

TOWN OF ST. JAMES
St. James, North Carolina

FINANCIAL STATEMENTS
Year Ended June 30, 2019

TOWN OF ST. JAMES

TOWN COUNCIL

Jean Toner, Mayor

David DeLong, Mayor Pro-Tem

Dennis Barclay, Councilor as of January 2020

Jeff Mount, Councilor

Lynn Dutney, Councilor as of December 2019

ADMINISTRATIVE OFFICERS

Edward Dickie, Town Manager/Town Clerk as of August 2019

Pauline Haran CPA, Finance Officer as of May 2020

TOWN OF ST. JAMES NORTH CAROLINA
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June 30, 2019

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Financial Section



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Independent Auditor's Report

To the Honorable Mayor
and Members of the Town Council
St. James, 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 St. James, North Carolina, as of and for the year ended June 30, 2019, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

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

entity's internal control. Accordingly, 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 financial statement 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, based on our audit, 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 St. James, North Carolina, as of June 30, 2019, 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 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 response to our inquiries, the basis 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 St. James, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not 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, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

June 2, 2020

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of St. James, we offer readers of the Town of St. James' financial statements this narrative overview and analysis of the financial activities of the Town of St. James for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

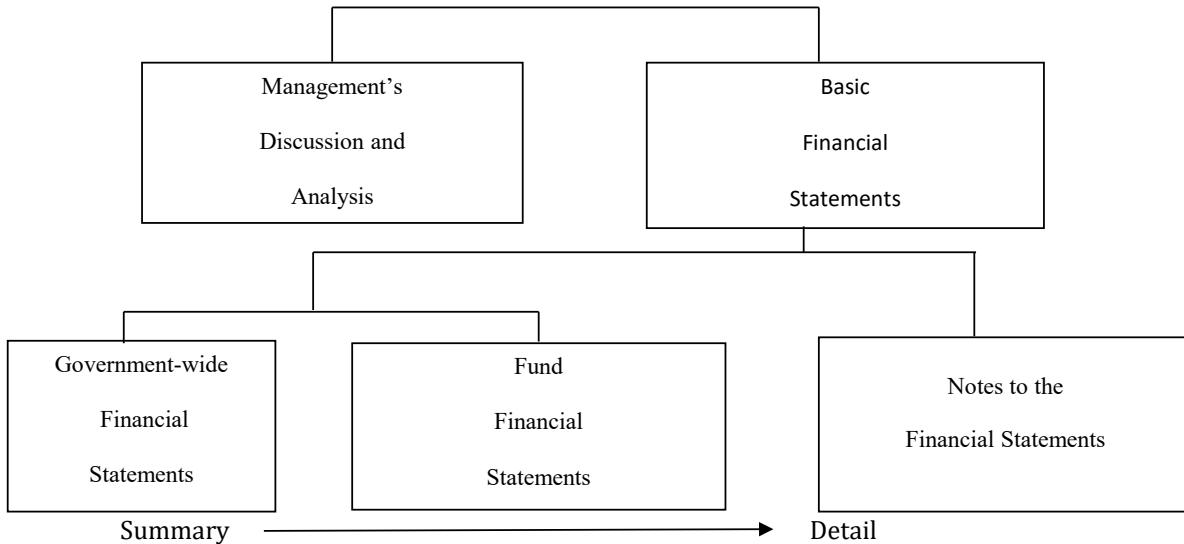
- The assets and deferred outflows of the Town of St. James exceeded its liabilities and deferred inflows at the close of the fiscal year by \$6,248,823 (*net position*).
- The government's total net position decreased by \$329,012.
- As of the close of the current fiscal year, the Town of St James' governmental fund reported an ending fund balance of \$2,935,725 with a net decrease of \$388,980 in fund balance. Approximately 12.30% of this total amount, or \$361,219, is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,574,506 or 80.18% of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of St. James' 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 St. James.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) 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 (Exhibits 3 through 5) 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. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina 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 total liabilities. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are of the governmental activities. The governmental activities include the Town's basic services such as public safety, environmental protection, and general administration. Property taxes, shared state revenue, federal grants, and financial revenue from investments support the activities.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of St. James, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of St. James are in governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Some of the Town's basic services are accounted for in the 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 St. James adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures, and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit 5 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of St. James's progress in funding its obligation to provide pension benefits to its employees.

