

***TOWN OF INDIAN BEACH,
NORTH CAROLINA***

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

***TOWN OF INDIAN BEACH,
NORTH CAROLINA***

FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

Mayor

Stewart M. Pickett

Commissioners

Joel S. Fortune, Jr.

Michael Luther

Elizabeth Dale Williford

Pete Wylie

Town Manager

Tim White

**TOWN OF INDIAN BEACH,
NORTH CAROLINA**

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FINANCIAL SECTION

Independent Auditor's Report

Management's Discussion and Analysis

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Board of Commissioners
Town of Indian Beach
Indian Beach, North Carolina

I have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Indian Beach as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position the governmental activities and each fund of the Town of Indian Beach as of June 30, 2020, and the changes in financial position, and respective budgetary comparison for the General Funds and Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis beginning on page 3, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, 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 37 through 40, 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. I 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 information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Indian Beach. The budgetary statement, individual fund statement, tax schedules as well as the accompanying schedule of expenditures of federal and state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary statement, individual fund statement, tax 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 the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budgetary statement, individual fund statement, tax schedules and the schedule of expenditures of federal and state awards 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*, I have also issued my report dated January 25, 2021, on my consideration of the Town of Indian Beach's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering to town's internal control over financial reporting and compliance.

G. Lee Carroll, Jr., CPA

January 25, 2021

Town of Indian Beach, North Carolina

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

As management of the Town of Indian Beach, we offer readers of the Town of Indian Beach's financial statements this narrative overview and analysis of the financial activities of the Town of Indian Beach for the fiscal year ended June 30, 2020. 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

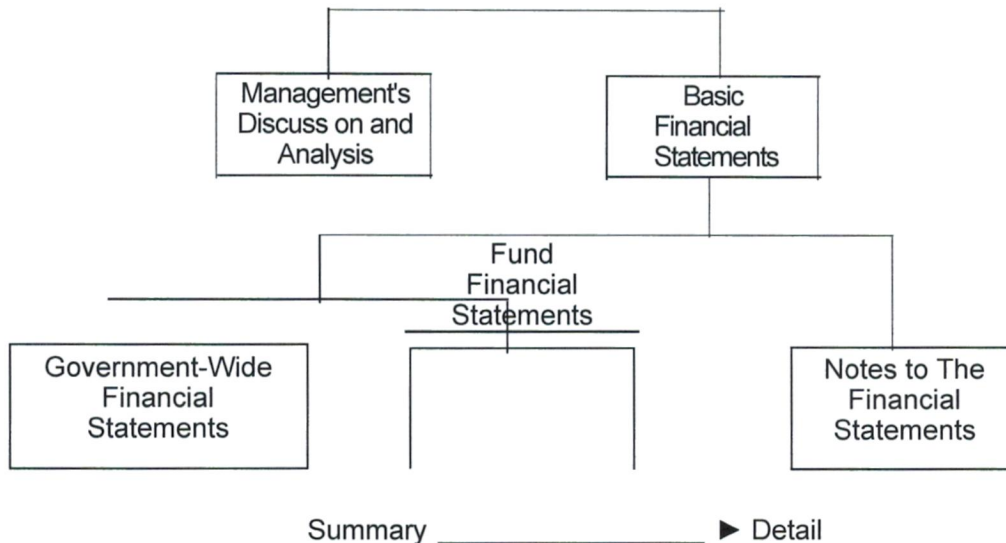
Highlights of the Town's fiscal year ended June 30, 2020, include:

- The assets and deferred outflows of resources of the Town of Indian Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,434,483 (net position).
- The government's total net position increased by \$934,224. This increase is primarily the result of special revenue fund beach nourishment reimbursement of intergovernmental capital grants of \$1,108,419 combined with diligent cost-saving measures throughout the rest of the budget.
- As of the close of the current fiscal year, the Town of Indian Beach's governmental funds reported combined ending fund balances of \$2,179,093 with a net increase of \$1,234,378 in fund balance. Approximately 89.7 percent of this total amount, or \$1,955,227, is non-spendable, restricted, committed, or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$223,866 or 10.14 percent of total general fund expenditures for the fiscal year. Total fund balance for the General Fund was \$429,284.
- Town General Fund and Beach Reserve Funds are invested in the NC Capital Management Trust of which its AAA rating remained unchanged.
- The Town's total debt increased by \$421,643 during the current fiscal year. Increase primarily represents increase in Local Government Employees' Retirement System net pension liability and financing of one police department vehicle, offset by principal repayments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Town of Indian Beach's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Indian Beach.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (Statements A and B) 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 (Statements C through F) 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**. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is the **Required Supplemental Information**. This section contains funding information about the Town's pension plan.

After the required supplemental information, additional **Supplemental Information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Town of Indian Beach, North Carolina

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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 and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The Town only has the first of these three categories, governmental activities, which includes the Town's basic services, such as general administration and public safety. Property and other taxes, charges for services and state and federal grant funds finance most of these activities. The government-wide financial statements are on Statements A and B of this report.

Fund Financial Statements

The fund financial statements beginning with Statement C 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 Indian Beach, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of Town of Indian Beach are governmental funds.

Governmental Funds — Governmental funds are used to account for those 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 what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Indian Beach adopts an annual budget for its General and Special Revenue Funds, 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 Town Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted.

Town of Indian Beach, North Carolina

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

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 Town Board; 2) the final budget as amended by the Town Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund and Special Revenue Funds; and 4) the difference or variance between the final budget and the actual resources and charges. The fund financial statements are on Statements E and F of this report.

Notes to 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 begin on page 21 of this report.

Other Information — In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found in Schedules 1, 2, 3 and 4. Additional supplementary information can be found on Schedules 5, 6 and 7.

Government-Wide Financial Analysis

Town of Indian Beach's Net Position Figure 2

	Governmental Activities	
	2020	2019
Current and other assets	\$ 2,212,389	\$ 1,042,441
Capital assets	2,076,286	1,978,937
Deferred outflows of resources	277,697	322,328
Total assets and deferred outflows of resources	4,566,372	3,343,706
Long-term liabilities outstanding	945,902	693,312
Other liabilities	136,667	91,300
Deferred inflows of resources	49,320	58,835
Total liabilities and deferred inflows of resources	1,131,889	843,447
Net position:		
Net investment in capital assets	1,656,465	1,813,672
Restricted	172,269	257,816
Unrestricted	1,605,749	428,771
Total net position	\$ 3,434,483	\$ 2,500,259

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Indian Beach exceeded liabilities and deferred inflows by \$3,434,483 as of June 30, 2020. The Town's net position decreased by \$934,224 for the fiscal year ended June 30, 2020.

