

Town of Sunset Beach
Sunset Beach, North Carolina
Audited Financial Statements
Year Ended June 30, 2023



Town of Sunset Beach, North Carolina

Audited Financial Statements

For the Year Ended June 30, 2023

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, 2023

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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, 2023, 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, 2023, 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.

We did not audit the financial statements of the Town of Sunset Beach's ABC Board, which represent 100 percent, 100 percent, and 100 percent of the assets, net position, and revenues, respectively, of the aggregate discretely presented component units. as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Town of Sunset Beach's ABC Board, is based solely on the report of the other auditors.

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

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 52 and 53 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 54 and 55, and the Schedule of the Proportionate Share of the Net OPEB Liability and contributions, on pages 56 and 57 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

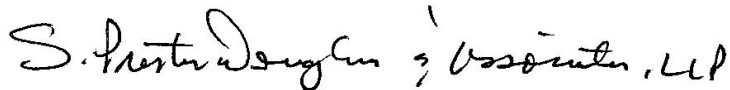
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Sunset Beach, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying 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 October 31, 2023 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.



Lumberton, North Carolina
October 31, 2023

Management's Discussion and Analysis

**Town of Sunset Beach, North Carolina
Management's Discussion and Analysis
June 30, 2023**

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, 2023. 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

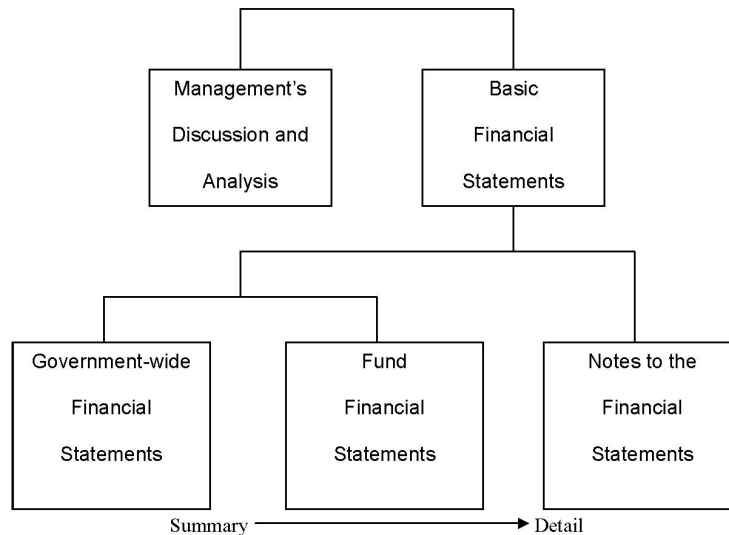
- The assets and deferred outflows of the Town of Sunset Beach exceeded its liabilities and deferred inflows at the close of the fiscal year by \$28,785,137 (net position).
- The government's total net position increased by \$4,620,655, primarily due to large increases in charges for services and capital grants.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,399,534 or approximately 65.02% 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 \$14,742,918 with an increase of \$2,125,714 in fund balances.
- During the year ending June 30, 2023, the Town received \$1,286,582 for ARPA funding. As of June 30, 2023, the entire balance has been transferred to the General Fund as revenue replacement.

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, 2023

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, 2023

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 20-51 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 52 of this report.

Government-Wide Financial Analysis

The Town of Sunset Beach's Net Position
Figure 2

	Governmental Activities 2023	Governmental Activities 2022	
Current and other assets	\$ 15,028,451	\$ 13,476,767	
Noncurrent assets	22,575,720	19,059,859	
Total assets	37,604,171	32,536,626	
Deferred Outflows of Resources	3,148,327	2,498,939	
Current liabilities	544,920	427,985	
Long-term liabilities	9,164,546	7,113,832	
Total liabilities	9,709,466	7,541,817	
Deferred Inflows of Resources	2,257,895	3,329,266	
Net position			
Net investment in capital assets	20,331,930	18,142,130	
Restricted	6,823,731	3,690,753	
Unrestricted	1,629,476	2,331,599	
Total net position	\$ 28,785,137	\$ 24,164,482	

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 \$28,785,137 at the close of the current fiscal year. The Town's net position increased by \$4,620,655 for the fiscal year ended June 30, 2023. By far the largest portion of the Town's net position, 70.63%, 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, 2023

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, 23.71%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$1,629,476.

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

	Governmental Activities 2023	Governmental Activities 2022
Revenues:		
Program revenues:		
Charges for services	\$ 3,680,594	\$ 3,693,980
Operating grants and contributions	2,292,003	276,904
Capital grants and contributions	1,593,123	589,075
General revenues		
Property taxes	2,968,077	2,894,132
Other taxes	3,338,903	3,189,756
Other	280,858	98,103
Total revenues	<u>14,153,558</u>	<u>10,741,950</u>
Expenses:		
General government	1,841,768	1,677,492
Public safety	4,690,661	4,132,726
Transportation	726,072	576,919
Inspections	516,005	389,499
Special projects	281,534	385,181
Planning and zoning	194,994	144,910
Economic and physical develop.	470,278	229,431
Environmental protection	778,779	473,649
Interest on long-term debt	32,813	19,021
Total expenses	<u>9,532,903</u>	<u>8,028,828</u>
Increase in net position before transfers and extraordinary item	4,620,655	1,662,312
Transfers	-	-
Increase in net position	<u>4,620,655</u>	<u>2,713,122</u>
Net position, beginning	24,164,482	21,451,360
Net position - ending	<u>\$ 28,785,137</u>	<u>\$ 24,164,482</u>

Town of Sunset Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023

Government-Wide Financial Analysis (continued)

Governmental activities. Governmental activities increased the Town's net position by \$4,620,655. Key elements of this increase are as follows:

- Operating grants and contributions totaling \$2,292,003 received during the year.
- Capital grants and contributions totaling \$1,593,123 received during the year for dredging projects.
- An increase in investment earnings of \$235,090 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 \$7,399,534 with a total fund balance of \$13,094,998. 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 65.02% 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, 2023, totals \$22,504,432 (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 \$1,693,971 primarily for the Dredging Project Fund.
- Several vehicles were purchased, totaling \$378,804.
- Increases in land by \$2,015,917.

