

Town of St. Pauls
St. Pauls, North Carolina
Audited Financial Statements
Year Ended June 30, 2019

Town of St. Pauls, North Carolina
Audited Financial Statements
For the Year Ended June 30, 2019

Members of Town Council

Gerard J. Weindel, Mayor

Deborah Inman

Elbert Gibson

Evans Jackson

Annie Stephens

Donna Patterson

Jerry Quick

Financial Staff

Astrid Ramirez, Finance Officer

Debra McNeill, Town Clerk

Town of St. Pauls, North Carolina
Table of Contents
June 30, 2019

Financial Section:	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	14
Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund.....	16
Statement of Fund Net Position - Proprietary Fund	17
Statement of Revenues, Expenditures, and Changes in Fund Net Position - Proprietary Fund	18
Statement of Cash Flows - Proprietary Fund.....	19
Notes to the Financial Statements	20
 Required Supplemental Financial Data:	
Schedule of the Proportionate Share of the Net Pension Liability- Local Government Employees' Retirement System	47
Schedule of Contributions to Local Government Employees' Retirement System	48
Schedule of Changes in Total Pension Liability	49
Schedule of Total Pension Liability as a Percentage of Covered Payroll	50
Schedule of Changes in Total OPEB Liability and Related Ratios	51

Town of St. Pauls, North Carolina
Table of Contents (continued)
June 30, 2019

Page

Individual Fund Statements and Schedules:

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund.....	52
Combining Balance Sheet - for Nonmajor Governmental Funds	56
Schedules of Revenues, Expenditures, and Changes in Fund Balances- for Nonmajor Governmental Funds	57
Schedules of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual:	
Special Revenue Fund - UDAG Loan Repayment Fund.....	58
Water and Sewer Fund	59
Special Revenue Fund - CDBG Grant Project Fund	61

Other Schedules:

Schedule of Ad Valorem Taxes Receivable	62
Analysis of Current Tax Levy – Town-Wide Levy	63

Compliance Section:

Report on Internal control over Financial Reporting and on compliance And Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Governing Auditing Standards</i>	64
Schedule of Findings and Responses.....	66
Corrective Action Plan	68
Summary Schedule of Prior Year Audit Findings.....	69

Financial Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's Report

To the Honorable Mayor and
Members of Town Council
St. Pauls, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of St. Pauls, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Town of St. Pauls' ABC Board and the St. Pauls' Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

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 the 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, the business-type activities, the discretely presented component units, each major fund, the aggregate remaining fund information of the Town of St. Pauls, 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 ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 9, and the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 51 and Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 49 through 50, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on page 47. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of St. Pauls' basic financial statements. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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, the combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2019 on our consideration of the Town of St. Pauls internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of St. Pauls' internal control over financial reporting and compliance.



Lumberton, North Carolina
December 4, 2019

Management's Discussion and Analysis

**Town of St. Pauls, North Carolina
Management's Discussion and Analysis
June 30, 2019**

Management's Discussion and Analysis

As management of the Town of St. Pauls, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of St. Pauls for the fiscal year ending 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.

The MD&A is an opportunity for management to proactively address any issues that might be affecting the unit's financial status or questions that might be posed by readers of the financial statements. A thoughtful discussion and analysis of economic, financial, or budgetary factors that might influence the unit should be presented.

Financial Highlights

The assets and deferred outflows of the Town of St. Pauls exceeded its liabilities and deferred inflows at the close of the fiscal year by \$6,714,535 (net position).

As of the close of the current fiscal year, the Town's governmental funds reported combined ending net position of \$1,742,964. Approximately 60.35% of this total amount, or \$1,051,872, is invested in capital assets.

At the end of the current fiscal year, the Town's change in net position was a positive \$1,120,851 of which a \$304,177 was from governmental activities and \$816,674 was from business-type activities.

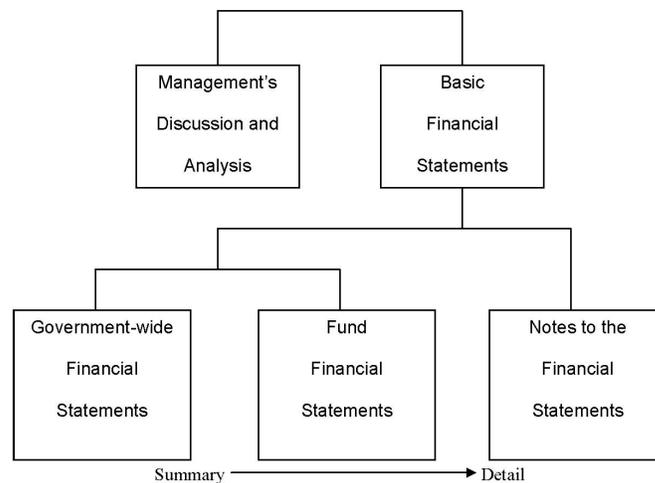
Total revenues for the year increased by \$503,965 or 12.15% over last year. This was due to an increase in property taxes and operating grants & contributions.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of St. Pauls' basic financial statements. The Town's basic financial statements comprise 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 also contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town of St. Pauls.

Required Components of Annual Financial Report

Figure 1



Town of St. Pauls, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Financial Statements

The first two statements 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 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 three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, additional information is provided to show details about the Town's individual funds. Budgetary information required by the N.C. General Statutes can also 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, in a manner similar to the 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 they have changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gage the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities, 2) business-type activities. The governmental activities include most of the Town's basic services such as general government, public safety, highways/streets, sanitation, economic development, culture and recreation, and debt service. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of St. Pauls.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund Financial Statements. The fund financial statements 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. Pauls, like other state and local governments, 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 can be divided into two categories, governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies that are unexpended 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 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. Pauls 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.

Town of St. Pauls, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

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 legal budget document.

Governmental Funds (continued). The statement shows four columns: 1) the original budget as adopted by the board; 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.

Proprietary Funds. The Town of St. Pauls maintains one type of proprietary fund called an Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its water and sewer activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered a major fund of the Town.

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 can be found on pages 20-46 of this report.

Supplementary Information. The combining statements, referred to earlier about Nonmajor governmental funds and details of the enterprise fund, can be found on pages 56-61 of this report.

Government-Wide Financial Analysis

The Town of St. Pauls' Net Position
Figure 2

	Governmental Activities 2019	Governmental Activities 2018	Business-type Activities 2019	Business-type Activities 2018	Totals 2019	Totals 2018
Current and other assets	\$ 1,863,321	\$ 1,507,510	\$ 328,930	\$ 147,147	\$ 2,192,251	\$ 1,654,657
Capital assets	1,809,918	1,933,260	5,040,963	4,502,723	6,850,881	6,435,983
Total assets	<u>3,673,239</u>	<u>3,440,770</u>	<u>5,369,893</u>	<u>4,649,870</u>	<u>9,043,132</u>	<u>8,090,640</u>
Deferred Outflows of Resources	293,144	199,514	39,010	36,720	332,154	236,234
Current liabilities	266,447	241,608	150,981	211,791	417,428	453,399
Long-term liabilities	1,841,422	1,841,571	274,420	339,349	2,115,842	2,180,920
Total liabilities	<u>2,107,869</u>	<u>2,083,179</u>	<u>425,401</u>	<u>551,140</u>	<u>2,533,270</u>	<u>2,634,319</u>
Deferred Inflows of Resources	115,550	83,196	11,931	15,675	127,481	98,871
Net position						
Net investment in capital assets	1,051,872	1,075,514	4,847,352	4,262,830	5,899,224	5,338,344
Restricted	611,062	350,859	-	-	611,062	350,859
Unrestricted	80,030	47,536	124,219	(143,055)	204,249	(95,519)
Total net position	<u>\$ 1,742,964</u>	<u>\$ 1,473,909</u>	<u>\$ 4,971,571</u>	<u>\$ 4,119,775</u>	<u>\$ 6,714,535</u>	<u>\$ 5,593,684</u>

Town of St. Pauls, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets of the Town exceeded liabilities by \$6,714,535 at the close of the current fiscal year. By far the largest portion of the Town's net position, 87.86%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. 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 capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of net position, 9.10%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$204,249.

Property taxes were the largest revenue contributor for the governmental funds with 49.72% of total governmental fund revenues.