Government-Wide Financial Analysis

**Town of St. James' Net Position
 Figure 2**

	Governmental Activities	
	2019	2018
Current and other assets	\$ 3,050,346	\$ 3,356,653
Capital assets	5,938,372	6,166,892
Deferred outflows of revenue	58,570	45,085
Total assets and deferred outflows of resources	9,047,288	9,568,630
Long-term liabilities outstanding	2,308,774	2,888,356
Other liabilities	489,490	99,971
Deferred inflows of resources	201	2,468
Total liabilities and deferred inflows of resources	2,798,465	2,990,795
Net position:		
Net investment in capital assets	3,379,633	3,327,395
Restricted	361,219	325,605
Unrestricted	2,507,971	2,924,835
Total net position	\$ 6,248,823	\$ 6,577,835

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$6,248,823 as of June 30, 2019. The Town's net position decreased by \$329,012 for the fiscal year ended June 30, 2019. Of the net position, \$2,507,971 is unrestricted. The Town uses these revenues to provide services to citizens and for planning the future growth of the community.

Of the Town's net position \$3,379,633 (54.08%) reflects the Town's investment in capital assets (land, buildings, infrastructure, furniture and equipment) less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

A portion of the Town of St. James' fund balances \$361,219 (5.78%) represents resources that are subject to internal designation on how they may be used.

Several particular aspects of the Town's financial operations influenced the total unrestricted governmental Fund balances.

Retaining the tax rate of five cents per \$100 and the continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.81%.

Maintaining operating expenses comparable to prior years.

**Town of St. James' Changes in Net Position
Figure 3**

	Governmental Activities	
	2019	2018
Revenues:		
Program Revenues		
Environmental protection	\$ 3,640	\$ 3,043
Other	123,457	93,868
General revenues:		
Property taxes	865,715	814,905
Other taxes	1,785,478	1,620,311
Investment earnings	41,772	34,779
Special item - gain on sale of right of way	-	-
Total revenues	<u>2,820,062</u>	<u>2,566,906</u>
Expenses:		
General government	1,223,707	1,170,410
Public Safety	1,325,668	948,488
Transportation	15,888	20,897
Environmental protection	509,484	330,671
Interest on long-term debt	74,327	82,666
Total expenses	<u>3,149,074</u>	<u>2,553,132</u>
Increase in net position	(329,012)	13,774
Net position, beginning	6,577,835	6,564,061
Net position, June 30	<u>\$ 6,248,823</u>	<u>\$ 6,577,835</u>

Governmental activities. Governmental activities decreased the Town's net position by \$329,012. Key elements of the decrease are as follows.

- Increase in expenses.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of St. James. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,574,506 while total fund balance reached \$2,935,725. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 80.18% of total General Fund expenditures, while total fund balance represents 91.43% of the same amount.

At June 30, 2019, the governmental fund of the Town of St. James reported a combined fund balance of \$2,935,725, a reduction of \$388,980 from last year.

Capital Asset and Debt Administration

Capital assets - The Town of St. James' investment in capital assets for its governmental activities as of June 30, 2019, totals \$5,938,372 (net of accumulated depreciation). These assets include buildings, land, infrastructure, equipment, furniture and fixtures.

**Town of St. James' Capital Assets
 (net of depreciation)
 Figure 4**

	Governmental Activities	
	2019	2018
Land and other nondepreciable assets	\$ 494,653	\$ 494,653
Buildings	4,107,986	4,206,676
Infrastructure	1,181,568	1,223,993
Furniture and Fixtures	51,271	83,656
Equipment	102,894	157,914
Total	<u>\$ 5,938,372</u>	<u>\$ 6,166,892</u>

Additional information on the Town's capital assets can be found in note III, A, 3 of the Basic Financial Statements.

Long-term Debt - As of June 30, 2019, the Town of St. James had total long-term debt outstanding of \$2,558,739. This amount is a Promissory Note with BB&T secured by the Town Hall and Community Center. Installment payment in the amount of \$362,820 is due annually and includes interest at 2.89%.

**Town of St. James
 Outstanding Debt
 Figure 5**

	Governmental Activities	
	2019	2018
Note payable	\$ 2,558,739	\$ 2,839,497
Net pension obligation (LGERS)	38,906	27,499
Compensated absences	22,000	21,360
Total	\$ 2,619,645	\$ 2,888,356

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of St. James is \$136,282,221.

Additional information regarding the Town of St. James long-term debt can be found in note III, B, 5 of this report.

General Fund Budgetary Highlights - Generally, budget amendments fall into one of three categories:

- 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available;
- 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and
- 3) increases in appropriations that become necessary to maintain services.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities - Property taxes beginning FY20 will increase .01 from fiscal year ending 06/30/2019. The new property tax rate for FY20 has increased to .06 cents per \$100 valuation.

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 St. James, 4140A Southport-Supply Road, St. James, NC 28461.

