

**TOWN OF INDIAN BEACH
NORTH CAROLINA**

Financial Statements and
Supplementary Information

For the Year Ended June 30, 2021

Governing Board

Stewart Pickett, Mayor
E. Dale Williford, Mayor Pro-tem
Michael Luther, Commissioner
Joel Fortune, Commissioner
Pete Wylie, Commissioner
Tim White, Town Manager

TOWN OF INDIAN BEACH, NORTH CAROLINA
Table of Contents
June 30, 2021

Exhibit

Page

Financial Section

Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	4

Basic Financial Statements:

Government-wide Financial Statements:

1	Statement of Net Position	9
2	Statement of Activities	10

Fund Financial Statements:

3	Balance Sheet – Governmental Funds	11
3	Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	12
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
5	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund.....	15
6	Statement of Revenues, Expenses, and Changes in Fund Balance - Budget and Actual – Special Revenue Fund	16
	Notes to the Financial Statements.....	17

Schedule

Required Supplemental Financial Data (Unaudited):

1	Schedule of the Proportionate Share of Net Pension Liability (Asset).- Local Governmental Employees' Retirement System.....	40
2	Schedule of Contributions – Local Governmental Employees' Retirement System.....	41
3	Schedule of Changes in Total Pension Liability – Law Enforcement Officer's Separation Allowance	42
4	Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement Officer's Special Separation Allowance	43

Individual Fund Statements and Schedules:

5	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	44
---	---	----

TOWN OF INDIAN BEACH, NORTH CAROLINA
Table of Contents
June 30, 2021

Schedule

Page

Other Schedules:

6	Schedule of Ad Valorem Taxes Receivable	47
7	Analysis of Current Tax Levy – Town-wide Levy	48

Compliance Section:

Independent Auditors' Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49
Schedule of Findings and Questioned Costs	51
Corrective Action Plan	53
Summary Schedule of Prior Year Audit Findings	54

FINANCIAL SECTION



SHARPE
PATEL CPA

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Indian Beach, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Indian Beach, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's discussion and Analysis on pages 4 through 8, Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 40 through 41, and the Law Enforcement's Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 42 through 43 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Indian Beach, North Carolina. The combining and individual nonmajor fund statements, budgetary schedules, and other schedules are presented for additional analysis and are a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 17, 2021 on our consideration of the Mills' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mills' internal control over financial reporting and compliance.

Sharpe Patel PLLC

Raleigh, North Carolina
November 17, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Indian Beach, North Carolina

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2021

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, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

Highlights of the Town's fiscal year ended June 30, 2021, include:

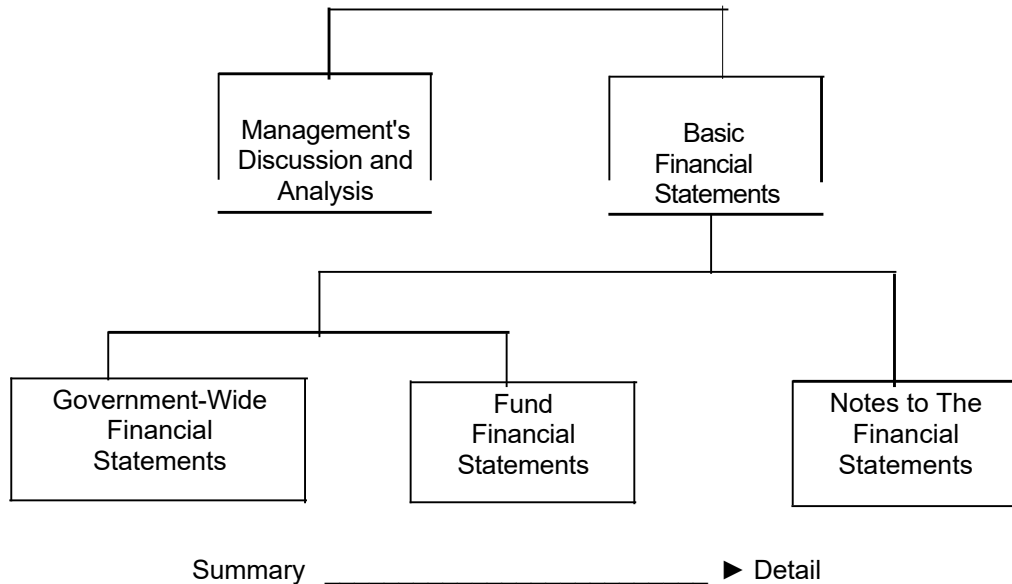
- The assets and deferred outflows of resources of the Town of Indian Beach exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$4,336,360 (net position).
- The government's total net position increased by \$814,886. This increase is primarily the result of diligent cost-saving measures throughout the budget combined with FEMA storm reimbursement.
- As of the close of the current fiscal year, the Town of Indian Beach's governmental funds reported combined ending fund balances of \$2,633,336 with a net increase of \$367,252 in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$507,201 or 15.3 percent of total general fund expenditures for the fiscal year. Total fund balance for the General Fund was \$787,982.
- 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 \$910,086 during the current fiscal year. Increase primarily represents increase in Local Government Employees' Retirement System net pension liability and financing of ladder truck for the fire department, 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.

