

**Town of Salemburg,
North Carolina**

**Audited Financial Statements
For the Year Ended June 30, 2019**

Town Officials

Town of Salemburg, North Carolina

Joe Warren, Mayor

Bobby Tew, Mayor Pro-Tem

Commissioners

Shirley Cooper

Mack Honeycutt

Tommy Jackson

Arnold Page

Dickie Walters

Marilynn Walters, Clerk/Finance

**Town of Salemburg, North Carolina
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June 30, 2019**

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FINANCIAL SECTION

HAIGH, BYRD & LAMBERT, LLP

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FAYETTEVILLE, NORTH CAROLINA 28305

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Board of Commissioners
Town of Salemburg, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Salemburg, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Salemburg, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 15, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 43 and 44, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Salemburg's financial statements as a whole. The introductory information, individual fund statement and schedules and the statistical tables are presented for purposes of additional analysis and are not a required part of the financial statements.

The individual fund financial statement and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Haigh, Byrd + Lambert, LLP

Haigh, Byrd & Lambert, LLP

Fayetteville, North Carolina

October 21, 2019

Management's Discussion and Analysis Town of Salemburg

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

Financial Highlights

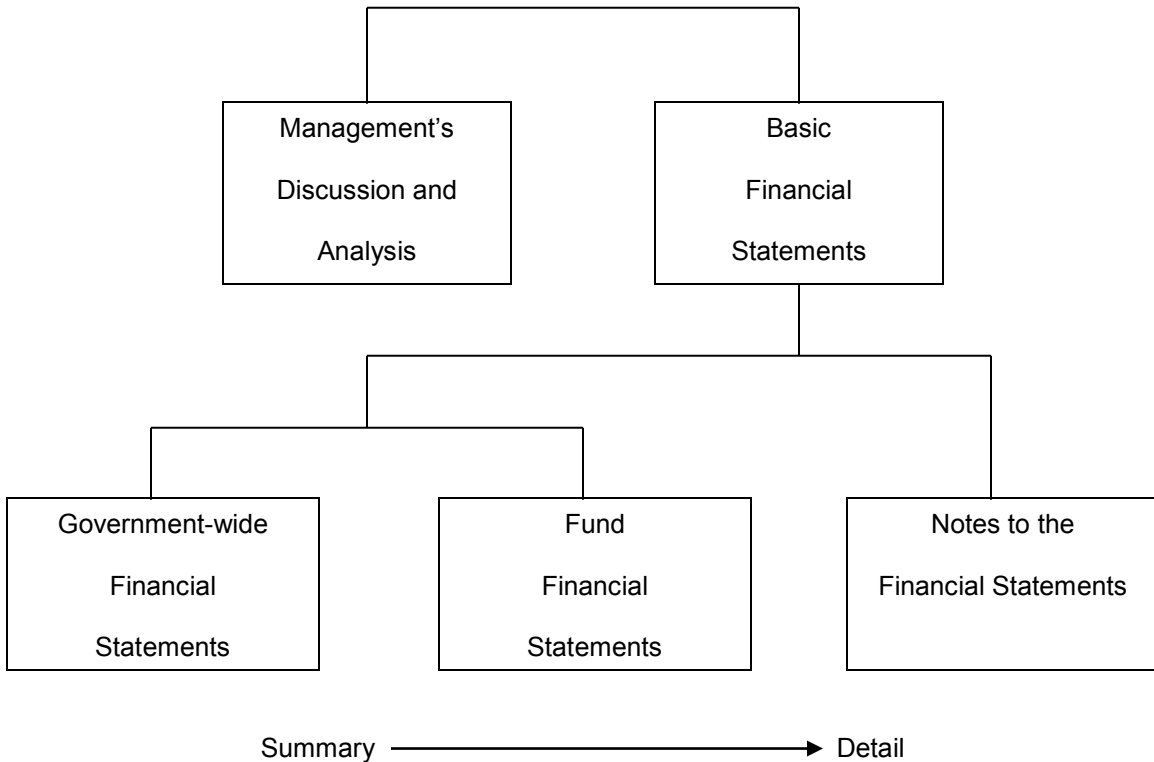
- The assets and deferred outflows of resources of the Town of Salemburg exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,814,100 (*net position*).
- The government's total net position decreased by \$33,420, due to decreases in the governmental activities and business-type net position.
- As of the close of the current fiscal year, the Town of Salemburg's governmental funds reported combined ending fund balances of \$581,160 an increase of \$9,437 in comparison with the prior year. Approximately 15.45 percent of this total amount, or \$89,797, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$393,835 or 111.84 percent of total general fund expenditures for the fiscal year.
- The Town of Salemburg had no long-term debt outstanding at June 30, 2019.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Salemburg's 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 Salemburg.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. 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.

Management's Discussion and Analysis
Town of Salemburg

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Salemburg.

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

Fund Financial Statements

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

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

Proprietary Funds – Town of Salemburg has one proprietary fund. An *Enterprise Fund* is used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Salemburg uses an enterprise fund to account for its water and sewer activity. This fund is the same as the function shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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 begin on page 26 of this report.

