

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

Audited Financial Statements

Year Ended June 30, 2022



Town of Sunset Beach, North Carolina

Audited Financial Statements

For the Year Ended June 30, 2022

TOWN COUNCIL

Thomas Bormann

Jamie Phillips

Mike Hargreaves

Charles Nern

OFFICIALS

Mayor

Shannon Phillips

Mayor Pro-Tem

John Corbett

Finance Director

Tara Nichols

Town of Sunset Beach, North Carolina
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June 30, 2022

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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

Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise the Town of Sunset Beach, North Carolina's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Sunset Beach, North Carolina, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Sunset Beach and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Town of Sunset Beach's ABC Board were not audited in accordance with Governmental Auditing

Standards. Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Sunset Beach, North Carolina's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Sunset Beach, North Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Sunset Beach, North Carolina's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 10, respectively, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 51 and 52 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 53 and 54, and the Schedule of the Proportionate Share of the Net OPEB Liability and contributions, on pages 55 and 56 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

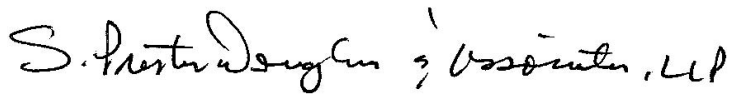
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Sunset Beach, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards 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 September 30, 2022 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's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "S. Preston Deegan, III, CPA". The signature is written in a cursive style with a large initial "S" and a prominent "III" before the last name.

Lumberton, North Carolina
September 30, 2022

Management's Discussion and Analysis

**Town of Sunset Beach, North Carolina
Management's Discussion and Analysis
June 30, 2022**

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, 2022. 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

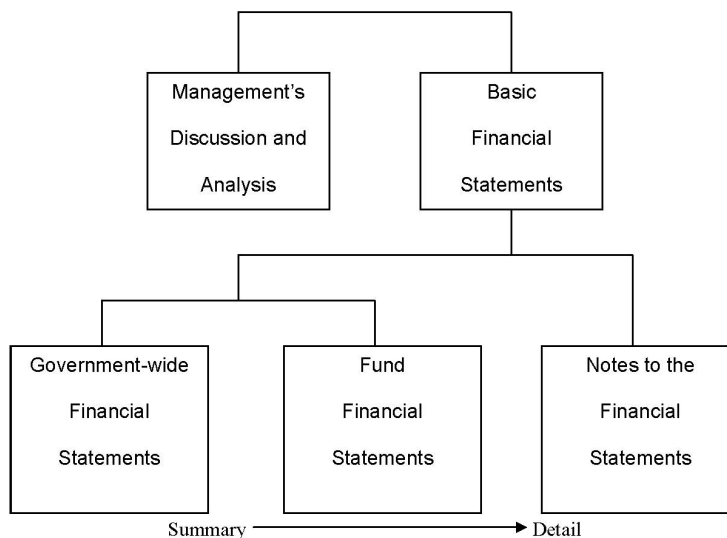
- The assets and deferred outflows of the Town of Sunset Beach exceeded its liabilities and deferred inflows at the close of the fiscal year by \$24,164,482 (net position).
- The government's total net position increased by \$2,713,122, primarily due to large increases in charges for services and capital grants.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,250,467 or approximately 97.75% 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 \$12,617,204 with an increase of \$60,361 in fund balances.
- During the year ending June 30, 2022, the Town received \$643,291 for ARPA funding. As of June 30, 2022, none of these grant proceeds had been spent. The entire balance of \$643,291 is reported in deferred inflows of resources on the Statement of Net Position.

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, 2022

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 11 and 12 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, 2022

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 20-50 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 51 of this report.

Government-Wide Financial Analysis

The Town of Sunset Beach's Net Position

Figure 2

	Governmental Activities 2022	Governmental Activities 2021	
Current and other assets	\$ 13,476,767	\$ 12,730,535	
Noncurrent assets	19,059,859	16,671,979	
Total assets	32,536,626	29,402,514	
Deferred Outflows of Resources	2,498,939	2,504,660	
Current liabilities	427,985	366,743	
Long-term liabilities	7,113,832	7,866,460	
Total liabilities	7,541,817	8,233,203	
Deferred Inflows of Resources	3,329,266	2,222,611	
Net position			
Net investment in capital assets	18,142,130	15,837,598	
Restricted	3,690,753	4,605,847	
Unrestricted	2,331,599	1,007,915	
Total net position	\$ 24,164,482	\$ 21,451,360	

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 \$24,164,482 at the close of the current fiscal year. The Town's net position increased by \$2,713,122 for the fiscal year ended June 30, 2022. By far the largest portion of the Town's net position, 75.08%, 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, 2022

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, 15.27%, 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 \$2,331,599.

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

	Governmental Activities 2022	Governmental Activities 2021
Revenues:		
Program revenues:		
Charges for services	\$ 3,693,980	\$ 3,147,611
Operating grants and contributions	276,904	213,009
Capital grants and contributions	589,075	-
General revenues		
Property taxes	2,894,132	2,845,128
Other taxes	3,189,756	2,853,553
Other	98,103	184,235
Total revenues	10,741,950	9,243,536
Expenses:		
General government	1,677,492	1,495,113
Public safety	4,132,726	3,737,787
Transportation	576,919	836,145
Inspections	389,499	368,008
Special projects	385,181	634,127
Planning and zoning	144,910	147,551
Economic and physical develop.	229,431	308,852
Environmental protection	473,649	361,672
Interest on long-term debt	19,021	9,765
Total expenses	8,028,828	7,899,020
Increase in net position	2,713,122	1,344,516
Net position, beginning	21,451,360	20,106,844
Net position - ending	\$ 24,164,482	\$ 21,451,360

Town of Sunset Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2022

Government-Wide Financial Analysis (continued)

Governmental activities. Governmental activities increased the Town's net position by \$2,713,122. Key elements of this increase are as follows:

- An increase in charges for services of \$546,369 over the prior year related to an increase in building permits. This increase in building permits was the result of developers, builders and homeowners taking advantage of low interest rates.
- Capital grants and contributions totaling \$589,075 received during the year for dredging projects.
- An increase in other taxes of \$336,203 over the prior year.

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 \$8,250,467 with a total fund balance of \$12,271,089. 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 97.75% 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, 2022, totals \$18,969,561 (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:

- Increases in construction in progress of \$2,318,623 primarily for the Dredging Project Fund.
- Several vehicles were purchased, totaling \$165,230.
- A beach access was rebuilt costing \$429,247.

