

TOWN OF ST. JAMES, NORTH CAROLINA

AUDITED FINANCIAL STATEMENTS

June 30, 2016

Town Council

Becky Dus, Mayor

Bruce Maxwell, Mayor Pro-Tem

Wayne Deutscher, Councilor

Don Lund, Councilor

Jean Toner, Councilor

Administrative and Financial Staff

Gary L. Brown, Town Administrator / Town Clerk

Barry Duncan, Finance Officer

TOWN OF ST. JAMES, NORTH CAROLINA
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June 30, 2016

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FINANCIAL SECTION

INDEPENDENT AUDITORS' 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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town of St. James's preparation and fair presentation of the financial statements in order design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of St. James'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 and each major fund of the Town of St. James, North Carolina as of June 30, 2016, and the respective changes in financial position 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

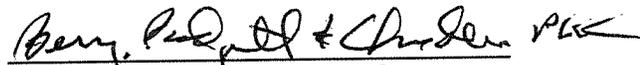
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on Exhibits A-1 and A-2, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's 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 basic financial statements of the Town of St. James, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules are presented for purposed of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and 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 by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


Berry, Padgett & Chandler PLLC

Southport, NC
November 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's (Council's) Discussion and Analysis

As Town Council and management of the Town of St. James, we offer readers of the Town of St. James' financial statements this narrative overview and analysis of the financial activities of the Town of St. James for the fiscal year ended June 30, 2016. 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 local economy continued improvement and housing starts in St. James has enabled the Town to continue with the tax rate at 5 cents per \$100.00 of real estate value. The citizens of the Town contribute considerable volunteer hours to help the Town meet all its needs in many areas, including, but not limited to, stormwater, waste management (the recycling program, and yard debris removal), emergency management, planning and zoning, membership and support for the St. James Fire Department, and other Town events. All of these efforts and many more contribute in a tangible way to keep the operational costs of the Town as low as possible.

The town has begun the construction of the extension of St. James Drive to intersect with Middleton Boulevard. NCDOT granted the authorization to break the access onto Middleton Boulevard. The extension of St. James Drive began with the selection of an engineering firm and proceeded through design phase in the fiscal year ending June 30, 2016

Financial Highlights

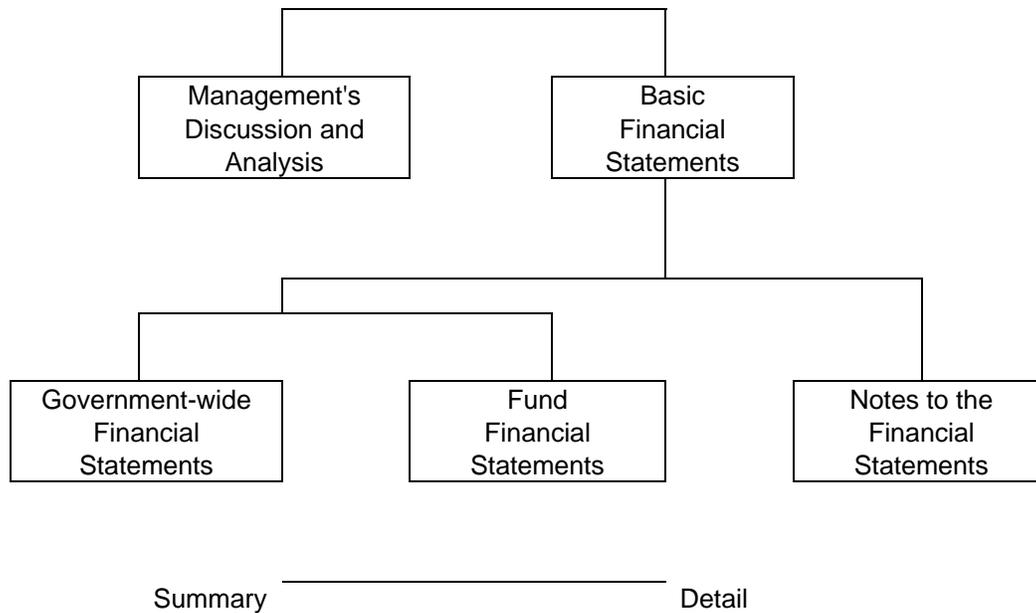
- The assets of the Town of St. James exceeded its liabilities at the close of the fiscal year by \$5,918,662 (net position).
- The government's total net position increased by \$285,520, primarily due to better than expected tax and shared revenues while maintaining control of expenditures.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,822,834, a decrease of \$62,891.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to 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 Reports

Figure 1



Basic Financial Statements

The first two statements (Exhibit 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 (Exhibit 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 General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of St. James, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of 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 governmental-wide financial statements. Some 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 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 and the Town Council. 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 legal budget document. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 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 are Exhibit 6 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information concerning the Town of St. James. The supplementary information can be found beginning with Exhibit A-1 of this report.

Government-Wide Financial Analysis

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 of St. James exceeded liabilities and deferred inflows by \$5,918,662 as of June 30, 2016. The Town's net position decreased by \$285,520 for the fiscal year ended June 30, 2016. The balance \$3,422,155 is unrestricted. The Town uses these revenues to provide services to citizens and for planning the future growth of the community.

Town of St. James' Net Position
Figure 2

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Current and other assets	3,812,084	3,868,432
Capital assets	5,586,175	5,531,890
Deferred outflows of revenue	<u>28,477</u>	<u>18,770</u>
Total assets and deferred outflows of resources	9,426,736	9,419,092
Long-term liabilities outstanding	3,384,728	3,721,080
Other liabilities	118,400	47,622
Deferred inflows of resources	<u>4,946</u>	<u>17,248</u>
Total liabilities and deferred inflows of resources	3,508,074	3,785,950
Net Position		
Investment in capital assets	2,208,599	1,818,719
Restricted	284,431	255,913
Unrestricted	<u>3,425,632</u>	<u>3,558,510</u>
Total Net Position	<u>5,918,662</u>	<u>5,633,142</u>

Of the Town's net position \$2,208,599 (37.3%) 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 capital 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.

