

TOWN OF SELMA, NORTH CAROLINA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

**Prepared by:
Finance Department**

**Submitted by:
Town Manager**

TOWN OF SELMA, NORTH CAROLINA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

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INTRODUCTORY SECTION

TOWN OF SELMA, NORTH CAROLINA

**TOWN COUNCIL AND OFFICIALS
JUNE 30, 2019**

TOWN COUNCIL

Cheryl L. Oliver.....Mayor
Jacqueline J. Lacey.....Council Member
Ann Williams.....Council Member
Tommy Holmes.....Council Member
Mark Peterson.....Council Member

TOWN OFFICIALS

Steven Hicks.....Town Manager
Rhonda Sommer.....Finance Officer
Jamie Whitley.....Town Clerk
Jennifer Eakes.....Human Resource Director
Alan B. Hewett.....Town Attorney
William Thomas.....Police Chief
Phillip W. McDaniel.....Fire Chief
Billy Roach.....Parks and Recreation Director
Randy Cahoon-Triangle.....Planning/Economic Development Director
Phyllis Brown.....Library Director
Donald Baker.....Interim Electric Director
JP McCann.....Public Service Director

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of Town Council
Town of Selma, 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 Selma, North Carolina** (the "Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Selma, North Carolina as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the 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 & Analysis, the Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance, the Schedule of Total Pension Liability as a Percentage of Covered Payroll - Law Enforcement Officers' Special Separation Allowance, the Schedule of Changes in Total OPEB Liability, the Town of Selma's Proportionate Share of Net Pension Liability (Asset), and the Schedule of the Town of Selma's Contributions on pages 4-12, 65, 66, 67, 68 and 69, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund statements and schedules, and the schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2019 on our consideration of the Town'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 solely 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 the effectiveness of the Town's 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 the Town's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 26, 2019

TOWN OF SELMA, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

- The assets and deferred outflows of resources of the Town of Selma exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$14,877,951 (net position).
- The government's total net position increased by \$1,425,897 over the previous year's restated net position. This increase was due primarily to business-type activities.
- As of close of the current fiscal year, the Town of Selma's governmental funds reported combined ending fund balances of \$3,597,725 with a net decrease of \$122,937 in fund balance in comparison with the prior year. Approximately 61.35% of this total amount, or \$2,207,183, is available for spending at the government's discretion (unassigned fund balance). The remaining balance of \$1,390,542 (38.65%) is non-spendable, restricted, or committed. The unassigned fund balance represents 30.69% of total general fund expenditures for the fiscal year.
- The Town of Selma's total debt increased by \$841,870 or 5.59% during the current fiscal year. The key factors in this increase was installment notes for rolling stock purchases and for pension liabilities.

Overview of the Financial Statements

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

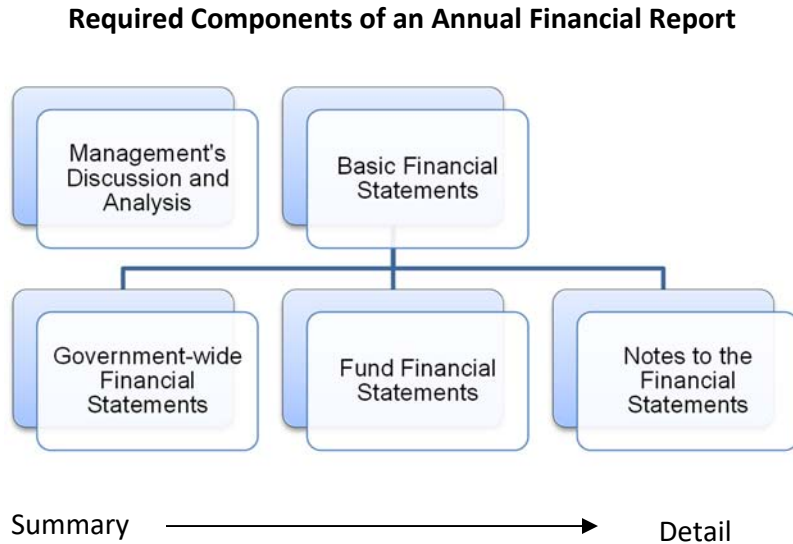
Basic Financial Statements

The first two statements 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 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 statement; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

TOWN OF SELMA, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure 1



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

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and 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, parks and recreation, streets, cemetery 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, sewer and electric services offered by the Town of Selma.

The government-wide financial statements are found on pages 13 and 14 of this report.

TOWN OF SELMA, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

The fund financial statements (See Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Selma, 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 Selma 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*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

The Town of Selma 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 – The Town of Selma has only one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Selma uses enterprise funds to account for its water and sewer activity and for its electric operations. These funds are the same as those functions 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 23 of this report.

TOWN OF SELMA, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Selma's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 65 of this report.

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

Government-Wide Financial Analysis

Figure 2
Town of Selma, North Carolina
Condensed Statement of Net Position
June 30, 2019 and 2018

	June 30, 2019		June 30, 2018 - Restated		Total	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	June 30, 2019	Restated June 30, 2018
Assets:						
Current assets	\$ 4,220,665	\$ 7,224,312	\$ 4,239,366	\$ 7,126,259	\$ 11,444,977	\$ 11,365,625
Capital assets, net	<u>10,215,744</u>	<u>10,579,101</u>	<u>9,076,812</u>	<u>9,849,885</u>	<u>20,794,845</u>	<u>18,926,697</u>
Total assets	<u>14,436,409</u>	<u>17,803,413</u>	<u>13,316,178</u>	<u>16,976,144</u>	<u>32,239,822</u>	<u>30,292,322</u>
Deferred outflows of resources	<u>947,022</u>	<u>381,911</u>	<u>630,745</u>	<u>254,951</u>	<u>1,328,933</u>	<u>885,696</u>
Liabilities:						
Current liabilities	600,275	1,239,228	503,976	1,423,921	1,839,503	1,927,897
Long-term liabilities	<u>10,382,191</u>	<u>5,607,256</u>	<u>9,635,112</u>	<u>5,502,163</u>	<u>15,989,447</u>	<u>15,137,275</u>
Total liabilities	<u>10,982,466</u>	<u>6,846,484</u>	<u>10,139,088</u>	<u>6,926,084</u>	<u>17,828,950</u>	<u>17,065,172</u>
Deferred inflows of resources	<u>683,542</u>	<u>178,312</u>	<u>516,835</u>	<u>143,957</u>	<u>861,854</u>	<u>660,792</u>
Net position:						
Net investment in capital assets	8,027,875	7,169,087	7,432,050	6,430,907	15,196,962	13,862,957
Restricted	1,182,184	65,619	1,313,409	66,537	1,247,803	1,379,946
Unrestricted	<u>(5,492,636)</u>	<u>3,925,822</u>	<u>(5,454,459)</u>	<u>3,663,610</u>	<u>(1,566,814)</u>	<u>(1,790,849)</u>
Total net position	<u>\$ 3,717,423</u>	<u>\$ 11,160,528</u>	<u>\$ 3,291,000</u>	<u>\$ 10,161,054</u>	<u>\$ 14,877,951</u>	<u>\$ 13,452,054</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Selma exceed liabilities and deferred inflows of resources by \$14,877,951 as of June 30, 2019. The Town's net position increased by \$1,425,897 for the fiscal year ended June 30, 2019. The largest portion of net position reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, equipment, and construction in progress) less any related debt still outstanding that was issued to acquire those items. The Town of Selma uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town of Selma'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

TOWN OF SELMA, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Selma's net position, \$1,247,803, represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted.

Figure 3
Town of Selma, North Carolina
Condensed Statement of Revenue, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2019 and 2018

Town of Selma Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,072,680	\$ 1,028,624	\$ 11,488,618	\$ 11,534,568	\$ 12,561,298	\$ 12,563,192
Operating grants & cont.	77,270	39,842	-	-	77,270	39,842
Capital grants & cont.	1,224,261	493,098	932,028	256,863	2,156,289	749,961
General revenues:						
Property taxes	2,642,563	2,518,995	-	-	2,642,563	2,518,995
Other taxes	1,008,373	935,028	-	-	1,008,373	935,028
Unrestricted interest	31,769	24,460	50,180	26,695	81,949	51,155
Unrestricted intergovernmental	650,319	625,290	-	-	650,319	625,290
Miscellaneous	147,840	200,361	-	-	147,840	200,361
Total revenues	6,855,075	5,865,698	12,470,826	11,818,126	19,325,901	17,683,824
Expenses:						
General government	1,309,226	1,368,691	-	-	1,309,226	1,368,691
Public safety	2,425,858	2,453,514	-	-	2,425,858	2,453,514
Transportation	1,993,119	1,402,860	-	-	1,993,119	1,402,860
Cemetery	165,650	163,202	-	-	165,650	163,202
Culture and recreation	648,039	597,950	-	-	648,039	597,950
Interest on long-term debt	66,760	55,179	-	-	66,760	55,179
Water	-	-	1,383,303	1,350,303	1,383,303	1,350,303
Sewer	-	-	2,920,681	2,226,772	2,920,681	2,226,772
Electric	-	-	6,987,368	6,838,538	6,987,368	6,838,538
Total expenses	6,608,652	6,041,396	11,291,352	10,415,613	17,900,004	16,457,009
Increase in net position						
before transfers	246,423	(175,698)	1,179,474	1,402,513	1,425,897	1,226,815
Transfers	180,000	199,691	(180,000)	(199,691)	-	-
Change in net position	426,423	23,993	999,474	1,202,822	1,425,897	1,226,815
Net position, beginning	1,473,241	8,448,811	11,563,366	9,577,144	13,036,607	18,025,955

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

- Continued diligence in the collection of property taxes by Johnston County on the Town's behalf by maintaining a combined tax collection percentage of 99.92%.
- Increased sales tax revenues of approximately \$73,349 due to economic growth in the Town.

TOWN OF SELMA, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities

Governmental activities reported an increase in the Town's net position of \$426,423. The Town has made a concerted effort to control costs and manage expenses to make the best use of limited resources for its citizens. Management believes healthy investment in the Town will result in additional revenues, and in that vein added to the Town's net position by investing in capital assets. Increased efforts to maximize tax collections also contributed to the favorable net position. The Town's tax rate is \$0.54 per \$100 of assessed property value.

Assessed valuation of all taxable property in the Town is \$454,563,878, a reduction of \$8,475,666 from the prior year.

Business-type activities

Business-type activities increased the Town of Selma's net position by \$999,474. This increase was after a transfer of \$175,000 from the Electric Fund to the General Fund in the current fiscal year. The Town's enterprise operations consist of water, sewer and electric utilities. Revenues in the Water, Sewer and Electric Funds combined went down by \$45,950 or 0.4% for the fiscal year.

Financial Analysis of the Town's Funds

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

Governmental Funds - The focus of the Town of Selma'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 Selma's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Selma. At the end of the current fiscal year, the Town of Selma's fund balance unassigned in the General Fund was \$2,207,183, while total fund balance was \$3,597,725. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 30.69% of total General Fund expenditures, while total fund balance represents approximately 50.03% of that same amount.

At June 30, 2019, the governmental funds of the Town of Selma reported a combined fund balance of \$3,597,725 with a net decrease in fund balance of \$122,937. Included in this change in fund balance is a decrease of \$45,748 in fund balance of other governmental funds. Fund balance in the General Fund decreased by \$77,189.

General Fund Budgetary Highlights: During the fiscal year, the Town made various revisions to its original budget. These changes are shown in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual. Generally, budget amendments fall into one of three categories:

TOWN OF SELMA, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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. Actual revenues exceeded amounts budgeted by \$441,692. Total expenditures in the General Fund were less than amounts approved in the final budget by \$768,107.

Proprietary Funds: The Town of Selma'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, Sewer and Electric Funds at the end of the fiscal year amounted to \$2,657,733, \$210,913, and \$1,057,176, respectively. The change in net position for the Water, Sewer and Electric Funds were (\$254,472), \$570,571, and \$683,375, respectively resulting in a total combined increase in net position of \$999,474 for the Town's proprietary funds.

Capital Asset and Debt Administration

Capital Assets: The Town of Selma's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totals \$20,794,845 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles, streets and infrastructure and construction in progress.

