

TOWN OF ST. JAMES
St. James, North Carolina

FINANCIAL STATEMENTS
Year Ended June 30, 2021

TOWN OF ST. JAMES

TOWN COUNCIL

Jean Toner, Mayor

David DeLong, Mayor Pro-Tem

Dennis Barclay, Councilor

Jeff Mount, Councilor

Lynn Dutney, Councilor

ADMINISTRATIVE OFFICERS

Jeff Repp, Town Manager

Pauline Haran CPA, Finance Director

TOWN OF ST. JAMES NORTH CAROLINA
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June 30, 2021

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FINANCIAL SECTION



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of St. James, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise St. James'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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions. 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 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

The combining and individual fund 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, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2021, on our consideration of the Town of St. James's 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 the 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. James's internal control over financial reporting and compliance.

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

Wilmington, North Carolina

September 10, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of St. James (the "Town"), we offer readers of the Town of St. James' financial statements this narrative overview and analysis of the financial activities of the Town of St. James for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

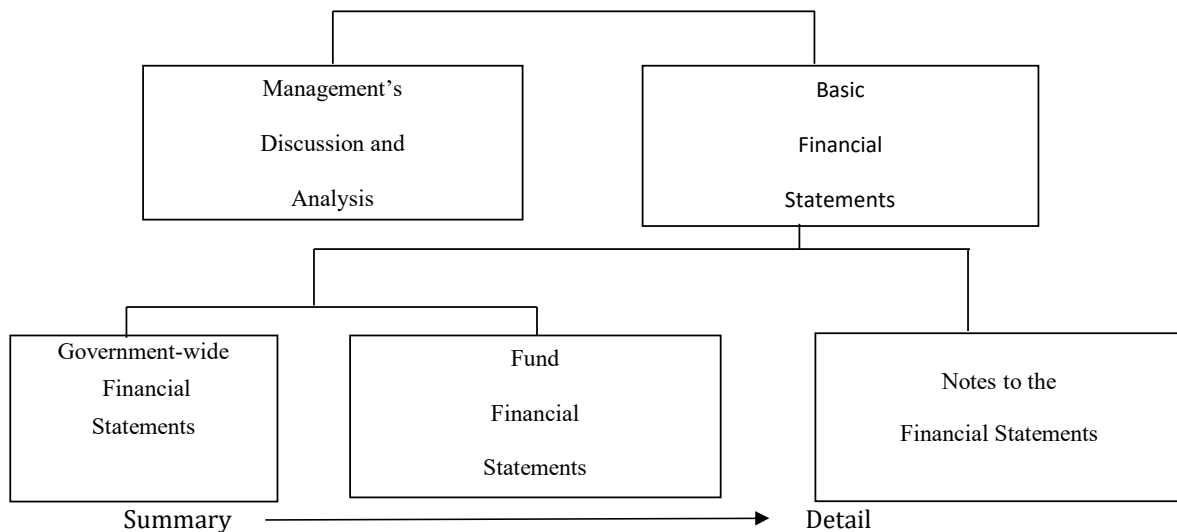
- The assets and deferred outflows of the Town of St. James exceeded its liabilities and deferred inflows at the close of the fiscal year by \$7,924,441 (*net position*).
- The government's total net position increased by \$923,555.
- As of the close of the current fiscal year, the Town of St James' governmental fund reported an ending fund balance of \$4,039,264 with a net increase of \$807,651 in fund balance. Approximately 30.33% of this total amount, or \$1,225,141, is assigned or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,814,123 or 90.24% of total general fund expenditures for the fiscal year. Within this fund, \$367,287 has been assigned to disaster recovery and \$400,000 has been assigned to the St. James fire department future capital needs.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of St. James' basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of St. James.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

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

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

Fund Financial Statements

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in the governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

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

Interdependence with Other Entities - The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of St. James' Net Position
Figure 2

	Governmental Activities	
	2021	2020
Current and other assets	\$ 4,119,426	\$ 3,312,447
Capital assets	5,908,185	5,709,852
Deferred outflows of revenue	84,783	64,890
Total assets and deferred outflows of resources	10,112,394	9,087,189
Long-term liabilities outstanding	1,739,021	2,017,981
Other liabilities	448,932	450,255
Deferred inflows of resources	-	-
Total liabilities and deferred inflows of resources	2,187,953	2,468,236
Net position:		
Net investment in capital assets	3,935,537	3,439,984
Restricted	457,854	344,153
Unrestricted	3,531,050	2,834,816
Total net position	\$ 7,924,441	\$ 6,618,953

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town exceeded liabilities and deferred inflows by \$7,924,441 as of June 30, 2021. The Town's net position increased by \$923,555 for the fiscal year ended June 30, 2021. Of the net position, \$3,531,050 is unrestricted, however the town has assigned funds totaling \$767,287 for disaster recovery and for St. James Fire Department's future capital needs.