**Town of Sunset Beach, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2023**

Capital Assets and Debt Administration (continued)

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

	Governmental Activities	
	2023	2022
Land & construction in progress	\$ 11,680,782	\$ 8,018,895
Buildings	3,727,440	3,684,425
Land Improvements	402,012	410,216
Equipment	946,277	881,940
Vehicles	1,845,513	1,969,893
Infrastructure	3,902,408	4,004,192
Total capital assets, net	\$ 22,504,432	\$ 18,969,561

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, 2023, the Town of Sunset Beach had total installment purchase debt outstanding of \$2,099,680. 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	
	2023	2022
Installment purchase	\$ 2,099,680	\$ 736,748
Capital leases	72,822	90,683
Net pension liability (LGERS)	239,212	633,989
Compensated absences	4,030,591	294,618
Total OPEB Liability	2,465,868	5,012,027
Total pension liability (LEO)	528,616	576,263
Total outstanding debt	\$ 9,436,789	\$ 7,344,328

Town of Sunset Beach Outstanding Debt

The Town of Sunset Beach's total debt increased by \$2,092,461, or 28.49%, during the past fiscal year. Key factors in this increase include a \$1,362,932 increase in Installment Purchases and an increase in Compensated Absences by \$3,735,973. 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 \$148,239,600 (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, 2023**

Economic Factors and Next Year's Budgets and Rates

- Unemployment remained steady.

Budget Highlights for the Fiscal Year Ending June 30, 2024

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. Brunswick County conducted a reappraisal effective January 2023. Due to the revaluation in 2023 the revenue neutral tax rate is 10.34 cents per \$100 valuation. Each cent (\$0.01) on the real property tax rate is equivalent to approximately \$269,000, after adjusting for the tax collection rate. Sales and Use Taxes of \$1,850,000 are budgeted with an anticipated increase of \$100,000 from the current year's budgeted revenues. This increase is due to FY 22/23 being collected at approximately 11% above expected collections and includes the NCLM projected increase for FY 23/24. Fire fees of \$2,263,900 reflect this year's collection estimate from Brunswick County. The current year's revenues do not include an increase in Fire Fees. Revenues in the Accommodations Tax Fund and the Beach Tax Fund are budgeted with no change, which reflects the current year's trend.

Expenditure Items

The Governing Board shows the addition of funds for an election 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. There is also an allocation set aside for a transfer to a Capital Reserve Fund. The Public Infrastructure budget has an increased budget due to the need for engineering and design for the following projects: Majestic Oak Park, Public Works, Town Hall improvements, and training center for the Fire Department. The Police Department budget changes include capital expenditures. The Fire Department budget includes a deposit for the purchase of a Fire Truck. The Inspections Department budget includes an additional employee as approved in FY 22/23. The Streets Department has no significant changes. The Stormwater Department will continue to follow the 10-year plan with the anticipation of early completion. The Sanitation Department reflects an increase due to the managing of GFL contract in the budget. The Environmental Protection budget includes an increase for potential of natural disaster needs. The Planning Department includes 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, 2023

	<u>Primary Government</u>		<u>Sunset Beach ABC Board</u>
	<u>Governmental Activities</u>	<u>Total</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12,371,261	\$ 12,371,261	\$ 249,505
Restricted cash and cash equivalents	468,491	468,491	-
Taxes receivables, net	12,856	12,856	-
Accounts receivable, net	2,175,843	2,175,843	-
Inventory	-	-	398,285
Total current assets	<u>15,028,451</u>	<u>15,028,451</u>	<u>647,790</u>
Noncurrent assets:			
Right to use leased assets, net of amortization	71,288	71,288	-
Capital assets (Note 3):			
Land and construction in progress	11,680,782	11,680,782	220,572
Other capital assets, net of depreciation	<u>10,823,650</u>	<u>10,823,650</u>	<u>474,689</u>
Total capital assets	<u>22,504,432</u>	<u>22,504,432</u>	<u>695,261</u>
Total noncurrent assets	<u>22,575,720</u>	<u>22,575,720</u>	<u>695,261</u>
Total assets	<u>37,604,171</u>	<u>37,604,171</u>	<u>1,343,051</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	1,989,436	1,989,436	63,856
OPEB deferrals	<u>1,158,891</u>	<u>1,158,891</u>	<u>-</u>
Total deferred outflows of resources	<u>3,148,327</u>	<u>3,148,327</u>	<u>63,856</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	272,677	272,677	76,734
Current portion of long-term liabilities	<u>272,243</u>	<u>272,243</u>	<u>55,058</u>
Total current liabilities	<u>544,920</u>	<u>544,920</u>	<u>131,792</u>
Long-term liabilities:			
Net pension liability	2,465,868	2,465,868	75,595
Total pension liability	528,616	528,616	-
Total OPEB Liability	4,030,591	4,030,591	-
Due in more than one year	<u>2,139,471</u>	<u>2,139,471</u>	<u>13,956</u>
Total liabilities	<u>9,709,466</u>	<u>9,709,466</u>	<u>221,343</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	182,649	182,649	326
OPEB deferrals	<u>2,075,246</u>	<u>2,075,246</u>	<u>-</u>
Total deferred inflows of resources	<u>2,257,895</u>	<u>2,257,895</u>	<u>326</u>
NET POSITION			
Net investment in capital assets	20,331,930	20,331,930	626,247
Restricted for:			
Streets	468,491	468,491	-
Stabilization by State Statute	2,164,128	2,164,128	-
Beach nourishment and protection	4,191,112	4,191,112	-
Working capital	-	-	76,175
Unrestricted	<u>1,629,476</u>	<u>1,629,476</u>	<u>482,816</u>
Total net position	<u>\$ 28,785,137</u>	<u>\$ 28,785,137</u>	<u>\$ 1,185,238</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, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Sunset Beach ABC Board
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Total	
Primary government:							
Governmental Activities:							
General government	\$ 1,841,768	\$ 90,780	\$ 844,886	\$ -	\$ (906,102)	\$ (906,102)	\$ -
Public safety	4,690,661	2,283,379	1,286,582	-	(1,120,700)	(1,120,700)	-
Transportation	726,072	-	160,535	-	(565,537)	(565,537)	-
Inspections	516,005	565,706	-	-	49,701	49,701	-
Stormwater	281,534	-	-	-	(281,534)	(281,534)	-
Economic and physical develop.	470,278	603,913	-	-	133,635	133,635	-
Planning and zoning	194,994	-	-	-	(194,994)	(194,994)	-
Environmental protection	778,779	136,816	-	1,593,123	951,160	951,160	-
Interest on long-term debt	32,813	-	-	-	(32,813)	(32,813)	-
Total governmental activities	<u>9,532,903</u>	<u>3,680,594</u>	<u>2,292,003</u>	<u>1,593,123</u>	<u>(1,967,183)</u>	<u>(1,967,183)</u>	<u>-</u>
Component unit:							
Sunset Beach ABC Board	\$ 1,850,508	\$ 1,980,543	\$ -	\$ -	\$ -	\$ -	\$ 130,035
Total component unit	<u>\$ 1,850,508</u>	<u>\$ 1,980,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,035</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,968,077	2,968,077	-
Local option sales tax					1,845,461	1,845,461	-
Other taxes					1,493,442	1,493,442	-
Investment earnings, unrestricted					247,946	247,946	927
Miscellaneous, unrestricted					32,912	32,912	222
Total general revenues					<u>6,587,838</u>	<u>6,587,838</u>	<u>1,149</u>
Change in net position					<u>4,620,655</u>	<u>4,620,655</u>	<u>131,184</u>
Net position, beginning					<u>24,164,482</u>	<u>24,164,482</u>	<u>1,054,054</u>
Net position, ending					<u>\$ 28,785,137</u>	<u>\$ 28,785,137</u>	<u>\$ 1,185,238</u>