As reflected by Exhibits A-5 through 8, a portion of the Town of St. James' fund balance \$1,592,073 (42.0%) represents resources that are subject to internal designation on how they may be used; \$1,090,934 for the Southern Access Road Project, \$160,751 for Municipal Facilities Capital Reserve, \$95,657 for Fire Department Facilities and Equipment Capital Reserve, and \$244,731 for Municipal Buildings Capital Reserve. The remainder of the unrestricted is unassigned.

Several particular aspects of the Town's financial operations influenced the total unrestricted governmental net assets:

- Retaining the tax rate of five cents per \$100 and the continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.87%.
- Maintaining operating expenses comparable to prior years.

Town of St. James' Net Position

Figure 3

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues:		
Environmental protection	2,527	5,405
Other	89,621	92,934
General revenues		
Property taxes	720,274	731,108
Other taxes	1,382,995	1,259,442
Investment earnings	10,254	2,406
Total revenues	<u>2,205,671</u>	<u>2,091,295</u>
Expenses		
General government	985,487	920,997
Public safety	508,579	491,516
Transportation		3,650
Environmental protection	327,791	316,043
Interest on long-term debt	<u>98,294</u>	<u>191,301</u>
Total expenses	1,920,151	1,923,507
Increase in net position	<u>285,520</u>	167,788
Net position, beginning	5,633,142	5,469,022
Prior period adjustment	-	<u>(3,668)</u>
Net position, beginning as restated	<u>-</u>	<u>5,465,354</u>
Net position, June 30	<u><u>5,918,662</u></u>	<u><u>5,633,142</u></u>

Governmental Activities - Governmental activities increased the Town's net position by \$285,520 thereby accounting for 100.00% of the total growth in the net position of the Town of St. James. Key elements of this increase are as follows:

- Property taxes
- Intergovernmental revenues
- Maintaining level of expenses at near prior year levels while adding the cost of operation and maintenance of the Town Hall and Community Center
- Replacement of reserves used for future capital needs

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's 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 \$1,822,834 while total fund balance reached

Management's Discussion and Analysis
Town of St. James

\$2,696,340. 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 88 percent of total General Fund expenditures, while total fund balance represents 130 percent of that same amount.

At June 30, 2016, the governmental funds of Town of St. James reported a combined fund balance of \$3,787,274, a 1 percent decrease from last year, including \$1,090,934 in the Southern Access Road Capital Project Fund.

Capital Asset and Debt Administration

Capital assets. The Town of St. James investment in capital assets for its governmental activities as of June 30, 2016, totals \$5,586,145 (net of accumulated depreciation). These assets include buildings, land, infrastructure, equipment, furniture and fixtures.

Major capital asset transactions during the year include the following additions;

- Emergency Access Bridge
- Design, planning and reserves for construction of the extension of St. James Drive to E. F. Middleton Boulevard

**Town of St. James' Net Position
(net of depreciation)
Figure 4**

	Governmental Activities	
	2016	2015
Land and other nondepreciable assets	729,463	524,139
Building	4,404,056	4,487,076
Infrastructure	43,834	45,453
Furniture and Fixtures	148,428	180,814
Equipment	260,364	294,408
Total	<u>5,586,145</u>	<u>5,531,890</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, 2016, the Town of St. James had total long-term debt outstanding of \$3,377,873. This amount is a Promissory Note with BB&T secured by the Town Hall and Community Center. Installment payment in the amount of \$362,820 is due annually and includes interest at 2.89%.

Outstanding Debt
Figure 5

Town of St. James' Outstanding Debt

	Governmental Activities	
	2016	2015
Note payable	3,377,576	3,700,000
Capital leases		13,171
Compensated absences	7,152	7,909
Total	<u>3,384,728</u>	<u>3,721,080</u>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent 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 \$115,650,400.

Additional information regarding the Town of St. James long-term debt can be found in note III, B, 6 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. There was one significant amendment to the budget to appropriate the funds to refinance the debt service.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities: Property taxes have been retained at .05 cents per \$100 of valuation which is expected to increase budgeted revenue by only 2 percent as a result of modest home construction. Maintaining the .05 cents tax rate will provide funds to meet the financial objectives of the town.

Budgeted expenditures in the General Fund are normally built on the basis of historical experience.

Request 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 Finance Officer, 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, 2016

EXHIBIT 1

	Governmental Activities	Total
ASSETS		
Current assets		
Cash and Equivalents	362,830	362,830
Investments	2,664,713	2,664,713
Taxes Receivable (net)	4,700	4,700
Accounts Receivable (net)	11,197	11,197
Accrued Interest Receivable on Taxes	1,348	1,348
Due from Other Governmental Agencies	266,157	266,157
Restricted Investments	501,139	501,139
Total current assets	3,812,084	3,812,084
Non-current assets		
Capital assets		
Land, improvements, and construction in progress	729,493	729,493
Other capital assets, net of depreciation	4,856,682	4,856,682
Total capital assets	5,586,175	5,586,175
Total non-current assets	5,586,175	5,586,175
Total assets	9,398,259	9,398,259
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan in current fiscal year	14,226	14,226
Deferred pension costs	14,251	14,251
Total deferred outflows of resources	28,477	28,477
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	18,762	18,762
Accrued Interest Payable	90,124	90,124
Current portion of long-term liabilities		
Bonds, capital leases and contracts	265,207	265,207
Compensated Absences	7,152	7,152
Current portion of long-term liabilities	272,359	272,359
Total current liabilities	381,245	381,245
Long-term Liabilities		
Net pension liability	9,514	9,514
Due in more than one year	3,112,369	3,112,369
Total liabilities	3,503,128	3,503,128
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	4,946	4,946
Total deferred inflow of resources	4,946	4,946
NET POSITION		
Net investment in capital assets	2,208,599	2,208,599
Restricted for:		
Stabilization by State Statute	280,831	280,831
Net pension asset	7,077	7,077
Unrestricted	3,422,155	3,422,155
Total net position	5,918,662	5,918,662

The accompanying notes are an integral part of the financial statements.

