

REVIEWED

By SLGFD at 4:49 pm, Oct 20, 2021

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

Audited Financial Statements

Year Ended June 30, 2021



Town of Sunset Beach, North Carolina

Audited Financial Statements

For the Year Ended June 30, 2021

TOWN COUNCIL

Thomas Bormann

Jamie Phillips

Jan Harris

Charles Nern

OFFICIALS

Mayor

Shannon Phillips

Mayor Pro-Tem

John Corbett

Finance Director

Tara Dropp

Town of Sunset Beach, North Carolina
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June 30, 2021

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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, 2021, 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, 2021, 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 9, respectively, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 48 and 49 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 50 and 51, and the Schedule of the Proportionate Share of the Net OPEB Liability and contributions, on pages 52 and 53 respectively 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 1, 2021 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 1, 2021

Management's Discussion and Analysis

**Town of Sunset Beach, North Carolina
Management's Discussion and Analysis
June 30, 2021**

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, 2021. 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

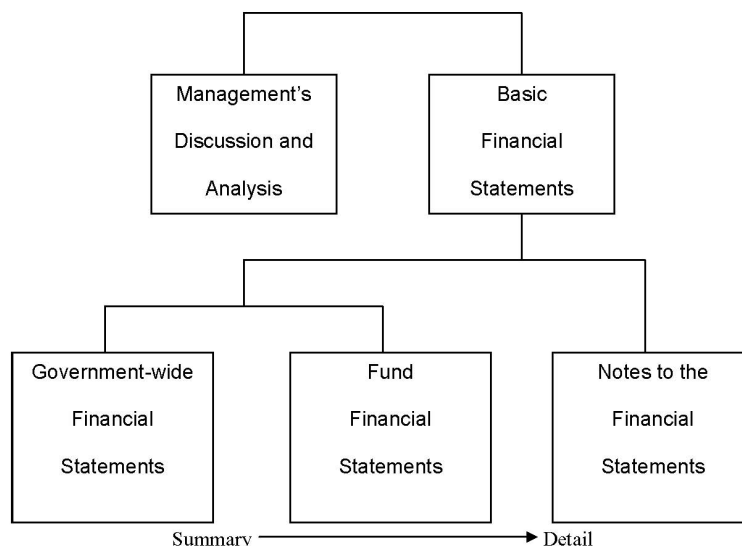
- The assets and deferred outflows of the Town of Sunset Beach exceeded its liabilities and deferred inflows at the close of the fiscal year by \$21,451,360 (net position).
- The government's total net position increased by \$1,344,516, primarily due to large increases in charges for services and property tax amounts.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,566,439 or approximately 94.52% 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 \$12,556,843 with an increase of \$1,336,147 in fund balances.

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, 2021

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 gauge 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, transportation, inspections, stormwater, economic and physical development, environmental protection, 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 10 and 11 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, 2021

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 18-47 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 48 of this report.

Government-Wide Financial Analysis

The Town of Sunset Beach's Net Position

Figure 2

	Governmental Activities 2021	Governmental Activities 2020
Current and other assets	\$ 12,730,535	\$ 11,681,122
Capital assets	16,671,979	15,988,985
Total assets	<u>29,402,514</u>	<u>27,670,107</u>
Deferred Outflows of Resources	<u>2,504,660</u>	<u>2,196,340</u>
Current liabilities	366,743	594,098
Long-term liabilities	7,866,460	7,145,034
Total liabilities	<u>8,233,203</u>	<u>7,739,132</u>
Deferred Inflows of Resources	<u>2,222,611</u>	<u>2,020,471</u>
Net position		
Net investment in capital assets	15,837,598	15,681,847
Restricted	4,605,847	4,222,167
Unrestricted	1,007,915	202,830
Total net position	<u>\$ 21,451,360</u>	<u>\$ 20,106,844</u>

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 \$21,451,360 at the close of the current fiscal year. The Town's net position increased by \$1,344,516 for the fiscal year ended June 30, 2021. By far the largest portion of the Town's net position, 73.83%, 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, 2021

Government-Wide Financial Analysis (continued)

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, 21.47%, 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 \$1,007,915.

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

	Governmental Activities 2021	Governmental Activities 2020
Revenues:		
Program revenues:		
Charges for services	\$ 3,147,611	\$ 2,884,149
Operating grants and contributions	213,009	162,320
General revenues		
Property taxes	2,845,128	2,814,388
Other taxes	2,853,553	2,326,780
Other	184,235	594,922
Total revenues	<u>9,243,536</u>	<u>8,782,559</u>
Expenses:		
General government	1,495,113	1,327,971
Public safety	3,737,787	3,541,414
Transportation	836,145	750,807
Inspections	368,008	495,922
Special projects	634,127	637,673
Planning and zoning	147,551	-
Economic and physical develop.	308,852	265,447
Environmental protection	361,672	398,049
Interest on long-term debt	9,765	10,246
Total expenses	<u>7,899,020</u>	<u>7,427,529</u>
Increase in net position	1,344,516	1,355,030
Net position, beginning	20,106,844	18,751,814
Net position - ending	<u>\$ 21,451,360</u>	<u>\$ 20,106,844</u>

Town of Sunset Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-Wide Financial Analysis (continued)

Governmental activities. Governmental activities increased the Town's net position by \$1,344,516, which was a \$10,514 decrease from the prior year change in net position of \$1,355,030. Key elements of this change are as follows:

- Increase in charges for services in the amount of \$263,462.
- Increase in property taxes in the amount of \$30,740.
- Increases in general government, public safety, transportation, and economic and physical development expenses of \$167,142, \$196,373, \$85,338, and \$43,405, respectively.

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 \$7,566,439 with a total fund balance of \$10,883,971. 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 94.52% 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

The Town of Sunset Beach's investments in capital assets for its governmental activities as of June 30, 2021, totals \$16,671,979 (net of accumulated depreciation). The investments in capital assets includes land, buildings, improvements, furniture and equipment, infrastructure (including distribution systems), and vehicles.

Major capital asset transactions during the year include the following:

- Purchase of land adjacent to the fire department in the amount of \$75,895. The Town plans to utilize this land for a staging area for materials and equipment for public works and stormwater at this time.
- Purchase of fire truck in the amount of \$847,216.

