

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

FINANCIAL STATEMENT AUDIT REPORT

OF

TOWN OF ROYAL CENTER

CASS COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
05/26/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Leah Campbell Katie Pearson	01-01-19 to 03-31-19 04-01-19 to 12-31-20
President of the Town Council	Marion Campbell Berthold Stover	01-01-19 to 12-31-19 01-01-20 to 12-31-20



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ROYAL CENTER, CASS COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Royal Center (Town), which comprises the financial position and results of operations for the year ended December 31, 2019, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 statement.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 to the financial statement, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles


In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the year ended December 31, 2019.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2019, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 19, 2020, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

May 19, 2020

FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the Town. The financial statement and notes are presented as intended by the Town.

TOWN OF ROYAL CENTER
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2019

	General	MVH Fund	Local Road and Streets	MVH- Restricted	Law Enforcement Continuing Ed
Cash and investments - beginning	\$ 228,488	\$ 128,135	\$ 16,102	\$ -	\$ 3,730
Receipts:					
Taxes	194,588	21,432	-	-	-
Licenses and permits	-	-	-	-	250
Intergovernmental receipts	21,427	27,491	6,565	45,642	-
Charges for services	340	-	-	-	-
Fines and forfeits	-	-	-	-	242
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	19,719	-	-	-	100
Total receipts	<u>236,074</u>	<u>48,923</u>	<u>6,565</u>	<u>45,642</u>	<u>592</u>
Disbursements:					
Personal services	100,817	32,642	-	-	-
Supplies	21,539	7,541	-	-	-
Other services and charges	121,764	19,617	10,000	24,897	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	13,467	8,000	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	<u>257,587</u>	<u>67,800</u>	<u>10,000</u>	<u>24,897</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(21,513)</u>	<u>(18,877)</u>	<u>(3,435)</u>	<u>20,745</u>	<u>592</u>
Cash and investments - ending	<u>\$ 206,975</u>	<u>\$ 109,258</u>	<u>\$ 12,667</u>	<u>\$ 20,745</u>	<u>\$ 4,322</u>

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

TOWN OF ROYAL CENTER
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2019

	Riverboat Fund	Rainy Day Fund	CEDIT- Capital Projects	Cumulative Capital Improvement	Cumulative Capital Development
Cash and investments - beginning	\$ 70,023	\$ 46,325	\$ 92,224	\$ 85,291	\$ 92,934
Receipts:					
Taxes	-	-	10,836	-	4,690
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	5,101	-	-	1,967	628
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	-	-	36	96	-
Total receipts	5,101	-	10,872	2,063	5,318
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	40,000	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	-	-	40,000	-	-
Excess (deficiency) of receipts over disbursements	5,101	-	(29,128)	2,063	5,318
Cash and investments - ending	\$ 75,124	\$ 46,325	\$ 63,096	\$ 87,354	\$ 98,252

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

TOWN OF ROYAL CENTER
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2019

	LOIT Public Safety	Local Road & Bridge Matching Grant Fund	Fire Fund	Chets Park Fund
Cash and investments - beginning	\$ 50,360	\$ -	\$ 115,581	\$ 8,730
Receipts:				
Taxes	18,775	-	17,143	-
Licenses and permits	-	-	-	-
Intergovernmental receipts	-	138,871	2,296	-
Charges for services	-	-	31,500	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	-	-
Penalties	-	-	-	-
Other receipts	-	-	-	1,765
Total receipts	18,775	138,871	50,939	1,765
Disbursements:				
Personal services	-	-	6,560	-
Supplies	-	-	5,325	-
Other services and charges	-	138,871	11,120	910
Debt service - principal and interest	-	-	-	-
Capital outlay	20,000	-	24,916	-
Utility operating expenses	-	-	-	-
Other disbursements	-	-	-	-
Total disbursements	20,000	138,871	47,921	910
Excess (deficiency) of receipts over disbursements	(1,225)	-	3,018	855
Cash and investments - ending	\$ 49,135	\$ -	\$ 118,599	\$ 9,585

