



Town of Sunset Beach, North Carolina
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2015

**TOWN OF SUNSET BEACH
AS OF JUNE 30, 2015**

Mayor and Town Council

Ron Watts, Mayor

Lou DeVita, Mayor Pro Tem

Terry Johnson

Carol Scott

Wilson Sherrill

Mike Williams

Town Officials

Bonnie Schwerd Finance Director / Budget Officer

Cindi Stephenson Deputy Finance Officer

Lisa Joyner Chief of Police

Kevin Dempsey Fire Chief

Rawls Howard UDO Administrator

Dustin Graham Public Works Director

Susan Parker Town Administrator

TOWN OF SUNSET BEACH
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FINANCIAL SECTION



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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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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

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, 2015, and the respective changes in financial position, 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, the Law Enforcement Officers' Special Separation Allowance's Schedule and the Other Postemployment Benefits' Schedule of Funding Progress and Schedules of Employer Contributions, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 and 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 and other auditors. In our opinion, based on our audit, the procedures performed as described above and the report of other auditors, 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, 2015 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, 2015

The Town of Sunset Beach

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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, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

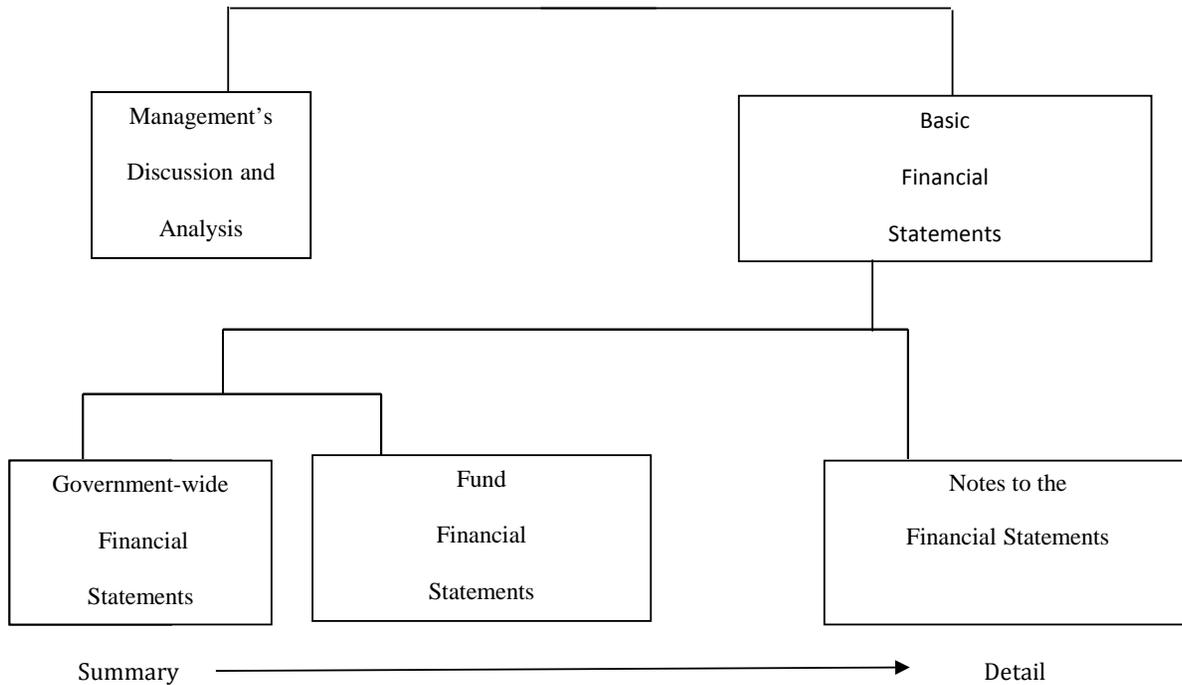
Financial Highlights

- The assets and deferred outflows of resources of the Town of Sunset Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$18,674,214 (net position).
- The government's total net position increased by \$956,146.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,943,837 or 93% of 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 \$7,644,168, with a increase of \$40,267 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	
	2014	2015
Current and other assets	\$ 7,752,019	\$ 8,246,734
Capital assets	10,947,790	11,286,724
Deferred outflows of resources	-	260,312
Total assets and deferred outflows of resources	18,699,809	19,793,770
Long-term liabilities outstanding	263,313	135,714
Other liabilities	310,000	297,935
Deferred inflows of resources	-	718,640
Total liabilities and deferred inflows of resources	573,313	1,152,289
Net position:		
Net investment in capital assets	10,637,790	11,286,724
Restricted	481,604	1,051,669
Unrestricted	7,007,102	6,335,821
Total net position	\$ 18,126,496	\$ 18,674,214

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 \$18,674,214 as of June 30, 2015. The Town's net position increased by \$956,146 for the fiscal year ended June 30, 2015. However, the largest portion \$11,286,724 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 \$6,335,821 is unrestricted. An additional portion of the Town of Sunset Beach's net position, \$1,051,669, represents resources that are subject to external restrictions on how they may be used. Also, the Town of Sunset Beach implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$408,428. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Sunset Beach's management.

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 97.77%.

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

	Governmental Activities	
	2014	2015
Revenues:		
Program Revenues		
Charges for Services	\$ 230,907	\$ 372,607
Operating grants & contributions	197,062	289,066
Capital grants & contributions	-	-
General revenues:		
Property taxes	1,982,076	1,992,037
Other taxes	2,926,449	3,271,323
Investment earnings	2,892	2,236
Other	46,245	-
Total revenues	5,385,631	5,927,269
Expenses:		
General government	1,023,398	254,187
Public Safety	2,953,609	2,960,256
Transportation	839,764	534,130
Environmental Protections	215,442	139,604
Human services	13,259	20,418
Economic Development	1,419,169	1,052,633
Interest on long-term debt	22,196	9,895
Water and Sewer	-	-
Total expenses	6,486,837	4,971,123
Increase (decrease) in net position	(1,101,206)	956,146
Net position, July 1, previously reported	19,227,702	18,126,496
Restatement	-	(408,428)
Net Position, beginning restated	19,227,702	17,718,068
Net position, June 30, ending	\$ 18,126,496	\$ 18,674,214

Governmental activities. Governmental activities increased the Town's net position by \$956,146.

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 \$4,943,837, while total fund balance reached \$7,114,665. The Town currently has an unassigned fund balance of 93% of general fund expenditures, while total fund balance represents 134% of the same amount.