TOWN OF ST. JAMES, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

EXHIBIT 2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Primary government						
Governmental Activities						
General Government	985,487	83,741	-	-	(901,746)	(901,746)
Public Safety	508,579	5,880	-	-	(502,699)	(502,699)
Environmental Protection	327,791	-	2,527	-	(325,264)	(325,264)
Interest on long-term debt	98,294	-	-	-	(98,294)	(98,294)
Total governmental activities	<u>1,920,151</u>	<u>89,621</u>	<u>2,527</u>	<u>-</u>	<u>(1,828,003)</u>	<u>(1,828,003)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes					720,274	720,274
Other taxes					1,382,995	1,382,995
Unrestricted investment earnings					10,254	10,254
Total general revenues					<u>2,113,523</u>	<u>2,113,523</u>
Change in net position					<u>285,520</u>	<u>285,520</u>
Net position - beginning					<u>5,633,142</u>	<u>5,633,142</u>
Net position - ending					<u><u>5,918,662</u></u>	<u><u>5,918,662</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF ST. JAMES, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

EXHIBIT 3
Page 1 of 2

	Major Funds		
		Southern Access	Total
	General Fund	Road Capital Project	Governmental Funds
ASSETS			
Cash and cash equivalents	362,830	-	362,830
Investments	1,573,779	1,090,934	2,664,713
Restricted investments	501,139		501,139
Taxes receivable, net	4,700	-	4,700
Receivable from other governments	266,157	-	266,157
Other receivables	11,197	-	11,197
Prepaid expenses	-	-	-
Total assets	2,719,802	1,090,934	3,810,736
LIABILITIES			
Accounts payable	18,762	-	18,762
Total liabilities	18,762	-	18,762
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	4,700	-	4,700
Total deferred inflows of resources	4,700	-	4,700
FUND BALANCES			
Restricted			
Stabilization by State Statutes	280,831		280,831
Committed			
General Government	405,482		405,482
Public Safety	95,657		95,657
Transportation	-	1,090,934	1,090,934
Assigned			
Subsequent year's expenditures	95,013		95,013
Unassigned	1,819,357		1,819,357
Total fund balances	2,696,340	1,090,934	3,787,274
Total liabilities, deferred inflows of resources and fund balances	2,719,802	1,090,934	3,810,736

The accompanying notes are an integral part of the financial statements.

TOWN OF ST. JAMES, NORTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016

EXHIBIT 3
Page 2 of 2

Total fund balance, governmental funds		3,787,274
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	6,580,682	
Accumulated depreciation	<u>(994,507)</u>	5,586,175
Deferred outflows of resources related to pensions are not reported in the funds		
		28,477
Net pension asset		
		-
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.		
		1,348
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		
		4,700
The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		
		-
Deferred inflows of resources related to pensions are not reported in the funds		
		(4,946)
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		(3,377,576)
Compensated absences		(7,152)
Accrued interest		(90,124)
Net pension liability		(9,514)
		<hr/>
Net position of governmental activities		<u><u>5,918,662</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF ST. JAMES, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

EXHIBIT 4
Page 1 of 2

	Major Funds		
	<u>General Fund</u>	<u>Southern Access Road Capital Project</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	723,230	-	723,230
Other Taxes	33,436	-	33,436
Unrestricted intergovernmental revenues	1,349,559	-	1,349,559
Restricted intergovernmental revenues	2,527	-	2,527
Licenses and permits	5,880	-	5,880
Investment earnings	8,374	1,880	10,254
Miscellaneous revenues	83,741	-	83,741
	2,206,747	1,880	2,208,627
EXPENDITURES			
Current:			
General government	834,825	-	834,825
Public safety	514,347	-	514,347
Transportation	24,408	180,946	205,354
Environmental protection	327,791	-	327,791
Debt Service:			
Principal	335,595	-	335,595
Interest and other charges	40,725	-	40,725
	2,077,691	180,946	2,258,637
Excess (deficiency) of revenues over expenditures	129,056	(179,066)	(50,010)
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt, net	-	-	-
Transfers in	-	1,270,000	1,270,000
Transfers out	(1,270,000)	-	(1,270,000)
	(1,270,000)	1,270,000	-
Net change in fund balances	(1,140,944)	1,090,934	(50,010)
Fund balances - beginning	3,837,284	-	3,837,284
Fund balances - ending	2,696,340	1,090,934	3,787,274

TOWN OF ST. JAMES, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

EXHIBIT 4
Page 2 of 2

Net change in fund balances - total governmental funds: (50,010)

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

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

Capital Outlay	256,852
Depreciation	(184,598)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	14,226
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Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.	(17,969)
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Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	
Change in unavailable revenue for tax revenues	(2,732)
Change in accrued interest receivable on taxes	(224)

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 the 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.

Debt proceeds	-
Principal payments	335,595

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

Accrued interest not reflected on Governmental funds	(57,569)
Pension expense	(8,808)
Compensated absences	757

Change in net position of governmental activities	285,520
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The accompanying notes are an integral part of the financial statements.