Major capital asset transactions during the year include the following:

- \$1,396,908 for sewer improvements
- \$824,425 for a fire ladder truck
- \$331,132 for a jetter-vac truck
- \$300,626 for electric improvements
- \$227,030 for street improvements
- \$101,028 for tennis courts

Figure 4
Town of Selma, North Carolina
Condensed Statement of Capital Assets (net of depreciation)
June 30, 2019 and 2018

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 2,666,068	\$ 2,657,588	\$ 311,804	\$ 311,804	\$ 2,977,872	\$ 2,969,392
Construction in progress	489,271	273,693	-	183,893	489,271	457,586
Buildings and Improvements	2,925,790	2,971,287	219,622	227,965	3,145,412	3,199,252
Other improvements	2,820,434	2,648,732	-	-	2,820,434	2,648,732
Distribution system	-	-	8,554,257	7,648,012	8,554,257	7,648,012
Equipment	244,507	299,422	969,547	790,236	1,214,054	1,089,658
Vehicles	1,069,674	226,090	523,871	277,518	1,593,545	503,608
Total	\$ 10,215,744	\$ 9,076,812	\$ 10,579,101	\$ 9,439,428	\$ 20,794,845	\$ 18,516,240

Additional information on the Town's capital assets can be found in Note 5 of the Notes to the Financial Statements.

TOWN OF SELMA, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt and Obligations: As of June 30, 2019, the Town of Selma had total bonded debt outstanding of \$1,735,000, all of which belongs to business-type activities. All of this debt represents bonds secured by specified revenue sources (e.g. revenue bonds).

The Town also has outstanding installment notes payable totaling \$3,862,883. Of this amount, \$1,675,014 is applicable to the Town's business-type activities. The remaining \$2,187,869 is applicable to the Town's governmental activities.

The Town of Selma's total debt and obligations increased by \$841,919 during the past fiscal year, due to increased installment notes and changes in net pension liability, net of principal payments on debt obligations.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the Town of Selma is \$36,365,110.

Additional information regarding the Town of Selma's long-term debt can be found in Note 6 of this report.

Figure 5
Town of Selma, North Carolina
Condensed Statement of Outstanding Debt
June 30, 2019 and 2018

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Installment notes	\$ 2,187,869	\$ 1,644,762	\$ 1,675,014	\$ 1,649,978	\$ 3,862,883	\$ 3,294,740
Revenue bonds	-	-	1,735,000	1,769,000	1,735,000	1,769,000
Compensated absences	324,878	351,751	58,889	60,781	383,767	412,532
Net pension liability	815,154	487,435	419,888	272,915	1,235,042	760,350
Law enforcement officers' SSA pension obligation	736,478	720,538	-	-	736,478	720,538
Net OPEB obligation	6,266,565	6,387,936	1,692,015	1,724,785	7,958,580	8,112,721
Total	\$ 10,330,944	\$ 9,592,422	\$ 5,580,806	\$ 5,477,459	\$ 15,911,750	\$ 15,069,881

Economic Factors and Next Year's Budgets and Rates

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

- The Town of Selma has a population of 6,643.
- The Town's tax collection rates for property excluding motor vehicles and registered motor vehicles are 99.91% and 100.00%, respectively.
- Sales tax revenues for the current year increased by \$73,349 or 7.84% over the previous year.
- Johnston County's unemployment rate was 4.2% for the month of June, 2019 compared to the average unemployment for the State of North Carolina of 4.1%.

TOWN OF SELMA, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: The property tax rate will remain \$0.54 per \$100 of assessed property value. This will be the first year to see the impact of the recently annexed acreage east of Interstate 95 and the implementation of the development agreement that was executed in the past year. Total budgeted expenditures in the General Fund are expected to be \$6,560,482. Town employees will receive a 1.5% cost of living adjustment in compensation.

Business-type Activities: The water and sewer rates in the Town will increase for fiscal year 2020 to improve our ability to fund needed infrastructure improvements. Electric rates in the Town will remain the same for fiscal year 2020.

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 Manager, Town of Selma, North Carolina, 114 North Raiford Street, Selma, NC 27576-2833. One can also call (919) 965-9841 or visit our website <http://www.selma-nc.com> for more information.

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF NET POSITION
JUNE 30, 2019**

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 2,576,730	\$ 5,289,802	\$ 7,866,532
Investments	29,138	-	29,138
Receivables, net of allowance for uncollectibles	574,270	1,459,395	2,033,665
Intergovernmental receivables	343,513	-	343,513
Taxes receivable	92,831	-	92,831
Inventories	89,100	409,496	498,596
Restricted cash and cash equivalents	515,083	65,619	580,702
Capital assets:			
Non-depreciable	3,155,339	311,804	3,467,143
Depreciable, net of accumulated depreciation	7,060,405	10,267,297	17,327,702
Total assets	<u>14,436,409</u>	<u>17,803,413</u>	<u>32,239,822</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension items	739,668	325,924	1,065,592
Deferred outflows - OPEB items	207,354	55,987	263,341
Total deferred outflows of resources	<u>947,022</u>	<u>381,911</u>	<u>1,328,933</u>
LIABILITIES			
Accounts payable	470,279	635,606	1,105,885
Accrued liabilities	129,996	211,374	341,370
Customer deposits	-	392,248	392,248
Interest payable	51,247	26,450	77,697
Installment notes, due within one year	210,816	388,676	599,492
Installment notes, due in more than one year	1,977,053	1,286,338	3,263,391
Bonds payable, due within one year	-	35,000	35,000
Bonds payable, due in more than one year	-	1,700,000	1,700,000
Compensated absences, due within one year	113,971	20,391	134,362
Compensated absences, due in more than one year	210,907	38,498	249,405
Total pension liability (LEOSSA), due in more than one year	736,478	-	736,478
Net pension liability (LGERS), due in more than one year	815,154	419,888	1,235,042
Total OPEB liability, due in more than one year	6,266,565	1,692,015	7,958,580
Total liabilities	<u>10,982,466</u>	<u>6,846,484</u>	<u>17,828,950</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension items	32,812	2,611	35,423
Deferred inflows - OPEB items	650,730	175,701	826,431
Total deferred inflows of resources	<u>683,542</u>	<u>178,312</u>	<u>861,854</u>
NET POSITION			
Net investment in capital assets	8,027,875	7,169,087	15,196,962
Restricted for:			
Stabilization by State Statute	644,436	-	644,436
Streets - Powell Bill	155,168	-	155,168
Cemetery perpetual care	316,282	-	316,282
Debt service	66,298	65,619	131,917
Unrestricted (deficit)	(5,492,636)	3,925,822	(1,566,814)
Total net position	<u>\$ 3,717,423</u>	<u>\$ 11,160,528</u>	<u>\$ 14,877,951</u>

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

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Net (Expenses) Revenues and Changes in Net Position						
	Expenses	Program Revenues			Governmental Activities	Business-type Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Governmental activities:							
General government	\$ 1,309,226	\$ 110,336	\$ -	\$ 197,266	\$ (1,001,624)	\$ -	\$ (1,001,624)
Public safety	2,425,858	3,960	53,682	45,445	(2,322,771)	-	(2,322,771)
Transportation	1,993,119	682,744	4,825	880,687	(424,863)	-	(424,863)
Cemetery	165,650	185,424	-	-	19,774	-	19,774
Culture and recreation	648,039	90,216	18,763	100,863	(438,197)	-	(438,197)
Interest on long-term debt	66,760	-	-	-	(66,760)	-	(66,760)
Total governmental activities	<u>6,608,652</u>	<u>1,072,680</u>	<u>77,270</u>	<u>1,224,261</u>	<u>(4,234,441)</u>	<u>-</u>	<u>(4,234,441)</u>
Business-type activities:							
Water	1,383,303	1,296,249	-	144,100	-	57,046	57,046
Sewer	2,920,681	2,382,177	-	771,450	-	232,946	232,946
Electric	6,987,368	7,810,192	-	16,478	-	839,302	839,302
Total business-type activities	<u>11,291,352</u>	<u>11,488,618</u>	<u>-</u>	<u>932,028</u>	<u>-</u>	<u>1,129,294</u>	<u>1,129,294</u>
Total primary government	<u>\$ 17,900,004</u>	<u>\$ 12,561,298</u>	<u>\$ 77,270</u>	<u>\$ 2,156,289</u>	<u>(4,234,441)</u>	<u>1,129,294</u>	<u>(3,105,147)</u>
General revenues:							
Property taxes, levied for general purposes					2,453,109	-	2,453,109
Property taxes, levied for fire districts					189,454	-	189,454
Other taxes					1,008,373	-	1,008,373
Unrestricted investment earnings					31,769	50,180	81,949
Unrestricted intergovernmental					650,319	-	650,319
Gain on sale of capital assets					71,595	-	71,595
Miscellaneous					76,245	-	76,245
Transfers					180,000	(180,000)	-
Total general revenues and transfers					<u>4,660,864</u>	<u>(129,820)</u>	<u>4,531,044</u>
Change in net position					426,423	999,474	1,425,897
Net position, beginning of year, restated					3,291,000	10,161,054	13,452,054
Net position, end of year					<u>\$ 3,717,423</u>	<u>\$ 11,160,528</u>	<u>\$ 14,877,951</u>

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

TOWN OF SELMA, NORTH CAROLINA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 2,574,012	\$ 2,718	\$ 2,576,730
Investments	29,138	-	29,138
Taxes receivable, net	92,831	-	92,831
Accounts receivable, net	574,270	-	574,270
Intergovernmental receivable	-	343,513	343,513
Restricted cash and cash equivalents	515,083	-	515,083
Inventory	89,100	-	89,100
Total assets	<u>\$ 3,874,434</u>	<u>\$ 346,231</u>	<u>\$ 4,220,665</u>
LIABILITIES			
Accounts payable	\$ 124,048	\$ 346,231	\$ 470,279
Accrued liabilities	129,996	-	129,996
Total liabilities	<u>254,044</u>	<u>346,231</u>	<u>600,275</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - cemetery lot sales	22,665	-	22,665
Total deferred inflows of resources	<u>22,665</u>	<u>-</u>	<u>22,665</u>
FUND BALANCES			
Nonspendable:			
Inventories	89,100	-	89,100
Restricted:			
Stabilization by State Statute	644,436	-	644,436
Debt service	66,298	-	66,298
Streets - Powell Bill	155,168	-	155,168
Cemetery perpetual care	293,617	-	293,617
Committed - Library Trust	141,923	-	141,923
Unassigned	2,207,183	-	2,207,183
Total fund balances	<u>3,597,725</u>	<u>-</u>	<u>3,597,725</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,874,434</u>	<u>\$ 346,231</u>	

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	10,215,744
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	22,665
Net pension liability for the LGERS is not recorded on the fund financial statements.	(815,154)
Total OPEB liability is not recorded on the fund financial statements.	(6,266,565)
Total pension liability for the Special Separation Allowance LEO is not recorded on the fund financial statements.	(736,478)
Deferred outflows and inflows of resources related to pensions and OPEB which are not current financial resources and, therefore, not reported in the governmental funds.	263,480
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(2,563,994)</u>
Net position of governmental activities:	<u>\$ 3,717,423</u>

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

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Ad valorem taxes	\$ 2,453,109	\$ -	\$ 2,453,109
Other taxes	1,008,373	-	1,008,373
Unrestricted intergovernmental	839,773	-	839,773
Restricted intergovernmental	494,833	713,895	1,208,728
Permits and fees	34,321	-	34,321
Sales and services	1,030,422	-	1,030,422
Contributions	-	26,383	26,383
Investment earnings	31,769	-	31,769
Miscellaneous	70,650	-	70,650
Total revenues	<u>5,963,250</u>	<u>740,278</u>	<u>6,703,528</u>
Expenditures			
Current:			
General government	1,584,796	-	1,584,796
Public safety	3,118,480	-	3,118,480
Transportation	1,326,676	-	1,326,676
Cemetery	124,847	-	124,847
Culture and recreation	749,727	-	749,727
Capital outlay	-	744,436	744,436
Debt service:			
Principal retirements	228,243	-	228,243
Interest	58,203	-	58,203
Total expenditures	<u>7,190,972</u>	<u>744,436</u>	<u>7,935,408</u>
Deficiency of revenues over expenditures	<u>(1,227,722)</u>	<u>(4,158)</u>	<u>(1,231,880)</u>
Other financing sources (uses)			
Transfers in	221,590	5,000	226,590
Transfers out	-	(46,590)	(46,590)
Issuance of note payable	771,350	-	771,350
Sale of general capital assets	157,593	-	157,593
Total other financing sources (uses)	<u>1,150,533</u>	<u>(41,590)</u>	<u>1,108,943</u>
Net change in fund balances	(77,189)	(45,748)	(122,937)
Fund balances, beginning of year	<u>3,674,914</u>	<u>45,748</u>	<u>3,720,662</u>
Fund balances, end of year	<u>\$ 3,597,725</u>	<u>\$ -</u>	<u>\$ 3,597,725</u>

