

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENTS
OF
THE TOWN OF EXAMPLE
EXAMPLE COUNTY, INDIANA
January 1, 2019 to December 31, 2019



Town of Example, Example County
Schedule of Receipts, Disbursements, and
Cash and Investment Balances - Regulatory Basis
For the Year Ended December 31, 2019

	General	Motor Vehicle Highway	Local Road And Street	Emergency Medical Services/Ambulan	Sanitation Revenue	Community Development	Law Enforcement Continuing Ed	Riverboat	Parks And Recreation	Rainy Day
Cash and investments - beginning	\$ 57,257	\$ 75,632	\$ 93,602	\$ 90,396	\$ 25,676	\$ 77,471	\$ 18,162	\$ 170,283	\$ 10,419	\$ 160,543
Receipts:										
Taxes	1,576,512	199,959	-	186,588	-	-	-	-	324,889	-
Licenses and permits	6,285	-	-	-	-	-	1,340	-	-	-
Intergovernmental	249,708	248,343	31,499	-	-	-	-	36,207	27,193	-
Charges for services	55,650	720	-	122,671	266,052	-	1,085	-	235,181	-
Fines and forfeits	706	-	-	-	-	-	992	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-
Other receipts	9,143	49,355	961	170	59	550	-	1,589	3,090	1,851
Total receipts	1,898,004	498,377	32,460	309,429	266,111	550	3,417	37,796	590,353	1,851
Disbursements:										
Personal services	1,279,468	208,805	-	4,176	18,021	-	-	-	357,383	-
Supplies	75,068	50,020	-	8,896	-	-	5,296	-	60,899	-
Other services and charges	463,030	202,710	-	297,110	280,229	-	-	65,101	190,783	2,747
Debt service - principal and interest	-	-	-	-	-	-	-	-	-	-
Capital outlay	16,129	32,171	-	-	-	94,565	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-
Other disbursements	36,231	414	-	-	-	-	-	-	1,313	-
Total disbursements	1,869,926	494,120	-	310,182	298,250	94,565	5,296	65,101	610,378	2,747
Excess (deficiency) of receipts over disbursements	28,078	4,257	32,460	(753)	(32,139)	(94,015)	(1,879)	(27,305)	(20,025)	(896)
Cash and investments - ending	\$ 85,335	\$ 79,889	\$ 126,062	\$ 89,643	\$ (6,463)	\$ (16,544)	\$ 16,283	\$ 142,978	\$ (9,606)	\$ 159,647

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

Town of Example, Example County
Schedule of Receipts, Disbursements, and
Cash and Investment Balances - Regulatory Basis
For the Year Ended December 31, 2019

	LOIT Special Distribution	Cumulative Capital Development	Cinergy Metronet Allocation Redevelopment	Cumulative Fire	General Development and Improvement	Cumulative Capital Improvement	Cedit Capital Projects	LOIT - Public Safety	TLC Non-Reverting Program	Local Road and Bridge Matching Grant	Park Revolving
Cash and investments - beginning	\$ 290,661	\$ 119,855	\$ 193,758	\$ 66,306	\$ 13,283	\$ 86,180	\$ 524,775	\$ 206,103	\$ 16,905	\$ 75,226	\$ 2,986
Receipts:											
Taxes	-	55,988	60,333	33,640	-	-	188,535	167,949	322	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	4,707	-	2,828	-	14,864	-	-	-	86,682	-
Charges for services	-	-	-	-	9,600	-	22,805	-	39,931	-	6,766
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-	-
Other receipts	2,263	1,154	1,938	504	-	842	3,517	6,224	10	-	-
Total receipts	2,263	61,849	62,271	36,972	9,600	15,706	214,857	174,173	40,263	86,682	6,766
Disbursements:											
Personal services	-	-	-	-	-	-	-	91,603	10,061	-	-
Supplies	-	-	-	-	-	-	-	-	1,218	2,198	5,595
Other services and charges	-	56,141	45,753	-	3,290	12,741	112,113	34,439	30,292	152,848	-
Debt service - principal and interest	-	-	-	-	-	-	-	14,848	-	-	-
Capital outlay	35,082	-	-	75,000	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-	-	2,000
Total disbursements	35,082	56,141	45,753	75,000	3,290	12,741	112,113	140,890	41,571	155,046	7,595
Excess (deficiency) of receipts over disbursements	(32,819)	5,708	16,518	(38,028)	6,310	2,965	102,744	33,283	(1,308)	(68,364)	(829)
Cash and investments - ending	\$ 257,842	\$ 125,563	\$ 210,276	\$ 28,278	\$ 19,593	\$ 89,145	\$ 627,519	\$ 239,386	\$ 15,597	\$ 6,862	\$ 2,157