Town of Indian Beach, North Carolina

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

Several particular aspects of the Town's financial operations influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.77%, which is comparable to the fiscal year 2020 statewide average of 99.55%. The Town's base tax rate of \$.255 per \$100 valuation levied increased \$.03 over the prior year rate of \$.225.
- Increased sales tax revenues of approximately \$2,800
- Police and fire department capital outlay for equipment was approximately \$32,286 and \$167,732 respectively.

Town of Indian Beach, North Carolina

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

Town of Indian Beach's Changes in Net Position

Figure 3

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 29,365	\$ 42,673
Operating grants	108,839	141,869
Capital grants	7,418,438	6,220,372
General revenues:		
Property taxes	1,1543,985	1,060,828
Other taxes	736,679	771,347
Investment earnings	12,940	40,534
Miscellaneous	24,456	69,006
Total revenues	9,484,675	8,346,629
Expenses:		
Government Activities:		
Governing Board	17,600	17,600
Administration	337,768	600,476
Public Safety	1,863,663	1,660,665
Economic & Physical Development	6,310,019	7,309,994
Interest on long-term debt	5,001	4,871
Total expenses	8,500,451	9,576,006
Decrease in net position	934,192	(1,229,377)
Net Position, Beginning of Year	2,500,259	3,729,636
Net position, End of Year	\$ 3,434,483	\$ 2,500,259

Governmental Activities: Governmental activities increased the Town's net position by \$934,224. Key elements of this change are as follows:

- Charges for services decreased approximately \$13,308 primarily due to decreased collections of EMS billings and golf cart permits.
- The Town was awarded approximately \$134,507 in Staffing for Adequate Fire & Emergency Response (SAFR) operating grant revenue, which is awarded to fire departments that represent the interest of volunteer firefighters. These grants fund additional fire department staffing.

Town of Indian Beach, North Carolina

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

- The Town's property tax revenues for the town increased approximately \$93,000 over prior year.
- The Town's Municipal Service Tax District consisting of an Oceanfront tax rate of \$.030 and a Non-Oceanfront tax rate of \$.010 per \$100 both remained the same. This tax is levied on all respective properties to be held as committed for beach nourishment in a special revenue fund.
- Departmental expenditures decreased due to higher expenditures the prior year due to Hurricane Florence.

Financial Analysis of the Town's Funds

As noted earlier, the Town of Indian Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the Town of Indian Beach's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Indian Beach's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Indian Beach. At the end of the current fiscal year, the Town of Indian Beach's fund balance available in the General Fund was \$223,866 while total fund balance reached \$429,284. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total

Town of Indian Beach, North Carolina

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

fund expenditures. The Town currently has an available fund balance of 10.14 percent of total general fund expenditures, while total fund balance represents 19.45 percent of that same amount.

At June 30, 2020, the governmental funds of the Town of Indian Beach reported a combined fund balance of \$2,179,093, an increase of 130.66 percent from prior year.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Sales tax revenues and permits and fees exceeded budgeted amounts, Ad Valorem tax revenues and FEMA storm reimbursements were less than budgeted amounts and remaining other revenues were comparable with expectations.

Capital Asset and Debt Administration

Capital Assets: The Town of Indian Beach's investment in capital assets for its governmental activities as of June 30, 2020, totals \$2,076,286 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

The capital asset transactions during the year consisted of the following: the purchase of a 2018 police vehicle at a total cost of \$32,286, the purchase of a replacement police vehicle and \$167,732 for renovations to the fire station.

The Town of Indian Beach's Capital Assets (Net of Depreciation)

Figure 4

	Governmental Activities	
	2020	2019
Land and land improvements	\$ 781,861	\$ 781,861
Buildings and improvements	979,159	835,794
Infrastructure	20,265	23,113
Equipment	30,711	26,823
Vehicles	264,290	311,346
Total	\$ 2,076,286	\$ 1,978,937

Additional information on the Town's capital assets can be found in Note 5 of this report.

Town of Indian Beach, North Carolina

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

Long-Term Debt: As of June 30, 2020, the Town of Indian Beach had total outstanding debt of \$419,820 (excluding compensated absences and net pension liabilities) which consists of installment debt only.

Town of Indian Beach's Outstanding Debt Figure 5

	Governmental Activities	
	2020	2019
Installment loan	419,820	165,265
Total long-term debt	\$ 419,820	\$ 165,265

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Indian Beach as of June 30, 2020 is \$33,970,242.

Additional information regarding the Town of Indian Beach's long-term debt can be found in Note 10 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic factors will affect the revenues during the next fiscal year.

- The town received a reimbursement from FEMA for costs of the 2020 beach renourishment project. Excess reimbursement funds will be spent for specified and approved capital expenditures.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: The Town adopted a base tax rate of \$.255 per \$100 valuation for fiscal year 2019/20, which is a \$.03 increase from fiscal year 2018/19. Budgeted revenues and expenditures for the General Fund for 2019/20 are about \$290,000 more than the current year.

The Beach Nourishment Capital Reserve Fund tax base has remained the same respective to the general fund, and the Town adopted Special Tax District rates with an Oceanfront rate of \$.030 tax per \$100 valuation and Non-Oceanfront rate of \$.010 tax per \$100 valuation, which is the same as the prior year.

Town of Indian Beach, North Carolina

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Administrator, Town of Indian Beach, 1400 Salter Path Road, Indian Beach, NC 28512.