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

TOWN OF SELMA, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

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

Net change in fund balances - total governmental funds	\$ (122,937)
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 capital outlay exceeded depreciation in the current period.	1,152,915
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to decrease net position.	(13,983)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,937
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(543,107)
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.	<u>(54,402)</u>
Change in net position - governmental activities	<u><u>\$ 426,423</u></u>

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

TOWN OF SELMA, NORTH CAROLINA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual Amounts	Variance with
	Original	Final		Actual and Final Budget Positive (Negative)
Revenues				
Ad valorem taxes	\$ 2,445,496	\$ 2,445,496	\$ 2,453,109	\$ 7,613
Other taxes	965,274	965,274	1,008,373	43,099
Unrestricted intergovernmental	784,447	821,447	839,773	18,326
Restricted intergovernmental	171,261	224,804	494,833	270,029
Permits and fees	20,000	20,000	20,791	791
Sales and services	899,302	924,302	1,030,422	106,120
Investment earnings	17,500	17,500	30,976	13,476
Miscellaneous	29,750	82,938	65,176	(17,762)
Total revenues	<u>5,333,030</u>	<u>5,501,761</u>	<u>5,943,453</u>	<u>441,692</u>
Expenditures				
Current:				
General government	1,467,158	1,904,953	1,584,796	320,157
Public safety	2,405,608	3,341,945	3,100,099	241,846
Transportation	1,385,786	1,389,261	1,326,676	62,585
Cemetery	125,913	135,913	124,847	11,066
Culture and recreation	701,282	871,295	749,727	121,568
Debt service:				
Principal retirements	181,735	235,878	228,243	7,635
Interest	138,128	61,453	58,203	3,250
Total expenditures	<u>6,405,610</u>	<u>7,940,698</u>	<u>7,172,591</u>	<u>768,107</u>
Excess (deficiency) of revenues over expenditures	<u>(1,072,580)</u>	<u>(2,438,937)</u>	<u>(1,229,138)</u>	<u>1,209,799</u>
Other financing sources:				
Fund balance appropriation	897,580	2,315,039	-	(2,315,039)
Transfers in	175,000	123,898	221,590	97,692
Issuance of note payable	-	-	771,350	771,350
Sale of general capital assets	-	-	157,593	157,593
Total other financing sources	<u>1,072,580</u>	<u>2,438,937</u>	<u>1,150,533</u>	<u>(1,288,404)</u>
Net change in fund balances	-	-	(78,605)	(78,605)
Fund balances, beginning of year	<u>3,509,263</u>	<u>3,509,263</u>	<u>3,509,263</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,509,263</u>	<u>\$ 3,509,263</u>	<u>3,430,658</u>	<u>\$ (78,605)</u>

Reconciliation to the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance:

Fire Protection - Selma Petroleum Terminals Fund:

Fund balance, beginning of year	165,651
Investment earnings	793
Permits and fees	13,530
Other revenues	5,474
Public safety expenditures	(18,381)
Fund balance, end of year	<u>\$ 3,597,725</u>

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

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019**

ASSETS	Water Fund	Sewer Fund	Electric Fund	Totals
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,196,658	\$ 766,713	\$ 2,326,431	\$ 5,289,802
Restricted cash	34,050	31,569	-	65,619
Accounts receivable, net of allowances	163,551	457,599	838,245	1,459,395
Inventories	86,718	8,682	314,096	409,496
Total current assets	<u>2,480,977</u>	<u>1,264,563</u>	<u>3,478,772</u>	<u>7,224,312</u>
NONCURRENT ASSETS				
Advances to other funds	575,000	-	-	575,000
CAPITAL ASSETS				
Nondepreciable	182,438	-	129,366	311,804
Depreciable, net of accumulated depreciation	2,981,229	6,181,901	1,104,167	10,267,297
Total noncurrent assets	<u>3,738,667</u>	<u>6,181,901</u>	<u>1,233,533</u>	<u>11,154,101</u>
Total assets	<u>6,219,644</u>	<u>7,446,464</u>	<u>4,712,305</u>	<u>18,378,413</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension items	118,803	76,303	130,818	325,924
OPEB items	5,850	6,502	43,635	55,987
Total deferred outflows of resources	<u>124,653</u>	<u>82,805</u>	<u>174,453</u>	<u>381,911</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	29,786	115,548	490,272	635,606
Accrued liabilities	18,556	18,299	200,969	237,824
Customer deposits	76,818	70,541	244,889	392,248
Installment contracts, current	14,192	47,680	326,804	388,676
Bonds payable, current	11,000	24,000	-	35,000
Compensated absences payable, current	6,427	6,427	7,537	20,391
Total current liabilities	<u>156,779</u>	<u>282,495</u>	<u>1,270,471</u>	<u>1,709,745</u>
NONCURRENT LIABILITIES				
Installments contracts	111,427	771,404	403,507	1,286,338
Bonds payable	539,000	1,161,000	-	1,700,000
Advance from other funds	-	575,000	-	575,000
Compensated absences payable	7,412	7,412	23,674	38,498
Net pension liability	153,737	94,167	171,984	419,888
Total OPEB liability	176,796	196,501	1,318,718	1,692,015
Total noncurrent liabilities	<u>988,372</u>	<u>2,805,484</u>	<u>1,917,883</u>	<u>5,711,739</u>
Total liabilities	<u>1,145,151</u>	<u>3,087,979</u>	<u>3,188,354</u>	<u>7,421,484</u>
DEFERRED INFLOWS OF RESOURCES				
Pension items	956	586	1,069	2,611
OPEB items	18,359	20,405	136,937	175,701
Total deferred inflows of resources	<u>19,315</u>	<u>20,991</u>	<u>138,006</u>	<u>178,312</u>
NET POSITION				
Net investment in capital assets	2,488,048	4,177,817	503,222	7,169,087
Restricted for:				
Debt service	34,050	31,569	-	65,619
Unrestricted	2,657,733	210,913	1,057,176	3,925,822
Total net position	<u>\$ 5,179,831</u>	<u>\$ 4,420,299</u>	<u>\$ 1,560,398</u>	<u>\$ 11,160,528</u>

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

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Water Fund	Sewer Fund	Electric Fund	Totals
OPERATING REVENUES				
Charges for sales and services	\$ 1,234,640	\$ 2,376,737	\$ 7,786,553	\$ 11,397,930
Other operating income	61,609	5,440	23,639	90,688
Total operating revenues	1,296,249	2,382,177	7,810,192	11,488,618
OPERATING EXPENSES				
Salaries and benefits	612,590	456,743	708,047	1,777,380
General operating expenses	392,452	227,333	438,331	1,058,116
Depreciation	239,054	382,921	100,054	722,029
Electric purchases	-	-	5,697,174	5,697,174
Water & sewer purchases	111,767	1,811,370	-	1,923,137
Total operating expenses	1,355,863	2,878,367	6,943,606	11,177,836
Operating income (loss)	(59,614)	(496,190)	866,586	310,782
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental	2,963	136,242	16,478	155,683
Interest income	20,295	10,812	19,073	50,180
Loss on disposal of capital assets	(2,700)	-	(16,446)	(19,146)
Interest and fiscal charges	(24,740)	(42,314)	(27,316)	(94,370)
Total non-operating revenue (expenses)	(4,182)	104,740	(8,211)	92,347
Income (loss) before capital contributions and transfers	(63,796)	(391,450)	858,375	403,129
Capital contributions	7,858	768,487	-	776,345
Transfers in	-	198,534	-	198,534
Transfers out	(198,534)	(5,000)	(175,000)	(378,534)
Change in net position	(254,472)	570,571	683,375	999,474
Net position, beginning of year, restated	5,434,303	3,849,728	877,023	10,161,054
Net position, end of year	\$ 5,179,831	\$ 4,420,299	\$ 1,560,398	\$ 11,160,528

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

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Water Fund	Sewer Fund	Electric Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,285,203	\$ 2,206,689	\$ 7,922,481	\$ 11,414,373
Payments to suppliers	(520,277)	(2,041,225)	(6,325,854)	(8,887,356)
Payments to employees	(598,705)	(448,379)	(714,537)	(1,761,621)
Net cash provided by (used in) operating activities	<u>166,221</u>	<u>(282,915)</u>	<u>882,090</u>	<u>765,396</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers to (from) other funds	(198,534)	193,534	(175,000)	(180,000)
Payment of advances	75,000	(75,000)	-	-
Net cash provided by (used in) non-capital financing activities	<u>(123,534)</u>	<u>118,534</u>	<u>(175,000)</u>	<u>(180,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from installment notes	49,350	230,300	110,000	389,650
Purchase of capital assets	(119,719)	(506,568)	(99,892)	(726,179)
Receipt of intergovernmental revenues	-	136,242	16,478	152,720
Principal payments	(25,370)	(77,185)	(296,059)	(398,614)
Interest paid	(23,808)	(37,764)	(31,051)	(92,623)
Contributions for tap fees	7,858	24,274	-	32,132
Net cash provided by (used in) capital and related financing activities	<u>(111,689)</u>	<u>(230,701)</u>	<u>(300,524)</u>	<u>(642,914)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	20,295	10,812	19,073	50,180
Net cash provided by investing activities	<u>20,295</u>	<u>10,812</u>	<u>19,073</u>	<u>50,180</u>
Net increase (decrease) in cash and cash equivalents	(48,707)	(384,270)	425,639	(7,338)
Cash and cash equivalents, beginning of year	2,279,415	1,182,552	1,900,792	5,362,759
Cash and cash equivalents, end of year	<u>\$ 2,230,708</u>	<u>\$ 798,282</u>	<u>\$ 2,326,431</u>	<u>\$ 5,355,421</u>
CASH AS REPORTED ON STATEMENT OF NET POSITION				
Cash and cash equivalents	\$ 2,196,658	\$ 766,713	\$ 2,326,431	\$ 5,289,802
Restricted cash and cash equivalents	34,050	31,569	-	65,619
Total cash and cash equivalents	<u>\$ 2,230,708</u>	<u>\$ 798,282</u>	<u>\$ 2,326,431</u>	<u>\$ 5,355,421</u>

continued

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ (59,614)	\$ (496,190)	\$ 866,586	\$ 310,782
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	239,054	382,921	100,054	722,029
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase) decrease in accounts receivable	(11,046)	(175,488)	112,289	(74,245)
Increase in inventories	(16,342)	(124)	(11,717)	(28,183)
Increase in deferred outflows of resources - pension items	(42,156)	(30,203)	(41,704)	(114,063)
Increase in deferred outflows of resources - OPEB items	(1,348)	(1,498)	(10,051)	(12,897)
Increase (decrease) in accounts payable	421	(2,702)	(176,276)	(178,557)
Increase (decrease) in accrued liabilities	1,920	2,738	(8,605)	(3,947)
Increase (decrease) in customer deposits	(137)	304	(2,356)	(2,189)
Increase (decrease) in compensated absences payable	2,074	2,074	(6,040)	(1,892)
Increase in deferred inflows for OPEB items	4,663	5,183	34,781	44,627
Decrease in OPEB liability	(3,424)	(3,805)	(25,541)	(32,770)
Decrease in deferred inflows for pension items	(3,666)	(2,158)	(4,448)	(10,272)
Increase in net pension liability	55,822	36,033	55,118	146,973
Net cash provided by (used in) operating activities	<u>\$ 166,221</u>	<u>\$ (282,915)</u>	<u>\$ 882,090</u>	<u>\$ 765,396</u>
NON CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Contributions of capital assets	\$ -	\$ 744,212	\$ -	\$ 744,212
Total noncash capital and related financing activities	<u>\$ -</u>	<u>\$ 744,212</u>	<u>\$ -</u>	<u>\$ 744,212</u>

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

TOWN OF SELMA, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Selma, North Carolina (the “Town”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town’s significant accounting policies are described below.