Town of Sunset Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Capital Assets and Debt Administration (continued)

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

	Governmental Activities	
	2021	2020
Land & construction in progress	\$ 6,099,488	\$ 5,864,432
Buildings	3,801,780	3,919,135
Land Improvements	-	394
Equipment	853,255	954,396
Vehicles	2,168,678	1,328,017
Infrastructure	3,748,778	3,922,611
Total capital assets, net	\$ 16,671,979	\$ 15,988,985

Additional information on the Town's capital assets can be found in the notes on page 27 of this report.

Long-term debt. As of June 30, 2021, the Town of Sunset Beach had total installment purchase debt outstanding of \$834,381. The installment debt is backed by security interest in the property for which it was issued.

The Town of Sunset Beach's Outstanding Liabilities
Figure 5

	Governmental Activities	
	2021	2020
Installment purchase	\$ 834,381	\$ 307,138
Net pension liability (LGRS)	1,705,596	1,184,674
Compensated absences	220,997	215,798
Total OPEB Liability	4,734,542	5,160,614
Total pension liability (LEO)	582,734	438,344
Total outstanding debt	\$ 8,078,250	\$ 7,306,568

Town of Sunset Beach Outstanding Debt

The Town of Sunset Beach's total debt increased by \$771,682, or 10.56%, during the past fiscal year. Key factors in this increase include a \$520,922 increase in the total Net Pension liability and a new installment debt of \$572,216 issued for the purchase of a 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 \$142,210,200 (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 45 of this report.

**Town of Sunset Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021**

Economic Factors and Next Year's Budgets and Rates

- Unemployment remained steady.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities:

Revenue Items

Recommended Property Tax Revenue is based on the Ad Valorem Tax Rate of 16 cents per \$100 assessed valuation. There is no change from the prior year tax rate of 16 cents per \$100 assessed valuation. Each cent (\$0.01) on the real property tax rate is equivalent to approximately \$168,248, after adjusting for the tax collection rate. Sales and Use Taxes of \$1,420,000 are budgeted with an anticipated increase of \$370,000 from the current year's budgeted revenues. This increase is due to FY 20/21 being collected at approximately 13% above expected collections and include the NCLM projected increase for FY 21/22. Fire fees of \$2,081,000 reflect this year's collection estimate from Brunswick County. Current year revenues do not include an increase in Fire Fees. An increase in revenues in the Accommodations Tax Fund and the Beach Tax Fund reflects the expected revenues noted in the current fiscal year's occupancy tax collections. FY 20/21 far exceeded our expectations and the continued trending is reflected in the projections for FY 21/22.

Expenditure Items

The Governing Board includes budgeted funds in Elections to reflect a municipal election year. This expenditure will be removed next fiscal year. This expense is related to the actual costs that the Town will reimburse to the County Board of Elections. Administration and Finance include an adjustment to Salaries and Wages due to the Finance Technician/Front Desk position being accounted for in Finance and removed from Administration. The Public Infrastructure budget has an increased budget due to the construction of the parking lot on the town-owned land adjacent to Town Hall and the purchase of fountains in the town-owned ponds for mosquito control. The Police Department budget includes capital expenditures along with potential promotions, a fitness incentive program, Lexipol to help with policy and procedures and replacement of tasers. The Fire Department budget includes capital expenditures, an increase in department supplies, and uniforms, and the additional fire truck payment. There is currently \$92,735 budgeted to be transferred from the assigned fund balance for the Fire Department capital needs. The Inspections Department budget includes an additional software fee, no capital expenditures and has minimal adjustments. The Streets Department includes a part-time employee program. The Stormwater Department will continue to follow the 10-year plan and includes a part-time employee program. The Sanitation Department reflects an adjustment to Landfill costs and the managing of GFL in the budget. The changes in the Environmental Protection budget reflect the removal of Natural Disaster Reimbursement Funds. The Planning Department includes year one of a two-year plan with the Cape Fear COG for the UDO audit and update.

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, 2021

	Primary Government		
	Governmental		Sunset Beach
	Activities	Total	ABC Board
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 11,807,012	\$ 11,807,012	\$ 201,397
Restricted cash and cash equivalents	137,782	137,782	-
Taxes receivables, net	22,590	22,590	-
Accounts receivable, net	763,151	763,151	-
Inventory	-	-	297,960
Total current assets	12,730,535	12,730,535	499,357
Noncurrent assets:			
Capital assets (Note 3):			
Land, non-depreciable improvements, and construction in progress	6,099,488	6,099,488	220,572
Other capital assets, net of depreciation	10,572,491	10,572,491	505,401
Total capital assets	16,671,979	16,671,979	725,973
Total assets	29,402,514	29,402,514	1,225,330
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	1,237,932	1,237,932	39,995
OPEB deferrals	1,266,728	1,266,728	-
Total deferred outflows of resources	2,504,660	2,504,660	39,995
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	154,953	154,953	44,900
Current portion of long-term liabilities	211,790	211,790	174,976
Total current liabilities	366,743	366,743	219,876
Long-term liabilities:			
Net pension liability	1,705,596	1,705,596	36,806
Total pension liability	582,734	582,734	-
Total OPEB Liability	4,734,542	4,734,542	-
Due in more than one year	843,588	843,588	-
Total liabilities	8,233,203	8,233,203	256,682
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	116,038	116,038	19
OPEB deferrals	2,106,573	2,106,573	-
Total deferred inflows of resources	2,222,611	2,222,611	19
NET POSITION			
Net investment in capital assets	15,837,598	15,837,598	550,997
Restricted for:			
Streets	137,782	137,782	-
Stabilization by State Statute	713,160	713,160	-
Beach nourishment and protection	3,754,905	3,754,905	-
Working capital	-	-	69,932
Unrestricted	1,007,915	1,007,915	386,695
Total net position	\$ 21,451,360	\$ 21,451,360	\$ 1,007,624