Town of St. Pauls' Changes in Net Position
Figure 3

	Governmental Activities 2019	Governmental Activities 2018	Business-type Activities 2019	Business-type Activities 2018	Totals 2019	Totals 2018
Revenues:						
Program revenues						
Charges for services	\$ 398,566	\$ 415,417	\$ 725,666	\$ 729,968	\$ 1,124,232	\$ 1,145,385
Operating grants and contributions	81,075	99,169	536,354	161,346	617,429	260,515
Capital grants and contributions	-	-	295,478	605,505	295,478	605,505
General revenues						
Property taxes	1,537,963	1,177,393	-	-	1,537,963	1,177,393
Other taxes	787,415	785,878	-	-	787,415	785,878
Grants and contributions not restricted	360	26,796	-	-	360	26,796
Other	287,817	145,215	82	124	287,899	145,339
Total revenues	3,093,196	2,649,868	1,557,580	1,496,943	4,650,776	4,146,811
Expenses:						
General government	732,674	590,257	-	-	732,674	590,257
Public safety	1,415,908	1,428,987	-	-	1,415,908	1,428,987
Transportation	438,096	462,449	-	-	438,096	462,449
Economic development	-	-	-	-	-	-
Environmental Protection	171,037	138,290	-	-	171,037	138,290
Cultural and Recreation	12,000	13,590	-	-	12,000	13,590
Interest on long-term debt	19,304	25,997	-	-	19,304	25,997
Water and Sewer	-	-	740,906	769,162	740,906	769,162
Total expenses	2,789,019	2,659,570	740,906	769,162	3,529,925	3,428,732
Change in net position	304,177	(9,702)	816,674	727,781	1,120,851	718,079
Net position - July 1	1,473,909	1,551,761	4,119,775	3,598,569	5,593,684	5,150,330
Restatement	(35,122)	(68,150)	35,122	(206,575)	-	(274,725)
Net position - beginning restated	1,438,787	1,483,611	4,154,897	3,391,994	5,593,684	4,875,605
Net position - June 30	\$ 1,742,964	\$ 1,473,909	\$ 4,971,571	\$ 4,119,775	\$ 6,714,535	\$ 5,593,684

Town of St. Pauls, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Government-wide Financial Analysis (continued)

Capital and operating grants for governmental activities furnished resources to support the five functions of the Town: general government, public safety, transportation, environmental protection, and economic and physical development.

Business-type activities. Business-type activities increased the Town's net position by \$816,674. Key elements are as follows:

- The Town received Capital Contributions totaling \$536,354.

Financial Analysis of the Government's Funds

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

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

The General Fund is the principal operating fund of the Town of St. Pauls. At the end of the fiscal year, unassigned fund balance for the general fund was \$907,191 with a total fund balance of \$1,518,253. 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 32.82% of total General Fund expenditures.

Proprietary Funds. The Town of St. Pauls' proprietary fund provides the same type of information found in the governmental-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to a positive \$124,219. Other factors concerning this fund have been discussed in the Town's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories:

- Amendments that adjust for the estimates that are prepared for the original budget ordinance, which reflect actual cost.
- Amendments that recognize new funding from external sources, such as federal and State grants.
- Amendments that appropriate increases that becomes necessary to maintain services and obligations from prior years not completed.

Town of St. Pauls, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Capital Assets and Debt Administration Capital Assets

The Town of St. Pauls' investments in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$6,850,881 (net of accumulated depreciation). The investments in capital assets includes land, buildings, improvements, furniture and equipment, infrastructure (including distribution systems), and vehicles.

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

	Governmental Activities 2019	Governmental Activities 2018	Business-type Activities 2019	Business-type Activities 2018	Totals 2019	Totals 2018
Land & construction in progress	\$ 256,211	\$ 256,211	\$ 1,974,570	\$ 1,438,216	\$ 2,230,781	\$ 1,694,427
Buildings & infrastructure	534,076	534,118	51,237	51,858	585,313	585,976
Other improvements	271,172	301,056	-	-	271,172	301,056
Equipment	748,459	841,875	218,319	111,998	966,778	953,873
Water & sewer infrastructure	-	-	2,796,837	2,900,651	2,796,837	2,900,651
Total capital assets, net	\$ 1,809,918	\$ 1,933,260	\$ 5,040,963	\$ 4,502,723	\$ 6,850,881	\$ 6,435,983

Additional information on the Town's capital assets can be found in the notes on page 29 of this report.

Long-term debt. As of June 30, 2019 and 2018, the Town of St. Pauls had total installment purchase debt outstanding of \$951,658 and \$1,097,639, respectively.

Outstanding Debt

Town of St. Pauls Outstanding Debt

	Governmental Activities 2019	Governmental Activities 2018	Business-type Activities 2019	Business-type Activities 2018	Totals 2019	Totals 2018
Direct placement						
Installment purchase	\$ 758,047	\$ 857,746	\$ 193,611	\$ 239,893	\$ 951,658	\$ 1,097,639
Net pension liability (LGRS)	317,324	218,287	43,272	41,579	360,596	259,866
Total pension liability (LEO)	212,577	227,184	-	-	212,577	227,184
OPEB	598,371	587,120	81,596	114,805	679,967	701,925
Compensated absences	88,976	87,356	6,413	3,040	95,389	90,396
Total outstanding debt	\$ 1,975,295	\$ 1,977,693	\$ 324,892	\$ 399,317	\$ 2,300,187	\$ 2,377,010

Town of St. Pauls Outstanding Debt

The Town of St. Pauls total debt increased by \$322,494 (13.57%) during the past fiscal year. Town does not have any general obligation or revenue bonds. Debts are not payables for the construction of the new fire station in the Governmental Activities.

North Carolina's general statutes limit the amount of general obligation debt that a governmental unit 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. Pauls is presently at \$17,493,314 (the amount of additional debt the town could obligate itself to under NC General Statute).

Town of St. Pauls, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2019

Additional information pertaining to the Town of St. Pauls' long-term debt can be found in the notes on page 43 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town and surrounding area is 6.2% at June 30, 2019, which is a decrease from a rate of 7.4% a year ago. This comparison is higher than the state's rate of 4.1% and the national rate of 3.7%.

Budget highlights for the fiscal year ending June 30, 2020 include anticipating budgeted revenues to remain approximately the same as the prior year amounts. Budgeted expenditures are expected to remain approximately the same.

Request for Information

This financial report is designed to provide a general overview of the Town of St. Pauls' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 210 West Blue Street, St. Pauls NC 28384.

Basic Financial Statements

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

	Primary Government			Component Units	
	Governmental	Business-type	Total	Town of St. Pauls	St. Pauls Tourism
	Activities	Activities		ABC Board	Dev. Authority
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,040,220	\$ 388,759	\$ 1,428,979	\$ 55,768	\$ 53,356
Restricted cash and cash equivalents	156,072	71,338	227,410	-	-
Taxes receivables, net	212,039	-	212,039	-	-
Accounts receivables, net	22,527	58,139	80,666	-	-
Grant receivable	-	-	-	-	-
Due from other governments	139,276	86,100	225,376	-	27,523
Inventory	-	17,781	17,781	164,425	-
Prepaid balances	-	-	-	2,235	-
Internal balances	293,187	(293,187)	-	-	-
Total current assets	<u>1,863,321</u>	<u>328,930</u>	<u>2,192,251</u>	<u>222,428</u>	<u>80,879</u>
Noncurrent assets:					
Capital assets (Note 3):					
Land, non-depreciable improvements, and construction in progress	256,211	1,974,570	2,230,781	15,000	-
Other capital assets, net of depreciation	1,553,707	3,066,393	4,620,100	35,178	-
Total capital assets	<u>1,809,918</u>	<u>5,040,963</u>	<u>6,850,881</u>	<u>50,178</u>	<u>-</u>
Total assets	<u>3,673,239</u>	<u>5,369,893</u>	<u>9,043,132</u>	<u>272,606</u>	<u>80,879</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	281,079	37,365	318,444	21,472	-
OPEB deferrals	12,065	1,645	13,710	-	-
Total deferred outflows of resources	<u>293,144</u>	<u>39,010</u>	<u>332,154</u>	<u>21,472</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	105,051	29,171	134,222	47,988	-
Customer deposits	-	71,338	71,338	-	-
Due to component unit	27,523	-	27,523	-	-
Current portion of long-term liabilities	133,873	50,472	184,345	-	-
Total current liabilities	<u>266,447</u>	<u>150,981</u>	<u>417,428</u>	<u>47,988</u>	<u>-</u>
Long-term liabilities:					
Net pension liability	317,324	43,272	360,596	22,063	-
Total pension liability	212,577	-	212,577	-	-
Total OPEB liability	598,371	81,596	679,967	-	-
Due in more than one year	713,150	149,552	862,702	-	-
Total liabilities	<u>2,107,869</u>	<u>425,401</u>	<u>2,533,270</u>	<u>70,051</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	34,858	928	35,786	253	-
OPEB deferrals	80,692	11,003	91,695	-	-
Total deferred inflows of resources	<u>115,550</u>	<u>11,931</u>	<u>127,481</u>	<u>253</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	1,051,872	4,847,352	5,899,224	50,178	-
Restricted for:					
Stabilization by State Statute	454,990	-	454,990	-	27,523
Transportation	156,072	-	156,072	-	-
Working capital	-	-	-	41,660	-
Unrestricted	80,030	124,219	204,249	131,936	53,356
Total net position	<u>\$ 1,742,964</u>	<u>\$ 4,971,571</u>	<u>\$ 6,714,535</u>	<u>\$ 223,774</u>	<u>\$ 80,879</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Town of St. Pauls ABC Board	St. Pauls Tourism Dev. Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total		
Primary government:									
Governmental Activities:									
General government	\$ 732,674	\$ 10,780	\$ -	\$ -	\$ (721,894)	\$ -	\$ (721,894)	\$ -	\$ -
Public safety	1,415,908	194,259	14,143	-	(1,207,506)	-	(1,207,506)	-	-
Transportation	438,096	4,029	66,932	-	(367,135)	-	(367,135)	-	-
Economic and physical develop.	-	-	-	-	-	-	-	-	-
Cultural and recreation	12,000	-	-	-	(12,000)	-	(12,000)	-	-
Environmental protection	171,037	189,498	-	-	18,461	-	18,461	-	-
Interest on long-term debt	19,304	-	-	-	(19,304)	-	(19,304)	-	-
Total governmental activities	<u>2,789,019</u>	<u>398,566</u>	<u>81,075</u>	<u>-</u>	<u>(2,309,378)</u>	<u>-</u>	<u>(2,309,378)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Water and sewer	740,906	725,666	295,478	536,354	-	816,592	816,592	-	-
Total business-type activities	<u>740,906</u>	<u>725,666</u>	<u>295,478</u>	<u>536,354</u>	<u>-</u>	<u>816,592</u>	<u>816,592</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 3,529,925</u>	<u>\$ 1,124,232</u>	<u>\$ 376,553</u>	<u>\$ 536,354</u>	<u>(2,309,378)</u>	<u>816,592</u>	<u>(1,492,786)</u>	<u>-</u>	<u>-</u>
Component units:									
Town of St. Pauls ABC Board	\$ 1,346,033	\$ 1,400,577	\$ -	\$ -	-	-	-	54,544	-
St. Pauls Tourism Dev. Authority	23,463	-	-	-	-	(23,463)	(23,463)	-	(23,463)
Total component units	<u>\$ 1,369,496</u>	<u>\$ 1,400,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(23,463)</u>	<u>(23,463)</u>	<u>54,544</u>	<u>(23,463)</u>
General revenues:									
Taxes:									
Property taxes, levied for general purpose					1,537,963	-	1,537,963	-	-
Other taxes					787,415	-	787,415	-	42,823
Grants and contributions not restricted to specific programs					360	-	360	-	-
Investment earnings, unrestricted					17,241	82	17,323	22	19
Miscellaneous, unrestricted					270,576	-	270,576	-	1,500
Total general revenues not including transfers					<u>2,613,555</u>	<u>82</u>	<u>2,613,637</u>	<u>22</u>	<u>44,342</u>
Transfers					-	-	-	-	-
Total general revenues and transfers					<u>2,613,555</u>	<u>82</u>	<u>2,613,637</u>	<u>22</u>	<u>44,342</u>
Change in net position					<u>304,177</u>	<u>816,674</u>	<u>1,120,851</u>	<u>54,566</u>	<u>20,879</u>
Net position, beginning, previously restated					<u>1,473,909</u>	<u>4,119,775</u>	<u>5,593,684</u>	<u>169,208</u>	<u>60,000</u>
Restatement					(35,122)	35,122	-	-	-
Net position, beginning, restated					<u>1,438,787</u>	<u>4,154,897</u>	<u>5,593,684</u>	<u>169,208</u>	<u>60,000</u>
Net position, ending					<u>\$ 1,742,964</u>	<u>\$ 4,971,571</u>	<u>\$ 6,714,535</u>	<u>\$ 223,774</u>	<u>\$ 80,879</u>

