

**Town of Sunset Beach
Sunset Beach, North Carolina**

Audited Financial Statements

Year Ended June 30, 2017



Town of Sunset Beach, North Carolina

Audited Financial Statements

For the Year Ended June 30, 2017

TOWN COUNCIL

John Corbett

Peter Larkin

Rich Cerrato

Mark Benton

OFFICIALS

Mayor

Robert Forrester

Mayor Pro-Tem

Carol Scott

Finance Director

Bonita L. Bray

Town Administrator

Susan Parker

Town of Sunset Beach, North Carolina
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June 30, 2017

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Financial Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's Report

To the Honorable Mayor and
Members of 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, 2017, 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, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Sunset ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Sunset Beach ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit 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, the aggregate remaining fund information of the Town of Sunset Beach, North Carolina as of June 30, 2017, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year 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 on pages 3 through 8, respectively, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 43 and 44 respectively, and the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 45 and 46 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

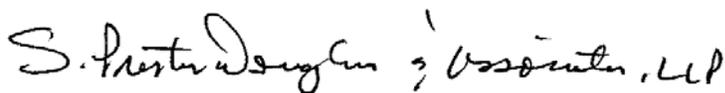
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Sunset Beach, North Carolina. The combining and individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2017 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 grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Sunset Beach' internal control over financial reporting and compliance.



Lumberton, North Carolina
October 2, 2017

Management Discussion and Analysis

**Town of Sunset Beach, North Carolina
Management's Discussion and Analysis
June 30, 2017**

Management's Discussion and Analysis

As management of the Town of Sunset Beach, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Sunset Beach for the fiscal year ending June 30, 2017. 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

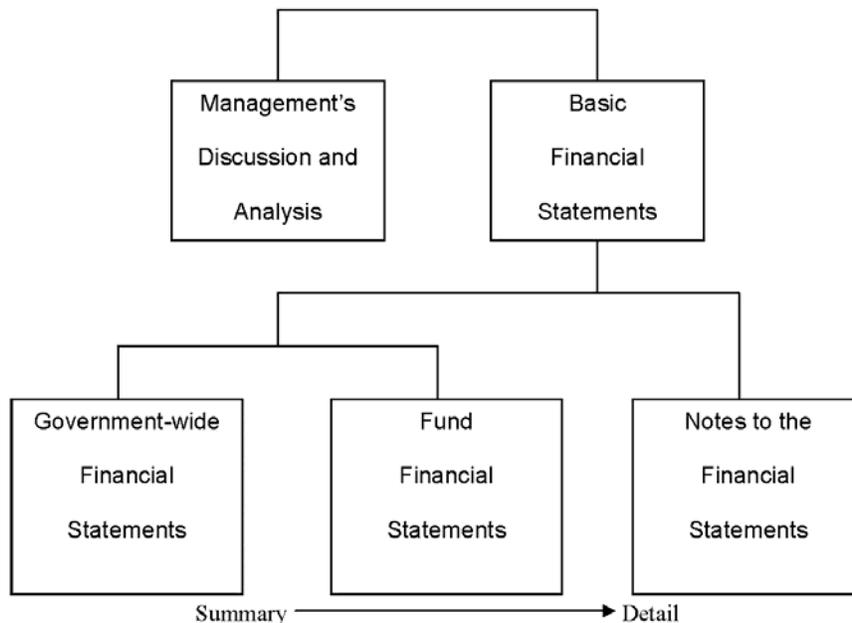
- The assets and deferred outflows of the Town of Sunset Beach exceeded its liabilities and deferred outflows at the close of the fiscal year by \$21,690,004 (net position).
- The government's total net position increased by \$1,549,134.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,251,811, or approximately 80.92% of total general fund expenditures for the year.
- As of the close of the current fiscal year, the Town of Sunset Beach's governmental funds reported combined ending fund balances of \$8,474,211, with an increase of \$790,717 in fund balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Sunset Beach's basic financial statements. The Town's basic financial statements comprise 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 also contains other supplementary 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



Town of Sunset Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2017

Basic Financial Statements

The first two statements 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 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 two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes 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 North Carolina 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, in a manner similar to the private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

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

The government-wide financial statements are found on pages 9 and 10 of this report.

Fund Financial Statements. The fund financial statements (see figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Sunset Beach, like all other state and local governments, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 monies that are unexpended 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 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.

Town of Sunset Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2017

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.

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 can be found on pages 17-42 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Sunset Beach's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 43 of this report.

Government-Wide Financial Analysis

The Town of Sunset Beach's Net Position
Figure 2

	Governmental Activities 2017	Governmental Activities 2016	
Current and other assets	\$ 8,866,313	\$ 7,855,002	
Capital assets	14,579,250	12,734,085	
Total assets	23,445,563	20,589,087	
Deferred Outflows of Resources	875,130	264,272	
Current liabilities	471,031	164,107	
Long-term liabilities	2,021,975	367,226	
Total liabilities	2,493,006	531,333	
Deferred Inflows of Resources	137,683	164,224	
Net position			
Net investment in capital assets	14,149,906	12,734,085	
Restricted	2,739,441	900,910	
Unrestricted	4,800,657	6,522,807	
Total net position	\$ 21,690,004	\$ 20,157,802	

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$21,690,004 at the close of the current fiscal year. The Town's net position increased by \$1,549,134 for the fiscal year ended June 30, 2017. By far the largest portion of the Town's net position, 65.24%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Town of Sunset Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2017

Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of net position, 12.63%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$4,800,657 or 22.13% of the total. One aspect 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 98.60%

Town of Sunset Beach's Changes in Net Position
Figure 3

	Governmental Activities 2017	Governmental Activities 2016
Revenues:		
Program revenues:		
Charges for services	\$ 1,656,440	\$ 1,626,048
Operating grants and contributions	503,488	159,297
General revenues		
Property taxes	2,510,274	2,468,244
Other taxes	2,451,068	2,178,477
Other	113,551	12,924
Total revenues	7,234,821	6,444,990
Expenses:		
General government	998,792	903,948
Public safety	2,959,551	2,897,448
Transportation	788,988	622,769
Inspections	381,005	-
Human services	-	40,641
Planning and zoning	9,030	-
Special projects	8,914	-
Economic and physical develop.	152,839	738,509
Environmental protection	168,542	267,178
Interest on long-term debt	4,170	-
Total expenses	5,471,831	5,470,493
Increase in net position before transfers and extraordinary item	1,762,990	974,497
Transfers	-	-
Extraordinary item: Hurricane Matthew	(213,856)	-
Increase in net position	1,549,134	974,497
Net position, beginning	20,157,802	18,674,214
Restatement	(16,932)	509,091
Net position, beginning, restated	20,140,870	19,183,305
Net position - June 30	\$ 21,690,004	\$ 20,157,802

**Town of Sunset Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2017**

Governmental activities. Governmental activities increased the Town's net position by \$1,549,134.

Financial Analysis of the Government'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'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's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the principal operating fund of the Town of Sunset Beach. At the end of the fiscal year, unassigned fund balance for the general fund was \$5,251,811 with a total fund balance of \$7,042,436. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 80.92% of total General Fund expenditures.

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 from external sources, such as federal and State grants.
3. Increases in appropriations that become necessary to maintain services and obligations from prior years not completed.

