

**Town of Salemburg,  
North Carolina**

**Audited Financial Statements**

**For the Year Ended June 30, 2020**

# **Town Officials**

## **Town of Salemburg, North Carolina**

Joe Warren, Mayor

Dickie Walters, Mayor Pro-Tem

### Commissioners

Grady Collier

Juanita Faircloth

Michelle Hill

Tommy Jackson

Arnold Page

Marilyn Walters, Clerk/Finance

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June 30, 2020**

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# **FINANCIAL SECTION**

# HAIGH, BYRD & LAMBERT, LLP

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1007 HAY STREET  
POST OFFICE BOX 53349  
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, 2020, 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 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, 2020, 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 Liability and Contributions, on pages 43 and 44, respectively, 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 Town of Salemburg's basic financial statements. 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 statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory information and the statistical 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

January 26, 2021

## **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, 2020. 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 \$2,745,235 (*net position*).
- The government's total net position decreased by \$68,865, due to decreases in the 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 \$641,936, an increase of \$60,776 in comparison with the prior year. Approximately 15.09 percent of this total amount, or \$96,871, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$488,095 or 164.22 percent of total general fund expenditures for the fiscal year.
- The Town of Salemburg had no long-term debt outstanding at June 30, 2020.

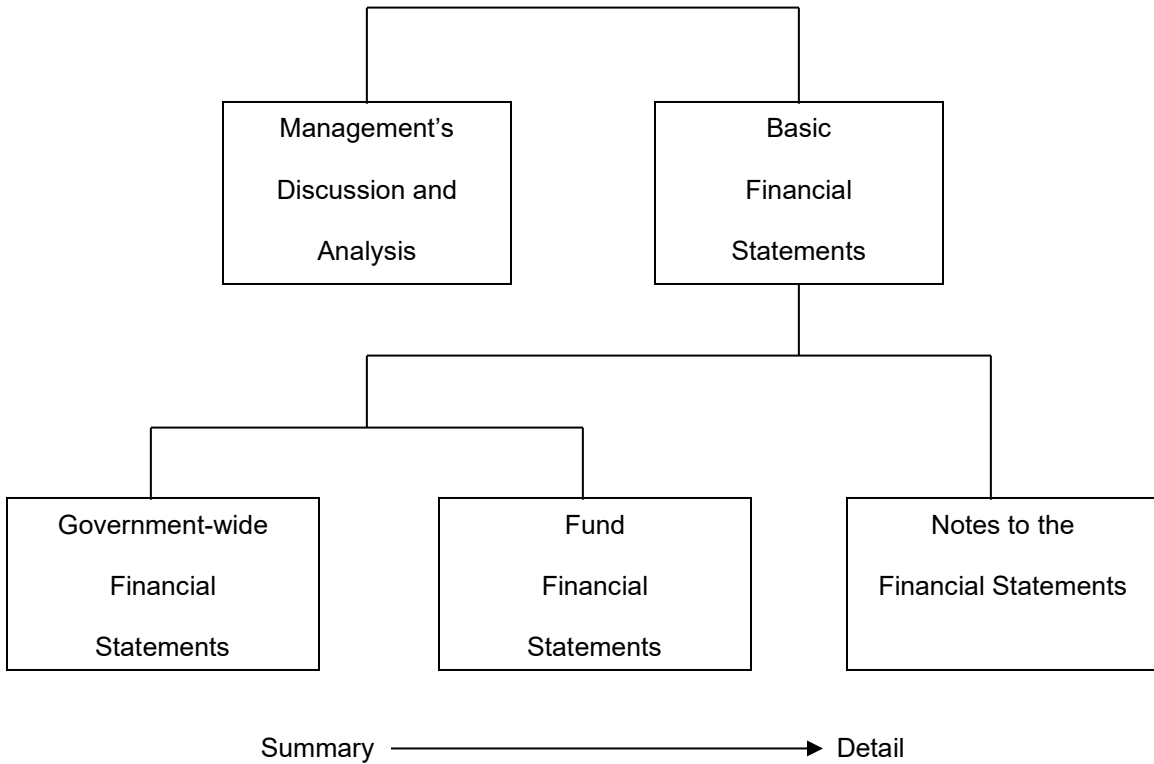
### **Overview of the Financial Statements**