TOWN OF INDIAN BEACH, NC
STATEMENT OF NET POSITION
June 30, 2020

Statement A

	<u>Governmental Activities</u>
Assets:	
Current Assets:	
Cash and investments	\$ 475,882
Ad valorem taxes receivable (net)	8,868
Accounts receivable	172,392
Prepaid expenses	13,499
Inventory	13,061
Restricted cash and investments	<u>1,528,687</u>
Total Current Assets	<u>2,212,389</u>
Non-Current Assets:	
Capital assets:	
Land	781,861
Other capital assets, net of accumulated depreciation	<u>1,294,425</u>
Total Capital Assets	<u>2,076,286</u>
Total Assets	<u>4,288,675</u>
Deferred Outflows of Resources:	
Pension deferrals	<u>277,697</u>
Liabilities:	
Current Liabilities:	
Accounts payable and accrued expenses	24,428
Accrued interest payable	2,647
Current portion of accrued vacation	56,141
Current portion of note payable	<u>53,451</u>
Total Current Liabilities	<u>136,667</u>
Long-term Liabilities:	
Net pension liability - LGERS	512,321
Net pension liability - LEOSA	43,948
Long-term portion of accrued vacation	23,263
Long-term portion of note payable	<u>366,370</u>
Total Long-term Liabilities	<u>945,902</u>
Total Liabilities	<u>1,082,569</u>
Deferred Inflows of Resources:	
Pension deferrals	<u>49,320</u>
Net Position:	
Net investment in capital assets	1,656,465
Restricted - Stabilization by State Statute	172,269
Unrestricted	<u>1,605,749</u>
Total Net Position	<u>\$ 3,434,483</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF INDIAN BEACH, NC
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Statement B

		<u>Program Revenues</u>			<u>Net Expenses</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>and Change</u>
		<u>Services</u>	<u>Grants</u>	<u>Grants</u>	<u>in Net</u>
Functions:					<u>Position</u>
Government Activities:					
General Government	\$ 371,768	\$ -	\$ -	\$ -	\$ (371,768)
Public Safety	1,863,663	29,365	108,839	-	(1,725,459)
Economic and					
Physical Development	6,310,019	-	-	7,418,438	1,108,419
Interest on long-term debt	5,001	-	-	-	(5,001)
Total Governmental					
Activities	<u>\$ 8,550,451</u>	<u>\$ 29,365</u>	<u>\$ 108,839</u>	<u>\$ 7,418,438</u>	<u>(993,809)</u>

General Revenues:

Taxes:

Ad valorem taxes	1,153,958
Other taxes	736,679
Investment earnings	12,940
Miscellaneous	24,456

Total General Revenues 1,928,033

Change in Net Position 934,224

Net Position - Beginning of Year 2,500,259

Net Position - End of Year \$ 3,434,483

The accompanying notes are an integral part of the financial statements.

TOWN OF INDIAN BEACH, NC
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

Statement C
Page 1 of 2

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets:			
Cash and investments	\$ 475,882	\$ -	\$ 475,882
Restricted cash and investments	-	1,528,687	1,528,687
Due from operating fund	-	220,999	220,999
Ad valorem taxes receivable (net)	7,356	1,512	8,868
Accounts receivable	172,269	123	172,392
Prepaid expenses	13,499	-	13,499
Inventory	13,061	-	13,061
Total Assets	<u>\$ 682,067</u>	<u>\$ 1,751,321</u>	<u>\$ 2,433,388</u>
Liabilities:			
Accounts payable and accrued liabilities	\$ 24,428	\$ -	\$ 24,428
Due to special revenue fund	220,999	-	220,999
Total Liabilities	<u>245,427</u>	<u>-</u>	<u>245,427</u>
Deferred Inflows of Resources			
Property taxes receivable	7,356	1,512	8,868
Total Deferred Inflows of Resources	<u>7,356</u>	<u>1,512</u>	<u>8,868</u>
Fund Balances:			
Non-Spendable:			
Prepaid expenses	13,499	-	13,499
Inventory	13,061	-	13,061
Restricted:			
Stabilization by State Statute	172,269	-	172,269
Committed:			
Beach Nourishment	-	1,749,809	1,749,809
Assigned:			
Fire Auxiliary	6,589	-	6,589
Unassigned	223,866	-	223,866
Total Fund Balances	<u>429,284</u>	<u>1,749,809</u>	<u>2,179,093</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 682,067</u>	<u>\$ 1,751,321</u>	<u>\$ 2,433,388</u>

The accompanying notes are an integral part of the financial statements.

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

Total fund balances for governmental funds		\$ 2,179,093
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Gross capital assets at historical cost	3,900,695	
Accumulated depreciation	(1,824,409)	
		2,076,286
Deferred outflows of resources related to pensions are not reported in the funds		277,697
Earned revenues considered deferred inflows of resources in fund statements		8,868
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:		
Accrued vacation		(79,404)
Installment note payable and accrued interest		(422,468)
Pension related deferrals		(556,269)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(49,320)</u>
Net Position of Governmental Activities		<u>\$ 3,434,483</u>

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

TOWN OF INDIAN BEACH, NC
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2020

Statement D
Page 1 of 2

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 1,068,909	\$ 85,119	\$ 1,154,028
Unrestricted intergovernmental	593,077	-	593,077
Restricted intergovernmental	252,441	7,418,438	7,670,879
Permits and fees	29,365	-	29,365
Other	6,895	-	6,895
Interest/investment earnings	2,618	10,322	12,940
Total Revenues	<u>1,953,305</u>	<u>7,513,879</u>	<u>9,467,184</u>
Expenditures:			
Current:			
Administration	333,836	698	334,534
Police	450,772	-	450,772
Public service	51,434	-	51,434
Economic and physical development	-	6,310,019	6,310,019
Fire/EMS	1,338,298	-	1,338,298
Debt Service:			
Principal	28,069	-	28,069
Interest	4,866	-	4,866
Total Expenditures	<u>2,207,275</u>	<u>6,310,717</u>	<u>8,517,992</u>
Expenditures Over Revenues	<u>(253,970)</u>	<u>1,203,162</u>	<u>949,192</u>
Other Financing Sources:			
Sale of surplus assets	2,561		2,561
Installment purchase obligations issued	282,625	-	282,625
Total Other Financing Sources	<u>285,186</u>	<u>-</u>	<u>285,186</u>
Net Change in Fund Balance	31,216	1,203,162	1,234,378
Fund Balances - Beginning of Year	<u>398,068</u>	<u>546,647</u>	<u>944,715</u>
Fund Balances - End of Year	<u>\$ 429,284</u>	<u>\$ 1,749,809</u>	<u>\$ 2,179,093</u>

The accompanying notes are an integral part of the financial statements.