Capital Assets and Debt Administration Capital Assets

The Town of Sunset Beach's investments in capital assets for its governmental activities as of June 30, 2017, totals \$14,579,250 (net of accumulated depreciation). The investments in capital assets includes land, buildings, improvements, furniture and equipment, infrastructure (including distribution systems), and vehicles.

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

	Governmental Activities	
	2017	2016
Land & construction in progress	\$ 6,713,781	\$ 6,293,142
Buildings	4,214,158	4,322,861
Land Improvements	3,235	4,182
Equipment	450,274	479,741
Vehicles	1,146,780	777,115
Infrastructure	2,051,022	857,044
Total capital assets, net	\$ 14,579,250	\$ 12,734,085

Additional information on the Town's capital assets can be found in the notes on page 26 of this report.

**Town of Sunset Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2017**

Long-term debt. As of June 30, 2017, the Town of Sunset Beach had total installment purchase debt outstanding of \$429,344. The installment debt is backed by security interest in the property for which it was issued.

**Outstanding Liabilities
Figure 5**

	Governmental Activities	
	2017	2016
Installment purchase	\$ 429,344	\$ -
Net pension liability (LGERS)	925,551	219,505
Compensated absences	142,426	144,587
Total pension liability (LEO)	674,793	91,230
Total outstanding debt	\$ 2,172,114	\$ 455,322

Town of Sunset Beach Outstanding Debt

The Town of Sunset Beach total debt increased by \$1,716,792 during the past fiscal year, primarily due to pension related liabilities. The government also issued \$454,000 in installment purchase financing to purchase a new fire truck. The Town does not have any general obligation or revenue bonds.

North Carolina's general statutes limit the amount of general obligation debt that a governmental unit can issue to 8% 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 presently at \$124,339,400 (the amount of additional debt the town could obligate itself to under NC General Statute).

Additional information pertaining to the Town of Sunset Beach's long-term debt can be found in the notes on page 39 of this report.

Economic Factors and Next Year's Budgets and Rates

- Unemployment remained steady.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities: Revenues are expected to remain at levels similar to last fiscal year with one exception. The appropriation of recovery funds for damages caused by Hurricane Matthew, which struck the coast of North Carolina in October 2016, resulted in an increase of \$454,000 to budgeted revenues in the year ending June 30, 2017. While the Town has reserves sufficient to cover a similar event in FY 2017-2018, a corresponding appropriation for another such natural disaster is not included in the current budget until it actually occurs. As a result, the FY 2017-2018 revenue budget is approximately 5% less than the FY 2016-2017 budget.

Budgeted expenditures in the General Fund are expected to decrease by approximately 10%. The Town purchased a new fire truck in FY 2016-2017 in the amount of \$469,000 while a similar a purchase is not budgeted for FY 2017-2018. Other highlights include a consolidation of some departmental accounts for practical matters to enhance uniformity, consistency, and ease of use.

Request for Information

This financial report is designed to provide a general overview of the Town of Sunset Beach's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Town of Sunset Beach, 700 Sunset Blvd 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, 2017

	<u>Primary Government</u>		<u>Sunset Beach ABC Board</u>
	<u>Governmental Activities</u>	<u>Total</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 8,005,791	\$ 8,005,791	\$ 45,804
Restricted cash and cash equivalents	220,172	220,172	-
Taxes receivables, net	74,169	74,169	-
Accounts receivables, net	566,181	566,181	-
Inventory	-	-	280,553
Total current assets	<u>8,866,313</u>	<u>8,866,313</u>	<u>326,357</u>
Noncurrent assets:			
Capital assets (Note 3):			
Land, non-depreciable improvements, and construction in progress	6,713,781	6,713,781	220,572
Other capital assets, net of depreciation	7,865,469	7,865,469	563,417
Total capital assets	<u>14,579,250</u>	<u>14,579,250</u>	<u>783,989</u>
Total assets	<u>23,445,563</u>	<u>23,445,563</u>	<u>1,110,346</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	875,130	875,130	52,495
Total deferred outflows of resources	<u>875,130</u>	<u>875,130</u>	<u>52,495</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	320,892	320,892	52,659
Current portion of long-term liabilities	150,139	150,139	31,524
Total current liabilities	<u>471,031</u>	<u>471,031</u>	<u>84,183</u>
Long-term liabilities:			
Net pension liability	925,551	925,551	28,014
Total pension liability	674,793	674,793	-
Due in more than one year	421,631	421,631	333,354
Total liabilities	<u>2,493,006</u>	<u>2,493,006</u>	<u>445,551</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	137,683	137,683	982
Total deferred inflows of resources	<u>137,683</u>	<u>137,683</u>	<u>982</u>
NET POSITION			
Net investment in capital assets	14,149,906	14,149,906	419,111
Restricted for:			
Streets	220,172	220,172	-
Stabilization by State Statute	566,181	566,181	-
Beach nourishment and protection	1,935,675	1,935,675	-
Working capital	-	-	49,029
Unrestricted	4,818,070	4,818,070	248,168
Total net position	<u>\$ 21,690,004</u>	<u>\$ 21,690,004</u>	<u>\$ 716,308</u>

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

Town of Sunset Beach, North Carolina
Statement of Activities
June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Sunset Beach ABC Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total	
Primary government:							
Governmental Activities:							
General government	\$ 998,792	\$ 2,486	\$ 223,811	\$ -	\$ (772,495)	\$ (772,495)	\$ -
Public safety	2,959,551	991,505	-	-	(1,968,046)	(1,968,046)	-
Transportation	788,988	-	144,051	-	(644,937)	(644,937)	-
Inspections	381,005	244,965	-	-	(136,040)	(136,040)	-
Planning and zoning	9,030	-	-	-	(9,030)	(9,030)	-
Special projects	8,914	-	-	-	(8,914)	(8,914)	-
Economic and physical develop.	152,839	366,966	-	-	214,127	214,127	-
Environmental protection	168,542	50,518	135,626	-	17,602	17,602	-
Interest on long-term debt	4,170	-	-	-	(4,170)	(4,170)	-
Total governmental activities	5,471,831	1,656,440	503,488	-	(3,311,903)	(3,311,903)	-
Component unit:							
Sunset Beach ABC Board	\$ 1,591,949	\$ 1,654,684	\$ -	\$ -	\$ -	\$ -	\$ 62,735
Total component unit	\$ 1,591,949	\$ 1,654,684	\$ -	\$ -	\$ -	\$ -	\$ 62,735
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,510,274	2,510,274	-
Local option sales tax					1,039,017	1,039,017	-
Other taxes					1,412,051	1,412,051	-
Investment earnings, unrestricted					29,689	29,689	96
Miscellaneous, unrestricted					83,862	83,862	618
Extraordinary item: Hurricane Matthew Expenses					(213,856)	(213,856)	-
Total general revenues					4,861,037	4,861,037	714
Change in net position					1,549,134	1,549,134	63,449
Net position, beginning, previously reported					20,157,802	20,157,802	652,859
<i>Restatement (Note 3)</i>					(16,932)	(16,932)	-
Net position, beginning, restated					20,140,870	20,140,870	652,859
Net position, ending					\$ 21,690,004	\$ 21,690,004	\$ 716,308