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

Town of Example, Example County
Schedule of Receipts, Disbursements, and
Cash and Investment Balances - Regulatory Basis
For the Year Ended December 31, 2019

	Ordinance Enforcement Expense	Police Tactical Equipment	Sidewalk Replacement	Debt Service - Other	Fire Fighting Equipment	Police Donation	Pool Donation	Pool Membership Donation	Scout Hall Donation	Walrod Memorial Tree	Wavel Park Donation	Payroll
Cash and investments - beginning	\$ 5,497	\$ 68	\$ 27,160	\$ 78,943	\$ 22,748	\$ 14,542	\$ 12,399	\$ 117	\$ 3,186	\$ 5,338	\$ 23,748	\$ 7,562
Receipts:												
Taxes	-	-	-	196,077	-	-	-	-	-	-	-	-
Licenses and permits	-	-	6,951	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	16,503	-	-	-	-	-	-	25,000	-
Charges for services	305	-	-	-	-	-	-	-	-	800	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	264	713	55,232	5,778	5,100	-	-	-	2,625	593,516
Total receipts	305	-	7,215	213,293	55,232	5,778	5,100	-	-	800	27,625	593,516
Disbursements:												
Personal services	-	-	-	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-	-	-	-
Other services and charges	1,725	-	6,831	-	-	4,000	5,120	-	-	-	47,249	-
Debt service - principal and interest	-	-	-	208,655	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	75,000	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-	850	-	596,224
Total disbursements	1,725	-	6,831	208,655	75,000	4,000	5,120	-	-	850	47,249	596,224
Excess (deficiency) of receipts over disbursements	(1,420)	-	384	4,638	(19,768)	1,778	(20)	-	-	(50)	(19,624)	(2,708)
Cash and investments - ending	\$ 4,077	\$ 68	\$ 27,544	\$ 83,581	\$ 2,980	\$ 16,320	\$ 12,379	\$ 117	\$ 3,186	\$ 5,288	\$ 4,124	\$ 4,854

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Town of Example, Example County
Schedule of Receipts, Disbursements, and
Cash and Investment Balances - Regulatory Basis
For the Year Ended December 31, 2019

	Court Cost Due County	Street Deposit And Refund	User Fee	Storm Water Utility-Operating	Storm Water Util-Bond And Interest	Storm Water Utility-Deprec/Improve	Wastewater Debt Service	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility-Deprec/Improve
Cash and investments - beginning	\$ 199	\$ 13,424	\$ 1,252	\$ 121,153	\$ -	\$ 490,183	\$ 144,522	\$ 136,218	\$ 139,838	\$ 482,449
Receipts:										
Taxes	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	4,080	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	207,938	-	-	-	1,041,167	-	-
Other receipts	-	-	-	261	-	100,959	39,569	10,997	192,751	871
Total receipts	-	4,080	-	208,199	-	100,959	39,569	1,052,164	192,751	871
Disbursements:										
Personal services	-	-	-	31,739	-	-	-	298,501	-	-
Supplies	-	-	-	-	-	-	-	-	-	-
Other services and charges	-	4,830	-	418	-	-	-	16,841	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	191,320	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	49,818	-	-	-	449,694	-	-
Other disbursements	-	-	-	103,417	-	-	-	255,092	-	-
Total disbursements	-	4,830	-	185,392	-	-	-	1,020,128	191,320	-
Excess (deficiency) of receipts over disbursements	-	(750)	-	22,807	-	100,959	39,569	32,036	1,431	871
Cash and investments - ending	\$ 199	\$ 12,674	\$ 1,252	\$ 143,960	\$ -	\$ 591,142	\$ 184,091	\$ 168,254	\$ 141,269	\$ 483,320

