

**Town of Salemburg,  
North Carolina**

**Audited Financial Statements**

**For the Year Ended June 30, 2021**

# **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

**Town of Salemburg, North Carolina**  
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**June 30, 2021**

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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, 2021, and the related notes to the financial statements, which collectively comprise the Town of Salemburg's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### ***Opinions***

In our opinion, 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, 2021, and the respective changes in financial position and where applicable, cash flows 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 part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

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

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2022 on our consideration of the Town of Salemburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Salemburg's internal control over financial reporting and compliance.

*Haigh, Byrd + Lambert, LLP*

Haigh, Byrd & Lambert, LLP  
Fayetteville, North Carolina  
February 10, 2022

## **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, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### **Financial Highlights**

- The assets and deferred outflows of resources of the Town of Salemburg exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,808,411 (*net position*).
- The government's total net position increased by \$63,178, primarily due to increases in the governmental-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 \$725,008, an increase of \$83,072 in comparison with the prior year. Approximately 15.22 percent of this total amount, or \$110,351 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$502,982 or 169.42 percent of total general fund expenditures for the fiscal year.
- The Town of Salemburg had no long-term debt outstanding at June 30, 2021.

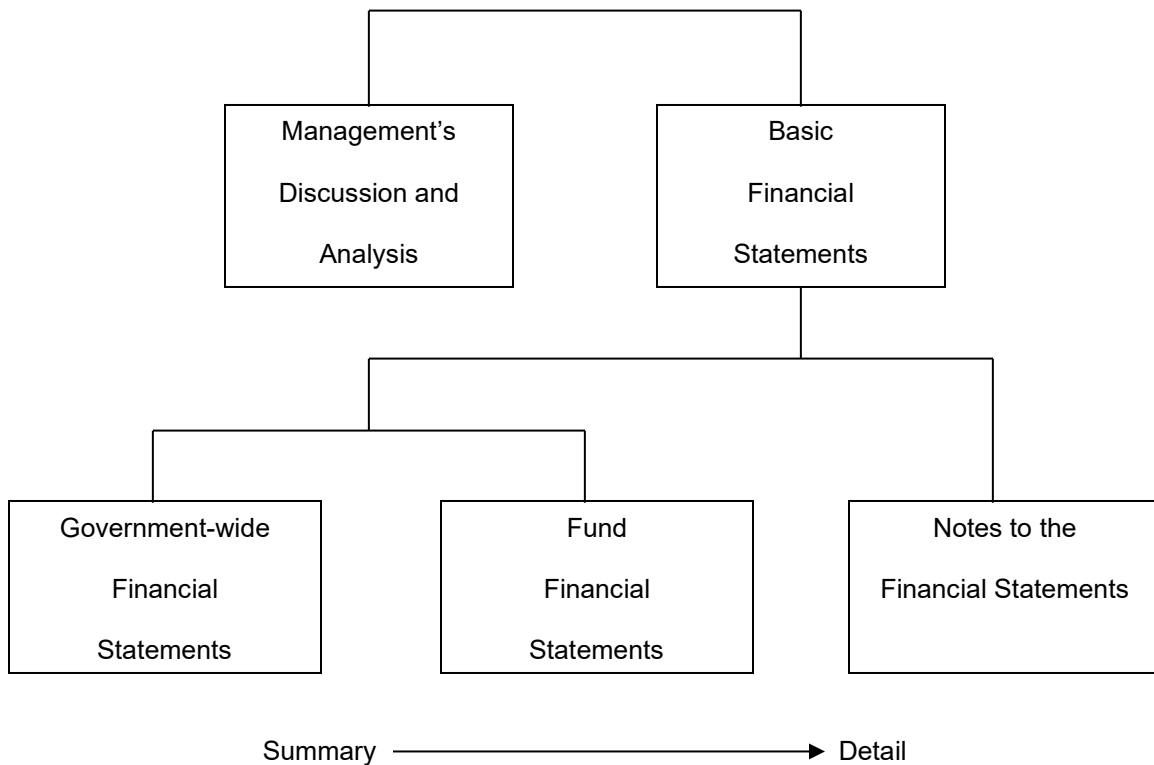
### **Overview of the Financial Statements**

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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 749,824	\$ 651,306	\$ 580,736	\$ 614,400	\$ 1,330,560	\$ 1,265,706
Capital assets	500,513	509,292	1,132,977	1,035,805	1,633,490	1,545,097
Deferred outflow s of resources	20,335	19,763	31,805	28,439	52,140	48,202
Total asset and deferred outflow s of resources	1,270,672	1,180,361	1,745,518	1,678,644	3,016,190	2,859,005
Current liabilities	24,394	8,456	81,394	31,033	105,788	39,489
Long term liabilities	39,730	30,455	57,316	43,826	97,046	74,281
Deferred inflow s of resources	1,929	-	3,016	-	4,945	-
Total liabilities and deferred outflow s of resources	66,053	38,911	141,726	74,859	207,779	113,770
Net position:						
Net investment in capital assets	500,513	509,292	1,132,977	1,035,805	1,633,490	1,545,097
Restricted	110,351	96,871	-	-	110,351	96,871
Unrestricted	593,755	535,287	470,815	567,980	1,064,570	1,103,267
Total net position	\$ 1,204,619	\$ 1,141,450	\$ 1,603,792	\$ 1,603,785	\$ 2,808,411	\$ 2,745,235

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 \$2,808,411 as of June 30, 2021. The Town's net position increased by \$63,178 for the fiscal year ended June 30, 2021. However, the largest portion \$1,633,490 (58.16%) 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 \$110,351 (3.93%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,064,570 (37.91%) is unrestricted.