**Town of Sunset Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2022**

Capital Assets and Debt Administration (continued)

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

Figure 4

	Governmental Activities	
	2022	2021
Land & construction in progress	\$ 8,018,895	\$ 6,099,488
Buildings	3,684,425	3,801,780
Land Improvements	410,216	-
Equipment	881,940	853,255
Vehicles	1,969,893	2,168,678
Infrastructure	4,004,192	3,748,778
Total capital assets, net	\$ 18,969,561	\$ 16,671,979

Additional information on the Town's capital assets can be found in the notes on page 29 of this report.

Long-term debt. As of June 30, 2022, the Town of Sunset Beach had total installment purchase debt outstanding of \$736,748. 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	
	2022	2021
Installment purchase	\$ 736,748	\$ 834,381
Capital leases	90,683	-
Net pension liability (LGERS)	633,989	1,705,596
Compensated absences	294,618	220,997
Total OPEB Liability	5,012,027	4,734,542
Total pension liability (LEO)	576,263	582,734
Total outstanding debt	\$ 7,344,328	\$ 8,078,250

Town of Sunset Beach Outstanding Debt

The Town of Sunset Beach's total debt decreased by \$733,922, or 9.09%, during the past fiscal year. Key factors in this decrease include a \$1,071,607 decrease in the total Net Pension liability and a new capital lease of \$95,051 issued for equipment. 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 \$143,297,800 (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 48 of this report.

**Town of Sunset Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2022**

Economic Factors and Next Year's Budgets and Rates

- Unemployment remained steady.

Budget Highlights for the Fiscal Year Ending June 30, 2023

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 \$171,075, after adjusting for the tax collection rate. Sales and Use Taxes of \$1,750,000 are budgeted with an anticipated increase of \$330,000 from the current year's budgeted revenues. This increase is due to FY 21/22 being collected at approximately 13% above expected collections and include the NCLM projected increase for FY 22/23. Fire fees of \$2,145,380 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 21/22 exceeded our expectations, and the continued trending is reflected in the projections for FY 22/23.

Expenditure Items

The Governing Board shows the removal of funds for an election and will be added back in the next fiscal year to reflect a municipal election year. This expense is related to the actual costs that the Town will reimburse to the County Board of Elections. The Public Infrastructure budget has an increased budget due to the addition of a comprehensive plan for Parks and Recreation. Increased fuel costs are reflected in the applicable departments. The Police Department budget includes capital expenditures along with potential promotions and adjusting the Part-Time Administrative Assistant to Full-Time. The Fire Department budget includes capital expenditures and uniforms. There is currently \$172,000 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 capital expenditures and increases in contracted services. The Stormwater Department will continue to follow the 10-year plan with the anticipation of early completion. The Sanitation Department reflects a significant increase in the leaf and limb service, an adjustment to Landfill costs and the managing of GFL in the budget. There are no significant changes in the Environmental Protection budget. The Planning Department includes year two 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, 2022

	<u>Primary Government</u>		<u>Sunset Beach ABC Board</u>
	<u>Governmental Activities</u>	<u>Total</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12,292,323	\$ 12,292,323	\$ 300,045
Restricted cash and cash equivalents	298,095	298,095	-
Taxes receivables, net	15,865	15,865	-
Accounts receivable, net	870,484	870,484	-
Inventory	-	-	280,301
Total current assets	<u>13,476,767</u>	<u>13,476,767</u>	<u>580,346</u>
Noncurrent assets:			
Right to use leased assets, net of amortization	90,298	90,298	-
Capital assets (Note 3):			
Land and construction in progress	8,018,895	8,018,895	220,572
Other capital assets, net of depreciation	10,950,666	10,950,666	490,045
Total capital assets	<u>18,969,561</u>	<u>18,969,561</u>	<u>710,617</u>
Total noncurrent assets	<u>19,059,859</u>	<u>19,059,859</u>	<u>710,617</u>
Total assets	<u>32,536,626</u>	<u>32,536,626</u>	<u>1,290,963</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	1,295,817	1,295,817	47,629
OPEB deferrals	1,203,122	1,203,122	-
Total deferred outflows of resources	<u>2,498,939</u>	<u>2,498,939</u>	<u>47,629</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	197,489	197,489	115,418
Current portion of long-term liabilities	230,496	230,496	53,700
Total current liabilities	<u>427,985</u>	<u>427,985</u>	<u>169,118</u>
Long-term liabilities:			
Net pension liability	633,989	633,989	19,017
Total pension liability	576,263	576,263	-
Total OPEB Liability	5,012,027	5,012,027	-
Due in more than one year	891,553	891,553	69,221
Total liabilities	<u>7,541,817</u>	<u>7,541,817</u>	<u>257,356</u>
DEFERRED INFLOWS OF RESOURCES			
Unspent grant proceeds	643,291	643,291	-
Pension deferrals	1,084,988	1,084,988	27,182
OPEB deferrals	1,600,987	1,600,987	-
Total deferred inflows of resources	<u>3,329,266</u>	<u>3,329,266</u>	<u>27,182</u>
NET POSITION			
Net investment in capital assets	18,142,130	18,142,130	587,696
Restricted for:			
Streets	298,095	298,095	-
Stabilization by State Statute	866,961	866,961	-
Beach nourishment and protection	2,525,697	2,525,697	-
Working capital	-	-	71,528
Unrestricted	2,331,599	2,331,599	394,830
Total net position	<u>\$ 24,164,482</u>	<u>\$ 24,164,482</u>	<u>\$ 1,054,054</u>

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

Town of Sunset Beach, North Carolina
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Sunset Beach ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total	
Primary government:							
Governmental Activities:							
General government	1,677,492	\$ 1,691	\$ 116,862	\$ -	\$ (1,558,939)	\$ (1,558,939)	\$ -
Public safety	4,132,726	2,152,400	-	-	(1,980,326)	(1,980,326)	-
Transportation	576,919	-	160,042	-	(416,877)	(416,877)	-
Inspections	389,499	823,082	-	-	433,583	433,583	-
Stormwater	385,181	-	-	-	(385,181)	(385,181)	-
Economic and physical develop.	229,431	716,807	-	-	487,376	487,376	-
Planning and zoning	144,910	-	-	-	(144,910)	(144,910)	-
Environmental protection	473,649	-	-	589,075	115,426	115,426	-
Interest on long-term debt	19,021	-	-	-	(19,021)	(19,021)	-
Total governmental activities	8,028,828	3,693,980	276,904	589,075	(3,468,869)	(3,468,869)	-
Component unit:							
Sunset Beach ABC Board	\$ 1,813,770	\$ 1,859,717	\$ -	\$ -	\$ -	\$ -	\$ 45,947
Total component unit	\$ 1,813,770	\$ 1,859,717	\$ -	\$ -	\$ -	\$ -	\$ 45,947
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,894,132	2,894,132	-
Local option sales tax					1,709,344	1,709,344	-
Other taxes					1,480,412	1,480,412	-
Investment earnings, unrestricted					12,856	12,856	215
Miscellaneous, unrestricted					85,247	85,247	268
Total general revenues					6,181,991	6,181,991	483
Change in net position					2,713,122	2,713,122	46,430
Net position, beginning					21,451,360	21,451,360	1,007,624
Net position, ending					\$ 24,164,482	\$ 24,164,482	\$ 1,054,054