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

Town of Sunset Beach, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total	Sunset Beach ABC Board
Primary government:							
Governmental Activities:							
General government	\$ 1,495,113	\$ 1,305	\$ 68,769	\$ -	\$ (1,425,039)	\$ (1,425,039)	\$ -
Public safety	3,737,787	2,089,152	-	-	(1,648,635)	(1,648,635)	-
Transportation	836,145	-	144,240	-	(691,905)	(691,905)	-
Inspections	368,008	442,154	-	-	74,146	74,146	-
Stormwater	634,127	-	-	-	(634,127)	(634,127)	-
Economic and physical develop.	308,852	615,000	-	-	306,148	306,148	-
Planning and zoning	147,551	-	-	-	(147,551)	(147,551)	-
Environmental protection	361,672	-	-	-	(361,672)	(361,672)	-
Interest on long-term debt	9,765	-	-	-	(9,765)	(9,765)	-
Total governmental activities	7,899,020	3,147,611	213,009	-	(4,538,400)	(4,538,400)	-
Component unit:							
Sunset Beach ABC Board	\$ 2,252,481	\$ 2,354,086	\$ -	\$ -	\$ -	\$ -	\$ 101,605
Total component unit	\$ 2,252,481	\$ 2,354,086	\$ -	\$ -	\$ -	\$ -	\$ 101,605
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,845,128	2,845,128	-
Local option sales tax					1,491,066	1,491,066	-
Other taxes					1,362,487	1,362,487	-
Investment earnings, unrestricted					2,746	2,746	234
Miscellaneous, unrestricted					181,489	181,489	418
Total general revenues					5,882,916	5,882,916	652
Change in net position					1,344,516	1,344,516	102,257
Net position, beginning					20,106,844	20,106,844	905,367
Net position, ending					\$ 21,451,360	\$ 21,451,360	\$ 1,007,624

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, 2021

	Major Funds		Total	Total
	General	Dredging	Non-Major	Governmental
	Fund	Project Fund	Funds	Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 10,134,140	\$ 1,644,920	\$ 27,952	\$ 11,807,012
Restricted cash and cash equivalents	137,782	-	-	137,782
Taxes receivable, net	22,590	-	-	22,590
Accounts receivable, net	755,326	-	7,825	763,151
Total assets	\$ 11,049,838	\$ 1,644,920	\$ 35,777	\$ 12,730,535
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities	\$ 143,277	\$ -	\$ 7,825	\$ 151,102
Total liabilities	143,277	-	7,825	151,102
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Property taxes receivable	22,590	-	-	22,590
Total deferred inflows of resources	22,590	-	-	22,590
<u>FUND BALANCES</u>				
Restricted				
Stabilization by State Statute	713,160	-	-	713,160
Streets - Powell Bill	137,782	-	-	137,782
Beach nourishment and protection	2,109,985	1,644,920	-	3,754,905
Committed				
Economic development	-	-	27,952	27,952
Assigned				
Subsequent year's expenditures	356,605	-	-	356,605
Unassigned	7,566,439	-	-	7,566,439
Total fund balances	10,883,971	1,644,920	27,952	12,556,843
Total liabilities, deferred inflows of resources and fund balances	\$ 11,049,838	\$ 1,644,920	\$ 35,777	\$ 12,730,535

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, 2021

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance, Governmental Funds		\$ 12,556,843
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$ 22,200,212	
Accumulated depreciation	<u>(5,528,233)</u>	16,671,979
Deferred outflows of resources related to OPEB are not reported in the funds.		1,266,728
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.		(846)
Deferred outflows of resources related to pensions are not reported in the fund statements.		1,237,932
Earned revenues considered deferred inflows of resources in fund statements		22,590
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Gross long-term debt beginning	(522,936)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(532,442)	
Total pension liability	(582,734)	
OPEB liability	(4,734,542)	
Net pension liability	<u>(1,705,596)</u>	(8,078,250)
Deferred inflows of resources related to pensions are not reported in the funds		(116,038)
Deferred inflows of resources related to OPEB are not reported in the funds.		(2,106,573)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		<u>(3,005)</u>
Net position of governmental activities		<u><u>\$ 21,451,360</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, 2021

	Major Funds		Total	Total
	General	Dredging	Non-Major	Governmental
	Fund	Project Fund	Funds	Funds
Revenues:				
Ad valorem taxes	\$ 2,844,282	\$ -	\$ -	\$ 2,844,282
Other taxes and licenses	2,034,789	-	774,936	2,809,725
Unrestricted intergovernmental	2,078,617	-	-	2,078,617
Restricted intergovernmental	213,009	-	-	213,009
Permits and fees	522,210	-	4,797	527,007
Sales and services	615,000	-	-	615,000
Investment earnings	2,421	325	-	2,746
Total revenues	8,310,328	325	779,733	9,090,386
Expenditures:				
General government	1,429,674	-	-	1,429,674
Public safety	4,348,918	-	-	4,348,918
Transportation	778,994	-	-	778,994
Inspections	339,452	-	-	339,452
Stormwater	622,380	-	-	622,380
Environmental protection	221,859	124,770	-	346,629
Planning and zoning	147,551	-	-	147,551
Economic development	64,960	-	348,469	413,429
Debt service	51,733	-	-	51,733
Total expenditures	8,005,521	124,770	348,469	8,478,760
Excess (deficiency) of revenues over expenditures	304,807	(124,445)	431,264	611,626
Other financing sources (uses)				
Transfers from other funds	426,567	-	-	426,567
Transfers (to) other funds	-	-	(426,567)	(426,567)
Sale of capital assets	29,521	-	-	29,521
Installment proceeds	572,216	-	-	572,216
Insurance recovery	122,784	-	-	122,784
Total other financing sources (uses)	1,151,088	-	(426,567)	724,521
Net change in fund balances	1,455,895	(124,445)	4,697	1,336,147
Fund balance, beginning	9,428,076	1,769,365	23,255	11,220,696
Fund balances, ending	\$ 10,883,971	\$ 1,644,920	\$ 27,952	\$ 12,556,843

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, 2021

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Net change in fund balances - total governmental funds	\$	1,336,147
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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	\$ 1,503,959	
Gain on disposal of assets	(19,068)	
Depreciation expense for governmental assets	<u>(808,860)</u>	676,031

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	470,310
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OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	183,311
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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	846
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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.