At June 30, 2015 the governmental funds of Town of Sunset Beach reported a combined fund balance of \$7,644,168, with a net increase in fund balance of \$40,267.

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, 2015 totals \$11,286,724 (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	
	2014	2015
Land	\$ 5,035,742	\$ 5,035,742
Buildings and system	4,493,230	4,407,620
Equipment and furniture	319,139	285,609
Infrastructure	118,638	499,767
Vehicles and motor equipment	976,063	520,638
Land improvements	4,978	3,130
Construction in progress	-	534,218
Total	<u>\$ 10,947,790</u>	<u>\$ 11,286,724</u>

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, 2015 the Town of Sunset Beach had total debt outstanding of \$0.

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 \$150,218,215.

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 Town's economic condition.

- Unemployment remained steady.

Budget Highlights for the Fiscal Year Ending June 30, 2016

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

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.



BASIC FINANCIAL STATEMENTS

Town of Sunset Beach, North Carolina
Statement of Net Position
June 30, 2015

	<u>Primary Government</u>		<u>Sunset Beach ABC Board</u>
	<u>Governmental Activities</u>	<u>Total</u>	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 6,762,466	\$ 6,762,466	\$ 66,142
Restricted cash	374,481	374,481	-
Receivables (net)	816,801	816,801	874
Inventories	-	-	156,024
Prepaid Items	-	-	1,199
Due from other funds	-	-	-
Non Current Assets:			
Net pension asset	292,986	292,986	7,844
Capital assets:			
Land, non-depreciable improvements, and construction in progress	5,569,960	5,569,960	220,572
Other capital assets, net of depreciation	5,716,764	5,716,764	600,709
Total capital assets	<u>11,286,724</u>	<u>11,286,724</u>	<u>821,281</u>
Total assets	<u>19,533,458</u>	<u>19,533,458</u>	<u>1,053,364</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 260,312</u>	<u>\$ 260,312</u>	<u>\$ 19,747</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 169,966	\$ 169,966	\$ 30,732
Compensated absences payable	95,236	95,236	-
Long-term liabilities:			
Compensated absences payable	43,774	43,774	-
Net pension obligation	91,940	91,940	-
Due within one year	-	-	-
Due in more than one year	-	-	395,482
Total liabilities	<u>400,916</u>	<u>400,916</u>	<u>426,214</u>
DEFERRED INFLOWS OF RESOURCES	<u>718,640</u>	<u>718,640</u>	<u>19,117</u>
NET POSITION			
Net investment in capital assets	11,286,724	11,286,724	396,087
Restricted for:			
Streets	84,157	84,157	-
State Stabilization	677,187	677,187	-
Law enforcement - equitable sharing	515	515	-
Tourism related	33,921	33,921	-
Beach nourishment and protection	255,889	255,889	-
Working Capital	-	-	45,388
Unrestricted (deficit)	<u>6,335,821</u>	<u>6,335,821</u>	<u>186,305</u>
Total net position	<u>\$ 18,674,214</u>	<u>\$ 18,674,214</u>	<u>\$ 627,780</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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Sunset Beach ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Total	
Primary government:							
Governmental Activities:							
General government	\$ 254,187	\$ 46,091	\$ -	\$ -	\$ (208,096)	\$ (208,096)	-
Public safety	2,960,256	322,316	-	-	(2,637,940)	(2,637,940)	-
Inspections	355,389	3,600	-	-	(351,789)	(351,789)	-
Transportation	534,130	-	142,855	-	(391,275)	(391,275)	-
Environmental protection	139,604	600	3,905	-	(135,099)	(135,099)	-
Economic development	697,244	-	142,306	-	(554,938)	(554,938)	-
Special projects	3,830	-	-	-	(3,830)	(3,830)	-
Planning and zoning	16,588	-	-	-	(16,588)	(16,588)	-
Interest on long-term debt	9,895	-	-	-	(9,895)	(9,895)	-
Total governmental activities	<u>4,971,123</u>	<u>372,607</u>	<u>289,066</u>	<u>-</u>	<u>(4,309,450)</u>	<u>(4,309,450)</u>	<u>-</u>
Component unit:							
ABC Board	1,508,213	1,532,710	-	-	-	-	24,497
Total component unit	<u>\$ 1,508,213</u>	<u>\$ 1,532,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>24,497</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					1,992,037	1,992,037	-
Local option sales tax					908,930	908,930	-
Other taxes and licenses					2,362,393	2,362,393	-
Grants and contributions not restricted to specific programs					-	-	-
Investment earnings, unrestricted					2,236	2,236	81
Total general revenues					<u>5,265,596</u>	<u>5,265,596</u>	<u>81</u>
Change in net position					956,146	956,146	24,578
Net position, beginning as previously reported					18,126,496	18,126,496	611,501
Restatement					(408,428)	(408,428)	(8,299)
Net position, beginning restated					17,718,068	17,718,068	603,202
Net position, ending					<u>\$ 18,674,214</u>	<u>\$ 18,674,214</u>	<u>\$ 627,780</u>

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

Town of Sunset Beach, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015

	<u>Major Fund</u>		<u>Total Non-</u>		<u>Total</u>
	<u>General Fund</u>		<u>Major Funds</u>		<u>Governmental</u>
					<u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 6,208,176	\$	554,290	\$	6,762,466
Restricted cash	374,481		-		374,481
Taxes receivables, net	128,648		-		128,648
Account receivables, net	538,681		138,506		677,187
Total assets	<u>\$ 7,249,986</u>	<u>\$</u>	<u>692,796</u>	<u>\$</u>	<u>7,942,782</u>
LIABILITIES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 6,673	\$	163,293	\$	169,966
Total liabilities	<u>6,673</u>		<u>163,293</u>		<u>169,966</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	70,599		-		70,599
Fire district fees receivable	58,049		-		58,049
Total deferred inflows of resources	<u>128,648</u>		<u>-</u>		<u>128,648</u>
FUND BALANCES					
Restricted					
Stabilization by State Statute	538,681		138,506		677,187
Streets - Powell Bill	84,157		-		84,157
Law enforcement - equitable sharing	515		-		515
Tourism related	33,921		-		33,921
Beach nourishment and protection	255,889		-		255,889
Committed					
Economic development	-		390,997		390,997
Future development	399,579		-		399,579
Beach erosion	266,995		-		266,995
Street paving	399,344		-		399,344
Bike and walk paths	191,747		-		191,747
Unassigned	4,943,837		-		4,943,837
Total fund balances	<u>7,114,665</u>		<u>529,503</u>		<u>7,644,168</u>
Total Liabilities, deferred inflows of resources and fund balances	<u>\$ 7,249,986</u>	<u>\$</u>	<u>692,796</u>		