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.

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, 2021

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 17 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	2021
Current and other assets	\$ 2,212,389	\$ 2,633,231
Capital assets	2,076,286	3,536,853
Deferred outflows of resources	277,697	397,224
Total assets and deferred outflows of resources	4,566,372	6,567,308
Long-term liabilities outstanding	945,902	1,219,163
Other liabilities	136,667	870,135
Deferred inflows of resources	49,320	38,428
Total liabilities and deferred inflows of resources	1,131,889	2,127,726
Net position:		
Net investment in capital assets	1,656,465	2,206,947
Restricted	172,269	254,220
Unrestricted	1,605,749	1,875,193
Total net position	\$ 3,434,483	\$ 4,336,360

Town of Indian Beach, North Carolina

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2021

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 99.7%. The Town's base tax rate of \$.285 per \$100 valuation levied.
- Increased sales tax revenues of approximately \$86,2540

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 Manager, Town of Indian Beach, 1400 Salter Path Road, Indian Beach, NC 28512.

BASIC FINANCIAL STATEMENTS

TOWN OF INDIAN BEACH, NORTH CAROLINA

Statement of Net Position

June 30, 2021

Exhibit 1

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 720,679
Ad valorem taxes receivables (net)	7,416
Due from other governments	254,220
Accounts receivable	7,644
Prepaid expenses	13,499
Inventories	13,062
Restricted cash	1,624,232
Total current assets	<u>2,640,752</u>
Non-current assets:	
Capital assets:	
Land	781,861
Other capital assets, net of depreciation	2,754,992
Total capital assets	<u>3,536,853</u>
Total assets	<u>6,177,605</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	397,224
Total deferred outflows of resources	<u>397,224</u>
LIABILITIES	
Current liabilities:	
Current portion of accrued vacation	\$ 53,441
Current portion of note payable	110,743
Total current liabilities	<u>164,184</u>
Long-term liabilities:	
Net pension liability - LGERS	709,325
Net pension liability - LEOSSA	86,695
Long-term portion of accrued vacation	20,674
Long-term portion of note payable	1,219,163
Total liabilities	<u>2,200,041</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	38,428
Total deferred inflows of resources	<u>38,428</u>
NET POSITION	
Net investment in capital assets	2,206,947
Restricted - Stabilization by State Statute	254,220
Unrestricted	1,875,193
Total net position	<u>\$ 4,336,360</u>

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

TOWN OF INDIAN BEACH, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 313,865	\$ -	\$ -	\$ -	\$ (313,865)
Public safety	1,949,113	102,543	58,821	-	(1,787,749)
Economic and physical development	291	-	-	20,000	19,709
Interest on long-term debt	10,400	-	-	-	(10,400)
Total governmental activities	\$ 2,273,669	\$ 102,543	\$ 58,821	\$ 20,000	(2,092,305)
General revenues:					
Taxes:					
Ad valorem taxes					1,381,092
Other taxes					724,956
Investment earnings					595
Sale of capital assets					250,000
FEMA reimbursements					548,221
Miscellaneous					2,327
Total general revenues					2,907,191
Change in net position					814,886
Net position - beginning of year, as previously reported					3,434,483
Prior period adjustment					86,991
Net position - beginning of year, as restated					3,521,474
Net position - end of year					\$ 4,336,360

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

TOWN OF INDIAN BEACH, NORTH CAROLINA

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 720,679	\$ -	\$ 720,679
Restricted cash	-	1,624,232	1,624,232
Due from beach fund	-	220,999	220,999
Due from other governments	254,220	-	254,220
Ad valorem taxes receivable (net)	5,904	1,512	7,416
Accounts receivable	7,521	123	7,644
Prepaid expenses	13,499	-	13,499
Inventory	13,062	-	13,062
Total assets	<u>\$ 1,014,885</u>	<u>\$ 1,846,866</u>	<u>\$ 2,861,751</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Due to general fund	220,999	-	220,999
Total liabilities	<u>220,999</u>	<u>-</u>	<u>220,999</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	5,904	1,512	7,416
Total deferred inflows of resources	<u>5,904</u>	<u>1,512</u>	<u>7,416</u>
FUND BALANCES			
Non-spendable:			
Prepaid expenses	13,499	-	13,499
Inventory	13,062	-	13,062
Restricted:			
Stabilization by State Statute	254,220	-	254,220
Committed:			
Beach nourishment	-	1,845,354	1,845,354
Assigned:			
Fire auxiliary	-	-	-
Unassigned	507,201	-	507,201
Total fund balances	<u>787,982</u>	<u>1,845,354</u>	<u>2,633,336</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,014,885</u>	<u>\$ 1,846,866</u>	<u>\$ 2,861,751</u>

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

TOWN OF INDIAN BEACH, NORTH CAROLINA
Balance Sheet (Continued)
Governmental Funds
June 30, 2021