Basic Financial Statements

Town of St. James, North Carolina
Statement of Net Position
June 30, 2019

	<u>Primary Government</u>	
	<u>Governmental</u>	
	<u>Activities</u>	<u>Total</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,685,093	\$ 2,685,093
Taxes Receivable (net)	3,432	3,432
Accounts Receivable (net)	14,204	14,204
Due from Other Governmental Agencies	347,015	347,015
Accrued Interest Receivable on Taxes	602	602
Total current assets	<u>3,050,346</u>	<u>3,050,346</u>
Non-current assets:		
Capital Assets		
Land and improvements	494,653	494,653
Other capital assets, net of depreciation	5,443,719	5,443,719
Other capital assets, net of depreciation	<u>5,938,372</u>	<u>5,938,372</u>
Total capital assets	<u>5,938,372</u>	<u>5,938,372</u>
Total assets	<u>\$ 8,988,718</u>	<u>\$ 8,988,718</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	58,570	58,570
Total deferred outflows of resources	<u>58,570</u>	<u>58,570</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 110,587	\$ 110,587
Accrued interest payable	68,032	68,032
Current portion of long-term liabilities	310,871	310,871
Total current liabilities	<u>489,490</u>	<u>489,490</u>
Long-term liabilities:		
Net pension liability	38,906	38,906
Due in more than one year	2,269,868	2,269,868
Total liabilities	<u>2,798,264</u>	<u>2,798,264</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	201	201
Total deferred inflows of resources	<u>201</u>	<u>201</u>
NET POSITION		
Net investment in capital assets	3,379,633	3,379,633
Restricted for:		
Stabilization by state statute	361,219	361,219
Unrestricted	2,507,971	2,507,971
Total net position	<u>\$ 6,248,823</u>	<u>\$ 6,248,823</u>

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

**Town of St. James, North Carolina
Statement of Activities
For the Year Ended June 30, 2019**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position Primary Government</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Primary government:						
Governmental Activities:						
General government	\$ 1,223,707	\$ 115,244	\$ -	\$ -	\$ (1,108,463)	(1,108,463)
Public safety	1,325,668	8,213	-	-	(1,317,455)	(1,317,455)
Transportation	15,888	-	-	-	(15,888)	(15,888)
Environmental protection	509,484	-	3,640	-	(505,844)	(505,844)
Interest on long-term debt	74,327	-	-	-	(74,327)	(74,327)
Total governmental activities	<u>3,149,074</u>	<u>123,457</u>	<u>3,640</u>	<u>-</u>	<u>(3,021,977)</u>	<u>(3,021,977)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purpose					865,715	865,715
Other taxes					1,785,478	1,785,478
Unrestricted investment earnings					41,772	41,772
Total general revenues and transfers					<u>2,692,965</u>	<u>2,692,965</u>
Change in net position					(329,012)	(329,012)
Net position-beginning					6,577,835	6,577,835
Net position-ending					<u>\$ 6,248,823</u>	<u>6,248,823</u>

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

**Town of St. James, North Carolina
Balance Sheet
Governmental Fund
June 30, 2019**

	Major Funds		Total Governmental Funds
	General Fund		Funds
ASSETS			
Cash and cash equivalents	\$ 2,685,093	\$	2,685,093
Taxes receivables, net	3,432		3,432
Receivable from other governments	347,015		347,015
Other receivables	14,204		14,204
Total assets	\$ 3,049,744	\$	3,049,744
LIABILITIES			
Accounts payable	\$ 110,587	\$	110,587
Total liabilities	110,587		110,587
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	3,432		3,432
Total deferred inflows of resources	3,432		3,432
FUND BALANCES			
Restricted			
Stabilization by State Statute	361,219		361,219
Unassigned	2,574,506		2,574,506
Total fund balances	2,935,725		2,935,725
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,049,744	\$	3,049,744

**Town of St. James, North Carolina
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019**

Total fund balance, governmental funds		2,935,725
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	7,578,046	
Accumulated depreciation	(1,639,674)	5,938,372
Deferred outflows of resources related to pensions are not reported in the funds		58,570
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are inflows of resources in the funds.		602
Liabilities for earned revenues considered deferred inflows of resources in fund statements		3,432
Deferred inflows of resources related to pensions are not reported in the funds		(201)
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		
Bonds payable		(2,558,739)
Compensated absences		(22,000)
Accrued interest		(68,032)
Net pension liability		(38,906)
Net position of governmental activities		\$ 6,248,823