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

Town of Example, Example County
Schedule of Receipts, Disbursements, and
Cash and Investment Balances - Regulatory Basis
For the Year Ended December 31, 2019

	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Depreciation/Improve	Water Utility-Customer Deposit	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ 99,598	\$ 76,335	\$ 489,028	\$ 44,004	\$ 282,107	\$ 5,097,097
Receipts:						
Taxes	-	-	-	-	-	2,990,792
Licenses and permits	-	-	-	-	-	18,656
Intergovernmental	-	-	-	-	-	743,534
Charges for services	-	-	-	-	-	761,566
Fines and forfeits	-	-	-	-	-	1,698
Utility fees	1,026,358	-	-	-	-	2,275,463
Other receipts	93,241	281,210	987	18,061	1,880	1,487,235
Total receipts	1,119,599	281,210	987	18,061	1,880	8,278,944
Disbursements:						
Personal services	212,681	-	-	-	-	2,512,438
Supplies	-	-	-	-	-	209,190
Other services and charges	21,795	-	-	-	-	2,058,136
Debt service - principal and interest	-	279,372	-	-	-	694,195
Capital outlay	-	-	-	-	-	327,947
Utility operating expenses	569,747	-	54,676	18,660	-	1,142,595
Other disbursements	308,940	-	57,744	-	-	1,362,225
Total disbursements	1,113,163	279,372	112,420	18,660	-	8,306,726
Excess (deficiency) of receipts over disbursements	6,436	1,838	(111,433)	(599)	1,880	(27,782)
Cash and investments - ending	\$ 106,034	\$ 78,173	\$ 377,595	\$ 43,405	\$ 283,987	\$ 5,069,315

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

TOWN OF EXAMPLE
NOTES TO FINANCIAL STATEMENT

Note X. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statements present the financial information for the Town

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented by category as follows:

Taxes. Amounts received from one or more of the following: property tax, local income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits. Amounts received from businesses, occupations, or non-businesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants,

TOWN OF EXAMPLE
NOTES TO FINANCIAL STATEMENT
(Continued)

riverboat receipts received from the county, and receipts received from the state such as cigarette tax distributions, motor vehicle highway distributions, local road and street distributions, financial institution tax, auto excise surtax, commercial vehicle excise tax, and major moves distributions.

Charges for services. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits. Amounts received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees. Amounts received from charges for current services.

Other receipts. Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies. Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

TOWN OF EXAMPLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Other disbursements. Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. *Interfund Transfers*

The Town may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. *Fund Accounting*

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

H. *Capital Assets*

Capital assets, which include land, construction in progress, buildings, improvements other than buildings, machinery, equipment, vehicles, books, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the capital asset schedule contained in the supplemental information. Items are capitalized when their value exceeds the threshold established by the Town and its estimated useful life is greater than one year.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Donated assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement are reported at acquisition value. Renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are considered an operating expense.

The capital asset threshold established by the Town is \$5,000.

Note X. *Budgets*

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

TOWN OF EXAMPLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Note X. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by December 31 of the year preceding the budget year or January 15 of the budget year if the Town is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lean date of January 1. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note X. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Town to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note X. Risk Management

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund, if established, would be included in the financial statements. Participation in a risk pool is an arrangement by which governments pool risks and funds and share in the cost of losses.