Management's Discussion and Analysis  
Town of Salemburg

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

- Collection of property taxes increased slightly by 0.06% resulting in a total tax collection percentage of 99.56%, which is above the statewide average. The Town is responsible for billing and collecting property taxes excluding motor vehicle taxes. The Town's collection percentage for property taxes excluding motor vehicles is 99.50%, which is also above the statewide average.
- Total General Fund revenue increased slightly \$18,285 in comparison to the prior year.
- Total General Fund expenditures decreased \$348 (0.12%) 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**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Revenues:						
Program revenues:						
Charges for services	\$ 68,228	\$ 77,273	\$ 404,055	\$ 329,249	\$ 472,283	\$ 406,522
Operating grants and contributions	15,906	17,465	-	-	15,906	17,465
Capital grants and contributions	73,314	-	44,750	-	118,064	-
General revenues:						
Property taxes	105,685	101,145	-	-	105,685	101,145
Other taxes	1,433	1,368	-	-	1,433	1,368
Other	191,043	173,016	154	1,602	191,197	174,618
Total revenues	<u>455,609</u>	<u>370,267</u>	<u>448,959</u>	<u>330,851</u>	<u>904,568</u>	<u>701,118</u>
Expenses:						
General government	134,463	130,493	-	-	134,463	130,493
Public safety	80,994	84,970	-	-	80,994	84,970
Transportation	28,138	28,779	-	-	28,138	28,779
Economic development	2,430	20,640	-	-	2,430	20,640
Environmental protection	143,284	74,400	-	-	143,284	74,400
Cultural and recreation	3,131	5,105	-	-	3,131	5,105
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	448,950	425,596	448,950	425,596
Total expenses	<u>392,440</u>	<u>344,387</u>	<u>448,950</u>	<u>425,596</u>	<u>841,390</u>	<u>769,983</u>
Increase (decrease) in net position before transfers	63,169	25,880	9	(94,745)	63,178	(68,865)
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	<u>63,169</u>	<u>25,880</u>	<u>9</u>	<u>(94,745)</u>	<u>63,178</u>	<u>(68,865)</u>
Net position, beginning	1,141,450	1,115,570	1,603,783	1,698,528	2,745,233	2,814,098
Net position, ending	<u>\$ 1,204,619</u>	<u>\$ 1,141,450</u>	<u>\$ 1,603,792</u>	<u>\$ 1,603,783</u>	<u>\$ 2,808,411</u>	<u>\$ 2,745,233</u>

Management's Discussion and Analysis  
Town of Salemburg

**Governmental activities.** Governmental activities increased the Town's net position by \$63,169. Key elements of this increase are as follows:

- Current year depreciation expense exceeded capital outlay expenditures which were capitalized by \$8,779.
- The change in unavailable revenue for tax revenues decreased governmental net position by \$83.
- Governmental net position decreased by the increase in accrued liability for pension expense \$12,537.

**Business-type activities:** Business-type activities increased the Town's net position by \$9. Key elements of this decrease are as follows:

- The proprietary fund experienced a decrease of \$86,626 on the modified accrual basis.
- Depreciation expense decreased business-type activities net position by \$84,769.

### **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 \$502,982 while total fund balance reached \$686,333. 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 169 percent of total General Fund expenditures. Total fund balance represents 231 percent of total General Fund expenditures.

At June 30, 2021, the governmental funds of the Town of Salemburg reported a combined fund balance of \$725,008, a 12.94 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 \$470,815. The total increase in net position was \$9. 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, 2021, totals \$1,633,490 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

There were capital outlay expenditures of \$193,138 during the year.

#### Town of Salemburg's Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 61,902	\$ 61,902	\$ 25,256	\$ 25,256	\$ 87,158	\$ 87,158
Construction in progress	-	-	121,146	-	121,146	-
Buildings and systems	419,183	436,516	-	-	419,183	436,516
Improvements other than buildings	7,973	8,587	-	-	7,973	8,587
Machinery and equipment	11,455	2,287	75,320	37,659	86,775	39,946
Substations, lines, equipment	-	-	911,255	972,890	911,255	972,890
Total	\$ 500,513	\$ 509,292	\$ 1,132,977	\$ 1,035,805	\$ 1,633,490	\$ 1,545,097

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, 2021, 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 \$2,834,640.

### 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 2021.

#### Budget Highlights for the Fiscal Year Ending June 30, 2022

**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 2022 as they were in 2021.

The rates for 2021-2022 are as follows:

Water rates:

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

Management's Discussion and Analysis  
Town of Salemburg

Sewer rates:

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

**Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**



**Town of Salemburg, North Carolina**  
**Statement of Net Position**  
**June 30, 2021**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 634,416	\$ 511,556	\$ 1,145,972
Taxes receivable (net)	997	-	997
Accounts receivable (net)	1,433	36,117	37,550
Due from other governments	39,799	16,973	56,772
Prepaid items	-	-	-
Restricted cash and cash equivalents	73,179	16,090	89,269
Total current assets	749,824	580,736	1,330,560
Non-current assets:			
Capital assets (Note 1):			
Land and non-depreciable improvements	61,902	146,402	208,304
Other capital assets, net of depreciation	438,611	986,575	1,425,186
Total capital assets	500,513	1,132,977	1,633,490
Total assets	1,250,337	1,713,713	2,964,050
<b>Deferred Outflows of Resources:</b>			
Pension Deferrals	20,335	31,805	52,140
Total deferred outflows of resources	20,335	31,805	52,140
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	23,419	50,555	73,974
Compensated absences	575	3,625	4,200
Unearned revenue	-	11,124	11,124
Customer deposits	400	16,090	16,490
Total current liabilities	24,394	81,394	105,788
Long term liabilities:			
Due in more than one year	39,730	57,316	97,046
Total liabilities	64,124	138,710	202,834
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	1,929	3,016	4,945
Total deferred inflows of resources	1,929	3,016	4,945
<b>Net Position:</b>			
Net investment in capital assets	500,513	1,132,977	1,633,490
Restricted for:			
Stabilization by State Statute	37,172	-	37,172
Transportation	73,179	-	73,179
Unrestricted	593,755	470,815	1,064,570
Total net position	\$ 1,204,619	\$ 1,603,792	\$ 2,808,411

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, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 134,463	\$ -	\$ -	\$ -	\$ (134,463)	\$ -	\$ (134,463)
Public safety	80,994	-	-	-	(80,994)	-	(80,994)
Transportation	28,138	-	15,511	-	(12,627)	-	(12,627)
Economic and physical development	2,430	13,265	-	73,314	84,149	-	84,149
Environmental protection	143,284	54,963	320	-	(88,001)	-	(88,001)
Cultural and recreation	3,131	-	75	-	(3,056)	-	(3,056)
Total governmental activities	392,440	68,228	15,906	73,314	(234,992)	-	(234,992)
Business-type activities:							
Water and sewer	448,950	404,055	-	44,750	-	(145)	(145)
Total primary government	\$ 841,390	\$ 472,283	\$ 15,906	\$ 118,064	(234,992)	(145)	(235,137)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					105,685	-	105,685
Other taxes					1,433	-	1,433
Grants and contributions not restricted to specific programs					177,331	-	177,331
Unrestricted investment earnings					246	154	400
Miscellaneous					13,466	-	13,466
Total general revenues and transfers					298,161	154	298,315
Change in net position					63,169	9	63,178
Net position, beginning					1,141,450	1,603,783	2,745,233
Net position, ending					\$ 1,204,619	\$ 1,603,792	\$ 2,808,411

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

**Town of Salemburg, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	Major Fund		Non-Major Fund	Total Governmental Funds
	General Fund	Coronavirus Relief Fund	Rental Buildings Fund	
<b>Assets:</b>				
Cash and cash equivalents	\$ 595,317	\$ -	\$ 39,099	\$ 634,416
Restricted cash	73,179	-	-	73,179
Receivables, net:				
Taxes	997	-	-	997
Accounts	1,433	-	-	1,433
Due from other governments	35,739	4,060	-	39,799
Due from other funds	-	-	-	-
Total assets	<u>\$ 706,665</u>	<u>\$ 4,060</u>	<u>\$ 39,099</u>	<u>749,824</u>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 19,335	\$ 4,060	\$ 24	\$ 23,419
Due to other funds	-	-	-	-
Customer deposits	-	-	400	400
Total liabilities	<u>19,335</u>	<u>4,060</u>	<u>424</u>	<u>23,819</u>
<b>Deferred Inflows of Resources:</b>				
Property taxes receivable	997	-	-	997
Total deferred inflows of resources	<u>997</u>	<u>-</u>	<u>-</u>	<u>997</u>
<b>Fund Balances:</b>				
Restricted				
Stabilization by State Statute	37,172	-	-	37,172
Streets-Powell Bill	73,179	-	-	73,179
Assigned				
Economic Development	-	-	38,675	38,675
Subsequent year's expenditures	73,000	-	-	73,000
Unassigned	502,982	-	-	502,982
Total fund balances	<u>686,333</u>	<u>-</u>	<u>38,675</u>	<u>725,008</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 706,665</u>	<u>\$ 4,060</u>	<u>\$ 39,099</u>	

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	500,513
Deferred outflows of resources related to pensions are not reported in the	20,335
Earned revenues considered deferred inflows of resources in fund statements	997
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	-
Net pension liability	(34,980)
Compensated absences	(5,325)
Deferred inflows of resources related to pensions are not reported in the funds	(1,929)
Net position of governmental activities	<u>\$ 1,204,619</u>

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, 2021**

	Major Fund		Non-Major Fund	Total Governmental Funds
	General Fund	Coronavirus Relief Fund	Rental Buildings Fund	
Revenues:				
Ad valorem taxes	\$ 105,768	\$ -	\$ -	\$ 105,768
Other taxes and licenses	1,433	-	-	1,433
Unrestricted intergovernmental	177,331	-	-	177,331
Restricted intergovernmental	15,831	73,314	-	89,145
Permits and fees	2,430	-	-	2,430
Sales and services	54,963	-	10,835	65,798
Investment earnings	246	-	-	246
Local contributions	75	-	-	75
Miscellaneous	13,466	-	-	13,466
Total revenues	371,543	73,314	10,835	455,692
Expenditures:				
Current:				
General government	118,863	-	-	118,863
Public safety	80,994	-	-	80,994
Transportation	27,388	-	-	27,388
Economic and physical development	-	-	2,430	2,430
Environmental protection	69,365	62,117	-	131,482
Cultural and recreation	266	-	-	266
Capital outlay	-	11,197	-	11,197
Total expenditures	296,876	73,314	2,430	372,620
Excess (deficiency) of revenues over expenditures	74,667	-	8,405	83,072
Net change in fund balance	74,667	-	8,405	83,072
Fund balances, beginning	611,666	-	30,270	641,936
Fund balances, ending	\$ 686,333	-	\$ 38,675	\$ 725,008

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, 2021**

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

Net changes in fund balances - total governmental funds	\$ 83,072
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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.