Exhibit 3

Amounts reported for governmental activities in the Statement of Net Position (exhibit 1) are different because:

Total Fund Balance, Governmental Funds		\$ 2,633,336
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	4,842,638	
Accumulated depreciation	<u>(1,305,785)</u>	3,536,853
Deferred outflows of resources related to pensions are not reported in the funds		397,224
Earned revenues considered deferred inflows of resources in fund statements		7,416
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Accrued vacation	(74,115)	
Installment note payable and accrued interest	<u>(1,329,906)</u>	(1,404,021)
Pension related deferrals		(796,020)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(38,428)</u>
Net position of governmental activities		<u><u>\$ 4,336,360</u></u>

The accompanying notes to the financial statements are an integral part of these statements

TOWN OF INDIAN BEACH, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2021

Exhibit 4

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Ad valorem taxes	\$ 1,286,994	\$ 95,549	\$ 1,382,543
Unrestricted intergovernmental	632,456	-	632,456
Restricted intergovernmental	345,035	-	345,035
Permits and fees	102,543	-	102,543
Other	2,327	-	2,327
Interest/investment earnings	307	288	595
Total revenues	<u>2,369,662</u>	<u>95,837</u>	<u>2,465,499</u>
EXPENDITURES			
Current:			
Administration	297,107	292	297,399
Police	423,606	-	423,606
Public service	63,002	-	63,002
Fire/EMS	2,461,278	-	2,461,278
Debt service:			
Principal	53,105	-	53,105
Interest	13,048	-	13,048
Total expenditures	<u>3,311,146</u>	<u>292</u>	<u>3,311,438</u>
Excess (deficiency) of revenues over expenditures	<u>(941,484)</u>	<u>95,545</u>	<u>(845,939)</u>
OTHER FINANCING SOURCES (USES)			
Sales of capital assets	250,000	-	250,000
Installment purchase obligations	963,191	-	963,191
Total other financing sources (uses)	<u>1,213,191</u>	<u>-</u>	<u>1,213,191</u>
Net change in fund balance	271,707	95,545	367,252
Fund balances, beginning, as previously reported	429,284	1,749,809	2,179,093
Prior period adjustment	86,991	-	86,991
Fund balances, beginning, as restated	<u>516,275</u>	<u>1,749,809</u>	<u>2,266,084</u>
Fund balances, ending	<u>\$ 787,982</u>	<u>\$ 1,845,354</u>	<u>\$ 2,633,336</u>

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

TOWN OF INDIAN BEACH, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
June 30, 2021

Exhibit 4

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

Net changes in fund balances- total governmental funds	\$ 367,252
--	------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 1,657,497	
Depreciation expense for governmental assets	<u>(196,940)</u>	1,460,557

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	115,386
--	---------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	(1,452)
Change in accrued interest payable	2,648

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes 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	(963,191)	
Principal payments on note payable	<u>53,105</u>	(910,086)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	5,289	
Pension expense	(225,706)	
Net pension obligation (LEO)	<u>998</u>	<u>(219,419)</u>

Total changes in net position of governmental activities	<u><u>\$ 814,886</u></u>
--	--------------------------

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

TOWN OF INDIAN BEACH, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
June 30, 2021

Exhibit 5

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,269,209	\$ 1,269,209	\$ 1,286,994	\$ 17,785
Unrestricted intergovernmental	514,090	609,090	632,456	23,366
Restricted intergovernmental	127,500	171,321	345,035	173,714
Permits and fees	31,425	99,369	102,543	3,174
Other	1,000	3,000	2,327	(673)
Interest/investment earnings	6,000	6,000	307	(5,693)
Total revenues	1,949,224	2,157,989	2,369,662	211,673
Expenditures:				
Current:				
Administration	299,408	299,407	297,107	2,300
Police	429,200	440,200	423,606	16,594
Public service	68,300	68,300	63,002	5,298
Fire/EMS	1,106,818	1,310,683	2,461,278	(1,150,595)
Debt service:				
Principal	72,444	66,345	53,105	13,240
Interest	16,054	16,054	13,048	3,006
Total expenditures	1,992,224	2,200,989	3,311,146	(1,110,157)
Revenues over (under) expenditures	(43,000)	(43,000)	(941,484)	(898,484)
Other financing sources (uses):				
Appropriated fund balance	(35,000)	(35,000)	-	35,000
Sale of capital assets	1,000	1,000	250,000	249,000
Installment purchase obligations	77,000	77,000	963,191	886,191
Total other financing sources (uses)	43,000	43,000	1,213,191	1,170,191
Net change in fund balance	\$ -	\$ -	271,707	\$ 271,707
Fund balance, beginning, as previously reported			429,284	
Prior period adjustment			86,991	
Fund balance, beginning, as restated			516,275	
Fund balance, ending			\$ 787,982	

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

TOWN OF INDIAN BEACH, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
June 30, 2021