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

Town of St. Pauls, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	Major Fund General	Total Non-Major Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,039,765	\$ 455	\$ 1,040,220
Restricted cash and cash equivalents	156,072	-	156,072
Taxes receivable, net	212,039	-	212,039
Accounts receivable, net	22,527	-	22,527
Due from other funds	293,187	-	293,187
Due from other governments	139,276	-	139,276
Total assets	\$ 1,862,866	\$ 455	\$ 1,863,321
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 105,051	\$ -	\$ 105,051
Due to component unit	27,523	-	27,523
Due to other funds	-	-	-
Total liabilities	132,574	-	132,574
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes receivable	212,039	-	212,039
Total deferred inflows of resources	212,039	-	212,039
<u>FUND BALANCES</u>			
Restricted			
Stabilization by State Statute	454,990	-	454,990
Streets - Powell Bill	156,072	-	156,072
Assigned			
Designated for subsequent year's expenditures	-	-	-
Economic development	-	455	455
Unassigned	907,191	-	907,191
Total fund balances	1,518,253	455	1,518,708
Total liabilities, deferred inflows of resources and fund balances	\$ 1,862,866	\$ 455	\$ 1,863,321

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

Town of St. Pauls, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2019

Amounts reported for governmental activities in the Statement of Net Position
(Page 10) are different because:

Total Fund Balance, Governmental Funds		\$ 1,518,708
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$ 5,280,028	
Accumulated depreciation	<u>(3,470,110)</u>	1,809,918
Deferred outflows of resources related to pensions are not reported in the funds		281,079
Deferred outflows of resources related to OPEB are not reported in the funds		12,065
Earned revenues considered deferred inflows of resources in fund statements		212,039
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Gross long-term debt beginning	(945,102)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	98,079	
Net pension liability	(317,324)	
OPEB liability	(598,371)	
Total pension liability	<u>(212,577)</u>	(1,975,295)
Deferred inflows of resources related to pensions are not reported in the funds		(34,858)
Deferred inflows of resources related to OPEB are not reported in the funds		<u>(80,692)</u>
Net position of governmental activities		<u><u>\$ 1,742,964</u></u>

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

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

	<u>Major Fund</u> <u>General</u>	<u>Total</u> <u>Non-Major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:			
Ad valorem taxes	\$ 1,528,561	\$ -	\$ 1,528,561
Other taxes and licenses	935	-	935
Unrestricted intergovernmental	786,480	-	786,480
Restricted intergovernmental	99,189	-	99,189
Permits and fees	4,029	-	4,029
Sales and services	422,413	-	422,413
Other revenue	242,187	-	242,187
Total revenues	<u>3,083,794</u>	<u>-</u>	<u>3,083,794</u>
Expenditures:			
General government	740,412	-	740,412
Public safety	1,304,170	-	1,304,170
Transportation	422,451	-	422,451
Economic and physical development	-	-	-
Cultural and recreational	12,000	-	12,000
Environmental protection	170,375	-	170,375
Debt service	115,064	-	115,064
Total expenditures	<u>2,764,472</u>	<u>-</u>	<u>2,764,472</u>
Excess (deficiency) of revenues over expenditures	<u>319,322</u>	<u>-</u>	<u>319,322</u>
Other financing sources (uses)			
Transfers to other funds	-	-	-
Proceeds from installment agreement	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	319,322	-	319,322
Fund balances, beginning	<u>1,198,931</u>	<u>455</u>	<u>1,199,386</u>
Fund balances, ending	<u>\$ 1,518,253</u>	<u>\$ 455</u>	<u>\$ 1,518,708</u>

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

Town of St. Pauls, 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

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

Net change in fund balances - total governmental funds	\$	319,322
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 53,797	
Depreciation expense for governmental assets	<u>(177,139)</u>	(123,342)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		84,715
Benefit payments paid and administrative expense for the LEOSSA are not included in the Statement of Activities		3,353
OPEB benefit payments and administrative costs made in the current fiscal year are not included in the Statement of Activities		26,120
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		9,402
<p>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 an effect on net position. These amounts are the net effect of these differences in the treatment of long-term debt and related items.</p>		
Increase in accrued interest payable	-	
Loan proceeds	-	
Principal payments on long-term debt	<u>95,760</u>	95,760
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.</p>		
Compensated absences	1,620	
Other postemployment benefits	(25,396)	
Pension revenue (expense)	<u>(87,377)</u>	<u>(111,153)</u>
Total changes in net position of governmental activities	\$	<u>304,177</u>

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

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,122,000	\$ 1,281,500	\$ 1,528,561	\$ 247,061
Other taxes and licenses	-	-	935	935
Unrestricted intergovernmental	771,500	771,500	786,480	14,980
Restricted intergovernmental	84,700	84,700	99,189	14,489
Permits and fees	5,700	5,700	4,029	(1,671)
Sales and services	390,000	390,000	422,413	32,413
Other revenues	86,700	221,697	242,187	20,490
Total revenues	2,460,600	2,755,097	3,083,794	328,697
Expenditures:				
Current:				
General government	774,898	824,548	740,412	84,136
Public safety	1,178,033	1,403,030	1,304,170	98,860
Transportation	411,705	414,755	422,451	(7,696)
Environmental protection	177,265	182,065	170,375	11,690
Cultural and recreational	-	12,000	12,000	-
Economic development	-	-	-	-
Debt service:				
Principal retirement	95,760	95,760	95,760	-
Interest	19,980	19,980	19,304	676
Total expenditures	2,657,641	2,952,138	2,764,472	187,666
Revenues over (under) expenditures	(197,041)	(197,041)	319,322	185,030
Other financing sources (uses):				
Transfers (to) other funds	-	-	-	-
Installment loan proceeds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Fund balance appropriated	197,041	197,041	-	197,041
Net change in fund balance	\$ -	\$ -	319,322	\$ 319,322
Fund balance, beginning			1,198,931	
Fund balance, ending			\$ 1,518,253	