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

Town of St. James, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2019

	<u>Major Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Governmental Funds</u>
REVENUES		
Property taxes	\$ 867,734	\$ 867,734
Unrestricted intergovernmental revenues	1,785,478	1,785,478
Restricted intergovernmental revenues	3,640	3,640
Licenses and permits	8,213	8,213
Investment earnings	41,772	41,772
Other revenue	115,244	115,244
Total revenues	<u>2,822,081</u>	<u>2,822,081</u>
EXPENDITURES		
Current:		
General government	1,000,883	1,000,883
Public safety	1,321,987	1,321,987
Transportation	15,888	15,888
Environmental protection	509,484	509,484
Debt Service:		
Principal	280,758	280,758
Interest and other charges	82,061	82,061
Total expenditures	<u>3,211,061</u>	<u>3,211,061</u>
Excess (deficiency) of revenues over expenditures	<u>(388,980)</u>	<u>(388,980)</u>
OTHER FINANCING SOURCES (USES)		
Transfers out	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>
Net change in fund balance	(388,980)	(388,980)
Fund balances-beginning	3,324,705	3,324,705
Fund balances-ending	<u>\$ 2,935,725</u>	<u>\$ 2,935,725</u>

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

Town of St. James, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ (388,980)

Amounts reported to Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	-
Depreciation	(228,520)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	20,406
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Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Change in unavailable revenue for tax revenues	(1,332)
Change in accrued interest receivable on taxes	(687)

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

Principal payments	280,758
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Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest not reflected on Governmental fund	7,734
Pension expense	(17,751)
Compensated absences	(640)

Change in net position of governmental activities	<u>\$ (329,012)</u>
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Town of St. James, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended June 30, 2019

	General Fund			Variance With Final Budget Positive (Negative)
	Budget Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 851,000	\$ 851,000	\$ 867,734	\$ 16,734
Unrestricted intergovernmental revenues	1,667,841	1,667,841	1,785,478	117,637
Restricted intergovernmental revenues	2,500	2,500	3,640	1,140
Licenses and permits	6,500	6,500	8,213	1,713
Investment earnings	25,000	25,000	38,902	13,902
Other revenue	78,000	78,000	115,244	37,244
Total revenues	<u>2,630,841</u>	<u>2,630,841</u>	<u>2,819,211</u>	<u>188,370</u>
Expenditures				
Current:				
General government	1,068,071	1,068,071	1,000,883	67,188
Public safety	1,421,500	1,421,500	1,321,987	99,513
Transportation	19,700	19,700	15,888	3,812
Environmental protection	358,750	1,008,750	509,484	499,266
Debt Service				
Principal	280,758	280,758	280,758	-
Interest	82,062	82,062	82,061	1
Total expenditures	<u>3,230,841</u>	<u>3,880,841</u>	<u>3,211,061</u>	<u>669,780</u>
Excess (deficiency) of revenues over expenditures	<u>(600,000)</u>	<u>(1,250,000)</u>	<u>(391,850)</u>	<u>858,150</u>
Other financing sources (uses):				
Fund balance appropriated	600,000	1,250,000	-	1,250,000
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>600,000</u>	<u>1,250,000</u>	<u>-</u>	<u>1,250,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(391,850)</u>	<u>\$ (391,850)</u>
Fund balance - beginning			<u>3,202,734</u>	
Fund balance - ending			<u>\$ 2,810,884</u>	
Legally budgeted Municipal Facilities Capital Reserve Funds and Fire Facilities Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Interest income			\$ 2,870	
Transfers out			-	
Fund balance - beginning			<u>121,971</u>	
Fund balance - ending (Exhibit 4)			<u>\$ 2,935,725</u>	

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

NOTES TO THE FINANCIAL STATEMENTS

Town of St. James, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of St. James, North Carolina conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of St. James is a municipal corporation that is governed by a five-member council. The mayor is elected by the council from among its membership.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. The Town only has one type of activity, its governmental activity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. A statement for the one fund category - governmental - is presented. The emphasis of fund financial statements is on major governmental fund, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The Town reports one 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. Under GASB 54 guidance the Municipal Facilities Capital Reserve Fund, the Fire Facilities Capital Reserve Fund, the Municipal Buildings Reserve Fund and the Street Light Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for these funds has been included in the supplemental information.

The Town has no non-major governmental funds.

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 Fund Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine 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 of St. James because the tax is levied by Brunswick County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Municipal Facilities Capital Reserve Fund, the Fire Department Facilities Capital Reserve Fund and the Municipal Buildings Capital Reserve 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 functional level for all annually budgeted funds and at the project level for the multi-year funds. The budget officer recommends budget amendments. All such amendments are approved by the Town Council. All contingency transfers require the approval of the governing Council. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town are made in Council-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 Super-NOW 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 reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2019, the Term Portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

All cash and certificates of deposits are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

None.

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, 2018.

5. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$6,000. Purchased or constructed capital assets are reported at cost or estimated historical cost.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and Equipment	10
Computer equipment	3

6. 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, pension deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meets the criterion for this category - property taxes receivable and pension deferrals.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. In the fund financial statements, governmental fund types, the face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

8. 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. For the Town's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time.