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

Town of Sunset Beach, North Carolina
Balance Sheet
Governmental Funds
June 30, 2023

	<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	\$ 10,719,586	\$ 1,623,222	\$ -	\$ 28,453	\$ 12,371,261
Restricted cash and cash equivalents	468,491	-	-	-	468,491
Taxes receivable, net	12,856	-	-	-	12,856
Accounts receivable, net	2,164,128	-	-	11,715	2,175,843
Total assets	<u>\$ 13,365,061</u>	<u>\$ 1,623,222</u>	<u>\$ -</u>	<u>\$ 40,168</u>	<u>\$ 15,028,451</u>
<u>LIABILITIES</u>					
Accounts payable and accrued liabilities	\$ 257,207	\$ 3,665	\$ -	\$ 11,805	\$ 272,677
Total liabilities	<u>257,207</u>	<u>3,665</u>	<u>-</u>	<u>11,805</u>	<u>272,677</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Property taxes receivable	12,856	-	-	-	12,856
Total deferred inflows of resources	<u>12,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,856</u>
<u>FUND BALANCES</u>					
Restricted					
Stabilization by State Statute	2,164,128	-	-	-	2,164,128
Streets - Powell Bill	468,491	-	-	-	468,491
Beach nourishment and protection	2,571,555	1,619,557	-	-	4,191,112
Committed					
Economic development	-	-	-	28,363	28,363
Assigned					
Subsequent year's expenditures	491,290	-	-	-	491,290
Unassigned	7,399,534	-	-	-	7,399,534
Total fund balances	<u>13,094,998</u>	<u>1,619,557</u>	<u>-</u>	<u>28,363</u>	<u>14,742,918</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,365,061</u>	<u>\$ 1,623,222</u>	<u>\$ -</u>	<u>\$ 40,168</u>	<u>\$ 15,028,451</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, 2023

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

Total Fund Balance, Governmental Funds		\$ 14,742,918
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$ 29,869,286	
Accumulated depreciation	<u>(7,364,854)</u>	22,504,432
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>(23,763)</u>	71,288
Deferred outflows of resources related to OPEB are not reported in the funds.		
		1,158,891
Deferred outflows of resources related to pensions are not reported in the fund statements.		
		1,989,436
Earned revenues considered deferred inflows of resources in fund statements		
		12,856
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Gross long-term debt	(2,411,714)	
Total pension liability	(528,616)	
OPEB liability	(4,030,591)	
Net pension liability	<u>(2,465,868)</u>	(9,436,789)
Deferred inflows of resources related to pensions are not reported in the funds		
		(182,649)
Deferred inflows of resources related to OPEB are not reported in the funds.		
		(2,075,246)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		
		<u>-</u>
Net position of governmental activities		<u><u>\$ 28,785,137</u></u>

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

Town of Sunset Beach, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2023

	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General Fund	Dredging Project Fund	ARPA Fund		
Revenues:					
Ad valorem taxes	\$ 2,971,086	\$ -	\$ -	\$ -	\$ 2,971,086
Other taxes and licenses	2,171,375	-	-	905,853	3,077,228
Unrestricted intergovernmental	2,433,050	-	-	-	2,433,050
Restricted intergovernmental	1,005,421	1,593,123	1,286,582	-	3,885,126
Permits and fees	768,490	-	-	-	768,490
Sales and services	740,729	-	-	-	740,729
Investment earnings	240,307	7,639	-	-	247,946
Total revenues	10,330,458	1,600,762	1,286,582	905,853	14,123,655
Expenditures:					
General government	3,976,169	-	-	-	3,976,169
Public safety	4,839,447	-	-	-	4,839,447
Transportation	718,989	-	-	-	718,989
Inspections	518,381	-	-	-	518,381
Stormwater	198,738	-	-	-	198,738
Environmental protection	473,832	1,662,971	-	-	2,136,803
Planning and zoning	194,994	-	-	-	194,994
Economic development	279,245	-	-	483,265	762,510
Debt service	180,794	-	-	-	180,794
Total expenditures	11,380,589	1,662,971	-	483,265	13,526,825
Excess (deficiency) of revenues over expenditures	(1,050,131)	(62,209)	1,286,582	422,588	596,830
Other financing sources (uses)					
Transfers (to) from other funds	345,155	1,372,447	(1,286,582)		431,020
Transfers (to) other funds	-	-	-	(431,021)	(431,021)
Installment proceeds	1,500,000	-	-	-	1,500,000
Insurance recovery	28,885	-	-	-	28,885
Total other financing sources (uses)	1,874,040	1,372,447	-	(431,021)	1,528,884
Net change in fund balances	823,909	1,310,238	-	(8,433)	2,125,714
Fund balance, beginning	12,271,089	309,319	-	36,796	12,617,204
Fund balances, ending	\$ 13,094,998	\$ 1,619,557	\$ -	\$ 28,363	\$ 14,742,918