The largest portion, \$3,935,537 (49.66%) reflects the Town's investment in capital assets (land, buildings, infrastructure, furniture and equipment) less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. A portion of the Town of St. James' fund balances \$767,2871 (9.68%) represents resources that are subject to internal designation on how they may be used.

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

- Retaining the tax rate of six cents per \$100 and the continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.81%.
- Maintaining operating expenses comparable to prior years.

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

	Governmental Activities	
	2021	2020
Revenues:		
Program Revenues		
Charges for services	\$ 100,343	\$ 147,907
Operating grants	220,935	60,711
General revenues:	-	-
Property taxes	1,253,341	1,167,801
Other taxes	2,350,834	1,950,602
Investment earnings	1,958	27,262
Total revenues	3,927,411	3,354,283
Expenses:		
General government	1,244,585	1,536,527
Public Safety	1,022,716	849,448
Transportation	16,193	17,404
Environmental protection	662,666	514,507
Interest on long-term debt	57,696	66,267
Total expenses	3,003,856	2,984,153
Increase in net position	923,555	370,130
Net position - beginning as previously reported	6,618,953	6,248,823
Restatement - prior period adjustment	381,933	-
Net position - beginning, restated	7,000,886	6,248,823
Net position - ending	\$ 7,924,441	\$ 6,618,953

Governmental activities. Governmental activities increased the Town's net position by \$923,555. Key elements of the increase are as follows.

- Prior period adjustment for Government Wide Statements of Net Position adding purchase of land purchased in January 2020.
- Increase in operating grants.
- Higher sales tax collections

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of St. James. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,581,410 while total fund balance reached \$4,039,264. 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 114.85% of total General Fund expenditures, while total fund balance represents 129.53% of the same amount.

At June 30, 2021, the governmental fund of the Town of St. James reported a combined fund balance of \$4,039,264, an increase of \$807,651 from last year.

Capital Asset and Debt Administration

Capital assets - The Town of St. James' investment in capital assets for its governmental activities as of June 30, 2021, totals \$5,908,185 (net of accumulated depreciation). These assets include buildings, land, infrastructure, equipment, furniture and fixtures.

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

	Governmental Activities	
	2021	2020
Land and other nondepreciable assets	\$ 876,586	\$ 876,586
Buildings	3,887,067	4,009,296
Infrastructure	1,120,258	1,139,143
Furniture and Fixtures	-	18,886
Equipment	24,274	47,874
Total	<u>\$ 5,908,185</u>	<u>\$ 6,091,785</u>

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

Long-term Debt - As of June 30, 2021, the Town of St. James had total long-term debt outstanding of \$1,972,648. This amount is a Promissory Note with BB&T secured by the Town Hall and Community Center. Installment payment in the amount of \$362,819 is due annually and includes interest at 2.89%.

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

	Governmental Activities	
	2021	2020
Note payable	\$ 1,972,648	\$ 2,269,868
Net pension obligation (LGRS)	72,183	45,333
Compensated absences	14,409	14,446
Total	\$ 2,059,240	\$ 2,329,647

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of St. James is \$164,886,819.

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

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

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

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities - Property taxes for FY22 will remain the same from fiscal year ending 06/30/2021. The property tax rate for FY21 is .06 cents per \$100 valuation.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Pauline F. Haran, Finance Director, Town of St. James, 4140A Southport-Supply Road, St. James, NC 28461.