Interdependence with Other Entities – The Town depends on financial resources flowing from, or associated with, the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to State laws and State appropriations.

Government-Wide Financial Analysis

The Town of Salemburg's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 595,064	\$ 585,547	\$ 820,101	\$ 874,183	\$ 1,415,165	\$ 1,459,730
Capital assets	534,767	550,951	917,853	882,512	1,452,620	1,433,463
Deferred outflows of resources	17,466	13,910	24,119	14,478	41,585	28,388
Total asset and deferred outflows of resources	1,147,297	1,150,408	1,762,073	1,771,173	2,909,370	2,921,581
Current liabilities	13,199	13,079	37,956	30,950	51,155	44,029
Long term liabilities	18,433	14,148	25,455	14,726	43,888	28,874
Deferred inflows of resources	95	741	132	417	227	1,158
Total liabilities and deferred outflows of resources	31,727	27,968	63,543	46,093	95,270	74,061
Net position:						
Net investment in capital assets	534,767	550,951	917,853	882,512	1,452,620	1,433,463
Restricted	89,797	133,126	-	-	89,797	133,126
Unrestricted	491,006	438,363	780,677	842,568	1,271,683	1,280,931
Total net position	\$ 1,115,570	\$ 1,122,440	\$ 1,698,530	\$ 1,725,080	\$ 2,814,100	\$ 2,847,520

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 resources of the Town of Salemburg exceeded liabilities and deferred inflows of resources by \$2,814,100 as of June 30, 2019. The Town's net position decreased by \$33,420 for the fiscal year ended June 30, 2019. However, the largest portion \$1,452,620 (51.62%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Salemburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Salemburg's net investment in 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. An additional portion of the Town of Salemburg's net position \$89,797 (3.19%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,271,683 (45.19%) is unrestricted. Also, the Town of Salemburg implemented GASB Statement 68 last year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense.

Management's Discussion and Analysis
Town of Salemburg

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

- Collection of property taxes decreased slightly by 0.32% resulting in a total tax collection percentage of 99.68%, which is above the statewide average of 98.78%. The Town is responsible for billing and collecting property taxes excluding motor vehicle taxes. The Town's collection percentage for property taxes excluding motor vehicles is 100.00%, which is also above the statewide average.
- Total General Fund revenue increased \$32,456 (10.0%) in comparison to the prior year.
- Total General Fund expenditures increased \$48,266 (15.88%) in comparison to the prior year.
- There continued to be no long-term debt, as the Town did not have any new issues during the fiscal year.

Town of Salemburg Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 69,614	\$ 62,393	\$ 356,011	\$ 312,971	\$ 425,625	\$ 375,364
Operating grants and contributions	31,786	18,970	-	-	31,786	18,970
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	92,539	93,198	-	-	92,539	93,198
Other taxes	1,290	1,302	-	-	1,290	1,302
Other	173,104	153,826	1,985	1,488	175,089	155,314
Total revenues	<u>368,333</u>	<u>329,689</u>	<u>357,996</u>	<u>314,459</u>	<u>726,329</u>	<u>644,148</u>
Expenses:						
General government	130,931	149,987	-	-	130,931	149,987
Public safety	80,850	81,354	-	-	80,850	81,354
Transportation	90,989	22,045	-	-	90,989	22,045
Economic development	6,314	3,253	-	-	6,314	3,253
Environmental protection	63,193	74,505	-	-	63,193	74,505
Cultural and recreation	2,926	2,924	-	-	2,926	2,924
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	384,546	355,789	384,546	355,789
Total expenses	<u>375,203</u>	<u>334,068</u>	<u>384,546</u>	<u>355,789</u>	<u>759,749</u>	<u>689,857</u>
Increase (decrease) in net position before transfers	(6,870)	(4,379)	(26,550)	(41,330)	(33,420)	(45,709)
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	<u>(6,870)</u>	<u>(4,379)</u>	<u>(26,550)</u>	<u>(41,330)</u>	<u>(33,420)</u>	<u>(45,709)</u>
Net position, beginning	1,122,440	1,126,819	1,725,080	1,766,410	2,847,520	2,893,229
Net position, ending	<u>\$ 1,115,570</u>	<u>\$ 1,122,440</u>	<u>\$ 1,698,530</u>	<u>\$ 1,725,080</u>	<u>\$ 2,814,100</u>	<u>\$ 2,847,520</u>

Governmental activities. Governmental activities decreased the Town's net position by \$6,870. Key elements of this decrease are as follows:

- Current year depreciation expense exceeded capital outlay expenditures which were capitalized by \$16,184.
- The change in unavailable revenue for tax revenues decreased governmental net position by \$390.
- Governmental net position decreased by the increase in accrued liability for pension expense \$1,062.

Business-type activities: Business-type activities decreased the Town's net position by \$26,550. Key elements of this decrease are as follows:

- The proprietary fund experienced a decrease of \$61,088 on the modified accrual basis.
- Depreciation expense decreased business-type activities net position by \$69,339.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Salemburg's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Salemburg's financing requirements.