Decrease in accrued interest payable	(3,006)	
New long-term debt issued	(572,216)	
Principal payments on long-term debt	<u>44,973</u>	(530,249)

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	(5,199)	
OPEB plan revenue (expense)	(67,523)	
Pension revenue (expense)	<u>(719,158)</u>	<u>(791,880)</u>

Total changes in net position of governmental activities	\$	<u>1,344,516</u>
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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, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 2,732,410	\$ 2,799,090	\$ 2,844,282	\$ 45,192
Other taxes and licenses	2,015,000	2,034,788	2,034,789	1
Unrestricted intergovernmental	1,538,200	1,600,020	2,078,617	478,597
Restricted intergovernmental	143,500	205,086	213,009	7,923
Permits and fees	314,600	327,525	522,210	194,685
Sales and services	80,000	97,700	97,965	265
Investment earnings	41,930	39,957	2,266	(37,691)
Total revenues	<u>6,865,640</u>	<u>7,104,166</u>	<u>7,793,138</u>	<u>688,972</u>
Expenditures:				
Current:				
General government	1,346,500	1,631,557	1,429,674	201,883
Public safety	3,472,590	4,674,221	4,348,918	325,303
Transportation	743,410	825,110	778,994	46,116
Inspections	356,150	367,150	339,452	27,698
Stormwater	577,520	659,220	622,380	36,840
Environmental protection	98,000	98,000	34,171	63,829
Sanitation	198,000	215,700	187,688	28,012
Planning and zoning	143,820	188,820	147,551	41,269
Debt service:				
Principal retirement	41,200	44,973	44,973	-
Interest and other charges	10,500	6,762	6,760	2
Total expenditures	<u>6,987,690</u>	<u>8,711,513</u>	<u>7,940,561</u>	<u>770,952</u>
Revenues over (under) expenditures	<u>(122,050)</u>	<u>(1,607,347)</u>	<u>(147,423)</u>	<u>1,459,924</u>
Other financing sources (uses):				
Transfers from other funds	122,050	122,050	426,567	304,517
Installment proceeds		572,216	572,216	
Sale of capital assets	-	-	29,521	29,521
Insurance recovery	-	6,649	122,784	116,135
Total other financing sources (uses)	<u>122,050</u>	<u>700,915</u>	<u>1,151,088</u>	<u>450,173</u>
Fund balance appropriated	<u>-</u>	<u>906,432</u>	<u>-</u>	<u>906,432</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,003,665</u>	<u>\$ 1,003,665</u>
Fund balance, beginning			<u>7,770,321</u>	
Fund balance, ending			<u>\$ 8,773,986</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, 2021

Fund balance - end of year	\$ 8,773,986
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A legally budgeted Beach Erosion Fund is consolidated into the General fund for reporting purposes:

Investment earnings	155
Local revenues	517,035
Expenditures	(64,960)
Fund balance - beginning	1,657,755
Fund balance - ending	2,109,985
 Fund balance - end of year (consolidated)	 \$ 10,883,971

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, 2021

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 are generally 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 town has no fiduciary funds to report. 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, and the Future Street Paving Fund are consolidated into the General Fund. The budgetary comparison for the Future Development Fund, Beach Erosion Fund, and the Future Street Paving Fund have been included in the supplemental information.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B - Basis of Presentation (continued)

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

Main Street Sidewalk Project Fund - This fund is used to account for the construction associated with widening and maintaining the sidewalk along Main Street.

The Town reports the following non-major governmental funds:

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

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, 2021

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 Fund. All annual appropriations lapse at the fiscal-year end. 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). The Town's and the ABC Board's investments are generally reported at fair value.

The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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, 2021

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.

Governmental Activities	
General Fund	
Streets	\$ 137,782
Total Governmental Activities	<u>137,782</u>
 Total Restricted Cash	 <u><u>\$ 137,782</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes 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, 2020. 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, 2021

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 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 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 related deferrals for the 2021 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, 2021

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, 2021

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 - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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 Economic Development - portion of fund balance committed by the Board for economic development.

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

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

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

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)

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.

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.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Benefit Fund (RHBF and additions to/deductions from RHBF's fiduciary net position have been determined on the same basis as they are reported by RHBF.) For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

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, 2021

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, 2021, the Town's deposits had a carrying amount of \$4,171,103 and a bank balance of \$4,281,782. 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 \$200,497 and the bank balance was \$300,353. Also, the ABC Board's petty cash totaled \$900 at June 30, 2021. All of the bank balance was covered by federal depository insurance. At June 30, 2021, the Town's petty cash totaled \$250.

2. Investments

At June 30, 2021, the Town had \$7,773,441 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, 2021 are net of the following allowance for doubtful accounts:

General Fund:	
Taxes receivable	\$ 699
Total	<u><u>\$ 699</u></u>

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

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, 2021, was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,376,906	\$ 75,895	\$ -	\$ 5,452,801
Construction in progress	487,526	159,161	-	646,687
Total capital assets not being depreciated	5,864,432	235,056	-	6,099,488
Capital assets being depreciated:				
Buildings	5,427,961	-	-	5,427,961
Land improvements	36,969	-	-	36,969
Equipment and furniture	2,134,800	147,074	91,863	2,190,011
Vehicles	2,913,851	1,121,831	65,960	3,969,722
Infrastructure	4,476,061	-	-	4,476,061
Total capital assets being depreciated	14,989,642	1,268,905	157,823	16,100,724
Less accumulated depreciation for:				
Buildings	1,508,826	117,355	-	1,626,181
Land improvements	36,575	394	-	36,969
Equipment and furniture	1,180,404	236,108	79,756	1,336,756
Vehicles	1,585,834	281,170	65,960	1,801,044
Infrastructure	553,450	173,833	-	727,283
Total accumulated depreciation	4,865,089	808,860	145,716	5,528,233
Total capital assets being depreciated, net	10,124,553			10,572,491
Governmental activities capital assets, net	\$ 15,988,985			\$ 16,671,979

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

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	\$ 163,519
Public safety	365,052
Inspections	16,543
Transportation	123,285
Stormwater	84,746
Environmental protection	15,043
Economic and physical development	40,672
Total depreciation expense	\$ 808,860

Discretely presented component unit

Below are the balances for the ABC Board for the year ended June 30, 2021:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 220,572	\$ -	\$ -	\$ 220,572
Total capital assets not being depreciated	220,572	-	-	220,572
Capital assets being depreciated:				
Buildings and improvements	670,536	-	-	670,536
Equipment	26,176	9,725	-	35,901
Total capital assets being depreciated	696,712	9,725	-	706,437
Less accumulated depreciation for:				
Buildings and improvements	158,695	13,411	-	172,106
Equipment	26,985	1,945	-	28,930
Total accumulated depreciation	170,587	15,356	-	201,036
Total capital assets being depreciated, net	526,125			505,401
ABC Board capital assets, net	\$ 746,697			\$ 725,973

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% 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 \$470,310 for the year ended June 30, 2021.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

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, 2021, the Town reported a liability of \$1,705,596 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020, the Town's proportion was 0.04773%, which was a decrease of 0.00435% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$741,955. At June 30, 2021, 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	\$ 215,387	\$ -
Changes of assumptions	126,930	-
Net difference between projected and actual earnings on pension plan investments	240,017	-
	22,181	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	31,390
Town contributions subsequent to the measurement date	470,310	-
Total	<u><u>\$ 1,074,825</u></u>	<u><u>\$ 31,390</u></u>

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

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)

\$470,310 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 153,531
2023	218,845
2024	129,717
2025	71,033
2026	-
Thereafter	-
	<u><u>\$ 573,126</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2019 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 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 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, 2019 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, 2021

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, 2020 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	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 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 7.00%. 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 liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 3,460,469	\$ 1,705,596	\$ 247,174

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

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 Annual Comprehensive Financial Report 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, 2019, the Separation Allowance's membership consisted of:

	Law Enforcement Officers
Retirees and dependents receiving benefits	3
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, 2021

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, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 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, 2019.