Capital outlay expenditures which were capitalized	\$ 11,197	
Depreciation expense for governmental assets	(19,976)	(8,779)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	6,166
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue for tax revenues	(83)
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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.

Pension expense		(12,537)
Compensated absences		(4,670)

Total changes in net position of governmental activities	\$ 63,169
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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, 2021**

	General Fund			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 98,600	\$ 101,317	\$ 105,768	\$ 4,451
Other taxes and licenses	1,400	1,282	1,433	151
Unrestricted intergovernmental	145,000	173,020	177,331	4,311
Restricted intergovernmental	27,571	15,830	15,831	1
Permits and fees	1,200	2,380	2,430	50
Sales and services	56,300	55,887	54,963	(924)
Investment earnings	1,200	190	246	56
Local contributions	400	75	75	-
Miscellaneous	10,100	61,530	13,466	(48,064)
Total revenues	341,771	411,511	371,543	(39,968)
Expenditures:				
Current:				
General government	136,671	153,500	118,863	34,637
Public safety	95,100	99,000	80,994	18,006
Transportation	94,200	53,511	27,388	26,123
Environmental protection	84,100	98,500	69,365	29,135
Cultural and recreation	4,400	7,000	266	6,734
Total expenditures	414,471	411,511	296,876	114,635
Revenues over (under) expenditures	(72,700)	-	74,667	74,667
Fund balance appropriated (surplus)	72,700	-	-	-
Net change in fund balance	\$ -	\$ -	74,667	\$ 74,667
Fund balance, beginning			611,666	
Fund balance, ending			\$ 686,333	

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, 2021**

	Water and Sewer Fund
<hr/>	
Assets:	
Current assets:	
Cash and cash equivalents	\$ 511,556
Accounts receivable (net) - billed	28,268
Accounts receivable (net) - unbilled	7,849
Due from other governments	16,973
Accounts Receivable - other	-
Restricted cash and cash equivalents	16,090
Total current assets	<u>580,736</u>
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	146,402
Other capital assets, net of depreciation	986,575
Capital assets (net)	<u>1,132,977</u>
Total noncurrent assets	<u>1,132,977</u>
Total assets	<u><u>\$ 1,713,713</u></u>
Deferred Outflows of Resources:	
Pension deferrals	<u>\$ 31,805</u>
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	50,555
Compensated absences	3,625
Customer deposits	16,090
Unearned revenue	11,124
Total current liabilities	<u>81,394</u>
Noncurrent liabilities:	
More than one year	<u>57,316</u>
Total noncurrent liabilities	<u>57,316</u>
Total liabilities	<u>138,710</u>
Deferred Inflows of Resources:	
Pension deferrals	<u>3,016</u>
Net Position:	
Net investment in capital assets	1,132,977
Unrestricted	470,815
Total net position	<u><u>\$ 1,603,792</u></u>

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, 2021**

	Water and Sewer Fund
Operating Revenues:	
Charges for services	\$ 301,864
Water and sewer taps	86,500
Water and sewer reconnection fees	850
Other operating revenues	<u>14,841</u>
Total operating revenues	<u>404,055</u>
Operating Expenses:	
Administration	364,181
Depreciation	<u>84,769</u>
Total operating expenses	<u>448,950</u>
Operating income (loss)	(44,895)
Nonoperating Revenues (Expenses):	
Investment earnings	154
Disaster grants - FEMA	<u>44,750</u>
Total nonoperating revenues (expenses)	<u>44,904</u>
Change in net position	9
Net position, beginning	<u>1,603,783</u>
Net position, ending	<u><u>\$ 1,603,792</u></u>

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, 2021**

	Water and Sewer Fund
Cash Flows From Operating Activities:	
Cash received from customers	\$ 389,602
Cash paid for goods and services	(165,432)
Cash paid to or on behalf of employees for services	(136,190)
Customer deposits received	940
Other operating revenues	14,841
Net cash provided (used) by operating activities	<u>103,761</u>
Cash Flows From Capital and Related Financing Activities:	
Hazard Mitigation Grant - FEMA	44,750
Acquisition and construction of capital assets	<u>(181,941)</u>
Net cash provided (used) by capital and related financing activities	<u>(137,191)</u>
Cash Flows From Investing Activities:	
Interest and dividends	154
Net increase (decrease) in cash and cash equivalents	<u>(33,276)</u>
Balances, beginning	560,922
Balances, ending	<u><u>\$ 527,646</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ (44,895)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	84,769
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	1,292
(Increase) decrease in other current assets	(904)
(Increase) decrease deferred outflows of resources for pensions	(3,366)
Increase (decrease) in net pension liability	10,887
Increase (decrease) in deferred inflows of resources - pensions	3,016
Increase (decrease) in accounts payable and accrued liabilities	52,022
Increase (decrease) in customer deposits	940
Total adjustments	<u>148,656</u>
Net cash provided (used) by operating activities	<u><u>\$ 103,761</u></u>

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, 2021**

**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 funds:

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

## Notes to the Financial Statements

**Special Revenue Fund** – Coronavirus Relief Fund is used to account for the CARES Act Grant.

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

## Notes to the Financial Statements

the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered 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

### Notes to the Financial Statements

maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

#### 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	\$ 73,179
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###### Business-type Activities

Water and Sewer Fund	Customer Deposits	\$ 16,090
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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, 2020.