The general fund is the chief operating fund of the Town of Salemburg. At the end of the current fiscal year, fund balance available of the General Fund was \$465,835 while total fund balance reached \$555,632. As a measure of the general fund's liquidity, it may be useful to compare both fund balance available and total fund balance to total fund expenditures. Fund balance available represents 132 percent of total General Fund expenditures. Total fund balance represents 158 percent of total General Fund expenditures.

At June 30, 2019, the governmental funds of the Town of Salemburg reported a combined fund balance of \$581,160, a 1.6 percent increase from last year.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget. 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.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$780,677. The total decrease in net position was \$26,550. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Salemburg's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Salemburg's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$1,452,620 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

There were capital outlay expenditures of \$112,680 during the year.

Town of Salemburg's Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 61,902	\$ 61,902	\$ 25,256	\$ 25,256	\$ 87,158	\$ 87,158
Construction in progress	-	-	105,620	15,923	105,620	15,923
Buildings and systems	472,034	481,760	-	-	472,034	481,760
Improvements other than buildings	831	7,289	-	-	831	7,289
Machinery and equipment	-	-	29,693	41,224	29,693	41,224
Substations, lines, equipment	-	-	757,284	800,109	757,284	800,109
Total	\$ 534,767	\$ 550,951	\$ 917,853	\$ 882,512	\$ 1,452,620	\$ 1,433,463

Additional information on the Town's capital assets can be found in note III.A.4 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2019, the Town of Salemburg had no long-term debt outstanding.

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 Salemburg is \$2,489,940.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town of Salemburg.

Revenue from Sampson County is expected to remain approximately the same as in fiscal year 2019.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: The property tax rate will remain \$0.30 per \$100 of assessed value. The Town will continue to finance programs currently in place.

Business – type Activities:

Operating revenues and expenditures are expected to remain approximately the same in fiscal year 2020 as they were in 2019.

The rates for 2019-2020 are as follows:

Water rates:

In Town	\$10.50 flat fee w/ \$3.75 per 1,000 gallons
Out of Town	\$16.25 flat fee w/ \$5.25 per 1,000 gallons

Management's Discussion and Analysis
Town of Salemburg

Sewer rates:

In Town	\$10.50 flat fee w/ \$6.00 per 1,000 gallons
Out of Town	\$16.25 flat fee w/ \$7.75 per 1,000 gallons

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, P.O. Box 190, Salemburg, NC

BASIC FINANCIAL STATEMENTS

Town of Salemburg, North Carolina
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 504,335	\$ 754,397	\$ 1,258,732
Taxes receivable (net)	705	-	705
Accounts receivable (net)	1,137	46,129	47,266
Due from other governments	39,436	5,803	45,239
Restricted cash and cash equivalents	49,451	13,772	63,223
Total current assets	<u>595,064</u>	<u>820,101</u>	<u>1,415,165</u>
Non-current assets:			
Capital assets (Note 1):			
Land and non-depreciable improvements	61,902	130,876	192,778
Other capital assets, net of depreciation	472,865	786,977	1,259,842
Total capital assets	<u>534,767</u>	<u>917,853</u>	<u>1,452,620</u>
Total assets	<u>1,129,831</u>	<u>1,737,954</u>	<u>2,867,785</u>
Deferred Outflows of Resources:			
Pension Deferrals	17,466	24,119	41,585
Total deferred outflows of resources	<u>17,466</u>	<u>24,119</u>	<u>41,585</u>
Liabilities:			
Current liabilities:			
Accounts payable	12,399	15,464	27,863
Unearned revenue	-	8,720	8,720
Customer deposits	800	13,772	14,572
Total current liabilities	<u>13,199</u>	<u>37,956</u>	<u>51,155</u>
Long term liabilities:			
Net pension liability	18,433	25,455	43,888
Total liabilities	<u>31,632</u>	<u>63,411</u>	<u>95,043</u>
Deferred Inflows of Resources:			
Pension deferrals	95	132	227
Total deferred inflows of resources	<u>95</u>	<u>132</u>	<u>227</u>
Net Position:			
Net investment in capital assets	534,767	917,853	1,452,620
Restricted for:			
Stabilization by State Statute	40,346	-	40,346
Transportation	49,451	-	49,451
Unrestricted	491,006	780,677	1,271,683
Total net position	<u>\$ 1,115,570</u>	<u>\$ 1,698,530</u>	<u>\$ 2,814,100</u>