A. Reporting Entity

Incorporated in 1873, under the laws of the State of North Carolina, the Town of Selma, North Carolina is governed by an elected mayor and a four-member council. The government provides such services as police protection, cultural and recreational activities, public works, water, sewer, and electric services.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the Town’s capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers most revenues to be available if they are collected within 90 days of the end of the current fiscal period, except for property taxes which use a 60 day period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other long-term liabilities, such as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, individual major funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Town reports the following major governmental fund:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major enterprise funds:

The **Water Fund** accounts for the operation, maintenance and development of the Town's water system and services.

The **Sewer Fund** accounts for the operation, maintenance and development of the Town's sewer system and services.

The **Electric Fund** accounts for the operation, maintenance and development of the Town's electric system and services.

Additionally, the Town reports the following fund types:

The **special revenue funds** are used to account for specific revenues, such as various grants and contributions, which are legally restricted or committed to expenditures for particular purposes.

In accounting and reporting for its proprietary operations, the government applies all GASB pronouncements. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which did not conflict with or contradict GASB pronouncements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any inter-fund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

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. 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 enterprise funds include the cost of these goods 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.

D. Budgets

Annual appropriated budgets are adopted for all funds, with the exception of the CDBG Projects Fund for which a project length budget was adopted. In accordance with state law, the budgets adopted for the enterprise funds are adopted on the modified accrual basis of accounting, and a reconciliation is provided along with the budget schedule to reconcile from the modified accrual basis to the accrual basis. The enterprise fund capital project funds are consolidated with their respective operating fund for reporting purposes. The governmental funds' budgets are adopted on a basis other than accounting principles generally accepted in the United States of America. Budgets are adopted to show use of fund balance as another financing source for both governmental and proprietary funds, as well as the proprietary funds are budgeted on the modified accrual basis of accounting. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General fund, special revenue funds, and the enterprise funds. During the fiscal year ended June 30, 2019, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

All budget appropriations lapse at the end of each year.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Deposits

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town. The Town pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Any deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the state of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value, while non-participating interest earning contracts are accounted for at cost. The NCCMT-Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at net asset value per share calculated at amortized cost. The NCCMT-Term Portfolio's securities are valued at fair value.

F. Restricted cash and cash equivalents

The Town has restricted cash and cash equivalents related to the Powell Bill because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. The General Fund also reports restricted cash for the portion of assets restricted by outside parties for the maintenance of the Town's cemetery, as well as a sinking fund for the USDA bonds. The Town also reports restricted cash accounts in the Water and Sewer funds for the established sinking funds, required under the Town's bond covenants.

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Allowances

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

I. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, represent long-term borrowing arrangements with established repayment schedules, and are offset by non-spendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

J. Inventories and Prepaid Items

All inventories are valued at average cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items in both government-wide and fund financial statements.

K. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at estimated acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. In accordance with GASB 34, infrastructure assets acquired prior to July 1, 2003 have been capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

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

Infrastructure	20 years
Buildings and improvements	30 years
Electric distribution system	7-45 years
Water and sewer plant and distribution system	20-50 years
Vehicles and equipment	5-10 years

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town reports several deferred outflows related to the pension plans and the OPEB plan, one type of deferred outflow of resources being recognized is a deferred outflow of resources for the Town's actual contributions to the respective plan during the fiscal year ended June 30, 2019, which was subsequent to the measurement date of the net pension liability and total OPEB liability. The deferred outflows will be applied to future measurement periods. The Town has four (4) other items that qualify for reporting in this category which occurs in the governmental activities and in the individual proprietary funds. The Town reports deferred outflows of resources for the: (1) difference between expected and actual experience of the pension plan and OPEB plan, (2) net difference between projected and actual investment earnings on the pension plan assets, (3) changes in proportion and the difference between the Town's actual contributions towards the pension plan and the Town's proportionate share of contributions, and (4) changes in pension plan assumptions. The net difference between projected and actual investment earnings on the pension plan assets are amortized over five (5) years, while the remaining deferred outflows of resources will be amortized over the remaining service period of plan members.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three (3) items that qualify for reporting in this category which occurs in the governmental activities and in the individual proprietary funds. The Town reports deferred inflows of resources for the: (1) difference between expected and actual experience of the pension and OPEB plans, (2) changes in proportion and the difference between the Town's actual contributions towards the pension plan and the Town's proportionate share of contributions, and (3) changes in OPEB and pension plan assumptions. The deferred inflows of resources will be amortized over the remaining service period of plan members. Additionally, the Town reports one (1) item which is reported as a deferred inflow of resources which arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the sales of cemetery plots which are sold on payment plans and the receipts are not collected within the Town's revenue recognition window and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

M. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation, holiday, compensatory, and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the Town does not have a policy to pay any amounts when employees separate from service with the Town. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

N. Long-Term Obligations

In the government-wide financial statements and 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. Bond premiums and discounts are accrued and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are expensed in the year of issuance.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported 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.

O. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash), or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. One component of the restricted fund balance of the General Fund relates to the Stabilization by State Statute (*G.S. 159-8(a)*) which requires total fund balance less the fund balance available for appropriation equals the total amount that must be restricted.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by the Town Council. Approval of a resolution after a formal vote of the Town Council is required to establish a commitment of fund balance. Similarly, the Town Council may only modify or rescind the commitment by formal vote and adoption of a subsequent resolution.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

Assigned – Fund balances are reported as assigned when amounts are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Town Council, through Town Ordinance, has expressly delegated to the Town Manager or his/her designee, the authority to assign funds for particular purposes.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The Town reports positive unassigned fund balance only in the General Fund. The Town, by resolution, has created a minimum fund balance policy to be no less than 25% of the next fiscal year’s budgeted expenditures and outgoing transfers, in order to maintain adequate reserves to cover unforeseen revenue shortfalls and to maintain a budget stabilization commitment.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town’s policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the Town has spent) for the acquisition, construction or improvement of those assets.

Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LGERs) and additions to/deductions from LGERs’ fiduciary net position have been determined on the same basis as they are reported by LGERs. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds and net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.” The details of this \$2,563,994 difference are as follows:

Installment notes	\$ (2,187,869)
Accrued interest payable	(51,247)
Compensated absences (i.e., vacation)	<u>(324,878)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (2,563,994)</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$1,152,915 difference are as follows:

Capital outlay	\$ 1,746,815
Depreciation expense	<u>(593,900)</u>
 Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	 \$ <u><u>1,152,915</u></u>

Another element of the reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$543,107 difference are as follows:

Issuance of installment notes payable	\$ (771,350)
Principal payment on installment notes payable	<u>228,243</u>
 Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	 \$ <u><u>(543,107)</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of the reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to decrease net position.” The details of this \$13,983 difference are as follows:

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	\$ 72,015
In the statement of activities, only the <i>loss</i> on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	<u>(85,998)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u><u>\$ (13,983)</u></u>

Another element of the reconciliation states that “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.” The details of this \$54,402 difference are as follows:

Compensated absences (i.e., vacation)	\$ 26,873
Change in accrued interest	(8,557)
Net pension liability - LGERS and related deferred outflows and inflows of resources	(70,236)
Total pension liability - LEO Special Separation Allowance and related deferred outflows and inflows of resources	3,652
Total OPEB liability - and related deferred outflows and inflows of resources	<u>(6,134)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u><u>\$ (54,402)</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2019 are summarized as follows:

Statement of Net Position:

Cash and cash equivalents	\$	7,866,532
Restricted cash and cash equivalents		580,702
		\$ 8,447,234
		\$ 8,447,234
Cash deposited with financial institutions	\$	4,833,101
Cash deposited with NCCMT		3,614,133
		\$ 8,447,234
		\$ 8,447,234

Credit risk. State statutes and the Town’s policies authorize the Town to invest in obligations of the state of North Carolina or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers’ acceptances; the North Carolina Capital Management Trust (NCCMT); and obligations of other political subdivisions of the state of North Carolina. The Town does not have a credit rating policy which provides restrictions or limitations on credit ratings for the Town’s investments. The Town’s investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2019. The Town’s investment in the NC Capital Management Trust Term Portfolio is unrated.

As of June 30, 2019 the Town’s investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value June 30, 2019</u>	<u>Duration</u>	<u>Rating</u>
North Carolina Capital Management Trust Government Portfolio	Fair Value Level 1	\$ 2,834,206	N/A	AAAM
North Carolina Capital Management Trust Term Portfolio	Fair Value Level 1	779,927	.11 years	Unrated
		\$ 3,614,133		
Certificate of deposit	Amortized Cost	29,138	12 months	Unrated
		\$ 3,643,271		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ benchmark quoted prices.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk: The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk – deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes (G.S. 159-31) require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities. As of June 30, 2019, the Town’s deposits are insured or collateralized as required by state law.

NOTE 4. RECEIVABLES

Receivables at June 30, 2019, for the Town’s individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Governmental</u>
Receivables:					
Taxes	\$ 121,989	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	343,513
Accounts	677,509	198,934	528,183	1,045,845	-
Less allowance for uncollectible	<u>132,397</u>	<u>35,383</u>	<u>70,584</u>	<u>207,600</u>	<u>-</u>
Net total receivable	<u>\$ 667,101</u>	<u>\$ 163,551</u>	<u>\$ 457,599</u>	<u>\$ 838,245</u>	<u>\$ 343,513</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the Town for the year ended June 30, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 2,657,588	\$ 13,480	\$ (5,000)	\$ 2,666,068
Construction in progress	273,693	295,380	(79,802)	489,271
Total	<u>2,931,281</u>	<u>308,860</u>	<u>(84,802)</u>	<u>3,155,339</u>
Capital assets, being depreciated:				
Buildings	5,564,280	164,322	-	5,728,602
Other improvements	6,030,194	404,067	(33,249)	6,401,012
Equipment and furniture	906,131	7,097	(5,537)	907,691
Vehicles and motorized equipment	2,872,891	934,484	(503,540)	3,303,835
Total being depreciated	<u>15,373,496</u>	<u>1,509,970</u>	<u>(542,326)</u>	<u>16,341,140</u>
Less accumulated depreciation for:				
Buildings	(2,592,993)	(209,819)	-	(2,802,812)
Other improvements	(3,381,462)	(231,169)	32,053	(3,580,578)
Equipment and furniture	(606,709)	(62,012)	5,537	(663,184)
Vehicles and motorized equipment	(2,646,801)	(90,900)	503,540	(2,234,161)
Total	<u>(9,227,965)</u>	<u>(593,900)</u>	<u>541,130</u>	<u>(9,280,735)</u>
Total capital assets, being depreciated, net	<u>6,145,531</u>	<u>916,070</u>	<u>(1,196)</u>	<u>7,060,405</u>
Governmental activities capital assets, net	<u>\$ 9,076,812</u>	<u>\$ 1,224,930</u>	<u>\$ (85,998)</u>	<u>\$ 10,215,744</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Fund:				
Nondepreciable capital assets:				
Land	\$ 182,438	\$ -	\$ -	\$ 182,438
Total	<u>182,438</u>	<u>-</u>	<u>-</u>	<u>182,438</u>
Capital assets, being depreciated:				
Buildings and improvements	981,757	-	-	981,757
Distribution system	7,691,904	27,281	(5,948)	7,713,237
Equipment	502,124	26,234	-	528,358
Vehicles and motorized equipment	158,176	66,204	(16,295)	208,085
Total	<u>9,333,961</u>	<u>119,719</u>	<u>(22,243)</u>	<u>9,431,437</u>
Less accumulated depreciation for:				
Buildings and improvements	(879,072)	(16,090)	-	(895,162)
Distribution system	(4,792,252)	(188,122)	3,248	(4,977,126)
Equipment	(432,803)	(21,006)	-	(453,809)
Vehicles and motorized equipment	(126,570)	(13,836)	16,295	(124,111)
Total	<u>(6,230,697)</u>	<u>(239,054)</u>	<u>19,543</u>	<u>(6,450,208)</u>
Total capital assets being depreciated, net	<u>3,103,264</u>	<u>(119,335)</u>	<u>(2,700)</u>	<u>2,981,229</u>
Water Fund capital assets, net	<u>\$ 3,285,702</u>	<u>\$ (119,335)</u>	<u>\$ (2,700)</u>	<u>\$ 3,163,667</u>