BASIC FINANCIAL STATEMENTS

Town of St. James, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government	
	Governmental	
	Activities	Total
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,587,105	\$ 3,587,105
Taxes Receivable (net)	3,452	3,452
Accounts Receivable (net)	977	977
Due from Other Governmental Agencies	456,877	456,877
Prepaid expenses	70,570	70,570
Accrued Interest Receivable on Taxes	445	445
Total current assets	<u>4,119,426</u>	<u>4,119,426</u>
Non-current assets:		
Capital Assets		
Land and improvements	876,586	876,586
Other capital assets, net of depreciation	<u>5,031,599</u>	<u>5,031,599</u>
Total capital assets	<u>5,908,185</u>	<u>5,908,185</u>
Total assets	<u>\$ 10,027,611</u>	<u>\$ 10,027,611</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	<u>84,783</u>	<u>84,783</u>
Total deferred outflows of resources	<u>84,783</u>	<u>84,783</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 76,265	\$ 76,265
Accrued interest payable	52,448	52,448
Compensated absences	14,409	14,409
Current portion of long-term liabilities	<u>305,810</u>	<u>305,810</u>
Total current liabilities	<u>448,932</u>	<u>448,932</u>
Long-term liabilities:		
Net pension liability	72,183	72,183
Due in more than one year	<u>1,666,838</u>	<u>1,666,838</u>
Total liabilities	<u>2,187,953</u>	<u>2,187,953</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	3,935,537	3,935,537
Restricted for:		
Stabilization by state statute	457,854	457,854
Unrestricted	<u>3,531,050</u>	<u>3,531,050</u>
Total net position	<u>\$ 7,924,441</u>	<u>\$ 7,924,441</u>

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

Town of St. James, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Total
Primary government:						
Governmental Activities:						
General government	\$ 1,244,585	\$ 70,881	\$ 220,935	\$ -	\$ (952,769)	\$ (952,769)
Public safety	1,022,716	29,462	-	-	(993,254)	(993,254)
Transportation	16,193	-	-	-	(16,193)	(16,193)
Environmental protection	662,666	-	-	-	(662,666)	(662,666)
Interest on long-term debt	57,696	-	-	-	(57,696)	(57,696)
Total governmental activities	<u>\$ 3,003,856</u>	<u>\$ 100,343</u>	<u>\$ 220,935</u>	<u>\$ -</u>	<u>(2,682,578)</u>	<u>(2,682,578)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purpose					1,253,341	1,253,341
Other taxes					2,350,834	2,350,834
Unrestricted investment earnings					1,958	1,958
Total general revenues					<u>3,606,133</u>	<u>3,606,133</u>
Change in net position					923,555	923,555
Net position-beginning as previously reported					6,618,953	6,618,953
Restatement					381,933	381,933
Net position-beginning restated					<u>7,000,886</u>	<u>7,000,886</u>
Net position-ending					<u>\$ 7,924,441</u>	<u>\$ 7,924,441</u>

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

Town of St. James, North Carolina
Balance Sheet
Governmental Fund
June 30, 2021

	Major Funds	
	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 3,587,105	\$ 3,587,105
Taxes receivables, net	3,452	3,452
Receivable from other governments	456,877	456,877
Prepays	70,570	70,570
Other receivables	977	977
Total assets	<u>\$ 4,118,981</u>	<u>\$ 4,118,981</u>
LIABILITIES		
Accounts payable	76,265	\$ 76,265
Total liabilities	<u>76,265</u>	<u>76,265</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	3,452	3,452
Total deferred inflows of resources	<u>3,452</u>	<u>3,452</u>
FUND BALANCES		
Restricted		
Stabilization by State Statute	457,854	457,854
Assigned		
Fire department future capital improvements	400,000	400,000
Disaster recovery	367,287	367,287
Unassigned	2,814,123	2,814,123
Total fund balances	<u>4,039,264</u>	<u>4,039,264</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,118,981</u>	<u>\$ 4,118,981</u>
 Total fund balance, governmental funds		4,039,264
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	7,972,190	
Accumulated depreciation	<u>(2,064,005)</u>	5,908,185
Deferred outflows of resources related to pensions are not reported in the funds		84,783
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are inflows of resources in the funds.		445
Liabilities for earned revenues considered deferred inflows of resources in fund statements		3,452
 Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		
Bonds payable		(1,972,648)
Compensated absences		(14,409)
Accrued interest		(52,448)
Net pension liability		<u>(72,183)</u>
Net position of governmental activities		<u>\$ 7,924,441</u>