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, 2023

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

Net change in fund balances - total governmental funds	\$	2,125,714
<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	\$ 4,500,195	
Depreciation expense for governmental assets	<u>(965,324)</u>	3,534,871
Right to used leased asset capital outlay expenditures which were capitalized	-	
Amortization expense for intangible assets	<u>(19,010)</u>	(19,010)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		700,941
<p>OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities</p>		
		248,132
<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		(3,009)
<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	(2,918)	
New long-term debt issued	(1,500,000)	
Principal payments on long-term debt	<u>154,929</u>	(1,347,989)
<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	55,406	
OPEB plan revenue (expense)	214,814	
Pension revenue (expense)	<u>(889,215)</u>	<u>(618,995)</u>
Total changes in net position of governmental activities	\$	<u><u>4,620,655</u></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, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 2,793,275	\$ 2,933,000	\$ 2,971,086	\$ 38,086
Other taxes and licenses	2,081,250	2,154,380	2,171,375	16,995
Unrestricted intergovernmental	1,845,320	2,240,200	2,433,050	192,850
Restricted intergovernmental	140,000	947,690	1,005,421	57,731
Permits and fees	342,500	633,500	768,490	134,990
Sales and services	141,500	135,000	136,816	1,816
Investment earnings	2,000	152,000	209,798	57,798
Total revenues	<u>7,345,845</u>	<u>9,195,770</u>	<u>9,696,036</u>	<u>500,266</u>
Expenditures:				
Current:				
General government	1,854,070	4,651,820	3,976,169	675,651
Public safety	3,950,580	5,228,120	4,839,447	388,673
Transportation	820,580	929,400	718,989	210,411
Inspections	372,850	593,600	518,381	75,219
Stormwater	556,050	440,400	198,738	241,662
Environmental protection	49,170	296,700	276,989	19,711
Sanitation	185,000	239,000	196,843	42,157
Planning and zoning	166,960	215,300	194,994	20,306
Debt service:				
Principal retirement	102,001	154,929	154,929	-
Interest and other charges	17,009	29,071	25,865	3,206
Total expenditures	<u>8,074,270</u>	<u>12,778,340</u>	<u>11,101,344</u>	<u>1,676,996</u>
Revenues over (under) expenditures	<u>(728,425)</u>	<u>(3,582,570)</u>	<u>(1,405,308)</u>	<u>2,177,262</u>
Other financing sources (uses):				
Transfers to other funds	-	-	-	-
Transfers from other funds	255,680	(1,050,967)	345,155	1,396,122
Installment proceeds	-	2,090,000	1,500,000	(590,000)
Insurance recovery	-	12,490	28,885	16,395
Total other financing sources (uses)	<u>255,680</u>	<u>1,051,523</u>	<u>1,874,040</u>	<u>822,517</u>
Fund balance appropriated	<u>472,745</u>	<u>2,531,047</u>	<u>-</u>	<u>2,531,047</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>468,732</u>	<u>\$ 468,732</u>
Fund balance, beginning			<u>10,054,711</u>	
Fund balance, ending			<u>\$ 10,523,443</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, 2023

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Grants	\$	\$ 1,286,582	\$
Total revenues	1,286,582	1,286,582	-
Other financing sources (uses):			
Transfer to General Fund	(1,286,582)	(1,286,582)	-
Total	(1,286,582)	(1,286,582)	-
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, 2023

Fund balance - end of year	\$ 10,523,443
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A legally budgeted Beach Erosion Fund is consolidated into the General fund for reporting purposes:

Investment earnings	30,509
Local revenues	603,913
Expenditures	<u>(279,245)</u>
Fund balance - beginning	<u>2,216,378</u>
Fund balance - ending	<u>2,571,555</u>
Fund balance - end of year (consolidated)	<u><u>\$ 13,094,998</u></u>

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

Notes to the Financial Statements

Town of Sunset Beach, North Carolina
Notes to the Financial Statements
June 30, 2023

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, 2023

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, 2023

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, 2023

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	\$ 468,491
Total Governmental Activities	468,491
Total Restricted Cash	\$ 468,491

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, 2022. 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, 2023

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 2023 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, 2023

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, 2023

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, 2023

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, 2023

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, 2023, the Town's deposits had a carrying amount of \$6,143,833 and a bank balance of \$6,170,542. 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 \$248,605 and the bank balance was \$333,054. Also, the ABC Board's petty cash totaled \$900 at June 30, 2023. Of the bank balance, \$250,000 was covered by federal depository insurance. At June 30, 2023, the Town's petty cash totaled \$250.

2. Investments

At June 30, 2023, the Town had \$6,695,669 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, 2023 are net of the following allowance for doubtful accounts:

General Fund:		
Taxes receivable	\$	398
Total	\$	398

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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, 2023, was as follows:

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 5,463,801	\$ 2,015,917	\$ -	\$ 7,479,718
Construction in progress	2,555,094	1,693,970	48,000	4,201,064
Total capital assets not being depreciated	<u>8,018,895</u>	<u>3,709,887</u>	<u>48,000</u>	<u>11,680,782</u>
Capital assets being depreciated:				
Buildings	5,427,961	162,400	-	5,590,361
Land improvements	447,185	-	-	447,185
Equipment and furniture	2,451,742	319,471	-	2,771,213
Vehicles	4,118,000	254,424	-	4,372,424
Infrastructure	4,905,308	102,013	-	5,007,321
Total capital assets being depreciated	<u>17,350,196</u>	<u>838,308</u>	<u>-</u>	<u>18,188,504</u>
Less accumulated depreciation for:				
Buildings	1,743,536	119,385	-	1,862,921
Land improvements	36,969	8,204	-	45,173
Equipment and furniture	1,569,802	255,134	-	1,824,936
Vehicles	2,148,107	378,804	-	2,526,911
Infrastructure	901,116	203,797	-	1,104,913
Total accumulated depreciation	<u>6,399,530</u>	<u>965,324</u>	<u>-</u>	<u>7,364,854</u>
Total capital assets being depreciated, net	<u>10,950,666</u>			<u>10,823,650</u>
Governmental activities capital assets, net	<u><u>\$ 18,969,561</u></u>			<u><u>\$ 22,504,432</u></u>

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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	\$	176,847
Public safety		485,341
Inspections		17,891
Transportation		133,334
Stormwater		91,654
Environmental protection		16,269
Economic and physical development		43,988
Total depreciation expense	\$	965,324

Discretely presented component unit

Below are the balances for the ABC Board for the year ended June 30, 2023:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 220,572	\$ -	\$ -	\$ 220,572
Total capital assets not being depreciated	220,572	-	-	220,572
Capital assets being depreciated:				
Buildings and improvements	670,536	-	-	670,536
Equipment	35,901	-	-	35,901
Total capital assets being depreciated	706,437	-	-	706,437
Less accumulated depreciation for:				
Buildings and improvements	185,517	13,411	-	198,928
Equipment	30,875	1,945	-	32,820
Total accumulated depreciation	216,392	15,356	-	231,748
Total capital assets being depreciated, net	490,045			474,689
ABC Board capital assets, net	\$ 710,617			\$ 695,261

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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, 2023, was as follows:

Governmental activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Right to use Assets				
Equipment	\$ 95,051	\$ -	\$ -	\$ 95,051
Total Right to use Assets	<u>95,051</u>	<u>-</u>	<u>-</u>	<u>95,051</u>
Less accumulated amortization for:				
Equipment	4,753	19,010	-	23,763
Total accumulated amortization	<u>4,753</u>	<u>4,753</u>	<u>-</u>	<u>23,763</u>
 Total Right to use Assets being Amortized, net	 <u>\$ 90,298</u>			 <u>\$ 71,288</u>

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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, 2023, 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 \$700,941 for the year ended June 30, 2023.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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, 2023, the Town reported a liability of \$2,465,868 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, 2021. 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, 2022, the Town's proportion was 0.04371%, which was an increase of 0.00237% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$863,149. At June 30, 2023, 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	\$ 106,252	\$ 10,417
Changes of assumptions	246,038	-
Net difference between projected and actual earnings on pension plan investments	814,995	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	29,731	92,553
Town contributions subsequent to the measurement date	700,941	-
Total	\$ 1,897,957	\$ 102,970

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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)

\$700,941 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:	
2024	\$ 330,217
2025	276,360
2026	99,189
2027	388,279
2028	-
Thereafter	-
	<u><u>\$ 1,094,045</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2021 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, 2021 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, 2023

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, 2022 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 2021 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)	\$ 4,450,574	\$ 2,465,868	\$ 830,355

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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, 2021, the Separation Allowance's membership consisted of:

	Law Enforcement Officers
Retirees and dependents receiving benefits	1
Active plan members	17
Total	18

2. Summary of Significant Accounting Policies

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

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

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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, 2021 valuation. The total pension liability in the December 31, 2021 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	4.31 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, 2021.