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 \$41,691 in contributions for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$582,734. The total pension liability was measured as of December 31, 2020, based on a December 31, 2019, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$18,896.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,896	\$ 76,902
Changes of assumptions and other inputs	134,211	7,746
Total	<u>\$ 163,107</u>	<u>\$ 84,648</u>

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

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)

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

2022	\$ (17,045)
2023	18,030
2024	31,795
2025	27,872
2026	17,807
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 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$631,299	\$582,734	\$538,374

	<u>2021</u>
Beginning balance	\$ 438,344
Service Cost	23,704
Interest on the total pension liability	13,610
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	1,260
Changes of assumptions or other inputs	147,507
Benefit payments	(41,691)
Other changes	-
Ending balance of the total pension liability	<u>\$ 582,734</u>

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

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)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 741,955	\$ 18,896	\$ 760,851
Pension Liability	1,705,596	582,734	2,288,330
Proportionate share of the net pension liability	0.04338%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	215,387	28,896	244,283
Changes of assumptions	126,930	134,211	261,141
Net difference between projected and actual earnings on plan investments	240,017	-	240,017
Changes in proportion and differences between contributions and proportionate share of contributions	22,181	-	22,181
Benefit payments and administrative costs paid subsequent to the measurement date	470,310	-	470,310
Deferred Inflows of Resources			
Differences between expected and actual experience	-	76,902	76,902
Changes of assumptions	-	7,746	7,746
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	31,390	-	31,390

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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, 2021 were \$40,020, which consisted of \$24,874 from the Town and \$15,146 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

e. Other Postemployment 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, 2021, 2020, and 2019, the Town paid all annual required contributions to the Plan for postemployment healthcare benefits of \$183,311, \$179,040, and \$160,325, respectively.

Membership of the healthcare benefit Plan consisted of the following at December 31, 2020, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	4	3
Active plan members	10	17
Total	14	20

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

e. Other Postemployment Benefits (continued)

Healthcare Benefits (continued)

At June 30, 2021, the Town reported a liability of \$4,734,542 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net OPEB liability was based on a projection of the Town's present value of future salary, actuarially determined. At June 30, 2020, the Town's proportion was 0.01707%.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,289	\$ 185,221
Changes of assumptions	207,637	1,921,352
Net difference between projected and actual earnings on pension plan investments	9,974	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	861,517	-
Town contributions subsequent to the measurement date	183,311	-
Total	<u>\$ 1,266,728</u>	<u>\$ 2,106,573</u>

\$183,311 reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2022	\$ 389,041
2023	388,521
2024	138,163
2025	735
2026	106,697
Thereafter	-
	<u>\$ 1,023,157</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2019 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2020. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, 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 mortality rates also contain a provision to reflect future mortality improvements.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

e. Other Postemployment Benefits (continued)

Healthcare Benefits (continued)

The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges 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 and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class 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	<u>100.0%</u>	

The actuarial assumptions applied to all periods included in this measurement are summarized in the following table:

Inflation	3.00 percent
Salary increases	2.50 percent, average, including inflation
Discount rate	3.18 Percent
Healthcare cost trend rate - medical	6.50 percent
Healthcare cost trend rate - prescription drug	7.25 percent
Healthcare cost trend rate - administrative	3.00 percent

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 2.21%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

e. Other Postemployment Benefits (continued)

Healthcare Benefits (continued)

Sensitivity of the Town's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Town's proportionate share of the net OPEB liability, if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Net OPEB Liability	\$ 5,614,867	\$ 4,734,542	\$ 4,025,293

Sensitivity of the Town's proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the Town's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage point higher (3.21 percent) than the current discount rate:

	1% Decreases (Medical-5.50% Pharmacy-6.25% Administrative- 2.00%)	Health Trend Rates (Medical-6.50% Pharmacy-7.25% Administrative- 3.00%)	1% Increase (Medical-7.50% Pharmacy-8.25% Administrative- 4.00%)
Net OPEB Liability	\$ 3,816,897	\$ 4,734,542	\$ 5,961,098

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

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

e. Other Postemployment Benefits (continued)

Healthcare Benefits (continued)

The following is information related to the proportionate share and pension expense:

	<u>OPEB</u>
Pension Expense	\$ 148,627
Pension Liability	4,734,542
Proportionate share of the net pension liability	0.01707%
Deferred Outflows of Resources	
Differences between expected and actual experience	4,289
Changes of assumptions	207,637
Net difference between projected and actual earnings on plan investments	9,974
Changes in proportion and differences between contributions and proportionate share of contributions	861,517
Benefit payments and administrative costs paid subsequent to the measurement date	183,311
Deferred Inflows of Resources	
Differences between expected and actual experience	185,221
Changes of assumptions	1,921,352
Net difference between projected and actual earnings on plan investments	-
Changes in proportion and differences between contributions and proportionate share of contributions	-

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

f. Other Employment Benefits

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.

2. Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to the pension plan in the current fiscal year	\$ 470,310
Benefit payments and administrative expenses for OPEB made subsequent to the measurement date	183,311
Differences between expected and actual experience	248,572
Changes of assumptions	468,778
Net difference between projected and actual earnings on pension plan investments	249,991
Changes in proportion and differences between Town contributions and proportionate share of contributions	883,698
Total	<u><u>\$ 2,504,660</u></u>

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

2. Deferred Outflows and Inflows of Resources (continued)

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)	\$ -	\$ 22,590
Changes in assumptions	1,929,098	-
Differences between expected and actual experience	262,123	-
Net difference between projected and actual	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	31,390	-
Total	<u>\$ 2,222,611</u>	<u>\$ 22,590</u>

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in 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.

4. Claims, Judgements, and Contingent Liabilities

At June 30, 2021, 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, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations

a. Installment Purchase

Governmental Activities

On February 27, 2017, the Town entered into a direct placement 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, 2021 was \$262,165.