Town of St. James, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2021

	<u>Major Fund</u>	<u>Total</u>
	<u>General Fund</u>	<u>Governmental Funds</u>
REVENUES		
Property taxes	\$ 1,252,040	\$ 1,252,040
Unrestricted intergovernmental revenues	2,346,585	2,346,585
Restricted intergovernmental revenues	152,539	152,539
Licenses and permits	33,450	33,450
Investment earnings	1,958	1,958
Other revenue	139,538	139,538
Total revenues	<u>3,926,110</u>	<u>3,926,110</u>
EXPENDITURES		
Current:		
General government	1,064,536	1,064,536
Public safety	1,012,452	1,012,452
Transportation	15,986	15,986
Environmental protection	662,666	662,666
Debt Service:		
Principal	297,220	297,220
Interest and other charges	65,599	65,599
Total expenditures	<u>3,118,459</u>	<u>3,118,459</u>
Excess (deficiency) of revenues over expenditures	<u>807,651</u>	<u>807,651</u>
Net change in fund balance	807,651	807,651
Fund balances-beginning	3,231,613	3,231,613
Fund balances-ending	<u>\$ 4,039,264</u>	<u>\$ 4,039,264</u>

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

Town of St. James, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds	\$ 807,651
<p>Amounts reported to Governmental Activities in the Statement of Activities are different because:</p> <p>Governmental funds report capital outlays as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital Outlay	12,211
Depreciation	(195,811)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	30,330
<p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.</p>	
Change in unavailable revenue for tax revenues	1,229
Change in accrued interest receivable on taxes	72
<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 any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Principal payments	297,220
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:</p>	
Accrued interest not reflected on Governmental fund	7,903
Pension expense	(37,287)
Compensated absences	37
Change in net position of governmental activities	\$ 923,555

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

Town of St. James, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	General Fund			Variance With Final Budget Positive (Negative)
	Budget Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 1,214,662	\$ 1,214,662	\$ 1,252,040	\$ 37,378
Unrestricted intergovernmental revenues	1,592,000	1,842,000	2,346,585	504,585
Restricted intergovernmental revenues	3,000	3,000	152,539	149,539
Licenses and permits	16,000	16,000	33,450	17,450
Investment earnings	30,000	30,000	1,958	(28,042)
Other revenue	76,338	105,800	139,538	33,738
Total revenues	2,932,000	3,211,462	3,926,110	714,648
Expenditures				
Current:				
General government	994,680	1,099,491	1,064,536	34,955
Public safety	1,025,000	1,035,000	1,012,452	22,548
Transportation	19,000	19,000	15,986	3,014
Environmental protection	530,500	695,151	662,666	32,485
Debt Service				
Principal	298,000	297,221	297,220	1
Interest	64,820	65,599	65,599	-
Total expenditures	2,932,000	3,211,462	3,118,459	93,003
Excess (deficiency) of revenues over expenditures	-	-	807,651	807,651
Other financing sources (uses):				
Fund balance appropriated	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	\$ -	807,651	\$ 807,651
Fund balance - beginning			3,231,613	
Fund balance - ending			\$ 4,039,264	

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

NOTES TO THE FINANCIAL STATEMENTS

Town of St. James, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. A statement for the one fund category - governmental - is presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental fund, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The Town reports one major governmental fund:

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

The Town has no non-major governmental funds.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

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

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

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

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The budget officer recommends budget amendments. All such amendments are approved by the Town Council. All contingency transfers require the approval of the governing Council. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town are made in Council-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and Super-NOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

None.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.

5. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$6,000. 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 purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement 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>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and Equipment	10
Computer equipment	3

7. Deferred outflows/inflows of resources

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

8. Long-Term Obligations

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

9. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time.

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

10. Net Position/Fund Balances

Net Position

Net position in government-wide financial statements is classified as investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Assigned Fund Balances - The town has committed a total of \$767,287 to future needs. \$367,287 has been committed to disaster recovery and \$400,000 has been committed to the St. James Fire Department future capital needs.

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

11. Defined Benefit Cost-Sharing Plan

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

II. Stewardship, Compliance, and Accountability

Noncompliance with North Carolina General Statutes

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$1,468,848 and a bank balance of \$1,506,012. Of the bank balance, \$291,491 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Investments

At June 30, 2021, the Town's investment balances were as follows:

As of June 30, 2021, the Town's investments consisted of \$2,118,257 in the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk.