The Town's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. Net Position/Fund Balances

Net Position

Net position in government-wide financial statements is classified as 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 four 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:

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.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of St. James' governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Committed for General Government - portion of fund balance that has been budgeted by the Council for future construction of public buildings and facilities.

Committed for Public Safety - portion of fund balance that has been budgeted by Council for future purchase of public safety equipment and facilities.

Assigned Fund Balance - portion of fund balance that the Town of St. James intends to use for specific purposes.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

10. Defined Benefit Cost-Sharing Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of St. James employer contributions are recognized when due and the Town of St. James 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.

II. **Stewardship, Compliance, and Accountability**

Noncompliance with North Carolina General Statutes

Timeliness of audit submission.

III. **Detail Notes on All Funds**

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in its 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. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$1,289,304 and a bank balance of \$1,355,952. Of the bank balance, \$418,358 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund was \$107.

2. Investments

At June 30, 2019, the Town's investment balances were as follows:

As of June 30, 2019, the Town's investments consisted of \$1,395,682 in the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from declining interest rates, the Town's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than five years.

Credit Risk. The Town's investment policy regarding credit risk requires diversification in securities empowered by North Carolina G.S. 158-(C). All investment in the town's portfolio are rated AAA by Standard and Poor's and Aaa by Moody's Investing Service.

Concentration of Credit Risk. The Town limits the amount that the Town may invest in a single security type, with the exception of U.S. Treasury securities and authorized pools, to no more than 25% of the Town's total investment portfolio.

3. Capital Assets

Capital asset activity for the Town for the year ended June 30, 2019, was as follows:

Governmental activities:	Beginning Balances	Current Additions	Current Deletions	Ending Balances
Capital assets not being depreciated:				
Land	\$ 494,653	\$ -	\$ -	\$ 494,653
Total capital assets not being depreciated	494,653	-	-	494,653
Capital assets being depreciated:				
Buildings	4,934,495	-	-	4,934,495
Furniture	323,852	-	-	323,852
Equipment	552,286	-	-	552,286
Infrastructure	1,272,760	-	-	1,272,760
Total capital assets being depreciated	7,083,393	-	-	7,083,393
Less accumulated depreciation for:				
Buildings	727,819	98,690	-	826,509
Furniture	240,196	32,385	-	272,581
Equipment	394,372	55,020	-	449,392
Infrastructure	48,767	42,425	-	91,192
Total accumulated depreciation	1,411,154	228,520	-	1,639,674
Net capital assets being depreciated	5,672,239			5,443,719
Governmental activity capital assets, net	\$ 6,166,892			\$ 5,938,372

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

General Government	\$ 224,839
Public Safety	3,681
Total Depreciation Expense	<u>\$ 228,520</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of St. James 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 enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the 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 the State School Superintendent, who serves as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. 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 or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of St. James 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 St. James' contractually required contribution rate for the year ended June 30, 2019, was 7.75% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. For the year ended June 30, 2019, the Town had no qualifying law enforcement officers. Contributions to the pension plan from the Town of St. James were \$20,406 for the year ended June 30, 2019.

Refunds of Contributions. Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2019, the Town reported a liability of \$38,906 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the Town's proportion was 0.00164%, which was a decrease of 0.0016% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$17,751. At June 30, 2019, 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 actual and expected experience	\$ 6,002	\$ 201
Changes of assumptions	10,324	-
Net difference between projected and actual earnings on pension plan investments	5,341	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	16,497	-
Town contributions subsequent to the measurement date	20,406	-
Total	<u>\$ 58,570</u>	<u>\$ 201</u>

\$20,406 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 17,099
2021	11,076
2022	4,702
2023	5,086
2024	-
Thereafter	-
Total	<u>\$ 37,963</u>

Actuarial Assumptions. 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:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 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, 2018 are summarized in the following table:

<u>Asset Class</u>	Long-Term	
	Target Allocation	Expected Real Rate of Return
Fixed Income	29.00%	1.40%
Global Equity	42.00%	5.30%
Real Estate	8.00%	4.30%
Alternatives	8.00%	8.90%
Credit	7.00%	6.00%
Inflation Protection	6.00%	4.00%
Total	<u>100.00%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 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 asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (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)	\$ 93,457	\$ 38,906	\$ (6,677)

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. Supplemental Retirement Income Plan

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Council of Trustees. The Plan provides retirement benefits to employees of the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each employee's salary engaged in law enforcement. The town has elected to contribute 5% of salary for other employees. All amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$23,324 which consisted of \$7,044 from the Town and \$16,280 from the employees.

2. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows and inflows of resources. Deferred at year-end is comprised of the following:

Source	Amount
Deferred outflows of resources:	
Contribution to pension plan in current fiscal year	\$ 20,406
Differences between expected and actual experience	6,002
Changes of assumptions	10,324
Net difference between projected and actual earnings	5,341
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,497
Total:	\$ 58,570

Deferred inflows of resources:

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes	\$ -	\$ -
Taxes receivable, less penalties (General Fund)	-	-
Differences between expected and actual experience	201	-
Total:	\$ 201	\$ -

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability of \$2,000,000 per occurrence and auto 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. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the reinsurance and excess policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in the insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not own real property in a flood zone and has elected not to purchase flood coverage.

In accordance with G.S. 159-29, the Town's finance officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond of \$50,000.

4. Claims and Judgments

During the year ended June 30, 2019, management knew of no pending legal actions that would have a material adverse effect on the Town's financial position.

5. Long Term Obligations

a. Notes Payable

On March 12, 2015, the Town signed a direct placement note with Branch Banking and Trust Company to refinance their note with Rural Housing Service, an agency of the United States Department of Agriculture (USDA) and executed a promissory note in the amount of \$3,700,000. The note is secured by the Town Hall and Community Center property. Installment payments are due in the amount of \$362,819 including interest at 2.89% beginning July 28, 2015 and each year thereafter until the final payment on July 28, 2027.

Annual debt service payments of the installment contract as of June 30, 2019 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	288,871	73,948
2021	297,220	65,599
2022	305,810	57,009
2023	314,648	48,171
2024	323,741	39,078
2025-2029	1,028,449	60,009
Totals	<u>\$ 2,558,739</u>	<u>\$ 343,814</u>

At June 30, 2019, the Town of St. James had a legal debt margin of \$136,282,221.

b. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2019 consisted of the following:

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Direct placement note payable	\$ 2,839,497	\$ -	\$ 280,758	\$ 2,558,739	\$ 288,871
Net pension obligation (LGERS)	27,499	11,407	-	38,906	-
Compensated absences	21,360	20,741	20,101	22,000	22,000
Governmental activities long-term debt	\$ 2,888,356	\$ 32,148	\$ 300,859	\$ 2,619,645	\$ 310,871

C. Net Investment in Capital Assets

	<u>Governmental</u>
Capital assets	\$ 5,938,372
less: long term debt	(2,558,739)
Net investment in capital asset	\$ 3,379,633

D. 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	\$ 2,935,725
Less:	
Stabilization by State Statute	361,219
Remaining Fund Balance	\$ 2,574,506

IV. Jointly Governed Organization

Cape Fear Council of Governments

The Town, in conjunction with four counties and thirty-two other municipalities, established the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing Council. The Town paid membership fees of \$1,124 to the Council during the fiscal year ended June 30, 2019.

V. Subsequent Events

Events occurring after June 30, 2019 were evaluated by management on June 2, 2020 to ensure that any subsequent events that met the criteria for recognition and/or disclosure to these financial statements have been included. There were no subsequent events requiring disclosure.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability (Asset) of Local Government Employee's Retirement System
- Schedule of Contributions of Local Government Employee's Retirement System

**TOWN OF ST. JAMES, NORTH CAROLINA
TOWN OF ST. JAMES' PROPORTIONATE SHARE OF PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS***

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	2019	2018	2017	2016	2015	2014
Town of St. James' proportion of the net pension liability (asset) (%)	0.00164%	0.00180%	0.00186%	0.21200%	0.00120%	0.00120%
Town of St. James' proportion of the net pension liability (asset) (\$)	\$ 38,906	\$ 27,499	\$ 39,474	\$ 9,514	\$ (7,077)	\$ 10,797
Town of St. James' covered-employee payroll	\$ 238,681	\$ 223,312	\$ 213,282	\$ 167,555	\$ 152,719	\$ 135,518
Town of St. James' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	16.30%	12.31%	18.51%	5.68%	(4.63%)	7.97%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* 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 ST. JAMES, NORTH CAROLINA
TOWN OF ST. JAMES' CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS**

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	2019	2018	2017	2016	2015	2104
Contractually required Contribution	\$ 20,406	\$ 17,901	\$ 16,190	\$ 14,226	\$ 13,924	\$ 12,691
Contributions in relation to the contractually required contribution	20,406	17,901	16,190	14,226	13,924	12,691
Contribution deficiency (excess)	-	-	-	-	-	-
Town of St. James' covered-employee payroll	\$ 263,302	\$ 238,681	\$ 223,312	\$ 213,282	\$ 167,555	\$ 167,555
Contributions as a percentage of covered-employee payroll	7.75%	7.50%	7.25%	6.67%	8.31%	8.31%