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 \$26,739 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, 2023, the Town reported a total pension liability of \$528,616. The total pension liability was measured as of December 31, 2022, based on a December 31, 2021, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension revenue of \$0.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,499	\$ -
Changes of assumptions and other inputs	72,980	79,679
Total	<u>\$ 91,479</u>	<u>\$ 79,679</u>

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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:	
2024	\$ 17,326
2025	13,403
2026	3,338
2027	(12,815)
2028	(9,452)
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 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	1% Decrease (3.31%)	Current Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$567,465	\$528,616	\$493,040

	2023
Beginning balance	\$ 576,263
Service Cost	35,719
Interest on the total pension liability	12,665
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	14,608
Changes of assumptions or other inputs	(83,900)
Benefit payments	(26,739)
Other changes	-
Ending balance of the total pension liability	\$ 528,616

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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, 2021 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	\$ 2,465,868	\$ 25,206	\$ 2,491,074
Pension Liability	863,149	528,616	1,391,765
Proportionate share of the net pension liability	0.04371%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	106,252	18,499	124,751
Changes of assumptions	246,038	72,980	319,018
Net difference between projected and actual earnings on plan investments	814,995	-	814,995
Changes in proportion and differences between contributions and proportionate share of contributions	29,731	-	29,731
Benefit payments and administrative costs paid subsequent to the measurement date	700,941	-	700,941
Deferred Inflows of Resources			
Differences between expected and actual experience	10,417	-	10,417
Changes of assumptions	-	79,679	79,679
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	92,553	-	92,553

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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, 2023 were \$26,739, 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, 2023

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, 2023, 2022, and 2021, the Town paid all annual required contributions to the Plan for postemployment healthcare benefits of \$248,132, \$183,791, and \$183,111, respectively.

Membership of the healthcare benefit Plan consisted of the following at December 31, 2022, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	4	1
Active plan members	10	17
Total	14	18

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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, 2023, the Town reported a liability of \$4,030,591 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. The total OPEB liability was then rolled forward to the measurement date of June 30, 2022 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, 2022, the Town's proportion was 0.01697%.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,132	\$ 11,153
Changes of assumptions	322,701	1,834,417
Net difference between projected and actual earnings on pension plan investments	34,903	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	514,023	229,676
Town contributions subsequent to the measurement date	248,132	-
Total	\$ 1,158,891	\$ 2,075,246

\$1,158,5891 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, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	\$ 367,710
2025	231,251
2026	336,942
2027	228,584
2028	-
Thereafter	-
	\$ 1,164,487

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2022 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, 2022. 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, 2023

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	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.0%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	100.0%	

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, 2022.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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 (1.16 percent) or 1-percentage point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Net OPEB Liability	\$ 4,747,572	\$ 4,030,591	\$ 3,445,012

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 (1.16 percent) or 1-percentage point higher (3.16 percent) than the current discount rate:

	1% Decreases (Medical-5.50% Pharmacy-6.25% Administrative- 2.00%)	Health Trend Rates (Medical-6.50% Pharmacy-7.25% Administrative- 3.00%)	1% Increase (Medical-7.50% Pharmacy-8.25% Administrative- 4.00%)
Net OPEB Liability	\$ 3,317,821	\$ 4,030,591	\$ 4,951,948

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, 2023

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	\$ -
Pension Liability	4,030,591
Proportionate share of the net pension liability	0.01697%
Deferred Outflows of Resources	
Differences between expected and actual experience	39,132
Changes of assumptions	322,701
Net difference between projected and actual earnings on plan investments	34,903
Changes in proportion and differences between contributions and proportionate share of contributions	514,023
Benefit payments and administrative costs paid subsequent to the measurement date	248,132
Deferred Inflows of Resources	
Differences between expected and actual experience	11,153
Changes of assumptions	1,834,417
Net difference between projected and actual earnings on plan investments	-
Changes in proportion and differences between contributions and proportionate share of contributions	229,676

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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	\$ 700,941
Benefit payments and administrative expenses for OPEB made subsequent to the measurement date	248,132
Differences between expected and actual experience	163,883
Changes of assumptions	641,719
Net difference between projected and actual earnings on pension plan investments	849,898
Changes in proportion and differences between Town contributions and proportionate share of contributions	543,754
Total	\$ 3,148,327

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

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)	\$ -	\$ 12,856
Unspent grant proceeds	-	-
Changes in assumptions	1,914,096	-
Differences between expected and actual experience	21,570	-
Net difference between projected and actual	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	322,229	-
Total	\$ 2,257,895	\$ 12,856

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, 2023, 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, 2022, the Town spent \$73,012 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, 2023, 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, 2023

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, 2023 was \$171,410.

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

Years Ending June 30:	Governmental-Type Activities	
	Principal	Interest
2024	\$ 46,006	\$ 5,727
2025	47,283	4,451
2026	48,618	3,117
2027	29,504	1,755
Total	\$ 171,410	\$ 15,050

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, 2023 was \$465,245.

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

Years Ending June 30:	Governmental-Type Activities	
	Principal	Interest
2024	\$ 54,958	\$ 7,128
2025	55,830	6,257
2026	56,715	5,371
2027	57,615	4,471
2028	58,529	3,558
2029-2031	181,600	5,044
Total	\$ 465,245	\$ 31,829

On November 16, 2022, 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 May 16, 2023 with an interest rate of 4.0 percent. The note totaled \$1,500,000 and is to be repaid over 15 years. The balance of this note at June 30, 2023 was \$1,463,025.