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**

**Town of Salemburg's Net Position**

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 651,306	\$ 595,064	\$ 614,400	\$ 820,101	\$ 1,265,706	\$ 1,415,165
Capital assets	509,292	534,767	1,035,805	917,853	1,545,097	1,452,620
Deferred outflows of resources	19,763	17,466	28,439	24,119	48,202	41,585
Total asset and deferred outflows of resources	1,180,361	1,147,297	1,678,644	1,762,073	2,859,005	2,909,370
Current liabilities	8,456	13,199	31,033	37,956	39,489	51,155
Long term liabilities	30,455	18,433	43,826	25,455	74,281	43,888
Deferred inflows of resources	-	95	-	132	-	227
Total liabilities and deferred outflows of resources	38,911	31,727	74,859	63,543	113,770	95,270
Net position:						
Net investment in capital assets	509,292	534,767	1,035,805	917,853	1,545,097	1,452,620
Restricted	96,871	89,797	-	-	96,871	89,797
Unrestricted	535,287	491,006	567,980	780,677	1,103,267	1,271,683
Total net position	\$ 1,141,450	\$ 1,115,570	\$ 1,603,785	\$ 1,698,530	\$ 2,745,235	\$ 2,814,100

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 \$2,745,235 as of June 30, 2020. The Town's net position decreased by \$68,865 for the fiscal year ended June 30, 2020. However, the largest portion \$1,545,097 (56.28%) 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 \$96,871 (3.53%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,103,267 (40.19%) is unrestricted.

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 0.18% resulting in a total tax collection percentage of 99.50%, which is above the statewide average. The Town is responsible for

Management's Discussion and Analysis  
Town of Salemburg

billing and collecting property taxes excluding motor vehicle taxes. The Town's collection percentage for property taxes excluding motor vehicles is 99.43%, which is also above the statewide average.

- Total General Fund revenue decreased slightly (\$2,046) in comparison to the prior year.
- Total General Fund expenditures decreased \$54,933 (15.60%) 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	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 77,273	\$ 69,614	\$ 329,249	\$ 356,011	\$ 406,522	\$ 425,625
Operating grants and contributions	17,465	31,786	-	-	17,465	31,786
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	101,145	92,539	-	-	101,145	92,539
Other taxes	1,368	1,290	-	-	1,368	1,290
Other	173,016	173,104	1,602	1,985	174,618	175,089
Total revenues	<u>370,267</u>	<u>368,333</u>	<u>330,851</u>	<u>357,996</u>	<u>701,118</u>	<u>726,329</u>
Expenses:						
General government	130,493	130,931	-	-	130,493	130,931
Public safety	84,970	80,850	-	-	84,970	80,850
Transportation	28,779	90,989	-	-	28,779	90,989
Economic development	20,640	6,314	-	-	20,640	6,314
Environmental protection	74,400	63,193	-	-	74,400	63,193
Cultural and recreation	5,105	2,926	-	-	5,105	2,926
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	425,596	384,546	425,596	384,546
Total expenses	<u>344,387</u>	<u>375,203</u>	<u>425,596</u>	<u>384,546</u>	<u>769,983</u>	<u>759,749</u>
Increase (decrease) in net position before transfers	25,880	(6,870)	(94,745)	(26,550)	(68,865)	(33,420)
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	<u>25,880</u>	<u>(6,870)</u>	<u>(94,745)</u>	<u>(26,550)</u>	<u>(68,865)</u>	<u>(33,420)</u>
Net position, beginning	1,115,570	1,122,440	1,698,530	1,725,080	2,814,100	2,847,520
Net position, ending	<u>\$ 1,141,450</u>	<u>\$ 1,115,570</u>	<u>\$ 1,603,785</u>	<u>\$ 1,698,530</u>	<u>\$ 2,745,235</u>	<u>\$ 2,814,100</u>

**Governmental activities.** Governmental activities increased the Town's net position by \$25,880. Key elements of this increase are as follows:

- Current year depreciation expense exceeded capital outlay expenditures which were capitalized by \$7,757.
- The change in unavailable revenue for tax revenues decreased governmental net position by \$209.
- Governmental net position decreased by the increase in accrued liability for pension expense \$10,692.