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

Net changes in fund balances - total governmental funds \$ 1,234,378

Governmental funds report capital outlay 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 depreciation exceeded capital outlay and loss on disposal of fixed assets in the current period:

Capital outlay expenditures which were capitalized	\$ 200,018	
Loss on disposal of fixed assets	-	
Depreciation expense for governmental assets	<u>(117,669)</u>	
		82,349

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund statements:

Change in unavailable revenues for tax revenues	(70)
Donated equipment	15,000

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Installment debt issued	(282,625)	
Principal payments on note payable	28,069	
Decrease in accrued interest payable	<u>(135)</u>	
		(254,691)

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 the governmental funds:

Change in compensated absences	(27,596)	
Pension expense	(118,709)	
Net pension obligation (LEO)	<u>3,563</u>	
		(142,742)

Total changes in net position of governmental activities \$ 934,224

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

TOWN OF INDIAN BEACH, NC
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020

Statement E

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:				
Ad valorem taxes	\$ 1,086,450	\$ 1,086,450	\$ 1,068,909	\$ (17,541)
Unrestricted intergovernment	514,090	514,090	593,077	78,987
Restricted intergovernmental	270,920	479,354	252,441	(226,913)
Permits and fees	39,150	39,150	29,365	(9,785)
Other	2,500	15,714	6,895	(8,819)
Interest	6,000	6,000	2,618	(3,382)
Total Revenues	<u>1,919,110</u>	<u>2,140,758</u>	<u>1,953,305</u>	<u>(187,453)</u>
Expenditures:				
Current:				
Administration	343,060	538,060	333,836	204,224
Police	477,350	478,910	450,772	28,138
Publib service	60,000	60,000	51,434	8,566
Fire/EMS	1,111,550	1,388,198	1,338,298	49,900
Debt Service:				
Principal retirement	67,650	67,650	28,069	39,581
Interest	6,500	6,500	4,866	1,634
Total Expenditures	<u>2,066,110</u>	<u>2,539,318</u>	<u>2,207,275</u>	<u>332,043</u>
Excess of Expenditures Over Revenues	<u>(147,000)</u>	<u>(398,560)</u>	<u>(253,970)</u>	<u>144,590</u>
Other Financing Sources:				
Sale of surplus assets	1,000	2,560	2,561	1
Installment purchase obligations issued	146,000	396,000	282,625	(113,375)
Total Other Fin. Sources	<u>147,000</u>	<u>398,560</u>	<u>285,186</u>	<u>(113,374)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	31,216	<u>\$ 31,216</u>
Fund Balance:				
Beginning of Year			<u>398,068</u>	
End of Year			<u>\$ 429,284</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF INDIAN BEACH, NC
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
Year Ended June 30, 2020

Statement F

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:				
Ad valorem taxes	\$ 89,061	\$ 89,061	\$ 85,119	\$ (3,942)
Restricted intergovernmental	-	7,524,740	7,418,438	(106,302)
Investment income	-	10,000	10,322	322
Total Revenues	<u>89,061</u>	<u>7,623,801</u>	<u>7,513,879</u>	<u>(109,922)</u>
Expenditures:				
Operating expenses	<u>89,061</u>	<u>7,623,801</u>	<u>6,310,717</u>	<u>1,313,084</u>
Total Expenditures	<u>89,061</u>	<u>7,623,801</u>	<u>6,310,717</u>	<u>1,313,084</u>
Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	1,203,162	<u>\$ 1,203,162</u>
Fund Balance:				
Beginning of Year			<u>546,647</u>	
End of Year			<u>\$ 1,749,809</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF INDIAN BEACH
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Indian Beach conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Indian Beach is a municipal corporation that is governed by a five-member board of commissioners. The Mayor is elected every two years by the Board of Commissioners. The town is not a component unit of a separate entity, nor does it have any component units.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The Town of Indian Beach does not have any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the town's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Town reports the following major governmental funds:

General Fund: The General Fund which is the general operating fund of the town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state grants, and various other taxes and licenses. The primary expenditures are for public safety and administrative services.

Special Revenue Fund: This fund is used to accumulate the Beach Nourishment Tax that is assessed on an ad valorem basis to provide resources for future beach renourishment projects.

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, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On the 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 services or privileges provided, 2) operating grants and contributions, and 3) capital contributions. Internally dedicated resources are reported as general revenues rather than program revenues. 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, pension, 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 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. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax and 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 because the tax is levied by Carteret County and then remitted to and distributed by the State of North Carolina.

D. Budgetary Data

The town's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the general fund and special revenue fund. All annual appropriations lapse at fiscal year end. The budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level. The board of commissioners must approve any revisions to the budgets. During the year ended June 30, 2020, the board approved several budget amendments.

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

Deposits and Investments

All deposits of the town are made in board-designated official depositories and are secured as required by G.S. 159-31. The town may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law G.S. 159-30c authorizes the town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The town's investments are reported at fair value. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair market value, which is the NCCMT's share price.

Restricted Assets

Ad valorem taxes collected for beach nourishment are reported as restricted assets since their use is limited to that purpose. The tax rate applicable to Municipal Service District 1 (Oceanfront) was \$0.03 tax per one-hundred dollars of valuation, and the rate applicable to Municipal Service District 2 (Non-oceanfront) was \$0.01 tax per one-hundred dollars of valuation. At June 30, 2020 restricted cash and investments of \$1,528,687 was held in the Special Revenue Fund for beach nourishment, and the General Fund owed \$220,999 to the Special Revenue Fund for funds received but not yet transferred at year end.

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the town levies ad valorem taxes on property other than motor vehicles on July 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, 2019. Effective for the 2017 and subsequent tax years the town's ad valorem taxes are billed, collected and forwarded to the town by the Town of Pine Knoll Shores. The Carteret County Tax Office will continue to collect prior year ad valorem taxes.

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.

Inventory and Prepaid Items

Inventory is valued at cost (first-in, first out) which approximates market. The inventory consists of expendable supplies of the Fire/EMS department that are recorded as expenditures as used rather than when purchased.

Certain payments to vendors reflect costs applicable to the following accounting period and are recorded as prepaid items and are expensed when used.