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

Town of Salemburg, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 130,931	\$ -	\$ 14,605	\$ -	\$ (116,326)	\$ -	\$ (116,326)
Public safety	80,850	-	-	-	(80,850)	-	(80,850)
Transportation	90,989	-	16,745	-	(74,244)	-	(74,244)
Economic and physical development	6,314	13,750	-	-	7,436	-	7,436
Environmental protection	63,193	55,864	316	-	(7,013)	-	(7,013)
Cultural and recreation	2,926	-	120	-	(2,806)	-	(2,806)
Total governmental activities	375,203	69,614	31,786	-	(273,803)	-	(273,803)
Business-type activities:							
Water and sewer	384,546	356,011	-	-	-	(28,535)	(28,535)
Total primary government	\$ 759,749	\$ 425,625	\$ 31,786	\$ -	(273,803)	(28,535)	(302,338)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					92,539	-	92,539
Other taxes					1,290	-	1,290
Grants and contributions not restricted to specific programs					156,360	-	156,360
Unrestricted investment earnings					1,551	1,985	3,536
Miscellaneous					15,193	-	15,193
Total general revenues and transfers					266,933	1,985	268,918
Change in net position					(6,870)	(26,550)	(33,420)
Net position, beginning					1,122,440	1,725,080	2,847,520
Net position, ending					\$ 1,115,570	\$ 1,698,530	\$ 2,814,100

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

Town of Salemburg, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	Major Fund	Non-Major Fund	Total
	General Fund	Rental Buildings Fund	Governmental Funds
Assets:			
Cash and cash equivalents	\$ 478,234	\$ 26,101	\$ 504,335
Restricted cash	49,451	-	49,451
Receivables, net:			
Taxes	705	-	705
Accounts	1,137	-	1,137
Due from other governments	39,209	227	39,436
Total assets	\$ 568,736	\$ 26,328	\$ 595,064
Liabilities:			
Accounts payable and accrued liabilities	\$ 12,399	\$ -	\$ 12,399
Customer deposits	-	800	800
Total liabilities	12,399	800	13,199
Deferred Inflows of Resources:			
Property taxes receivable	705	-	705
Total deferred inflows of resources	705	-	705
Fund Balances:			
Restricted			
Stabilization by State statute	40,346	-	40,346
Streets-Powell Bill	49,451	-	49,451
Assigned			
Economic Development	-	25,528	25,528
Subsequent year's expenditures	72,000	-	72,000
Unassigned	393,835	-	393,835
Total fund balances	555,632	25,528	581,160
Total liabilities, deferred inflows of resources and fund balances	\$ 568,736	\$ 26,328	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	534,767
Deferred outflows of resources related to pensions are not reported in the funds	17,466
Earned revenues considered deferred inflows of resources in fund statements	705
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Net pension liability	(18,433)
Deferred inflows of resources related to pensions are not reported in the funds	(95)
Net position of governmental activities	\$ 1,115,570

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

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

	Major Fund	Non-Major Fund	Total
	General Fund	Rental Buildings Fund	Governmental Funds
Revenues:			
Ad valorem taxes	\$ 92,114	\$ -	\$ 92,114
Other taxes and licenses	1,290	-	1,290
Unrestricted intergovernmental	156,360	-	156,360
Restricted intergovernmental	31,666	-	31,666
Permits and fees	1,180	-	1,180
Sales and services	55,864	12,570	68,434
Investment earnings	1,517	34	1,551
Local contributions	120	-	120
Miscellaneous	15,193	-	15,193
Total revenues	355,304	12,604	367,908
Expenditures:			
Current:			
General government	116,415	-	116,415
Public safety	80,850	-	80,850
Transportation	91,191	-	91,191
Economic and physical development	-	6,314	6,314
Environmental protection	63,640	-	63,640
Culture and recreation	61	-	61
Total expenditures	352,157	6,314	358,471
Net change in fund balance	3,147	6,290	9,437
Fund balances, beginning	552,485	19,238	571,723
Fund balances, ending	\$ 555,632	\$ 25,528	\$ 581,160

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

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

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

Net changes in fund balances - total governmental funds		\$ 9,437
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 8,000	
Depreciation expense for governmental assets	<u>(24,184)</u>	(16,184)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		5,456
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in deferred revenue for tax revenues		301
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Pension expense		(5,880)
Total changes in net position of governmental activities		<u><u>\$ (6,870)</u></u>

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

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

	General Fund			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 94,950	\$ 94,950	\$ 92,114	\$ (2,836)
Other taxes and licenses	1,400	1,400	1,290	(110)
Unrestricted intergovernmental	148,400	148,400	156,360	7,960
Restricted intergovernmental	18,300	18,300	31,666	13,366
Permits and fees	1,600	1,600	1,180	(420)
Sales and services	56,250	56,250	55,864	(386)
Investment earnings	900	900	1,517	617
Local contributions	1,500	1,500	120	(1,380)
Miscellaneous	1,000	1,000	15,193	14,193
Total revenues	<u>324,300</u>	<u>324,300</u>	<u>355,304</u>	<u>31,004</u>
Expenditures:				
Current:				
General government	135,800	135,800	116,415	19,385
Public safety	82,200	82,200	80,850	1,350
Transportation	89,600	89,600	91,191	(1,591)
Environmental protection	74,550	74,550	63,640	10,910
Cultural and recreational	2,850	2,850	61	2,789
Total expenditures	<u>385,000</u>	<u>385,000</u>	<u>352,157</u>	<u>32,843</u>
Revenues over (under) expenditures	(60,700)	(60,700)	3,147	63,847
Fund balance appropriated	<u>60,700</u>	<u>60,700</u>	-	(60,700)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	3,147	<u>\$ 3,147</u>
Fund balance, beginning			<u>552,485</u>	
Fund balance, ending			<u>\$ 555,632</u>	