Supplementary Statements

Town of St. James, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	2019		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 866,539	\$
Penalties and interest		1,195	
Total	<u>851,000</u>	<u>867,734</u>	<u>16,734</u>
Unrestricted intergovernmental revenues:			
Local option sales taxes		1,382,537	
Franchise tax		233,966	
Telecommunication tax		35,520	
Video programming tax		112,287	
Beer and wine tax		21,168	
Total	<u>1,667,841</u>	<u>1,785,478</u>	<u>117,637</u>
Restricted intergovernmental revenue:			
Solid waste disposal tax		3,640	
Total	<u>2,500</u>	<u>3,640</u>	<u>1,140</u>
Licenses and permits			
Zoning permits		8,213	
Total	<u>6,500</u>	<u>8,213</u>	<u>1,713</u>
Investment earnings			
Investment earnings		38,902	
Total	<u>25,000</u>	<u>38,902</u>	<u>13,902</u>
Other			
POA Rentals - Town Hall		28,011	
Community Center fees		63,008	
Other income		24,225	
Total	<u>78,000</u>	<u>115,244</u>	<u>37,244</u>
 Total Revenues	 <u>2,630,841</u>	 <u>2,819,211</u>	 <u>188,370</u> cont.

Town of St. James, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	2019		Variance Favorable (Unfavorable)
	Budget	Actual	
Expenditures:			
General government			
Administration			
Board member expenses		1,235	
Professional services - legal		25,746	
Professional services - accounting		21,894	
Professional services - consulting		12,056	
GIS Services		7,918	
Training and education		1,053	
Committee expenses		373	
20th Anniversary celebration		25,757	
Website		650	
Insurance and bonding		3,480	
Community relations		7,500	
Salaries and employee benefits		281,353	
Collection fees		12,157	
Office supplies		1,941	
Material and supplies		4,004	
Computers and maintenance		11,090	
Employee education		575	
Travel and transportation		4,024	
Telephone		16,762	
Video		2,214	
Postage		155	
Utilities and lights		180	
Brunswick County fire fees		38	
IT Support		15,497	
Legal advertising		341	
Shredder collection		2,100	
Equipment lease		6,432	
Insurance - general		1,306	
Dues and subscriptions		9,056	
Capital Outlay		-	
Total	<u>520,650</u>	<u>476,887</u>	<u>43,763</u> cont.

Town of St. James, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual

Community Center Operations			
Salaries and employee benefits		108,321	
Materials and supplies		4,923	
Janitorial and cleaning supplies		1,713	
Telephone		1,441	
Music licenses		353	
Credit and fees		725	
Electricity and lighting		31,355	
Water, sewer and waste collection		3,211	
Equipment maintenance		161,304	
Cleaning services		77,279	
Special events cleaning		10,000	
Copy machine lease payments		3,019	
Insurance		127	
Volunteers insurance		482	
Marketing		1,160	
Capital Outlay		-	
Total	<u>405,845</u>	<u>405,413</u>	<u>432</u>
Facility Maintenance and Repair			
Pest control		775	
Security		2,643	
Outside lighting		18,917	
Building and pond maintenance		42,588	
Equipment maintenance		9,338	
Fire system/extinguisher maintenance		2,448	
Art changeout		698	
Facility insurance		9,826	
Capital outlay - storage building renovation		-	
Total	<u>110,000</u>	<u>87,233</u>	<u>22,767</u>
Town Hall Operations			
Custodial services		25,519	
Electric service		3,786	
Water and sewer		881	
Waste collection		1,164	
Total	<u>31,576</u>	<u>31,350</u>	<u>226</u>
Total general government	<u>1,068,071</u>	<u>1,000,883</u>	<u>67,188</u>
Public Safety			
Traffic and road safety		600	
Fire protection service contract		317,462	
Fire Department contribution		600,000	
Street light improvement		-	
Emergency management		24,296	
Emergency exit		-	
Street lighting		364,274	
Animal control		15,355	
Fire wise program		-	
Capital purchases		-	
Total public safety	<u>1,421,500</u>	<u>1,321,987</u>	<u>99,513</u>

cont.