**Business-type activities:** Business-type activities decreased the Town's net position by \$94,745. Key elements of this decrease are as follows:

- The proprietary fund experienced a decrease of \$198,778 on the modified accrual basis.
- Depreciation expense decreased business-type activities net position by \$76,117

### **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 \$514,795 while total fund balance reached \$611,666. 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 173 percent of total General Fund expenditures. Total fund balance represents 206 percent of total General Fund expenditures.

At June 30, 2020, the governmental funds of the Town of Salemburg reported a combined fund balance of \$641,936, a 10.46 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 \$567,980. The total decrease in net position was \$94,745. 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, 2020, totals \$1,545,097 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

There were capital outlay expenditures of \$205,951 during the year.

**Town of Salemburg's Capital Assets**

**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 61,902	\$ 61,902	\$ 25,256	\$ 25,256	\$ 87,158	\$ 87,158
Construction in progress	-	-	-	105,620	-	105,620
Buildings and systems	436,516	472,034	-	-	436,516	472,034
Improvements other than buildings	8,587	831	-	-	8,587	831
Machinery and equipment	2,287	-	37,659	29,693	39,946	29,693
Substations, lines, equipment	-	-	972,890	757,284	972,890	757,284
<b>Total</b>	<b>\$ 509,292</b>	<b>\$ 534,767</b>	<b>\$ 1,035,805</b>	<b>\$ 917,853</b>	<b>\$ 1,545,097</b>	<b>\$ 1,452,620</b>

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

**Long-term Debt.** As of June 30, 2020, 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 \$2,709,787.

**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 2020.

**Budget Highlights for the Fiscal Year Ending June 30, 2021**

**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 2021 as they were in 2020.

The rates for 2020-2021 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

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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, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 553,504	\$ 545,772	\$ 1,099,276
Taxes receivable (net)	914	-	914
Accounts receivable (net)	1,925	37,409	39,334
Due from other governments	30,879	14,329	45,208
Prepaid items	-	1,740	1,740
Restricted cash and cash equivalents	64,084	15,150	79,234
Total current assets	<u>651,306</u>	<u>614,400</u>	<u>1,265,706</u>
Non-current assets:			
Capital assets (Note 1):			
Land and non-depreciable improvements	61,902	25,256	87,158
Other capital assets, net of depreciation	447,390	1,010,549	1,457,939
Total capital assets	<u>509,292</u>	<u>1,035,805</u>	<u>1,545,097</u>
Total assets	<u>1,160,598</u>	<u>1,650,205</u>	<u>2,810,803</u>
<b>Deferred Outflows of Resources:</b>			
Pension Deferrals	19,763	28,439	48,202
Total deferred outflows of resources	<u>19,763</u>	<u>28,439</u>	<u>48,202</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	7,656	6,979	14,635
Unearned revenue	-	8,904	8,904
Customer deposits	800	15,150	15,950
Total current liabilities	<u>8,456</u>	<u>31,033</u>	<u>39,489</u>
Long term liabilities:			
Net pension liability	30,455	43,826	74,281
Total liabilities	<u>38,911</u>	<u>74,859</u>	<u>113,770</u>
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position:</b>			
Net investment in capital assets	509,292	1,035,805	1,545,097
Restricted for:			
Stabilization by State Statute	32,787	-	32,787
Transportation	64,084	-	64,084
Unrestricted	535,287	567,980	1,103,267
Total net position	<u>\$ 1,141,450</u>	<u>\$ 1,603,785</u>	<u>\$ 2,745,235</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, 2020**

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
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General government	\$ 130,493	\$ -	\$ -	\$ -	\$ (130,493)	\$ -	\$ (130,493)
Public safety	84,970	-	-	-	(84,970)	-	(84,970)
Transportation	28,779	-	16,685	-	(12,094)	-	(12,094)
Economic and physical development	20,640	17,845	-	-	(2,795)	-	(2,795)
Environmental protection	74,400	59,428	325	-	(14,647)	-	(14,647)
Cultural and recreation	5,105	-	455	-	(4,650)	-	(4,650)
<b>Total governmental activities</b>	<b>344,387</b>	<b>77,273</b>	<b>17,465</b>	<b>-</b>	<b>(249,649)</b>	<b>-</b>	<b>(249,649)</b>
<b>Business-type activities:</b>							
Water and sewer	425,596	329,249	-	-	-	(96,347)	(96,347)
<b>Total primary government</b>	<b>\$ 769,983</b>	<b>\$ 406,522</b>	<b>\$ 17,465</b>	<b>\$ -</b>	<b>(249,649)</b>	<b>(96,347)</b>	<b>(345,996)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes, levied for general purpose					101,145	-	101,145
Other taxes					1,368	-	1,368
Grants and contributions not restricted to specific programs					160,815	-	160,815
Unrestricted investment earnings					1,516	1,602	3,118
Miscellaneous					10,685	-	10,685
<b>Total general revenues and transfers</b>					<b>275,529</b>	<b>1,602</b>	<b>277,131</b>
Change in net position					25,880	(94,745)	(68,865)
Net position, beginning					1,115,570	1,698,530	2,814,100
Net position, ending					<b>\$ 1,141,450</b>	<b>\$ 1,603,785</b>	<b>\$ 2,745,235</b>