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, 2022

	<u>Major Funds</u>			<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Dredging Project Fund</u>	<u>ARPA Fund</u>		
<u>ASSETS</u>					
Cash and cash equivalents	\$ 11,302,917	\$ 309,319	\$ 643,291	\$ 36,796	\$ 12,292,323
Restricted cash and cash equivalents	298,095	-	-	-	298,095
Taxes receivable, net	15,865	-	-	-	15,865
Accounts receivable, net	866,961	-	-	3,523	870,484
Total assets	<u>\$ 12,483,838</u>	<u>\$ 309,319</u>	<u>\$ 643,291</u>	<u>\$ 40,319</u>	<u>\$ 13,476,767</u>
<u>LIABILITIES</u>					
Accounts payable and accrued liabilities	\$ 196,884	\$ -	\$ -	\$ 3,523	\$ 200,407
Total liabilities	<u>196,884</u>	<u>-</u>	<u>-</u>	<u>3,523</u>	<u>200,407</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Property taxes receivable	15,865	-	-	-	15,865
Unspent grant proceeds	-	-	643,291	-	643,291
Total deferred inflows of resources	<u>15,865</u>	<u>-</u>	<u>643,291</u>	<u>-</u>	<u>659,156</u>
<u>FUND BALANCES</u>					
Restricted					
Stabilization by State Statute	866,961	-	-	-	866,961
Streets - Powell Bill	298,095	-	-	-	298,095
Beach nourishment and protection	2,216,378	309,319	-	-	2,525,697
Committed					
Economic development	-	-	-	36,796	36,796
Assigned					
Subsequent year's expenditures	639,188	-	-	-	639,188
Unassigned	8,250,467	-	-	-	8,250,467
Total fund balances	<u>12,271,089</u>	<u>309,319</u>	<u>-</u>	<u>36,796</u>	<u>12,617,204</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,483,838</u>	<u>\$ 309,319</u>	<u>\$ 643,291</u>	<u>\$ 40,319</u>	<u>\$ 13,476,767</u>

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

Town of Sunset Beach, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2022

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

Total Fund Balance, Governmental Funds		\$ 12,617,204
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$ 25,369,091	
Accumulated depreciation	<u>(6,399,530)</u>	18,969,561
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use assets at historical cost	95,051	
Accumulated amortization	<u>(4,753)</u>	90,298
Deferred outflows of resources related to OPEB are not reported in the funds.		1,203,122
Other long-term assets (accrued interest from taxes) are not available to pay current period expenditures and therefore are deferred in the funds.		4,933
Deferred outflows of resources related to pensions are not reported in the fund statements.		1,295,817
Earned revenues considered deferred inflows of resources in fund statements		15,865
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Gross long-term debt beginning	(1,055,378)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(66,671)	
Total pension liability	(576,263)	
OPEB liability	(5,012,027)	
Net pension liability	<u>(633,989)</u>	(7,344,328)
Deferred inflows of resources related to pensions are not reported in the funds		(1,084,988)
Deferred inflows of resources related to OPEB are not reported in the funds.		(1,600,987)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		<u>(2,015)</u>
Net position of governmental activities		<u>\$ 24,164,482</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, 2022

	<u>Major Funds</u>			<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Dredging Project Fund</u>	<u>ARPA Fund</u>		
Revenues:					
Ad valorem taxes	\$ 2,887,407	\$ -	\$ -	\$ -	\$ 2,887,407
Other taxes and licenses	2,095,761	-	-	867,860	2,963,621
Unrestricted intergovernmental	2,321,896	-	-	-	2,321,896
Restricted intergovernmental	277,636	589,075	-	-	866,711
Permits and fees	961,996	-	-	26,571	988,567
Sales and services	690,236	-	-	-	690,236
Investment earnings	11,734	1,122	-	-	12,856
Total revenues	<u>9,246,666</u>	<u>590,197</u>	<u>-</u>	<u>894,431</u>	<u>10,731,294</u>
Expenditures:					
General government	2,046,437	-	-	-	2,046,437
Public safety	4,204,164	-	-	-	4,204,164
Transportation	520,532	-	-	-	520,532
Inspections	389,419	-	-	-	389,419
Stormwater	318,629	-	-	-	318,629
Environmental protection	222,509	1,925,798	-	-	2,148,307
Planning and zoning	144,910	-	-	-	144,910
Economic development	474,415	-	-	413,515	887,930
Debt service	119,007	-	-	-	119,007
Total expenditures	<u>8,440,022</u>	<u>1,925,798</u>	<u>-</u>	<u>413,515</u>	<u>10,779,335</u>
Excess (deficiency) of revenues over expenditures	<u>806,644</u>	<u>(1,335,601)</u>	<u>-</u>	<u>480,916</u>	<u>(48,041)</u>
Other financing sources (uses)					
Transfers from other funds	472,072	-	-	-	472,072
Transfers (to) other funds	-	-	-	(472,072)	(472,072)
Sale of capital assets	11,426	-	-	-	11,426
Installment proceeds	95,051	-	-	-	95,051
Insurance recovery	1,925	-	-	-	1,925
Total other financing sources (uses)	<u>580,474</u>	<u>-</u>	<u>-</u>	<u>(472,072)</u>	<u>108,402</u>
Net change in fund balances	1,387,118	(1,335,601)	-	8,844	60,361
Fund balance, beginning	10,883,971	1,644,920	-	27,952	12,556,843
Fund balances, ending	<u>\$ 12,271,089</u>	<u>\$ 309,319</u>	<u>\$ -</u>	<u>\$ 36,796</u>	<u>\$ 12,617,204</u>