The Town re-classified beginning depreciation expense for financial reporting between Buildings and Improvements and Equipment during fiscal year 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Sewer Fund:					
Nondepreciable capital assets:					
Construction in progress	\$ 410,457	\$ 744,212	\$ -	\$ (1,154,669)	\$ -
Total	<u>410,457</u>	<u>744,212</u>	<u>-</u>	<u>(1,154,669)</u>	<u>-</u>
Capital assets, being depreciated:					
Buildings and improvements	149,072	16,431	-	-	165,503
Distribution system	9,138,999	242,239	-	1,154,669	10,535,907
Equipment	344,268	-	(15,188)	-	329,080
Vehicles and motorized equipment	102,849	247,898	-	-	350,747
Total	<u>9,735,188</u>	<u>506,568</u>	<u>(15,188)</u>	<u>1,154,669</u>	<u>11,381,237</u>
Less accumulated depreciation for:					
Buildings and improvements	(75,376)	(8,258)	-	-	(83,634)
Distribution system	(4,390,639)	(327,122)	-	-	(4,717,761)
Equipment	(262,739)	(24,951)	15,188	-	(272,502)
Vehicles and motorized equipment	(102,849)	(22,590)	-	-	(125,439)
Total	<u>(4,831,603)</u>	<u>(382,921)</u>	<u>15,188</u>	<u>-</u>	<u>(5,199,336)</u>
Total capital assets being depreciated, net	<u>4,903,585</u>	<u>123,647</u>	<u>-</u>	<u>1,154,669</u>	<u>6,181,901</u>
Sewer Fund capital assets, net	<u>\$ 5,314,042</u>	<u>\$ 867,859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,181,901</u>

During fiscal year 2019 the Town restated beginning construction in progress for capital related project costs that had been unrecorded in prior years. See additional information in Note 13.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Electric Fund:					
Nondepreciable capital assets:					
Land	\$ 129,366	\$ -	\$ -	\$ -	\$ 129,366
Construction in progress	183,893	2,160	(16,446)	(169,607)	-
Total	<u>313,259</u>	<u>2,160</u>	<u>(16,446)</u>	<u>(169,607)</u>	<u>129,366</u>
Capital assets, being depreciated:					
Buildings and improvements	203,802	-	-	-	203,802
Equipment	7,031,772	96,404	-	169,607	7,297,783
Vehicles and motorized equipment	779,556	1,328	-	-	780,884
Total	<u>8,015,130</u>	<u>97,732</u>	<u>-</u>	<u>169,607</u>	<u>8,282,469</u>
Less accumulated depreciation for:					
Buildings and improvements	(147,755)	(4,889)	-	-	(152,644)
Equipment	(6,396,849)	(62,514)	-	-	(6,459,363)
Vehicles and motorized equipment	(533,644)	(32,651)	-	-	(566,295)
Total	<u>(7,078,248)</u>	<u>(100,054)</u>	<u>-</u>	<u>-</u>	<u>(7,178,302)</u>
Total capital assets being depreciated, net	<u>936,882</u>	<u>(2,322)</u>	<u>-</u>	<u>169,607</u>	<u>1,104,167</u>
Electric Fund capital assets, net	<u>\$ 1,250,141</u>	<u>\$ (162)</u>	<u>\$ (16,446)</u>	<u>\$ -</u>	<u>\$ 1,233,533</u>

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

Governmental activities:	
General government	\$ 33,828
Public safety	156,926
Transportation	248,822
Cemetery	39,005
Culture and recreation	115,319
Total depreciation expense - governmental activities	<u>\$ 593,900</u>
Business-type activities	
Water	\$ 239,054
Sewer	382,921
Electric	100,054
Total depreciation expense - business-type activities	<u>\$ 722,029</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2019 is as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Installment notes - direct borrowings	\$ 1,644,762	\$ 771,350	\$ (228,243)	\$ 2,187,869	\$ 210,816
Compensated absences	351,751	184,034	(210,907)	324,878	113,971
Net pension liability (LGERS)	487,435	497,601	(169,882)	815,154	-
Law enforcement officers' SSA total pension liability	720,538	110,235	(94,295)	736,478	-
Total OPEB liability	<u>6,387,936</u>	<u>379,683</u>	<u>(501,054)</u>	<u>6,266,565</u>	<u>-</u>
Governmental activity Long-term liabilities	<u>\$ 9,592,422</u>	<u>\$ 1,942,903</u>	<u>\$ (1,204,381)</u>	<u>\$ 10,330,944</u>	<u>\$ 324,787</u>
Business-type activities:					
Installment notes - direct borrowings	\$ 1,649,978	\$ 389,650	\$ (364,614)	\$ 1,675,014	\$ 388,676
Revenue bonds - direct placement	1,769,000	-	(34,000)	1,735,000	35,000
Compensated absences	60,781	36,606	(38,498)	58,889	20,391
Net pension liability (LGERS)	272,915	234,480	(87,507)	419,888	-
Total OPEB liability	<u>1,724,785</u>	<u>102,518</u>	<u>(135,288)</u>	<u>1,692,015</u>	<u>-</u>
Business-type activity Long-term liabilities	<u>\$ 5,477,459</u>	<u>\$ 763,254</u>	<u>\$ (659,907)</u>	<u>\$ 5,580,806</u>	<u>\$ 444,067</u>

For governmental funds, compensated absences are liquidated by the General Fund. The net pension liability (LGERS), total pension liability (LEOSSA), and total OPEB liability are liquidated by the General Fund. The compensated absences for the business-type activities are liquidated by the respective fund carrying the liability. See Note 13 for explanations for changes in beginning balances in the total OPEB liability.

Direct Borrowings - Installment Notes

The Town has various installment notes outstanding for buildings, equipment, and vehicle financing arrangements. The assets purchased or constructed with the financing has been pledged as collateral on the financing. The outstanding balances for the notes as of June 30, 2019 are as follows on the following page:

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Borrowing - Installment Notes (Continued)

<i>Governmental activities</i>	<u>Balance as of June 30, 2019</u>
A note issued by RBC Bank for \$525,000 was issued on July 23, 2010 with annual payments of \$52,500 for the purchase of real property. The note bears an interest rate of 5.25% and matures in 2020.	\$ 105,000
A note issued by US Department of Agriculture for \$550,000 was issued on December 6, 2010 with annual payments of \$30,850 for the purchase of real property. The note bears an interest rate of 3.75% and matures in 2040.	456,620
A note issued by US Department of Agriculture for \$375,000 was issued on September 21, 2011 with annual payments of \$22,350 for library expansion. The note bears an interest rate of 4.25% and matures in 2041.	323,953
A note issued by US Department of Agriculture for \$210,000 was issued on September 14, 2010 with annual payments of \$18,890 for the purchase of a fire truck. The note bears an interest rate of 4.00% and matures in 2025.	113,346
A note issued by US Department of Agriculture for \$31,900 was issued on March 21, 2012 with annual payments of \$1,790 for fire department renovations. The note bears an interest rate of 3.75% and matures in 2042.	27,246
A note issued by US Department of Agriculture for \$110,000 was issued on March 21, 2012 with annual payments of \$6,170 for fire department renovations. The note bears an interest rate of 3.75% and matures in 2042.	93,970
A note issued by BB&T Bank for \$400,000 was issued on August 25, 2015 with annual payments of \$26,667, plus interest, for Town Hall renovations. The note bears an interest rate of 2.69% and matures in 2030.	308,314
A note issued by KS Bank for \$138,990 was issued on December 20, 2016 with annual payments of \$28,921, plus interest, for a new knuckleboom truck. The note bears an interest rate of 1.55% and matures in 2022.	73,182
A note issued by KS Bank for \$49,350 was issued on October 28, 2018 with annual payments of \$8,833 for a jetter machine. The note bears an interest rate of 2.93% and matures in 2023. The note contains a provision that in an event of default, the outstanding balance becomes immediately due if the Town is unable to make payment.	40,525
A note issued by Local Government Federal Credit Union for \$722,000 was issued on December 6, 2018 with annual payments of \$76,287 for a firetruck. The note bears an interest rate of 3.15% and matures in 2028. The note contains a provision that in an event of default, the outstanding balance becomes immediately due if the Town is unable to make payment.	645,713
Total outstanding installment notes payable	<u><u>\$ 2,187,869</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Borrowings - Installment Notes (Continued)

The debt service to maturity on the installment notes is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 210,816	\$ 77,402	\$ 288,218
2021	214,769	69,914	284,683
2022	154,370	62,221	216,591
2023	141,414	57,523	198,937
2024	145,361	52,779	198,140
2025-2029	685,301	192,715	878,016
2030-2034	245,928	103,869	349,797
2035-2039	247,637	58,145	305,782
2040-2042	142,273	10,309	152,582
Total	<u>\$ 2,187,869</u>	<u>\$ 684,877</u>	<u>\$ 2,872,746</u>

Business-type activities

A note issued by RBC Bank for \$3,355,700 was issued on November 17, 2005 with annual payments of \$294,476 for the purchase of electric utility improvements. The note bears an interest rate of 3.65% and matures in 2020.

Balance as of
June 30, 2019

\$ 556,213

A note issued by BB&T for \$157,256 was issued on June 29, 2015 with annual payments of \$32,624 for the purchase of an electric utility truck. The note bears an interest rate of 1.24% and matures in 2020.

64,101

A note issued by North Carolina Drinking Water State Revolving Fund for \$130,913 was issued on January 31, 2013 with annual payments of \$6,545 for the refinancing of water system improvements. The note is a non-interest bearing note and matures in 2032.

85,092

A note issued by US Department of Agriculture for \$687,000 was issued on December 19, 2016 to refinance previously issued line of credit with BB&T Bank. The note bears an interest rate of 1.875% and matures in 2056.

629,969

continued

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Borrowings - Installment Notes (Continued)

<i>Business-type activities (continued)</i>	<u>Balance as of June 30, 2019</u>
<p>A note issued by KS Bank for \$279,650 was issued on October 28, 2018 with annual payments of \$50,056 for a jetter machine. The note bears an interest rate of 2.93% and matures in 2023. The note contains a provision that in an event of default, the outstanding balance becomes immediately due, if the Town is unable to make payment.</p>	\$ 229,639
<p>A note issued by KS Bank for \$110,000 was issued on July 23, 2018 with annual payments of \$23,776 for a bucket truck. The note bears an interest rate of 2.64% and matures in 2023.</p>	110,000
Total outstanding installment notes payable	<u>\$ 1,675,014</u>

The debt service to maturity on the installment notes is as follows:

	Principal	Interest	Total
Year Ending June 30,			
2020	\$ 388,676	\$ 42,961	\$ 431,637
2021	399,913	30,531	430,444
2022	87,435	17,623	105,058
2023	89,360	15,454	104,814
2024	91,296	13,230	104,526
2025-2029	103,728	52,125	155,853
2030-2034	97,637	45,225	142,862
2035-2039	85,000	37,669	122,669
2040-2044	93,000	29,381	122,381
2045-2049	102,000	20,325	122,325
2050-2054	112,000	10,388	122,388
2055-2056	24,969	1,163	26,132
Total	<u>\$ 1,675,014</u>	<u>\$ 316,075</u>	<u>\$ 1,991,089</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Placement - Revenue Bonds

In July 2007, the Town issued \$643,000 of Direct Placement Water and Sewer Revenue Bonds, Series 2007 for water system improvements. Principal installments are due annually on June 1 with semiannual interest payments due on December 1 and June 1. The bonds bear an interest rate of 4.25%. At June 30, 2019, \$550,000 of the bonds were outstanding. The bonds mature in 2047. The bonds contains a provision that in an event of default, the outstanding balance becomes immediately due if the Town is unable to make payment.