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

**Town of Salemburg, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	Major Fund	Non-Major Fund	Total
	General Fund	Rental Buildings Fund	Governmental Funds
<b>Assets:</b>			
Cash and cash equivalents	\$ 522,427	\$ 31,077	\$ 553,504
Restricted cash	64,084	-	64,084
Receivables, net:			
Taxes	914	-	914
Accounts	1,925	-	1,925
Due from other governments	30,862	17	30,879
<b>Total assets</b>	<b>\$ 620,212</b>	<b>\$ 31,094</b>	<b>\$ 651,306</b>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 7,632	\$ 24	\$ 7,656
Customer deposits	-	800	800
<b>Total liabilities</b>	<b>7,632</b>	<b>824</b>	<b>8,456</b>
<b>Deferred Inflows of Resources:</b>			
Property taxes receivable	914	-	914
<b>Total deferred inflows of resources</b>	<b>914</b>	<b>-</b>	<b>914</b>
<b>Fund Balances:</b>			
Restricted			
Stabilization by State Statute	32,787	-	32,787
Streets-Powell Bill	64,084	-	64,084
Assigned			
Economic Development	-	30,270	30,270
Subsequent year's expenditures	26,700	-	26,700
Unassigned	488,095	-	488,095
<b>Total fund balances</b>	<b>611,666</b>	<b>30,270</b>	<b>641,936</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 620,212</b>	<b>\$ 31,094</b>	

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	509,292
Deferred outflows of resources related to pensions are not reported in the funds	19,763
Earned revenues considered deferred inflows of resources in fund statements	914
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Net pension liability	(30,455)
Deferred inflows of resources related to pensions are not reported in the funds	-
<b>Net position of governmental activities</b>	<b>\$ 1,141,450</b>

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, 2020**

	Major Fund	Non-Major Fund	Total
	General Fund	Rental Buildings Fund	Governmental Funds
Revenues:			
Ad valorem taxes	\$ 100,936	\$ -	\$ 100,936
Other taxes and licenses	1,368	-	1,368
Unrestricted intergovernmental	160,815	-	160,815
Restricted intergovernmental	17,010	-	17,010
Permits and fees	1,045	-	1,045
Sales and services	59,428	16,800	76,228
Investment earnings	1,516	-	1,516
Local contributions	455	-	455
Miscellaneous	10,685	-	10,685
Total revenues	353,258	16,800	370,058
Expenditures:			
Current:			
General government	108,705	-	108,705
Public safety	84,970	-	84,970
Transportation	27,986	-	27,986
Economic and physical development	-	12,058	12,058
Environmental protection	73,323	-	73,323
Cultural and recreation	2,240	-	2,240
Total expenditures	297,224	12,058	309,282
Net change in fund balance	56,034	4,742	60,776
Fund balances, beginning	555,632	25,528	581,160
Fund balances, ending	\$ 611,666	\$ 30,270	\$ 641,936

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, 2020**

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

Net changes in fund balances - total governmental funds		\$ 60,776
<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	\$ 11,882	
Loss on disposal of property	(17,718)	
Depreciation expense for governmental assets	<u>(19,639)</u>	(25,475)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		5,306
<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		209
<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		(14,936)
Total changes in net position of governmental activities		<u><u>\$ 25,880</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, 2020**