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

Town of Sunset Beach, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

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

Net change in fund balances - total governmental funds	\$	60,361
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 3,197,511	
Loss on disposal of assets	(11,942)	
Depreciation expense for governmental assets	(883,233)	2,302,336
Right to used leased asset capital outlay expenditures which were capitalized	95,051	
Amortization expense for intangible assets	(4,753)	90,298
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		560,146
<p>OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities</p>		
		183,791
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		(6,725)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. These amounts are the net effect of these differences in the treatment of long-term debt and related items.</p>		
Decrease in accrued interest payable	2,015	
New long-term debt issued	(95,051)	
Principal payments on long-term debt	102,001	8,965
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.</p>		
Compensated absences	(73,621)	
OPEB plan revenue (expense)	(19,296)	
Pension revenue (expense)	(393,133)	(486,050)
Total changes in net position of governmental activities	\$	<u>2,713,122</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-
Budget and Actual
For the Year Ended June 30, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,793,275	\$ 2,854,575	\$ 2,887,407	\$ 32,832
Other taxes and licenses	2,081,250	2,081,250	2,095,761	14,511
Unrestricted intergovernmental	1,845,320	1,898,820	2,321,896	423,076
Restricted intergovernmental	140,000	249,060	277,636	28,576
Permits and fees	342,500	409,720	961,996	552,276
Sales and services	141,500	109,600	110,730	1,130
Investment earnings	2,000	2,000	10,432	8,432
Total revenues	<u>7,345,845</u>	<u>7,605,025</u>	<u>8,665,858</u>	<u>1,060,833</u>
Expenditures:				
Current:				
General government	1,854,070	2,234,420	2,046,437	187,983
Public safety	3,950,580	4,399,235	4,204,164	195,071
Transportation	820,580	730,580	520,532	210,048
Inspections	372,850	420,350	389,419	30,931
Stormwater	556,050	564,850	318,629	246,221
Environmental protection	49,170	49,170	24,249	24,921
Sanitation	185,000	199,600	198,260	1,340
Planning and zoning	166,960	186,960	144,910	42,050
Debt service:				
Principal retirement	102,001	102,001	102,001	-
Interest and other charges	17,009	17,009	17,006	3
Total expenditures	<u>8,074,270</u>	<u>8,904,175</u>	<u>7,965,607</u>	<u>938,568</u>
Revenues over (under) expenditures	<u>(728,425)</u>	<u>(1,299,150)</u>	<u>700,251</u>	<u>1,999,401</u>
Other financing sources (uses):				
Transfers from other funds	255,680	255,680	472,072	216,392
Installment proceeds	-	156,400	95,051	(61,349)
Sale of capital assets	-	11,400	11,426	26
Insurance recovery	-	1,925	1,925	-
Total other financing sources (uses)	<u>255,680</u>	<u>425,405</u>	<u>580,474</u>	<u>155,069</u>
Fund balance appropriated	<u>472,745</u>	<u>873,745</u>	<u>-</u>	<u>873,745</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,280,725</u>	<u>\$ 1,280,725</u>
Fund balance, beginning			<u>8,773,986</u>	
Fund balance, ending			<u>\$ 10,054,711</u>	

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

Town of Sunset Beach, North Carolina
ARPA Fund
Budgeted Major Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
For the Year Ended June 30, 2022

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Grants	\$	\$	\$ -	\$
Total revenues	-	-	-	-
<u>Expenditures:</u>				
Current:				
Economic recovery			-	
Total expenditures	-	-	-	-
Revenues over (under) expenditures	-	-	-	-
Fund balance appropriation	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning			-	
Fund balance, ending			\$ -	

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, 2022

Fund balance - end of year	\$ 10,054,711
A legally budgeted Beach Erosion Fund is consolidated into the General fund for reporting purposes:	
Investment earnings	1,302
Local revenues	579,506
Expenditures	<u>(474,415)</u>
Fund balance - beginning	<u>2,109,985</u>
Fund balance - ending	<u>2,216,378</u>
Fund balance - end of year (consolidated)	<u>\$ 12,271,089</u>

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

Notes to the Financial Statements

Town of Sunset Beach, North Carolina
Notes to the Financial Statements
June 30, 2022

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, 2022

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.

ARPA Fund - This fund is a special revenue fund used to account for the American Rescue Plan Act grant monies received and spent during the year.

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, 2022

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. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is 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, 2022

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	\$ 298,095
Total Governmental Activities	298,095
Total Restricted Cash	\$ 298,095

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, 2021. 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, 2022

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. Right to use Assets

The Town has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

9. 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 2022 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 several items that meet the criteria for this category – property taxes receivable, pension deferrals, and unspent grant proceeds.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. 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.

11. 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.

12. 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, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. 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, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. 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.

13. 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, 2022

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, 2022, the Town's deposits had a carrying amount of \$6,295,804 and a bank balance of \$6,323,795. 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 \$299,145 and the bank balance was \$300,353. Also, the ABC Board's petty cash totaled \$900 at June 30, 2022. Of the bank balance, \$250,000 was covered by federal depository insurance. At June 30, 2022, the Town's petty cash totaled \$250.

2. Investments

At June 30, 2022, the Town had \$6,294,364 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, 2022 are net of the following allowance for doubtful accounts:

General Fund:		
Taxes receivable	\$	491
Total	\$	491

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2022

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, 2022, was as follows:

Governmental activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 5,452,801	\$ 11,000	\$ -	\$ 5,463,801
Construction in progress	646,687	2,318,623	410,216	2,555,094
Total capital assets not being depreciated	6,099,488	2,329,623	410,216	8,018,895
Capital assets being depreciated:				
Buildings	5,427,961	-	-	5,427,961
Land improvements	36,969	410,216	-	447,185
Equipment and furniture	2,190,011	273,410	11,679	2,451,742
Vehicles	3,969,722	165,230	16,952	4,118,000
Infrastructure	4,476,061	429,247	-	4,905,308
Total capital assets being depreciated	16,100,724	1,278,103	28,631	17,350,196
Less accumulated depreciation for:				
Buildings	1,626,181	117,355	-	1,743,536
Land improvements	36,969	-	-	36,969
Equipment and furniture	1,336,756	242,389	9,343	1,569,802
Vehicles	1,801,044	354,409	7,346	2,148,107
Infrastructure	727,283	173,833	-	901,116
Total accumulated depreciation	5,528,233	887,986	16,689	6,399,530
Total capital assets being depreciated, net	10,572,491			10,950,666
Governmental activities capital assets, net	\$ 16,671,979			\$ 18,969,561

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2022

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	\$	162,679
Public safety		446,457
Inspections		16,458
Transportation		122,652
Stormwater		84,311
Environmental protection		14,966
Economic and physical development		40,463
Total depreciation expense	\$	887,986

Discretely presented component unit

Below are the balances for the ABC Board for the year ended June 30, 2022:

	Beginning		Ending
	Balances	Increases	Decreases
	Balances		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	35,901	-	35,901
Total capital assets being depreciated	696,712	-	706,437
Less accumulated depreciation for:			
Buildings and improvements	172,106	13,411	185,517
Equipment	28,930	1,945	30,875
Total accumulated depreciation	170,587	15,356	216,392
Total capital assets being depreciated, net	526,125		490,045
ABC Board capital assets, net	\$ 746,697		\$ 710,617

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2022

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Right to use Leased Assets

The Town has recorded one right to use leased asset. The asset is a right to use asset for leased equipment. The related lease is discussed in the Leases subsection of the Liabilities section of these notes. The right to use lease asset is amortized on a straight-line basis over the term of the related lease.