#### 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

## Notes to the Financial Statements

### 7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meets this criterion, contributions made to the pension plan and OPEB deferrals for the 2021 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 several items that meet the criterion for this category - prepaid taxes, property taxes receivable, pension and OPEB deferrals 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, 2021.

### 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's government-wide and proprietary funds, an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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.

## Notes to the Financial Statements

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, 2021.

**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, 2021.

**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, 2021.

### 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

## Notes to the Financial Statements

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.

## **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, 2021, the Town's deposits had a carrying amount of \$1,235,116 and a bank balance of \$1,233,319. 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, 2021, the Town's petty cash fund totaled \$125.

#### **2. Investments**

At June 30, 2021 the Town of Salemburg had no investments.

#### **Interest Rate Risk**

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



### Notes to the Financial Statements

#### 3. Receivables – Allowance for Doubtful Accounts

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

General Fund

Taxes receivable \$ 404

Enterprise Fund

Allowance for uncollectible water and sewer fees 1,000

Total \$ 1,404

#### 4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 61,902	\$ -	\$ -	\$61,902
<b>Capital assets being depreciated:</b>				
Other improvements	149,608	-	-	149,608
Buildings	664,774	-	-	664,774
Equipment	93,736	11,197	-	104,933
Vehicles	22,642	-	-	22,642
Total capital assets being depreciated	<u>930,760</u>	<u>11,197</u>	<u>-</u>	<u>941,957</u>
<b>Less accumulated depreciation for:</b>				
Other improvements	141,021	614	-	141,635
Buildings	228,258	17,333	-	245,591
Equipment	91,449	2,029	-	93,478
Vehicles	22,642	-	-	22,642
Total accumulated depreciation	<u>483,370</u>	<u>\$ 19,976</u>	<u>\$ -</u>	<u>503,346</u>
Total capital assets being depreciated, net	<u>447,390</u>			<u>438,611</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 509,292</u>			<u>\$500,513</u>

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

General government	\$ 17,111
Cultural and recreation	2,865
Total depreciation expense	<u>\$ 19,976</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	-	121,146	-	121,146
Total capital assets not being depreciated	25,256	121,146	-	146,402
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	2,854,752	-	-	2,854,752
Furniture and maintenance equipment	221,808	60,795	-	282,603
Vehicles	47,324	-	-	47,324
Total capital assets being depreciated	3,123,884	60,795	-	3,184,679
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	1,881,862	61,635	-	1,943,497
Furniture and maintenance equipment	184,149	23,134	-	207,283
Vehicles	47,324	-	-	47,324
Total accumulated depreciation	2,113,335	\$ 84,769	\$ -	2,198,104
Total capital assets being depreciated, net	1,010,549			986,575
<b>Business-type activity capital assets, net</b>	<u>\$ 1,035,805</u>			<u>\$ 1,132,977</u>

## **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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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).

## Notes to the Financial Statements

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

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. 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, 2021, was 10.21% 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 \$15,842 for the year ended June 30, 2021.

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, 2021, the Town reported a liability of \$89,693 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total

### Notes to the Financial Statements

pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021, the Town's proportion was 0.00251% which was decrease of (.00021)% from its proportion measured June 30, 2020.

For the year ended June 30, 2021, the Town recognized pension expense of \$32,146. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,327	\$ -
Changes of assumptions	6,675	-
Net difference between projected and actual earnings on pension plan investments	12,622	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,674	4,945
Town contributions subsequent to the measurement date	15,842	-
Total	\$ 52,140	\$ 4,945

\$15,842 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022	\$ 9,373
2023	11,665
2024	6,579
2025	3,736
2026	-
Thereafter	-

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

Inflation	: 3.0 percent
Salary increases	: 3.5 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

### Notes to the Financial Statements

mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

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

<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 2019 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

## Notes to the Financial Statements

*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:

	<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)	\$ 181,977	\$ 89,693	\$ 12,998

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report 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	\$ 15,842
Differences between expected and actual expenses	11,327
Changes in assumptions	6,675
Net difference between projected and actual earnings on pension plan investments	12,622
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,674
Total	<u>\$ 52,140</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 997
Pension Deferrals	-	4,945
Total	<u>\$ -</u>	<u>\$ 5,942</u>

## Notes to the Financial Statements

### 3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial property, general liability, and worker's compensation insurance coverage as follows:

- \$1,000,000 on liability lines (excluding automobile coverage), \$2,196,968 property, \$58,399 scheduled and blanket equipment (not including emergency service equipment).
- \$1,000,000 liability, uninsured and underinsured motorist, \$10,000 med pay, \$500 comprehensive deductibles.
- Part A Workers' compensation is the NC Statutory Limits; Part B employers' liability is \$100,000 bodily injury by accident per occurrence, \$500,000 bodily injury by disease policy limit, \$100,000 bodily injury by disease per employee.

There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town has no flood insurance.

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

### 4. Claims, Judgments, and Contingent Liabilities

At June 30, 2021, 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 \$2,834,640.