	General Fund			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 92,500	\$ 100,800	\$ 100,936	\$ 136
Other taxes and licenses	-	1,400	1,368	(32)
Unrestricted intergovernmental	149,100	161,850	160,815	(1,035)
Restricted intergovernmental	18,000	17,000	17,010	10
Permits and fees	3,800	2,850	1,045	(1,805)
Sales and services	56,000	53,000	59,428	6,428
Investment earnings	1,200	850	1,516	666
Local contributions	400	500	455	(45)
Miscellaneous	-	14,750	10,685	(4,065)
Total revenues	<u>321,000</u>	<u>353,000</u>	<u>353,258</u>	<u>258</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	140,900	122,000	108,705	13,295
Public safety	91,600	99,000	84,970	14,030
Transportation	88,800	30,300	27,986	2,314
Environmental protection	68,850	84,000	73,323	10,677
Cultural and recreation	2,850	3,000	2,240	760
Total expenditures	<u>393,000</u>	<u>338,300</u>	<u>297,224</u>	<u>41,076</u>
Revenues over (under) expenditures	(72,000)	14,700	56,034	41,334
Fund balance appropriated (surplus)	<u>72,000</u>	<u>(14,700)</u>	-	<u>14,700</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	56,034	<u>\$ 56,034</u>
Fund balance, beginning			<u>555,632</u>	
Fund balance, ending			<u>\$ 611,666</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, 2020**

	Water and Sewer Fund
<b>Assets:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 545,772
Accounts receivable (net) - billed	24,624
Accounts receivable (net) - unbilled	12,785
Due from other governments	14,329
Accounts Receivable - other	1,740
Restricted cash and cash equivalents	15,150
Total current assets	614,400
<b>Noncurrent assets:</b>	
<b>Capital assets:</b>	
Land and other non-depreciable assets	25,256
Other capital assets, net of depreciation	1,010,549
Capital assets (net)	1,035,805
Total noncurrent assets	1,035,805
Total assets	\$ 1,650,205
<b>Deferred Outflows of Resources:</b>	
Pension deferrals	\$ 28,439
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable and accrued liabilities	6,979
Customer deposits	15,150
Unearned revenue	8,904
Total current liabilities	31,033
<b>Noncurrent liabilities:</b>	
Net pension liability	43,826
Total noncurrent liabilities	43,826
Total liabilities	74,859
<b>Deferred Inflows of Resources:</b>	
Pension deferrals	-
<b>Net Position:</b>	
Net investment in capital assets	1,035,805
Unrestricted	567,980
Total net position	\$ 1,603,785

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, 2020**

	Water and Sewer Fund
Operating Revenues:	
Charges for services	\$ 318,737
Water and sewer taps	8,549
Water and sewer reconnection fees	477
Other operating revenues	1,486
Total operating revenues	329,249
Operating Expenses:	
Administration	349,479
Depreciation	76,117
Total operating expenses	425,596
Operating income (loss)	(96,347)
Nonoperating Revenues (Expenses):	
Investment earnings	1,602
Total nonoperating revenues (expenses)	1,602
Change in net position	(94,745)
Net position, beginning	1,698,530
Net position, ending	\$ 1,603,785

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, 2020**

	Water and Sewer Fund
Cash Flows From Operating Activities:	
Cash received from customers	\$ 326,217
Cash paid for goods and services	(214,893)
Cash paid to or on behalf of employees for services	(128,968)
Customer deposits received	1,378
Other operating revenues	1,486
Net cash provided (used) by operating activities	(14,780)
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(194,069)
Net cash provided (used) by capital and related financing activities	(194,069)
Cash Flows From Investing Activities:	
Interest and dividends	1,602
Net increase (decrease) in cash and cash equivalents	(207,247)
Balances, beginning	768,169
Balances, ending	\$ 560,922
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ (96,347)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	76,117
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	8,720
(Increase) decrease in other current assets	(10,266)
(Increase) decrease deferred outflows of resources for pensions	(4,320)
Increase (decrease) in net pension liability	18,371
Increase (decrease) in deferred inflows of resources - pensions	(132)
Increase (decrease) in accounts payable and accrued liabilities	(8,301)
Increase (decrease) in customer deposits	1,378
Total adjustments	81,567
Net cash provided (used) by operating activities	\$ (14,780)

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, 2020**

**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 tax districts. Property

## Notes to the Financial Statements

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	\$	64,084
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Business-type Activities

Water and Sewer Fund	Customer Deposits	\$	15,150
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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, 2019.