**Town of St. James, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual**

<hr/>			
Transportation			
Landscaping Maxwell Drive		14,802	
Irrigation		1,086	
Maintenance Maxwell Drive		-	
Total transportation		15,888	3,812
Environmental Protection			
Stormwater assessment		10,105	
Monitoring		2,745	
Miscellaneous fees		2,122	
Debris removal		17,403	
Landfill tipping fees		106,998	
Recycling		190,243	
Yard waste pickup		159,210	
St. James CARES		222	
Summer intern program		20,436	
Total environmental protection		509,484	499,266
Debt Service			
Principal		280,758	
Interest		82,061	
Total debt service		362,819	1
Total Expenditures		3,211,061	669,780
Revenues over (under) expenditures		(391,850)	858,150
Other financing sources (uses):			
Fund balance appropriated		-	(1,250,000)
Total		-	(1,250,000)
Revenues and other financing sources over (under) expenditures and other uses		(391,850)	(391,850)
financing uses			
Fund Balance, beginning of year		3,202,734	
Fund Balance, end of year		2,810,884	

Town of St. James, North Carolina
Municipal Facilities Capital Reserve Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	2019		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenue			
Interest on Investment	\$ -	\$ 34	\$ 34
Total Revenues	<u>-</u>	<u>34</u>	<u>34</u>
Expenditure			
Capital Purchases	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue over Expenditures	<u>-</u>	<u>34</u>	<u>34</u>
Other financing sources (uses)			
Fund balance appropriated	20,000	-	(20,000)
Transfer from General Fund	(20,000)	-	20,000
Transfer to General Fund	-	-	-
Transfer to Street Light Capital Reserve Fund	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other financing sources in excess of expenditure	<u>\$ -</u>	<u>34</u>	<u>\$ 34</u>
Fund Balance, beginning		<u>1,419</u>	
Fund Balance, ending		<u>\$ 1,453</u>	

Town of St. James, North Carolina
Fire Department Facilities and Equipment Capital Reserve Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	2019		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenue			
Investment Income	\$ -	\$ 17	\$ 17
Total Revenues	<u>-</u>	<u>17</u>	<u>17</u>
Expenditure			
Capital Purchases	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue over Expenditures	<u>-</u>	<u>17</u>	<u>17</u>
Other financing sources (uses)			
Fund balance appropriated	-	-	-
Transfer from General Fund	-	-	-
Transfer to General Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other financing sources in excess of expenditure	<u>\$ -</u>	17	<u>\$ 17</u>
Fund Balance, beginning		<u>772</u>	
Fund Balance, ending		<u>\$ 789</u>	

Town of St. James, North Carolina
Municipal Buildings Capital Reserve Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	2019		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenue			
Investment Income	\$ -	\$ 2,819	\$ 2,819
Total Revenues	<u>-</u>	<u>2,819</u>	<u>2,819</u>
Expenditure			
Capital Purchases	165,000	-	165,000
Total Expenditures	<u>165,000</u>	<u>-</u>	<u>165,000</u>
Total Revenue over Expenditures	<u>(165,000)</u>	<u>2,819</u>	<u>(162,181)</u>
Other financing sources (uses)			
Fund balance appropriated	165,000	-	(165,000)
Transfer from General Fund	-	-	-
Transfer to General Fund	-	-	-
Total other financing sources (uses)	<u>165,000</u>	<u>-</u>	<u>(165,000)</u>
Revenue and other financing sources in excess of expenditure	<u>\$ -</u>	<u>2,819</u>	<u>\$ 2,819</u>
Fund Balance, beginning		<u>119,780</u>	
Fund Balance, ending		<u>\$ 122,599</u>	

Other Schedules

This section contains additional information required on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

Town of St. James, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$	\$ 867,756	\$ 866,073	\$ 1,683
2017-2018	1,627	-	986	641
2016-2017	866	-	413	453
2015-2016	458	-	213	245
2014-2015	315	-	211	104
2013-2014	321	-	203	118
2012-2013	309	-	182	127
2011-2012	455	-	414	41
2010-2011	326	-	306	20
2009-2010	76	-	76	-
2008-2009	11	-	11	-
	<u>\$ 4,764</u>	<u>\$ 867,756</u>	<u>\$ 869,088</u>	<u>\$ 3,432</u>

Reconciliation to revenues:

Ad valorem taxes - General Fund	867,734
Reconciling items:	
Penalties and interest received	(1,195)
Releases	2,549
Total collections and credits	<u>\$ 869,088</u>

Town of St. James, North Carolina
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2019

	Town - Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 1,621,026,000	\$ 0.05	\$ 810,513	\$ 810,513	\$ -
Motor Vehicle taxed at current year's rate	<u>114,486,000</u>	\$ 0.05	57,243	<u>-</u>	<u>57,243</u>
Total Property Valuation	<u>1,735,512,000</u>				
Net levy			867,756	810,513	57,243
Uncollected taxes at June 30, 2019			<u>1,683</u>	<u>1,683</u>	<u>-</u>
Current year's taxes collected			<u>\$ 866,073</u>	<u>\$ 808,830</u>	<u>\$ 57,243</u>
Current levy collection percentage			<u>99.81%</u>	<u>99.79%</u>	<u>100.00%</u>