Note X. Long-term Debt

A. Changes in Long-term Debt

Changes in long-term obligations for the year ended December 31, 2019, are as follows:

TOWN OF EXAMPLE
NOTES TO FINANCIAL STATEMENT
(Continued)

	Beginning Balance 1/1/19	Additions	Reductions	Ending Principal Balance 12/31/19	Due Within One Year
<u>General Government</u>					
General Obligation Bonds	\$ 605,000	\$ 72,756	\$ 92,756	\$ 585,000	\$ 42,526
<u>Water</u>					
Notes and Loans Payable	2,812,824	1,500,000	1,673,000	2,639,824	279,889
<u>Wastewater</u>					
Revenue Bonds	2,750,000	3,000,000	3,137,000	2,613,000	191,560
Totals	<u>\$ 6,167,824</u>	<u>\$ 4,572,756</u>	<u>\$ 4,902,756</u>	<u>\$ 5,837,824</u>	<u>\$ 513,975</u>

B. Debt Service Requirements to Maturity

Debt service requirements on long-term debt at December 31, 2019, are as follows:

<u>General Government</u>	<u>General Obligation Bonds</u>		
Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31			
2020	\$ 20,000	\$ 22,526	\$ 42,526
2021	20,000	22,101	42,101
2022	30,000	21,538	51,538
2023	40,000	23,587	63,587
2024	50,000	24,567	74,567
2025-2029	425,000	128,178	553,178
	<u>\$ 585,000</u>	<u>\$ 242,497</u>	<u>\$ 827,497</u>

<u>Water Utility</u>	<u>Notes and Loans Payable</u>		
Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31			
2020	\$ 178,000	\$ 101,889	\$ 279,889
2021	186,000	94,905	280,905
2022	193,000	87,610	280,610
2023	195,000	85,642	280,642
2024	197,000	83,442	280,442
2025-2029	691,000	149,697	840,697
2030-2034	1,030,000	91,956	1,121,956
	<u>\$ 2,639,824</u>	<u>\$ 695,141</u>	<u>\$ 3,365,141</u>

TOWN OF EXAMPLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Wastewater Utility				
Year Ended	Revenue Bonds			
December 31	Principal	Interest	Total	
2020	\$ 140,000	\$ 51,560	\$	191,560
2021	143,000	48,750		191,750
2022	146,000	45,870		191,870
2023	150,000	47,852		197,852
2024	774,000	136,358		910,358
2025-2029	705,000	103,190		808,190
2030-2034	555,000	19,600		574,600
	<u>\$ 2,613,000</u>	<u>\$ 453,180</u>	<u>\$</u>	<u>3,066,180</u>

Note X. Leases

The Town has entered into a lease for three police cars. The lease term began on January 15, 2018, and ends on July 15, 2027. The lease is being paid in semi-annual installments as defined in the schedule of rental payments of the lease agreement.

Principal and interest requirements to maturity as of December 31 2019, are as follows:

Year Ended December 31	Principal	Interest	Total
2020	\$ 29,976	\$ 2,372	\$ 32,348
2021	29,976	1,746	31,722
2022	29,976	1,130	31,106
2023	29,976	490	30,466
2024	29,976	334	30,310
2025-2027	<u>149,880</u>	<u>3,065</u>	<u>152,945</u>
Totals	<u>\$ 299,760</u>	<u>\$ 9,137</u>	<u>\$ 308,897</u>

The Town has entered into a lease to purchase a sewer cleaning machine. The lease term began April 1, 2018, and ends on March 1, 2029. The lease is being paid in monthly installments as defined in the schedule of payments of the lease agreement.

Principal and interest requirements to maturity as of December 31 2019, are as follows:

TOWN OF EXAMPLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Year Ended December 31	Principal	Interest	Total
2020	\$ 106,774	\$ 22,716	\$ 129,490
2021	158,850	10,938	169,788
2022	162,382	10,748	173,130
2023	165,990	10,558	176,548
2024	169,676	10,366	180,042
2025-2029	<u>430,080</u>	<u>50,870</u>	<u>480,950</u>
Totals	<u>\$ 1,193,752</u>	<u>\$ 116,196</u>	<u>\$ 1,309,948</u>

Note X. Deficit Fund Balances

The following funds have deficit fund balances at December 31, 2019:

Sanitation Revenue	\$ 6,463
Parks and Recreation	9,606
Community Development	<u>16,544</u>
Total deficit fund balances	<u>\$ 32,613</u>