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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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

## Notes to the Financial Statements

not be recognized as an expense or expenditure until then. The Town has one item 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, 2020.

### 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, 2020.

## 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, 2020.

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, 2020.

### 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. 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, 2020, the Town's deposits had a carrying amount of \$1,076,111 and a bank balance of \$1,077,961. 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, 2020, the Town's petty cash fund totaled \$125.

2. Investments

At June 30, 2020 the Town of Salemburg had \$102,274 invested with the North Carolina Management's Trust Government 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.

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



Notes to the Financial Statements

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2020 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 61,902	\$ -	\$ -	\$61,902
<b>Capital assets being depreciated:</b>				
Other improvements	140,408	9,200	-	149,608
Buildings	686,921	-	22,147	664,774
Equipment	93,552	2,682	2,498	93,736
Vehicles	22,642	-	-	22,642
Total capital assets being depreciated	943,523	11,882	24,645	930,760
<b>Less accumulated depreciation for:</b>				
Other improvements	139,577	1,444	-	141,021
Buildings	214,887	17,800	4,429	228,258
Equipment	93,552	395	2,498	91,449
Vehicles	22,642	-	-	22,642
Total accumulated depreciation	470,658	\$ 19,639	\$ 6,927	483,370
Total capital assets being depreciated, net	472,865			447,390
<b>Governmental activity capital assets, net</b>	<b>\$ 534,767</b>			<b>\$509,292</b>

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

General government	\$ 16,774
Cultural and recreation	2,865
Total depreciation expense	<u>\$ 19,639</u>

Notes to the Financial Statements

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 25,256	\$ -	\$ -	\$ 25,256
Construction in progress	105,620	-	105,620	-
Total capital assets not being depreciated	130,876	-	105,620	25,256
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	2,578,648	276,104	-	2,854,752
Furniture and maintenance equipment	200,720	23,585	2,497	221,808
Vehicles	47,324	-	-	47,324
Total capital assets being depreciated	2,826,692	299,689	2,497	3,123,884
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	1,821,364	60,498	-	1,881,862
Furniture and maintenance equipment	171,027	15,619	2,497	184,149
Vehicles	47,324	-	-	47,324
Total accumulated depreciation	2,039,715	\$ 76,117	\$ 2,497	2,113,335
Total capital assets being depreciated, net	786,977			1,010,549
<b>Business-type activity capital assets, net</b>	<b>\$ 917,853</b>			<b>\$ 1,035,805</b>

**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](http://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

## Notes to the Financial Statements

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, 2020, was 9.02% 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 \$12,941 for the year ended June 30, 2020.

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, 2020, the Town reported a liability of \$74,281 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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, 2020, the Town's proportion was 0.00272% which was increase of .00087% from its proportion measured June 30, 2019.

Notes to the Financial Statements

For the year ended June 30, 2020, the Town recognized pension expense of \$36,329. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 12,719	\$ -
Changes of assumptions	12,107	-
Net difference between projected and actual earnings on pension plan investments	1,812	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	8,623	
Town contributions subsequent to the measurement date	12,941	-
Total	\$ 48,202	\$ -

\$12,941 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2020	\$	16,223
2021		6,485
2022		9,016
2023		3,536
2024		-
Thereafter		-

*Actuarial Assumptions.* The total pension liability in the December 31, 2018 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, 2018 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, 2019 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

Notes to the Financial Statements

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 169,894	\$ 74,281	(\$5,193)

*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	\$ 12,941
Differences between expected and actual expenses	12,719
Changes in assumptions	12,107
Net difference between projected and actual earnings on pension plan investments	1,812
Changes in proportion and differences between Town contributions and proportionate share of contributions	8,623
<b>Total</b>	<b>\$48,202</b>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 914
Pension Deferrals	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 914</b>

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, \$10,000 med pay, \$500 comprehensive deductibles.

Notes to the Financial Statements

- 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, 2020, 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 \$2,709,787.

**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	\$ 611,666
Less:	
Stabilization by State Statute	32,787
Streets-Powell Bill	64,084
Assigned fund balance in 2020-2021 budget	26,700
Remaining Fund Balance	488,095

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

**III. 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 \$2,307 for the 2020 fiscal year.

Notes to the Financial Statements

**IV. 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.

**V. Subsequent Events**

Subsequent events have been evaluated through January 26, 2021 which is the date the financial statements were available to be issued.