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

Town of St. Pauls, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2019

<u>ASSETS</u>	<u>Water and Sewer Fund</u>
Current assets:	
Cash and cash equivalents	\$ 388,759
Restricted cash and cash equivalents	71,338
Accounts receivable, net	58,139
Due from other governments	86,100
Inventory	17,781
Due from other funds	-
Total current assets	<u>622,117</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	1,974,570
Other capital assets, net of depreciation	<u>3,066,393</u>
Total noncurrent assets	<u>5,040,963</u>
Total assets	<u>5,663,080</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension deferrals	37,365
OPEB deferrals	<u>1,645</u>
Total deferred outflows of resources	<u>39,010</u>
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and accrued liabilities	29,171
Due to other funds	293,187
Customer deposits	71,338
Direct placement installment purchases - current	47,901
Compensated absences - current	<u>2,571</u>
Total current liabilities	<u>444,168</u>
Noncurrent liabilities:	
Direct placement installment purchases	145,710
Net pension liability	43,272
Compensated absences	3,842
Other postemployment benefits	<u>81,596</u>
Total noncurrent liabilities	<u>274,420</u>
Total liabilities	<u>718,588</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension deferrals	928
OPEB deferrals	<u>11,003</u>
Total deferred inflows of resources	<u>11,931</u>
 <u>NET POSITION</u>	
Net investment in capital assets	4,847,352
Unrestricted	<u>124,219</u>
Total net position	<u>\$ 4,971,571</u>

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

Town of St. Pauls, North Carolina
Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2019

	Water and Sewer Fund
Operating revenues:	
Water sales	\$ 290,202
Sewer charges	414,383
Late fees	14,041
Transfer and reconnection fees	7,040
Total operating revenues	725,666
Operating expenses:	
Water:	
Salaries	70,817
Employee benefits	30,628
Contracted service	2,113
Other operating expenses	91,421
Repairs and maintenance	26,881
Purchases for resale	14,883
Depreciation	64,503
Total water	301,246
Sewer:	
Salaries	96,876
Employee benefits	30,119
Contracted service	52,251
Other operating expenses	159,216
Repairs and maintenance	35,121
Depreciation	64,503
Total sewer	438,086
Total operating expenses	739,332
Operating income (loss)	(13,666)
Nonoperating revenues (expenses):	
Capital contributions	536,354
FEMA reimbursement and other	295,478
Interest	(1,574)
Investment earnings	82
Total nonoperating revenue (expenses)	830,340
Income (loss) before contributions and transfers	816,674
Transfers from general fund	-
Change in net position	816,674
Net position, beginning, previously reported	4,119,775
<i>Restatement</i>	35,122
Net position, beginning, restated	4,154,897
Net position, ending	\$ 4,971,571

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

Town of St. Pauls, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019

	Water and Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 716,365
Cash paid for goods and services	(508,966)
Cash paid to employees	(230,866)
Increase (decrease) in meter deposits	4,086
Net cash provided (used) by operating activities	(19,381)
Cash flows from non-capital financing activities	
Transfers to other funds	306,463
Net cash provided (used) by non-capital financing activities	306,463
Cash flows from capital and related financing activities	
Acquisition and construction of assets	(667,246)
Installment debt proceeds	-
Payment of debt-related interest - all	(1,574)
Capital contributions - Federal grants and other	536,354
FEMA Reimbursement and other	295,478
Other	(11,049)
Debt principal repayment	(46,282)
Net cash provided (used) by capital and related financing activities	105,681
Cash flows from investing activities	
Interest on investments	82
Net cash provided (used) by investing activities	82
Net increase (decrease) in cash	392,845
Cash and cash equivalents - beginning of year	67,252
Cash and cash equivalents - end of year	\$ 460,097
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (13,666)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -	
Depreciation	129,006
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(9,301)
(Increase) decrease in due from other governments	(86,100)
Increase (decrease) in accounts payable and accrued liabilities	(55,401)
Increase (decrease) in meter deposits	4,086
Decrease in net pension liability	1,693
Increase in deferred outflows of resources - pensions	(645)
Decrease in deferred inflows of resources - pensions	(14,747)
Increase in deferred outflows of resources - OPEB	(1,645)
Increase in deferred inflows of resources - OPEB	11,003
Increase in OPEB liability	12,963
Increase (decrease) in compensated absences	3,373
Total adjustments	(5,715)
Net cash provided (used) by operating activities	\$ (19,381)

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

Notes to the Financial Statements

Town of St. Pauls, North Carolina
Notes to the Financial Statements
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of St. Pauls, 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. Pauls is a municipal corporation that is governed by an elected mayor and a six-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, two legally separate entities for which the Town is financially accountable. The discretely presented component units presented below are reported in separate columns in the Town's financial statements in order to emphasize that they are legally separate from the Town.

Town of St. Pauls ABC Board – The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of St. Pauls ABC Board, 948 W. Broad Street, St. Pauls, N.C. 28384.

St. Pauls Tourism Development Authority (TDA) – The authority was created under House Bill 1568 by the General Assembly of North Carolina and authorized the Town to levy a room occupancy tax and remit to the TDA. The members of the TDA's governing board are appointed by the Town. The TDA, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the TDA may be obtained from the Town of St. Pauls administrative offices at the Town of St. Pauls.

B - Basis of Presentation

Government-wide Statements: The statement of net position and statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods 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. Separate statements for each fund category – government and proprietary – are presented. The emphasis of the fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as Nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from the exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B - Basis of Presentation - Fund Accounting (continued)

The Town reports the following major governmental funds:

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. Primary expenditures are for public safety, street maintenance and construction, and sanitation services.

The Town reports the following nonmajor governmental funds:

UDAG Loan Repayment Fund - This fund accounts for money paid back to the Town by an industry which received a low interest loan from the Federal government. The loan was paid back to the Town, which must designate its use for economic development only.

The Town reports the following major enterprise funds:

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations.

Water and Sewer – Capital Projects Fund – This fund is to account for the construction of water and sewer facilities.

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 and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C - Measurement Focus and Basis of Accounting (continued)

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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. 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 utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of St. Pauls because the tax is levied by Robeson County and then remitted to and distributed by the State. Most intergovernmental revenue and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenue that is unearned at year-end is recorded as deferred revenue.

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 and the Enterprise Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Enterprise Capital Projects Fund. The Enterprise Fund projects are consolidated with their respective operating funds for reporting purposes. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The Town clerk is authorized to transfer appropriations within a fund up to \$2,500; however, the governing board must approve any revisions that alter the total expenditures of any fund or exceed \$2,500. During the year, several amendments to the original budget were necessary, the effects of which were not material. 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, the ABC Board, and TDA are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town, ABC Board, and TDA may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town, ABC Board, and TDA may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town, the ABC Board, and TDA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances and the North Carolina Capital Management Trust (NCCMT).

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

1. Deposits and Investments (continued)

The Town's, ABC Board's and the TDA'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.

In accordance with State law, the Town of St. Pauls has invested in securities that are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. The unexpended grant proceeds of Water and Sewer Fund are classified as restricted assets for the enterprise fund because their use is completed restricted to the purpose for which the grants were originally issued.

<u>Town of St. Pauls's Restricted Cash</u>	
Governmental Activities	
General Fund	
Streets	\$ 156,072
Total Governmental Activities	156,072
Business-type Activities	
Water and Sewer Fund	
Customer deposits	71,338
Total Business-type Activities	71,338
Total Restricted Cash	\$ 227,410

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

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 other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenue is reported net of such discounts.

5. Allowance for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the Town, the ABC Board, and TDA are valued at cost (first-in, first-out), which approximates market.

The inventories of the Town's enterprise fund and those of the ABC Board consist of materials and supplies held for subsequent use. The costs of these inventories are expensed when sold or consumed.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain threshold and an estimated life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. Minimum capitalization costs are as follows: land, \$500; buildings, improvements, \$500; infrastructure, \$500; furniture and equipment, \$500; and vehicles, \$500. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchases or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Buildings	40
Motor vehicles	5
Equipment	7
Plant assets	50

Property, plant and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

	<u>Estimated Useful Lives</u>
Buildings	25
Equipment	10
Parking lot	10
Computer	5

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion – pension deferrals for the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criteria for this category – property taxes receivable and pension related deferrals.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policies of the Town and ABC Board provide for the accumulation of up to thirty days of earned vacation leave with such leave being fully vested when earned. For the Town, the current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported in the governmental funds. For the Town's proprietary fund and ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded within the fund as the leave is earned.

Both the Town and ABC Board's sick leave policy 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 neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position / Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; 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.

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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 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.

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for Debt – portion of fund balance that is restricted by USDA loan covenants that requires the Town to set aside a reserve for debt payments.

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

Economic Development – portion of fund balance that is appropriated for economic development expenditures only.

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. The governing body approves the appropriate; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

The Town of St. Pauls has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, 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. Pauls' employer contributions are recognized when due and the Town of St. Pauls 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.