Exhibit 6

	Special Revenue Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 176,088	\$ 176,088	\$ 95,549	\$ (80,539)
Interest/investment earnings	15,000	15,000	288	(14,712)
Total revenues	<u>191,088</u>	<u>191,088</u>	<u>95,837</u>	<u>(95,251)</u>
Expenditures:				
Operating expenses	<u>7,640</u>	<u>7,640</u>	<u>292</u>	<u>7,348</u>
Total expenditures	<u>7,640</u>	<u>7,640</u>	<u>292</u>	<u>7,348</u>
Revenues over (under) expenditures	<u>183,448</u>	<u>183,448</u>	<u>95,545</u>	<u>(87,903)</u>
Other financing sources (uses):				
Appropriated fund balance	<u>(183,448)</u>	<u>(183,448)</u>	<u>-</u>	<u>183,448</u>
Total other financing sources (uses)	<u>(183,448)</u>	<u>(183,448)</u>	<u>-</u>	<u>183,448</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>95,545</u>	<u>\$ 95,545</u>
Fund balance, beginning			<u>1,749,809</u>	
Fund balance, ending			<u>\$ 1,845,354</u>	

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

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Indian Beach (“the Town”) 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. As required by generally accepted accounting principles, these financial statements include all funds that are controlled by, or financially dependent, on the Town.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The 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 the different business-type activities of the Town and for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods 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 has not fiduciary funds to report.

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state grants, and various other taxes and licenses. 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.

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

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 an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for services or privileges provided, 2) operating grants and contributions, and 3) capital contributions. Internally dedicated resources are reported as general revenues rather than as 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 and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable for the fiscal year in which they are received. Uncollected taxes that were billed during this period prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

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 a 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 the North Carolina General Statutes. An annual budget is adopted for the General Fund and Special Revenue Fund. All annual appropriations lapse at the fiscal year-end. All 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, 2021, the Board approved several budget amendments.

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings 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. 159-30(c)] 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 generally 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.

2. Cash and Cash Equivalents

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

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

3. 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, 2021, restricted cash and investments of \$1,624,232 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.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. 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.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory and Prepaid Items

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 future accounting periods and are recorded as prepaid items and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and estimated life in excess of two years. The minimum capitalization threshold is \$2,500 for all capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their estimated fair value at the date of 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.

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

7. Capital Assets (Continued)

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

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Most infrastructure	15 years
Furniture and equipment	5 - 7 years
Vehicles	5 - 10 years
Computer and related equipment	3 - 5 years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet this criterion for this category – property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

9. Long-Term Obligations

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

10. 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 that is 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.

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

11. Net Position/Fund Balances

Net Position

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, grantors, contributors, or laws or regulations of other governments or imposed by law through State Statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Inventories and prepaid expenses – portion of fund balance that is not an available resource because it is not spendable resources.

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

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

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

11. Net Position/Fund Balances (Continued)

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

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 Fund Balance – 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 Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The Town has not adopted a minimum fund balance policy.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LGERS) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town’s employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

13. 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.

II. Stewardship, Compliance, and Accountability

For the fiscal year ended June 30, 2021, the expenditures made for the Town’s General Fund capital outlay for public safety exceeded authorized appropriations made by the governing board by \$1,153,173. Management and the Board will more closely review the budget reports to ensure compliance in future years and will make sure all debt payments are accounted for in the correct fund.

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town 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.

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 the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance.

At June 30, 2021, the Town's deposits had a carrying amount of \$154,358 and a bank balance of \$164,047, which was covered by federal depository insurance. At June 30, 2021, the Town's petty cash fund totaled \$275.

2. Investments

As of June 30, 2021, the Town had \$2,190,278 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no formal policy regarding credit risk of its investments.

3. Receivables - Allowances for Doubtful Accounts

Ad valorem taxes receivable presented in the Balance Sheet and the Statement of Net Position consists of uncollected taxes of \$11,574 less allowances for uncollectible accounts of \$4,158.

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

III. Detail Notes on All Funds (Continued)

3. Receivables - Allowances for Doubtful Accounts (Continued)

Accounts receivable at the government-wide level presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 consists of the following amounts that are primarily due from other governments:

Utilities franchise tax	\$	21,749
Local option sales tax		180,820
Sales tax refund		10,120
FEMA reimbursement		30,639
Other		10,892
Total	\$	<u>254,220</u>

4. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	\$ 781,861	\$ -	\$ -	\$ 781,861
Total capital assets not being depreciated:	<u>781,861</u>	<u>-</u>	<u>-</u>	<u>781,861</u>
<u>Capital assets being depreciated:</u>				
Equipment	360,973	322,877	4,200	679,650
Vehicles	1,510,597	1,314,150	711,026	2,113,721
Buildings	1,204,193	20,470	-	1,224,663
Infrastructure	42,732	-	-	42,732
Total capital assets being depreciated:	<u>3,118,495</u>	<u>1,657,497</u>	<u>715,226</u>	<u>4,060,766</u>
<u>Less accumulated depreciation for:</u>				
Equipment	330,262	22,540	4,200	348,602
Vehicles	1,246,307	145,387	711,026	680,668
Buildings	225,034	26,164	-	251,198
Infrastructure	22,467	2,849	-	25,316
Total accumulated depreciation	<u>1,824,070</u>	<u>196,940</u>	<u>715,226</u>	<u>1,305,784</u>
Total capital assets being depreciated, net	<u>1,294,425</u>	<u>-</u>	<u>-</u>	<u>2,754,982</u>
Governmental activities capital assets, net	<u>\$ 2,076,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,536,843</u>