Right to use asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

Governmental activities:	Beginning			Ending
Right to use Assets	Balances	Increases	Decreases	Balances
Equipment	\$ -	\$ 95,051	\$ -	\$ 95,051
Total Right to use Assets	-	95,051	-	95,051
Less accumulated amortization for:				
Equipment	-	4,753	-	4,753
Total accumulated amortization	-	4,753	-	4,753
Total Right to use Assets being Amortized, net	\$ -			\$ 90,298

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2022

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, 2022, 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 \$560,146 for the year ended June 30, 2022.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2022

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, 2022, the Town reported a liability of \$633,989 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2021, the Town's proportion was 0.04134%, which was a decrease of 0.00639% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$405,798. At June 30, 2022, 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	\$ 201,695	\$ -
Changes of assumptions	398,307	-
Net difference between projected and actual earnings on pension plan investments	-	905,779
Changes in proportion and differences between Town contributions and proportionate share of contributions	14,787	142,980
Town contributions subsequent to the measurement date	560,146	-
Total	\$ 1,174,935	\$ 1,048,759

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2022

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)

\$560,146 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 16,101
2024	(60,945)
2025	(111,953)
2026	(277,174)
2027	-
Thereafter	-
	\$ (433,971)

Actuarial Assumptions. The total pension liability in the December 31, 2020 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	6.50 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, 2020 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, 2022

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, 2021 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 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 6.50%. 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 2,461,091	\$ 633,989	\$ (869,610)

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2022

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, 2020, the Separation Allowance's membership consisted of:

	Law Enforcement Officers
Retirees and dependents receiving benefits	3
Active plan members	14
Total	17

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, 2022

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, 2020 valuation. The total pension liability in the December 31, 2020 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	2.25 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, 2020.

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 \$38,272 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, 2022, the Town reported a total pension liability of \$576,263. The total pension liability was measured as of December 31, 2021, based on a December 31, 2020, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension revenue of \$12,665.

	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual experience	\$ 18,451	\$ 20,358
Changes of assumptions and other inputs	102,431	15,871
Total	<u>\$ 120,882</u>	<u>\$ 36,229</u>

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2022

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:	
2023	\$ 15,529
2024	29,294
2025	25,371
2026	15,306
2027	(847)
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 2.25 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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	1% Decrease (1.25%)	Current Discount Rate (2.25%)	1% Increase (3.25%)
Total pension liability	\$624,457	\$576,263	\$532,335

	2022
Beginning balance	\$ 582,734
Service Cost	34,276
Interest on the total pension liability	10,877
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	1,592
Changes of assumptions or other inputs	(14,944)
Benefit payments	(38,272)
Other changes	-
Ending balance of the total pension liability	\$ 576,263

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2022

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, 2020 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	\$ (12,665)	\$ 729,290
Pension Liability	633,989	576,263	1,210,252
Proportionate share of the net pension liability	0.04134%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	201,695	18,451	220,146
Changes of assumptions	398,307	102,431	500,738
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	14,787	-	14,787
Benefit payments and administrative costs paid subsequent to the measurement date	560,146	-	560,146
Deferred Inflows of Resources			
Differences between expected and actual experience	-	20,358	20,358
Changes of assumptions	-	15,871	15,871
Net difference between projected and actual earnings on plan investments	905,779	-	905,779
Changes in proportion and differences between contributions and proportionate share of contributions	142,980	-	142,980

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2022

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, 2022 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, 2022

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, 2022, 2021, and 2020, the Town paid all annual required contributions to the Plan for postemployment healthcare benefits of \$183,791, \$183,311, and \$179,040, respectively.

Membership of the healthcare benefit Plan consisted of the following at December 31, 2021, 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, 2022

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, 2022, the Town reported a liability of \$5,012,027 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021 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, 2021, the Town's proportion was 0.01621%.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,590	\$ 93,297
Changes of assumptions	409,941	1,218,031
Net difference between projected and actual earnings on pension plan investments	-	2,564
Changes in proportion and differences between Town contributions and proportionate share of contributions	579,800	287,095
Town contributions subsequent to the measurement date	183,791	-
Total	\$ 1,203,122	\$ 1,600,987

\$183,791 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, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2023	\$ 357,094
2024	126,171
2025	(2,427)
2026	101,068
2027	(250)
Thereafter	-
	\$ 581,656

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2021 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, 2021. 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, 2022

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	2.16 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 2.16%. 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 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2021.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2022

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 (1.26 percent) or 1-percentage point higher (3.26 percent) than the current discount rate:

	1% Decrease (1.26%)	Discount Rate (2.26%)	1% Increase (3.26%)
Net OPEB Liability	\$ 5,961,733	\$ 5,012,027	\$ 4,242,872

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 (1.26 percent) or 1-percentage point higher (3.26 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	\$ 4,058,896	\$ 5,012,027	\$ 6,276,442

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, 2022

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:

	OPEB
Pension Expense	\$ 50,359
Pension Liability	5,012,027
Proportionate share of the net pension liability	0.01621%
Deferred Outflows of Resources	
Differences between expected and actual experience	29,590
Changes of assumptions	409,941
Net difference between projected and actual earnings on plan investments	-
Changes in proportion and differences between contributions and proportionate share of contributions	579,800
Benefit payments and administrative costs paid subsequent to the measurement date	183,791
Deferred Inflows of Resources	
Differences between expected and actual experience	93,297
Changes of assumptions	1,218,031
Net difference between projected and actual earnings on plan investments	2,564
Changes in proportion and differences between contributions and proportionate share of contributions	287,095

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2022

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	\$ 560,146
Benefit payments and administrative expenses for OPEB made subsequent to the measurement date	183,791
Differences between expected and actual experience	249,736
Changes of assumptions	910,679
Net difference between projected and actual earnings on pension plan investments	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	594,587
Total	\$ 2,498,939

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2022

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)	\$ -	\$ 15,865
Unspent grant proceeds	643,291	643,291
Changes in assumptions	1,233,902	-
Differences between expected and actual experience	113,655	-
Net difference between projected and actual	908,343	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	430,075	-
Total	\$ 3,329,266	\$ 659,156

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, 2022, 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.

During the year ended June 30, 2021, the Town spent \$19,012 on lobbyists to represent Sunset Beach in Raleigh, NC as the threat of de-annexation became a possibility to the Town. During the year ended June 30, 2022, the Town has spent \$73,012 to continue to protect the Town's interests, including defending against the threat of de-annexation. The Town Council, Town Attorney, and staff work with the lobbyists to help prevent any de-annexation from occurring and to protect other Town-related interests and affairs from the legislative perspective.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2022

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, 2022 was \$217,412.