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,286,724
Net pension asset.	292,986
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	260,312
Liabilities for earned revenues but considered deferred inflows in fund statements.	128,648
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.	10,966
Pension related deferrals.	(718,640)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 4).	<u>(230,950)</u>
Net position of governmental activities	<u>\$ 18,674,214</u>

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

	<u>Major Fund</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Total Non- Major Fund</u>	
REVENUES			
Ad valorem taxes	\$ 1,972,362	\$ -	\$ 1,972,362
Other taxes and licenses	1,871,894	-	1,871,894
Unrestricted intergovernmental	1,400,927	-	1,400,927
Restricted intergovernmental	146,760	142,306	289,066
Permits and fees	329,207	20,201	349,408
Sales and services	23,199	-	23,199
Investment earnings	2,236	-	2,236
Miscellaneous	-	-	-
Total revenues	<u>5,746,585</u>	<u>162,507</u>	<u>5,909,092</u>
EXPENDITURES			
Current:			
General government	817,724	-	817,724
Public safety	2,597,557	-	2,597,557
Transportation	915,761	-	915,761
Inspections	355,389	-	355,389
Planning and zoning	9,493	-	9,493
Special projects	3,830	-	3,830
Environmental protection	139,604	-	139,604
Debt service	319,895	-	319,895
Economic development	156,235	553,337	709,572
Total expenditures	<u>5,315,488</u>	<u>553,337</u>	<u>5,868,825</u>
Excess (deficiency) of revenues over expenditures	<u>431,097</u>	<u>(390,830)</u>	<u>40,267</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	210,215	660,020	870,235
Transfers to other funds	(660,020)	(210,215)	(870,235)
Total other financing sources and uses	<u>(449,805)</u>	<u>449,805</u>	<u>-</u>
Net change in fund balance	(18,708)	58,975	40,267
Fund balances-beginning	7,133,373	470,528	7,603,901
Fund balances-ending	<u>\$ 7,114,665</u>	<u>\$ 529,503</u>	<u>\$ 7,644,168</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, 2015

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

Net changes in fund balances - total governmental funds	\$	40,267
<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	1,082,926	
Depreciation expense for governmental assets	<u>(743,992)</u>	338,934
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		260,312
<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		18,177
<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		12,050
Pension expense		(17,226)
Net pension obligation		(6,368)
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.		<u>310,000</u>
Total changes in net position of governmental activities	\$	<u><u>956,146</u></u>

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, 2015

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 1,872,025	\$ 1,905,225	\$ 1,972,362	\$ 67,137
Other taxes and licenses	3,156,562	1,768,889	1,871,894	103,005
Unrestricted intergovernmental	82,000	1,401,727	1,400,927	(800)
Restricted intergovernmental	136,134	138,455	146,760	8,305
Permits and fees	196,000	263,600	329,207	65,607
Sales and services	45,000	22,000	23,199	1,199
Investment earnings	1,075	1,100	1,871	771
Miscellaneous	512,200	-	-	-
Total revenues	<u>6,000,996</u>	<u>5,500,996</u>	<u>5,746,220</u>	<u>245,224</u>
Expenditures				
Current:				
General government	1,093,895	914,797	817,724	97,073
Public safety	3,256,291	2,842,438	2,597,557	244,881
Transportation	1,114,800	1,116,500	915,761	200,739
Inspections	-	413,853	355,389	58,464
Planning and zoning	-	24,603	9,493	15,110
Special projects	5,300	5,300	3,830	1,470
Environmental protection	162,200	162,200	139,604	22,596
Debt service	-	321,098	319,895	1,203
Economic development	368,510	266,068	156,235	109,833
Total expenditures	<u>6,000,996</u>	<u>6,066,857</u>	<u>5,315,488</u>	<u>751,369</u>
Revenues over (under) expenditures	-	(565,861)	430,732	996,593
Other financing sources (uses):				
Proceeds from installment purchase	-	-	-	-
Transfers (to)/from Future Development Fund	-	(77,839)	(117,301)	(39,462)
Transfers (to)/from Beach Erosion Fund	-	-	(21,259)	(21,259)
Transfers (to)/from Street Paving Fund	-	500,000	344,999	(155,001)
Fund Balance Appropriated	-	143,700	-	(143,700)
Total other financing sources (uses)	<u>-</u>	<u>565,861</u>	<u>206,439</u>	<u>(359,422)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	637,171	<u>\$ 637,171</u>
Fund balances:				
Beginning of year, July 1			5,219,829	
End of year, June 30			<u>\$ 5,857,000</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, 2015

Fund Balance - End of Year	\$ <u>5,857,000</u>
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A legally budgeted Future Development Fund is consolidated into the General Fund for reporting purposes:

Investment earnings	113
Miscellaneous revenues	-
Transfers	(132,719)
Fund Balance - Beginning	<u>532,185</u>
Fund Balance - Ending	<u>399,579</u>

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

Investment earnings	47
Expenditures	-
Transfers	21,259
Fund Balance - Beginning	<u>245,689</u>
Fund Balance - Ending	<u>266,995</u>

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

Investment earnings	165
Transfers	(544,784)
Fund Balance - Beginning	<u>943,963</u>
Fund Balance - Ending	<u>399,344</u>

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

Investment earnings	40
Transfers	-
Fund Balance - Beginning	<u>191,707</u>
Fund Balance - Ending	<u>191,747</u>

Fund Balance - End of Year (Consolidated)	\$ <u><u>7,114,665</u></u>
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**Town of Sunset Beach, North Carolina
Statement of Fiduciary Net Position
For the Year Ended June 30, 2015**

Exhibit 6

	Pension Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ <u>35,986</u>	\$ <u>32,733</u>
 Liabilities and Net Position		
Miscellaneous liabilities	-	-
Due to governmental units	-	32,733
Total liabilities	<u>-</u>	<u>32,733</u>
Net Position	<u>\$ 35,986</u>	<u>\$ -</u>