Credit Risk. The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The investment in the Federal Home Loan Bank is rated AAA by Standard and Poor's and AAA by Moody's Investors Service. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAA by Standard & Poor's as of June 30, 2019.

3. Capital Assets

Capital asset activity for the Town for the year ended June 30, 2021, was as follows:

Governmental activities:	Beginning Balances	Current Additions	Current Deletions	Ending Balances
Capital assets not being depreciated:				
Land	\$ 876,586	\$ -	\$ -	\$ 876,586
Total capital assets not being depreciated	876,586	-	-	876,586
Capital assets being depreciated:				
Buildings	4,934,495	-	-	4,934,495
Furniture	323,852	-	-	323,852
Equipment	552,286	12,211	-	564,497
Infrastructure	1,272,760	-	-	1,272,760
Total capital assets being depreciated	7,083,393	12,211	-	7,095,604
Less accumulated depreciation for:				
Buildings	925,199	122,229	-	1,047,428
Furniture	304,966	18,886	-	323,852
Equipment	504,412	35,811	-	540,223
Infrastructure	133,617	18,885	-	152,502
Total accumulated depreciation	1,868,194	\$ 195,811	\$ -	2,064,005
Net capital assets being depreciated	5,215,199			5,031,599
Governmental activity capital assets, net	\$ 6,091,785			\$ 5,908,185

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

General Government	\$ 192,297
Public Safety	3,514
Total Depreciation Expense	<u>\$ 195,811</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of St. James employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of St. James' contractually required contribution rate for the year ended June 30, 2021, was 10.15% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. For the year ended June 30, 2021, the Town had no qualifying law enforcement officers. Contributions to the pension plan from the Town of St. James were \$0.00 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$72,183 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021, the Town's proportion was 0.00202%, which was an increase of 0.00036% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the Town recognized pension expense of \$37,287. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 9,115	\$ -
Changes of assumptions	5,372	-
Net difference between projected and actual earnings on pension plan investments	10,158	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	29,808	-
Town contributions subsequent to the measurement date	30,330	-
Total	<u>\$ 84,783</u>	<u>\$ -</u>

\$30,330 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 18,538
2023	19,356
2024	13,553
2025	3,006
2026	-
Thereafter	-
Total	<u>\$ 54,453</u>

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

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

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease	Discount Rate	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 146,452	\$ 72,183	\$ 10,461

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

b. Supplemental Retirement Income Plan

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each employee's salary engaged in law enforcement. The town has elected to contribute 5% of salary for other employees. All amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2020 were \$30,835 which consisted of \$13,700 from the Town and \$17,135 from the employees.

2. Deferred Outflows and Inflows of Resources

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

Source	Amount		
Deferred outflows of resources:			
Contribution to pension plan in current fiscal year	\$ 30,330		
Differences between expected and actual experience	9,115		
Changes of assumptions	5,372		
Net difference between projected and actual earnings	10,158		
Changes in proportion and differences between employer contributions and proportionate share of contributions	29,808		
Total:	<u>\$ 84,783</u>		
Deferred inflows of resources:			
	Statement of Net Position	General Fund Balance Sheet	
Taxes receivable, less penalties (General Fund)	\$ -	\$ 3,452	
Total:	<u>\$ -</u>	<u>\$ 3,452</u>	

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability of \$2,000,000 per occurrence and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of the reinsurance and excess policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

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

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

4. Claims and Judgments

During the year ended June 30, 2021, management knew of no pending legal actions that would have a material adverse effect on the Town's financial position.

5. Long Term Obligationsa. Notes Payable

On March 12, 2015, the Town signed a direct placement note with Branch Banking and Trust Company to refinance their note with Rural Housing Service, an agency of the United States Department of Agriculture (USDA) and executed a promissory note in the amount of \$3,700,000. The note is secured by the Town Hall and Community Center property. Installment payments are due in the amount of \$362,819 including interest at 2.89% beginning July 28, 2015 and each year thereafter until the final payment on July 28, 2026.