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

Years Ending June 30:	Governmental-Type Activites	
	Principal	Interest
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	\$ 217,412	\$ 15,404

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, 2022 was \$519,336

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

Years Ending June 30:	Governmental-Type Activites	
	Principal	Interest
2023	\$ 54,100	\$ 7,987
2024	54,958	7,128
2025	55,830	6,257
2026	56,715	5,371
2027	57,615	4,471
2028-2031	240,119	8,602
Total	\$ 519,336	\$ 39,816

b. Capital Leases

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as other than short term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2022

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

b. Capital Leases (continued)

The Town entered into an agreement on March 14, 2022 to lease equipment and requires 60 monthly payments of \$1,729. The lease liability is measured at a discount rate of 0.035%, which is the stated rate in the lease agreement. As a result of the lease, the Town has recorded a right to use asset with a net book value of \$90,298 at June 30, 2022. The right to use asset is discussed in more detail in Note 3, Section A – Assets in the notes to these financial statements.

The following is an analysis of the assets recorded under capital leases at June 30, 2022:

Years Ending June 30:	Governmental-Type Activities	
	Principal	Interest
2023	\$ 17,861	\$ 2,889
2024	18,496	2,254
2025	19,154	1,596
2026	19,835	915
2027	15,337	225
Total	<u>\$ 90,683</u>	<u>\$ 7,879</u>

c. 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	\$ 834,381	\$ -	\$ (97,633)	\$ 736,748	\$ 97,635
Capital leases	-	95,051	(4,368)	90,683	17,861
Compensated absences	220,997	172,623	(99,002)	294,618	115,000
Total OPEB liability	4,734,542	277,485	-	5,012,027	-
Net pension liability (LGERS)	1,705,596	-	(1,071,607)	633,989	-
Total Pension Liability	582,734	-	(6,471)	576,263	-
Governmental activity long-term liabilities	<u>\$ 8,078,250</u>	<u>\$ 545,159</u>	<u>\$ (1,279,081)</u>	<u>\$ 7,344,328</u>	<u>\$ 230,496</u>

C - Interfund Balances and Activity

Transfers to/from other funds at June 30, 2022, consist of the following:

From the Accommodations Tax Fund to the General Fund	\$ 472,072
Total	<u>\$ 472,072</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 2022 fiscal year, The Town made a one-time transfer of \$472,072 from the Accommodations Tax Fund to the General Fund per the allowed legislation of Occupancy Tax.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2022

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

D - Net Investment in Capital Assets

	Governmental
Capital assets	\$ 18,969,561
less: long-term debt	(827,431)
Net investment in capital assets	\$ 18,142,130

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	\$ 12,271,089
Less:	
Stabilization by State Statute	866,961
Streets - Powell Bill	298,095
Beach Nourishment and Protection	2,216,378
Subsequent year's expenditures	639,188
Remaining Fund Balance	\$ 8,250,467

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 lightning 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, 2022. 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 September 30, 2022 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 Nine Fiscal Years*

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Sunset Beach's proportion of the net pension liability (asset) (%)	0.04134%	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) (\$)	\$ 633,989	\$ 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	\$ 2,755,381	\$ 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	23.01%	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	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 Nine Fiscal Years

Local Government Employees' Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 560,146	\$ 470,310	\$ 431,552	\$ 365,088	\$ 321,140	\$ 282,636	\$ 264,272	\$ 260,312	\$ 292,360
Contributions in relation to the contractually required contribution	560,146	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>	<u>\$ -</u>
Sunset Beach's covered-employee payroll	\$ 3,114,222	\$ 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	17.99%	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, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 582,734	\$ 438,344	\$ 428,458	\$ 387,290	\$ 674,793	\$ 696,953
Service Cost	34,276	23,704	20,045	24,969	17,754	23,988
Interest on the total pension liability	10,877	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	1,592	1,260	4,636	56,939	(303,078)	-
Changes of assumptions or other inputs	(14,944)	147,507	12,059	(14,934)	19,517	(14,173)
Benefit payments	(38,272)	(41,691)	(41,691)	(37,453)	(46,839)	(55,859)
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 576,263</u>	<u>\$ 582,734</u>	<u>\$ 438,344</u>	<u>\$ 428,458</u>	<u>\$ 387,290</u>	<u>\$ 674,793</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, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 576,263	\$ 582,734	\$ 438,344	\$ 428,458	\$ 387,290	\$ 674,793
Covered payroll	815,445	870,808	725,434	787,908	658,230	824,969
Total pension liability as a percentage of covered payroll	70.67%	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 Six Fiscal Years*
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Sunset Beach's proportion of the net OPEB liability (asset) (%)	0.01621%	0.01707%	0.01631%	0.01547%	0.01490%	0.01296%
Sunset Beach's proportion of the net OPEB liability (asset) (\$)	\$ 5,012,027	\$ 4,734,542	\$ 5,160,614	\$ 4,406,908	\$ 4,886,483	\$ 5,639,786
Sunset Beach's covered-employee payroll	\$ 2,755,381	\$ 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	181.90%	171.61%	201.82%	189.51%	230.63%	274.33%
Plan fiduciary net position as a percentage of the total OPEB liability	3.62%	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 Seven Fiscal Years
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 183,791	\$ 183,311	\$ 179,040	\$ 160,325	\$ 140,690	\$ 142,709	\$ 131,559
Contributions in relation to the contractually required contribution	<u>183,791</u>	<u>183,311</u>	<u>179,040</u>	<u>160,325</u>	<u>140,690</u>	<u>142,709</u>	<u>131,559</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Sunset Beach's covered-employee payroll	\$ 3,114,222	\$ 2,755,381	\$ 2,758,830	\$ 2,557,011	\$ 2,325,465	\$ 2,118,716	\$ 2,055,818
Contributions as a percentage of covered-employee payroll	5.90%	6.65%	6.49%	6.27%	6.05%	6.74%	6.40%