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

Town of Salemburg, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2019

	Water and Sewer Fund
Assets:	
Current assets:	
Cash and cash equivalents	\$ 754,397
Accounts receivable (net) - billed	33,774
Accounts receivable (net) - unbilled	12,355
Due from other governments	5,803
Restricted cash and cash equivalents	13,772
Total current assets	820,101
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	130,876
Other capital assets, net of depreciation	786,977
Capital assets (net)	917,853
Total noncurrent assets	917,853
Total assets	\$ 1,737,954
Deferred Outflows of Resources:	
Pension deferrals	\$ 24,119
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	15,464
Customer deposits	13,772
Unearned revenue	8,720
Total current liabilities	37,956
Noncurrent liabilities:	
Net pension liability	25,455
Total noncurrent liabilities	25,455
Total liabilities	63,411
Deferred Inflows of Resources:	
Pension deferrals	132
Net Position	
Net investment in capital assets	917,853
Unrestricted	780,677
Total net position	\$ 1,698,530

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

Town of Salemburg, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2019

	Water and Sewer Fund
Operating Revenues:	
Charges for services	\$ 325,432
Water and sewer taps	8,375
Water and sewer reconnection fees	539
Other operating revenues	21,665
Total operating revenues	356,011
Operating Expenses:	
Administration	315,207
Depreciation	69,339
Total operating expenses	384,546
Operating income (loss)	(28,535)
Nonoperating Revenues (Expenses):	
Investment earnings	1,985
Total nonoperating revenues (expenses)	1,985
Change in net position	(26,550)
Net position, beginning	1,725,080
Net position, ending	\$ 1,698,530

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

Town of Salemburg, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	Water and Sewer Fund
Cash Flows From Operating Activities:	
Cash received from customers	\$ 319,926
Cash paid for goods and services	(177,599)
Cash paid to or on behalf of employees for services	(130,851)
Customer deposits received	1,050
Other operating revenues	21,665
Net cash provided (used) by operating activities	34,191
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(104,680)
Net cash provided (used) by capital and related financing activities	(104,680)
Cash Flows From Investing Activities:	
Interest and dividends	1,985
Net increase (decrease) in cash and cash equivalents	(68,504)
Balances, beginning	836,673
Balances, ending	\$ 768,169
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ (28,535)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	69,339
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(11,530)
(Increase) decrease in other current assets	(2,890)
Decrease deferred outflows of resources for pensions	(9,641)
Decrease in net pension liability	10,729
Increase in deferred inflows of resources - pensions	(285)
Increase (decrease) in accounts payable and accrued liabilities	5,954
Increase (decrease) in customer deposits	1,050
Total adjustments	62,726
Net cash provided by operating activities	\$ 34,191

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

Town of Salemburg, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Salemburg 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 Salemburg is a municipal corporation that is governed by an elected mayor and six commissioners. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental fund:

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

Notes to the Financial Statements

The Town reports the following non-major governmental fund:

Rental Buildings Fund - This fund is used to account for the rental activities of three office units and a house owned by the Town.

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special

Notes to the Financial Statements

tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

The Town's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund, the Rental Buildings Fund, and the Water and Sewer Fund. All annual appropriations lapse at fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. During the year, one amendment was made to the original budget. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town are made in board-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).

In accordance with State law, the Town has invested in bank certificates of deposit and money market accounts, and these accounts are stated at fair value.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Notes to the Financial Statements

3. Restricted Assets

Powell Bill funds are classified as restricted cash for transportation because it can be expended only for purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Town of Salemburg Restricted Cash

Governmental Activities

General Fund	Streets	\$ 49,451
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Business-type Activities

Water and Sewer Fund	Customer Deposits	\$ 13,772
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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. The taxes levied are based on the assessed values as of January 1, 2018.

5. Allowances for Doubtful Accounts

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The minimum capitalization costs are \$2,000 for furniture and equipment, vehicles and building improvements and \$25,000 for infrastructure. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Other improvements	20 years
Water and sewer system	10-50 years
Equipment	5-10 years
Building	40 years

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item

Notes to the Financial Statements

that meets this criterion, contributions made to the pension plan in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category - prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

8. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In fund financial statements, governmental fund types report the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The Town had no long-term debt outstanding at June 30, 2019.

9. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town, the current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported.

The Town's sick leave policy provides for the accumulation of earned sick leave for an indefinite period. 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 does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of 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:

Non-spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. There were no amounts classified as non-spendable fund balance at fiscal year end June 30, 2019.

Notes to the Financial Statements

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

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

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Salemburg's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. There were no amounts classified as committed fund balance at fiscal year end June 30, 2019.