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A - Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

According to G.S. 159-28(a), the Finance Officer is required to perform the preaudit process on all purchase orders, credit card purchases, employment agreements, internet orders, and service contracts. The process includes checking to see if there is an appropriation in the budget ordinance or project ordinance for amounts due this fiscal year, checking to see if sufficient funds remain in the appropriation to cover amount that will come due this fiscal year, memorialize contract/agreement/order in writing, and affix signed preaudit certificate to writing that evidences the contract/agreement/order.

The Town did not perform the preaudit process described above on purchases made during fiscal year ended June 30, 2019, therefore, the Town was not in compliance with G.S. 159-28(a). The Town will establish procedures to ensure that the preaudit process is performed as required by G.S. 159-28(a).

2. Excess of Expenditures over Appropriations

During the fiscal year ended June 30, 2019 the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for general governments in the transportation department by \$7,696. Management and Council will more closely review the budget reports to ensure compliance in future years.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A - Assets

1. Deposits

All the deposits of the Town and the ABC Board 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 or the ABC Board'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 and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agents in their names.

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A – Assets (Continued)

1. Deposits (continued)

The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board 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. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2019, the Town’s deposits had a carrying amount of \$1,096,899 and a bank balance of \$1,156,050. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$54,586 and the bank balance was \$55,792. The carrying amount of deposits for the TDA was \$53,356 and the bank balance was \$53,481. All of the bank balance was covered by federal depository insurance. At June 30, 2019, the Town’s cash on hand totaled \$1,025.

2. Investments

At June 30, 2019, the Town had \$558,465, invested with North Carolina Capital Management Trust Cash Portfolio which carried a credit rating of AAAM by Standard and Poor’s. The Town has no policy regarding credit risk.

3. Receivables - Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2019 are net of the following allowance for doubtful accounts:

General Fund:	
Accounts receivable	16,717
Total	16,717
Enterprise Funds:	
Accounts receivable	68,891
Total	68,891
Total	\$ 85,608

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 256,211	\$ -	\$ -	\$ 256,211
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>256,211</u>	<u>-</u>	<u>-</u>	<u>256,211</u>
Capital assets being depreciated:				
Buildings	1,079,523	22,864	-	1,102,387
Other improvements	685,756	-	-	685,756
Equipment and vehicles	3,204,741	30,933	-	3,235,674
Total capital assets being depreciated:	<u>4,970,020</u>	<u>53,797</u>	<u>-</u>	<u>5,023,817</u>
Less accumulated depreciation for:				
Buildings	545,405	22,906	-	568,311
Other improvements	384,700	29,884	-	414,584
Equipment and vehicles	2,362,866	124,349	-	2,487,215
Total accumulated depreciation	<u>3,292,971</u>	<u>177,139</u>	<u>-</u>	<u>3,470,110</u>
Total capital assets being depreciated, net	<u>1,677,049</u>			<u>1,553,707</u>
Governmental activities capital assets, net	<u>\$ 1,933,260</u>			<u>\$ 1,809,918</u>

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

General government	\$ 28,342
Public safety	132,854
Transportation	15,281
Environmental protection	662
Total depreciation expense	<u>\$ 177,139</u>

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

4. Capital Assets (continued)

Water and sewer fund:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 24,040	\$ -	\$ -	\$ 24,040
Construction in progress	1,414,176	536,354	-	1,950,530
Total capital assets not being depreciated	<u>1,438,216</u>	<u>536,354</u>	<u>-</u>	<u>1,974,570</u>
Capital assets being depreciated:				
Buildings	118,993	-	-	118,993
Plant and distribution systems	5,124,170	-	-	5,124,170
Equipment	769,987	130,892	-	900,879
Total capital assets being depreciated:	<u>6,013,150</u>	<u>130,892</u>	<u>-</u>	<u>6,144,042</u>
Less accumulated depreciation for:				
Buildings	67,135	621	-	67,756
Plant and distribution systems	2,223,519	103,814	-	2,327,333
Equipment	657,989	24,571	-	682,560
Total accumulated depreciation	<u>2,948,643</u>	<u>129,006</u>	<u>-</u>	<u>3,077,649</u>
Total capital assets being depreciated, net	<u>3,064,507</u>			<u>3,066,393</u>
Water and sewer fund capital assets, net	<u><u>\$ 4,502,723</u></u>			<u><u>\$ 5,040,963</u></u>

Discretely presented component unit

Below are the balances for the ABC Board for the year ended June 30, 2019:

	Useful Life	Cost	Accumulated Depreciation	Net Value
Land	N/A	\$ 15,000	\$ -	\$ 15,000
Building	25 years	67,094	56,819	10,275
Equipment	10 years	74,712	74,070	642
Computer equipment	5 years	73,236	48,975	24,261
		<u>\$ 230,042</u>	<u>\$ 179,864</u>	<u>\$ 50,178</u>

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of St. Pauls is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the 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, 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 Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of St. Pauls 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. Pauls' contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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. Contributions to the pension plan from the Town of St. Pauls were \$96,609 for the year ended June 30, 2019.

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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 \$360,596 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 0.01520%, which was a decrease of 0.00181%, from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Town recognized pension expense of \$98,793. 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 expected and actual experience	\$ 55,631	\$ 1,867
Changes of assumptions	95,688	-
Net difference between projected and actual earnings on pension plan investments	49,499	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	11,446	5,865
Town contributions subsequent to the measurement date	96,609	-
Total	\$ 308,873	\$ 7,732

\$96,609 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	96,811
2020		65,386
2021		14,425
2022		27,913
2023		-
Thereafter		-

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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	3.5 to 8.1 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>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 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 (8.20 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)	\$ 866,183	\$ 360,596	\$ (61,880)

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.

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description. The Town of St. Pauls administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increase in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>11</u>
Total	<u><u>12</u></u>

2. *Summary of Significant Accounting Policies*

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2017 valuation. 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	2.5 percent	
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor	
Discount rate	3.64 percent	

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$3,353 as benefits came due for the reporting period.

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

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 total pension liability of \$212,577. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$11,997.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 19,419
Changes of assumptions	9,571	8,635
Town benefit payments and plan administrative expense made subsequent to measurement date	-	-
Total	\$ 9,571	\$ 28,054

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

No amount was reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ (4,206)
2021	(4,206)
2022	(4,206)
2023	(4,708)
2024	(1,157)
Thereafter	-

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	<u>1% Decrease (2.64%)</u>	<u>Discount Rate (3.64%)</u>	<u>1% Increase (4.64%)</u>
Town's proportionate share of the net pension liability (asset)	\$228,434	\$ 212,577	\$ 197,805

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

	2019
Beginning balance	\$ 227,184
Service Cost	9,077
Interest on the total pension liability	7,126
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(19,982)
Changes of assumptions or other inputs	(7,475)
Benefit payments	(3,353)
Other changes	-
Ending balance of the total pension liability	\$ 212,577

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 98,793	\$ 11,997	\$ 110,790
Pension Liability	360,596	212,577	573,173
Proportionate share of the net pension liability	0.01520%	n/a	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	55,631	-	55,631
Changes of assumptions	95,688	9,571	105,259
Net difference between projected and actual earnings on plan investments	49,499	-	49,499
Changes in proportion and differences between contributions and proportionate share of contributions	11,446	-	11,446
Benefit payments and administrative costs paid subsequent to the measurement date	96,609	-	96,609
 Deferred of Inflows of Resources			
Differences between expected and actual experience	1,867	19,419	21,286
Changes of assumptions	-	8,635	8,635
Net difference between projected and actual earnings on plan investments	5,865	-	5,865
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

2. Pension Plan and Postemployment Obligations (continued)

c. Other Postemployment Benefits

Healthcare Benefits

According to a Town resolution, the Town provides post-employment health care benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and have at least five years of creditable service with the Town. In addition, the Town pays the full cost of these benefits with a minimum of twenty years of creditable service with the Town. Retirees who do not meet the aforementioned criteria have the option to purchase coverage themselves and their dependents through the Town for eighteen months. The entire cost of this insurance is borne by the retirees. The Town maintains health care coverage through private insurers.