Annual debt service payments of the installment contract as of June 30, 2021 are as follows:

<u>Year Ending June 30</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 305,810	\$ 57,009
2023	314,648	48,171
2024	323,741	39,078
2025	333,097	29,722
2026	342,724	20,096
2027-2029	352,628	10,191
Totals	<u>\$ 1,972,648</u>	<u>\$ 204,267</u>

At June 30, 2021, the Town of St. James had a legal debt margin of \$164,886,819.

b. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2021 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<u>Governmental activities:</u>					
Direct placement note payable	\$ 2,269,868	\$ -	\$ 297,220	\$ 1,972,648	\$ 305,810
Net pension obligation (LGERS)	45,333	26,850	-	72,183	-
Compensated absences	14,446	7,024	7,061	14,409	14,409
Governmental activities long-term debt	<u>\$ 2,329,647</u>	<u>\$ 33,874</u>	<u>\$ 304,281</u>	<u>\$ 2,059,240</u>	<u>\$ 320,219</u>

C. Net Investment in Capital Assets

	Governmental
Capital assets	\$ 5,908,185
less: long term debt	(1,972,648)
Net investment in capital asset	<u>\$ 3,935,537</u>

D. Fund Balance

The following schedule provides management and citizens with information on the portion of General Fund Balance that is available for appropriation:

Total fund balance - General Fund	\$ 4,039,264
Less:	
Stabilization by State Statute	457,854
Fire department future capital improvements	400,000
Disaster recover	367,287
Remaining Fund Balance	<u>\$ 2,814,123</u>

IV. Jointly Governed OrganizationCape Fear Council of Governments

The Town, in conjunction with four counties and thirty-two other municipalities, established the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing Council. The Town paid membership fees of \$1,264 to the Council during the fiscal year ended June 30, 2021.

V. 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 moneys 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 moneys.

VI. Prior Period Adjustment/Restatement

A prior period adjustment has been made to the Government-Wide Financial Statements. This restatement resulted from a land purchase in fiscal year 2020 in the amount of \$381,933 which was not properly recorded as a capital asset in the Government-Wide Financial Statements which undervalued assets and net position by this amount. More information regarding this restatement can be found in the Schedule of Findings and Responses section of these Financial Statements.

VII. Subsequent Events

Events occurring after June 30, 2021 were evaluated by management on September 10, 2021 to ensure that any subsequent events that met the criteria for recognition and/or disclosure to these financial statements have been included. There were no subsequent events requiring disclosure.

REQUIRED
SUPPLEMENTAL FINANCIAL DATA

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

Schedule of the Proportionate Share of the Net Pension
Asset – Local Government Employees’ Retirement System

Schedule of Contributions – Local Government Employees’
Retirement System

Town of St. James, North Carolina
Town of St. James' Proportionate Share of Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years*

Local Government Employee's Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Town of St. James' proportion of the net pension liability (asset) (%)	0.00202%	0.00166%	0.00164%	0.00180%	0.00186%	0.21200%	0.00120%	0.00120%
Town of St. James' proportion of the net pension liability (asset) (\$)	\$ 72,183	\$ 45,333	\$ 38,906	\$ 27,499	\$ 39,474	\$ 9,514	\$ (7,077)	\$ 10,797
Town of St. James' covered-employee payroll	\$ 328,583	\$ 263,302	\$ 238,681	\$ 223,312	\$ 213,282	\$ 167,555	\$ 152,719	\$ 135,518
Town of St. James' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	21.97%	17.22%	16.30%	12.31%	18.51%	5.68%	(4.63%)	7.97%
Plan fiduciary net position as a percentage of the total pension liability **	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

Town of St. James, North Carolina
Town of St. James' Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employee's Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required Contribution	\$ 30,330	\$ 29,408	\$ 20,406	\$ 17,901	\$ 16,190	\$ 14,226	\$ 13,924	\$ 12,691
Contributions in relation to the contractually required contribution	30,330	29,408	20,406	17,901	16,190	14,226	13,924	12,691
Contribution deficiency (excess)	\$ -	\$ -	-	-	-	-	-	-
Town of St. James' covered-employee payroll	\$ 298,819	\$ 328,583	\$ 263,302	\$ 238,681	\$ 223,312	\$ 213,282	\$ 167,555	\$ 152,719
Contributions as a percentage of covered-employee payroll	10.15%	8.95%	7.75%	7.50%	7.25%	6.67%	8.31%	8.31%