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

III. Detail Notes on All Funds (Continued)

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

General government	\$ 16,757
Public safety	180,183
Total	<u>\$ 196,940</u>

B. Liabilities

1. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at the government-wide level at June 30, 2021, consists of the following:

Vendors	\$ -
Employees	<u>-</u>
Total	<u>\$ -</u>

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

III. Detail Notes on All Funds (Continued)

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The 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, 2021 was 10.84% of compensation for law enforcement officers and 10.21% for general employees and firefighters, 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 \$115,386 for the year ended June 30, 2021.

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.

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

III. Detail Notes on All Funds (Continued)

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

At June 30, 2021, the Town reported a liability of \$709,325 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.01985%, which was an increase of 0.00109% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$225,706. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 89,575	\$ -
Changes of assumptions	52,788	-
Net difference between projected and actual earnings on pension plan investments	99,818	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	26,417
Town contributions subsequent to the measurement date	115,386	-
Total	<u>\$ 357,567</u>	<u>\$ 26,417</u>

\$115,386 was reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 56,169
2023	82,918
2024	47,138
2025	29,541
2026	-
	<u>\$ 215,766</u>

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

III. Detail Notes on All Funds (Continued)

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

Inflation	3.00%
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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

III. Detail Notes on All Funds (Continued)

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 contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension liability or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 1,439,143	\$ 709,325	\$ 102,795

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

b. Law Enforcement Officers Special Separation Allowance

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

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

III. Detail Notes on All Funds (Continued)

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2019, 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 terms of the plan.

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

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25 to 7.75% including inflation and productivity factor
Discount rate	1.93%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

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 this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$4,956 as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$86,695. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$9,116.

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

III. Detail Notes on All Funds (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,825
Changes of assumptions	39,657	1,186
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 39,657</u>	<u>\$ 12,011</u>

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 11,672	\$ 6,444
2023	10,750	4,227
2024	10,009	877
2025	7,226	463
2026	-	-
Thereafter	-	-

\$4,956 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 95,235	\$ 86,695	\$ 78,714

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

III. Detail Notes on All Funds (Continued)

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	2021
Beginning Balance	\$ 43,948
Service Cost	2,536
Interest on the total pension liability	1,352
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(2,999)
Changes of assumptions or other inputs	46,814
Benefit payments	(4,956)
Other changes	-
Ending balance of the total pension liability	<u>\$ 86,695</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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

III. Detail Notes on All Funds (Continued)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 225,706	\$ 9,116	\$ 234,822
Pension Liability	709,325	86,695	796,020
Proportionate share of the net pension liability	0.01985%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	89,575	-	89,575
Changes of assumptions	52,788	39,657	92,445
Net difference between projected and actual earnings on plan investments	99,818	-	99,818
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	-	-
Town benefit payments and plan administrative expense made subsequent to the measurement date	115,386	-	115,386
Deferred Inflows of Resources			
Differences between expected and actual experience	-	10,825	10,825
Changes of assumptions	-	1,186	1,186
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	26,417	-	26,417

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

III. Detail Notes on All Funds (Continued)

d. Supplemental Retirement Income Plan for Employees

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2021 were \$18,015, which consisted of \$14,753 from the Town and \$3,262 from the law enforcement officers.

3. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits.

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based 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.

4. Deferred Outflows and Inflows of Resources

Deferred outflows of resources is comprised of the following:

Contributions to pension plan in current fiscal year	\$	115,386
Differences between expected and actual experience		89,575
Changes in assumptions		92,445
Net difference between projected and actual earnings on plan investments		99,818
Total	\$	<u>397,224</u>

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

III. Detail Notes on All Funds (Continued)

Deferred inflows of resources is comprised of the following:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable	\$ -	\$ 7,416
Differences between expected and actual experience	-	-
Changes in assumptions	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	38,428	-
Total	<u>\$ 38,428</u>	<u>\$ 7,416</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general, 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 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.

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

III. Detail Notes on All Funds (Continued)

5. Commitments

During the year ended June 30, 2017, the Town of Indian Beach entered into an 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 2019/2020 and again for 2020/2021. 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.

6. Long-Term Obligations

a. Governmental Activities Long-Term Debt

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.

In August 2020, the Town entered an installment agreement for \$900,000 with a financial institution to finance the purchase of a fire truck. The agreement requires 15 annual payments of \$75,704 beginning in August 2021 with interest at 3.054%.

During 2021, the Town entered an installment agreement for \$63,191 with a financial institution to finance the purchase of fire equipment. The agreement requires 5 annual payments of \$13,516 beginning in December 2021 with interest at 2.25%.