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

Economic Development – portion of fund balance that is intended to be used for the Rental Buildings Fund.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified as 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 Salemburg has not formally adopted a minimum fund balance policy for the general fund as of June 30, 2019.

11. 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 Salemburg's employer contributions are recognized when due and the Town of Salemburg 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.

Notes to the Financial Statements

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for transportation expenditures by \$1,591.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All 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 agent in the unit's 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 their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the 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 for collateralized public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$1,220,880 and a bank balance of \$1,223,643. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$125.

2. Investments

At June 30, 2019 the Town of Salemburg had \$100,950 invested with the North Carolina Management's Trust Cash Portfolio which carries a credit rating of AAAM by Standard and Poor's. The Town policy regarding credit risk..

Interest Rate Risk

The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's practice is to limit its investments to certificates of deposit with maturity dates ranging from 30 to 60 days from date of purchase.

Notes to the Financial Statements

3. Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

Enterprise Fund	
Allowance for uncollectible water and sewer fees	\$ 1,000

4. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 61,902	\$ -	\$ -	\$ 61,902
Capital assets being depreciated:				
Other improvements	140,408	-	-	140,408
Buildings	678,921	8,000	-	686,921
Equipment	93,552	-	-	93,552
Vehicles	22,642	-	-	22,642
Total capital assets being depreciated	<u>935,523</u>	<u>8,000</u>	<u>-</u>	<u>943,523</u>
Less accumulated depreciation for:				
Other improvements	133,119	6,458	-	139,577
Buildings	197,161	17,726	-	214,887
Equipment	93,552	-	-	93,552
Vehicles	22,642	-	-	22,642
Total accumulated depreciation	<u>446,474</u>	<u>\$ 24,184</u>	<u>\$ -</u>	<u>470,658</u>
Total capital assets being depreciated, net	<u>489,049</u>			<u>472,865</u>
Governmental activity capital assets, net	<u>\$ 550,951</u>			<u>\$ 534,767</u>

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

General government	\$ 21,319
Cultural and recreational	2,865
Total depreciation expense	<u>\$ 24,184</u>

Notes to the Financial Statements

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 25,256	\$ -	\$ -	\$ 25,256
Construction in progress	15,923	89,697	-	105,620
Total capital assets not being depreciated	41,179	89,697	-	130,876
Capital assets being depreciated:				
Plant and distribution systems	2,564,535	14,113	-	2,578,648
Furniture and maintenance equipment	199,850	870	-	200,720
Vehicles	47,324	-	-	47,324
Total capital assets being depreciated	2,811,709	14,983	-	2,826,692
Less accumulated depreciation for:				
Plant and distribution systems	1,764,426	56,938	-	1,821,364
Furniture and maintenance equipment	158,626	12,401	-	171,027
Vehicles	47,324	-	-	47,324
Total accumulated depreciation	1,970,376	\$ 69,339	\$ -	2,039,715
Total capital assets being depreciated, net	841,333			786,977
Business-type activity capital assets, net	\$ 882,512			\$ 917,853

B. Liabilities

1. Pension Plan Obligations

a. Local Government Employees' Retirement System

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

Notes to the Financial Statements

while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Salemburg 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 Salemburg's contractually required contribution rate for the year ended June 30, 2019, was 7.84% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Salemburg were \$12,657 for the year ended June 30, 2019.

The Town has no covered-employees engaged in law enforcement as these services are contracted with Sampson County.

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

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

At June 30, 2019, the Town reported a liability of \$43,888 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.00185% which was decrease of .00004% from its proportion measured June 30, 2018.

Notes to the Financial Statements

For the year ended June 30, 2019, the Town recognized pension expense of \$14,000. At June 30, 2019, 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 expected and actual experience	\$ 6,771	\$ 227
Changes of assumptions	11,646	-
Net difference between projected and actual earnings on pension plan investments	6,025	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,486	-
Town contributions subsequent to the measurement date	12,657	-
Total	<u>\$ 41,585</u>	<u>\$ 227</u>

\$10,997 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	13,461
2021		9,102
2022		2,297
2023		3,838
2024		-
Thereafter		-

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	:	3.0 percent
Salary increases	:	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	:	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Notes to the Financial Statements

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

Notes to the Financial Statements

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 105,424	\$ 43,888	(\$7,531)

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.

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end are comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 12,657
Differences between expected and actual expenses	6,771
Changes in assumptions	11,646
Net difference between projected and actual earnings on pension plan investments	6,025
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,486
Total	\$41,585

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 705
Pension deferrals	227	-
Total	\$ 227	\$ 705

Notes to the Financial Statements

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 carries commercial property, general liability, and worker's compensation insurance coverage as follows:

- \$1,000,000 on liability lines (excluding automobile coverage), \$2,196,968 property, \$58,399 scheduled and blanket equipment (not including emergency service equipment).
- \$1,000,000 liability, uninsured and underinsured motorist, \$5,000 med pay, \$500 comprehensive deductibles.
- Part A Workers' compensation is the NC Statutory Limits; Part B employers' liability is \$100,000 bodily injury by accident per occurrence, \$500,000 bodily injury by disease policy limit, \$100,000 bodily injury by disease per employee.