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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 2,884,358	\$
Interest		3,049	
Total	<u>2,854,575</u>	<u>2,887,407</u>	<u>32,832</u>
Other taxes and licenses:			
Fire district fees		2,095,761	
Total	<u>2,081,250</u>	<u>2,095,761</u>	<u>14,511</u>
Unrestricted intergovernmental:			
ABC profit distribution		167,952	
Local option sales taxes		1,709,344	
Utility sales tax		368,052	
Telecommunications sales tax		20,833	
Video franchise fee		39,042	
Beer and wine tax		16,673	
Total	<u>1,898,820</u>	<u>2,321,896</u>	<u>423,076</u>
Restricted intergovernmental:			
Other grants		114,427	
Solid waste disposal tax		3,167	
Powell Bill allocation		160,042	
Total	<u>249,060</u>	<u>277,636</u>	<u>28,576</u>
Permits and fees:			
CAMA local fees		1,200	
Contractor/development fees		823,082	
Court facilities		491	
Miscellaneous fees		72,481	
Public safety fees/donations		64,742	
Total	<u>409,720</u>	<u>961,996</u>	<u>552,276</u>
Sales and services:			
Recycling program revenue		110,730	
Total	<u>109,600</u>	<u>110,730</u>	<u>1,130</u>
Investment earnings	<u>2,000</u>	<u>10,432</u>	<u>8,432</u>
Total revenues	<u>\$ 7,605,025</u>	<u>\$ 8,665,858</u>	<u>\$ 1,060,833</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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Administration:			
Salaries and benefits	\$	\$ 231,438	\$
Other operating expenditures		253,864	
Capital outlay		22,107	
Total	<u>627,940</u>	<u>507,409</u>	<u>120,531</u>
Finance:			
Salaries and benefits		258,884	
Other operating expenditures		60,490	
Total	<u>336,230</u>	<u>319,374</u>	<u>16,856</u>
Governing board:			
Salaries and benefits		17,805	
Other operating expenditures		29,220	
Total	<u>56,750</u>	<u>47,025</u>	<u>9,725</u>
Public buildings/property:			
Other operating expenditures		672,852	
Capital outlay		499,777	
Total	<u>1,213,500</u>	<u>1,172,629</u>	<u>40,871</u>
Total general government	<u>2,234,420</u>	<u>2,046,437</u>	<u>187,983</u>
Environmental:			
Other operating expenditures		24,249	
Total	<u>49,170</u>	<u>24,249</u>	<u>24,921</u>
Streets:			
Salaries and benefits		338,450	
Other operating expenditures		135,859	
Capital outlay		46,223	
Total	<u>730,580</u>	<u>520,532</u>	<u>210,048</u>
Sanitation:			
Other operating expenditures		198,260	
Total	<u>\$ 199,600</u>	<u>\$ 198,260</u>	<u>\$ 1,340</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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Stormwater:			
Salaries and benefits	\$	\$ 173,371	\$
Other operating expenditures		136,459	
Capital outlay		8,799	
Total	<u>564,850</u>	<u>318,629</u>	<u>246,221</u>
Public safety:			
Police:			
Salaries and benefits		1,615,258	
Other operating expenditures		215,536	
Capital outlay		45,674	
Total	<u>1,979,165</u>	<u>1,876,468</u>	<u>102,697</u>
Fire:			
Salaries and benefits		1,794,768	
Other operating expenditures		251,532	
Capital outlay		281,396	
Total	<u>2,420,070</u>	<u>2,327,696</u>	<u>92,374</u>
Total public safety	<u>4,399,235</u>	<u>4,204,164</u>	<u>195,071</u>
Inspections:			
Salaries and benefits		357,293	
Other operating expenditures		32,126	
Total	<u>420,350</u>	<u>389,419</u>	<u>30,931</u>
Planning and zoning			
Other operating expenditures		144,910	
Total	<u>\$ 186,960</u>	<u>\$ 144,910</u>	<u>\$ 42,050</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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal retirement	\$	\$ 102,001	\$
Interest and fees		17,006	
Total	<u>119,010</u>	<u>119,007</u>	<u>3</u>
Total expenditures	<u>8,904,175</u>	<u>7,965,607</u>	<u>438,909</u>
Revenues over (under) expenditures	<u>(1,299,150)</u>	<u>700,251</u>	<u>1,999,401</u>
Other financing sources (uses):			
Sale of capital assets	11,400	11,426	26
Installment proceeds	156,400	95,051	(61,349)
Transfers from other funds	255,680	472,072	216,392
Insurance recovery	1,925	1,925	-
Total	<u>425,405</u>	<u>580,474</u>	<u>155,069</u>
Fund balance appropriated	<u>873,745</u>	-	<u>873,745</u>
Net change in fund balances	<u>\$ -</u>	<u>1,280,725</u>	<u>\$ 1,280,725</u>
Fund balance, beginning		<u>8,773,986</u>	
Fund balance, ending		<u>\$ 10,054,711</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, 2022

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Interest income	\$	\$ 1,302	\$
Local revenues		579,506	
Total revenues	430,000	580,808	150,808
<u>Expenditures:</u>			
Economic and physical development			
Repair and maintenance		45,168	
Beach improvements		429,247	
Total expenditures	533,000	474,415	58,585
Revenues over (under) expenditures	(103,000)	106,393	(209,393)
Fund balance appropriation	(103,000)	-	(103,000)
Net change in fund balance	\$ -	106,393	\$ 106,393
Fund balance, beginning		2,109,985	
Fund balance, ending		\$ 2,216,378	

Town of Sunset Beach, North Carolina
Special Revenue Fund - ARPA Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2022

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Grants	\$	\$ -	\$
Total revenues	-	-	-
<u>Expenditures:</u>			
Current:			
Economic recovery		-	
Total expenditures	-	-	-
Revenues over (under) expenditures	-	-	-
Fund balance appropriation	-	-	-
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

Town of Sunset Beach, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

	Festival Fund	Accommodations Tax Fund	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and investments	\$ 36,796	\$ -	\$ 36,796
Accounts receivable, net	-	3,523	3,523
Total assets	\$ 36,796	\$ 3,523	\$ 40,319
 <u>Liabilities and Fund Balances</u>			
<u>Liabilities:</u>			
Accounts payable	\$ -	\$ 3,523	\$ 3,523
<u>Fund balances:</u>			
Restricted			
Economic development	36,796	-	36,796
Total fund balances	36,796	-	36,796
 Total liabilities and fund balances	\$ 36,796	\$ 3,523	\$ 40,319

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, 2022

	Festival Fund	Accommodations Tax Fund	Total Nonmajor Governmental Funds
Revenues:			
Local revenues	\$ 26,571	\$ -	\$ 26,571
Other taxes	-	867,860	867,860
Total revenues	26,571	867,860	894,431
Expenditures:			
Current:			
Economic development	17,727	395,788	413,515
Total expenditures	17,727	395,788	413,515
Revenues over (under) expenditures	8,844	472,072	480,916
Other Financing Sources (Uses):			
Transfers in (out)	-	(472,072)	(472,072)
Total other financing sources (uses)	-	(472,072)	(472,072)
Net change in fund balances	8,844	-	8,844
Fund balance, beginning	27,952	-	27,952
Fund balance, ending	\$ 36,796	\$ -	\$ 36,796