Town of Sunset Beach, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2015

	<u>Pension Trust Funds</u>
Additions:	
Employer contributions	\$ 46,839
Investment income:	
Interest	<u>8</u>
Total additions	46,847
Deductions:	
Benefits	<u>56,249</u>
Total deductions	56,249
Change in net position	(9,402)
Net position, beginning	<u>45,388</u>
Net position, ending	<u><u>\$ 35,986</u></u>

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



**NOTES TO THE
FINANCIAL STATEMENTS**

TOWN OF SUNSET BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Sunset Beach, NC conform to generally accepted accounting principles as applicable to governments and their discretely presented component units. 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 Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements usually distinguish between the *governmental* and *business-type* activities of the Town; however, the Town of Sunset Beach does not currently have any business-type activities to report. 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. All Town activities are reported as governmental as there are no enterprise funds to report. The emphasis of fund financial statements is on major governmental. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental fund:

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, sales taxes, state and federal grants and various other taxes and licenses. The primary expenditures are for public safety, general administration and transportation. 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 for reporting purposes. 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 funds:

Festival Fund - This fund is used to account for funds held for the Town's Sunset at Sunset Festival.

Sunset Beach Park Fund - This fund is used to account for funds held for the construction of a Town Park, as authorized through a Capital Project Ordinance.

Streetscape Fund - This fund has been used to account for funds held for the Town's Streetscape Capital Improvement project. This project has been finalized this fund will be closed as of June 30, 2015.

Main Street Widening Fund - This fund has been added this fiscal year to account for Town funds held for the expansion of the shoulders of Main Street, through a local and state collaborative project, as authorized by a Capital Project Ordinance.

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 the 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. 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 - 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.

Occupancy Tax Funds - The Town's occupancy tax funds are classified as restricted assets because the purposes for which expenditures can be made are restricted by the enabling law, N.C.S.L. 1987-956, as amended by N.C.S.L. 1997-364. The Town of Sunset Beach levies occupancy taxes totaling 5% on the gross receipts of short-term accommodations within the Town. *(The Town also collects an*

additional 1% occupancy tax on Brunswick County's behalf, and those funds, which are remitted to the County monthly, are not classified as Town assets.)

The first occupancy tax is a 3% tax on gross short-term accommodation receipts and it is restricted for use on tourism-related expenditures. This is broadly defined in the law to include the following types of expenditures: criminal justice system, fire protection, public facilities and utilities, health facilities, solid waste, sewage treatment and the control and repair of waterfront erosion. The second tax, which is levied at 2% of gross short-term rental receipts, is restricted for use for beach nourishment and protection activities.

An in-depth review of past revenues and expenditures was undertaken during the fiscal year to evaluate the amount of restricted cash on hand after the current finance director and legal counsel advised the Town Council of their professional interpretations regarding the appropriate uses of these funds. Beginning in fiscal year 2016, occupancy tax funds will be held in separate funds to provide for greater clarity regarding the Town's use of these restricted assets.

Police Equitable Distribution Funds – These funds are restricted to be used for law enforcement purposes in accordance with the statutes and guidelines that govern the federal Equitable Sharing program.

Town of Sunset Beach Restricted Cash

Governmental Activities

General Fund	Streets	\$ 84,157
General Fund	Tourism-related	33,920
General Fund	Beach Nourishment/protection	255,889
General Fund	Law Enforcement Purposes	<u>515</u>
Total Restricted Cash		<u>\$374,481</u>

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, 2014.

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 (years)</u>
Buildings	50
Infrastructure	30
Improvements	20
Furniture & Equipment	10
Vehicles	5

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 (years)</u>
Land Improvements	20
Buildings	40
Furniture and Fixtures	10
Equipment	5

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town 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 - pension deferrals, 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) they are 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.
- *Restricted for Tourism* – this portion of fund balance represents the unexpended revenues derived from the Town’s Occupancy Tax levied under S.L. 1987-956, sec. 1(a), as amended by S.L. 1997-364.
- *Restricted for Beach Nourishment and Protection* - this portion of fund balance represents the unexpended revenues derived from the Town’s Occupancy Tax levied under S.L. 1997-364, sec. 1(a1).
- *Restricted for Law Enforcement Purposes* – this portion of fund balance is restricted by the U.S. Department of Justice through an Equitable Sharing Agreement.

Committed Fund Balance – the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Sunset Beach's governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

- *Committed for Development* – the portion of fund balance committed by the Town Council for future development.
- *Committed for Beach Erosion* – the portion of fund balance committed by the Town Council for beach erosion.
- *Committed for Street Paving* – the portion of fund balance committed by the Town Council for future street paving.
- *Committed for Bike and Walk Paths* – the portion of fund balance committed by the Town Council for future bike and walking paths.
- *Committed for Festival* – the portion of fund balance committed by the Town Council for the Sunset at Sunset festival.

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

Subsequent year's expenditures – the 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 Finance Director/Budget Officer to modify the appropriations by function within funds up to \$1000.

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.

Pensions

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

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

Town and the ABC Board rely 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 Town and the ABC Board have no formal policies regarding custodial credit risk for deposits.

At June 30, 2015, the Town's deposits had a carrying amount of \$2,006,546 and a bank balance of \$2,118,076. 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 \$66,142 and a bank balance of \$150,038. All of the bank balance was covered by federal depository insurance. At June 30, 2015, the Town did not use petty cash but had a change fund that totaled \$100.

At June 30, 2015, the Town had a carrying and bank balance amount of \$68,719 in the fiduciary fund.

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, 2015, the Town of Sunset Beach had \$5,130,301 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's.

Credit Risk. The Town of Sunset Beach adopted a new fiscal policy in March of 2015 that addresses credit risk by limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities), and limits investment in securities that higher credit risks.

Interest Rate Risk. The Town's new policy also addresses the reduction of interest rate risk through requirements to invest in securities with varying maturities and through an additional requirement for a portion of the funds to be invested in readily available funds, such as mutual funds for local governments that have been certified by the Local Government Commission pursuant to NCGS 159.30(c)(8), currently the North Carolina Capital Management Trust.