Continued next page

## Notes to the Financial Statements

### A. Changes in Long-Term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund.

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 3,283	\$ 2,617	\$ 575	\$ 5,325	\$ 575
Net pension liability (LGERS)	30,455	4,525	-	34,980	-
Governmental activity long-term liabilities	<u>\$ 33,738</u>	<u>\$ 7,142</u>	<u>\$ 575</u>	<u>\$ 40,305</u>	<u>\$ 575</u>

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Business activities:					
Compensated absences	\$ 4,763	\$ 5,090	\$ 3,625	\$ 6,228	\$ 3,625
Net pension liability (LGERS)	43,826	10,887	-	54,713	-
Governmental activity long-term liabilities	<u>\$ 48,589</u>	<u>\$ 15,977</u>	<u>\$ 3,625</u>	<u>\$ 60,941</u>	<u>\$ 3,625</u>

### **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	\$ 686,333
Less:	
Stabilization by State Statute	37,172
Streets-Powell Bill	73,179
Assigned fund balance in 2021-2022 budget	73,000
Remaining Fund Balance	<u>502,982</u>

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 \$876 for the 2021 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 February 10, 2022 which is the date the financial statements were available to be issued.

End of Notes Section

### **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 (Asset)
  - 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>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Salemburg's proportion of the net pension liability (asset) (%)	0.00251%	0.00272%	0.00185%	0.00189%
Salemburg's proportion of the net pension liability (asset) (\$)	\$ 89,693	\$ 74,281	\$ 43,888	\$ 28,874
Salemburg's covered-employee payroll	\$ 143,467	\$ 161,443	\$ 146,630	\$ 134,518
Salemburg's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	62.52%	46.01%	29.93%	21.46%
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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 15,842	\$ 12,941	\$ 12,657	\$ 11,188
Contributions in relation to the contractually required contribution	15,842	12,941	12,657	11,188
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Salemburg's covered-employee payroll	\$ 155,163	\$ 143,467	\$ 161,443	\$ 146,630
Contributions as a percentage of covered-employee payroll	10.21%	9.02%	7.84%	7.63%

# **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, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 105,213	\$
Penalties and interest		555	
Total	<u>101,317</u>	<u>105,768</u>	<u>4,451</u>
Other taxes and licenses:			
Vehicle license		1,433	
Total	<u>1,282</u>	<u>1,433</u>	<u>151</u>
Unrestricted intergovernmental:			
Local option sales tax		138,650	
Telecommunications sales tax		2,848	
Piped natural gas tax		3,032	
Video franchise fees		3,000	
Utility franchise tax		29,801	
Total	<u>173,020</u>	<u>177,331</u>	<u>4,311</u>
Restricted intergovernmental:			
Powell Bill allocation		15,511	
Solid waste disposal tax		320	
Total	<u>15,830</u>	<u>15,831</u>	<u>1</u>
Permits and fees:			
Zoning permits	<u>2,380</u>	<u>2,430</u>	<u>50</u>
Sales and services:			
Garbage fees		40,425	
Recycle collection fees		11,468	
Mosquito control		2,750	
Fire inspection		320	
Total	<u>55,887</u>	<u>54,963</u>	<u>(924)</u>
Investment earnings	<u>190</u>	<u>246</u>	<u>56</u>
Local contributions:			
Museum contributions		75	
Total	<u>75</u>	<u>75</u>	<u>-</u>
Miscellaneous:			
Miscellaneous		13,466	
Total	<u>61,530</u>	<u>13,466</u>	<u>(48,064)</u>
Total revenues	<u>411,511</u>	<u>371,543</u>	<u>(39,968)</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, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
General government:			
Salaries and employee benefits	\$	\$ 58,688	\$
Mayor and commissioners' fees		13,295	
Advertising		228	
Insurance		6,846	
Professional fees		14,718	
Utilities and telephone		6,800	
Supplies		5,563	
Dues		968	
Repairs and maintenance		1,340	
Other operating expenses		10,417	
Total general government	<u>153,500</u>	<u>118,863</u>	<u>34,637</u>
Public safety:			
Police:			
Salaries and employee benefits		48,610	
Insurance		6,344	
Supplies		138	
Vehicle operations		5,521	
Total	<u>80,000</u>	<u>60,613</u>	<u>19,387</u>
Fire:			
Salaries and employee benefits			
Professional services		15,000	
Fire inspection		2,881	
Other operating expenses		2,500	
Total	<u>19,000</u>	<u>20,381</u>	<u>(1,381)</u>
Total public safety	<u>99,000</u>	<u>80,994</u>	<u>18,006</u>
Transportation:			
Streets:			
Salaries and employee benefits		5,548	
Repairs and maintenance		2,201	
Utilities		11,871	
Professional services		634	
Insurance		1,335	
Supplies		1,821	
Vehicle operations		748	
Other operating expenses		3,230	
Total transportation	<u>53,511</u>	<u>27,388</u>	<u>26,123</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, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>(Expenditures continued)</i>			
Environmental protection:			
Solid waste:			
Salaries and employee benefits	\$	\$ 4,533	\$
Contracted services		52,787	
Professional services		-	
Insurance		1,094	
Repairs and maintenance		925	
Supplies		52	
Vehicle operations		5,240	
Total	<u>86,000</u>	<u>64,631</u>	<u>21,369</u>
Cemetery:			
Contracted services		2,750	
Total	<u>3,500</u>	<u>2,750</u>	<u>750</u>
Mosquito abatement:			
Salaries and employee benefits		-	
Contract services		342	
Repairs and maintenance		69	
Supplies		1,573	
Total	<u>9,000</u>	<u>1,984</u>	<u>7,016</u>
Total environmental protection	<u>98,500</u>	<u>69,365</u>	<u>29,135</u>
Cultural and recreation:			
Cultural and recreation		266	
Total	<u>7,000</u>	<u>266</u>	<u>6,734</u>
Total cultural and recreational	<u>7,000</u>	<u>266</u>	<u>6,734</u>
Total expenditures	<u>411,511</u>	<u>296,876</u>	<u>114,635</u>
Revenues over (under) expenditures	-	74,667	74,667
Fund balance appropriated (surplus)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	74,667	\$ <u>74,667</u>
Fund balance, beginning		<u>611,666</u>	
Fund balance, ending		\$ <u><u>686,333</u></u>	