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
2022	\$ 44,753	\$ 6,980
2023	46,006	5,727
2024	47,283	4,451
2025	48,618	3,117
2026	49,979	1,755
2027	25,527	354
Total	<u>\$ 262,165</u>	<u>\$ 22,384</u>

On April 15, 2021, the Town entered into a direct placement installment purchase agreement to finance the acquisition of a new fire truck. The financing contract requires semi-annual principal payments to begin October 15, 2021, with an interest rate of 1.58 percent. The note totaled \$572,216 and is to be repaid over 10 years. The balance of this note at June 30, 2021 was \$572,216.

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
2022	\$ 53,255	\$ 8,831
2023	54,100	7,987
2024	54,958	7,128
2025	55,830	6,257
2026	56,715	5,371
2027-2031	297,359	13,073
Total	<u>\$ 572,216</u>	<u>\$ 48,647</u>

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

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	\$ 307,138	\$ 572,216	\$ (44,973)	\$ 834,381	\$ 96,790
Compensated absences	215,798	120,678	(115,479)	220,997	115,000
Total OPEB liability	5,160,614	-	(426,072)	4,734,542	-
Net pension liability (LGRS)	1,184,674	520,922	-	1,705,596	-
Total Pension Liability	438,344	144,390	-	582,734	-
Governmental activity long-term liabilities	<u>\$ 7,306,568</u>	<u>\$ 1,358,206</u>	<u>\$ (586,524)</u>	<u>\$ 8,078,250</u>	<u>\$ 211,790</u>

C - Interfund Balances and Activity

Transfers to/from other funds at June 30, 2021, consist of the following:

From the Accommodations Tax Fund to the General Fund	<u>\$ 426,567</u>
Total	<u><u>\$ 426,567</u></u>

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

During 2021 fiscal year, The Town made a one-time transfer of \$426,567 from the Accommodations Tax Fund to the General Fund per the allowed legislation of Occupancy Tax.

D - Net Investment in Capital Assets

	<u>Governmental</u>
Capital assets	\$ 16,671,979
less: long-term debt	(834,381)
Net investment in capital assets	<u><u>\$ 15,837,598</u></u>

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

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	\$ 10,883,971
Less:	
Stabilization by State Statute	713,160
Streets - Powell Bill	137,782
Beach Nourishment and Protection	2,109,985
Subsequent year's expenditures	356,605
Remaining Fund Balance	\$ 7,566,439

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

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, 2021. 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.

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 1, 2021 which is the date the financial statements were available to be issued.

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
- Schedule of Proportionate Share of Net OPEB Liability (Asset)
- Schedule of Town Contributions, Retiree Health Benefit Fund

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

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Sunset Beach's proportion of the net pension liability (asset) (%)	0.04773%	0.04338%	0.04373%	0.04040%	0.04361%	0.04891%	0.04968%	0.04770%
Sunset Beach's proportion of the net pension liability (asset) (\$)	\$ 1,705,596	\$ 1,184,674	\$ 1,037,425	\$ 617,200	\$ 925,551	\$ 219,505	\$ (292,986)	\$ 574,968
Sunset Beach's covered-employee payroll	\$ 2,758,830	\$ 2,557,011	\$ 2,325,465	\$ 2,118,716	\$ 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	61.82%	46.33%	44.61%	29.13%	43.56%	10.68%	-12.57%	24.66%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45

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

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

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

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 470,310	\$ 431,552	\$ 365,088	\$ 321,140	\$ 282,636	\$ 264,272	\$ 260,312	\$ 292,360
Contributions in relation to the contractually required contribution	470,310	431,552	365,088	321,140	282,636	264,272	260,312	292,360
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Sunset Beach's covered-employee payroll	\$ 2,755,381	\$ 2,758,830	\$ 2,557,011	\$ 2,325,465	\$ 2,118,716	\$ 2,124,699	\$ 2,055,818	\$ 2,331,344
Contributions as a percentage of covered-employee payroll	17.07%	15.64%	14.28%	13.81%	13.34%	12.44%	12.66%	12.54%

Town of Sunset Beach, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 438,344	\$ 428,458	\$ 387,290	\$ 674,793	\$ 696,953
Service Cost	23,704	20,045	24,969	17,754	23,988
Interest on the total pension liability	13,610	14,837	11,647	25,143	23,884
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	1,260	4,636	56,939	(303,078)	-
Changes of assumptions or other inputs	147,507	12,059	(14,934)	19,517	(14,173)
Benefit payments	(41,691)	(41,691)	(37,453)	(46,839)	(55,859)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u><u>\$ 582,734</u></u>	<u><u>\$ 438,344</u></u>	<u><u>\$ 428,458</u></u>	<u><u>\$ 387,290</u></u>	<u><u>\$ 674,793</u></u>

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, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 582,734	\$ 438,344	\$ 428,458	\$ 387,290	\$ 674,793
Covered payroll	870,808	725,434	787,908	658,230	824,969
Total pension liability as a percentage of covered payroll	66.92%	60.43%	54.38%	58.84%	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.

Town of Sunset Beach, North Carolina
Schedule of Proportionate Share of Net OPEB Liability
Retiree Health Benefit Fund
Last Five Fiscal Years*
June 30, 2021

	2021	2020	2019	2018	2017
Sunset Beach's proportion of the net OPEB liability (asset) (%)	0.01707%	0.01631%	0.01547%	0.01490%	0.01296%
Sunset Beach's proportion of the net OPEB liability (asset) (\$)	\$ 4,734,542	\$ 5,160,614	\$ 4,406,908	\$ 4,886,483	\$ 5,639,786
Sunset Beach's covered-employee payroll	\$ 2,758,830	\$ 2,557,011	\$ 2,325,465	\$ 2,118,716	\$ 2,055,818
Sunset Beach's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	171.61%	201.82%	189.51%	230.63%	274.33%
Plan fiduciary net position as a percentage of the total OPEB liability	3.50%	3.50%	3.18%	3.52%	2.41%

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

Town of Sunset Beach, North Carolina
Schedule of Contributions
Retiree Health Benefit Fund
Last Five Fiscal Years
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 183,311	\$ 179,040	\$ 160,325	\$ 140,690	\$ 142,709
Contributions in relation to the contractually required contribution	<u>183,311</u>	<u>179,040</u>	<u>160,325</u>	<u>140,690</u>	<u>142,709</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Sunset Beach's covered-employee payroll	\$ 2,755,381	\$ 2,758,830	\$ 2,557,011	\$ 2,325,465	\$ 2,118,716
Contributions as a percentage of covered-employee payroll	6.65%	6.49%	6.27%	6.05%	6.74%