End of Notes Section



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### **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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

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- 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**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Salemburg's proportion of the net pension liability (asset) (%)	0.00272%	0.00185%	0.00189%	0.00168%
Salemburg's proportion of the net pension liability (asset) (\$)	\$ 74,281	\$ 43,888	\$ 28,874	\$ 35,655
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	46.01%	29.93%	21.46%	24.78%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%

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

**Local Government Employees' Retirement System**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 12,941	\$ 12,657	\$ 11,188	\$ 9,954
Contributions in relation to the contractually required contribution	12,941	12,657	11,188	9,954
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Salemburg's covered-employee payroll	\$ 143,467	\$ 161,443	\$ 146,630	\$ 134,518
Contributions as a percentage of covered-employee payroll	9.02%	7.84%	7.63%	7.40%

**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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 100,500	\$
Penalties and interest		436	
Total	<u>100,800</u>	<u>100,936</u>	<u>136</u>
Other taxes and licenses:			
Vehicle license		1,368	
Total	<u>1,400</u>	<u>1,368</u>	<u>(32)</u>
Unrestricted intergovernmental:			
Local option sales tax		122,361	
Telecommunications sales tax		2,835	
Piped natural gas tax		2,691	
Video franchise fees		3,073	
Utility franchise tax		29,855	
Total	<u>161,850</u>	<u>160,815</u>	<u>(1,035)</u>
Restricted intergovernmental:			
Powell Bill allocation		16,685	
Solid waste disposal tax		325	
Total	<u>17,000</u>	<u>17,010</u>	<u>10</u>
Permits and fees:			
Zoning permits	2,850	1,045	(1,805)
Sales and services:			
Garbage fees		42,867	
Recycle collection fees		11,827	
Mosquito control		3,014	
Fire inspection		1,720	
Total	<u>53,000</u>	<u>59,428</u>	<u>6,428</u>
Investment earnings	850	1,516	666
Local contributions:			
Museum contributions		455	
Total	<u>500</u>	<u>455</u>	<u>(45)</u>
Miscellaneous:			
Miscellaneous		10,685	
Total	<u>14,750</u>	<u>10,685</u>	<u>(4,065)</u>
Total revenues	<u>353,000</u>	<u>353,258</u>	<u>258</u>

cont.

**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, 2020**

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:			
General government:			
Salaries and employee benefits	\$	\$ 56,678	\$
Mayor and commissioners' fees		13,187	
Advertising		552	
Insurance		7,582	
Professional fees		9,945	
Utilities and telephone		4,902	
Supplies		2,456	
Dues		1,035	
Repairs and maintenance		2,000	
Travel		100	
Other operating expenses		7,586	
Capital outlay		2,682	
Total general government	122,000	108,705	13,295
Public safety:			
Police:			
Salaries and employee benefits		55,089	
Insurance		6,173	
Vehicle operations		5,695	
Total	80,000	66,957	13,043
Fire:			
Professional services		15,000	
Fire inspection		513	
Other operating expenses		2,500	
Total	19,000	18,013	987
Total public safety	99,000	84,970	14,030
Transportation:			
Streets:			
Salaries and employee benefits		3,551	
Repairs and maintenance		3,312	
Utilities		14,821	
Contract services		500	
Professional services		620	
Insurance		1,399	
Supplies		3,175	
Vehicle operations		608	
Total transportation	30,300	27,986	2,314

cont.

**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, 2020**

	Budget	Actual	Variance Favorable (Unfavorable)
<i>(Expenditures continued)</i>			
Environmental protection:			
Solid waste:			
Salaries and employee benefits	\$	\$ 7,708	\$
Contracted services		56,494	
Insurance		1,046	
Repairs and maintenance		711	
Supplies		142	
Vehicle operations		1,982	
Total	76,000	68,083	7,917
Cemetery:			
Contracted services		3,000	
Supplies		-	
Total	3,000	3,000	-
Mosquito abatement:			
Salaries and employee benefits		570	
Repairs and maintenance		170	
Supplies		1,500	
Total	5,000	2,240	2,760
Total environmental protection	84,000	73,323	10,677
Cultural and recreation:			
Cultural and recreation		2,210	
Museum supplies		30	
Total	3,000	2,240	760
Total cultural and recreational	3,000	2,240	760
Total expenditures	338,300	297,224	41,076
Revenues over (under) expenditures	14,700	56,034	41,334
Fund balance appropriated (surplus)	(14,700)	-	14,700
Net change in fund balance	\$ -	56,034	\$ 56,034
Fund balance, beginning		555,632	
Fund balance, ending		\$ 611,666	