Note X. Interfund Activity

Interfund transfer activity for the year ended December 31, 2019, is as follows:

<u>Transfer From</u>	General	Parks	Water - Operating	<u>Transfer to</u> Water - Depreciation/Imp	Wastewater - Operating	Storm Water - Operating	Total
General	\$ -	\$ 5,000	\$ -	\$ -	\$ 15,000	\$ -	\$ 20,000
Parks	2,000	-	-	-	-	-	2,000
Water - Operating	300,000	-	-	57,744	-	-	357,744
Water - Depreciation/Imp.	-	-	-	-	65,000	-	65,000
Water - Bond and Interest	-	-	280,229	-	-	-	280,229
Wastewater - Operating	-	-	-	-	38,472	-	38,472
Wastewater - Bond and Interest	-	-	-	-	191,952	-	191,952
Storm Water - Operating	-	-	-	-	-	-	-
Storm Water - Depreciation/Imp.	-	-	45,000	-	-	100,000	145,000
Total	<u>\$302,000</u>	<u>\$ -</u>	<u>\$ 325,229</u>	<u>\$ 57,744</u>	<u>\$ 295,424</u>	<u>\$ 100,000</u>	<u>\$1,080,398</u>

TOWN OF EXAMPLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ended December 31, 2019, the Town made a one-time transfer of \$300,000 from the water operating fund to the general fund to subsidize, in part, the Town's share of the Perry Valley Regional Fire Protection District's capital program.

Note X. Significant Contingent Liabilities

A jury awarded \$50,000 to a former employee of the Town for alleged wrongful termination of employment. The Town has appealed the judgment on the basis of errors in the judge's instructions to the jury and insufficiency of evidence to support the amount of the jury's awards.

The final resolution of this matter is not expected to have a material effect on the Town's financial position.

Note X. Significant Commitments

The Town has a contractual obligation to purchase a building during the year ended December 31, 2019, in the amount of \$200,000.

Note X. Subsequent Events

The Town entered into an agreement with a developer on January 15, 2020, to initiate a housing development on property owned by the Town Redevelopment Commission. The housing development is expected to cost \$2,500,000.

Note X. Pension Plans

Public Employees' Retirement System - Defined Benefit Plan

Plan Description

PERF Defined Benefit is a cost-sharing, multiple-employer defined benefit Plan which is generally administered in accordance with IC 5-10.2, IC 5-10.3, and 35 IAC 1.2. The account provides retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan and those political subdivisions that elect to participate in the retirement plan. Political subdivisions mean a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town, or township, and any department of, or associated with, a county, city, town, or township, which department receives revenue independently of, or in addition to, funds obtained from taxation.

TOWN OF EXAMPLE
NOTES TO FINANCIAL STATEMENT
(Continued)

New employees hired by the State or a participating political subdivision have a one-time election to join either the Public Employees' Hybrid Plan (PERF Hybrid) or the My Choice: Retirement Savings Plan for Public Employees (My Choice) which is covered in the Defined Contribution Plans section. A new hire that is an existing member of PERF Hybrid and was not given the option for My Choice is given the option to elect My Choice or remain in PERF Hybrid. PERF Hybrid consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account (see Defined Contribution Plans section), the defined contribution component.

Members consist of officers and employees of units of the State and participating political subdivisions. The political subdivisions become participants by ordinance or resolution of the governing body, which specifies the classifications of employees who will become members of the plan. The ordinance or resolution is filed with and approved by INPRS. To be a member, employees hired after June 30, 1982, except employees of a participating school corporation, must occupy positions requiring performance of service of more than 1,000 hours during a year. Effective July 1, 2008, members who have at least one (1) year of service in both PERF DB and the Teachers' Retirement Fund (TRF Pre-'96 DB or TRF '96 DB) have the option of choosing from which of these funds they would like to retire.

Retirement Benefits

The following table is a summary of the key information for this plan.