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

TOWN OF ROYAL CENTER
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2019

	Chets Building Fund	Payroll Fund	Wastewater Utility- Operating	Wastewater Debt Reserve
Cash and investments - beginning	\$ 19,883	\$ 19,511	\$ 113,249	\$ 71,906
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental receipts	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	263,257	-
Penalties	-	-	6,602	-
Other receipts	2,353	207,269	615	4,309
Total receipts	<u>2,353</u>	<u>207,269</u>	<u>270,474</u>	<u>4,309</u>
Disbursements:				
Personal services	-	-	38,362	-
Supplies	-	-	-	-
Other services and charges	-	-	5,057	-
Debt service - principal and interest	-	-	-	-
Capital outlay	-	-	-	-
Utility operating expenses	-	-	75,138	-
Other disbursements	-	207,060	63,029	-
Total disbursements	<u>-</u>	<u>207,060</u>	<u>181,586</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>2,353</u>	<u>209</u>	<u>88,888</u>	<u>4,309</u>
Cash and investments - ending	<u>\$ 22,236</u>	<u>\$ 19,720</u>	<u>\$ 202,137</u>	<u>\$ 76,215</u>

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

TOWN OF ROYAL CENTER
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2019

	Wastewater Utility- SRF Bond & Interest	Wastewater Construction Fund	Water Utility- Operating	Water Utility- Customer Deposit
Cash and investments - beginning	\$ 43,218	\$ 539,506	\$ 125,640	\$ 5,510
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental receipts	-	4,364,488	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	165,935	4,095
Penalties	-	-	2,810	-
Other receipts	58,694	-	17,637	-
Total receipts	<u>58,694</u>	<u>4,364,488</u>	<u>186,382</u>	<u>4,095</u>
Disbursements:				
Personal services	-	-	38,361	-
Supplies	-	-	-	-
Other services and charges	-	-	5,945	-
Debt service - principal and interest	67,840	1,378,655	-	-
Capital outlay	-	3,494,596	-	-
Utility operating expenses	-	-	48,510	-
Other disbursements	-	-	103,887	625
Total disbursements	<u>67,840</u>	<u>4,873,251</u>	<u>196,703</u>	<u>625</u>
Excess (deficiency) of receipts over disbursements	<u>(9,146)</u>	<u>(508,763)</u>	<u>(10,321)</u>	<u>3,470</u>
Cash and investments - ending	<u>\$ 34,072</u>	<u>\$ 30,743</u>	<u>\$ 115,319</u>	<u>\$ 8,980</u>

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

TOWN OF ROYAL CENTER
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2019

	Water Utility- Depreciation	Water Utility- Bond And Interest	Water Utility- Construction	Totals
Cash and investments - beginning	\$ 89,125	\$ -	\$ 54,800	\$ 2,020,271
Receipts:				
Taxes	-	-	-	267,464
Licenses and permits	-	-	-	250
Intergovernmental receipts	-	-	-	4,614,476
Charges for services	-	-	-	31,840
Fines and forfeits	-	-	-	242
Utility fees	-	-	-	433,287
Penalties	-	-	-	9,412
Other receipts	-	89,905	-	402,498
Total receipts	-	89,905	-	5,759,469
Disbursements:				
Personal services	-	-	-	216,742
Supplies	-	-	-	34,405
Other services and charges	-	-	-	338,181
Debt service - principal and interest	-	89,905	-	1,536,400
Capital outlay	-	-	-	3,600,979
Utility operating expenses	-	-	-	123,648
Other disbursements	-	-	-	374,601
Total disbursements	-	89,905	-	6,224,956
Excess (deficiency) of receipts over disbursements	-	-	-	(465,487)
Cash and investments - ending	\$ 89,125	\$ -	\$ 54,800	\$ 1,554,784

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

TOWN OF ROYAL CENTER
NOTES TO FINANCIAL STATEMENT

Note 1. 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 statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is 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, certified shares (local option tax), property tax replacement credit (local option tax), county option 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 nonbusinesses 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.