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, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 2,839,337	\$
Interest		4,945	
Total	2,799,090	2,844,282	45,192
Other taxes and licenses:			
Fire district fees		2,034,789	
Total	2,034,788	2,034,789	1
Unrestricted intergovernmental:			
ABC profit distribution		97,756	
Local option sales taxes		1,527,461	
Utility sales tax		362,404	
Telecommunications sales tax		30,184	
Video franchise fee		42,097	
Beer and wine tax		18,715	
Total	1,600,020	2,078,617	478,597
Restricted intergovernmental:			
Other grants		65,415	
Solid waste disposal tax		3,354	
Powell Bill allocation		144,240	
Total	205,086	213,009	7,923
Permits and fees:			
CAMA local fees		900	
Contractor/development fees		442,154	
Court facilities		405	
Miscellaneous fees		24,388	
Public safety fees/donations		54,363	
Total	327,525	522,210	194,685
Sales and services:			
Recycling program revenue		97,965	
Total	97,700	97,965	265
Investment earnings	39,957	2,266	(37,691)
Total revenues	\$ 7,104,166	\$ 7,793,138	\$ 688,972

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, 2021

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government:			
Administration:			
Salaries and benefits	\$	\$ 217,863	\$
Other operating expenditures		167,028	
Total	<u>524,060</u>	<u>384,891</u>	<u>139,169</u>
Finance:			
Salaries and benefits		207,872	
Other operating expenditures		66,204	
Total	<u>297,440</u>	<u>274,076</u>	<u>23,364</u>
Governing board:			
Salaries and benefits		18,898	
Other operating expenditures		23,776	
Total	<u>54,000</u>	<u>42,674</u>	<u>11,326</u>
Public buildings/property:			
Other operating expenditures		590,425	
Capital outlay		137,608	
Total	<u>756,057</u>	<u>728,033</u>	<u>28,024</u>
Total general government	<u>1,631,557</u>	<u>1,429,674</u>	<u>201,883</u>
Environmental:			
Other operating expenditures		34,171	
Total	<u>98,000</u>	<u>34,171</u>	<u>63,829</u>
Streets:			
Salaries and benefits		331,160	
Other operating expenditures		225,969	
Powell bill expenditures		142,000	
Capital outlay		79,865	
Total	<u>825,110</u>	<u>778,994</u>	<u>46,116</u>
Sanitation:			
Other operating expenditures		187,688	
Total	<u>\$ 215,700</u>	<u>\$ 187,688</u>	<u>\$ 28,012</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, 2021

	Budget	Actual	Variance Positive (Negative)
Stormwater:			
Salaries and benefits	\$	\$ 185,355	\$
Other operating expenditures		357,160	
Capital outlay		79,865	
Total	659,220	622,380	36,840
Public safety:			
Police:			
Salaries and benefits		1,338,742	
Other operating expenditures		166,379	
Capital outlay		165,095	
Total	1,762,241	1,670,216	92,025
Fire:			
Salaries and benefits		1,580,722	
Other operating expenditures		201,703	
Capital outlay		896,277	
Total	2,911,980	2,678,702	233,278
Total public safety	4,674,221	4,348,918	325,303
Inspections:			
Salaries and benefits		316,576	
Other operating expenditures		22,876	
Total	367,150	339,452	27,698
Planning and zoning			
Other operating expenditures		147,551	
Total	\$ 188,820	\$ 147,551	\$ 41,269

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, 2021

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement	\$	\$ 44,973	\$
Interest and fees		6,760	
Total	<u>51,735</u>	<u>51,733</u>	<u>2</u>
 Total expenditures	 <u>8,711,513</u>	 <u>7,940,561</u>	 <u>618,715</u>
 Revenues over (under) expenditures	 <u>(1,607,347)</u>	 <u>(147,423)</u>	 <u>1,459,924</u>
 Other financing sources (uses):			
Sale of capital assets	-	29,521	29,521
Installment proceeds	572,216	572,216	
Transfers from other funds	122,050	426,567	304,517
Insurance recovery	6,649	122,784	116,135
Total	<u>700,915</u>	<u>1,151,088</u>	<u>450,173</u>
 Fund balance appropriated	 <u>906,432</u>	 -	 <u>906,432</u>
 Net change in fund balances	 <u>\$ -</u>	 1,003,665	 <u>\$ 1,003,665</u>
 Fund balance, beginning		<u>7,770,321</u>	
 Fund balance, ending		<u>\$ 8,773,986</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, 2021

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Interest income	\$	\$ 155	\$
Local revenues		517,035	
Total revenues	<u>254,000</u>	<u>517,190</u>	<u>263,190</u>
<u>Expenditures:</u>			
Economic and physical development			
Repair and maintenance		64,960	
Total expenditures	<u>100,000</u>	<u>64,960</u>	<u>35,040</u>
Revenues over (under) expenditures	<u>154,000</u>	<u>452,230</u>	<u>(298,230)</u>
Fund balance appropriation	<u>154,000</u>	-	<u>154,000</u>
Net change in fund balance	<u>\$ -</u>	<u>452,230</u>	<u>\$ 452,230</u>
Fund balance, beginning		<u>1,657,755</u>	
Fund balance, ending		<u><u>\$ 2,109,985</u></u>	

Town of Sunset Beach, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	Festival Fund	Accommodations Tax Fund	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and investments	\$ 27,952	\$ -	\$ 27,952
Accounts receivable, net	-	7,825	7,825
Total assets	\$ 27,952	\$ 7,825	\$ 35,777
<u>Liabilities and Fund Balances</u>			
<u>Liabilities:</u>			
Accounts payable	\$ -	\$ 7,825	\$ 7,825
<u>Fund balances:</u>			
Restricted			
Economic development	27,952	-	27,952
Total fund balances	27,952	-	27,952
Total liabilities and fund balances	\$ 27,952	\$ 7,825	\$ 35,777