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, 2017

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	Dredging Project Fund		
<u>ASSETS</u>				
Cash and cash equivalents	\$ 6,573,413	\$ 1,304,878	\$ 127,500	\$ 8,005,791
Restricted cash	220,172	-	-	220,172
Taxes receivable, net	65,911	-	-	65,911
Accounts receivable, net	441,782	17,413	106,986	566,181
Total assets	<u>\$ 7,301,278</u>	<u>\$ 1,322,291</u>	<u>\$ 234,486</u>	<u>\$ 8,858,055</u>
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities	\$ 192,931	\$ -	\$ 125,002	\$ 317,933
Due to component unit	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>192,931</u>	<u>-</u>	<u>125,002</u>	<u>317,933</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Property taxes receivable	65,911	-	-	65,911
Total deferred inflows of resources	<u>65,911</u>	<u>-</u>	<u>-</u>	<u>65,911</u>
<u>FUND BALANCES</u>				
Restricted				
Stabilization by State Statute	441,782	17,413	106,986	566,181
Streets - Powell Bill	220,172	-	-	220,172
Beach nourishment and protection	630,797	1,304,878	-	1,935,675
Committed				-
Economic development	-	-	2,498	2,498
Future development	402,177	-	-	402,177
Street paving	95,697	-	-	95,697
Unassigned	5,251,811	-	-	5,251,811
Total fund balances	<u>7,042,436</u>	<u>1,322,291</u>	<u>109,484</u>	<u>8,474,211</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,301,278</u>	<u>\$ 1,322,291</u>	<u>\$ 234,486</u>	<u>\$ 8,858,055</u>

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

Town of Sunset Beach, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2017

Amounts reported for governmental activities in the Statement of Net Position (Page 9) are different because:

Total Fund Balance, Governmental Funds		\$ 8,474,211
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$ 18,522,467	
Accumulated depreciation	<u>(3,943,217)</u>	14,579,250
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.		
		8,258
Deferred outflows of resources related to pensions are not reported in the fund statements.		
		875,130
Earned revenues considered deferred inflows of resources in fund statements		
		65,911
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Gross long-term debt beginning	\$ (144,587)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(427,183)	
Total pension liability	(674,793)	
Net pension liability	<u>(925,551)</u>	(2,172,114)
Deferred inflows of resources related to pensions are not reported in the funds		
		(137,683)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		
		<u>(2,960)</u>
Net position of governmental activities		<u><u>\$ 21,690,004</u></u>

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

Town of Sunset Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	Dredging Project Fund		
Revenues:				
Ad valorem taxes	\$ 2,513,262	\$ -	\$ -	\$ 2,513,262
Other taxes and licenses	945,475	-	550,449	1,495,924
Unrestricted intergovernmental	1,557,675	-	-	1,557,675
Restricted intergovernmental	367,862	135,626	-	503,488
Permits and fees	323,160	-	342,955	666,115
Sales and services	417,484	-	-	417,484
Investment earnings	29,689	442	-	30,131
Total revenues	6,154,607	136,068	893,404	7,184,079
Expenditures:				
General government	981,281	-	-	981,281
Public safety	3,148,751	-	-	3,148,751
Transportation	983,157	-	-	983,157
Inspections	374,263	-	-	374,263
Planning and zoning	9,030	-	-	9,030
Special projects	8,914	-	-	8,914
Environmental protection	506,921	-	-	506,921
Economic development	100,900	203,440	207,531	511,871
Hurricane Matthew Recovery	351,038	-	-	351,038
Debt Service	25,867	-	-	25,867
Total expenditures	6,490,122	203,440	207,531	6,901,093
Excess (deficiency) of revenues over expenditures	(335,515)	(67,372)	685,873	282,986
Other financing sources (uses)				
Transfers from other funds	498,570	1,389,663	-	1,888,233
Transfers (to) other funds	(1,393,956)	-	(494,277)	(1,888,233)
Installment purchase obligations issued	454,000	-	-	454,000
Sale of capital assets	26,171	-	-	26,171
Insurance recovery	27,560	-	-	27,560
Total other financing sources (uses)	(387,655)	1,389,663	(494,277)	507,731
Net change in fund balances	(723,170)	1,322,291	191,596	790,717
Fund balance, beginning as previously reported	7,718,009	-	(16,179)	7,701,830
Prior period adjustment (Note 3)	47,597	-	(65,933)	(18,336)
Fund balance, beginning as restated	7,765,606	-	(82,112)	7,683,494
Fund balances, ending	\$ 7,042,436	\$ 1,322,291	\$ 109,484	\$ 8,474,211

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, 2017

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

Net change in fund balances - total governmental funds	\$	790,717
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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.

Capital outlay expenditures which were capitalized	\$ 1,737,415		
Depreciation expense for governmental assets	(439,083)		
Asset impairment loss	(4,438)		1,293,894

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		282,636
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Benefit payments paid and administrative expenses for the LEOSSA are not included on the Statement of Activities		-
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues		(2,988)
--	--	---------

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 an effect on net position. These amounts are the net effect of these differences in the treatment of long-term debt and related items.

Increase in accrued interest payable	(2,960)		
Loan proceeds	(454,000)		
Principal payments on long-term debt	24,656		(432,304)

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.

Compensated absences	2,161		
Pension revenue (expense)	(384,982)		(382,821)

Total changes in net position of governmental activities	\$	1,549,134
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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-
Budget and Actual
For the Year Ended June 30, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,328,175	\$ 2,328,175	\$ 2,513,262	\$ 185,087
Other taxes and licenses	930,000	930,000	945,475	15,475
Unrestricted intergovernmental	1,457,805	1,457,805	1,557,675	99,870
Restricted intergovernmental	144,500	327,321	367,862	40,541
Permits and fees	260,800	260,800	323,160	62,360
Sales and services	48,000	48,000	50,518	2,518
Investment earnings	1,500	1,500	24,854	23,354
Total revenues	<u>5,170,780</u>	<u>5,353,601</u>	<u>5,782,806</u>	<u>429,205</u>
Expenditures:				
Current:				
General government	1,195,198	1,206,698	981,281	225,417
Public safety	2,897,288	3,367,088	3,148,751	218,337
Transportation	763,252	793,252	693,969	99,283
Inspections	433,209	433,209	374,263	58,946
Planning and zoning	12,950	17,256	9,030	8,226
Special projects	11,700	11,700	8,914	2,786
Environmental protection	532,306	579,750	506,921	72,829
Hurricane Matthew Recovery	-	408,000	351,038	56,962
Debt service:				
Principal retirement	-	24,656	24,656	-
Interest and other charges	1,300	1,244	1,210	34
Total expenditures	<u>5,847,203</u>	<u>6,842,853</u>	<u>6,100,033</u>	<u>742,820</u>
Revenues over (under) expenditures	<u>(676,423)</u>	<u>(1,489,252)</u>	<u>(317,227)</u>	<u>1,172,025</u>
Other financing sources (uses):				
Transfers (to)/from other funds	475,239	(1,057,624)	(1,034,781)	22,843
Installment purchase obligations issued	-	454,000	454,000	-
Sale of capital assets	-	15,000	26,171	11,171
Insurance recovery	-	-	27,560	27,560
Total other financing sources (uses)	<u>475,239</u>	<u>(588,624)</u>	<u>(527,050)</u>	<u>61,574</u>
Fund balance appropriated	<u>201,184</u>	<u>2,077,876</u>	<u>-</u>	<u>2,077,876</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(844,277)</u>	<u>\$ (844,277)</u>
Fund balance, beginning			<u>6,758,042</u>	
Fund balance, ending			<u>\$ 5,913,765</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, 2017