Capital Assets

Capital assets are defined by the town as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The minimum capitalization cost is \$2,500. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their estimated fair value at the time of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Computers and related equipment	3-5
Furniture and equipment	5-7
Vehicles	5-10
Buildings	50
Most infrastructure	15

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 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 meets this criterion, contributions made to the pension plan in the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The town has two elements that meet the criterion for this category – property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

Compensated Absences

The vacation policy of the town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. The town uses a first-in, first-out method of using accumulated compensated time. The portion of that time estimated to be used in the next fiscal year has been designated as a current liability in the government wide financial statements.

The town's sick leave policy provides for an unlimited accumulation. 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 the town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position / Fund Balances

Net position in government-wide financial statements are classified as net investment in capital assets, restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, contributors, grantors, 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 potential classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify balances as follows:

Non-spendable – 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.

Inventory and Prepaid Expenses – The portion of fund balance that is not an available resource because it is not a spendable resource.

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

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 non-spendable. RSS is included as a component of Restricted Net position and restricted fund balance on the face of the balance sheet.

Committed – The portion of fund balance that can only be used for specific purposes imposed by majority vote of the Town's governing body. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Beach Nourishment – The portion of fund balance that is committed by the Board of Commissioners for future beach nourishment and is the accumulation of the municipal service tax district ad valorem tax assessed for this purpose.

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

Fire Auxiliary – The portion of fund balance that has been collected by the Fire Auxiliary and will be spent according to the Board of Directors of the Auxiliary.

Unassigned – The portion of fund balance that has not been restricted, committed, or assigned. The Town has not adopted a minimum fund balance policy.

F. 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's employer contributions are recognized when due and the Town has a legal requirement to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERs. Investments are reported at fair value.

G. Subsequent Events

Management has evaluated subsequent events through January 25, 2021, the date the financial statements were available to be issued.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Deposits & Investments

Deposits

All of the town's deposits are either insured or collateralized using the Pooling Method. Under this 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, these deposits are considered to be held by their agents in the town's name.

Deposits (Continued)

The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits.

The State Treasurer does not confirm this information with the town or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The town has no formal policy regarding custodial credit risk for deposits.

At June 30, 2020, the town's deposits had a carrying amount of \$258,967 and a bank balance of \$56,304 which was covered by federal depository insurance. The Town had \$350 of petty cash on hand at June 30, 2020.

Investments

At June 30, 2020, the Town of Indian Beach had \$1,725,148 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor'. The town has no policy regarding credit risk.

3. Ad Valorem Taxes and Accounts Receivable

Ad valorem taxes receivable reported in the Statement of Net Position and Balance Sheet consist of uncollected taxes of \$13,877 less allowance for uncollectible accounts of \$5,009.

Accounts receivable at the government-wide level consist of the following amounts that are primarily due from other governments:

Utilities franchise tax.....	\$ 20,408
Local option sales tax	136,920
Sales tax refund.....	5,579
SAFER grant	8,064
Other.....	1,421
Total.....	<u>\$ 172,392</u>

4. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2020 follows:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 781,861	\$ -	\$ -	\$ 781,861
Capital assets being depreciated:				
Equipment	367,370	15,000	21,397	360,973
Vehicles	1,508,907	32,286	30,596	1,510,597
Buildings	1,036,461	167,732	-	1,204,193
Infrastructure	42,732	-	-	42,732
Total capital assets being depreciated	<u>2,955,470</u>	<u>215,018</u>	<u>51,993</u>	<u>3,118,495</u>
Less accumulated depreciation:				
Equipment	340,547	11,112	21,397	330,262
Vehicles	1,197,561	79,342	30,596	1,246,307
Buildings	200,667	24,367	-	225,034
Infrastructure	19,619	2,848	-	22,467
Total accum. depreciation	<u>1,758,394</u>	<u>117,669</u>	<u>51,993</u>	<u>1,824,070</u>
Net capital assets being Depreciated - net	<u>1,196,076</u>			<u>1,294,425</u>
Capital Assets, net	<u>\$ 1,978,937</u>			<u>\$ 2,076,286</u>

Depreciation expense was charged to the governmental functions as follows:

General government.....	\$ 10,012
Public safety	107,657
Total.....	<u>\$ 117,669</u>

5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at the government-wide level at June 30, 2020, consist of the following:

Vendors	\$ 4,927
Employees.....	19,501
Total.....	<u>\$ 24,428</u>

6. Deferred Inflows of Resources

Deferred inflows of resources in the governmental funds at year-end is composed of \$8,868 for ad valorem taxes receivable.

7. Pension Plan Obligations

A. Local Governmental Employees' Retirement System

PLAN DESCRIPTION - The Town of Indian 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 government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the NC 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 LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. The report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410, or by calling (919) 981-5454, or at www.osc.no.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 year 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 attained 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 Indian 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 Indian Beach's contractually required contribution rate for the year ended June 30, 2020 was 9.70% of compensation for LEO and 8.50% for general employees and fire fighters, 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 Indian Beach were \$89,474 for the year ended June 30, 2020.

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, 2020, the Town reported a liability of \$512,321 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2019, the Town's proportion was 0.01876%, which was an increase of 0.0005% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$208,173. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 87,722	\$ -
Changes in assumptions	83,500	-
Net difference between projected and actual earnings on pension plan investments	12,496	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	33,864
Town contributions subsequent to the measurement date	89,474	-
Total	<u>\$ 273,192</u>	<u>\$ 33,864</u>

\$89,474 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 ending June 30, 2020.

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

Year ending June 30:	
2020	\$ 76,020
2021	18,846
2022	44,354
2023	10,635
2023	-
Thereafter	-
	<u>\$ 149,855</u>

ACTUARIAL ASSUMPTIONS The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.50 to 8.10% including inflation and productivity factor
Investment rate of return	7.00%, 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, 2018 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 equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class as of June 30, 2019 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that the contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what the Town's proportionate share of net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20%) or one percentage point higher (8.20%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 1,171,772	\$ 512,321	\$ (35,816)

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

B. Law Enforcement Officers' Special Separation Allowance

PLAN DESCRIPTION - The Town of Indian Beach administers a public employee retirement system (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 .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 N. C. General Assembly.

All full-time law enforcement officers of the town are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of five active members, and no inactive members receiving benefits.

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 are recognized when due and payable in accordance with the plan.

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

ACTUARIAL ASSUMPTIONS – The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.5%
Salary increases	3.50 to 7.35% including inflation and productivity factor
Discount rate	3.26%

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Index Fund.