Town of Sunset Beach, North Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	Festival Fund	Accommodations Tax Fund	Total Nonmajor Governmental Funds
<u>Revenues:</u>			
Local revenues	\$ 4,797	\$ -	\$ 4,797
Other taxes	-	774,936	774,936
Total revenues	<u>4,797</u>	<u>774,936</u>	<u>779,733</u>
<u>Expenditures:</u>			
Current:			
Economic development	100	348,369	348,469
Total expenditures	<u>100</u>	<u>348,369</u>	<u>348,469</u>
Revenues over (under) expenditures	4,697	426,567	431,264
<u>Other Financing Sources (Uses):</u>			
Transfers in (out)	-	(426,567)	(426,567)
Total other financing sources (uses)	<u>-</u>	<u>(426,567)</u>	<u>(426,567)</u>
Net change in fund balances	4,697	-	4,697
Fund balance, beginning	23,255	-	23,255
Fund balance, ending	<u>\$ 27,952</u>	<u>\$ -</u>	<u>\$ 27,952</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, 2021

	Project Authorization	Prior Year Actual	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
State grants	\$ 3,756,436	\$ 221,915	\$ -	\$ 221,915	\$ (3,534,521)
Interest earned	-	86,315	325	86,640	86,640
Total revenues	<u>3,756,436</u>	<u>308,230</u>	<u>325</u>	<u>308,555</u>	<u>(3,447,881)</u>
Expenditures:					
Feasibility and design	334,651	334,651	-	334,651	-
Permitting	254,974	152,875	124,770	277,645	(22,671)
Construction	4,750,000	-	-	-	4,750,000
Construction oversight	175,000	-	-	-	175,000
Survey	120,000	-	-	-	120,000
Total expenditures	<u>5,634,625</u>	<u>487,526</u>	<u>124,770</u>	<u>612,296</u>	<u>5,022,329</u>
Revenues under expenditures	(1,878,189)	(179,296)	(124,445)	(303,741)	1,574,448
Other financing sources (uses):					
Transfers from General Fund	<u>1,878,189</u>	<u>1,970,689</u>	<u>-</u>	<u>1,970,689</u>	<u>92,500</u>
Total other sources (uses)	<u>1,878,189</u>	<u>1,970,689</u>	<u>-</u>	<u>1,970,689</u>	<u>92,500</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,769,365</u>	<u>(124,445)</u>	<u>\$ 1,666,948</u>	<u>\$ 1,666,948</u>
Fund balance, beginning			<u>1,769,365</u>		
Fund balance, ending			<u>\$ 1,644,920</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, 2021

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Local revenues	\$	\$ 4,797	\$
Total revenues	<u>21,180</u>	<u>4,797</u>	<u>(16,383)</u>
<u>Expenditures:</u>			
Current:			
Economic and physical development		100	
Total expenditures	<u>16,000</u>	<u>100</u>	<u>15,900</u>
Revenues over (under) expenditures	<u>5,180</u>	<u>4,697</u>	<u>(483)</u>
Fund balance appropriation	<u>5,180</u>	-	<u>(5,180)</u>
Net change in fund balance	<u>\$ -</u>	<u>4,697</u>	<u>\$ 4,697</u>
Fund balance, beginning		<u>23,255</u>	
Fund balance, ending		<u>\$ 27,952</u>	

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, 2021

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Other taxes	\$	\$ 774,936	\$
Total revenues	<u>543,460</u>	<u>774,936</u>	<u>231,476</u>
<u>Expenditures:</u>			
Current:			
Economic and physical development		327,890	
Capital Outlay		20,479	
Total expenditures	<u>421,410</u>	<u>348,369</u>	<u>73,041</u>
Revenues over (under) expenditures	<u>122,050</u>	<u>426,567</u>	<u>304,517</u>
Other financing sources (uses):			
Transfers in (out)	<u>(122,050)</u>	<u>(426,567)</u>	<u>(304,517)</u>
Total other financing sources (uses)	<u>(122,050)</u>	<u>(426,567)</u>	<u>(304,517)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

Other Schedules

This section contains additional information on property taxes

- 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, 2021

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2021</u>
2020-2021	\$ -	\$ 2,845,317	\$ 2,830,259	\$ 15,058
2019-2020	17,120	-	11,014	6,106
2018-2019	1,861	-	1,180	681
2017-2018	877	-	607	270
2016-2017	367	-	159	208
2015-2016	188	-	160	28
2014-2015	294	-	110	184
2013-2014	404	-	249	155
2012-2013	361	-	182	179
2011-2012	218	-	2	216
2010-2011	231	-	27	204
2009-2010	496	-	496	-
	<u>\$ 22,417</u>	<u>\$ 2,845,317</u>	<u>\$ 2,844,445</u>	<u>23,289</u>

Less: allowance for uncollectible accounts - General Fund (699)

Ad valorem taxes receivable - net \$ 22,590

Reconciliation to revenues:

Ad valorem taxes - General Fund \$ 2,844,282

Reconciling items:

Discounts, releases, refunds (4,945)

Interest collected 5,108

Total collections and credits \$ 2,844,445

Town of Sunset Beach, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2021

	<u>Town-Wide Levy</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy					
Property taxed at					
current year's rate	<u>\$ 1,777,627,500</u>	\$ 0.16	<u>\$ 2,844,204</u>	<u>\$ 2,726,275</u>	<u>\$ 117,929</u>
Total	<u>1,777,627,500</u>		<u>2,844,204</u>	<u>2,726,275</u>	<u>117,929</u>
Discoveries	<u>368,750</u>		<u>2,788</u>	<u>2,788</u>	<u>-</u>
Releases	<u>(49,375)</u>		<u>(1,675)</u>	<u>(1,675)</u>	<u>-</u>
Total property valuation	<u><u>\$ 1,777,946,875</u></u>				
Net levy			2,845,317	2,727,388	117,929
Uncollected taxes at June 30, 2021			<u>(15,058)</u>	<u>(15,058)</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 2,830,259</u></u>	<u><u>\$ 2,712,330</u></u>	<u><u>\$ 117,929</u></u>
Current levy collection percentage			<u><u>99.47%</u></u>	<u><u>99.45%</u></u>	<u><u>100.00%</u></u>

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's 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*

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, 2021, 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 1, 2021. 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.

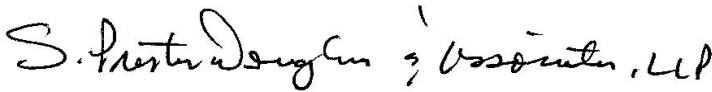
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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.

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 *Government 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, stylized "S" and "D".

Lumberton, North Carolina
October 1, 2021

Town of Sunset Beach, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

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	_____ yes <u> X </u> none reported
• Noncompliance material to financial statements	_____ yes <u> X </u> no

Section II. Financial Statement Findings

None reported.