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, 2016

EXHIBIT 5

	Budgeted Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	713,770	713,770	723,230	9,460
Other taxes	16,500	16,500	33,436	16,936
Unrestricted intergovernmental revenues	1,210,620	1,210,620	1,349,559	138,939
Restricted intergovernmental revenues	2,548	2,548	2,527	(21)
Licenses and permits	7,500	7,500	5,880	(1,620)
Investment earnings	2,800	2,800	5,902	3,102
Miscellaneous	84,111	84,111	83,741	(370)
Total revenues	2,037,849	2,037,849	2,204,275	166,426
EXPENDITURES				
Current:				
General government	838,600	877,141	834,825	42,316
Public Safety	505,650	542,699	514,347	28,352
Transportation	125,000	24,410	24,408	2
Environmental protection	345,300	334,100	327,791	6,309
Debt Service				
Principal	275,843	335,943	335,595	348
Interest	106,930	40,430	40,725	(295)
Contingency	10,582	10,582	-	10,582
Total Expenditures	2,207,905	2,165,305	2,077,691	87,614
Excess (deficiency) of revenues over expenditures	(170,056)	(127,456)	126,584	254,040
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	306,056	363,456	-	363,456
Proceeds from debt	-	-	-	-
Transfers in	-	1,170,000	1,170,000	-
Transfers out	(136,000)	(1,406,000)	(1,406,000)	-
Total other financing sources and uses	170,056	127,456	(236,000)	363,456
Net change in fund balances	-	-	(109,416)	(109,416)
Fund balance - beginning			2,304,617	
Fund balance - ending			2,195,201	
Legally budgeted Municipal Facilities Capital Reserve Funds and Fire Facilities Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Interest income			2,437	
Transfers in			136,000	
Transfers out			(1,170,000)	
Fund balance - beginning			1,532,667	
Fund balance - ending (Exhibit 4)			2,696,305	

The accompanying notes are an integral part of the financial statements.

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 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 of function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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. The primary expenditures are for public safety and administrative services. Under GASB 54 guidance the Municipal Facilities Capital Reserve Fund, The Fire Facilities Capital Reserve Fund and the Municipal Buildings Reserve Fund are consolidated in the General Fund. The budgetary comparison for these funds has been included in the supplemental information.

Southern Access Road Capital Project. This major governmental fund is used to account for the construction of a new access road to the Town.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus and Basis of Accounting (Continued)

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 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-reimbursements grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Municipal Facilities Capital Reserve Fund, the Fire Department Facilities Capital Reserve Fund, and the Municipal Buildings Capital Reserve Fund. All annual appropriations lapse at the fiscal-year end. A project ordinance is adopted for the Southern Access Road Capital Project. 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 object 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 Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 SuperNOW 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-Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

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

Money and investments in the Municipal Facilities Capital Reserve Fund, the Fire Department Facilities and Equipment Capital Reserve Fund, and the Municipal Building Capital Reserve Fund are classified as restricted assets because use of these funds is restricted to the purpose for which they are established under G. S. Chapter 159, Article 3, Part 2.

Town of St. James Restricted Assets

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Governmental Activities			
General Fund			
General Government Capital Outlay	-	405,482	405,482
Public Safety Capital Outlay	-	95,657	95,657
	<hr/>	<hr/>	<hr/>
Total governmental activities	-	501,139	501,139
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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, 2015.

5. Capital Assets

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

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

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

6. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, contributions made to the pension plan in the 2016 fiscal year and pension deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - property taxes receivable and deferral of pension expense that result from the implementation of GASB Statement 68.

7. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activity 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities, and Fund Equity (Continued)

8. Compensated Absences

The vacation policies of the Town provide for the accumulation of up to thirty (30) 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 current portion of the accumulated vacation pay is not considered to be material.

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

9. Net Position/Fund Balances

Net Position

Net position in government-wide financial statements are classified as invested in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or the 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 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:

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 - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Assets, Liabilities, and Fund Equity (Continued)

9. Net Position/Fund Balances (Continued)

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

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

Committed for Transportation – portion of fund balance that has been budgeted by Council for construction of a new access road to the Town.

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

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

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

The Town of St. James 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.

10. Pensions

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. 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 N.C. General Statutes

There are no material instances of non-compliance with N. C. General Statutes.

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 the units' name. 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 agent 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, and 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, 2016, the Town's deposits had a carrying amount of \$362,830 and a bank balance of \$438,315. All of the bank balance was covered by federal depository insurance. At June 30, 2016, the Town's petty cash fund was \$100.

2. Investments

At June 30, 2016, the Town's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
North Carolina Cash Management			
Trust - Cash Portfolio (Amortized Cost)	<u>3,165,852</u>	<u>N / A</u>	AAAm
	<u>3,165,852</u>		

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

Credit Risk. The Town's investment policy regarding credit risk requires diversification in securities empowered by North Carolina G.S.158-38(C). All investment in the town's portfolio are rated AAA by Standard and Poor's and Aaa by Moody's Investing Service.

III. DETAIL NOTES ON ALL FUNDS

A. Assets (Continued)

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

3. Capital Assets

Capital asset activity for the Town for the year ended June 30, 2016, was as follows:

	<u>Beginning Balances</u>	<u>Current Additions</u>	<u>Current Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	494,653			494,653
Construction in progress	29,486	205,354		234,840
Total assets not being depreciated	<u>524,139</u>	<u>205,354</u>	-	<u>729,493</u>
Capital assets being depreciated:				
Buildings	4,918,955	15,540		4,934,495
Furniture	323,852			323,852
Equipment	526,811	35,958	18,483	544,286
Infrastructure	48,556			48,556
Total assets being depreciated	<u>5,818,174</u>	<u>51,498</u>	<u>18,483</u>	<u>5,851,189</u>
Less accumulated depreciation for:				
Buildings	431,879	98,560		530,439
Furniture	143,038	32,386		175,424
Equipment	232,403	52,033	514	283,922
Infrastructure	3,103	1,619		4,722
Total accumulated depreciation	<u>810,423</u>	<u>184,598</u>	<u>514</u>	<u>994,507</u>
Net capital assets being depreciated	<u>5,007,751</u>			<u>4,856,682</u>
Governmental activity capital assets, net	<u><u>5,531,890</u></u>			<u><u>5,586,175</u></u>

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

General Government	178,316
Public Safety	<u>6,282</u>
Total depreciation expense	<u><u>184,598</u></u>

III. DETAIL NOTES ON ALL FUNDS

Construction commitments

The government has active construction projects as of June 30, 2016. At year-end, the Town's commitments are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Southern Access Road Capital Project	<u>180,946</u>	<u>1,089,064</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 law 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.