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	6/30/2015
General Fund	
Taxes receivable	\$ 7,485
Fire District Fees	<u>6,450</u>
Total	<u>\$ 13,935</u>

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,035,742	\$ -	\$ -	\$ 5,035,742
Construction in progress	-	534,218	-	534,218
Total capital assets not being depreciated	5,035,742	534,218	-	5,569,960
Capital assets being depreciated:				
Buildings	5,416,899	23,192	-	5,440,091
Land Improvements	36,969	-	-	36,969
Equipment and Furniture	1,113,527	82,638	(34,482)	1,161,683
Vehicles	2,452,638	43,879	-	2,496,517
Infrastructure	137,109	398,999	-	536,108
Total capital assets being depreciated	9,157,142	548,708	(34,482)	9,671,368
Less accumulated depreciation for:				
Buildings	923,669	108,802	-	1,032,471
Land Improvements	31,991	1,848	-	33,839
Equipment and Furniture	794,388	116,168	(34,482)	876,074
Vehicles	1,476,575	499,304	-	1,975,879
Infrastructure	18,471	17,870	-	36,341
Total accumulated Depreciation	3,245,094	743,992	(34,482)	3,954,604
Total capital assets being depreciates, net	5,912,048			5,716,764
Governmental activity capital assets, net	\$ 10,947,790			\$ 11,286,724

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

General Government	\$ 15,051
Public Safety	634,226
Transportation	87,620
Human Services	7,095
Total Depreciation Expense	<u>\$ 743,992</u>

Discretely Presented Component Unit

Activity for the Town of Sunset Beach ABC Board for the year ended June 30, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 220,572	\$ -	\$ -	\$ 220,572
Total capital assets not being depreciated	220,572	-	-	220,572
Capital assets being depreciated:				
Buildings	670,536	-	-	670,536
Furniture and Fixtures	-	-	-	-
Equipment	-	26,176	-	26,176
Total capital assets being depreciated	670,536	26,176	-	696,712
Less accumulated depreciation for:				
Buildings	78,230	13,411	-	91,641
Furniture and Fixtures	-	-	-	-
Equipment	-	4,362	-	4,362
Total accumulated depreciation	78,230	17,773	-	96,003
Total capital assets being depreciated, net	592,306			600,709
ABC Board capital assets, net	\$ 812,878			\$ 821,281

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's

four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Town of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2015, was 12.45% for general employees and 12.55% for public safety employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$260,312 for the year ended June 30, 2015.

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

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

At June 30, 2015, the Town reported an asset of \$292,986 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.0497%, the same as its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$17,226. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 32,014
Net difference between projected and actual earnings on pension plan investments	-	682,065
Changes in proportion and differences between Town's contributions and proportionate share of contributions	-	4,561
Town's contributions subsequent to the measurement date	260,312	-
Total	<u><u>\$ 260,312</u></u>	<u><u>\$ 718,640</u></u>

The \$260,312 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,

2016	\$ (179,683)
2017	(179,683)
2018	(179,683)
2019	(179,591)
2020	<u>(-)</u>
Thereafter	<u><u>\$ (718,640)</u></u>

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

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

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

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

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

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

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

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

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

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

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

	1 % Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$994,521	(\$292,986)	(\$1,377,025)

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

2. Deferred Outflows and Inflows of Resources

The Town has deferred outflows of resources related to pension plan contributions. Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 260,312
Total	<u>\$ 260,312</u>

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

Pension deferrals	\$ 718,640
Taxes Receivable	70,599
Fire district fees receivable	58,049

b. Law Enforcement Officers Special Separation Allowance

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. For reporting purposes, the Separation Allowance is presented as a pension trust fund; however, it does not meet the criteria for trust funds outlined in GASB Statement 68.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 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	<u>14</u>
Total	<u><u>17</u></u>

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies:*

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

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

3. *Contributions*

The Town is required by Article 12D of 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 \$46,839, 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	4,346
Adjustment to annual required contribution	-
Annual pension cost	53,207
Contributions made	46,839
Increase (decrease) in net pension obligation	6,368
Net pension obligation beginning of year	85,572
Net pension obligation end of year	\$ 91,940

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
	\$		\$
2013	38,193	107.73%	79,204
2014	43,368	86.27%	85,572
2015	53,207	88.03%	91,940

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 \$712,403, and the ratio of UAAL to the covered payroll was 63.10%.

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, 2015 were \$119,550 which consisted of \$43,976 from the Town and \$75,574 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 eligible Town employees may opt to participate and make the required contributions to the Fund. Currently, the Town does not have any active participants in the plan. 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 retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as 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, 2015, 2014, and 2013, the Town paid all annual required contributions to the Plan for postemployment healthcare benefits of \$112,892, \$123,561, and \$112,245, respectively. These contributions represented 5.49%, 5.40%, and 5.30% 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. 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 \$3 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, subject to an annual aggregate limit of \$5 million.

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 Tax Collector, the Finance Director / Budget Officer and the Deputy Finance Officer are each 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.

4. Claims, Judgments, and Contingent Liabilities

As of June 30, 2015, the Town was involved in a number of legal matters. While litigation circumstances may change to create future liabilities for the Town, no contingent liabilities have been included in the financial statements at this time as there are none that create both an expected and quantifiable liability. A summary of potential and pending litigation as of June 30, 2015 follows.

Palm Cove: As of June 30, 2015, litigation both in the form of an appeal by the owners/developers from the Board of Adjustment decision and then a separate, additional lawsuit had been filed against the Town. All claims and matters in controversy between the Town and the owners/developers regarding Palm Cove were subsequently settled on or about August 3, 2015.

Jaguars Lair: As of June 30, 2015, litigation was imminent and threatened by the Town against the Developer and its Bond Company, and vice versa, while the parties were also engaged in settlement negotiations and discussions. Subsequent to the audit period, (on September 30, 2015), the Town

filed a lawsuit against the Bond Company for subdivision completion bonds, with the Town's claim against the Bond Company totaling approximately \$3.02 Million.

Town Park/Withers & Ravenel, Inc.: The Town filed suit in March of 2015 against Withers & Ravenel, Inc. for breach of contract related to the Town Park. This lawsuit is still pending and active between the parties. Both parties have been engaged in the discovery process.

Brunswick Beaches Consortium: Subsequent to the audit period, the Town received notice of a Judgment against the Brunswick Beaches Consortium, (BBC) of which the Town was a member municipality. Although the Town of Sunset Beach was a member of the consortium, the Town never contributed any funding for the activities of the BBC. The Town is not aware of any action by Marlowe against the Town, nor does it believe any such action would have merit if it were pursued.