INDIVIDUAL FUND SCHEDULES

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

Town of St. James, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	2021		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues:			
Ad valorem taxes			
Taxes		\$ 1,251,088	
Penalties and interest		952	
Total	<u>\$ 1,214,662</u>	<u>1,252,040</u>	<u>\$ 37,378</u>
Unrestricted intergovernmental revenues			
Local option sales taxes		1,927,173	
Franchise tax		245,607	
Telecommunication tax		30,510	
Video programming tax		119,585	
Beer and wine tax		23,710	
Total	<u>1,842,000</u>	<u>2,346,585</u>	<u>504,585</u>
Restricted intergovernmental revenue			
Grants		148,290	
Solid waste disposal tax		4,249	
Total	<u>3,000</u>	<u>152,539</u>	<u>149,539</u>
Licenses and permits			
Zoning permits		33,450	
Total	<u>16,000</u>	<u>33,450</u>	<u>17,450</u>
Investment earnings			
Investment earnings		1,958	
Total	<u>30,000</u>	<u>1,958</u>	<u>(28,042)</u>
Other			
POA Rentals - Town Hall		28,011	
Community Center fees		9,410	
Other income		102,117	
Total	<u>105,800</u>	<u>139,538</u>	<u>33,738</u>
Total Revenues	<u>3,211,462</u>	<u>3,926,110</u>	<u>714,648</u>

Town of St. James, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	2021		Variance
	Budget	Actual	Favorable (Unfavorable)
Expenditures:			
General government			
Administration			
Board member expenses		988	
Professional services - legal		69,078	
Professional services - accounting		23,000	
Professional services - consulting		98,469	
GIS Services		4,760	
Training and education		3,305	
Community relations		4,454	
Salaries and employee benefits		333,605	
Collection fees		17,592	
Bank fees		111	
Processing fees		2,843	
Office supplies		7,607	
Material and supplies		3,635	
Computers and maintenance		28,534	
Miscellaneous		681	
Travel and transportation		406	
Telephone		14,406	
Cable		2,033	
Postage		577	
Brunswick County fire fees		50	
IT Support		15,557	
Legal advertising		1,790	
Equipment lease		8,717	
Insurance - general		905	
Dues and subscriptions		11,520	
Total	<u>656,841</u>	<u>654,623</u>	<u>2,218</u>

Town of St. James, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	2021		Variance
	Budget	Actual	Favorable (Unfavorable)
Community Center Operations			
Salaries and employee benefits		82,218	
Materials and supplies		7,356	
Telephone		1,357	
Music licenses		1,582	
Credit card fees		679	
Electricity and lighting		15,053	
Water, sewer and waste collection		1,120	
Equipment maintenance		8,099	
Cleaning services		29,605	
Art changes		150	
Copy machine lease payments		2,524	
Insurance		246	
Marketing		773	
Total	<u>176,450</u>	<u>150,762</u>	<u>25,688</u>
Facility Maintenance and Repair			
Pest control		1,550	
Security		2,118	
Building and pond maintenance		65,250	
Equipment maintenance		91,675	
Fire system/extinguisher maintenance		6,244	
Audio/IT consulting		3,967	
Facility insurance		15,357	
Capital outlay		12,211	
Total	<u>204,200</u>	<u>198,372</u>	<u>5,828</u>
Town Hall Operations			
Custodial services		19,957	
Electric service		36,319	
Water and sewer		902	
Waste collection		3,601	
Total	<u>62,000</u>	<u>60,779</u>	<u>1,221</u>
Total general government	<u>1,099,491</u>	<u>1,064,536</u>	<u>34,955</u>