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Pension Plan Obligations (Continued)

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. 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, 2015, was 6.67% 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, 2016, the Town had no qualifying law enforcement officers. Contributions to the pension plan from the Town of St. James were \$14,226 for the year ended June 30, 2016.

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, 2016, the Town reported a liability of \$9,514 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the Town's proportion was 0.00212%, which was an increase of 0.00092% over its proportion measured as of June 30, 2014.

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Pension Plan Obligations (Continued)

For the year ended June 30, 2016, the Town recognized pension expense of \$8,656. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience		2,237
Net difference between projected and actual earnings on pension plan investments		2,709
Changes in proportion and differences between Town contributions and proportionate share of contributions	14,251	
Town contributions subsequent to the measurement date	<u>14,226</u>	
Total	<u><u>28,477</u></u>	<u><u>4,946</u></u>

\$14,226 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	838
2018	838
2019	830
2020	6,799
2021	-
Thereafter	<u>-</u>
Total	<u><u>9,305</u></u>

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Pension Plan Obligations (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 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, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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, 2015 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%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	<u>6.0%</u>	3.4%
Total	<u>100.0%</u>	

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

B. Pension Plan Obligations (Continued)

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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 7.25%. 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 7.25 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	66,342	9,514	(38,363)

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, 2016 were \$27,380, which consisted of \$10,650 from the Town and \$16,730 from the employees.

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

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:

<u>Source</u>	<u>Amount</u>
Deferred outflows of resources:	
Contribution to pension plan in current fiscal year	14,226
Changes in porportion and differences between employer contributions and proportionate share of contributions	14,251
	<u>14,251</u>
Total	<u><u>28,477</u></u>
Deferred Inflows of resources:	
Taxes receivable, less penalties (General Fund)	4,700
Differences between expected and actual experience	2,237
Net difference between projected and actual earnings on pension plan investments	2,709
	<u>2,709</u>
Total	<u><u>9,646</u></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 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 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.

III. DETAIL NOTES ON ALL FUNDS CONTINUED

3. Risk Management (Continued)

The Town carries commercial coverage for all other risk 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.

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, 2016, management knew of no pending legal actions that would have a material adverse effect on the Town's financial position.

B. Liabilities (Continued)

5. Long-Term Obligations

a. Notes Payable

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

Annual debt service payments of the installment contract as of June 30, 2016 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	265,207	97,612
2018	272,872	89,947
2019	280,758	82,061
2020	288,872	73,948
2021	297,220	65,599
2022-2026	1,620,019	194,078
2027	352,628	10,191
	<u>3,377,576</u>	<u>613,436</u>

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

b. Changes in Long-Term Liabilities

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Note Payable	3,700,000		322,424	3,377,576	265,207
Capitalized Leases	13,171		13,171	-	-
Net pension obligation (LGERF)	-	9,514		9,514	
Compensated absences	7,909	16,282	17,039	7,152	7,152
Governmental activities long-term debt	<u>3,721,080</u>	<u>25,796</u>	<u>352,634</u>	<u>3,394,242</u>	<u>272,359</u>

C. Interfund Transfers

Transfers to/from other funds at June 30, 2016, consist of the following:

<u>From</u>	<u>To</u>					
<u>General Fund</u>	<u>Southern Access Road Capital Project</u>	<u>Municipal Facilities Capital Reserve Fund</u>	<u>Municipal Building Capital Reserve Fund</u>	<u>Fire Facilities Capital Reserve Fund</u>		<u>Total</u>
General Fund	1,270,000	50,000	61,000	25,000		1,406,000
Municipal Facilities Capital Reserve Fund	1,170,000					1,170,000
Total	<u>1,170,000</u>	<u>1,270,000</u>	<u>50,000</u>	<u>61,000</u>	<u>25,000</u>	<u>2,576,000</u>

Transfers are used to move unrestricted revenues to finance various programs and projects that the government must account for in other funds in accordance with budgetary appropriations.

D. Net Investment in Capital Assets

	<u>Governmental</u>
Capital Assets	5,586,175
Less: Long-term debt	<u>3,377,576</u>
Net investment in capital assets	<u>2,208,599</u>

III. DETAIL NOTES ON ALL FUNDS (CONTINUED)

E. Fund Balance

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

Total fund balance-General Fund	<u>2,699,817</u>
Less:	
Stabilization by State Statute	277,354
Appropriated fund balance in 2016-2017 budget	95,013
Committed for General Government	405,482
Committed for Public Safety	<u>95,657</u>
Remaining fund balance	<u>1,826,311</u>

IV. JOINTLY GOVERNED ORGANIZATION

Cape Fear Council of Governments

The Town, in conjunction with four counties and thirty-two other municipalities established the Cape Fear Council of Governments (Council). The participating governments established the Council to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to the Council's governing Council. The Town paid membership fees of \$957 to the Council during the fiscal year ended June 30, 2016.

V. SUBSEQUENT EVENTS.

Events occurring after June 30, 2016 were evaluated by management on November 30, 2016 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 on property taxes.

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

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

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of St. James's proportion of the net pension liability (asset) (%)	0.21200%	0.00120%	0.00120%
Town of St. James's proportion of the net pension liability (asset) (\$)	9,514	(7,077)	10,797
Town of St. James' covered-employee payroll	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	5.68%	(4.63%)	7.97%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	102.64%	94.35%

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

EXHIBIT A-2

LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required Contribution	14,226	13,924	12,691
Contributions in relation to the contractually required contribution	<u>14,226</u>	<u>13,924</u>	<u>12,691</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
Town of St. James' covered-employee payroll	213,282	167,555	152,719
Contributions as a percentage of covered-employee payroll	6.67%	8.31%	8.31%