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, 2022

	Project Authorization	Prior Year Actual	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
State grants	\$ 3,756,436	\$ 221,915	\$ 589,075	\$ 810,990	\$ (2,945,446)
Interest earned	-	64,612	1,122	65,734	65,734
Total revenues	<u>3,756,436</u>	<u>286,527</u>	<u>590,197</u>	<u>876,724</u>	<u>(2,879,712)</u>
Expenditures:					
Feasibility and design	334,651	334,651	-	334,651	-
Permitting	254,974	277,645	-	277,645	(22,671)
Construction	4,750,000	-	1,672,785	1,672,785	3,077,215
Construction oversight	175,000	-	133,013	133,013	41,987
Survey	120,000	-	120,000	120,000	-
Total expenditures	<u>5,634,625</u>	<u>612,296</u>	<u>1,925,798</u>	<u>2,538,094</u>	<u>3,096,531</u>
Revenues under expenditures	(1,878,189)	(325,769)	(1,335,601)	(1,661,370)	216,819
Other financing sources (uses):					
Transfers from General Fund	1,878,189	1,970,689	-	1,970,689	92,500
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>\$ 1,644,920</u>	<u>(1,335,601)</u>	<u>\$ 309,319</u>	<u>\$ 309,319</u>
Fund balance, beginning			<u>1,644,920</u>		
Fund balance, ending			<u>\$ 309,319</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, 2022

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Local revenues	\$	\$ 26,571	\$
Total revenues	16,000	26,571	10,571
<u>Expenditures:</u>			
Current:			
Economic and physical development		17,727	
Total expenditures	21,180	17,727	3,453
Revenues over (under) expenditures	(5,180)	8,844	14,024
Fund balance appropriation	5,180	-	(5,180)
Net change in fund balance	\$ -	8,844	\$ 8,844
Fund balance, beginning		27,952	
Fund balance, ending		\$ 36,796	

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, 2022

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Other taxes	\$	\$ 867,860	\$
Total revenues	886,896	867,860	(19,036)
<u>Expenditures:</u>			
Current:			
Economic and physical development		362,247	
Capital Outlay		33,541	
Total expenditures	414,824	395,788	19,036
Revenues over (under) expenditures	472,072	472,072	-
Other financing sources (uses):			
Transfers in (out)	(472,072)	(472,072)	-
Total other financing sources (uses)	(472,072)	(472,072)	-
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

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, 2022

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2022</u>
2021-2022	\$ -	\$ 2,865,956	\$ 2,854,036	\$ 11,920
2020-2021	15,058	-	12,223	2,835
2019-2020	6,106	-	5,413	693
2018-2019	681	-	469	212
2017-2018	270	-	53	217
2016-2017	208	-	70	138
2015-2016	28	-	7	21
2014-2015	184	-	106	78
2013-2014	155	-	97	58
2012-2013	179	-	105	74
2011-2012	216	-	106	110
2010-2011	204	-	204	-
	<u>\$ 23,289</u>	<u>\$ 2,865,956</u>	<u>\$ 2,872,889</u>	<u>16,356</u>

Less: allowance for uncollectible accounts - General Fund (491)

Ad valorem taxes receivable - net \$ 15,865

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 2,887,407
Reconciling items:	
Discounts, releases, refunds	(3,049)
Interest collected	<u>(11,469)</u>

Total collections and credits \$ 2,872,889

Town of Sunset Beach, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2022

	Town-Wide Levy		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 1,789,735,625	0.16	\$ 2,863,577	\$ 2,766,296	\$ 97,281
Total	<u>1,789,735,625</u>		<u>2,863,577</u>	<u>2,766,296</u>	<u>97,281</u>
Discoveries	<u>1,550,000</u>		<u>2,480</u>	<u>2,480</u>	<u>-</u>
Releases	<u>(63,125)</u>		<u>(101)</u>	<u>(101)</u>	<u>-</u>
Total property valuation	<u><u>\$ 1,791,222,500</u></u>				
Net levy			2,865,956	2,768,675	97,281
Uncollected taxes at June 30, 2022			<u>(11,920)</u>	<u>(11,920)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,854,036</u>	<u>\$ 2,756,755</u>	<u>\$ 97,281</u>
Current levy collection percentage			<u>99.58%</u>	<u>99.57%</u>	<u>100.00%</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, 2022, 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 September 30, 2022. 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.

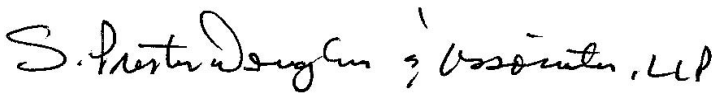
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

Handwritten signature in black ink that reads "S. Preston Douglas, CPA". The signature is written in a cursive style.

Lumberton, North Carolina
September 30, 2022

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act

Independent Auditor's Report

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

Opinion on Each Major State Program

We have audited the Town of Sunset Beach, North Carolina, compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Sunset Beach's major State programs for the year ended June 30, 2022. The Town of Sunset Beach's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Sunset Beach complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Sunset Beach and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Town of Sunset Beach's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Sunset Beach State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Sunset Beach's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Sunset Beach's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Sunset Beach's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Sunset Beach's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Sunset Beach's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

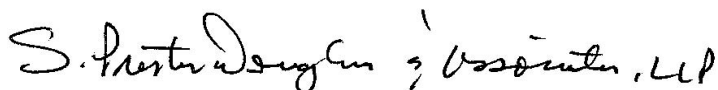
Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Lumberton, North Carolina
September 30, 2022

**Town of Sunset Beach, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

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

State Awards

Internal control over major State programs	
• 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
Type of auditor's report issued on compliance for major State programs:	Unmodified.
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____ Yes <u> X </u> No

Identification of major State programs:

Names of State Programs

- Water Resources Development Project Grant Program

Dollar threshold used to distinguish between Type A and Type B programs	\$ 500,000
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Auditee qualified as low-risk auditee?	_____ Yes <u> X </u> No
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Town of Sunset Beach, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2022

Section II. Financial Statement Findings

None reported.

Section III. State Award Findings and Questioned Costs

None reported.

Town of Sunset Beach, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2022

Grantor/Pass-through Grant/Program Title	Federal CFDA Number	Award Number/State Pass-through Grantor's Number	Federal (Direct Pass- through) Expenditures	State Expenditures
Federal Grants:				
Direct Programs:				
<u>US Department of Homeland Security</u>				
Assistance to Firefighters Grant	97.044	EMW-2020-FG-19356	\$ 22,857	\$ -
Assistance to Firefighters Grant	97.044	EMW-2020-FG-11968	85,846	-
Total US department of homeland security			108,703	-
Total federal assistance			108,703	-
State Grants:				
Cash Assistance:				
<u>N.C. Department of Environmental Quality</u>				
Water Resources Development Project Grant Program		DEQ-30	-	1,925,797
Total state assistance			-	1,925,797
Total assistance			\$ 108,703	\$ 1,925,797

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Sunset Beach under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Sunset Beach, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Sunset Beach.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Town of Sunset Beach has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.