5. 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 required principal payment beginning October 2005. Principal installments were due annually on October 15 at an annual interest rate of 3.58%. This note was paid in full during the fiscal year ending June 30, 2015. The Town has no other outstanding installment debt.

c. Long-Term Obligation Activity

	Balance 1-Jul-14	Increases	Decreases	Balance 30-Jun-15	Current Portion
Governmental activities:					
Installment purchases	\$ 310,000	\$ -	\$(310,000)	\$ -	\$ -
Compensated absences	151,060	95,236	(107,286)	139,010	95,236
Net pension liability (LGERS)	574,968	-	(574,968)	-	-
Net Pension Obligation	85,572	6,368	-	91,940	-
Total	\$ 1,121,600	\$ 101,604	\$ (992,254)	\$ 230,950	\$ 95,236

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

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

At June 30, 2015, the Town of Sunset Beach had a legal debt margin of \$150,218,215.

B. Interfund Balances and Activity

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

From the Future Development Fund to the Town Park Fund	\$ 120,020
From the Future Development Fund to the Street Widening Fund	130,000
From the Street Paving Fund to the Street Widening Fund	200,000
From the Street Paving Fund to the General Fund	344,999
From the Streetscape Fund to the Main Street Widening Fund	210,000
From the Streetscape Fund to the Future Street Paving Fund	215
From the General Fund to the Future Development Fund	117,301
Total	<u><u>\$ 1,122,535</u></u>

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

C. Fund Balance

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

Total fund balance - General Fund	\$ 7,114,665
Less:	
Stabilization by State Statute	538,681
Streets - Powell Bill	84,157
Law Enforcement – Equitable Sharing	515
Tourism-Related	33,921
Beach Nourishment and Protection	255,889
Beach Erosion	266,995
Development	399,579
Street Paving	399,344
Bike and Walk Paths	191,747
Remaining Fund Balance	<u><u>\$ 4,943,837</u></u>

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, 2015. 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 effect on the financial statements. Subsequent events have been analyzed through the date that the financial statements were available to be issued.

VII. Change in Accounting/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental activities decreased by \$408,428.



REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance

Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance

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

Schedule of Contributions - Local Government Employees' Retirement System

Town of 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%
12/31/2013	78,981	528,524	449,543	14.94%	712,403	63.10%

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

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%
2015	48,861	88.03%

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	12/31/2014
Actuarial cost needed	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	17 years
Asset valuation method	Market Value
Actuarial assumptions:	
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
Sunset Beach's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Two Fiscal Years

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset) (%)	0.0497%	0.0477%
Board's proportion of the net pension liability (asset) (\$)	\$ (292,986)	\$ 574,968
Board's covered-employee payroll	\$ 2,055,818	\$ 2,331,344
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(14.25%)	24.66%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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



GENERAL FUND

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

Town of 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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 1,964,058	\$
Penalties and interest		8,304	
Total	<u>1,905,225</u>	<u>1,972,362</u>	<u>67,137</u>
Other taxes and licenses:			
Fire district fees		948,334	
Accommodations tax		923,560	
Total	<u>1,768,889</u>	<u>1,871,894</u>	<u>103,005</u>
Unrestricted intergovernmental:			
ABC Revenue		30,946	
Local option sales taxes		908,930	
Utility sales tax		332,082	
Telecommunications sales tax		49,393	
Video franchise fee		44,865	
Beer and wine tax		18,181	
Tax refunds		16,530	
Total	<u>1,401,727</u>	<u>1,400,927</u>	<u>(800)</u>
Restricted intergovernmental:			
State grants		-	
Mosquito control grant		1,200	
CAMA grant		245	
Solid waste disposal tax		2,460	
Powell Bill allocation		142,855	
Total	<u>138,455</u>	<u>146,760</u>	<u>8,305</u>
Permits and fees:			
CAMA local fees		600	
Contractor/Development fees		292,022	
Court facilities		144	
Miscellaneous fees		2,691	
Public safety fees/donations		33,750	
Total	<u>263,600</u>	<u>329,207</u>	<u>65,607</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, 2015

Sales and services:			
Miscellaneous		23,199	
Total	<u>22,000</u>	<u>23,199</u>	<u>1,199</u>
Investment earnings	<u>1,100</u>	<u>1,871</u>	<u>771</u>
Total Revenues	<u>5,500,996</u>	<u>5,746,220</u>	<u>245,224</u>
General government:			
Administration:			
Salaries & benefits		263,341	
Operating expense		67,853	
Capital Outlay		5,020	
Total	<u>352,325</u>	<u>336,214</u>	<u>16,111</u>
Taxes:			
Salaries & benefits		-	
Operating expense		16,964	
Capital Outlay		-	
Total	<u>18,600</u>	<u>16,964</u>	<u>1,636</u>
Legal:			
Salaries & benefits		-	
Operating expense		162,698	
Capital Outlay		-	
Total	<u>167,000</u>	<u>162,698</u>	<u>4,302</u>
Finance:			
Salaries & benefits		116,493	
Operating expense		43,668	
Capital Outlay		-	
Total	<u>161,908</u>	<u>160,161</u>	<u>1,747</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, 2015**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Governing board:			
Salaries & benefits		15,061	
Operating expense		13,867	
Capital Outlay		-	
Total	<u>28,964</u>	<u>28,928</u>	<u>36</u>
Public Buildings/Property:			
Salaries & benefits		-	
Operating expense		112,759	
Capital Outlay		-	
Total	<u>186,000</u>	<u>112,759</u>	<u>73,241</u>
Total General Government	<u>914,797</u>	<u>817,724</u>	<u>97,073</u>
Environmental:			
Operating expense		139,604	
Total	<u>162,200</u>	<u>139,604</u>	<u>22,596</u>
Streets:			
Salaries & benefits		284,913	
Operating expense		50,639	
Powell Bill expenditures		133,723	
Capital Outlay		446,486	
Total	<u>1,116,500</u>	<u>915,761</u>	<u>200,739</u>
Public Safety:			
Police:			
Salaries & benefits		1,050,121	
Operating expense		197,448	
Capital Outlay		28,983	
Total	<u>1,422,069</u>	<u>1,276,552</u>	<u>145,517</u>
Fire:			
Salaries & benefits		1,048,226	
Operating expense		216,890	
Capital Outlay		55,889	
Total	<u>1,420,369</u>	<u>1,321,005</u>	<u>99,364</u>
Total Public Safety	<u>2,842,438</u>	<u>2,597,557</u>	<u>244,881</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, 2015**