Fund balance - end of year \$ 5,913,765

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

Investment earnings	2,132
Fund balance - beginning	<u>400,045</u>
Fund balance - ending	<u><u>402,177</u></u>

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

Investment earnings	1,206
Local revenues	366,966
Expenditures	(100,900)
Transfers	(3,432)
Fund balance - beginning as restated	<u>366,957</u>
Fund balance - ending	<u><u>630,797</u></u>

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

Investment earnings	706
Fund balance - beginning	<u>94,991</u>
Fund balance - ending	<u><u>95,697</u></u>

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

Investment earnings	791
Expenditures	(289,188)
Transfers	142,827
Fund balance - beginning	<u>145,570</u>
Fund balance - ending	<u><u>-</u></u>

Fund balance - end of year (consolidated) \$ 7,042,436

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
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A - Reporting Entity

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

Town of Sunset Beach ABC Board - The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (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 Street, Sunset Beach, North Carolina 28468.

B - Basis of Presentation

Government-wide Statements: The statement of net position and 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. 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 and services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category - governmental - are presented. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. Primary expenditures are for public safety, transportation, inspections, and general government. Under GASB 54 guidance, the Future Development Fund, Beach Erosion Fund, Future Street Paving Fund, and the Bike and Walk Paths Fund are consolidated into the General Fund. The budgetary comparison for the Future Development Fund, Beach Erosion Fund, Future Street Paving Fund, and the Bike and Walk Paths Fund have been included in the supplemental information.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B - Basis of Presentation - Fund Accounting (continued)

Shoreline Management and Pre-Dredge Analysis Fund - This fund is used to account for the maintenance dredging of canals and feeder channels.

The Town reports the following non-major governmental funds:

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

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

Accommodation Tax Funds - This fund is used to account for accommodation tax monies.

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 Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the 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 a 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.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

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

D - Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Enterprise Capital Projects Fund. The Enterprise Fund projects are consolidated with their respective operating funds for reporting purposes. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The Town clerk is authorized to transfer appropriations within a fund up to \$1,000; however, the governing board must approve any revisions that alter the total expenditures of any fund or exceed \$1,000. 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 budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town, and the ABC Board are made in board-designated official depositories and are secured as required by 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 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances and the North Carolina Capital Management Trust (NCCMT).

All deposits of the Town and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

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

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of Sunset Beach's Restricted Cash

Governmental Activities		
General Fund		
Streets	\$	220,172
Total Governmental Activities		220,172
Total Restricted Cash	\$	220,172

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 other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2016. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenue is reported net of such discounts.

5. Allowance 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. Inventory and Prepaid Items

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

The inventories of the ABC Board consist of materials and supplies held for subsequent use or resale. The costs of these inventories are expensed when sold or consumed.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain threshold and an estimated life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are as follows: land, \$100,000; buildings, improvements, \$100,000; infrastructure, \$100,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchases or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Buildings	50
Infrastructure	30 and 10
Improvements	25
Vehicles	5
Furniture and Fixtures	10
Equipment	10
Computer Equipment	5
Software	5

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

	<u>Estimated Useful Lives</u>
Land and Improvements	20
Buildings	40
Furniture and Fixtures	10
Equipment	5

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion – pension deferrals for the 2017 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criteria for this category – property taxes receivable and pension deferrals.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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. Bond issuance costs are reported as deferred charges and 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 the accumulation of up to thirty days of earned 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 funds and ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded within the fund 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 benefit 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 invested in capital assets, net of related debt, restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

11. Net Position / Fund Balances (continued)

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

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

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

Restricted for Beach Nourishment and Protection - Portion of fund balance that is restricted by legislation for specific use of beach re-nourishment and hurricane protection. These classified amounts are reserved for future expenditures.

Committed Fund Balance - 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). 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 Future Development - portion of fund balance committed by the Board for future development.

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

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

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

Assigned fund balance - portion of fund balance that the Town intends to use for specific purposes.

Economic Development - portion of fund balance that is appropriated for economic development expenditures only.

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

Unassigned fund balance - 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-town funds, town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, 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 of Sunset Beach's employer contributions are recognized when due and the Town of Sunset Beach 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.

NOTE 2 - DETAIL NOTES ON ALL FUNDS

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

B - Deficit in Fund Balance or Net Position of Individual Funds

None.

C - Excess of Expenditures over Appropriations

None.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 3 - 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 the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2017, the Town's deposits had a carrying amount of \$1,164,561 and a bank balance of \$1,397,201. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$44,904 and the bank balance was \$139,555. Also, the ABC Board's petty cash totaled \$900 at June 30, 2017. All of the bank balance was covered by federal depository insurance. At June 30, 2017, the Town's petty cash totaled \$200.

2. Investments

At June 30, 2017, the Town had \$7,061,402 invested with North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2017 are net of the following allowance for doubtful accounts:

General Fund:			
Taxes receivable	\$	2,039	
Total	\$	<u>2,039</u>	

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 5,035,743	\$ -	\$ -	\$ 5,035,743
Construction in progress	1,311,282	906,756	540,000	1,678,038
Total capital assets not being depreciated	6,347,025	906,756	540,000	6,713,781
Capital assets being depreciated:				
Buildings	5,440,091	-	-	5,440,091
Land improvements	36,969	-	-	36,969
Equipment and furniture	1,270,297	66,046	143,203	1,193,140
Vehicles	2,626,622	541,214	208,648	2,959,188
Infrastructure	1,415,898	763,400	-	2,179,298
Total capital assets being depreciated:	10,789,877	1,370,660	351,851	11,808,686
Less accumulated depreciation for:				
Buildings	1,117,230	108,705	-	1,225,935
Land improvements	32,787	947	-	33,734
Equipment and furniture	784,444	97,186	138,765	742,865
Vehicles	1,849,507	171,548	208,648	1,812,407
Infrastructure	67,579	60,697	-	128,276
Total accumulated depreciation	3,851,547	439,083	347,413	3,943,217
Total capital assets being depreciated, net	6,938,330			7,865,469
Governmental activities capital assets, net	\$ 13,285,355			\$ 14,579,250

Capital assets for the Primary Government at June 30, 2016, as previously reported, totaled \$12,734,085. As discussed in Note 3 on page 41, the Town determined that capital assets were understated by \$551,269 at June 30, 2016. The prior period adjustment to correct the understatement is reflected in the beginning balances at July 1, 2016 shown above.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets (continued)

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

General government	\$	18,853
Public safety		317,224
Inspections		7,319
Transportation		89,312
Human services		6,375
Total depreciation expense	\$	439,083

Discretely presented component unit

Below are the balances for the ABC Board for the year ended June 30, 2017:

	Beginning		Ending
	Balances	Increases	Balances
Governmental activities:			
Capital assets not being depreciated:			
Land	\$ 220,572	\$ -	\$ 220,572
Construction in progress	-	-	-
Total capital assets not being depreciated	220,572	-	220,572
Capital assets being depreciated:			
Buildings and improvements	670,536	-	670,536
Equipment	26,176	-	26,176
Total capital assets being depreciated:	696,712	-	696,712
Less accumulated depreciation for:			
Buildings and improvements	105,051	13,411	118,462
Furniture and equipment	-	-	-
Equipment	9,598	5,235	14,833
Total accumulated depreciation	114,649	18,646	133,295
Total capital assets being depreciated, net	582,063	-	563,417
ABC Board capital assets, net	\$ 802,635		\$ 783,989

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Sunset Beach 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 Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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 (age 55 for firefighters). 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 (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) 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. Town of Sunset Beach employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Sunset Beach' contractually required contribution rate for the year ended June 30, 2017, was 7.41% of compensation for law enforcement officers and 7.07% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Sunset Beach were \$282,636 for the year ended June 30, 2017.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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, 2017, the Town reported a liability of \$925,551 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability 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, 2016, the Town's proportion was 0.04361%, which was a decrease of 0.00530% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$339,701. At June 30, 2017, 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	\$ 17,389	\$ 32,432
Changes of assumptions	63,392	-
Net difference between projected and actual earnings on pension plan investments	511,713	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	93,669
Town contributions subsequent to the measurement date	282,636	-
Total	\$ 875,130	\$ 126,101

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

\$282,636 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 56,909
2018	56,991
2019	218,154
2020	134,340
2021	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014

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.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 3.00%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability (asset)	\$2,196,763	\$ 925,551	\$ 136,261

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

The Town of Sunset Beach administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	15
Total	18

2. Summary of Significant Accounting Policies

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.71 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2016.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$55,859 for the reporting period.

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

At June 30, 2017, the Town reported a total pension liability of \$674,793. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$45,281.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions and other inputs	-	11,582
Benefit payment and administrative expenses subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 11,582</u>

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

4. Contributions (continued)

No amount was reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 2,591
2019	2,591
2020	2,591
2021	2,591
2022	1,218
Thereafter	-

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.86 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Current Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$725,066	\$674,793	\$628,395

	2017
Beginning balance	\$ 696,953
Service Cost	23,988
Interest on the total pension liability	23,884
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(14,173)
Benefit payments	(55,859)
Other changes	-
Ending balance of the total pension liability	\$ 674,793

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

4. Contributions (continued)

The plan currently uses mortality tables that vary by age, 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. In addition to the Town's mandatory five percent contribution, Town policy 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, 2017 were \$50,883, which consisted of \$36,500 from the Town and \$14,383 from the law enforcement officers.

d. Firefighter's and Rescue Squad Worker's Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the Town, to the Firefighter's and Rescue Squad Workers' Pension Fund (fund), a cost-sharing multiple-employer defined benefit 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 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. The 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. The State, a non-employer contributor, funds the plan through appropriations. The Town contributes the entire amount to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

e. Other Employment Benefits

Healthcare Benefits

Plan Description. The postemployment healthcare benefits are provided through a cost-sharing, multi-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 State of 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 (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 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 2, 2006, future coverage as retired employees are 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 2, 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 2, 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 2, 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 years ended June 30, 2017, 2016, and 2015, the Town paid all annual required contributions to the Plan for postemployment healthcare benefits of \$142,709, \$131,559, and \$112,892, respectively. These contributions represented 6.02%, 5.50%, and 5.49% of covered payroll, respectively.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

e. Other Employment Benefits (continued)

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multi-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. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of the contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement offices. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 17,389
Changes of assumptions	63,392
Net difference between projected and actual earnings on pension plan investments	511,713
Changes in proportion and differences between Town contributions and proportionate share of contributions	-
Town contributions subsequent to the measurement date	282,636
Total	\$ 875,130

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 65,911
Changes in assumptions	44,014	-
Differences between expected and actual experience	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	93,669	-
Total	\$ 137,683	\$ 65,911

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

4. Risk Management

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

In accordance with G.S. 159-29, the finance officer is individually bonded for \$50,000. The remaining employees that have access to cash are covered under a blanket insurance policy.

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

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

5. Claims, Judgements, and Contingent Liabilities

At June 30, 2017, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

6. Long-Term Obligations

a. Installment Purchase

Governmental Activities

On February 27, 2017, the Town entered into an installment purchase agreement to finance the acquisition of a new fire truck. The financing contract requires semi-annual principal payments to begin April 3, 2017, with an interest rate of 2.74 percent. The note totaled \$454,000 and is to be repaid over 10 years. The balance of this note at June 30, 2017 was \$429,344.

Annual debt service payments of the installment purchase of the governmental-type activities are as follows:

Years Ending June 30:	Governmental-Type Activities	
	Principal	Interest
2018	\$ 40,139	\$ 11,594
2019	41,196	10,537
2020	42,325	9,408
2021	43,534	8,199
2022	44,753	6,980
2023-2027	217,397	15,404
Total	<u>\$ 429,344</u>	<u>\$ 62,122</u>

b. Changes in Long-Term Liabilities

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

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Installment purchase	\$ -	\$ 454,000	\$ (24,656)	\$ 429,344	\$ 40,139
Compensated absences	144,587	108,006	(110,167)	142,426	110,000
Net pension liability (LGERS)	219,505	909,175	(203,129)	925,551	-
Total Pension Liability	<u>91,230</u>	<u>605,723</u>	<u>(22,160)</u>	<u>674,793</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 455,322</u>	<u>\$ 2,076,904</u>	<u>\$ (360,112)</u>	<u>\$ 2,172,114</u>	<u>\$ 150,139</u>

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

C - Interfund Balances and Activity

Transfers to/from other funds at June 30, 2017, consist of the following:

From the General Fund to the Pre-Dredge Analysis Fund	\$	1,389,663
From the Beach Erosion Fund to the General Fund		3,432
From the Accommodations Tax Fund to the General Fund		494,277
From the Bike and Walk Paths Fund to the General Fund		361
Total	\$	1,887,733

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 as matching funds for various grant programs.

During the 2017 fiscal year, the Town made a one-time transfer of \$1,389,663 from the General Fund to the Pre-Dredge Analysis Fund per the terms of the project.

During the 2017 fiscal year, the Town made a transfer of \$494,277 from the Accommodations Tax Fund to the General Fund. The Accommodations Tax Fund maintains a \$0 fund balance at year end by this annual transfer to the General Fund.

D - Net Investment in Capital Assets

		Governmental
Capital assets	\$	14,579,250
less: long-term debt		(429,344)
Net investment in capital assets	\$	14,149,906

E - 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	\$	7,042,436
Less:		
Stabilization by State Statute		441,782
Streets - Powell Bill		220,172
Beach Nourishment and Protection		630,797
Future Development		402,177
Street Paving		95,697
Remaining Fund Balance	\$	5,251,811

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

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

F - Prior Period Adjustments and Restatements

During the fiscal year ended June 30, 2017, the Town determined that certain occupancy tax revenues that were subject to accrual in the Accommodations Tax Fund and Beach Erosion Fund, on the modified accrual basis of accounting, had been omitted. Therefore, an adjustment to the beginning fund balance in the Accommodations Tax Fund and Beach Erosion Fund has been recorded in the amount of \$71,393 and \$47,596, respectively. The net effect of the adjustments increased the fund balances in the respective funds by \$71,393 and \$47,596.