In June 2013, the Town issued \$1,320,000 of Direct Placement Water and Sewer Revenue Bonds, Series 2013 for wastewater system improvements. Principal installments are due annually on June 1 with semiannual interest payments due on December 1 and June 1. The bonds bear an interest rate of 2.125%. At June 30, 2019, \$1,185,000 of the bonds were outstanding. The bonds mature in 2053. The bond contains a provision that in an event of default, the outstanding balance becomes immediately due if the Town is unable to make payment.

The debt service to maturity on the revenue bonds is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 35,000	\$ 48,556	\$ 83,556
2021	36,000	47,579	83,579
2022	37,000	46,580	83,580
2023	38,000	45,539	83,539
2024	39,000	44,476	83,476
2025-2029	213,000	205,126	418,126
2030-2034	245,000	172,784	417,784
2035-2039	283,000	134,746	417,746
2040-2044	326,000	90,058	416,058
2045-2049	298,000	40,609	338,609
2050-2053	185,000	9,903	194,903
Total	<u>\$ 1,735,000</u>	<u>\$ 885,956</u>	<u>\$ 2,620,956</u>

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$643,000, and \$1,320,000, of Water & Sewer Revenue Bonds Series 2007, and 2013, respectively. The bonds are payable solely from water and sewer customer net revenues and are payable through 2047 and 2053, respectively. Annual principal and interest payments on the bonds are expected to require less than 20 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,620,956. Principal and interest paid for the current year and net customer expenses were \$83,491 and \$5,755, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Placement - Revenue Bonds (Continued)

The Town of Selma’s Water & Sewer Revenue Bonds, Series 2007 and Series 2013 have covenant requirements (Article V, Section 5.01(c)(2)) which require 110% debt coverage ratio based on the income available for debt service as compared to the annual debt service requirement. The Town has been in compliance with the covenants as to rates and charges in the Water & Sewer Revenue Bonds, Series 2007 and 2013 since its adoption in 2007, except for fiscal years ended June 30, 2013, and June 30, 2014. Below is a calculation of the coverage ratio as of June 30, 2019:

Operating revenues	\$ 3,678,426
Non-operating revenues	31,107
Operating expenses	<u>(3,612,255)</u>
Income available for debt service	<u>\$ 97,278</u>
Annual debt service (Revenue Bonds only)	\$ 83,491
Debt service coverage ratio	117%

Per loan covenants, operating expenses do not include depreciation expense. In accordance with the loan documents, failure to meet the ratio above will not constitute an event of default, provided net revenues are sufficient to meet debt requirements. However, if any principal or interest is not paid when due and payable, this would be deemed an event of default. Upon default, the outstanding full balance of the bonds may be declared due and payable immediately.

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2019 is as follows:

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
Water Fund	Sewer Fund	\$ 575,000

The Water Fund has loaned the Sewer Fund \$850,000 over the past few years; the Sewer Fund has increased charges to the customers so as to begin making annual installments with the intention of repaying the advance in full.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Electric Fund	\$ 175,000
General Fund	Nonmajor governmental funds	46,590
		<u>\$ 221,590</u>
Nonmajor governmental funds	Sewer Fund	<u>\$ 5,000</u>
Sewer Fund	Water Fund	<u>\$ 198,534</u>

Transfers are used to move revenues from the (1) Electric Fund to the General Fund for operating purposes, (2) Small Business Revolving Loan Fund to General Fund to close out the fund account for the loan program in the General Fund, (3) Sewer Fund to CDBG Fund to supplement project costs, and (4) to move capital reserves for the utilities to the reserve fund.

NOTE 8. PENSION PLANS

A. Local Governmental Employees' Retirement System

Plan Description. The Town of Selma is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local 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 Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the state of North Carolina. The state's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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 postretirement 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 Selma 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 Selma's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, 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 Selma were \$255,817 for the year ended June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

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

At June 30, 2019, the Town reported a liability of \$1,235,042 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.05206%, which was an increase of 0.00229% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$348,873. At June 30, 2019, 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	\$ 190,538	\$ 6,393
Changes in plan assumptions	327,732	-
Net difference between projected and actual earnings on pension plan investments	169,535	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	13,463	1,285
Town contributions subsequent to the measurement date	255,817	-
Total	\$ 957,085	\$ 7,678

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Town contributions made subsequent to the measurement date of \$255,817 are reported as deferred outflows of resources and will be recognized as a decrease of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:		
2020	\$	335,337
2021		217,885
2022		40,335
2023		100,033
	<u>\$</u>	<u>693,590</u>

Actuarial Assumptions. The total pension liability as of June 30, 2018 was determined by the December 31, 2017 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2017 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 Protection	6.0%	4.0%
Total	100%	

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 2,966,676	\$ 1,235,042	\$ (211,940)

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

B. Law Enforcement Officers Special Separation Allowance

Plan Description. The Town of Selma administers a public employee retirement system (the "Separation Allowance"), an agent multiple-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report is not issued for the Plan.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2017, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Active plan members	24
Total	29

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$67,973 as benefits came due for the reporting period.

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

At June 30, 2019, the Town reported a total pension liability of \$736,478. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$63,025.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience differences	\$ 52,041	\$ -
Change in assumptions	23,217	27,745
Town benefit payments made subsequent to the measurement date.	33,249	-
Total	<u>\$ 108,507</u>	<u>\$ 27,745</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

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

The town reported \$33,429 as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2020	\$	11,106
2021		11,106
2022		11,886
2023		9,912
2024		3,503
		<u>\$ 47,513</u>

Changes in the Total Pension Liability. The changes in the total pension liability of the Town for the fiscal year ended June 30, 2019 were as follows:

	Total Pension Liability
Balance at June 30, 2018	\$ 720,538
Service Cost	31,340
Interest	21,695
Experience differences	57,200
Assumption changes	(26,322)
Benefit payments	(67,973)
Balance at June 30, 2019	<u>\$ 736,478</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

The required schedule of changes in the Town’s total pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information.

Sensitivity of the Town’s total pension liability to changes in the discount rate. The following presents the Town’s total pension liability calculated using the discount rate of 3.64 percent, as well as what the Town’s total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 792,727	\$ 736,478	\$ 685,484

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

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

C. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (“Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the state of North Carolina. The state’s CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

C. Supplemental Retirement Income Plan for Law Enforcement Officers (Continued)

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute, each month, an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$59,499 which consisted of \$51,139 from the Town and \$8,360 from the law enforcement officers. As of June 30, 2019 there were twenty-six (26) participants in the plan.

D. Supplemental Retirement Income Plan for Employees Other than Law Enforcement Officers

All other permanent full-time employees of the Town (excluding law enforcement officers) also participate in the Supplemental Retirement Income Plan, a defined contribution pension plan as described previously. The Plan is a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Town contributes each month an amount equal to 3% of each employee's salary, and all amounts contributed are vested immediately. Also, these employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$77,034, which consisted of \$53,335 from the Town and \$23,699 from the employees. As of June 30, 2019 there were fifty-eight (58) participants in the plan.

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NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

Plan Description and Benefits Provided. Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the “HCB Plan”). As of August 21, 2014, this plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Government Employees' Retirement System (LGERS) and have at least 20 years of creditable service with the Town. Prior to August 21, 2014, employees qualified for similar level benefits after a minimum of five years of creditable service with the Town. The Town pays the full cost of coverage for employees’ benefits through private insurers and employees have the option of purchasing dependent coverage at the Town’s group rates. Employees hired on or after August 21, 2014 who retire with a minimum of 20 years of creditable service also have the option of purchasing coverage for themselves and dependents at the Town’s group rate. Employees hired on or after August 21, 2014 who retire with less than 20 years of service are not eligible for postemployment coverage. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. The Town Council established and may amend the benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and a separate report was not issued for the HCB Plan.

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Active participants	51
Retirees and beneficiaries currently receiving benefits	28
Total	79

The plan was closed to new entrants on August 22, 2014.

Contributions. The Town Council has elected to fund the HCB Plan on a “pay as you go” basis. Per the Town resolution, retirees are able to continue to receive health insurance at active employee rates, subsidized by Town contributions. For the fiscal year ended June 30, 2019, the Town contributed \$263,341 for the pay as you go benefits for the HCB Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The Town's total OPEB liability of \$7,958,580 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation rate	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increase, including wage inflation	
General employees	3.50% - 7.75%
Firefighters	3.50% - 7.75%
Law Enforcement Officers	3.50% - 7.35%
Municipal bond index rate	
Prior measurement date	3.56%
Measurement date	3.89%
Health care cost trends	
Pre-medicare	7.50% - 5.00%, Ultimate Trend in 2023
Medicare	5.50% - 5.00%, Ultimate Trend in 2020

The discount rate is based on the yield June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer.

Changes in the Total OPEB Liability. The changes in the total OPEB liability for the Town for the fiscal year ended June 30, 2019 were as follows:

	Total OPEB Liability
Balance at June 30, 2018	\$ 8,112,721
Service Cost	196,964
Interest	285,237
Experience differences	(24,361)
Assumption changes	(409,297)
Benefit payments	(202,684)
Balance at June 30, 2019	<u>\$ 7,958,580</u>

Change in assumption and other inputs reflect a change in the discount rate from 3.56% to 3.89%. The current mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89) than the current discount rate:

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	\$ 9,305,872	\$ 7,958,580	\$ 6,892,596

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.50% to 4.00%)	Current (7.50% to 5.00%)	1% Increase (8.50% to 6.00%)
Total OPEB liability	\$ 6,752,838	\$ 7,958,580	\$ 9,513,177

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2019 and the current sharing pattern of costs between employer and inactive employees.

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019 the Town recognized OPEB expense of \$248,477. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 27,765
Changes in plan assumptions	-	798,666
Town contributions subsequent to the measurement date	263,341	-
Total	\$ 263,341	\$ 826,431

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (Continued)

Town contributions made subsequent to the measurement date of \$263,341 are reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2019	\$ (223,745)
2020	(223,745)
2021	(223,745)
2022	(128,348)
2023	(26,848)
	<u>\$ (826,431)</u>

NOTE 10. RISK MANAGEMENT

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

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town does not carry flood insurance because flood plain maps show insignificant property values within flood plains.

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 \$500,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation:

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

Grant Contingencies:

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the Town believes such disallowances, if any, will not be significant.

Construction Commitments:

The Town has entered into construction commitments for various Town projects including electric improvement, civic center improvements and general repair contracts with outstanding construction commitments of \$406,228 as of June 30, 2019.