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 has no flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000, and the tax collector is bonded for \$10,000.

4. Claims, Judgments, and Contingent Liabilities

At June 30, 2019, there were no lawsuits against the Town that materially impact its financial statements.

5. Long-Term Obligations

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 Salemburg is \$2,489,940.

C. Fund Balance

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

Total fund balance-General Fund	\$ 555,632
Less:	
Stabilization by State Statute	40,346
Streets-Powell Bill	49,451
Assigned fund balance in 2019-2020 budget	72,000
Remaining Fund Balance	393,835

The Town has not adopted a formal minimum fund balance policy.

Notes to the Financial Statements

IV. Related Party Transactions

The Town of Salemburg transacted business with related parties to the Town under the guidelines of state law (G.S. 14-234). The transactions were carried out in the normal course of the Town's operations. Gas and vehicle repairs under a fleet program with Valero Marketing & Supply are processed through a business owned by a Commissioner. The amounts processed totaled \$1,538 for the 2019 fiscal year.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Subsequent Events

Subsequent events have been evaluated through October 21, 2019, which is the date the financial statements were available to be issued.

End of Notes Section

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REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Town of Salemburg's Proportionate Share of Net Pension Liability
 - Local Government Employees' Retirement System
- Town of Salemburg's Contributions
 - Local Government Employees' Retirement System

Town of Salemburg, North Carolina
Town of Salemburg's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Four Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Salemburg's proportion of the net pension liability (asset) (%)	0.00185%	0.00189%	0.00168%	0.00160%
Salemburg's proportion of the net pension liability (asset) (\$)	\$ 43,888	\$ 28,874	\$ 35,655	\$ 7,181
Salemburg's covered-employee payroll	\$ 161,443	\$ 146,630	\$ 134,518	\$ 143,905
Salemburg's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.18%	19.69%	26.51%	4.99%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%

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

**Town of Salemburg, North Carolina
Town of Salemburg's Contributions
Required Supplementary Information
Last Four Fiscal Years**

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 12,657	\$ 11,188	\$ 9,954	\$ 9,800
Contributions in relation to the contractually required contribution	12,657	11,188	9,954	9,800
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Salemburg's covered-employee payroll	\$ 161,443	\$ 146,630	\$ 134,518	\$ 143,905
Contributions as a percentage of covered-employee payroll	7.84%	7.63%	7.40%	6.81%

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

**INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 91,908	\$
Penalties and interest		206	
Total	94,950	92,114	(2,836)
Other taxes and licenses:			
Vehicle license		1,290	
Total	1,400	1,290	(110)
Unrestricted intergovernmental:			
Local option sales tax		116,340	
Telecommunications sales tax		4,182	
Piped natural gas tax		2,436	
Video franchise fees		3,631	
Utility franchise tax		29,771	
Total	148,400	156,360	7,960
Restricted intergovernmental:			
Powell Bill allocation		16,745	
FEMA Disaster grants		14,605	
Solid waste disposal tax		316	
Total	18,300	31,666	13,366
Permits and fees:			
Zoning permits	1,600	1,180	(420)
Sales and services:			
Garbage fees		42,379	
Recycle collection fees		10,302	
Mosquito control		2,803	
Fire inspection		380	
Total	56,250	55,864	(386)
Investment earnings	900	1,517	617
Local contributions:			
Museum contributions		120	
Total	1,500	120	(1,380)
Miscellaneous:			
Miscellaneous	1,000	15,193	14,193
Total revenues	324,300	355,304	31,004

cont.

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

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

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
General government:			
Salaries and employee benefits	\$	\$ 69,267	\$
Mayor and commissioners' fees		12,864	
Advertising		429	
Insurance		6,786	
Professional fees		6,479	
Utilities and telephone		3,805	
Supplies		1,387	
Dues		997	
Repairs and maintenance		766	
Travel		478	
Other operating expenses		5,157	
Capital outlay		8,000	
Total general government	135,800	116,415	19,385
Public safety:			
Police:			
Salaries and employee benefits		50,596	
Insurance		6,088	
Supplies		24	
Vehicle operations		6,426	
Total	63,700	63,134	566
Fire:			
Salaries and employee benefits		216	
Contributions to fire and rescue		15,000	
Fire inspection		2,500	
Total	18,500	17,716	784
Total public safety	82,200	80,850	1,350
Transportation:			
Streets:			
Salaries and employee benefits		2,981	
Repairs and maintenance		71,109	
Utilities		11,163	
Insurance		1,159	
Supplies		4,013	
Vehicle operations		766	
Total transportation	89,600	91,191	(1,591)

cont.