During the fiscal year ended June 30, 2017, the Town determined that accounts receivable at July 1, 2016 were overstated by \$137,326 in error in the Sunset Beach Park Fund. Therefore, an adjustment to the beginning fund balance in the Sunset Beach Park Fund has been recorded in the amount of \$137,326. The net effect of the adjustments decreased fund balance by \$137,326.

During the fiscal year ended June 30, 2017, the Town determined that capital assets were understated by \$551,269. The adjustment did not affect the governmental fund balances. An adjustment to the beginning net position on the Statement of Activities has been recorded. The net effect of the adjustment increased net position by \$551,269.

During the fiscal year ended June 30, 2017, the Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. As a result of this implementation, net position for the governmental activities decreased \$549,864. See Note 7 for additional information.

G - Extraordinary Event

In October, 2016, the Town experienced significant losses from wind and water damage resulting from Hurricane Matthew. The total expenditures attributable to Hurricane Matthew for the year ended June 30, 2017 was \$351,038. The Town received \$214,511 in Hurricane Mathew grant assistance for the year ended June 30, 2017.

NOTE 4 - 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 Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf 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, 2017. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, NC 27603.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2017

NOTE 5 - 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 monies 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 monies.

NOTE 6 - SUBSEQUENT EVENTS

There are no subsequent events that would have a material effect on the financial statements. Subsequent events were evaluated through October 2, 2017, which is the date the financial statements were available to be issued.

NOTE 7 - CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016.) As a result, net position for the governmental activities decreased \$549,864.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

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

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Sunset Beach's proportion of the net pension liability (asset) (%)	0.04361%	0.04891%	0.04968%	0.04770%
Sunset Beach's proportion of the net pension liability (asset) (\$)	\$ 925,551	\$ 219,505	\$ (292,986)	\$ 574,968
Sunset Beach's covered-employee payroll	\$2,124,699	\$ 2,055,818	\$2,331,344	\$2,331,300
Sunset Beach's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	43.56%	10.68%	-12.57%	24.66%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

Town of Sunset Beach, North Carolina
Town of Sunset Beach's Contributions
Required Supplementary Information
Last Four Fiscal Years

Local Government Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 282,636	\$ 264,272	\$ 260,312	\$ 292,360
Contributions in relation to the contractually required contribution	<u>282,636</u>	<u>264,272</u>	<u>260,312</u>	<u>292,360</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Sunset Beach's covered-employee payroll	\$2,118,716	\$2,055,818	\$2,331,344	\$2,331,344
Contributions as a percentage of covered-employee payroll	13.34%	12.85%	11.17%	12.54%

Town of Sunset Beach, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

	2017
Beginning balance	\$ 696,953
Service Cost	23,988
Interest on the total pension liability	23,884
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(14,173)
Benefit payments	(55,859)
Other changes	-
Ending balance of the total pension liability	\$ 674,793

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Town of Sunset Beach, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2017

		2017
Total pension liability	\$	674,793
Covered payroll		824,969
Total pension liability as a percentage of covered payroll		81.80%

Notes to the schedules:

Town of Sunset Beach has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Individual Fund Statements and Schedules

Town of Sunset Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 2,506,638	\$
Interest		6,624	
Total	<u>2,328,175</u>	<u>2,513,262</u>	<u>185,087</u>
Other taxes and licenses:			
Fire district fees		945,475	
Total	<u>930,000</u>	<u>945,475</u>	<u>15,475</u>
Unrestricted intergovernmental:			
ABC profit distribution		46,314	
Local option sales taxes		1,039,017	
Utility sales tax		355,220	
Telecommunications sales tax		43,283	
Video franchise fee		44,644	
Beer and wine tax		18,770	
Tax refunds		10,427	
Total	<u>1,457,805</u>	<u>1,557,675</u>	<u>99,870</u>
Restricted intergovernmental:			
Other grants		221,117	
Solid waste disposal tax		2,694	
Powell Bill allocation		144,051	
Total	<u>327,321</u>	<u>367,862</u>	<u>40,541</u>
Permits and fees:			
CAMA local fees		1,500	
Contractor/development fees		244,965	
Court facilities		986	
Miscellaneous fees		29,679	
Public safety fees/donations		46,030	
Total	<u>260,800</u>	<u>323,160</u>	<u>62,360</u>
Sales and services:			
Recycling program revenue		50,518	
Total	<u>48,000</u>	<u>50,518</u>	<u>2,518</u>
Investment earnings	<u>1,500</u>	<u>24,854</u>	<u>23,354</u>
Total revenues	<u>\$ 5,353,601</u>	<u>\$ 5,782,806</u>	<u>\$ 429,205</u>

Town of Sunset Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Administration:			
Salaries and benefits	\$	\$ 344,203	\$
Other operating expenditures		50,765	
Capital outlay		6,800	
Total	<u>486,819</u>	<u>401,768</u>	<u>85,051</u>
Taxes:			
Other operating expenditures		20,954	
Capital outlay		-	
Total	<u>22,500</u>	<u>20,954</u>	<u>1,546</u>
Legal:			
Other operating expenditures		137,845	
Total	<u>225,000</u>	<u>137,845</u>	<u>87,155</u>
Finance:			
Salaries and benefits		150,581	
Other operating expenditures		40,326	
Capital outlay		-	
Total	<u>228,523</u>	<u>190,907</u>	<u>37,616</u>
Governing board:			
Salaries and benefits		15,064	
Other operating expenditures		26,592	
Capital outlay		5,949	
Total	<u>48,356</u>	<u>47,605</u>	<u>751</u>
Public buildings/property:			
Salaries and benefits		-	
Other operating expenditures		182,202	
Capital outlay		-	
Total	<u>195,500</u>	<u>182,202</u>	<u>13,298</u>
Total general government	<u>1,206,698</u>	<u>981,281</u>	<u>225,417</u>
Environmental:			
Other operating expenditures		162,167	
Capital outlay		344,754	
Total	<u>\$ 579,750</u>	<u>\$ 506,921</u>	<u>\$ 72,829</u>

Town of Sunset Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Streets:			
Salaries and benefits	\$	\$ 318,739	\$
Other operating expenditures		159,084	
Powell bill expenditures		216,146	
Capital outlay		-	
Total	<u>793,252</u>	<u>693,969</u>	<u>99,283</u>
Public safety:			
Police			
Salaries and benefits		1,063,144	
Other operating expenditures		134,754	
Capital outlay		110,216	
Total	<u>1,411,932</u>	<u>1,308,114</u>	<u>103,818</u>
Fire:			
Salaries and benefits		1,108,967	
Other operating expenditures		253,089	
Capital outlay		478,581	
Total	<u>1,955,156</u>	<u>1,840,637</u>	<u>114,519</u>
Total public safety	<u>3,367,088</u>	<u>3,148,751</u>	<u>218,337</u>
Inspections:			
Salaries and benefits		278,008	
Other operating expenditures		90,542	
Capital outlay		5,713	
Total	<u>433,209</u>	<u>374,263</u>	<u>58,946</u>
Planning and zoning:			
Other operating expenditures		9,030	
Capital outlay		-	
Total	<u>17,256</u>	<u>9,030</u>	<u>8,226</u>
Special projects:			
Other operating expenditures		8,914	
Capital outlay		-	
Total	<u>\$ 11,700</u>	<u>\$ 8,914</u>	<u>\$ 2,786</u>