SUPPLEMENTARY STATEMENTS

TOWN OF ST. JAMES, NORTH CAROLINA
GENERAL FUND
COMPARATIVE BALANCE SHEET - BUDGETARY BASIS
June 30, 2016 and 2015

EXHIBIT A-3

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	362,830	780,547
Investments	1,573,779	1,290,301
Receivables (net):		
Taxes	4,700	7,432
Accounts	11,197	7,800
Interest	0	481
Other governments	<u>266,157</u>	<u>240,555</u>
TOTAL ASSETS	<u><u>2,218,663</u></u>	<u><u>2,327,116</u></u>
 LIABILITIES		
Accounts payable	<u>18,762</u>	<u>15,067</u>
Total liabilities	<u><u>18,762</u></u>	<u><u>15,067</u></u>
 DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	<u>4,700</u>	<u>7,432</u>
Total deferred inflows of resources	<u><u>4,700</u></u>	<u><u>7,432</u></u>
 FUND BALANCE		
Restricted		
Stabilization by State Statute	280,831	248,836
Committed		
Public Buildings		
Assigned		
Subsequent year's expenditure	95,013	170,056
Capital outlay	0	-
Unassigned	<u>1,819,357</u>	<u>1,885,725</u>
Total fund balances	<u><u>2,195,201</u></u>	<u><u>2,304,617</u></u>
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>2,218,663</u></u>	<u><u>2,327,116</u></u>

**TOWN OF ST. JAMES, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2016**

EXHIBIT A-4
Page 1 of 5

(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016		Variance Favorable (Unfavorable)	2015
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues				
Ad valorem				
Current year	713,000	718,273	5,273	727,337
Prior year	470	3,551	3,081	4,002
Penalties and interest	300	1,406	1,106	1,407
Total	<u>713,770</u>	<u>723,230</u>	<u>9,460</u>	<u>732,746</u>
Other taxes				
Franchise fees	16,500	33,436	16,936	14,243
Total	<u>16,500</u>	<u>33,436</u>	<u>16,936</u>	<u>14,243</u>
Unrestricted intergovernmental revenues				
Local option sales tax	860,000	966,256	106,256	864,106
Franchise tax	200,000	231,038	31,038	225,146
Telecommunications tax	39,500	35,324	(4,176)	39,715
Video programming tax	95,000	99,794	4,794	98,824
Beer and wine tax	16,120	17,147	1,027	17,408
Total	<u>1,210,620</u>	<u>1,349,559</u>	<u>138,939</u>	<u>1,245,199</u>
Restricted intergovernmental revenue				
Solid waste disposal tax	2,548	2,527	(21)	2,355
Total	<u>2,548</u>	<u>2,527</u>	<u>(21)</u>	<u>2,355</u>
Licenses and permits				
Zoning permits	7,500	5,880	(1,620)	7,248
Total	<u>7,500</u>	<u>5,880</u>	<u>(1,620)</u>	<u>7,248</u>
Investment earnings				
Investment earnings	2,800	5,902	3,102	1,424
Total	<u>2,800</u>	<u>5,902</u>	<u>3,102</u>	<u>1,424</u>
Miscellaneous				
POA Rentals-Town Hall	28,011	28,011	-	28,001
Community Center fees	56,100	55,730	(370)	57,095
Founder Days revenue	-	-	-	590
Other income	-	-	-	3,050
Total	<u>84,111</u>	<u>83,741</u>	<u>(370)</u>	<u>88,736</u>
Total revenues	<u>2,037,849</u>	<u>2,204,275</u>	<u>166,426</u>	<u>2,091,951</u>

**TOWN OF ST. JAMES, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2016**

EXHIBIT A-4
Page 2 of 5

(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	<u>2016</u>		Variance	<u>2015</u>
	<u>Budget</u>	<u>Actual</u>	Favorable	<u>Actual</u>
			(Unfavorable)	
<u>Expenditures</u>				
General government				
Governing body				
Board member expenses	3,000	2,297		2,953
Professional services - other	37,000	32,131		68,423
Professional services - accounting	21,740	21,710		20,875
Professional services - consulting	35,000	32,904		12,100
GIS Services	5,000	4,613		638
Training and education	2,500	2,125		1,150
Committee expenses	500	300		402
Volunteer recognition	-	-		1,664
Planning and zoning	2,000	1,676		622
Website	800	550		550
Fifteenth anniversary celebration	-	-		4,319
Elections	6,200	3,065		-
Insurance and bonding	3,400	3,116		3,387
Retirement credit buy back	-	-		8,456
Community relations	3,000	2,861	-	3,123
Total	<u>120,140</u>	<u>107,348</u>	<u>12,792</u>	<u>128,662</u>
Administration				
Salaries	180,217	180,106		153,892
Fringe benefits	67,107	66,594		46,078
Collection fees	12,000	11,161		11,905
Office supplies	3,000	2,409		4,002
Material and supplies	4,000	2,580		8,101
Computers and maintenance	25,000	23,908		3,933
VC3 Maintenance	42,000	41,775		9,045
Employee education	4,200	3,230		2,180
Travel and transportation	7,000	5,401		4,426
Telephone	11,150	9,644		8,964
Video	3,000	2,568		-
Postage	700	593		673
Utilities and lights	700	351		391
Equipment maintenance	-	-		2,457
IT Support	-	-		2,900
Legal advertising	1,200	927		1,186
Shredder collection	1,500	1,500		750
Equipment lease	8,700	8,498		7,771
Insurance - general	700	670		545
Dues and subscriptions	12,000	11,700		12,876
Capital outlay	-	-	-	18,483
Total	<u>384,174</u>	<u>373,615</u>	<u>10,559</u>	<u>300,558</u>