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

III. Detail Notes on All Funds (Continued)

Annual debt service payments for the installment purchases as of June 30, 2021, including interest are as follows:

Year Ending June 30,	Principal	Interest
2022	\$ 110,743	\$ 43,174
2023	113,665	39,516
2024	115,463	36,001
2025	111,845	32,409
2026	84,198	28,993
2027-2031	381,157	106,485
2032-2035	412,835	39,722
	<u>\$ 1,329,906</u>	<u>\$ 326,300</u>

b. Changes in Long-term Obligations

The following is a summary of changes in long-term debt obligations for the year ended June 30, 2021:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Installment loans	\$ 419,820	\$ 963,191	\$ 53,105	\$ 1,329,906	\$ 110,743
Compensated absences	79,404	-	5,289	74,115	53,441
Net pension liability (LGERS)	512,321	197,004	-	709,325	-
Net pension obligation (LEOSSA)	43,948	42,747	-	86,695	-
Governmental activity long-term liabilities	<u>\$ 1,055,493</u>	<u>\$ 1,202,942</u>	<u>\$ 58,394</u>	<u>\$ 2,200,041</u>	<u>\$ 164,184</u>

7. 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	\$ 787,982
Less:	
Inventory and prepaid expenses	26,561
Stabilization by State Statute	254,220
Fire auxiliary	-
Remaining fund balance	<u>\$ 507,201</u>

TOWN OF INDIAN BEACH, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

III. Detail Notes on All Funds (Continued)

8. 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. The Town and neighboring towns participate in the FEMA Fixed Cost Project and received \$536,818 for storm related projects. Some of which were expensed during the 2019/2020 fiscal year. The Town spent \$393,744 during the fiscal year ended June 30, 2021. Surplus funds from the FEMA reimbursements must be spent in accordance with projects approved by FEMA.

IV. Significant Effects of Subsequent Events

Subsequent events have been evaluated through November 17, 2021, the date which the financial statements were available to be issued. There were no recognized events meriting disclosure. As of the date of issuance of the Town 's audit, there is a pandemic situation regarding the COVID-19 virus. The Town is monitoring the effect of this pandemic on its financial operations. At this time, management has evaluated the situation and has concluded no additional disclosures are warranted.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

TOWN OF INDIAN BEACH, NORTH CAROLINA
Town of Indian Beach's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years*

Schedule 1

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Town's proportion of the net pension liability (asset) (%)	0.0199%	0.01876%	0.01826%	0.01673%	0.01675%	0.01915%
Town's proportion of the net pension liability (asset) (\$)	\$ 709,325	\$ 512,321	\$ 433,190	\$ 255,588	\$ 355,491	\$ 85,944
Town's covered-employee payroll	\$ 973,380	\$ 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-employee payroll	72.87%	52.63%	45.23%	28.88%	46.67%	11.37%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%

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

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

TOWN OF INDIAN BEACH, NORTH CAROLINA
Town of Indian Beach's Contributions
Required Supplementary Information
Last Six Fiscal Years

Schedule 2

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 115,386	\$ 89,474	\$ 76,243	\$ 68,284	\$ 57,149	\$ 51,345
Contributions in relation to the contractually required contribution	<u>115,386</u>	<u>89,474</u>	<u>76,243</u>	<u>68,284</u>	<u>57,149</u>	<u>51,345</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Benson's covered-employee payroll	\$ 1,109,189	\$ 973,380	\$ 957,659	\$ 885,012	\$ 761,746	\$ 756,020
Contribution as a percentage of covered-employee payroll	10.40%	9.19%	7.96%	7.72%	7.50%	6.79%

TOWN OF INDIAN BEACH, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

Schedule 3

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 43,948	\$ 43,049	\$ 50,699	\$ 53,233	\$ 46,625
Service Cost	2,536	3,951	6,225	5,289	6,200
Interest on the total pension liability	1,352	1,477	1,527	2,055	1,665
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(2,999)	(1,025)	(8,413)	(17,596)	-
Changes of assumptions or other inputs	46,814	1,452	(2,223)	7,718	(1,257)
Benefit payments	(4,956)	(4,956)	(4,766)	-	-
Other changes	-	-	-	-	-
Ending balance	<u>\$ 86,695</u>	<u>\$ 43,948</u>	<u>\$ 43,049</u>	<u>\$ 50,699</u>	<u>\$ 53,233</u>

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

TOWN OF INDIAN BEACH, NORTH CAROLINA
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

Schedule 4

	<u>2021</u>	<u>2021</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 86,695	\$ 43,948	\$ 43,049	\$ 50,699	\$ 53,233
Covered payroll	269,318	274,008	278,114	267,296	311,716
Total pension liability as a percentage of covered payroll	32.19%	16.04%	15.48%	18.97%	17.08%

Notes to the schedules:

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

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF INDIAN BEACH, NORTH CAROLINA