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

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

Years Ending June 30:	Principal	Interest
2024	\$ 76,184	\$ 57,766
2025	79,261	54,689
2026	82,463	51,487
2027	85,795	48,155
2028	89,260	44,690
2029-2033	503,399	166,351
2034-2037	546,663	56,112
Total	<u>\$ 1,463,025</u>	<u>\$ 479,250</u>

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. The Town entered into an agreement on March 14, 2023 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 \$72,822 at June 30, 2023. 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, 2023:

Years Ending June 30:	Governmental-Type Activites	
	Principal	Interest
2024	18,496	2,254
2025	19,154	1,596
2026	19,835	915
2027	15,337	225
Total	<u>\$ 72,822</u>	<u>\$ 4,990</u>

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

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	\$ 736,748	\$ 1,500,000	\$ (137,068)	\$ 2,099,680	\$ 177,148
Capital leases	90,683	-	(17,861)	72,822	18,496
Compensated absences	294,618	76,599	(132,005)	239,212	76,599
Total OPEB liability	5,012,027	-	(981,436)	4,030,591	-
Net pension liability (LGERS)	633,989	1,831,879	-	2,465,868	-
Total Pension Liability	576,263	-	(47,647)	528,616	-
Governmental activity long-term liabilities	<u>\$ 7,344,328</u>	<u>\$ 3,408,478</u>	<u>\$ (1,316,017)</u>	<u>\$ 9,436,789</u>	<u>\$ 272,243</u>

C - Interfund Balances and Activity

Transfers to/from other funds at June 30, 2023, consist of the following:

From the Accommodations Tax Fund to the General Fund	\$ 345,155
Total	<u>\$ 345,155</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 2023 fiscal year, The Town made a one-time transfer of \$345,155 from the Accommodations Tax Fund to the General Fund per the allowed legislation of Occupancy Tax.

D - Net Investment in Capital Assets

Capital assets	<u>\$ 22,504,333</u>
less: long-term debt	<u>(2,172,502)</u>
Net investment in capital assets	<u>\$ 20,331,831</u>

Town of Sunset Beach, North Carolina
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

E - Fund Balance

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

Total Fund Balance - General Fund	\$ 13,094,998
Less:	
Stabilization by State Statute	2,164,128
Streets - Powell Bill	468,491
Beach Nourishment and Protection	2,571,555
Subsequent year's expenditures	491,290
Remaining Fund Balance	\$ 7,399,534

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

NOTE 4 - JOINT VENTURES

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightening insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf payments for salaries and fringe benefits made to members of the Town's fire department by the board of trustees. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2023. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, NC 27603.

NOTE 5 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 6 - SUBSEQUENT EVENTS

There are no subsequent events that would have a material effect on the financial statements. Subsequent events were evaluated through October 31, 2023 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 Ten Fiscal Years*

	<u>2023</u>	<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>
Sunset Beach's proportion of the net pension liability (asset) (%)	0.04371%	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) (\$)	\$ 2,465,868	\$ 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	\$ 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	\$ 2,331,300
Sunset Beach's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	79.18%	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	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 Ten Fiscal Years

	<u>2023</u>	<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	\$ 700,941	\$ 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	700,941	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>	<u>\$ -</u>
Sunset Beach's covered-employee payroll	\$ 3,626,463	\$ 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	19.33%	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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 576,263	\$ 582,734	\$ 438,344	\$ 428,458	\$ 387,290	\$ 674,793	\$ 696,953
Service Cost	35,719	34,276	23,704	20,045	24,969	17,754	23,988
Interest on the total pension liability	12,665	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	14,608	1,592	1,260	4,636	56,939	(303,078)	-
Changes of assumptions or other inputs	(83,900)	(14,944)	147,507	12,059	(14,934)	19,517	(14,173)
Benefit payments	(26,739)	(38,272)	(41,691)	(41,691)	(37,453)	(46,839)	(55,859)
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 528,616</u>	<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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 528,616	\$ 576,263	\$ 582,734	\$ 438,344	\$ 428,458	\$ 387,290	\$ 674,793
Covered payroll	1,020,469	815,445	870,808	725,434	787,908	658,230	824,969
Total pension liability as a percentage of covered payroll	51.80%	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 Seven Fiscal Years*
June 30, 2023

	<u>2023</u>	<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) (%)	0.01697%	0.01621%	0.01707%	0.01631%	0.01547%	0.01490%	0.01296%
Sunset Beach's proportion of the net OPEB liability (asset) (\$)	\$ 4,030,591	\$ 5,012,027	\$ 4,734,542	\$ 5,160,614	\$ 4,406,908	\$ 4,886,483	\$5,639,786
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
Sunset Beach's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	129.43%	181.90%	171.61%	201.82%	189.51%	230.63%	274.33%
Plan fiduciary net position as a percentage of the total OPEB liability	3.18%	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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 248,132	\$ 183,791	\$ 183,311	\$ 179,040	\$ 160,325	\$ 140,690	\$ 142,709
Contributions in relation to the contractually required contribution	248,132	183,791	183,311	179,040	160,325	140,690	142,709
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Sunset Beach's covered-employee payroll	\$ 3,626,463	\$ 3,114,222	\$ 2,755,381	\$ 2,758,830	\$ 2,557,011	\$ 2,325,465	\$ 2,118,716
Contributions as a percentage of covered-employee payroll	6.84%	5.90%	6.65%	6.49%	6.27%	6.05%	6.74%