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

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

	Budget	Actual	Variance Favorable (Unfavorable)
<i>(Expenditures continued)</i>			
Environmental protection:			
Solid waste:			
Salaries and employee benefits	\$	\$ 5,801	\$
Contracted services		49,691	
Insurance		1,041	
Repairs and maintenance		699	
Supplies		89	
Vehicle operations		1,343	
Total	67,200	58,664	8,536
Cemetery:			
Contracted services		3,000	
Total	3,000	3,000	-
Mosquito abatement:			
Salaries and employee benefits		780	
Repairs and maintenance		140	
Supplies		1,056	
Total	4,350	1,976	2,374
Total environmental protection	74,550	63,640	10,910
Museum:			
Supplies		61	
Total	2,850	61	2,789
Total cultural and recreational	2,850	61	2,789
Total expenditures	385,000	352,157	32,843
Revenues over (under) expenditures	(60,700)	3,147	63,847
Fund balance appropriated (surplus)	60,700	-	(60,700)
Net change in fund balance	\$ -	3,147	\$ 3,147
Fund balance, beginning		552,485	
Fund balance, ending		\$ 555,632	

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

Town of Salemburg, North Carolina
Non-Major Governmental Fund
Rental Buildings Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Rental income	\$	\$ 12,570	\$
Investment earnings		34	
Total	7,200	12,604	5,404
Expenditures:			
Contract labor		225	
Insurance		990	
Repairs and maintenance		3,325	
Supplies		5	
Utilities		1,769	
Total	7,200	6,314	886
Net change in fund balance	\$ -	6,290	\$ 6,290
Fund balance, beginning		19,238	
Fund balance, ending		\$ 25,528	

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

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues:			
Charges for services:			
Water and sewer charges	\$	\$ 319,877	\$
Water and sewer taps		8,375	
Water and sewer reconnection fees		539	
Penalties		5,555	
Total	<u>307,900</u>	<u>334,346</u>	<u>26,446</u>
Other operating revenues	<u>600</u>	<u>21,665</u>	<u>21,065</u>
Total operating revenues	<u>308,500</u>	<u>356,011</u>	<u>47,511</u>
Nonoperating revenues:			
Interest on investments	<u>1,500</u>	<u>1,985</u>	<u>485</u>
Total revenues	<u>310,000</u>	<u>357,996</u>	<u>47,996</u>
Operating expenses other than depreciation:			
Salaries and employee benefits		130,851	
Utilities		13,024	
Repairs and maintenance		60,838	
Supplies		14,846	
Insurance		10,805	
Professional services		23,229	
Contract labor		26,582	
Advertising		161	
Travel		9	
Dues and subscriptions		3,410	
Vehicle expense		7,984	
Pipes and taps		11,164	
Testing Fees		7,619	
Other operating expenditures		3,882	
Total	<u>295,850</u>	<u>314,404</u>	<u>(18,554)</u>
Capital outlay:			
Equipment	<u>214,150</u>	<u>104,680</u>	<u>109,470</u>
Total expenditures	<u>510,000</u>	<u>419,084</u>	<u>90,916</u>
Other financing sources (uses):			
Appropriated Fund Balance	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Total other financing sources (uses)	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (61,088)</u>	<u>\$ (61,088)</u>

cont.

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

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

	Budget	Actual	Variance Favorable (Unfavorable)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over expenditures		\$ (61,088)	
Reconciling items:			
Capital outlay		104,680	
Depreciation		(69,339)	
Decrease deferred outflows of resources for pensions		9,641	
Decrease in net pension liability		(10,729)	
Decrease in deferred inflows of resources - pensions		285	
Total reconciling items		34,538	
Change in net position		\$ (26,550)	

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

OTHER SCHEDULES

Town of Salemburg, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2019

Fiscal Year	Uncollected Balance July 1, 2018	Additions	Collections and Credits	Uncollected Balance June 30, 2019
2019	\$ -	\$ 93,369	\$ 93,068	\$ 301
2016 and prior	404	-	-	404
	\$ 404	\$ 93,369	\$ 93,068	705
Less: allowance for uncollectible ad valorem taxes receivable				-
Ad valorem taxes receivable, net				\$ 705
Reconciliation with revenues:				
Ad valorem taxes				\$ 92,114
Reconciling items:				
Discounts and adjustments				1,004
Penalties and interest collected				(50)
Total collections and credits				\$ 93,068

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

**Town of Salemburg, North Carolina
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2019**

	Town - Wide			Total Levy	
	Property Valuation	Rate per \$100	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 30,466,333	\$ 0.30	\$ 91,399	\$ 79,608	\$ 11,791
Discoveries:					
Current year taxes	1,438,667	0.30	4,316	4,316	-
Abatements:	<u>(782,000)</u>	0.30	<u>(2,346)</u>	<u>(2,346)</u>	<u>-</u>
Total for year	<u>\$ 31,123,000</u>		93,369	81,578	11,791
Less uncollected tax at June 30, 2019			<u>(301)</u>	<u>(301)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 93,068</u>	<u>\$ 81,277</u>	<u>\$ 11,791</u>
Current levy collection percentage			<u>99.68%</u>	<u>99.63%</u>	<u>100.00%</u>

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