Town of Sunset Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Hurricane Matthew Recovery:			
Other operating expenditures	\$	\$ 213,856	\$
Capital outlay		137,182	
Total	<u>408,000</u>	<u>351,038</u>	<u>56,962</u>
Debt service:			
Principal retirement		24,656	
Interest and fees		1,210	
Total	<u>25,900</u>	<u>25,866</u>	<u>34</u>
Total expenditures	<u>6,842,853</u>	<u>6,100,033</u>	<u>742,820</u>
Revenues over (under) expenditures	<u>(1,489,252)</u>	<u>(317,227)</u>	<u>1,172,025</u>
Other financing sources (uses):			
Proceeds from installment purchases		454,000	
Transfers from other funds		498,070	
Transfers (to) other funds		(1,532,851)	
Sale of capital assets		26,171	
Insurance recovery		27,560	
Total	<u>(588,624)</u>	<u>(527,050)</u>	<u>61,574</u>
Fund balance appropriated	<u>2,077,876</u>	-	<u>2,077,876</u>
Net change in fund balances	<u>\$ -</u>	<u>(844,277)</u>	<u>\$ (844,277)</u>
Fund balance, beginning		<u>6,758,042</u>	
Fund balance, ending		<u>\$ 5,913,765</u>	

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted for a particular purpose.

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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues:</u>			
Interest income	\$	\$ 1,206	\$
Local revenues		366,966	
Total revenues	<u>400,000</u>	<u>368,172</u>	<u>(31,828)</u>
<u>Expenditures:</u>			
Economic and physical development			
Beach improvements		14,682	
Capital outlay		86,218	
Total expenditures	<u>396,568</u>	<u>100,900</u>	<u>295,668</u>
Revenues over (under) expenditures	<u>3,432</u>	<u>267,272</u>	<u>(263,840)</u>
Other financing sources (uses):			
Transfers out	<u>(3,432)</u>	<u>(3,432)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>263,840</u>	<u>\$ 263,840</u>
Fund balance, beginning as previously reported		319,361	
Prior period adjustment (Note 3)		47,596	
Fund balance, beginning as restated		<u>366,957</u>	
Fund balance, ending		<u>\$ 630,797</u>	

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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues:</u>			
Interest income	\$	\$ 2,132	\$
Local revenues		-	
Miscellaneous		-	
Total revenues	<u>-</u>	<u>2,132</u>	<u>2,132</u>
<u>Expenditures:</u>			
Current:			
Economic and physical development			
Clear zone project		-	
Other improvements		-	
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>2,132</u>	<u>2,132</u>
Net change in fund balance	<u>\$ -</u>	<u>2,132</u>	<u>\$ 2,132</u>
Fund balance, beginning		<u>400,045</u>	
Fund balance, ending		<u>\$ 402,177</u>	

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, 2017

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Interest income	\$	\$ 706	\$
Local revenues		-	
Miscellaneous		-	
Total revenues	-	706	706
<u>Expenditures:</u>			
Current:			
Economic and physical development:			
Clear zone project		-	
Other improvements		-	
Total expenditures	-	-	-
Revenues over (under) expenditures	-	706	706
Net change in fund balance	\$ -	706	\$ 706
Fund balance, beginning		94,991	
Fund balance, ending		\$ 95,697	

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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues:</u>			
Interest income	\$	\$ 791	\$
Local revenues		-	
Miscellaneous		-	
Total revenues	<u>289,200</u>	<u>791</u>	<u>(288,409)</u>
<u>Expenditures:</u>			
Current:			
Economic and physical development			
Clear zone project		-	
Other improvements		289,188	
Total expenditures	<u>289,200</u>	<u>289,188</u>	<u>12</u>
Revenues over (under) expenditures	<u>-</u>	<u>(288,397)</u>	<u>(288,397)</u>
Other financing sources (uses):			
Transfers in/(out)	<u>-</u>	<u>142,827</u>	<u>142,827</u>
Net change in fund balance	<u>\$ -</u>	<u>(145,570)</u>	<u>\$ 145,570</u>
Fund balance, beginning		<u>145,570</u>	
Fund balance, ending		<u>\$ -</u>	

Town of Sunset Beach, North Carolina
Combining Balance Sheet
Nonmajor Governmental Fund
June 30, 2017

	<u>Festival Fund</u>	<u>Sunset Beach Park Fund</u>	<u>Accommodations Tax Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets</u>				
Cash and investments	\$ 23,267	\$ 104,233	\$ -	\$ 127,500
Accounts receivable	264	456	106,266	106,986
Total assets	<u>\$ 23,531</u>	<u>\$ 104,689</u>	<u>\$ 106,266</u>	<u>\$ 234,486</u>
 <u>Liabilities and Fund Balances</u>				
<u>Liabilities:</u>				
Accounts payable	<u>\$ 120</u>	<u>\$ 18,616</u>	<u>\$ 106,266</u>	<u>\$ 125,002</u>
 <u>Fund balances:</u>				
Restricted				
Stabilization by State Statute	264	456	106,266	106,986
Economic development	<u>23,147</u>	<u>85,617</u>	<u>(106,266)</u>	<u>2,498</u>
Total fund balances	<u>23,411</u>	<u>86,073</u>	<u>-</u>	<u>109,484</u>
 Total liabilities and fund balances	 <u>\$ 23,531</u>	 <u>\$ 104,689</u>	 <u>\$ 106,266</u>	 <u>\$ 234,486</u>

Town of Sunset Beach, North Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Fund
June 30, 2017

	<u>Festival Fund</u>	<u>Sunset Beach Park Fund</u>	<u>Accommodations Tax Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Revenues:</u>				
Local revenues	\$ 15,777	\$ 327,178	\$ -	\$ 342,955
Other taxes	-	-	550,449	550,449
Total revenues	<u>15,777</u>	<u>327,178</u>	<u>550,449</u>	<u>893,404</u>
<u>Expenditures:</u>				
Current:				
Economic development	<u>10,591</u>	<u>69,375</u>	<u>127,565</u>	<u>207,531</u>
Revenues over (under) expenditures	5,186	257,803	422,884	685,873
<u>Other Financing Sources (Uses):</u>				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(494,277)</u>	<u>(494,277)</u>
Net change in fund balances	5,186	257,803	(71,393)	191,596
Fund balance, beginning as previously reported	18,225	(34,404)	-	(16,179)
Prior period adjustment (Note 3)	<u>-</u>	<u>(137,326)</u>	<u>71,393</u>	<u>(65,933)</u>
Fund balance, beginning as restated	<u>18,225</u>	<u>(171,730)</u>	<u>71,393</u>	<u>(82,112)</u>
Fund balance, ending	<u>\$ 23,411</u>	<u>\$ 86,073</u>	<u>\$ -</u>	<u>\$ 109,484</u>