Schedule 5

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Town-wide - current year	\$ 1,268,209	\$ 1,282,986	\$ 14,777
Town-wide - prior years	500	1,199	699
Penalties and interest	500	2,809	2,309
Total	<u>1,269,209</u>	<u>1,286,994</u>	<u>17,785</u>
Unrestricted intergovernmental:			
Beer and wine tax	500	539	39
Local option sales tax	504,590	529,398	24,808
Utilities franchise taxes	104,000	102,519	(1,481)
Total	<u>609,090</u>	<u>632,456</u>	<u>23,366</u>
Restricted intergovernmental:			
FEMA reimbursement	-	173,714	173,714
Fire district ad valorem taxes	92,500	92,500	-
Fire grant	78,821	78,821	-
Total	<u>171,321</u>	<u>345,035</u>	<u>173,714</u>
Permits and fees:			
Beach and golf cart permits	5,500	5,300	(200)
Other permits and fees	32,925	36,298	3,373
EMS fees	60,944	60,945	1
Total	<u>99,369</u>	<u>102,543</u>	<u>3,174</u>
Other:			
Private donations	2,000.00	2,000	-
Fire auxiliary income	-	-	-
Miscellaneous	1,000	327	(673)
Total	<u>3,000</u>	<u>2,327</u>	<u>(673)</u>
Investment earnings	<u>6,000</u>	<u>307</u>	<u>(5,693)</u>
Total revenues	<u>2,157,989</u>	<u>2,369,662</u>	<u>211,673</u>

TOWN OF INDIAN BEACH, NORTH CAROLINA

Schedule 5

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Administration:			
Commissioners' fees	\$ 18,949	\$ 18,946	\$ 3
Contract services	15,000	12,550	2,450
Dues and memberships	3,500	3,814	(314)
Insurance (liability/property)	11,100	20,894	(9,794)
Miscellaneous	2,000	3,043	(1,043)
Office supplies	5,000	5,149	(149)
Professional fees	25,000	25,908	(908)
Repairs and maintenance	5,000	4,286	714
Salaries, taxes and benefits	173,750	156,524	17,226
Tax collection fees	18,873	22,543	(3,670)
Travel and training	6,935	5,150	1,785
Utilities	14,300	18,300	(4,000)
Total administration	<u>299,407</u>	<u>297,107</u>	<u>2,300</u>
Total general government	<u>299,407</u>	<u>297,107</u>	<u>2,300</u>
Public safety:			
Police:			
Capital outlay	17,000	13,666	3,334
Insurance (liability/property)	15,000	14,951	49
Office supplies	5,500	3,974	1,526
Salaries, taxes and benefits	354,700	355,591	(891)
Supplies and minor equipment	5,500	2,727	2,773
Travel and training	3,500	1,197	2,303
Uniforms	4,000	3,745	255
Utilities	12,500	11,158	1,342
Repairs and maintenance	500	774	(274)
Vehicle expenses	22,000	15,823	6,177
Total police	<u>440,200</u>	<u>423,606</u>	<u>16,594</u>
Public service:			
Salaries, taxes and benefits	53,150	50,891	2,259
Supplies and minor equipment	10,000	9,681	319
Contracted services	150	-	150
Vehicle expenses	5,000	2,430	2,570
Total public service	<u>68,300</u>	<u>63,002</u>	<u>5,298</u>

TOWN OF INDIAN BEACH, NORTH CAROLINA

Schedule 5

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Public safety:			
Fire/EMS:			
Auxiliary expenditures	\$ -	\$ -	\$ -
Capital outlay	109,000	1,255,009	(1,146,009)
Dues and memberships	1,600	1,437	163
EMS supplies and billing expense	26,500	22,919	3,581
Insurance (liability/property)	43,499	45,907	(2,408)
Office supplies	3,700	5,820	(2,120)
Repairs and maintenance	10,944	13,190	(2,246)
Salaries, taxes and benefits	1,019,640	1,014,012	5,628
Supplies and minor equipment	43,800	45,930	(2,130)
Travel and training	6,000	6,502	(502)
Uniforms	5,000	5,933	(933)
Utilities	17,500	17,119	381
Vehicle expenses	23,500	27,500	(4,000)
Total fire/EMS	<u>1,310,683</u>	<u>2,461,278</u>	<u>(1,150,595)</u>
Total public safety	<u>1,819,183</u>	<u>2,947,886</u>	<u>(1,128,703)</u>
Debt service:			
Principal	66,345	53,105	13,240
Interest	16,054	13,048	3,006
Total debt service	<u>82,399</u>	<u>66,153</u>	<u>16,246</u>
Total expenditures	<u>2,200,989</u>	<u>3,311,146</u>	<u>(1,110,157)</u>
Revenues over (under) expenditures	(43,000)	(941,484)	(898,484)
Other financing sources (uses):			
Appropriated fund balance	(35,000)	-	35,000
Sale of capital assets	1,000	250,000	249,000
Installment loan proceeds	77,000	963,191	886,191
Total	<u>43,000</u>	<u>1,213,191</u>	<u>1,170,191</u>
Net change in fund balance	<u>\$ -</u>	271,707	<u>\$ 271,707</u>
Fund balance, beginning, as previously reported		429,284	
Prior period adjustment		<u>86,991</u>	
Fund balance, beginning, as restated		516,275	
Fund balance, ending		<u>\$ 787,982</u>	