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. There were no contributions made by employees. The town's obligation to contribute to the plan is established and may be amended by the North Carolina General Assembly.

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

At June 30, 2020, the Town reported a total pension liability of \$43,948. The total pension liability is measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$1,393.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13,636
Changes in assumptions and other inputs	4,515	1,820
Town contributions subsequent to the measurement date	-	-
Total	<u>\$ 4,515</u>	<u>\$ 15,456</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension benefits will be recognized in pension expense as follows:

Year ending June 30:

2021	\$ - 4,035
2022	- 4,035
2023	- 2,740
2024	- 131
2022	-
Thereafter	-

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.26% 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, or 1 percentage point higher than the current rate:

	1% Decrease <u>(2.26%)</u>	Discount Rate <u>(3.26%)</u>	1% Increase <u>(4.26%)</u>
Total pension liability	\$ 48,073	\$ 43,948	\$ 40,216

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY – LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

Beginning balance	\$ 43,049
Service cost	3,951
Interest	1,477
Difference between expected and actual experience	- 1,025
Change of assumptions and other inputs	1,452
Benefit payments	<u>-4,956</u>
Total pension liability	<u>\$ 43,948</u>

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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2015.

TOTAL EXPENSE, LIABILITIES, AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO PENSIONS

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 207,935	\$ 1,393	\$ 209,328
Pension Liability	512,321	43,948	556,269
Proportionate share of net pension liability	0.01876%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	87,722	-	87,722
Changes in assumptions	83,500	4,515	88,015
Net difference between projected and actual earnings on plan investments	12,496	-	12,496
Benefit payments subsequent to measurement date	89,474	-	89,474
Deferred Inflows of Resources			
Differences between expected and actual experience	-	13,636	13,636
Changes in assumptions	-	1,820	1,820
Changes in proportion and differences between contributions and proportionate share of contributions	33,864	-	33,864

C. Supplemental Retirement Income Plan

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 and other employees of the town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the NC General Assembly. The Supplemental Retirement Income Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 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. Employees may also make voluntary contributions to the Plan. The Town made contributions of \$50,275 for the reporting year. No amounts were forfeited.

D. Other Employment Benefits

The Town elected to provide death benefits 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 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 monthly contributions.

The contributions to the Death Benefit Plan cannot be separated between post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based on rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

E. Deferred Outflows and Inflows of Resources

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

Contributions to pension plan in current fiscal year	\$ 89,474
Differences between expected and actual experience	87,712
Changes in assumptions	88,015
Net difference between projected and actual earnings on plan investments	<u>12,496</u>
Total	<u>\$ 277,697</u>

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

	Statement Of Net Position	General Fund Balance Sheet
Taxes receivable	\$ -	\$ 8,868
Differences between expected and actual experience	13,636	-
Changes in assumptions	1,820	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>33,864</u>	<u>-</u>
Total	<u>\$ 49,320</u>	<u>\$ 8,938</u>

8. Commitments

During the year ended June 30, 2017, the Town of Indian Beach entered into agreement with the Town of Pine Knoll Shores for the billing and collection of ad valorem taxes. The town has agreed to pay 1.5% of gross collected taxes for the year 2019/20 and again for 2020/21. Under terms of a prior agreement, the County of Carteret Tax Department will continue to collect prior year ad valorem taxes at a rate of 2% of gross collected taxes.

9. Long-term Obligations

- a. In December 2014, the Town entered into a \$250,000 installment note with a financial institution for a portion of the purchase price of a fire truck. The agreement requires ten annual payments of \$28,938 each beginning in December 2015 with interest at 2.75%.

In February 2019, the Town entered an installment agreement for \$11,203 with a financial institution for a portion of the purchase of a police car. The agreement requires three annual payments of \$3,997 beginning February 2019 with interest at 7.20%.

In November 2019, the Town entered an installment agreement for \$32,625 with a financial institution for the purchase of a police vehicle. The agreement requires four annual payments of \$8,777 beginning November 2020 with interest at 2.96%.

In June 2020, the Town entered an installment agreement for \$250,000 with a financial institution to restore working capital used for the renovation of the new Police building. The agreement requires annual principal payments of \$16,667 plus interest at 4.36% beginning February 2021 through February 2035.

Annual debt service payments for the installment purchases as of June 30, 2019, including interest are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 53,451	\$ 15,979
2022	50,661	14,035
2023	51,616	12,344
2024	52,598	10,625
2025	44,828	8,881
2026 – 2030	83,333	29,470
2031 - 2035	<u>83,333</u>	<u>11,052</u>
Total	<u>\$ 419,820</u>	<u>\$ 102,386</u>

b. Changes in Long-term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2020:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
<i>By Type:</i>					
Installment loans	\$ 165,265	\$ 282,625	\$ 28,070	\$ 419,820	\$ 53,451
Compensated Absences	51,808	53,007	25,411	79,404	56,141
Net pension Liability (LGERS)	433,190	79,131	-	512,321	-
Net pension Obligation (LEOSSA)	<u>43,049</u>	<u>6,880</u>	<u>5,981</u>	<u>43,948</u>	<u>-</u>
	<u>\$ 693,312</u>	<u>\$ 421,643</u>	<u>\$ 59,462</u>	<u>\$ 1,055,493</u>	<u>\$ 72,014</u>

10. 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, business auto, public officials and employment practices, police professional and employee benefits liability coverage of \$1 million per occurrence. Property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit.

The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000, and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with reinsurance limit based upon a percentage of the total insurance values.

Other risks are insured through commercial insurance companies with nominal deductibles for exclusions of coverage. The town also has flood coverage on the fire station and personal property there-in. This flood coverage is also provided through the North Carolina League of Municipalities, and has a limit of \$5 million per occurrence and per year. The town does not have flood insurance for its other property as the board deems it to not be necessary.

In accordance with North Carolina G.S. 159-29, the town's employees that have access to \$100 or more at any given time of the town's funds are performance bonded through the North Carolina League of Municipalities. The Finance Officer is bonded for \$50,000. The remaining employees that have access to funds are bonded for amounts between \$5,000 and \$10,000.