Town of Sunset Beach, North Carolina
Capital Projects Fund
Shoreline Management and Pre-Dredge Analysis Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
For the Year Ended June 30, 2017

	<u>Project Authorization</u>	<u>Prior Year Actual</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
State grants	\$ 2,779,327	\$ -	\$ 135,626	\$ 135,626	\$ (2,643,701)
Interest earned	-	-	442	442	442
Total revenues	<u>2,779,327</u>	<u>-</u>	<u>136,068</u>	<u>136,068</u>	<u>(2,643,701)</u>
Expenditures:					
Feasibility and design	242,106	-	-	-	242,106
Permitting	139,384	-	-	-	139,384
Construction	3,667,500	-	203,440	203,440	3,464,060
Monitoring	120,000	-	-	-	120,000
Total expenditures	<u>4,168,990</u>	<u>-</u>	<u>203,440</u>	<u>203,440</u>	<u>3,965,550</u>
Revenues under expenditures	(1,389,663)	-	(67,372)	(67,372)	1,322,291
Other financing sources (uses):					
Transfers from general fund	1,389,663	-	1,389,663	1,389,663	-
Total other sources (uses)	<u>1,389,663</u>	<u>-</u>	<u>1,389,663</u>	<u>1,389,663</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,322,291	<u>\$ 1,322,291</u>	<u>\$ 1,322,291</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 1,322,291</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues:</u>			
Interest income	\$	\$ -	\$
Local revenues		15,777	
Miscellaneous		-	
Total revenues	<u>11,660</u>	<u>15,777</u>	<u>4,117</u>
<u>Expenditures:</u>			
Current:			
Economic and physical development	<u>11,660</u>	<u>10,591</u>	<u>-</u>
Total expenditures	<u>11,660</u>	<u>10,591</u>	<u>1,069</u>
Revenues over (under) expenditures	<u>-</u>	<u>5,186</u>	<u>5,186</u>
Net change in fund balance	<u>\$ -</u>	<u>5,186</u>	<u>\$ 5,186</u>
Fund balance, beginning		<u>18,225</u>	
Fund balance, ending		<u>\$ 23,411</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, 2017

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Local revenues	\$	\$ 327,178	\$
Total revenues	867,646	327,178	(540,468)
 <u>Expenditures:</u>			
Current:			
Economic and physical development		69,375	
Total expenditures	867,646	69,375	798,271
Revenues over (under) expenditures	-	257,803	257,803
 Other financing sources:			
Transfers in	-	-	-
Net change in fund balance	\$ -	257,803	\$ 257,803
Fund balance, beginning as previously reported		(34,404)	
Prior period adjustment (Note 3)		(137,326)	
Fund balance, beginning as restated		(171,730)	
Fund balance, ending		\$ 86,073	

Town of Sunset Beach, North Carolina
Special Revenue Fund - Accommodations Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
For the Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Interest income	\$	\$ -	\$
Local revenues		-	
Other taxes		550,449	
Total revenues	600,000	550,449	(49,551)
 <u>Expenditures:</u>			
Current:			
Economic and physical development	128,193	127,565	-
Total expenditures	128,193	127,565	628
Revenues over (under) expenditures	471,807	422,884	(48,923)
 Other financing sources (uses):			
Transfers in/ (out)		(494,277)	
Total other sources (uses)	(471,807)	(494,277)	(22,470)
Net change in fund balance	\$ -	(71,393)	\$ (71,393)
Fund balance, beginning as previously reported		-	
Prior period adjustment (Note 3)		71,393	
Fund balance, beginning as restated		71,393	
Fund balance, ending		\$ -	

Other Schedules

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

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

Town of Sunset Beach, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2017

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2017</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2017</u>
2016-2017	\$ -	\$ 2,494,045	\$ 2,459,090	\$ 34,955
2015-2016	49,119	-	29,895	19,224
2014-2015	11,434	-	4,876	6,558
2013-2014	3,636	-	1,174	2,462
2012-2013	3,229	-	1,536	1,693
2011-2012	1,204	-	216	988
2010-2011	1,672	-	390	1,282
2009-2010	727	-	4	723
2008-2009	65	-	-	65
2007-2008	-	-	-	-
	<u>\$ 71,086</u>	<u>\$ 2,494,045</u>	<u>\$ 2,497,181</u>	<u>67,950</u>

Less: allowance for uncollectible accounts - General Fund (2,039)

Ad valorem taxes receivable - net \$ 65,911

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 2,513,262
Reconciling items:	
Discounts, releases, refunds	3,450
Interest collected	<u>(19,531)</u>
Total collections and credits	<u>\$ 2,497,181</u>

Town of Sunset Beach, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2017

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at					
current year's rate	\$ 1,552,266,250	\$ 0.16	\$ 2,483,626	\$ 2,401,271	\$ 82,355
Penalties	-		7,257	6,435	499
Total	1,552,266,250		2,490,883	2,407,706	82,854
Discoveries	1,976,250		3,162	3,162	-
Releases	-		-	-	-
Total property valuation	\$ 1,554,242,500				
Net levy			2,494,045	2,410,868	82,854
Uncollected taxes at June 30, 2017			(34,955)	(34,955)	-
Current year's taxes collected			\$ 2,459,090	\$ 2,375,913	\$ 82,854
Current levy collection percentage			98.60%	98.55%	100.00%

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the 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, 2017, 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 2, 2017. 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 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's ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

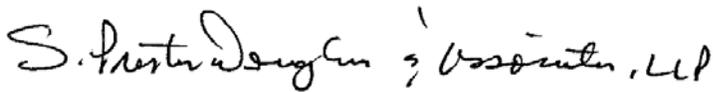
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider significant deficiencies such as item 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 did not disclose instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standard*.

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 results 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.

A handwritten signature in black ink that reads "S. Preston Douglas, CPA". The signature is written in a cursive style with a large initial "S".

Lumberton, North Carolina
October 2, 2017

Town of Sunset Beach, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2017

Section I. Summary of Auditor's Results
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Financial Statements

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
• Material weakness(es) identified?	_____ yes <u> X </u> no
• Significant deficiency(s) identified that are not considered to be material weaknesses	<u> X </u> yes _____ none reported
• Noncompliance material to financial statements	_____ yes <u> X </u> no

Town of Sunset Beach, North Carolina
Schedule of Findings and Responses (continued)
For the Fiscal Year Ended June 30, 2017

Section II. Financial Statement Findings

Finding 2017 – 001

SIGNIFICANT DEFICIENCY

Criteria: Guidance from the AICPA suggests a material prior period adjustment should be considered a significant deficiency.

Condition: Beginning fund balances and net position at July 1, 2016 were materially understated. Details of the prior period adjustments are shown on page 41.

Effect: June 30, 2016 audited financial statements presented balances in net position that were materially understated.

Cause: The Finance Director did not adequately review the June 30, 2016 audited financial statements before issuance.

Repeat Finding: There was no indication this matter is a repeat finding.

Recommendation: We recommend that the Finance Director perform a careful review of the audit report before issuance.

Views of responsible officials and planned corrective actions:

Town officials understand this audit corrects deficiencies from at least two prior fiscal years and agree with the finding. The current Finance Director has taken action to ensure the same mistakes are not made in future fiscal years.