NOTE 12. JOINTLY GOVERNED ORGANIZATIONS

The Town, in conjunction with thirty-one other local governments, is a member of the North Carolina Eastern Municipal Power Agency ("NCEMPA"). The NCEMPA was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the NCEMPA's governing board. The thirty-one members, who receive power from the NCEMPA, have signed power sales agreements to purchase a specified share of the power generated by the NCEMPA. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2019 were \$5,697,174.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. CHANGE IN ACCOUNTING POLICY & RESTATEMENT

The Town has determined a restatement to beginning net position was required in the Town’s governmental activities and business-type activities to report a change in accounting policy related to the total OPEB liability, which requires retroactive reporting of opening balances. This is due to the Town’s change in how the OPEB benefits are being charged between the participating funds, in order to report a share of the liability in both the governmental and business-type activities. The effect of the restatements resulted in a change to beginning net position of the governmental activities, business-type activities, and enterprise funds as follows:

The Town has also determined a restatement to beginning net position was required in the Town’s Sewer Fund and business-type activities to report beginning project costs associated with a sewer project, which affects the capital asset reporting of the fund. The effect of the restatements resulted in a change to beginning net position of the business-type activities, and Sewer Fund funds as follows:

	Governmental Activities
Net Position, governmental activities, as previously reported	\$ 1,478,231
Restatement related to total OPEB liability:	
Total OPEB liability as of June 30, 2018	1,724,785
Deferred outflows of resources - contributions	(43,090)
Deferred inflows of resources	131,074
Net Position, governmental activities, as restated	\$ 3,291,000
	Water Fund
Net Position, water fund, as previously reported	\$ 5,623,717
Restatement related to total OPEB liability:	
Beginning total OPEB liability as of June 30, 2019	(180,220)
Beginning deferred outflows of resources - contributions	4,502
Beginning deferred intflows of resources	(13,696)
Net Position, water fund, as restated	\$ 5,434,303
	Sewer Fund
Net Position, sewer fund, as previously reported	\$ 3,649,795
Restatement related to total OPEB liability:	
Beginning total OPEB liability as of June 30, 2019	(200,306)
Beginning deferred outflows of resources - contributions	5,004
Beginning deferred intflows of resources	(15,222)
Restatement for beginning construction in progress	410,457
Net Position, sewer fund, as restated	\$ 3,849,728

NOTES TO FINANCIAL STATEMENTS

NOTE 13. CHANGE IN ACCOUNTING POLICY & RESTATEMENT (CONTINUED)

	<u>Electric Fund</u>
Net Position, electric fund, as previously reported	\$ 2,289,854
Restatement related to total OPEB liability:	
Beginning total OPEB liability as of June 30, 2019	(1,344,259)
Beginning deferred outflows of resources - contributions	33,584
Beginning deferred inflows of resources	(102,156)
Net Position, electric fund, as restated	<u>\$ 877,023</u>
	<u>Business-type Activities</u>
Net Position, business-type activities, as previously reported	\$ 11,563,366
Restatement related to total OPEB liability:	
Beginning total OPEB liability as of June 30, 2019	(1,724,785)
Beginning deferred outflows of resources - contributions	43,090
Beginning deferred inflows of resources	(131,074)
Restatement for beginning construction in progress	410,457
Net Position, business-type activities, as restated	<u>\$ 10,161,054</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SELMA, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
JUNE 30, 2019

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability, beginning balance	\$ 720,538	\$ 693,194	\$ 724,106
Service Cost	31,340	24,692	24,248
Interest on the total pension liability	21,695	25,467	24,657
Difference between expected and actual experience	57,200	7,783	-
Changes of assumptions or other inputs	(26,322)	36,259	(12,960)
Benefit payments	(67,973)	(66,857)	(66,857)
Total pension liability, ending balance	<u>\$ 736,478</u>	<u>\$ 720,538</u>	<u>\$ 693,194</u>

The amounts presented for each fiscal year were determined as of the prior year ending December 31.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

TOWN OF SELMA, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAST FOUR FISCAL YEARS

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2019	2018	2017	2016
Total pension liability	\$ 736,478	\$ 720,538	\$ 693,194	\$ 724,106
Town's covered payroll	\$ 1,158,005	\$ 1,110,276	\$ 1,030,492	\$ 941,276
Total pension liability as a percentage of covered payroll	63.60%	64.90%	67.27%	76.93%

The Town of Selma has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

TOWN OF SELMA, NORTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
OPEB HEALTHCARE BENEFIT PLAN
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS**

	2019	2018
Total OPEB liability		
Service cost	\$ 196,964	\$ 223,048
Interest on total OPEB liability	285,237	255,649
Difference between expected and actual experience	(24,361)	(12,765)
Changes of assumptions and other inputs	(409,297)	(746,136)
Benefit payments	(202,684)	(199,299)
Net change in total OPEB liability	(154,141)	(479,503)
Total OPEB liability - beginning	8,112,721	8,592,224
Total OPEB liability - ending	\$ 7,958,580	\$ 8,112,721
Covered-employee payroll	\$ 1,823,609	\$ 2,061,538
Total OPEB liability as a percentage of covered-employee payroll	436.4%	393.5%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

The Town is not accumulating assets in a trust fund that meets the criteria in paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.

TOWN OF SELMA, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
TOWN OF SELMA'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST SIX FISCAL YEARS*

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.05206%	0.04977%	0.04958%	0.04754%	0.04640%	0.05280%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,235,042	\$ 760,350	\$ 1,052,254	\$ 213,357	\$ (273,641)	\$ 636,444
Town's covered payroll	\$ 3,158,766	\$ 3,029,574	\$ 2,971,719	\$ 2,774,964	\$ 2,723,487	\$ 2,796,230
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	39.10%	25.10%	35.41%	7.69%	(10.05%)	22.76%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

TOWN OF SELMA, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOWN OF SELMA'S CONTRIBUTIONS
 LAST SIX FISCAL YEARS

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 255,817	\$ 254,019	\$ 226,453	\$ 205,501	\$ 199,781	\$ 196,502
Contributions in relation to the contractually required contribution	255,817	254,019	226,453	205,501	199,781	196,502
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 3,184,428	\$ 3,158,766	\$ 3,029,574	\$ 2,971,719	\$ 2,774,964	\$ 2,723,487
Contributions as a percentage of covered payroll	8.03%	8.04%	7.47%	6.92%	7.20%	7.22%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Fund

Small Business Revolving Loan Fund – To account for the financial resources to be used for the initiation and collection of small business loans within the Town.

Capital Projects Fund

CDBG Project Fund – To account for the financial resources to be used for improvements which are funded primarily through federal grants.

TOWN OF SELMA, NORTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	Total
	Small Business Revolving Loan Fund	CDBG Project Fund	Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 2,718	\$ 2,718
Intergovernmental receivable	-	343,513	343,513
Total assets	<u>\$ -</u>	<u>\$ 346,231</u>	<u>\$ 346,231</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 346,231	\$ 346,231
Total liabilities	<u>-</u>	<u>346,231</u>	<u>346,231</u>
FUND BALANCES			
Unassigned	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 346,231</u>	<u>\$ 346,231</u>

TOWN OF SELMA, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
	<u>Small Business Revolving Loan Fund</u>	<u>CDBG Project Fund</u>	<u>Nonmajor Governmental Funds</u>
REVENUES			
Intergovernmental	\$ -	\$ 713,895	\$ 713,895
Contributions	-	26,383	26,383
Total revenues	<u>-</u>	<u>740,278</u>	<u>740,278</u>
EXPENDITURES			
Capital outlay	-	744,436	744,436
Total expenditures	<u>-</u>	<u>744,436</u>	<u>744,436</u>
Deficiency of revenues over expenditures	-	(4,158)	(4,158)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	5,000	5,000
Transfers out	(46,590)	-	(46,590)
Total other financing sources (uses)	<u>(46,590)</u>	<u>5,000</u>	<u>(41,590)</u>
Net change in fund balances	(46,590)	842	(45,748)
FUND BALANCES (DEFICIT), beginning of year	<u>46,590</u>	<u>(842)</u>	<u>45,748</u>
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF SELMA, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Ad valorem taxes:				
Current year	\$ 2,430,496	\$ 2,430,496	\$ 2,444,666	\$ 14,170
Prior year	7,500	7,500	3,516	(3,984)
Penalties and interest	7,500	7,500	4,927	(2,573)
Total ad valorem taxes	<u>2,445,496</u>	<u>2,445,496</u>	<u>2,453,109</u>	<u>7,613</u>
Other taxes and licenses:				
Local option sales taxes	965,274	965,274	1,008,361	43,087
Animal licenses	-	-	12	12
Total other taxes and licenses	<u>965,274</u>	<u>965,274</u>	<u>1,008,373</u>	<u>43,099</u>
Unrestricted intergovernmental:				
Local occupancy taxes	107,000	144,000	133,088	(10,912)
Payments in lieu of taxes (external sources)	32,000	32,000	33,575	1,575
Telecommunications sales tax	60,000	60,000	40,710	(19,290)
Fire district tax	198,447	198,447	189,454	(8,993)
Utilities sales tax	275,000	275,000	334,786	59,786
Piped natural gas sales tax	10,000	10,000	8,217	(1,783)
Video franchise fee	35,000	35,000	24,306	(10,694)
Beer and wine tax	27,000	27,000	28,064	1,064
ABC profit distribution	40,000	40,000	47,573	7,573
Total unrestricted intergovernmental	<u>784,447</u>	<u>821,447</u>	<u>839,773</u>	<u>18,326</u>
Restricted intergovernmental:				
Powell Bill allocation	167,000	167,000	166,792	(208)
Controlled substance tax	-	-	11,979	11,979
On-behalf of payments - Fire and Rescue	261	53,804	51,911	(1,893)
USDA grant	-	-	197,266	197,266
FEMA grant	-	-	33,212	33,212
State grants	-	-	28,848	28,848
Solid waste disposal tax	4,000	4,000	4,825	825
Total restricted intergovernmental	<u>171,261</u>	<u>224,804</u>	<u>494,833</u>	<u>270,029</u>
Permits and fees:				
Building permits	10,000	10,000	14,415	4,415
Inspection fees	10,000	10,000	6,376	(3,624)
Total permits and fees	<u>20,000</u>	<u>20,000</u>	<u>20,791</u>	<u>791</u>
Sales and service:				
Cemetery fees	138,500	148,500	177,487	28,987
Recreation fees	57,500	57,500	90,216	32,716
Refuse charges	660,000	660,000	682,744	22,744
Rents	15,601	15,601	17,886	2,285
Other fees	27,701	42,701	62,089	19,388
Total sales and service	<u>899,302</u>	<u>924,302</u>	<u>1,030,422</u>	<u>106,120</u>
Investment earnings	17,500	17,500	30,976	13,476
Miscellaneous	29,750	82,938	65,176	(17,762)
Total revenues	<u>5,333,030</u>	<u>5,501,761</u>	<u>5,943,453</u>	<u>441,692</u>

continued

TOWN OF SELMA, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Expenditures				
Current:				
General government:				
Governing body:				
Salaries and employee benefits	28,612	28,612	28,453	159
Professional services	10,250	71,150	64,316	6,834
Departmental supplies	11,500	1,500	571	929
Other operating expenditures	18,225	27,484	25,731	1,753
Total	<u>68,587</u>	<u>128,746</u>	<u>119,071</u>	<u>9,675</u>
Administration:				
Salaries and employee benefits	343,625	335,108	322,346	12,762
Professional services	15,000	13,000	8,078	4,922
Departmental supplies	15,500	12,100	10,864	1,236
Other operating expenditures	72,964	82,731	72,611	10,120
Capital outlay	20,000	31,150	24,197	6,953
Repairs and maintenance	500	500	-	500
Total	<u>467,589</u>	<u>474,589</u>	<u>438,096</u>	<u>36,493</u>
Finance:				
Salaries and employee benefits	51,964	51,964	48,143	3,821
Professional services	83,500	87,291	77,459	9,832
Departmental supplies	2,000	2,000	208	1,792
Other operating expenditures	10,450	12,450	12,479	(29)
Total	<u>147,914</u>	<u>153,705</u>	<u>138,289</u>	<u>15,416</u>
Public Buildings:				
Salaries and employee benefits	28,672	28,672	26,766	1,906
Professional services	66,000	270,700	263,954	6,746
Departmental supplies	6,500	6,500	1,019	5,481
Other operating expenditures	205,501	205,501	159,761	45,740
Capital outlay	31,061	31,061	10,495	20,566
Repairs and maintenance	41,700	116,223	104,473	11,750
Total	<u>379,434</u>	<u>658,657</u>	<u>566,468</u>	<u>92,189</u>
Nonprofit Organization Support:				
Other operating expenditures	31,225	34,974	18,007	16,967
Total	<u>31,225</u>	<u>34,974</u>	<u>18,007</u>	<u>16,967</u>
Planning and Economic Development:				
Salaries and employee benefits	161,859	161,859	116,670	45,189
Professional services	45,750	82,523	19,599	62,924
Departmental supplies	4,500	4,500	2,452	2,048
Other operating expenditures	158,800	203,900	166,122	37,778
Repairs and maintenance	1,500	1,500	22	1,478
Total	<u>372,409</u>	<u>454,282</u>	<u>304,865</u>	<u>149,417</u>
Total general government	<u>1,467,158</u>	<u>1,904,953</u>	<u>1,584,796</u>	<u>320,157</u>