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

2. Pension Plan and Postemployment Obligations (continued)

c. Other Postemployment Benefits

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

Membership of the Plan consisted of the following at June 30, 2019:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	2	1
Terminated plan members entitled to, but not yet receiving benefits	-	-
Active plan members	14	11
Total	16	12

Total OPEB Liability

The Town's total OPEB liability of \$679,967 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017. Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary increases	3.50%
Discount rate	3.89%
Healthcare cost trend rates	
Pre-Medicare	7.50%
Medicare	5.50%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

c. Other Postemployment Benefits

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 701,925
Changes for the year	
Service cost	17,944
Interest	24,465
Changes of benefit terms	-
Differences between expected and actual experience	7,163
Changes in assumptions or other inputs	(41,848)
Benefit payments	(29,682)
Net changes	<u>(21,958)</u>
Balance at June 30, 2018	<u><u>\$ 679,967</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January, 2010 through December, 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher 4.89 percent) than the current discount rate:

	1% Decrease	Discount Rate (3.89%)	1% Increase
Total OPEB liability	\$ 818,272	\$ 679,967	\$ 571,981

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1- percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Discount Rate (3.89%)	1% Increase
Total OPEB liability	\$ 558,818	\$ 679,967	\$ 838,990

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

c. Other Postemployment Benefits

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Town recognized OPEB expense of \$28,859. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,710	\$ -
Changes of assumption	-	91,695
Benefit payments and administrative costs made subsequent to the measurement date	-	-
Total	\$ 13,710	\$ 91,695

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ (13,550)
2020	(13,550)
2021	(13,550)
2022	(13,550)
2023	(13,550)
Thereafter	(10,235)

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multi-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits, Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employees death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of the contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Differences between expected and actual experience	\$ 69,340
Changes of assumptions	105,259
Net difference between projected and actual earnings on pension plan investments	49,499
Changes in proportion and differences between Town contributions and proportionate share of contributions	11,446
Town contributions subsequent to the measurement date	96,609
Total	<u><u>\$ 332,153</u></u>

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

	Statement of Net Position	General Fund Balance Sheet
Differences between expected and actual experience	\$ 21,286	\$ -
Changes of assumptions	100,330	-
Tax Receivable, less penalties (General Fund)	-	212,039
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,865	-
Town contributions subsequent to the measurement date	-	-
Total	<u><u>\$ 127,481</u></u>	<u><u>\$ 212,039</u></u>

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. 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. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss 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.

In accordance with G.S. 159-29, the finance officer is individually bonded for \$50,000. The remaining employees that have access to cash are covered under a blanket insurance policy.

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

5. Long-Term Obligations

a. Installment Purchase

On March 2, 2004, the Town entered into two direct borrowing notes payable agreements with USDA-Rural Development to finance a new fire station. The financing contract requires principal payments beginning in the fiscal year 2004 with an interest rate of 4.50%. The notes totaled \$275,000 and are to be repaid over 40 annual payments. The balance of these loans at June 30, 2019 was \$213,097

On December 4, 2017, the Town entered into a direct borrowing note payable agreement with BB&T to finance a new police vehicle. The financing contract requires principal payments beginning in the fiscal year 2018 with an interest rate of 1.77%. The notes totaled \$27,000 and are to be repaid over 3 annual payments. The balance of these loans at June 30, 2019 was \$9,158.

On July 6, 2017, the Town entered into a direct borrowing note payable agreement with BB&T to finance a Ladder Fire Truck. The financing contract requires principal payments beginning in the fiscal year 2018 with an interest rate of 2.13%. The notes totaled \$450,000 and are to be repaid over 10 annual payments. The balance of these loans at June 30, 2019 was \$367,424.

On December 18, 2017, the Town entered into a direct borrowing note payable agreement with BB&T to finance a Police Vehicles. The financing contract requires principal payments beginning in the fiscal year 2019 with an interest rate of 2.78%. The notes totaled \$60,000 and are to be repaid over 3 annual payments. The balance of these loans at June 30, 2019 was \$37,790.

On January 15, 2018, the Town entered into a direct borrowing note payable agreement with First Bank to finance a Computer Software System. The financing contract requires principal payments beginning in the fiscal year 2018 with an interest rate of 3.75%. The notes totaled \$64,184 and are to be repaid over 5 annual payments. The balance of these loans at June 30, 2019 was \$36,390

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

a. Installment Purchase (continued)

On November 29, 2017, the Town entered into a direct borrowing note payable agreement with First Bank to finance a Pumper Fire Truck. The financing contract requires principal payments beginning in the fiscal year 2019 with an interest rate of 3.25%. The notes totaled \$100,000 and are to be repaid over 10 annual payments. The balance of these loans at June 30, 2019 was \$91,350.

On January 27, 2016, the Town entered into a direct borrowing note payable agreement with First Bank to finance the replacement of sewer lines and manholes for the Water and Sewer Fund. The financing contract requires annual payments beginning January 27, 2017 with an interest rate of 2.75%. The note totaled \$104,000 and is to be repaid over 10 years. The balance of this loan at June 30, 2019 was \$81,483.

On December 4, 2017, the Town entered into a direct borrowing note payable agreement with BB&T to finance a new Vacuum Truck. The financing contract requires principal payments beginning fiscal year 2018 with an interest rate of 1.96%. The notes totaled \$59,500 and are to be repaid over 5 annual payments. The balance of these loans at June 30, 2019 was \$39,228.

On July 1, 2017, the Town entered into a direct borrowing note payable agreement with Lumbee Bank to finance a new Press Belt. The financing contract requires principal payments beginning fiscal year 2018 with an interest rate of 4.26%. The notes totaled \$130,363 and are to be repaid over 5 annual payments. The balance of these loans at June 30, 2019 was \$75,738.

Annual debt service payments of the governmental type activities installment purchase as of the year ended, including interest are as follows:

Years Ending June 30:	Governmental-Type Activities	
	Principal	Interest
2020	\$ 95,760	\$ 23,094
2021	91,844	20,522
2022	73,150	18,093
2023	61,172	15,969
2024	62,702	14,439
2025-2029	224,288	48,323
2030-2034	44,246	29,764
2035-2039	55,143	18,867
2040-2044	49,742	5,465
Total	\$ 758,047	\$ 194,536

Years Ending June 30:	Business-Type Activities	
	Principal	Interest
2020	\$ 47,901	\$ 6,259
2021	49,515	4,645
2022	51,222	2,928
2023	10,824	1,237
2024	11,121	2,031
2025-2026	23,028	1,093
Total	\$ 193,611	\$ 18,193

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

b. Changes in Debt

	Beginning Balances	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Direct borrowing					
Installment purchases	\$ 857,746	\$ -	\$ (99,699)	\$ 758,047	\$ 95,760
Net pension liability (LGERS)	218,287	99,037	-	317,324	-
Total pension liability (LEO)	227,184	-	(14,607)	212,577	-
Other postemployment benefits	587,120	11,251	-	598,371	-
Compensated absences	87,356	13,750	(12,130)	88,976	38,113
Governmental activity long-term liabilities	<u>\$ 1,977,693</u>	<u>\$ 124,038</u>	<u>\$ (126,436)</u>	<u>\$ 1,975,295</u>	<u>\$ 133,873</u>
Business-type activities:					
Water and Sewer Fund					
Direct borrowing					
Installment purchases	\$ 239,893	\$ -	\$ (46,282)	\$ 193,611	\$ 47,901
Net pension liability (LGERS)	41,579	1,693	-	43,272	-
Other postemployment benefits	114,805	-	(33,209)	81,596	-
Compensated absences	3,040	4,780	(1,407)	6,413	2,571
Business-type activity long-term liabilities	<u>\$ 399,317</u>	<u>\$ 6,473</u>	<u>\$ (80,898)</u>	<u>\$ 324,892</u>	<u>\$ 50,472</u>

C - Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water & Sewer Fund	\$ 293,187
Total		<u>\$ 293,187</u>

The Interfund balances resulted from the time lag between the dates that goods and services are provided and payments between funds had yet to be made, specifically in regards to the activity associated with water and sewer capital projects. Repayment of entire amount within one year of the date of the financials is considered by management to be likely.

D - Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 1,809,918	\$ 5,040,963
less: long-term debt	(758,046)	(193,611)
Net investment in capital asset	<u>\$ 1,051,872</u>	<u>\$ 4,847,352</u>

Town of St. Pauls, North Carolina
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

E - 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	\$ 1,518,253
Less:	
Stabilization by State Statute	454,990
Streets - Powell Bill	156,072
Remaining Fund Balance	\$ 907,191

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

NOTE 5 - JOINTLY GOVERNED ORGANIZATION

The Town, along with several other counties and municipalities participate in the Lumber River Council of Governments (COG). The participating governments established a Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid \$672 to the Council during the fiscal year ended June 30, 2019.

NOTE 6 - SUBSEQUENT EVENTS

Subsequent events were evaluated through December 4, 2019, which is the date the financial statements were available to be issued.