TOWN OF EXAMPLE
 NOTES TO FINANCIAL STATEMENT
 (Continued)

Full Retirement Benefit	
Eligibility	Annual Pension Benefit
Age 65 and 10 years (eight years for certain elected officials) of creditable service, Age 60 and 15 years of creditable service, and Age 55 if age and creditable service total at least 85.	Equals 1.1 percent X Average Annual Compensation X Years of Creditable Service. Average annual compensation uses the 20 highest calendar quarters (or only four quarters for an elected official), in groups of four consecutive calendar quarters with no quarter used more than once (includes member contributions paid for by the employer and up to \$2,000 of severance).
Early Retirement Benefit	
Age 50 and minimum of 15 years of creditable service (44 percent of full benefit at age 50, increasing 5 percent per year up to 89 percent at age 59).	
Disability Benefit	
An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of \$180 per month).	
Survivor Benefit	
While in Active Service Minimum of 15 years of service or member was at least age 65 with 10 to 14 years of service. A spouse or dependent beneficiary immediately receives a benefit as if the member retired the laster of age 50 or the age the day before the member's death.	While Receiving a Benefit If the member selected one of the following forms of payment: Five Year Guaranteed, Joint with Full, Joint with Two-Thirds, Joint with One-Half, a spouse or dependent receives the benefit associated with the selected form of payment.
Cost of Living Adjustment (COLA)	
Ad hoc. No COLA, but a one-time check (13th check) by October 1, 2017 for members retired before December 1, 2016 of \$150 to \$450 depending on service.	

TOWN OF EXAMPLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Contributions

Contributions. Contributions are determined by the INPRS Board of Trustees based on actuarial valuation. During the fiscal year ended June 30, 2018, the state contributed 11.2 percent of covered payroll for hybrid members and for My Choice members a supplemental cost of 7.8 percent.

Financial Report

INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplemental information for the plan as a whole. This report may be obtained by emailing questions@inprs.in.gov, by visiting www.in.gov/inprs, or by writing the following:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 462040

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate/investment return	6.75%
Future salary increases	2.50% - 4.25%
Inflation	2.25%
Cost of living increases	2018-2019 - 13th check, 2020 - 1.0% compounded annually.

Mortality rates for healthy and disabled members were based on the RP-2014 Total Data Set mortality table, with Social Security Administration generational improvement scale from 2006.

The most recent comprehensive experience study was completed in 2015 and was based on member experience between June 30, 2010 and June 30, 2014. The demographic assumptions were updated as needed for the June 30, 2017, actuarial valuation.

The long-term return expectation for this INPRS defined benefit retirement plan was determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

TOWN OF EXAMPLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Public equity	22.0	4.4
Private equity	14.0	5.4
Fixed income - ex inflation - linked	20.0	2.2
Fixed income - inflation - linked	7.0	0.8
Commodities	8.0	2.3
Real estate	7.0	6.5
Absolute return	10.0	2.7
Risk parity	12.0	5.2
Total	100.0	

Discount Rate

Total pension liability was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State of Indiana would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on these assumptions, the PERF defined benefit pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

The following presents the State's proportionate share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
State's proportionate share of the net pension liability	1,674,693	1,148,261	710,650

Pension Liability

The net pension liability for PERF was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date. Member census data as of June 30, 2017, was used in the valuation and adjusted, where appropriate, to reflect changes between

TOWN OF EXAMPLE
NOTES TO FINANCIAL STATEMENT
(Continued)

June 30, 2017 and June 30, 2018. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2017 to the June 30, 2018 measurement date. Wages reported by the Town relative to the collective wages of the plan served as the basis to determine the Town's proportionate share. This basis of allocation is consistent with the manner in which contributions to the pension plan are determined. At June 30, 2018, the Town's proportion was 1.35973 percent, which was a decrease of 0.02698 percent from its proportion measured as of June 30, 2017.

At December 31, 2018, the Town reported a net pension liability of \$896,740.

Public Employees' Retirement Fund - Defined Contribution Plan

PERF DC is a multiple-employer defined contribution plan and is generally administered in accordance with IC 5-10.2, IC 5-10.3, and 35 IAC 1.2. The plan provides supplemental retirement benefits to PERF DB members and serves as the primary retirement benefit for the My Choice: Retirement Savings Plan for Public Employees (My Choice) members.