OTHER SCHEDULES

TOWN OF INDIAN BEACH, NORTH CAROLINA
Schedule of Ad valorem Taxes Receivable
General Fund and Beach Renourishment Special Revenue Fund
June 30, 2021

Schedule 6

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 1,374,048	\$ 1,373,639	\$ 409
2019-2020	2,663	-	1,492	1,171
2018-2019	707	-	-	707
2017-2018	631	-	28	603
2016-2017	564	-	-	564
2015-2016	1,074	-	-	1,074
2014-2015	1,504	-	-	1,504
2013-2014	1,546	-	-	1,546
2012-2013	2,237	-	-	2,237
2011-2012	1,759	-	-	1,759
2010-2011	1,192		1,192	-
	<u>\$ 13,877</u>	<u>\$ 1,374,048</u>	<u>\$ 1,376,351</u>	11,574
Less: allowance for uncollectible accounts:				<u>(4,158)</u>
Ad valorem taxes receivable - net				<u>\$ 7,416</u>
Ad valorem taxes receivable (net) reported in:				
General Fund				\$ 5,904
Special Revenue Fund				1,512
Ad valorem taxes receivable - net				<u>\$ 7,416</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 1,286,994
Ad valorem taxes - Special Revenue Fund				95,549
Adjustments				(3,279)
Penalties and interest				<u>(2,913)</u>
Total collections and credits				<u>\$ 1,376,351</u>

TOWN OF INDIAN BEACH, NORTH CAROLINA
Analysis of Current Year General Fund Tax Levy
For the Year Ended June 30, 2021

Schedule 7

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 442,691,096	0.285	\$ 1,376,085	\$ 1,349,729	\$ 26,356
Abatements	(714,713)	0.285	\$ (2,037)	(2,037)	-
Total Property Valuation	<u>\$ 441,976,383</u>				
Net levy			1,374,048	1,347,692	26,356
Uncollected taxes at June 30, 2021			<u>409</u>	<u>409</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,373,639</u>	<u>\$ 1,347,283</u>	<u>\$ 26,356</u>
Current levy collection percentage			<u>99.97%</u>	<u>99.97%</u>	<u>100.00%</u>

COMPLIANCE SECTION

SHARPE
PATEL CPA

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

To the Honorable Mayor
And Members of the Town Council
Town of Indian Beach
Wilson's Mills, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Indian Beach (the "Town") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 17, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be 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's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-001.

Town of Indian Beach's Response to Findings

The Town of Indian Beach's response to the findings identified in our audit is described in the accompanying corrective action plan. The Town's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

Sharpe Patel PLLC

Raleigh, North Carolina
November 17, 2021

TOWN OF INDIAN BEACH, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance to GAAP:
Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u> </u>	yes	<u> x </u>	no
---------------------------------	-------------------	-----	-----------------------------	----

Significant deficiency(s) identified that are not considered to be material weaknesses?	<u> </u>	yes	<u> x </u>	none reported
--	-------------------	-----	-----------------------------	---------------

Noncompliance material to financial statements noted	<u> x </u>	yes	<u> </u>	no
--	-----------------------------	-----	---------------------------	----

Federal Awards

Identification of major Federal programs:

There are no major Federal awards.

State Awards

Identification of major State programs:

There are no major State awards.

TOWN OF INDIAN BEACH, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2021-001

Criteria: G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition: The Town expended \$1,150,595 more for Fire/EMS than appropriated in the annual budget ordinance.

Effect: Moneys were spent that had not been obligated and appropriated.

Cause: The Town received and expended loan proceeds that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.

Recommendation: Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.

Name of Contact Person: Tim White, Town Manager

Corrective Action/Management Response: The Town agrees with this finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts. Please refer to the corrective action plan on page 57.

Town of Indian Beach

Stewart Pickett, Mayor
Elizabeth (Dale) Williford,
Mayor Pro Tem

Commissioners

Joel Fortune
Pete Wylie
Michael Luther

Tim White
Town Manager



*1400 Salter Path Rd
Indian Beach, NC 28512*

*(252) 247-3344
(252) 247-0513 fax*

Corrective Action Plan For the Fiscal Year Ended June 30, 2021

Section II – Financial Statement Findings

Finding: 2021 - 001

Name of contact person: Tim White, Town Manager

Corrective Action: Fire/EMS officials will review procedures on how potential expenditures, such as loan proceeds, will be included in the Fire/EMS Department budget ordinance and inform the Budget Officer. If any unexpected expenditure is to incur, Fire/EMS will inform the finance officer. Fire/EMS will review the budget-to-actual report prepared by the finance officer monthly and make any recommendations necessary.

Proposed Completion Date: The Board will implement the above procedure at their January 12, 2022 meeting.

TOWN OF INDIAN BEACH, NORTH CAROLINA
Summary Schedule of Prior Year Audit Finding
For the Year Ended June 30, 2021

No findings in the prior year.