Individual Fund Statements and Schedules

Town of Sunset Beach, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 2,966,462	\$
Interest		4,624	
Total	<u>2,933,000</u>	<u>2,971,086</u>	<u>38,086</u>
Other taxes and licenses:			
Fire district fees		2,171,375	
Total	<u>2,154,380</u>	<u>2,171,375</u>	<u>16,995</u>
Unrestricted intergovernmental:			
ABC profit distribution		131,612	
Local option sales taxes		1,845,461	
Utility sales tax		378,495	
Telecommunications sales tax		21,393	
Video franchise fee		36,600	
Beer and wine tax		19,489	
Total	<u>2,240,200</u>	<u>2,433,050</u>	<u>192,850</u>
Restricted intergovernmental:			
Other grants		841,420	
Solid waste disposal tax		3,466	
Powell Bill allocation		160,535	
Total	<u>947,690</u>	<u>1,005,421</u>	<u>57,731</u>
Permits and fees:			
CAMA local fees		2,400	
Contractor/development fees		565,706	
Court facilities		1,314	
Miscellaneous fees		87,066	
Public safety fees/donations		112,004	
Total	<u>633,500</u>	<u>768,490</u>	<u>134,990</u>
Sales and services:			
Recycling program revenue		136,816	
Total	<u>135,000</u>	<u>136,816</u>	<u>1,816</u>
Investment earnings	<u>152,000</u>	<u>209,798</u>	<u>57,798</u>
Total revenues	<u>\$ 9,195,770</u>	<u>\$ 9,696,036</u>	<u>\$ 500,266</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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Administration:			
Salaries and benefits	\$	\$ 255,413	\$
Other operating expenditures		300,197	
Total	<u>743,570</u>	<u>555,610</u>	<u>187,960</u>
Finance:			
Salaries and benefits		308,241	
Other operating expenditures		71,667	
Total	<u>542,700</u>	<u>379,908</u>	<u>162,792</u>
Governing board:			
Salaries and benefits		17,576	
Other operating expenditures		23,867	
Total	<u>52,750</u>	<u>41,443</u>	<u>11,307</u>
Public buildings/property:			
Other operating expenditures		754,532	
Capital outlay		2,244,676	
Total	<u>3,312,800</u>	<u>2,999,208</u>	<u>313,592</u>
Total general government	<u>4,651,820</u>	<u>3,976,169</u>	<u>675,651</u>
Environmental:			
Other operating expenditures		276,989	
Total	<u>296,700</u>	<u>276,989</u>	<u>19,711</u>
Streets:			
Salaries and benefits		451,575	
Other operating expenditures		161,447	
Capital outlay		105,967	
Total	<u>929,400</u>	<u>718,989</u>	<u>210,411</u>
Sanitation:			
Other operating expenditures		196,843	
Total	<u>\$ 239,000</u>	<u>\$ 196,843</u>	<u>\$ 42,157</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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Stormwater:			
Salaries and benefits	\$	\$ 148,579	\$
Other operating expenditures		50,159	
Total	<u>440,400</u>	<u>198,738</u>	<u>241,662</u>
Public safety:			
Police:			
Salaries and benefits		1,907,481	
Other operating expenditures		251,167	
Capital outlay		207,143	
Total	<u>2,693,420</u>	<u>2,365,791</u>	<u>327,629</u>
Fire:			
Salaries and benefits		2,024,397	
Other operating expenditures		217,361	
Capital outlay		231,898	
Total	<u>2,534,700</u>	<u>2,473,656</u>	<u>61,044</u>
Total public safety	<u>5,228,120</u>	<u>4,839,447</u>	<u>388,673</u>
Inspections:			
Salaries and benefits		463,542	
Other operating expenditures		54,839	
Total	<u>593,600</u>	<u>518,381</u>	<u>75,219</u>
Planning and zoning			
Other operating expenditures		194,994	
Total	<u>\$ 215,300</u>	<u>\$ 194,994</u>	<u>\$ 20,306</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, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt service:			
Principal retirement	\$	\$ 154,929	\$
Interest and fees		25,865	
Total	<u>184,000</u>	<u>180,794</u>	<u>3,206</u>
Total expenditures	<u>12,778,340</u>	<u>11,101,344</u>	<u>1,662,460</u>
Revenues over (under) expenditures	<u>(3,582,570)</u>	<u>(1,405,308)</u>	<u>2,177,262</u>
Other financing sources (uses):			
Installment proceeds	2,090,000	1,500,000	(590,000)
Transfers from other funds	(1,050,967)	345,155	1,396,122
Insurance recovery	12,490	28,885	16,395
Total	<u>1,051,523</u>	<u>1,874,040</u>	<u>822,517</u>
Fund balance appropriated	<u>2,531,047</u>	-	<u>2,531,047</u>
Net change in fund balances	<u>\$ -</u>	468,732	<u>\$ 468,732</u>
Fund balance, beginning		<u>10,054,711</u>	
Fund balance, ending		<u>\$ 10,523,443</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, 2023

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Interest income	\$	\$ 30,509	\$
Local revenues		603,913	
Total revenues	530,000	634,422	104,422
<u>Expenditures:</u>			
Economic and physical development			
Repair and maintenance		279,245	
Total expenditures	628,140	279,245	348,895
Revenues over (under) expenditures	(98,140)	355,177	(453,317)
Fund balance appropriation	(98,140)	-	(98,140)
Net change in fund balance	\$ -	355,177	\$ 355,177
Fund balance, beginning		2,216,378	
Fund balance, ending		\$ 2,571,555	

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, 2023

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Grants	\$	\$ 1,286,582	\$
Total revenues	1,286,582	1,286,582	-
Other financing sources (uses):			
Transfer to General Fund	(1,286,582)	(1,286,582)	-
Total	(1,286,582)	(1,286,582)	-
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, 2023

	Festival Fund	Accommodations Tax Fund	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and investments	\$ 28,453	\$ -	\$ 28,453
Accounts receivable, net	-	11,715	11,715
Total assets	\$ 28,453	\$ 11,715	\$ 40,168
 <u>Liabilities and Fund Balances</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 90	\$ 11,715	\$ 11,805
 <u>Fund balances:</u>			
Restricted			
Economic development	28,363	-	28,363
Total fund balances	28,363	-	28,363
 Total liabilities and fund balances	 \$ 28,453	 \$ 11,715	 \$ 40,168

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, 2023

	Festival Fund	Accommodations Tax Fund	Total Nonmajor Governmental Funds
<u>Revenues:</u>			
Other taxes	\$ -	\$ 905,853	\$ 905,853
Total revenues	-	905,853	905,853
<u>Expenditures:</u>			
Current:			
Economic development	8,433	474,832	483,265
Total expenditures	8,433	474,832	483,265
Revenues over (under) expenditures	(8,433)	431,021	422,588
<u>Other Financing Sources (Uses):</u>			
Transfers in (out)	-	(431,021)	(431,021)
Total other financing sources (uses)	-	(431,021)	(431,021)
Net change in fund balances	(8,433)	-	(8,433)
Fund balance, beginning	36,796	-	36,796
Fund balance, ending	\$ 28,363	\$ -	\$ 28,363

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, 2023

	Project Authorization	Prior Year Actual	Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
State grants	\$ 3,756,436	\$ 589,075	\$ 1,593,123	\$ 2,182,198	\$ (1,574,238)
Interest earned	-	1,122	7,639	8,761	8,761
Total revenues	<u>3,756,436</u>	<u>590,197</u>	<u>1,600,762</u>	<u>2,190,959</u>	<u>(1,565,477)</u>
Expenditures:					
Feasibility and design	334,651	-	-	-	334,651
Permitting	254,974	-	-	-	254,974
Construction	4,750,000	1,672,785	1,363,627	3,036,412	1,713,588
Construction oversight	175,000	133,013	299,344	432,357	(257,357)
Survey	120,000	120,000	-	120,000	-
Total expenditures	<u>5,634,625</u>	<u>1,925,798</u>	<u>1,662,971</u>	<u>3,588,769</u>	<u>2,045,856</u>
Revenues under expenditures	(1,878,189)	(1,335,601)	(62,209)	(1,397,810)	480,379
Other financing sources (uses):					
Transfers from General Fund	1,878,189	-	1,372,447	1,372,447	(505,742)
Total other sources (uses)	<u>1,878,189</u>	<u>-</u>	<u>1,372,447</u>	<u>1,372,447</u>	<u>(505,742)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,335,601)</u>	1,310,238	<u>\$ (25,363)</u>	<u>\$ (25,363)</u>
Fund balance, beginning			309,319		
Fund balance, ending			<u>\$ 1,619,557</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, 2023