NOTE 7 - CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in the fiscal year ending June 30, 2018. A restatement was made during the June 30, 2019 fiscal year to correctly reallocate a portion of the restatement to the appropriate funds. As a result of this reallocation governmental activities net position decreased \$35,122 and business-type activities increased \$35,122.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll
- Schedule of Changes in the Total OPEB Liability and Related Ratios

Town of St. Pauls, North Carolina
Town of St. Pauls' Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
St. Pauls' proportion of the net pension liability (asset) (%)	0.01520%	0.01701%	0.01482%	0.01586%	0.01804%	0.01960%
St. Pauls' proportion of the net pension liability (asset) (\$)	\$ 360,596	\$ 259,866	\$ 314,531	\$ 71,179	\$ (106,390)	\$ 236,255
St. Pauls' covered-employee payroll	\$1,112,287	\$ 712,488	\$1,034,363	\$ 1,035,364	\$1,033,664	\$1,033,664
St. Pauls' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.42%	36.47%	30.41%	6.87%	-10.29%	22.86%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

Town of St. Pauls, North Carolina
Town of St. Pauls' Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 96,609	\$ 87,930	\$ 41,460	\$ 68,369	\$ 51,078	\$ 59,849
Contributions in relation to the contractually required contribution	96,609	87,930	41,460	68,369	51,078	59,849
Contribution deficiency (excess)	<u>\$ -</u>					
St. Pauls' covered-employee payroll	\$1,189,990	\$1,112,287	\$ 712,488	\$1,035,364	\$1,033,664	\$1,033,664
Contributions as a percentage of covered-employee payroll	8.12%	7.91%	5.82%	6.60%	4.94%	5.79%

Town of St. Pauls, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 227,184	\$ 201,992	\$ 190,035
Service cost	9,077	10,303	9,976
Interest on the total pension liability	7,126	7,744	6,784
Changes of assumption and other inputs	(30,810)	7,145	(4,803)
Ending balance of the total pension liability	<u>\$ 212,577</u>	<u>\$ 227,184</u>	<u>\$ 201,992</u>

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

Town of St. Pauls, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 212,577	\$ 227,184	\$ 201,992
Covered payroll	445,848	515,364	445,529
Total pension liability as a percentage of covered payroll	47.68%	44.08%	45.34%

The Town of St. Pauls has no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Town of St. Pauls, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

Total OPEB Liability	2019	2018
Service cost	17,944	20,669
Interest	24,465	22,286
Changes of benefit terms	-	-
Differences between expected and actual experience	7,163	10,292
Changes in assumptions or other inputs	(41,848)	(76,011)
Benefit payments	<u>(29,682)</u>	<u>(31,211)</u>
Net change in total OPEB liability	<u>(21,958)</u>	<u>(53,975)</u>
Total OPEB liability - beginning	<u>701,925</u>	<u>755,900</u>
Total OPEB liability - ending	<u><u>679,967</u></u>	<u><u>701,925</u></u>
Covered Payroll	494,995	494,995
Total OPEB liability as a percentage of covered payroll	137.37%	141.80%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflects the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	Rate
2019	3.89%
2018	3.56%

Individual Fund Statements and Schedules

Town of St. Pauls, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes		\$ 1,510,461	\$
Interest		18,100	
Total	<u>1,281,500</u>	<u>1,528,561</u>	<u>247,061</u>
Other taxes and licenses:			
Privilege licenses		935	
Total	<u>-</u>	<u>935</u>	<u>935</u>
Unrestricted intergovernmental:			
Payment in lieu of taxes		4,390	
Local option sales taxes		578,776	
Utility franchise tax		152,214	
Beer/wine excise tax		9,406	
ABC profit distribution		34,263	
Gasoline tax refund		7,431	
Total	<u>771,500</u>	<u>786,480</u>	<u>14,980</u>
Restricted intergovernmental:			
ABC revenue for law enforcement		1,337	
Solid waste tipping fee		16,864	
Controlled substance		(87)	
Powell Bill allocation		66,932	
Grants		14,143	
Total	<u>84,700</u>	<u>99,189</u>	<u>14,489</u>
Permits and fees:	<u>5,700</u>	<u>4,029</u>	<u>(1,671)</u>
Sales and services:			
Miscellaneous charges		21,538	
School resource officer		187,568	
Sales of cemetery lots		24,452	
Rents of buildings		10,780	
Facilities, officer, and jail fees		5,441	
Garbage collection fees		172,634	
Total	<u>390,000</u>	<u>422,413</u>	<u>32,413</u>

Town of St. Pauls, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other revenues:			
Investment earnings	\$	\$ 17,241	\$
Sale of property		6,270	
Donations		360	
Sales tax refund		51,465	
Insurance reimbursement		136,852	
Miscellaneous		29,999	
Total other revenues	<u>221,697</u>	<u>242,187</u>	<u>20,490</u>
Total revenues	<u>2,755,097</u>	<u>3,083,794</u>	<u>328,697</u>
Expenditures:			
General government:			
Salaries		14,041	
Employee benefits		1,074	
Professional services		65,442	
Other operating expenses		128,068	
Total	<u>299,700</u>	<u>208,625</u>	<u>91,075</u>
Administration:			
Salaries		198,600	
Employee benefits		99,100	
Other operating expenses		108,813	
Professional services		-	
Capital outlay		-	
Total	<u>406,898</u>	<u>406,513</u>	<u>385</u>
Public buildings:			
Contracted services		34,098	
Other operating expenses		68,312	
Capital outlay		22,864	
Total	<u>117,950</u>	<u>125,274</u>	<u>(7,324)</u>
Total general government	<u>824,548</u>	<u>740,412</u>	<u>84,136</u>

Town of St. Pauls, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Police			
Salaries	\$	\$ 703,146	\$
Employee benefits		235,255	
Other operating expenses		150,228	
Contracted services		2,076	
Capital outlay		-	
Total	<u>1,113,807</u>	<u>1,090,705</u>	<u>23,102</u>
Medical responders			
Salaries		12,867	
Employee benefits		1,932	
Other operating expenses		26,559	
Capital outlay		15,833	
Total	<u>84,453</u>	<u>57,191</u>	<u>27,262</u>
Fire			
Salaries		30,110	
Employee benefits		2,971	
Retirement		1,680	
Contracted services		3,708	
Other operating expenses		102,705	
Capital outlay		15,100	
Total	<u>204,770</u>	<u>156,274</u>	<u>48,496</u>
Contribution to Crime Stoppers			
Total	<u>-</u>	<u>-</u>	<u>-</u>
Total public safety	<u>1,403,030</u>	<u>1,304,170</u>	<u>98,860</u>
Transportation			
Streets and highways:			
Salaries		152,032	
Employee benefits		67,395	
Other operating expenses		150,225	
Capital outlay		-	
Contracted services		4,328	
Powell Bill expenditures		48,471	
Total	<u>414,755</u>	<u>422,451</u>	<u>(7,696)</u>

Town of St. Pauls, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Environmental protection:			
Solid waste:			
Salaries	\$	\$ 69,164	\$
Employee benefits		36,256	
Other operating expenses		64,955	
Capital outlay		-	
Total	<u>182,065</u>	<u>170,375</u>	<u>11,690</u>
Economic development:			
Tourism development			
NC STEP		-	
Total	<u>-</u>	<u>-</u>	<u>-</u>
Culture and recreation:			
Parks and recreation			
Refund of taxes		-	
Contribution to library		12,000	
Total	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Debt service:			
Principal retirement		95,760	
Interest and fees		19,304	
Total	<u>115,740</u>	<u>115,064</u>	<u>676</u>
Total expenditures	<u>2,952,138</u>	<u>2,764,472</u>	<u>187,666</u>
Revenues over (under) expenditures	<u>(197,041)</u>	<u>319,322</u>	<u>516,363</u>
Other financing sources (uses):			
Installment loan proceeds	-	-	-
Transfers to other funds	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	197,041	-	197,041
Net change in fund balances	<u>\$ -</u>	319,322	<u>\$ 319,322</u>
Fund balance, beginning		<u>1,198,931</u>	
Fund balance, ending		<u>\$ 1,518,253</u>	

**Town of St. Pauls, North Carolina
Combining Balance Sheet
Nonmajor Governmental Fund
June 30, 2019**

	UDAG Loan Repayment Fund	Total Nonmajor Governmental Fund
	<hr/>	<hr/>
<u>Assets</u>		
Cash	\$ 455	\$ 455
Total assets	<u><u>\$ 455</u></u>	<u><u>\$ 455</u></u>
<u>Liabilities and Fund Balances</u>		
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ -
<u>Fund balances:</u>		
Restricted		
Economic development	455	455
Unassigned	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u><u>\$ 455</u></u>	<u><u>\$ 455</u></u>

Town of St. Pauls, North Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Fund
June 30, 2019

	UDAG Loan Repayment Fund	Total Nonmajor Governmental Fund
<u>Revenues:</u>		
Interest income	\$ -	\$ -
Total revenues	\$ -	\$ -
<u>Expenditures:</u>		
Economic and physical development		
Operating expenditures		
Total expenditures	\$ -	\$ -
Revenues over (under) expenditures	-	-
Net change in fund balance	-	-
Fund balance, beginning	455	455
Fund balance, ending	\$ 455	\$ 455

Town of St. Pauls, North Carolina
Special Revenue Fund – UDAG Loan Repayment Fund
Nonmajor Governmental Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
<u>Revenues:</u>			
Interest income	\$	\$ -	\$
Total revenues	-	-	-
 <u>Expenditures:</u>			
Economic and physical development			
Operating expenditures		-	
Total expenditures	-	-	-
Revenues over (under) expenditures	-	-	-
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		455	
Fund balance, ending		\$ 455	