New employees hired by the State, or a participating political subdivision, have a one-time election to join either the Public Employees' Defined Benefit Account (Hybrid Plan) or My Choice. A new hire that is an existing member of the Public Employees' Defined Benefit Account (Hybrid Plan), and was not given the option for My Choice, is given the option to elect My Choice or remain in the Public Employees' Defined Benefit Account (Hybrid Plan).

PERF DC consists of two tiers:

The Public Employees' Hybrid Members Defined Contribution Account (PERF Hybrid DC) is the defined contribution component of the Public Employees' Hybrid Plan. The Public Employees' Defined Benefit Account (see Defined Benefit Plans section) is the other component of the Public Employees' Hybrid Plan. Member contributions are set by statute at three percent of compensation, and the employer may choose to make these contributions on behalf of the member. Members are 100 percent vested in their account balance, which includes all contributions and earnings.

My Choice: Retirement Savings Plan for Public Employees (My Choice) is for members who are full-time employees of the State of Indiana or a participating political subdivision that elected to become members of My Choice. Member contributions are set by statute at three percent of compensation, plus these members may receive additional employer contributions in lieu of the Public Employees' Defined Benefit Account.

Members are 100 percent vested in all member contributions and are vested in employer contributions (see Contributions section), which includes all employer contributions and earnings as follows:

One (1) year of participation	20%
Two (2) years of participation	40%
Three (3) years of participation	60%
Four (4) years of participation	80%
Five (5) years of participation	100%

TOWN OF EXAMPLE
NOTES TO FINANCIAL STATEMENT
(Continued)

The City contributed 3.4 percent to My Choice members' accounts during the fiscal year ended June 30, 2018. My Choice members totaled 3,334 as of June 30, 2018.

Members may withdraw their account balance upon retirement, termination, disability, or death. As of January 1, 2018, Metlife is an available option for members to choose to annuitize their defined contribution balance.

My Choice

The My Choice retirement and termination benefit is that after a 30 day separation from employment, the member is entitled to the sum total of vested contributions plus earnings. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity (in accordance with INPRS requirements). Upon providing proof of the member's qualification for social security disability benefits, the member is entitled to the sum total of vested contributions plus earnings. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity (in accordance with INPRS requirements).

The survivor benefit is that the beneficiary is entitled to the sum total of vested contributions plus earnings. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity (in accordance with INPRS requirements).

Investments in the members' accounts are self-directed as participants direct the investment of their account balances among several investment options of varying degrees of risk and return potential. There are eight investment options available to My Choice members: Stable Value Fund, Fixed Income Fund, Inflation-Linked Fixed Income Fund, Money Market Fund, Small/Mid Cap Equity Fund, Large Cap Equity Index Fund, International Equity Fund and Target Date Funds. Members may make changes to their investment directions daily, and investments of the plan are reported at fair value.

At December 31, 2017, the Town reported a net pension liability of \$896,740.

Single-Employer Defined Benefit Plan

Town Utility Service Board Employees' Pension Plan

Plan Description

The Town contributes to the Utility Service Board Employees' Pension plan which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (Indiana Code 8-1.5-3-7). The pension board consists of three members, two trustees elected from active members, and one trustee elected from retired members. The plan was established and may be amended by the plan administrator as provided by state statute. The plan administrator does not issue a publicly available financial report that includes and financial statements and required supplementary information of the plan.

Benefits Provided

The plan provides retirement disability, and death benefits to plan members and beneficiaries. Retirement benefits for general employees are calculated as 2 percent of the employee's final 5-year average salary times the employee's years of service. Benefits for public safety

TOWN OF EXAMPLE
 NOTES TO FINANCIAL STATEMENT
 (Continued)

employees are calculated as 3 percent of the employee's final 3-year average salary times the employee's years of service. General employees with 10 years of continuous service are eligible to retire at age 60. Public safety employees with 10 years of continuous service are eligible to retire at age 55. General employees may retire at any age after 30 years of service. Public safety employees may retire at any age after 20 years of service. All employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal two times the employee's final full-year salary. An employee who leaves Town service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are one-half of the change in the Consumer Price Index, limited to a maximum increase in retirement allowance of 2 percent for general employees and 3 percent for public safety employees.