11. 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	\$ 429,284
Less:	
Inventory and prepaid expenses	26,560
Stabilization by State Statute.....	172,269
Fire Auxiliary	6,589
Remaining fund balance.....	<u>\$ 223,866</u>

12. Beach Renourishment – FEMA Reimbursement

Following Hurricane Florence in September 2018 the Town of Indian Beach and neighboring towns participated in a beach renourishment project which was coordinated by the Carteret County Beach Commission. The project was undertaken with the expectation that the Federal Emergency Management Administration (FEMA) would reimburse the cost of the projects. For the fiscal year ended June 30, 2019, the Town spent \$7,309,994 for this project, and received \$6,220,372 from Carteret County to offset a portion of the cost. In September 2019, FEMA approved a reimbursement to the Town for \$8,203,560 based on a fixed contract agreement. Upon receipt of this money the Town reimbursed \$6,220,372 to Carteret County. Surplus funds from the FEMA reimbursement must be, will be spent in accordance with projects approved by FEMA.

Required Supplementary Financial Data (Unaudited)

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

- Town of Indian Beach's Proportionate Share of Net Pension Liability (Asset) - Required Supplementary Information – Last Five Fiscal Years
- Town of Indian Beach's Contributions - Required Supplementary Information – Last Five Fiscal Years
- Schedule of Changes in Total Pension Liability - Law Enforcement Officers Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement Officers' Special Separation Allowance

TOWN OF INDIAN BEACH

Schedule 1

**Town of Indian Beach's Proportionate Share of Net Pension
Liability (Asset) - Required Supplementary Information
Last Five Fiscal Years**

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Town's proportion of the net pension liability (asset) (%)	0.01876%	0.01826%	0.01673%	0.01675%	0.01915%
Town's proportion of the net pension liability (asset) (\$)	\$ 512,321	\$ 433,190	\$ 255,588	\$ 355,491	\$ 85,944
Town's covered-employee payroll	\$ 973,380	\$ 957,659	\$ 885,012	\$ 761,746	\$ 756,020
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	52.63%	45.23%	28.88%	46.67%	11.37%
Plan fiduciary net position as a percentage of the total pension liability	92.76%	91.63%	94.18%	91.47%	98.09%

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

TOWN OF INDIAN BEACH
Town of Indian Beach's Contributions
Required Supplementary Information
Last Five Fiscal Years

Schedule 2

Local Government Employees' Retirement System

	2020	2019	2018	2017	2016
Contractually required contributions	\$ 89,474	\$ 76,243	\$ 68,284	\$ 57,149	\$ 51,345
Contributions in relation to the contractually required contribution	89,474	76,243	68,284	57,149	51,345
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 973,380	\$ 957,659	\$ 885,012	\$ 761,746	\$ 756,020
Contributions as a percentage of covered payroll	9.19%	7.96%	7.72%	7.50%	6.79%

TOWN OF INDIAN BEACH
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS'
SPECIAL SEPARATION ALLOWANCE
June 30, 2020

Schedule 3

	2020	2019	2018	2017
Beginning balance	\$ 43,049	\$ 50,699	\$ 53,233	\$ 46,625
Service cost	3,951	6,225	5,289	6,200
Interest	1,477	1,527	2,055	1,665
Difference between expected and actual experience	(1,025)	(8,413)	(17,596)	-
Change of assumptions and other inputs	1,452	(2,223)	7,718	(1,257)
Benefit payments	(4,956)	(4,766)	-	-
Ending balance	<u>\$ 43,948</u>	<u>\$ 43,049</u>	<u>\$ 50,699</u>	<u>\$ 53,233</u>

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

TOWN OF INDIAN BEACH

Schedule 4

**SCHEDULE OF TOTAL PENSION LIABILITY
AS A PERCENTAGE OF COVERED PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 43,948	\$ 43,049	\$ 50,699	\$ 53,233
Covered payroll	274,008	278,114	267,296	311,716
Total pension liability as a percentage of covered payroll	16.04%	15.48%	18.97%	17.08%

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

General Fund

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

TOWN OF INDIAN BEACH, NC
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020

Schedule 5
Page 1 of 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad Valorem Taxes:			
Town-wide - current year	\$ 1,055,450	\$ 1,065,874	\$ 10,424
Town-wide - prior years	30,000	1,244	(28,756)
Penalties and interest	1,000	1,791	791
Total	<u>1,086,450</u>	<u>1,068,909</u>	<u>(17,541)</u>
Unrestricted Intergovernmental:			
Beer and wine tax	500	546	46
Local option sales tax	409,590	490,064	80,474
Utilities franchise taxes	104,000	102,467	(1,533)
Total	<u>514,090</u>	<u>593,077</u>	<u>78,987</u>
Restricted Intergovernmental:			
FEMA reimbursement	208,434	58,602	(149,832)
Fire district ad valorem taxes	85,000	85,000	-
Fire grant	185,920	108,839	(77,081)
Total	<u>479,354</u>	<u>252,441</u>	<u>(226,913)</u>
Permits and fees:			
Beach and golf cart permits	7,000	3,300	(3,700)
Other permits and fees	2,150	1,569	(581)
EMS fees	30,000	24,496	(5,504)
Total	<u>39,150</u>	<u>29,365</u>	<u>(9,785)</u>
Other:			
Private donations	13,214	300	(12,914)
Fire Auxiliary income	-	2,790	2,790
Miscellaneous	2,500	3,805	1,305
Total	<u>15,714</u>	<u>6,895</u>	<u>(8,819)</u>
Investment Earnings	<u>6,000</u>	<u>2,618</u>	<u>(3,382)</u>
Total Revenues	<u>2,140,758</u>	<u>1,953,305</u>	<u>(187,453)</u>

TOWN OF INDIAN BEACH, NC
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020