**Town of Salemburg, North Carolina  
Coronavirus Relief Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2021**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Coronavirus relief grant	\$	\$ 73,314	\$
Total	<u>73,314</u>	<u>73,314</u>	<u>-</u>
Expenditures:			
Repairs and maintenance		49,063	
Salaries and employee benefits		2,232	
Supplies		10,822	
Capital outlay		11,197	
Other operating expenditures		-	
Total	<u>73,314</u>	<u>73,314</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	- \$	<u>-</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		\$ <u><u>-</u></u>	

**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, 2021**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Rental income	\$	\$ 10,835	\$
Investment earnings		-	
Total	<u>10,835</u>	<u>10,835</u>	<u>-</u>
Expenditures:			
Insurance		945	
Utilities		1,485	
Total	<u>10,835</u>	<u>2,430</u>	<u>8,405</u>
Revenues over (under) expenditures	-	8,405	8,405
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	8,405	<u>\$ 8,405</u>
Fund balance, beginning		<u>30,270</u>	
Fund balance, ending		<u>\$ 38,675</u>	

**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, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues:			
Charges for services:			
Water and sewer charges	\$	\$ 296,437	\$
Water and sewer taps		86,500	
Water and sewer reconnection fees		850	
Penalties		5,427	
Total	<u>391,500</u>	<u>389,214</u>	<u>(2,286)</u>
Other operating revenues	<u>65,350</u>	<u>14,841</u>	<u>(50,509)</u>
Total operating revenues	<u>456,850</u>	<u>404,055</u>	<u>(52,795)</u>
Nonoperating revenues:			
Interest on investments	<u>200</u>	<u>154</u>	<u>(46)</u>
Total revenues	<u>457,050</u>	<u>404,209</u>	<u>(52,841)</u>
Operating expenses other than depreciation:			
Salaries and employee benefits		135,584	
Utilities		17,691	
Repairs and maintenance		93,596	
Supplies		12,185	
Insurance		9,218	
Professional services		25,595	
Contract labor		29,875	
Dues and subscriptions		3,146	
Vehicle expense		8,075	
Pipes and taps		904	
Testing fees		15,983	
Other operating expenditures		1,792	
Total	<u>397,250</u>	<u>353,644</u>	<u>43,606</u>
Capital outlay:			
Equipment	<u>275,750</u>	<u>181,941</u>	<u>93,809</u>
Total expenditures	<u>673,000</u>	<u>535,585</u>	<u>137,415</u>
Other financing sources (uses):			
Appropriated Fund Balance	171,200	-	(171,200)
Hazard mitigation grants - FEMA	<u>44,750</u>	<u>44,750</u>	<u>-</u>
Total other financing sources (uses)	<u>215,950</u>	<u>44,750</u>	<u>(171,200)</u>
Revenues over (under) expenditures	\$ <u>-</u>	\$ <u>(86,626)</u>	\$ <u>(86,626)</u>

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, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over (under) expenditures		\$ (86,626)	
Reconciling items:			
Capital outlay		181,941	
Depreciation		(84,769)	
(Increase) Decrease in deferred outflows of resources for pensions		3,366	
(Increase) Decrease in net pension liability		(10,887)	
(Increase) Decrease in deferred inflows of resources - pensions		(3,016)	
Total reconciling items		<u>86,635</u>	
Change in net position		\$ <u><u>9</u></u>	

## **OTHER SCHEDULES**

**Town of Salemburg, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**For the Fiscal Year Ended June 30, 2021**

<u>Fiscal Year</u>	Uncollected Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	Uncollected Balance <u>June 30, 2021</u>
2021	\$ -	\$ 106,299	\$ 105,832	\$ 467
2020	510	-	384	126
2019 and prior	404	-	-	404
	<u>\$ 914</u>	<u>\$ 106,299</u>	<u>\$ 106,216</u>	<u>997</u>

Less: allowance for uncollectible ad valorem taxes receivable	-
Ad valorem taxes receivable, net	<u>\$ 997</u>

Reconciliation with revenues:	
Ad valorem taxes	\$ 105,768
Reconciling items:	
Discounts and adjustments	1,003
Penalties and interest collected	<u>(555)</u>
Total collections and credits	<u>\$ 106,216</u>

**Town of Salemburg, North Carolina  
Analysis of Current Tax Levy  
For the Fiscal Year Ended June 30, 2021**

				<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Town - Wide Rate per \$100</u>	<u>Total Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$ 32,569,667	\$ 0.30	\$ 97,709	\$ 84,586	\$ 13,123
Discoveries:					
Current year taxes	2,863,333	\$ 0.30	8,590	8,590	-
Abatements:	<u>-</u>	\$ 0.30	<u>-</u>	<u>-</u>	<u>-</u>
Total for year	<u>\$ 35,433,000</u>		106,299	93,176	13,123
Less uncollected tax at June 30, 2021			<u>(467)</u>	<u>(467)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 105,832</u>	<u>\$ 92,709</u>	<u>\$ 13,123</u>
Current levy collection percentage			<u>99.56%</u>	<u>99.50%</u>	<u>100.00%</u>