**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, 2020**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Rental income	\$	\$ 16,800	\$
Investment earnings		-	
Total	18,000	16,800	(1,200)
Expenditures:			
Contract labor		227	
Insurance		683	
Repairs and maintenance		925	
Utilities		1,023	
Capital outlay		9,200	
Total	18,000	12,058	5,942
Net change in fund balance	\$ -	4,742	\$ 4,742
Fund balance, beginning		25,528	
Fund balance, ending		\$ 30,270	

**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, 2020**

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:			
Charges for services:			
Water and sewer charges	\$	\$ 314,451	\$
Water and sewer taps		8,549	
Water and sewer reconnection fees		477	
Penalties		4,286	
Total	333,700	327,763	(5,937)
Other operating revenues	1,500	1,486	(14)
Total operating revenues	335,200	329,249	(5,951)
Nonoperating revenues:			
Interest on investments	900	1,602	702
Total revenues	336,100	330,851	(5,249)
Operating expenses other than depreciation:			
Salaries and employee benefits		129,152	
Utilities		15,658	
Repairs and maintenance		74,965	
Supplies		12,317	
Insurance		11,584	
Professional services		17,167	
Contract labor		34,292	
Advertising		330	
Travel		250	
Dues and subscriptions		3,178	
Vehicle expense		9,207	
Pipes and taps		11,738	
Testing fees		11,847	
Other operating expenditures		3,875	
Total	336,300	335,560	740
Capital outlay:			
Equipment	206,000	194,069	11,931
Total expenditures	542,300	529,629	12,671
Other financing sources (uses):			
Appropriated Fund Balance	206,200	-	(206,200)
Total other financing sources (uses)	206,200	-	(206,200)
Revenues over (under) expenditures	\$ -	\$ (198,778)	\$ (198,778)

cont.

**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, 2020**

	Budget	Actual	Variance Favorable (Unfavorable)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over (under) expenditures		\$ (198,778)	
Reconciling items:			
Capital outlay		194,069	
Depreciation		(76,117)	
(Increase) Decrease in deferred outflows of resources for pensions		4,320	
(Increase) Decrease in net pension liability		(18,371)	
Decrease in deferred inflows of resources - pensions		132	
Total reconciling items		104,033	
Change in net position		\$ (94,745)	

## **OTHER SCHEDULES**

**Town of Salemburg, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**For the Fiscal Year Ended June 30, 2020**

<u>Fiscal Year</u>	Uncollected Balance July 1, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2020	\$ -	\$ 101,617	\$ 101,107	\$ 510
2019	301	-	301	-
2016 and prior	404	-	-	404
	<u>\$ 705</u>	<u>\$ 101,617</u>	<u>\$ 101,408</u>	<u>914</u>

Less: allowance for uncollectible ad valorem taxes receivable	-
Ad valorem taxes receivable, net	<u>\$ 914</u>

Reconciliation with revenues:	
Ad valorem taxes	\$ 100,936
Reconciling items:	
Discounts and adjustments	908
Penalties and interest collected	<u>(436)</u>
Total collections and credits	<u>\$ 101,408</u>

**Town of Salemburg, North Carolina  
Analysis of Current Tax Levy  
For the Fiscal Year Ended June 30, 2020**

	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	\$ 32,735,000	\$ 0.30	\$ 98,205	\$ 85,642	\$ 12,563
Discoveries:					
Current year taxes	1,137,333	\$ 0.30	3,412	3,412	-
Abatements:	-	\$ 0.30	-	-	-
Total for year	<u>\$ 33,872,333</u>		101,617	89,054	12,563
Less uncollected tax at June 30, 2020			<u>(510)</u>	<u>(510)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 101,107</u>	<u>\$ 88,544</u>	<u>\$ 12,563</u>
Current levy collection percentage			<u>99.50%</u>	<u>99.43%</u>	<u>100.00%</u>