Town of St. Pauls, North Carolina
Water and Sewer Fund
Schedule of Revenues, Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues:</u>			
Charges for services:			
Water sales	\$	\$ 290,202	\$
Sewer charges		414,383	
Late fees		14,041	
Transfer and reconnection fees		7,040	
Total operating revenues	<u>772,064</u>	<u>725,666</u>	<u>(46,398)</u>
Nonoperating revenues:			
Interest earned on investment		82	
FEMA reimbursement and other		295,478	
Total	<u>100</u>	<u>295,560</u>	<u>295,460</u>
Total revenues	<u>772,164</u>	<u>1,021,226</u>	<u>249,062</u>
<u>Expenditures:</u>			
Water:			
Salaries		70,817	
Employee benefits		33,056	
Contracted service		2,113	
Other operating expenses		91,421	
Repairs and maintenance		26,881	
Purchase for resale		14,883	
Total	<u>264,929</u>	<u>239,171</u>	<u>25,758</u>
Sewer:			
Salaries		96,876	
Employee benefits		30,119	
Contracted service		52,251	
Other operating expenses		159,216	
Repairs and maintenance		35,121	
Total	<u>414,223</u>	<u>373,583</u>	<u>40,640</u>
Debt service:			
Principal		46,282	
Interest		1,574	
Total debt service	<u>49,000</u>	<u>47,856</u>	<u>1,144</u>

Town of St. Pauls, North Carolina
Water and Sewer Fund
Schedule of Revenues, Expenditures
Budget and Actual (Non - GAAP) (continued)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Capital outlay:			
Water	\$	\$ 78,290	\$
Sewer		52,602	
Total capital outlay	<u>201,000</u>	<u>130,892</u>	<u>70,108</u>
Total expenditures	<u>929,152</u>	<u>791,502</u>	<u>137,650</u>
Revenues over (under) expenditures	<u>(156,988)</u>	<u>229,724</u>	<u>386,712</u>
Other financing sources (uses):			
Loan proceeds	-	-	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	156,988	-	(156,988)
Revenues over expenditures and other financing (uses)	<u>\$ -</u>	<u>\$ 229,724</u>	<u>\$ 229,724</u>

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues over (under) expenditures and other financing (uses)	<u>\$ 229,724</u>
Reconciling items:	
Principal retirement	46,282
Capital outlay	130,892
Capital contributions	536,354
Change in accrued vacation pay	-
Decrease in net pension liability	(1,693)
Increase in deferred outflows of resources - pensions	645
Decrease in deferred inflows of resources - pensions	14,747
Increase in deferred outflows of resources - OPEB	1,645
Increase in deferred inflows of resources - OPEB	(11,003)
Increase in OPEB liability	(12,963)
Other	11,050
Depreciation	<u>(129,006)</u>
Total reconciling items	<u>586,950</u>
Change in net position	<u>\$ 816,674</u>

Town of St. Pauls, North Carolina
Water and Sewer – Capital Projects Fund
Schedule of Revenues and Expenditures – Budget and Actual (Non – GAAP)
From Inception and For the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<u>Revenues:</u>					
Restricted intergovernmental					
Golden Leaf grant	820,000	391,630	424,247	815,877	(4,123)
AIA grant	150,000	11,266	37,287	48,553	(101,447)
Clean Water	100,000	11,280	74,820	86,100	(13,900)
Total revenues	1,070,000	414,176	536,354	950,530	(119,470)
<u>Expenditures:</u>					
Golden Leaf Construction	820,000	391,630	424,247	815,877	4,123
AIA Administration	150,000	11,266	37,287	48,553	101,447
Clean Water Administration	100,000	11,280	74,820	86,100	13,900
Total expenditures	1,070,000	414,176	536,354	950,530	119,470
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Other Schedules

This section contains additional information on property taxes

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

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

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2018</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2019</u>
2018-2019	\$ -	\$ 1,498,654	\$ 1,378,176	\$ 120,478
2017-2018	71,295	-	46,629	24,666
2016-2017	32,440	-	24,255	8,185
2015-2016	29,177	-	15,742	13,435
2014-2015	14,181	-	9,035	5,146
2013-2014	11,906	-	4,463	7,443
2012-2013	16,861	-	1,630	15,231
2011-2012	6,774	-	150	6,624
2010-2011	7,242	-	2,049	5,193
2009-2010	5,794	-	156	5,638
2008-2009	6,967	-	6,967	-
	-	-	-	-
	<u>\$ 202,637</u>	<u>\$ 1,498,654</u>	<u>\$ 1,489,252</u>	<u>212,039</u>

Less: allowance for uncollectible accounts - General Fund

-

Ad valorem taxes receivable - net

\$ 212,039

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 1,510,461
Penalties collected on ad valorem taxes	18,100
Reconciling items:	
Taxes written off	6,967
Interest collected	(46,276)
Total collections and credits	<u>\$ 1,489,252</u>

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

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 230,562,154	0.65	\$ 1,498,654	\$ 1,397,018	\$ 101,636
Releases			-	-	-
Net levy			1,498,654	1,397,018	101,636
Uncollected taxes at June 30, 2019			(120,478)	(119,552)	(926)
Current year's taxes collected			<u>\$ 1,378,176</u>	<u>\$ 1,277,466</u>	<u>\$ 100,710</u>
Current levy collection percentage			<u>91.96%</u>	<u>91.44%</u>	<u>99.09%</u>

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of St. Pauls, North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of St. Pauls, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of St. Pauls' basic financial statements and have issued our report thereon dated December 4, 2019. The financial statements of the Town of St. Pauls' ABC Board and the St. Pauls' Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency, item 2019-001 and 2019-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of St. Pauls' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standard*.

Town of St. Pauls' Response to Findings

The Town of St. Pauls' responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion in it.

Purpose of this Report

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

 S. Preston Douglas & Associates, LLP

Lumberton, North Carolina
December 4, 2019

Town of St. Pauls, North Carolina
Schedule of Findings and Responses
June 30, 2019

Section I. Summary of Auditor's Results

Financial Statements

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

Internal Control over financial reporting:

<input checked="" type="radio"/>	Material weakness(es) identified	<u> yes </u>	<u> X </u>	<u> no </u>
<input checked="" type="radio"/>	Significant Deficiency(s)	<u> X </u>	<u> yes </u>	<u> no </u>

Noncompliance material to financial statements noted?

	<u> yes </u>	<u> X </u>	<u> no </u>
--	--------------------------------	------------------------------	-------------------------------

Town of St. Pauls, North Carolina
Schedule of Findings and Responses (continued)
June 30, 2019

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

Finding: 2019 – 001 Excess Expenditures over Appropriations

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: The Finance Officer underestimated department expenditures when preparing budget amendments.

Effect: Money was spent that had not been appropriated.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2018-001.

Cause: Money was spent that had not been formally appropriated in the current fiscal year.

Recommendation: Institute a process to ensure that only those amounts appropriated are actually spent.

Views of responsible officials and planned corrective actions:

Town officials agree with this finding and recommended action to ensure that only those amounts appropriated are actually spent.

SIGNIFICANT DEFICIENCY

Finding: 2019 – 002 Preaudit Process

Criteria: According to G.S. 159-28(a), the Finance Officer is required to perform the preaudit process on all purchase orders, credit card purchases, employment agreements, internet orders, and service contracts.

Condition: The Finance Officer has not properly implemented the preaudit stamp and procedures.

Effect: The Town was in violation of the statute and money was spent that had not been formally appropriated in the current fiscal year.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2018-002.

Cause: Personnel responsible for purchasing and issuing checks have not properly implemented the requirement.

Recommendation: The Finance Officer should implement internal controls that will educate staff on the preaudit requirement. All preprinted documents that require the preaudit certificate should contain the proper form described in the criteria above. A stamp with the preaudit certificate should be available, if necessary, for the issuers of the documents or checks. The stamp should be kept in custody to prevent unauthorized use.

Views of responsible officials and planned corrective actions:

Town officials agree with this finding and recommended action to ensure that only those amounts appropriated are actually spent.

GERARD J. WEINDEL
MAYOR

GARRIS NEIL YARBOROUGH
ATTORNEY

TOWN ADMINISTRATOR

COMMISSIONERS
ELBERT GIBSON
DEBORAH INMAN
W. EVANS JACKSON
DONNA PATTERSON
JERRY M. QUICK
ANNIE LAURA STEPHENS



ST. PAULS, N.C. 28384

DEBRA McNEILL
TOWN CLERK

R. THOMAS HAGENS
CHIEF OF POLICE

DANIEL L. HOLLOMAN
PUBLIC WORKS DIRECTOR

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

Finding: 2019 – 001 Excess Expenditures over Appropriations

Name of Contact Person: Astrid Ramirez Finance Officer

Corrective Action: The Town will monitor the budget and expenditures and make amendments accordingly.

Proposed Completion Date: The Town will implement the above procedures immediately.

SIGNIFICANT DEFICIENCY

Finding: 2019 – 002 Preaudit Process

Name of Contact Person: Astrid Ramirez, Finance Officer

Corrective Action: The Finance Officer will implement internal control procedures to ensure that all purchases go through the preaudit process.

Proposed Completion Date: The Town will implement the above procedures immediately.

**Town of St. Pauls, North Carolina
Schedule of Prior Year Findings
For the Year Ended June 30, 2019**

Finding: 2018-001

Status: Money is being spent that is not formally appropriated in the current fiscal year.

Finding: 2018-002

Status: The Finance Officer has not properly implemented the preaudit stamp and procedures.