## COMPLIANCE SECTION

- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Schedule of Findings and Responses
- Schedule of Corrective Action Plan
- Schedule of Prior Year Audit Findings



# HAIGH, BYRD & LAMBERT, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
1007 HAY STREET  
FAYETTEVILLE, NORTH CAROLINA 28305

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2021 and the related notes to the financial statements, which collectively comprises the Town of Salemburg, North Carolina's basic financial statements, and have issued our report thereon dated February 10, 2022.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Salemburg, North Carolina's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Salemburg, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Salemburg, North Carolina's internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items [2021-001] and [2021-002] that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Salemburg, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with

certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Town of Salemburg, North Carolina's Response to Findings**

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

#### **Purpose of this Report**

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



Certified Public Accountants  
Fayetteville, North Carolina  
February 10, 2022

**TOWN OF SALEMBURG, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2021**

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**Section I. Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified?                             Yes                        X   No

- Significant Deficiency(s) identified  
that are not considered to be  
material weaknesses?                        X   Yes                             None reported

Noncompliance material to financial  
statements noted?                             Yes                        X   No

## TOWN OF SALEMBURG, NORTH CAROLINA

### SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED) YEAR ENDED JUNE 30, 2021

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#### Section II. Financial Statement Findings

##### Finding: 2021-001

Significant Deficiency

#### FINANCIAL REPORTING

Criteria:	An effective system of internal control contemplates that management can prepare financial statements, complete with appropriate disclosures, that are fairly presented in accordance with accounting principles generally accepted in the United States of America (GAAP).
Condition:	<u><i>Financial Statement Preparation:</i></u> The Town did not provide the auditors with complete and accurate financial statements and disclosures presented in accordance with generally accepted accounting principles. In accordance with your request, we drafted the Town of Salemburg, North Carolina's financial statements and footnote disclosures.
Effect:	Lack of a thorough review process could result in misstatements or omissions in the financial statements.
Cause:	Due to economical purposes, management has limited staff to perform these functions.
Recommendation:	We encourage financial management to take full responsibility in the preparation of the financial statements with complete disclosures in accordance with GAAP.

#### *Views of responsible officials and planned corrective actions:*

The Town of Salemburg concurs with the finding. The Commissioners and Clerk/Finance Officer will review the processes within the finance department to determine what opportunities exist to improve upon internal control and independent review. The Town of Salemburg's governing board feels that there are limited financial resources at this time for additional staff and training in the finance department and that it is not cost beneficial to obtain additional assistance in this area. The Town of Salemburg's governing board will review the draft financial statements for material errors and reasonableness in amounts.

## **TOWN OF SALEMBURG, NORTH CAROLINA**

### **SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED) YEAR ENDED JUNE 30, 2021**

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#### **Section II. Financial Statement Findings (continued)**

##### **Finding: 2021-002**

Significant Deficiency

#### **INTERNAL CONTROLS**

Criteria:	Duties should be segregated and alternative controls used to compensate for lack of separation.
Condition:	With a limited number of personnel for certain functions, there are inherent limitations of the effectiveness of certain controls due to the lack of segregation of duties among Town personnel.
Effect:	Transactions could be mishandled.
Cause:	There is a limited number of personnel in the Town of Salemburg, North Carolina's finance office.
Recommendation:	Duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

#### *Views of responsible officials and planned corrective actions:*

The Town of Salemburg concurs with the finding. The Commissioners and Clerk/Finance Officer will review the processes within the finance department to determine what opportunities exist to improve upon internal control. The Town of Salemburg's governing board feels that there are limited financial resources at this time for additional staff and training in the finance department and that it is not cost beneficial to obtain additional assistance in this area. The Town of Salemburg's governing board will take a more active role in reviewing financial reports.

Joseph A. Warren, Jr.  
Mayor

Marilyn Walters  
Clerk / Finance Officer

## Town of Salemburg



### Commissioners:

Grady Collier  
Juanita Faircloth  
Michelle Hill  
Tommy Jackson  
Arnold Page  
Dickie Walters-Pro Tem

### SCHEDULE OF CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2021

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#### Finding#: 2021-001

Name of Contact Person: Marilyn Walters, Finance Officer

Corrective Action Plan: The Commissioners and Clerk/Finance Officer will review the processes within the finance department to determine what opportunities exist to improve upon independent review. The Town of Salemburg's governing board feels that there are limited financial resources at this time for additional staff and training in the finance department and that it is not cost beneficial to obtain additional assistance in this area. The Town of Salemburg's governing board will review the draft financial statements for material errors and reasonableness in amounts.

Proposed Completion Date: Immediate

#### Finding#: 2021-002

Name of Contact Person: Marilyn Walters, Finance Officer

Corrective Action Plan: The Commissioners and Clerk/Finance Officer will review the processes within the finance department to determine what opportunities exist to improve upon internal controls. The Town of Salemburg's governing board feels that there are limited financial resources at this time for additional staff and training in the finance department and that it is not cost beneficial to obtain additional assistance in this area. The Town of Salemburg's governing board will review financial reports.

Proposed Completion Date: Immediate

**TOWN OF SALEMBURG, NORTH CAROLINA**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2021**

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Not applicable for the year ended June 30, 2020