TOWN OF ST. JAMES, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2016

EXHIBIT A-4
Page 3 of 5

(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016		Variance Favorable (Unfavorable)	2015
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Community Center Operations				
Salaries	80,055	79,326		76,749
Fringe benefits	25,021	23,788		21,266
Materials and supplies	3,300	2,861		2,239
Janitorial and cleaning supplies	3,050	2,835		2,669
Travel and training	650	235		254
Telephone	2,000	1,360		1,913
Music Licenses	1,720	1,053		1,027
Credit card fees	640	542		635
Electricity and lighting	34,800	32,047		31,056
Water, sewer and waste collection	3,850	3,301		3,000
Equipment maintenance	3,100	2,151		2,312
Temporary help	13,200	12,905		13,415
Cleaning service	32,000	31,131		30,524
Special events cleaning	9,908	9,033		7,705
Copy machine lease payments	4,850	3,897		3,849
Insurance	8,000	6,899		6,867
Volunteers insurance	300	240		298
Marketing	2,775	2,717		2,369
Small capital items	-	5,955		-
Capital outlay	6,283	-	-	-
Total	<u>235,502</u>	<u>222,276</u>	<u>13,226</u>	<u>208,147</u>
Facility Maintenance and Repair				
Pest control	1,500	1,400		600
Security	3,000	1,055		4,072
Sign lighting	-	-		3,000
Outside lighting	14,500	14,111		14,135
Building and pond maintenance	50,900	49,716		77,645
Equipment maintenance	6,200	6,356		2,207
Fire system/extinguisher maintenance	3,600	2,796		5,231
Proven systems folding doors	2,025	2,025		850
Art changeout	950	871		751
Sidewalk repairs	-	-		1,850
AV/IT Whitlock Group	19,400	18,940		9,900
Facility insurance	5,250	5,248	-	4,536
Capital outlay- Storage building renovation	15,600	15,540	-	-
Total	<u>122,925</u>	<u>118,058</u>	<u>4,867</u>	<u>124,777</u>

**TOWN OF ST. JAMES, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2016**

EXHIBIT A-4
Page 4 of 5

(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016		Variance Favorable (Unfavorable)	2015
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Town Hall Operations				
Custodial services	8,300	7,761		6,000
Electric service	4,200	4,051		3,867
Water and sewer	1,100	939		842
Waste collection	<u>800</u>	<u>777</u>	-	<u>724</u>
Total	<u>14,400</u>	<u>13,528</u>	<u>872</u>	<u>11,433</u>
Total general government	<u>877,141</u>	<u>834,825</u>	<u>42,316</u>	<u>773,577</u>
Public Safety				
Traffic and road safety	500	456		-
Fire protection service contract	191,000	190,817		208,425
Emergency management	19,000	17,092		14,946
Street lighting	298,649	273,579		257,804
Deer culling	21,000	20,336		3,714
Fire wise program	500	17		345
Capital purchases	<u>12,050</u>	<u>12,050</u>	-	-
Total public safety	<u>542,699</u>	<u>514,347</u>	<u>28,352</u>	<u>485,234</u>
Transportation				
Capital outlay:				
Southern access road	<u>24,410</u>	<u>24,408</u>	<u>2</u>	<u>3,650</u>
Environmental Protection				
Stormwater assessment	7,100	5,798		8,540
Recycling	135,000	132,152		119,283
Yard waste pickup	172,000	171,517		164,970
White goods pickup	-	-		1,200
Storm debris removal	-	-		1,379
St. James P.R.I.D.E.	2,000	331		2,680
Summer intern program	<u>18,000</u>	<u>17,993</u>	-	<u>17,991</u>
Total environmental protection	<u>334,100</u>	<u>327,791</u>	<u>6,309</u>	<u>316,043</u>
Debt Service				
Principal	335,943	335,595		4,854,669
Interest	<u>40,430</u>	<u>40,725</u>	-	<u>340,817</u>
Total debt service	<u>376,373</u>	<u>376,320</u>	<u>53</u>	<u>5,195,486</u>
Contingency	<u>10,582</u>	-	<u>10,582</u>	-
Total expenditures	<u>2,165,305</u>	<u>2,077,691</u>	<u>87,614</u>	<u>6,773,990</u>

**TOWN OF ST. JAMES, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2016**

EXHIBIT A-4
Page 5 of 5

(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016		Variance Favorable (Unfavorable)	2015
	Budget	Actual	(Unfavorable)	Actual
Revenues over (under) expenditures	(127,456)	126,584	254,040	(4,682,039)
Other financing sources (uses)				
Fund balance appropriated	363,456	-	(363,456)	-
Proceeds of long-term debt	-	-	-	3,700,000
Transfers from other funds				
Municipal Facilities Capital Reserve Fund	1,170,000	1,170,000	-	-
USDA Mortgage Reserve Debt Service Fund	-	-	-	90,298
Transfers to other funds				
USDA Mortgage Reserve Debt Service Fund	-	-	-	(30,000)
Municipal Buildings Capital Reserve Fund	(61,000)	(61,000)	-	(61,000)
Southern Access Road Capital Project	(1,270,000)	(1,270,000)	-	-
Municipal Facilities Capital Reserve Fund	(50,000)	(50,000)	-	(100,000)
Fire Department Facilities and EquipmentCapi	(25,000)	(25,000)	-	(25,000)
Total other financing sources	127,456	(236,000)	(363,456)	3,574,298
Revenue and other sources over (under) expenditures and other uses	-	(109,416)	(109,416)	(1,107,741)
Fund balance, beginning of year		2,304,617		3,412,358
Fund balance, end of year		2,195,201		2,304,617

**TOWN OF ST. JAMES, NORTH CAROLINA
SOUTHERN ACCESS ROAD CAPITAL PROJECT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2016**

EXHIBIT A-5

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues					
Investment income					
Interest earned	-	-	1,880	1,880	1,880
Total revenues	-	-	1,880	1,880	1,880
Expenditures					
Transportation					
Consultant	25,000	-	2,525	2,525	22,475
Engineering design	110,000	-	83,161	83,161	26,839
Land acquisition	30,000	-	-	-	30,000
Construction	905,000	-	-	-	905,000
Miscellaneous	200,000	-	95,260	95,260	104,740
Total expenditures	1,270,000	-	180,946	180,946	1,089,054
Excess of (under) revenues over expenditures	(1,270,000)	-	(179,066)	(179,066)	1,090,934
Other financing sources (uses)					
Transfers from other funds	1,270,000	-	1,270,000	1,270,000	-
Excess of revenues and other sources over expenditures	-	-	1,090,934	1,090,934	1,090,934
Fund balance					
Beginning of year			-		
End of year			1,090,934		