Schedule 5
Page 2 of 3

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Expenditures:			
General Government:			
Administration:			
Commissioners' fees	\$ -	\$ 17,334	\$ -
Contract services		18,262	
Dues and memberships		3,542	
Insurance (liability/property)		19,446	
Miscellaneous		8,250	
Office supplies		5,705	
Professional fees		43,506	
Repairs and maintenance		4,289	
Salaries, taxes and benefits		177,251	
Tax collection fees		15,121	
Travel and training		4,335	
Utilities	-	16,795	-
Total Administration	<u>538,060</u>	<u>333,836</u>	<u>204,224</u>
Total General Government	<u>538,060</u>	<u>333,836</u>	<u>204,224</u>
Public Safety:			
Police:			
Capital outlay		32,286	
Insurance (liability/property)		16,690	
Office supplies		4,228	
Salaries, taxes and benefits		354,139	
Supplies and minor equipment		6,871	
Travel and training		3,905	
Uniforms		4,785	
Utilities		10,417	
Vehicle expenses	-	17,451	-
Total Police	<u>478,910</u>	<u>450,772</u>	<u>28,138</u>
Public Service:			
Salaries, taxes and benefits		39,746	
Supplies and minor equipment		8,764	
Vehicle expenses	-	2,924	-
Total Public Service	<u>60,000</u>	<u>51,434</u>	<u>8,566</u>

TOWN OF INDIAN BEACH, NC
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020

Schedule 5
Page 3 of 3

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Expenditures (continued):			
Public Safety:			
Fire/EMS			
Auxiliary expenditures	\$ -	\$ 14,285	\$ -
Capital outlay		167,732	
Dues and memberships		825	
EMS supplies and billing expense		33,129	
Insurance (liability/property)		37,651	
Office supplies		4,506	
Repairs and maintenance		49,448	
Salaries, taxes and benefits		917,242	
Supplies and minor equipment		26,558	
Travel and training		6,976	
Uniforms		8,435	
Utilities		28,768	
Vehicle expenses	-	42,743	-
Total Fire/EMS	<u>1,388,198</u>	<u>1,338,298</u>	<u>49,900</u>
Total Public Safety	<u>1,927,108</u>	<u>1,840,504</u>	<u>86,604</u>
Debt Service:			
Principal retirement	67,650	28,069	39,581
Interest	<u>6,500</u>	<u>4,866</u>	<u>1,634</u>
Total Debt Service	<u>74,150</u>	<u>32,935</u>	<u>41,215</u>
Total Expenditures	<u>2,539,318</u>	<u>2,207,275</u>	<u>332,043</u>
Expenditures in Excess of Revenues	<u>(398,560)</u>	<u>(253,970)</u>	<u>144,590</u>
Other Financing Sources:			
Sale of surplus assets	2,560	2,561	1
Insatllment loan proceeds	<u>396,000</u>	<u>282,625</u>	<u>(113,375)</u>
Total Other Financing Sources	<u>398,560</u>	<u>285,186</u>	<u>(113,374)</u>
Net change in fund balances	<u>\$ -</u>	31,216	<u>\$ 31,216</u>
Fund Balances - Beginning of Year		<u>398,068</u>	
Fund Balances - End of Year		<u>\$ 429,284</u>	

Other Schedules

Schedule of Ad Valorem Taxes Receivable

Schedule of Current Year Town-Wide Tax Levy

TOWN OF INDIAN BEACH, NC

Schedule 6

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
GENERAL FUND AND BEACH RENOURISHMENT SPECIAL REVENUE FUND
June 30, 2020**

<u>Fiscal Year</u>	<u>Uncollected Balance at June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance at June 30, 2019</u>
2019/20	\$ -	\$ 1,161,174	\$ 1,158,511	\$ 2,663
2018/19	4,843	-	4,136	707
2017/18	1,126	-	495	631
2016/17	820	-	256	564
2015/16	1,512	-	438	1,074
2014/15	1,664	-	160	1,504
2013/14	1,786	-	240	1,546
2012/13	2,586	-	349	2,237
2011/12	1,919	-	160	1,759
2010/11	1,306	-	114	1,192
	<u>\$ 17,562</u>	<u>\$ 1,161,174</u>	<u>\$ 1,164,859</u>	13,877
Less - allowance for uncollectible accounts				<u>(5,009)</u>
Ad valorem taxes receivable - net				<u>\$ 8,868</u>
Ad valorem taxes receivable (net) reported in:				
General Fund				\$ 7,356
Special Revenue Fund				1,512
				<u>\$ 8,868</u>

Reconciliation with Revenues:

Ad valorem taxes - General Fund	\$ 1,068,909
Ad valorem taxes - Special Revenue Fund	85,119
Add adjustments	12,625
Less penalties and interest	<u>(1,794)</u>
Total collections	<u>\$ 1,164,859</u>

Amounts reported here include General Fund ad valorem taxes and Special Revenue Fund ad valorem taxes.

TOWN OF INDIAN BEACH, NC
SCHEDULE OF CURRENT YEAR GENERAL FUND TAX LEVY
For the Year Ended June 30, 2020

Schedule 7

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy	\$ 419,690,980	\$ 0.255	\$ 1,070,212	\$ 1,060,839	\$ 9,373
Abatements	<u>(724,314)</u>		<u>(1,847)</u>	<u>(1,847)</u>	<u>-</u>
Totals	<u>\$ 418,966,667</u>		1,068,365	1,058,992	9,373
Uncollected taxes at June 30, 2020			<u>(2,491)</u>	<u>(2,491)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,065,874</u>	<u>\$ 1,056,501</u>	<u>\$ 9,373</u>
Current levy collection percentage			99.77%	99.76%	100.00%

Compliance Section

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standard*

Independent Auditor's Report

The Honorable Mayor and
Board of Commissioners
Town of Indian Beach, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standard applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and major funds of Town of Indian Beach, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the town's basic financial statements, and have issued my report thereon dated January 25, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Indian Beach's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the town's internal control. Accordingly, I do not issue 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 town'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.

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 Indian Beach's financial statements are free from material misstatement, I 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 as object of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion of the effectiveness of the town'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 town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

G. Lee Carroll, Jr., CPA

January 25, 2021

TOWN OF INDIAN BEACH, NC
SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2020

Schedule 8

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass- through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
FEDERAL AWARDS:					
<u>U.S. Dept. of Homeland Security</u>					
Passed-through NC Dept. of Public Safety:					
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	97.083	\$ 127,634	\$ -	\$ 79,164
LOCAL AWARDS					
Carteret County Beach Nourishment Program			-	-	6,310,019
Total assistance			<u>\$ 127,634</u>	<u>\$ -</u>	<u>\$ 6,389,183</u>

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 Indian Beach under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. 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 Indian Beach, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Indian 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 Indian Beach has not elected to use the 10% de minimis indirect cost rate as allowed un the Uniform Guidance.