	Budget	Actual	Variance Positive (Negative)
Inspections:			
Salaries & benefits		311,706	
Operating expense		43,683	
Capital Outlay		-	
Total	<u>413,853</u>	<u>355,389</u>	<u>58,464</u>
Planning and zoning:			
Salaries & benefits		4,763	
Operating expense		4,730	
Capital Outlay		-	
Total	<u>24,603</u>	<u>9,493</u>	<u>15,110</u>
Economic development:			
Salaries & benefits		39,448	
Operating expense		104,459	
Capital Outlay		12,328	
Total	<u>266,068</u>	<u>156,235</u>	<u>109,833</u>
Special projects:			
Human services		1,000	
Mosquito control		2,830	
Total	<u>5,300</u>	<u>3,830</u>	<u>1,470</u>
Debt service:			
Debt principal		310,000	
Debt interest		9,895	
Total	<u>321,098</u>	<u>319,895</u>	<u>1,203</u>
Total Expenditures	<u>6,066,857</u>	<u>5,315,488</u>	<u>751,369</u>
Revenues over (under) expenditures	(565,861)	430,732	996,593
Other financing sources (uses):			
Proceeds from installment purchase		-	
Transfers (to)/from Future Development Fund		(117,301)	
Transfers (to)/from Beach Erosion Fund		(21,259)	
Transfers (to)/from Street Paving Fund		344,999	
Fund Balance Appropriated		-	
Total	<u>565,861</u>	<u>206,439</u>	<u>(359,422)</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, 2015

	Budget	Actual	Variance Positive (Negative)
Net change in fund balance	\$ <u><u> -</u></u>	637,171	\$ <u><u> 637,171 </u></u>
Fund balances:			
Beginning of year, July 1		<u>5,219,829</u>	
End of year, June 30		<u><u>\$ 5,857,000</u></u>	

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, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment Income	\$	\$ 47	\$
Local revenues		-	
Miscellaneous		-	
Total	-	47	47
Expenditures:			
Current:			
Economic and physical development:			
Beach improvements		-	
Other improvements		-	
Total expenditures	-	-	-
Revenues over expenditures	-	47	47
Fund Balance Appropriated			-
Other Financing Sources (Uses):			
Transfers In From General Fund	-	21,259	(21,259)
Net change in fund balance	\$ -	21,306	\$ 21,306
Fund balances:			
Beginning of year, July 1		245,689	
End of year, June 30		\$ 266,995	

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, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment Income	\$	\$ 112	\$
Local revenues		-	
Miscellaneous		-	
Total	-	112	112
Expenditures:			
Current:			
Economic and physical development:			
Clear zone project			
Other improvements			
Total expenditures	-	-	-
Revenues over expenditures	-	112	112
Fund Balance Appropriated			-
Other Financing Sources (Uses):			
Transfers In/ (Out) To Town Park Fund		(120,020)	
Transfers In/ (Out) From General Fund		117,301	
Transfers In/ (Out) To Street Widening Fund	-	(130,000)	(130,000)
Net change in fund balance	\$ -	(132,607)	\$ (129,888)
Fund balances:			
Beginning of year, July 1		532,185	
End of year, June 30		\$ 399,578	

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, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Investment Income	\$ -	\$ 165	\$ 165
Local revenues		-	
Miscellaneous		-	
Total	<u>-</u>	<u>165</u>	<u>165</u>
Expenditures:			
Current:			
Economic and physical development:			
Clear zone project	-	-	-
Other improvements	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	-	165	165
Fund Balance Appropriated	-	-	-
Other Financing Sources (Uses):			
Transfers In/(Out) From Street Paving Fund	-	215	215
Transfers In (Out) To Street Widening Fund	-	(200,000)	(200,000)
Transfers In (Out) To General Fund	-	(344,999)	(344,999)
	<u>-</u>	<u>(344,999)</u>	<u>(344,999)</u>
Net change in fund balance	<u>\$ -</u>	(544,619)	<u>\$ (344,834)</u>
Fund balances:			
Beginning of year, July 1		<u>943,963</u>	
End of year, June 30		<u>\$ 399,344</u>	

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, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment Income	\$ -	\$ 40	\$ 40
Local revenues	-	-	-
Miscellaneous	-	-	-
Total	-	40	40
Expenditures:			
Current:			
Economic and physical development:			
Clear zone project	-	-	-
Other improvements	-	-	-
Total expenditures	-	-	-
Revenues over expenditures	-	40	40
Fund Balance Appropriated	-	-	-
Other Financing Sources (Uses):			
Transfers In (Out)	-	-	-
Net change in fund balance	\$ -	40	\$ 40
Fund balances:			
Beginning of year, July 1		191,707	
End of year, June 30		\$ 191,747	

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

	Festival Fund	Sunset Beach Park Fund	Streetscape Fund	Main Street Widening Fund	2015 Totals
Assets					
Cash and Investments	\$ 14,290	\$ -	\$ -	\$ 540,000	\$ 554,290
Accounts Receivable	1,170	137,336	-	-	138,506
Total Assets	<u>15,460</u>	<u>137,336</u>	<u>-</u>	<u>540,000</u>	<u>692,796</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 163,293	\$ -	\$ -	\$ 163,293
Due to other funds	-	-	-	-	-
	<u>-</u>	<u>163,293</u>	<u>-</u>	<u>-</u>	<u>163,293</u>
Fund Balances:					
Restricted					
Stabilization by State Statute	1,170	137,336	-	-	138,506
Economic development	14,290	(163,293)	-	540,000	390,997
Total Fund Balance	<u>15,460</u>	<u>(25,957)</u>	<u>-</u>	<u>540,000</u>	<u>529,503</u>
Total Liabilities and Fund Equity	<u>\$ 15,460</u>	<u>\$ 137,336</u>	<u>\$ -</u>	<u>\$ 540,000</u>	<u>\$ 692,796</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, 2015