**TOWN OF ST. JAMES, NORTH CAROLINA
MUNICIPAL FACILITIES CAPITAL RESERVE FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2016**

EXHIBIT A-6

(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016			2015
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenue				
Interest on Investment	-	1,566	1,566	785
Total Revenue	-	1,566	1,566	785
Expenditure				
Capital Purchases	-	-	-	-
Total Expenditure	-	-	-	-
Total Revenue over Expenditures	-	1,566	1,566	785
Other financing sources (uses)				
Fund balance appropriated	-	-	-	-
Transfer from General Fund	1,170,000	50,000	(1,120,000)	100,000
Transfer to General Fund	(1,170,000)	(1,170,000)	-	-
Total Other financing sources (uses)	-	(1,120,000)	(1,120,000)	100,000
Revenue and other financing sources in Excess of expenditure	-	(1,118,434)	(1,118,434)	100,785
Fund Balance, beginning		1,279,185		1,178,400
Fund Balance, ending		160,751		1,279,185

TOWN OF ST. JAMES, NORTH CAROLINA
FIRE DEPARTMENT FACILITIES AND EQUIPMENT CAPITAL RESERVE FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

EXHIBIT A-7

For the Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016		Variance	2015
	Budget	Actual	Positive (Negative)	Actual
REVENUE				
Investment Income	-	269	269	113
Total Revenue	-	269	269	113
EXPENDITURES				
Capital purchases	-	-	-	-
Total Expenditures	-	-	-	-
Total Revenue over Expenditures	-	269	269	113
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	-	-	-	-
Transfer from General Fund	-	25,000	25,000	25,000
Transfer to General Fund	-	-	-	-
Total other financing sources (uses)	-	25,000	25,000	25,000
Revenue and other financing sources in excess of expenditures	-	25,269	25,269	25,113
Fund Balance, beginning		70,388		45,275
Fund Balance, ending		95,657		70,388

TOWN OF ST. JAMES, NORTH CAROLINA
MUNICIPAL BUILDINGS CAPITAL RESERVE FNND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

EXHIBIT A-8

For the Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	2016		Variance Positive (Negative)	2015
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUE				
Investment Income	-	637	637	55
Total Revenue	-	637	637	55
EXPENDITURES				
Future asset purchases	-	-	-	-
Total Expenditures	-	-	-	-
Total Revenue over Expenditures	-	637	637	55
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	-	61,000	61,000	61,000
Total other financing sources (uses)	-	61,000	61,000	61,000
Revenue and other financing sources in excess of expenditures	-	61,637	61,637	61,055
Fund Balance, beginning		183,094		122,039
Fund Balance, ending		244,731		183,094

Town of St. James, North Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Reserve Funds (Budgetary Purposes Only)
For the Year Ended June 30, 2016

EXHIBIT A-9

	Municipal Facilities Capital Reserve Fund	Fire Department Facilities and Equipment Capital Reserve Fund	Municipal Buildings Capital Reserve Fund	Total-Other Governmental Funds
REVENUES				
Investment earnings	1,566	269	637	2,472
Total revenues	<u>1,566</u>	<u>269</u>	<u>637</u>	<u>2,472</u>
EXPENDITURES				
Current:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,566</u>	<u>269</u>	<u>637</u>	<u>2,472</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	25,000	61,000	136,000
Transfers out	<u>(1,170,000)</u>	<u>-</u>	<u>-</u>	<u>(1,170,000)</u>
Total other financing sources and uses	<u>(1,120,000)</u>	<u>25,000</u>	<u>61,000</u>	<u>(1,034,000)</u>
Net change in fund balances	(1,118,434)	25,269	61,637	(1,031,528)
Fund balances - beginning	<u>1,279,185</u>	<u>70,388</u>	<u>183,094</u>	<u>1,532,667</u>
Fund balances - ending	<u><u>160,751</u></u>	<u><u>95,657</u></u>	<u><u>244,731</u></u>	<u><u>501,139</u></u>

OTHER SCHEDULES

This section contains additional information required on property taxes.

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

TOWN OF ST. JAMES, NORTH CAROLINA
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2016

EXHIBIT B-1

	Uncollected Balance June 30, 2015	Additions	Collections and Credits	Uncollected Balance June 30, 2016
2015 - 2016		723,015	722,109	906
2014 - 2015	2,247		1,602	645
2013 - 2014	1,586		893	693
2012 - 2013	1,365		674	691
2011 - 2012	1,289		402	887
2010 - 2011	610		1	609
2009 - 2010	152		5	147
2008 - 2009	22		2	20
2007 - 2008	53		4	49
2006 - 2007	53			53
2005 - 2006	55	-	55	-
	7,432	723,015	725,747	4,700

Reconciliation with revenue:

Ad Valorem taxes - General Fund

723,230

Reconciling items:

Penalties and interest received

(1,406)

Releases

3,923

Total collections and credits

725,747

TOWN OF ST. JAMES, NORTH CAROLINA
 ANALYSIS OF CURRENT YEAR TAX LEVY
 June 30, 2016

EXHIBIT B-2

	Town-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Motor Vehicles	Registered Motor Vehicles
Original Levy					
Property taxed at					
- current year's rate	1,349,298,000	0.05	674,649	674,649	
Motor Vehicle taxed at			-		
current year's rate	96,332,000	0.05	48,166		48,166
Late fees	-		200	200	-
Total Property Valuation	<u>1,445,630,000</u>				
Net levy			723,015	674,849	48,166
Uncollected at June 30,			(906)	(906)	-
Current year's taxes collected			<u>722,109</u>	<u>673,943</u>	<u>48,166</u>
Current levy collection percentage			<u>99.87%</u>	<u>99.87%</u>	<u>100.00%</u>