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4,002
Inactive employees entitled to but not yet receiving benefits	1,207
Active employees	<u>5,347</u>
	<u><u>10,556</u></u>

Contributions

The State grants the authority to establish and amend the contribution requirements of the Town and active employees to the CERS Board. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 20X9, the average active employee contribution rate was 7.0 percent of annual pay, and the Town's average contribution rate was 17.74 percent of annual payroll.

Net Pension Liability

Actuarial Assumptions

The total pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

TOWN OF EXAMPLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Inflation	3.5 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2015 to December 31, 2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	46%	5.4%
International equity	21	5.5
Fixed income	26	1.3
Real estate	6	4.5
Cash	1	0.0
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

The sensitivity of the net pension liability to changes in the discount rate are as follows:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net Pension Liability	\$ 826,923	\$ 751,753	\$ 661,543

TOWN OF EXAMPLE
 NOTES TO FINANCIAL STATEMENT
 (Continued)

Note X. Other Postemployment Benefits

Single-Employer Defined Benefit Plan

Sample Town Retiree Benefits Plan

Plan Description

The Town's defined benefit OPEB plan, Sample Town Retiree Benefits Plan (STRBP), provides OPEB for all permanent full-time general and public safety employees of the Town. STRBP is a single-employer defined benefit OPEB plan administered by the Sample Town Employees Retirement System (STERS). Chapter 21 of the Sample Town Code grants the authority to establish and amend the benefit terms to the STERS Board of Trustees (STERS Board). STERS issues a publicly available financial report that can be obtained at [Internet address].

Benefits Provided

STRBP provides healthcare and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1,307
Inactive employees entitled to but not yet receiving benefit payments	142
Active employees	8,356
	9,805
	9,805

Contributions

Chapter 21 of the Sample City Code grants the authority to establish and amend the contribution requirements of the City and employees to the STERS Board. The Board establishes rates based on an actuarially determined rate. For the year ended December 31, 2017, the City's average contribution rate was 4.19 percent of covered-employee payroll. Employees are not required to contribute to the plan.

Supplementary Information

Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance 01/01/19	Additions	Reductions	Ending Balance 12/31/19
General Government Assets				
Land	1,371,633	500,000	49,682	1,821,951
Construction in progress	75,000	25,000	-	100,000
Infrastructure	1,591,231	352,789	256,251	1,687,769
Buildings	25,348,431	3,500,000	1,750,000	27,098,431
Improvements other than Buildings	-	-	-	-
Machinery, Equipment and Vehicles	9,476,302	2,000,000	1,260,350	10,215,952
Total General Government Assets	\$ 37,862,597	\$ 6,377,789	\$ 3,316,283	\$ 40,924,103
Water Utility Assets				
Land	\$ 278,139	\$ 50,000	\$ 40,020	\$ 288,119
Construction in progress	-	-	-	-
Infrastructure	1,235,930	200,000	-	1,435,930
Buildings	1,996,506	-	500,000	1,496,506
Improvements other than Buildings	-	-	-	-
Machinery, Equipment and Vehicles	2,366,162	-	50,788	2,315,374
Total Water Utility Capital Assets	\$ 5,876,737	\$ 250,000	\$ 590,808	\$ 5,535,929
Wastewater Utility Assets				
Land	\$ 196,503	\$ 20,000	\$ -	\$ 216,503
Construction in progress	-	300,000	-	300,000
Infrastructure	4,280,305	1,500,000	250,000	5,530,305
Buildings	16,086,540	100,000	5,750,000	10,436,540
Improvements other than Buildings	-	-	-	-
Machinery, Equipment and Vehicles	1,593,720	75,000	150,000	1,518,720
Total Wastewater Utility Capital Assets	\$ 22,157,068	\$ 1,995,000	\$ 6,150,000	\$ 18,002,068