TOWN OF ROYAL CENTER
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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.

Penalties. Amounts received from late payment fees.

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 by category as follows:

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.

TOWN OF ROYAL CENTER
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

Note 2. 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.

Note 3. 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 lien 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.

TOWN OF ROYAL CENTER
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. 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 5. 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 statement. Participation in a risk pool is an arrangement by which governments pool risks and funds and share in the cost of losses.

Note 6. Long-term Debt

A. Changes in Long-term Debt

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

Description of Debt Type	Purpose	Beginning Principal Balance 01-01-19	Principal Additions	Principal Reductions	Ending Principal Balance 12-31-19	Principal and Interest Due Within One Year
Wastewater:						
Revenue Bonds	2012 Sewage Bond	\$ 556,000	\$ -	\$ 57,000	\$ 499,000	\$ 67,690
Revenue Bonds	2019A Sewage Bond	-	879,000	-	879,000	21,662
Revenue Bonds	2019B Sewage Bond	-	475,000	-	475,000	14,701
Total Wastewater		<u>556,000</u>	<u>1,354,000</u>	<u>57,000</u>	<u>1,853,000</u>	<u>104,053</u>
Water:						
Revenue Bonds	2012 Water Bond	334,984	-	80,190	254,794	3,695
Totals		<u>\$ 890,984</u>	<u>\$ 1,354,000</u>	<u>\$ 137,190</u>	<u>\$ 2,107,794</u>	<u>\$ 107,748</u>

B. Debt Service Requirements to Maturity

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

**TOWN OF ROYAL CENTER
NOTES TO FINANCIAL STATEMENT
(Continued)**

Year Ended December 31	Town of Royal Center Water Works			Year Ended December 31	Sewage Works Revenue Bonds of 2012		
	Principal	Interest	Total		Principal	Interest	Total
2020	\$ -	\$ 3,695	\$ 3,695	2020	\$ 58,000	\$ 9,690	\$ 67,690
2021	82,515	2,498	85,013	2021	59,000	8,530	67,530
2022	84,908	1,267	86,175	2022	60,000	7,340	67,340
2023	87,371	-	87,371	2023	62,000	6,130	68,130
----	-	-	-	2024	63,000	4,890	67,890
----	-	-	-	2025 - 2029	197,000	6,960	203,960
Totals	\$ 254,794	\$ 7,460	\$ 262,254	Totals	\$ 499,000	\$ 43,540	\$ 542,540

Year Ended December 31	Sewage Works Revenue Bonds of 2019 Series A			Year Ended December 31	Sewage Works Revenue Bonds of 2019 Series B		
	Principal	Interest	Total		Principal	Interest	Total
2020	\$ 12,000	\$ 9,662	\$ 21,662	2020	\$ 6,000	\$ 8,071	\$ 14,071
2021	16,000	11,867	27,867	2021	8,000	9,924	17,924
2022	18,000	11,640	29,640	2022	8,000	9,754	17,754
2023	18,000	11,392	29,392	2023	8,000	9,584	17,584
2024	18,000	11,144	29,144	2024	8,000	9,414	17,414
2025 - 2029	90,000	52,010	142,010	2025 - 2029	44,000	44,456	88,456
2030 - 2034	100,000	45,513	145,513	2030 - 2034	50,000	39,367	89,367
2035 - 2039	106,000	38,535	144,535	2035 - 2039	55,000	33,947	88,947
2040 - 2044	112,000	31,034	143,034	2040 - 2044	60,000	27,732	87,732
2045 - 2049	120,000	23,030	143,030	2045 - 2049	69,000	20,975	89,975
2050 - 2054	130,000	14,472	144,472	2050 - 2054	75,000	13,443	88,443
2055 - 2059	139,000	5,288	144,288	2055 - 2059	84,000	5,040	89,040
Totals	\$ 879,000	\$ 265,587	\$ 1,144,587	Totals	\$ 475,000	\$ 231,707	\$ 706,707

Note 7. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund Defined Benefit Account (PERF Hybrid DB) is a cost-sharing multiple-employer defined benefit fund and provides retirement, disability, and survivor benefits to plan members. PERF Hybrid DB is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Town authority to contribute to the fund.