Town of St. James, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	2021		Variance
	Budget	Actual	Favorable (Unfavorable)
Public Safety			
Fire protection service contract		609,718	
Emergency management		12,849	
Street lighting		378,292	
Animal control		11,593	
Total public safety	<u>1,035,000</u>	<u>1,012,452</u>	<u>22,548</u>
Transportation			
Landscaping Maxwell Drive		14,952	
Irrigation		1,034	
Total transportation	<u>19,000</u>	<u>15,986</u>	<u>3,014</u>
Environmental Protection			
Stormwater costs and Storm debris pickup		178,476	
Recycling		284,365	
Yard waste pickup		179,500	
St. James CARES		331	
UNCW Coop program		19,994	
Total environmental protection	<u>695,151</u>	<u>662,666</u>	<u>32,485</u>
Debt Service			
Principal		297,220	
Interest		65,599	
Total debt service	<u>362,820</u>	<u>362,819</u>	<u>1</u>
Total Expenditures	<u>3,211,462</u>	<u>3,118,459</u>	<u>93,003</u>
Revenues over (under) expenditures	<u>-</u>	<u>807,651</u>	<u>807,651</u>
Other financing sources (uses):			
Transfers from other funds	-	-	-
Fund balance appropriated	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other uses	<u>\$ -</u>	<u>807,651</u>	<u>\$ 807,651</u>
Fund Balance, beginning of year		3,231,613	
Fund Balance, end of year		<u>\$ 4,039,264</u>	

OTHER SCHEDULES

This section includes additional information on property taxes.

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

Town of St. James, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021		1,249,489	1,247,092	2,397
2019-2020	1445	-	813	632
2018-2019	190	-	102	88
2017-2018	108	-	79	29
2016-2017	103	-	97	6
2015-2016	195	-	23	172
2014-2015	36	-	15	21
2013-2014	26	-	1	25
2012-2013	83	-	8	75
2011-2012	25	-	18	7
	<u>2,211</u>	<u>1,249,489</u>	<u>1,248,248</u>	<u>3,452</u>

Reconciliation to revenues:

Ad valorem taxes - General Fund	1,251,088
Reconciling items:	
Penalties and interest received	(952)
Releases	<u>(1,888)</u>
Total collections and credits	<u>\$ 1,248,248</u>

Town of St. James, North Carolina
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2021

	Town - Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 2,082,481,667	\$ 0.06	\$ 1,249,489	\$ 1,171,463	\$ 78,026
Discoveries:					
Current year taxes	3,261,668	\$ 0.06	1,957	1,957	-
Total Discoveries	3,261,668		1,957	1,957	-
Total Property Valuation	\$ 2,085,743,334				
Net levy			1,251,446	1,173,420	78,026
Uncollected taxes at June 30, 2021			2,397	2,397	-
Current year's taxes collected			\$ 1,249,049	\$ 1,171,023	\$ 78,026
Current levy collection percentage			99.81%	99.80%	100.00%

COMPLIANCE SECTION



Thompson, Price, Scott, Adams & Co., P.A.
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Fax (910) 395-4872

**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
St. James, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of Town of St. James, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of St. James's basic financial statements, and have issued our report thereon dated September 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of St. James's internal control over financial reporting (internal control) as a basis for designing 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 Town of St. James's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of St. James's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021 - 001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of St. James's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of St. James's Response to Findings

The Town of St. James's 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 auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal 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.

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

Wilmington, North Carolina

September 10, 2021

Town of St. James, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021

Section I.	Summary of Auditor's Results
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Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? ☐yes ☒no
- Significant Deficiency(s) identified? ☒yes ☐no

Noncompliance material to financial
statements noted? ☐yes ☒no

Town of St. James, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2021

Section II – Financial Statement Findings

Significant Deficiency

Finding: 2021 - 001 Prior Period Adjustment

Criteria: The June 30, 2021, beginning Net Position was restated for a material Fixed Asset purchase that was not properly recorded in prior year audit.

Condition: Land purchased in prior period was expensed rather than included as a Capital asset in Government-Wide Financial Statements.

Context: Capital Assets did not show the full amount of Capital Outlay purchases in the 2020 Financial Statements.

Effect: 2020 Financial Statement Total net position and total assets were undervalued by \$381,933.

Identification of a repeat finding: This is not a repeat finding.

Cause: Financial statements was not properly reviewed in prior period.

Recommendation: The audit firm and Town management will better review the Financial Statements.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and has already taken action.

TOWN OF ST. JAMES

CORRECTIVE ACTION PLAN FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Section II – Financial Statement Findings

2021 - 001 Prior Period Adjustment

Name of Contact Person: Pauline Hara, Finance Officer

Corrective Action: The Town will implement a more rigorous review process for the Audited Financial Statements.

Proposed Completion Date: Immediately.