				
Local Revenues	\$ 12,844	\$ -	\$ -	\$ 12,844
Investment Income	-	-	-	-
Restricted Revenue	-	43,253	-	43,253
Miscellaneous	-	-	-	-
Total Revenues	<u>12,844</u>	<u>43,253</u>	<u>-</u>	<u>56,097</u>
<b>Expenditures:</b>				
Current:				
Economic Development	<u>18,885</u>	<u>243,882</u>	<u>490,221</u>	<u>752,988</u>
Revenues over expenditures	(6,041)	(200,629)	(490,221)	(696,891)
<b>Other Financing Sources (Uses):</b>				
Transfers In (Out)	2,030	418,000	729,000	1,149,030
<b>Fund balances:</b>				
Beginning of year, July 1	18,389	-	-	18,389
End of year, June 30	<u>\$ 14,378</u>	<u>\$ 217,371</u>	<u>\$ 238,779</u>	<u>\$ 470,528</u>

**Town of Sunset Beach, North Carolina  
Special Revenue Fund - Festival Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the year ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Investment Income	\$	\$ -	\$
Local revenues		12,844	
Miscellaneous		-	
Total	<u>30,184</u>	<u>12,844</u>	<u>(17,340)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Economic and physical development	<u>30,332</u>	<u>18,885</u>	<u>11,447</u>
Total expenditures	<u>30,332</u>	<u>18,885</u>	<u>11,447</u>
Revenues over expenditures	(148)	(6,041)	(5,893)
Fund Balance Appropriated	-	-	-
<b>Other Financing Sources (Uses):</b>			
Transfers In (Out)	<u>148</u>	<u>2,030</u>	<u>1,882</u>
Net change in fund balance	<u>\$ -</u>	<u>(4,011)</u>	<u>\$ (4,011)</u>
<b>Fund balances:</b>			
Beginning of year, July 1		<u>18,389</u>	
End of year, June 30		<u>\$ 14,378</u>	

**Town of Sunset Beach, North Carolina**  
**Special Revenue Fund - Sunset Beach Park Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Investment Income	\$	\$ -	\$
Restricted revenues		43,253	
Miscellaneous		-	
<b>Total</b>	<u>-</u>	<u>43,253</u>	<u>43,253</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Economic and physical development	<u>796,000</u>	<u>243,882</u>	<u>552,118</u>
<b>Total expenditures</b>	<u>796,000</u>	<u>243,882</u>	<u>552,118</u>
Revenues over expenditures	(796,000)	(200,629)	595,371
Fund Balance Appropriated	-	-	-
<b>Other Financing Sources (Uses):</b>			
Transfers In (Out)	<u>796,000</u>	<u>418,000</u>	<u>(378,000)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	217,371	<u>\$ 217,371</u>
<b>Fund balances:</b>			
Beginning of year, July 1		-	
End of year, June 30		<u>\$ 217,371</u>	

**Town of Sunset Beach, North Carolina  
Special Revenue Fund - Streetscape Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the year ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Investment Income	\$	\$ -	\$
Local revenues		-	
Miscellaneous		-	
Total	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Economic and physical development	<u>729,000</u>	<u>490,221</u>	<u>238,779</u>
Total expenditures	<u>729,000</u>	<u>490,221</u>	<u>238,779</u>
Revenues over expenditures	(729,000)	(490,221)	238,779
Fund Balance Appropriated	-	-	-
<b>Other Financing Sources (Uses):</b>			
Transfers In (Out)	<u>729,000</u>	<u>729,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	238,779	<u>\$ 238,779</u>
<b>Fund balances:</b>			
Beginning of year, July 1		-	
End of year, June 30		<u>\$ 238,779</u>	

**Town of Sunset Beach, North Carolina**  
**Agency Fund**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2014**

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	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Brunswick County - Accomodations Taxes</b>				
Cash and Investments	\$ <u>35,098</u>	\$ <u>147,404</u>	\$ <u>(166,988)</u>	\$ <u>15,514</u>
Liabilities	\$ <u>35,098</u>	\$ <u>147,404</u>	\$ <u>(166,988)</u>	\$ <u>15,514</u>



**TOWN OF SUNSET BEACH, NORTH CAROLINA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014**

**OTHER SCHEDULES**

This section contains additional information about property taxes.

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





**Town of Sunset Beach, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**For the Fiscal Year Ended June 30, 2014**

	Town - Wide		Total Levy		
			Property excluding Registered Motor Vehicles	Registered Motor Vehicles	
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current year's rate	\$ 1,884,774,286	\$ 0.105	\$ 1,979,013	\$ 1,910,199	\$ 68,814
Penalties					-
Total	<u>1,884,774,286</u>		<u>1,979,013</u>	<u>1,910,199</u>	<u>68,814</u>
Total property valuation	\$ <u>1,884,774,286</u>				
Net levy			1,979,013	1,910,199	68,814
Uncollected taxes at June 30, 2014			<u>(47,877)</u>	<u>(47,067)</u>	<u>(810)</u>
Current year's taxes collected			\$ <u>1,931,136</u>	\$ <u>1,863,132</u>	\$ <u>68,004</u>
Current levy collection percentage			<u>97.58%</u>	<u>97.54%</u>	<u>98.82%</u>



**TOWN OF SUNSET BEACH, NORTH CAROLINA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**COMPLIANCE SECTION**





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Fax (910) 395-4872

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

**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Town Council  
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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of Town of Sunset Beach, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Town of Sunset Beach's basic financial statements, and have issued our report thereon dated October 15, 2014. Our report includes a reference to other auditors who audited the financial statements of the Town of Sunset Beach's ABC Board, as described in our report on the Town of Sunset Beach's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### Compliance and Other Matters

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

#### Purpose of this Report

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

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

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

Wilmington, North Carolina

October 15, 2014



Town of Sunset Beach, North Carolina  
Schedule of Findings and Responses  
For the Fiscal Year Ended June 30, 2014

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**Section II – Financial Statement Findings**

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None.

Town of Sunset Beach, North Carolina  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2014

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**Section II - Financial Statement Findings**

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None.