PERF Hybrid consists of two components: PERF Hybrid DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account (see Defined Contribution Account section), the defined contribution component.

Retirement Benefits

The following table is a summary of the key information for this fund:

TOWN OF ROYAL CENTER
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, Age 55 and 20 years of creditable service and active as an elected official in the PERF-covered position, and Age 70 and 20 years of creditable service and still active in the PERF-covered position.	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	While Receiving a Benefit
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 later of age 50 or the age the day before the member's death.	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 select form of payment.
Cost of Living Adjustment (COLA)	
No COLA, but postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the INPRS Board. Postretirement benefits were issued to members as a 13th check.	

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, or by visiting www.in.gov/inprs, or by writing the following:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204

Contributions

Contributions are determined by INPRS Board of Trustees based on actuarial valuation. As of the June 30, 2019, the Town contributed 11.2 percent of covered payroll.

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Rate of Return	6.75%
Future Salary Increases (including inflation)	2.50% - 4.25%
Inflation	2.25%
Cost of Living Increases	2019-2021 - 13 th check, 2022 - 0.4% compounded annually

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

TOWN OF ROYAL CENTER
NOTES TO FINANCIAL STATEMENT
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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, 2018 actuarial valuation.

The long-term return expectation for the INPRS defined benefit retirement plans has been 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.

Asset Class	Geometric Basis	
	Long-Term Expected Real Rate of Return	Target Asset Allocation
Public Equity	4.4%	22.0%
Private Equity	5.4%	14.0%
Fixed Income - Ex Inflation-Linked	2.2%	20.0%
Fixed Income - Inflation-Linked	0.8%	7.0%
Commodities	2.3%	8.0%
Real Estate	6.5%	7.0%
Absolute Return	2.7%	10.0%
Risk Parity	5.2%	12.0%
Totals		<u>100.0%</u>

Discount Rate

Total pension liability for each defined benefit pension plan 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 Board, and contributions required by the State of Indiana (the non-employer contributing entity) would be made as stipulated by state statute. Projected inflows from investment earnings were calculated using the 6.75 percent long-term assumed investment rate of return. Based on those assumptions, each defined benefit pension plan's fiduciary net position were 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.

Net Pension Liability

As of June 30, 2019, the Town reported \$72,711 as liability for its proportionate share of the net pension liability. The net pension liability 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 that date.

TOWN OF ROYAL CENTER
NOTES TO FINANCIAL STATEMENT
(Continued)

Public Employees Retirement Fund - Defined Contribution Account

The Indiana Public Employees' Retirement Fund Defined Contribution Account (PERF DC) is a multiple-employer defined contribution fund. It is administered through the INPRS Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Town authority to contribute to the fund. The fund provides supplemental retirement benefits to Indiana Public Employees' Retirement Fund Defined Benefit Account (PERF Hybrid DB) members as part of the Public Employees' Hybrid Plan (PERF Hybrid).

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.

Note 8. Interfund Activity

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

Transfer From	Transfer to			Totals
	Wastewater Utility- SRF Bond & Interest	Wastewater Debt Reserve	Water Utility- Bond And Interest	
Wastewater Utility- Operating	\$ 58,264	\$ 2,820	\$ -	\$ 61,084
Water Utility- Operating	-	-	89,905	89,905
Totals	\$ 58,264	\$ 2,820	\$ 89,905	\$ 150,989

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.

OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.