	Festival Fund	Sunset Beach Park Fund	Streetscape Fund	Main Street Widening Fund	2015 Totals
Revenues:					
Local Revenues	\$ 20,201	\$ -	\$ -	\$ -	\$ 20,201
Investment Income	-	-	-	-	-
Restricted Revenue	-	142,306	-	-	142,306
Miscellaneous	-	-	-	-	-
Total Revenues	<u>20,201</u>	<u>142,306</u>	<u>-</u>	<u>-</u>	<u>162,507</u>
Expenditures:					
Current:					
Economic Development	<u>19,119</u>	<u>505,654</u>	<u>28,564</u>	<u>-</u>	<u>553,337</u>
Revenues over (under) expenditures	1,082	(363,348)	(28,564)	-	(390,830)
Other Financing Sources (Uses):					
Transfers In (Out)	<u>-</u>	<u>120,020</u>	<u>(210,215)</u>	<u>540,000</u>	<u>449,805</u>
Net Change in Fund Balance	1,082	(243,328)	(238,779)	540,000	58,975
Fund balances:					
Beginning of year, July 1	14,378	217,371	238,779	-	470,528
End of year, June 30	<u>\$ 15,460</u>	<u>\$ (25,957)</u>	<u>\$ -</u>	<u>\$ 540,000</u>	<u>\$ 529,503</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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment Income	\$	\$ -	\$
Local revenues		20,201	
Miscellaneous		-	
Total	<u>16,655</u>	<u>20,201</u>	<u>3,546</u>
Expenditures:			
Current:			
Economic and physical development		19,119	
Total expenditures	<u>28,883</u>	<u>19,119</u>	<u>9,764</u>
Revenues over expenditures	(12,228)	1,082	13,310
Fund Balance Appropriated	12,228	-	(12,228)
Other Financing Sources (Uses):			
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	1,082	<u>\$ 1,082</u>
Fund balances:			
Beginning of year, July 1		<u>14,378</u>	
End of year, June 30		<u>\$ 15,460</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, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment Income	\$	\$ -	\$
Restricted revenues		142,306	
Miscellaneous		-	
Total	422,980	142,306	(280,674)
Expenditures:			
Current:			
Economic and physical development	-	505,654	
Total expenditures	961,000	505,654	455,346
Revenues over expenditures	(538,020)	(363,348)	174,672
Fund Balance Appropriated	-	-	-
Other Financing Sources (Uses):			
Transfers In/(Out) From Future Dev. Fund	538,020	120,020	(418,000)
Net change in fund balance	\$ -	(243,328)	\$ (243,328)
Fund balances:			
Beginning of year, July 1		217,371	
End of year, June 30		\$ (25,957)	

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, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment Income	\$	\$ -	\$
Local revenues		-	
Miscellaneous		-	
Total	-	-	-
Expenditures:			
Current:			
Economic and physical development	-	28,564	
Total expenditures	729,000	28,564	700,436
Revenues over expenditures	(729,000)	(28,564)	700,436
Fund Balance Appropriated	-	-	-
Other Financing Sources (Uses):			
Transfers In (Out) To Future Paving Fund	215	(215)	
Transfers In/(Out) To Main Street Widening Fund	728,785	(210,000)	(938,785)
Net change in fund balance	\$ -	(238,779)	\$ (238,349)
Fund balances:			
Beginning of year, July 1		238,779	
End of year, June 30		\$ -	

Town of Sunset Beach, North Carolina
Special Revenue Fund - Main Street Widening Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Investment Income	\$	\$ -	\$
Restricted revenues		-	
Miscellaneous		-	
Total	-	-	-
Expenditures:			
Current:			
Economic and physical development	-	-	
Total expenditures	540,000	-	540,000
Revenues over expenditures	(540,000)	-	540,000
Fund Balance Appropriated	-	-	-
Other Financing Sources (Uses):			
Transfers In/(Out) From Future Dev. Fund	130,000	130,000	
Transfers In/(Out) From Street Paving Fund	200,000	200,000	
Transfers In/(Out) From Streetscape Fund	210,000	210,000	-
Net change in fund balance	\$ -	540,000	\$ 540,000
Fund balances:			
Beginning of year, July 1		-	
End of year, June 30		\$ 540,000	



AGENCY FUND

Agency funds are used to account for assets the Town holds on behalf of others.

Town of Sunset Beach, North Carolina
Agency Fund
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Net</u> <u>Change</u>	<u>Balance</u> <u>June 30, 2015</u>
Brunswick County - Accomodations Taxes			
Cash and Investments	\$ <u>15,514</u>	\$ <u>17,219</u>	\$ <u>32,733</u>
Liabilities	\$ <u>15,514</u>	\$ <u>17,219</u>	\$ <u>32,733</u>



OTHER SCHEDULES

-Schedule of Ad Valorem Taxes Receivable

-Analysis of Current Tax Levy

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

<u>Fiscal Year</u>	Uncollected Balance <u>June 30, 2014</u>	<u>Additions</u>	Collections And Credits	Uncollected Balance <u>June 30, 2015</u>
2014-2015	\$	\$ 1,971,615	\$ (1,927,663)	\$ 43,952
2013-2014	47,877	-	(29,046)	18,831
2012-2013	10,901	-	(5,246)	5,655
2011-2012	6,190	-	(2,692)	3,498
2010-2011	3,676	-	(903)	2,773
2009-2010	2,168	-	(307)	1,861
2008-2009	692	-	(144)	548
2007-2008	363	-	(2)	361
2006-2007	329	-	(7)	322
2005-2006	292	-	(9)	283
2004-2005	239	-	(239)	-
	<u>\$ 72,727</u>	<u>\$ 1,971,615</u>	<u>\$ (1,964,647)</u>	<u>78,084</u>

Less: Allowance for uncollected accounts: (7,485)

Ad valorem taxes receivable - net \$ 70,599

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 1,972,362
Reconciling items:	
Discounts, Releases, Refunds	589
Interest collected	<u>(8,304)</u>
Total collections and credits	<u>\$ 1,964,647</u>

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

	Town - Wide		Total Levy		
			Property exclusing Registered Motor Vehicles	Registered Motor Vehicles	
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current year's rate	\$ 1,877,728,571	\$ 0.105	\$ 1,971,615	\$ 1,916,014	\$ 55,601
Penalties					-
Total	<u>1,877,728,571</u>		<u>1,971,615</u>	<u>1,916,014</u>	<u>55,601</u>
Total property valuation	<u>\$ 1,877,728,571</u>				
Net levy			1,971,615	1,916,014	55,601
Uncollected taxes at June 30, 2015			<u>(43,952)</u>	<u>(43,821)</u>	<u>(131)</u>
Current year's taxes collected			<u>\$ 1,927,663</u>	<u>\$ 1,872,193</u>	<u>\$ 55,470</u>
Current levy collection percentage			<u>97.77%</u>	<u>97.71%</u>	<u>99.76%</u>



COMPLIANCE SECTION



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

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
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, 2015, 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, 2015. 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, 2015

Town of Sunset Beach, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2015

Section II - Financial Statement Findings

None.

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

Section II - Financial Statement Findings

None.