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Local revenues	\$	\$ -	\$
Total revenues	23,966	-	(23,966)
<u>Expenditures:</u>			
Current:			
Economic and physical development		8,433	
Total expenditures	23,966	8,433	15,533
Revenues over (under) expenditures	-	(8,433)	(8,433)
Fund balance appropriation	-	8,433	8,433
Net change in fund balance	\$ -	(8,433)	\$ (8,433)
Fund balance, beginning		36,796	
Fund balance, ending		\$ 28,363	

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, 2023

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Other taxes	\$	\$ 905,853	\$
Total revenues	775,000	905,853	130,853
<u>Expenditures:</u>			
Current:			
Economic and physical development		427,292	
Capital Outlay		47,541	
Total expenditures	527,520	474,833	52,687
Revenues over (under) expenditures	247,480	431,021	183,541
Other financing sources (uses):			
Transfers in (out)	(247,480)	(431,021)	(183,541)
Total other financing sources (uses)	(247,480)	(431,021)	(183,541)
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, 2023

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2022</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2023</u>
2022-2023	\$ -	\$ 2,964,792	\$ 2,955,524	\$ 9,268
2021-2022	11,920	-	9,057	2,863
2020-2021	2,835	-	2,175	660
2019-2020	693	-	692	1
2018-2019	212	-	155	57
2017-2018	217	-	165	52
2016-2017	138	-	1	137
2015-2016	21	-	-	21
2014-2015	78	-	2	76
2013-2014	58	-	13	45
2012-2013	74	-	-	74
2011-2012	110	-	110	-
	<u>\$ 16,356</u>	<u>\$ 2,964,792</u>	<u>\$ 2,967,894</u>	<u>13,254</u>

Less: allowance for uncollectible accounts - General Fund (398)

Ad valorem taxes receivable - net \$ 12,856

Reconciliation to revenues:

Ad valorem taxes - General Fund \$ 2,971,086

Reconciling items:

Discounts, releases, refunds (3,049)

Interest collected (143)

Total collections and credits \$ 2,967,894

Town of Sunset Beach, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2023

	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	<u>\$ 1,852,014,375</u>	0.16	<u>\$ 2,963,223</u>	<u>\$ 2,818,732</u>	<u>\$ 144,491</u>
Total	<u>1,852,014,375</u>		<u>2,963,223</u>	<u>2,818,732</u>	<u>144,491</u>
Discoveries	<u>1,027,500</u>	0.16	<u>1,644</u>	<u>1,644</u>	<u>-</u>
Releases	<u>(46,875)</u>	0.16	<u>(75)</u>	<u>(75)</u>	<u>-</u>
Total property valuation	<u><u>\$ 1,852,995,000</u></u>				
Net levy			2,964,792	2,820,301	144,491
Uncollected taxes at June 30, 2023			<u>(9,268)</u>	<u>(9,268)</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 2,955,524</u></u>	<u><u>\$ 2,811,033</u></u>	<u><u>\$ 144,491</u></u>
Current levy collection percentage			<u><u>99.69%</u></u>	<u><u>99.67%</u></u>	<u><u>100.00%</u></u>

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Sunset Beach, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprises the Town of Sunset Beach's basic financial statements and have issued our report thereon dated October 31, 2023. Our report includes a reference to other auditors who audited the financial statements of the Town of Sunset Beach's ABC Board, as described in our report on the Town of Sunset Beach's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Town of Sunset Beach's ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

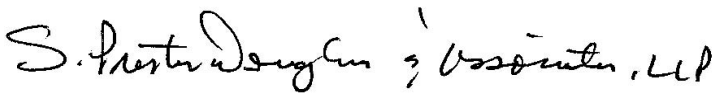
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Sunset Beach's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

Purpose of this Report

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

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

Lumberton, North Carolina
October 31, 2023

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal 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 federal programs for the year ended June 30, 2023. The Town of Sunset Beach's major federal 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 federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal 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 the City 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 provide a reasonable basis for our opinion on compliance for each major federal 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 federal 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 the Town of Sunset Beach's compliance with the requirements of each major federal 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 the City'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 the City'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 the City'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.

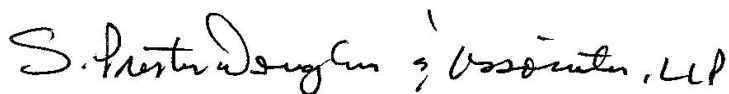
Report on Internal Control Over Compliance

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 federal 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 federal 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 federal 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
October 31, 2023

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, 2023. 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, 2023.

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.

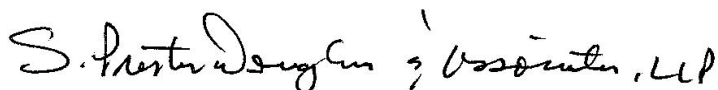
Report on Internal Control Over Compliance

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
October 31, 2023

**Town of Sunset Beach, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

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
- Parks and Recreation Trust Fund

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, 2023

Federal Awards

Internal control over major Federal programs

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(s) identified that are not considered to be material weaknesses _____ Yes X 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 X No

Identification of major Federal programs:

Names of Federal Programs

- Coronavirus State Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Town of Sunset Beach, North Carolina
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2023

Section II. Financial Statement Findings

None reported.

Section III. State Award Findings and Questioned Costs

None reported.

Section IV. Federal 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, 2023

Grantor/Pass-through Grant/Program Title	Federal Assistance Listing Number	Award Number/State Pass-through Grantor's Number	Federal (Direct Pass- through) Expenditures	State Expenditures
Federal Grants:				
Direct Programs:				
<u>US Department Treasury</u>				
Coronavirus State Local Fiscal Recovery Funds	21.027	NC 0369	\$ 1,286,582	\$ -
Total US Department of Treasury			<u>1,286,582</u>	<u>-</u>
Total federal assistance			<u>1,286,582</u>	<u>-</u>
State Grants:				
Cash Assistance:				
<u>N.C. Department of Environmental Quality</u>				
Water Resources Development Project Grant Program		DEQ-30	-	1,662,971
Beach and Waterfront Access Grant		SRP-W-0193	-	250,000
Total N.C. Department of Environmental Quality			<u>-</u>	<u>1,912,971</u>
<u>N.C. Division of Parks and Recreation</u>				
Parks and Recreation Trust Fund		23-1032	-	500,000
Total state assistance			<u>-</u>	<u>2,412,971</u>
Total assistance			<u>\$ 1,286,582</u>	<u>\$ 2,412,971</u>

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, 2023. 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.