continued

TOWN OF SELMA, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Public Safety:				
Police:				
Salaries and employee benefits	1,715,163	1,721,163	1,564,129	157,034
Professional services	14,000	14,000	18,194	(4,194)
Departmental supplies	10,900	12,400	10,500	1,900
Other operating expenditures	75,101	71,101	63,867	7,234
Capital outlay	40,100	40,100	39,503	597
Repairs and maintenance	23,000	23,582	20,714	2,868
Total	<u>1,878,264</u>	<u>1,882,346</u>	<u>1,716,907</u>	<u>165,439</u>
Fire Department:				
Salaries and employee benefits	396,859	488,092	448,313	39,779
Professional services	13,800	11,700	10,133	1,567
Departmental supplies	62,700	53,950	42,151	11,799
Other operating expenditures	18,810	21,410	18,667	2,743
Capital outlay	-	848,592	831,522	17,070
Repairs and maintenance	35,175	35,855	32,406	3,449
Total	<u>527,344</u>	<u>1,459,599</u>	<u>1,383,192</u>	<u>76,407</u>
Total public safety	<u>2,405,608</u>	<u>3,341,945</u>	<u>3,100,099</u>	<u>241,846</u>
Transportation:				
Powell Bill:				
Departmental supplies	1,000	1,000	-	1,000
Capital outlay	322,500	322,500	342,461	(19,961)
Repairs and maintenance	25,000	25,000	10,553	14,447
Total	<u>348,500</u>	<u>348,500</u>	<u>353,014</u>	<u>(4,514)</u>
Public Works:				
Salaries and employee benefits	385,661	330,223	322,485	7,738
Professional services	586,000	646,837	590,701	56,136
Departmental supplies	27,600	18,676	19,473	(797)
Other operating expenditures	23,025	27,225	24,665	2,560
Repairs and maintenance	15,000	17,800	16,338	1,462
Total	<u>1,037,286</u>	<u>1,040,761</u>	<u>973,662</u>	<u>67,099</u>
Total transportation	<u>1,385,786</u>	<u>1,389,261</u>	<u>1,326,676</u>	<u>62,585</u>
Cemetery:				
Salaries and employee benefits	104,363	108,934	103,871	5,063
Professional services	500	500	490	10
Departmental supplies	12,500	19,046	15,010	4,036
Other operating expenditures	4,550	3,986	2,933	1,053
Repairs and maintenance	4,000	3,447	2,543	904
Total	<u>125,913</u>	<u>135,913</u>	<u>124,847</u>	<u>11,066</u>
Culture and Recreation:				
Recreation:				
Salaries and employee benefits	295,838	295,838	245,391	50,447
Professional services	10,000	47,980	47,241	739
Departmental supplies	48,400	52,751	48,414	4,337
Other operating expenditures	101,550	164,645	137,007	27,638
Capital outlay	40,000	96,587	81,887	14,700
Repairs and maintenance	23,100	31,100	25,340	5,760
Total	<u>518,888</u>	<u>688,901</u>	<u>585,280</u>	<u>103,621</u>

continued

TOWN OF SELMA, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Library:				
Salaries and employee benefits	125,644	126,144	117,712	8,432
Professional services	3,000	2,900	2,997	(97)
Departmental supplies	45,600	45,600	38,151	7,449
Other operating expenditures	7,150	6,750	5,249	1,501
Repairs and maintenance	1,000	1,000	338	662
Total	<u>182,394</u>	<u>182,394</u>	<u>164,447</u>	<u>17,947</u>
Total culture and recreation	<u>701,282</u>	<u>871,295</u>	<u>749,727</u>	<u>121,568</u>
Debt Service:				
Principal	181,735	235,878	228,243	7,635
Interest	<u>138,128</u>	<u>61,453</u>	<u>58,203</u>	<u>3,250</u>
Total expenditures	<u>6,405,610</u>	<u>7,940,698</u>	<u>7,172,591</u>	<u>768,107</u>
Deficiency of revenues over expenditures	<u>(1,072,580)</u>	<u>(2,438,937)</u>	<u>(1,229,138)</u>	<u>1,209,799</u>
Other financing sources				
Fund balance appropriation	897,580	2,315,039	-	(2,315,039)
Transfers in	175,000	123,898	221,590	97,692
Issuance of note payable	-	-	771,350	771,350
Proceeds from sale of capital assets	-	-	157,593	157,593
Total other financing sources	<u>1,072,580</u>	<u>2,438,937</u>	<u>1,150,533</u>	<u>(1,288,404)</u>
Net change in fund balances	-	-	(78,605)	(78,605)
Fund balance, beginning of year	<u>3,509,263</u>	<u>3,509,263</u>	<u>3,509,263</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,509,263</u>	<u>\$ 3,509,263</u>		<u>\$ (78,605)</u>
Plus Fire Protection - Selma Petroleum Terminals Fund - ending fund balance			<u>167,067</u>	
General Fund - Fund Balance			<u>\$ 3,597,725</u>	

TOWN OF SELMA, NORTH CAROLINA
FIRE PROTECTION - SELMA PETROLEUM TERMINALS FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 793	\$ 793
Permits and fees	46,000	46,000	13,530	(32,470)
Miscellaneous	8,380	13,853	5,474	(8,379)
 Total revenues	 54,380	 59,853	 19,797	 (40,056)
EXPENDITURES				
Public safety	58,880	64,353	18,381	45,972
 Excess (deficiency) of revenues over expenditures	 (4,500)	 (4,500)	 1,416	 5,916
OTHER FINANCING SOURCES				
Fund balance appropriations	4,500	4,500	-	(4,500)
 Net change in fund balances	 -	 -	 1,416	 1,416
FUND BALANCE, beginning of year	165,651	165,651	165,651	-
FUND BALANCE, end of year	\$ 165,651	\$ 165,651	\$ 167,067	\$ 1,416

**TOWN OF SELMA, NORTH CAROLINA
SMALL BUSINESS REVOLVING LOAN FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 4,030	\$ 4,030	\$ -	\$ (4,030)
Interest	16	16	-	(16)
Total revenues	4,046	4,046	-	(4,046)
EXPENDITURES				
Economic development	20,000	20,000	-	20,000
Deficiency of revenues over expenditures	(15,954)	(15,954)	-	15,954
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(46,590)	(46,590)
Fund balance appropriations	15,954	15,954	-	(15,954)
Total other financing sources (uses)	15,954	15,954	(46,590)	(62,544)
Net change in fund balances	-	-	(46,590)	(46,590)
FUND BALANCE, beginning of year	46,590	46,590	46,590	-
FUND BALANCE, end of year	<u>\$ 46,590</u>	<u>\$ 46,590</u>	<u>\$ -</u>	<u>\$ (46,590)</u>

**TOWN OF SELMA, NORTH CAROLINA
CDBG PROJECT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2019**

	Project	Actual		
	Budget	Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ 1,289,900	\$ 409,615	\$ 713,895	\$ 1,123,510
Contributions	26,383	-	26,383	26,383
Total revenues	<u>1,316,283</u>	<u>409,615</u>	<u>740,278</u>	<u>1,149,893</u>
EXPENDITURES				
Capital outlay:				
Other	1,321,283	410,457	744,436	1,154,893
Total expenditures	<u>1,321,283</u>	<u>410,457</u>	<u>744,436</u>	<u>1,154,893</u>
Excess (deficiency) of revenues over expenditures	(5,000)	(842)	(4,158)	(5,000)
OTHER FINANCING SOURCES				
Transfers in	5,000	-	5,000	5,000
Net change in fund balance	-	(842)	842	-
FUND BALANCE (DEFICIT), beginning of year	<u>-</u>	<u>-</u>	<u>(842)</u>	<u>-</u>
FUND BALANCE (DEFICIT), end of year	<u>\$ -</u>	<u>\$ (842)</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF SELMA, NORTH CAROLINA
WATER FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Operating revenues				
Water charges	\$ 1,133,000	\$ 1,133,000	\$ 1,155,617	\$ 22,617
Penalties	75,000	75,000	71,913	(3,087)
Other operating revenues	129,500	129,500	71,682	(57,818)
Nonoperating revenues - interest	5,000	5,000	19,594	14,594
Total revenues	<u>1,342,500</u>	<u>1,342,500</u>	<u>1,318,806</u>	<u>(23,694)</u>
EXPENDITURES				
Water administration				
Salaries and benefits	42,935	315,381	303,538	11,843
Professional services	91,250	74,761	67,693	7,068
Utilities	62,200	62,700	60,123	2,577
Insurance	30,832	70,032	58,719	11,313
Other operating expenditures	<u>332,796</u>	<u>25,650</u>	<u>19,742</u>	<u>5,908</u>
Total water administration	<u>560,013</u>	<u>548,524</u>	<u>509,815</u>	<u>38,709</u>
Water operations				
Salaries and benefits	195,600	272,977	263,700	9,277
Department supplies	12,500	15,000	11,788	3,212
Chemicals	68,000	69,000	51,836	17,164
Maintenance and repairs	77,500	67,634	46,049	21,585
Contract services	81,000	81,000	75,210	5,790
Purchase for resale	100,000	118,600	111,767	6,833
Other operating expenditures	<u>180,677</u>	<u>123,066</u>	<u>154,397</u>	<u>(31,331)</u>
Total water operations	<u>715,277</u>	<u>747,277</u>	<u>714,747</u>	<u>32,530</u>

continued

**TOWN OF SELMA, NORTH CAROLINA
WATER FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Debt service				
Principal	30,856	30,856	25,370	5,486
Interest	26,770	24,809	23,808	1,001
Total debt service	<u>57,626</u>	<u>55,665</u>	<u>49,178</u>	<u>6,487</u>
Total expenditures	<u>1,332,916</u>	<u>1,351,466</u>	<u>1,273,740</u>	<u>77,726</u>
Excess (deficiency) of revenues over expenditures	9,584	(8,966)	45,066	54,032
OTHER FINANCING SOURCES (USES)				
Budgeted use of net position	-	18,550	-	(18,550)
Proceeds from note payable	-	-	49,350	49,350
Transfers in	32,000	32,000	32,000	-
Transfers out	<u>(41,584)</u>	<u>(41,584)</u>	<u>(41,584)</u>	<u>-</u>
Total other financing sources (uses)	<u>(9,584)</u>	<u>8,966</u>	<u>39,766</u>	<u>30,800</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	84,832	<u>\$ 35,482</u>
Adjustments to full accrual:				
Capital outlays			119,719	
Issuance of installment note			(49,350)	
Payments of debt service - principal			25,370	
Increase in compensated absences			(2,074)	
Increase in net pension liability and related pension items			(10,000)	
Decrease in total OPEB liability and related OPEB items			109	
Tap contributions			7,858	
Loss on disposal of capital assets			(2,700)	
Change in accrued interest			(932)	
Depreciation expense			(239,054)	
Water Capital Reserve Fund			<u>(188,250)</u>	
Change in net position			<u>\$ (254,472)</u>	

**TOWN OF SELMA, NORTH CAROLINA
WATER CAPITAL RESERVE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Interest	\$ 850	\$ 850	\$ 700	\$ (150)
OTHER FINANCING SOURCES (USES)				
Increase to net position	(193,965)	(82,092)	-	82,092
Transfer in	259,934	259,934	153,458	(106,476)
Transfer out	(66,819)	(178,692)	(342,408)	(163,716)
Total other financing sources (uses)	(850)	(850)	(188,950)	(188,100)
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (188,250)</u>	<u>\$ (188,250)</u>

**TOWN OF SELMA, NORTH CAROLINA
SEWER FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Operating revenues				
Sewer charges	\$ 2,287,000	\$ 2,287,000	\$ 2,255,724	\$ (31,276)
Penalties	75,000	75,000	72,271	(2,729)
Intergovernmental	-	-	2,986	2,986
Other operating revenues	53,000	53,000	54,182	1,182
Nonoperating revenues - interest	2,500	2,500	9,292	6,792
Total revenues	<u>2,417,500</u>	<u>2,417,500</u>	<u>2,394,455</u>	<u>(23,045)</u>
EXPENDITURES				
Sewer administration				
Salaries and benefits	4,268	200,285	185,139	15,146
Professional services	86,250	61,350	57,220	4,130
Utilities	55,000	59,000	61,416	(2,416)
Insurance	68,499	68,899	67,765	1,134
Maintenance and repairs	1,000	1,000	16	984
Other operating expenditures	219,317	23,857	17,900	5,957
Total sewer administration	<u>434,334</u>	<u>414,391</u>	<u>389,456</u>	<u>24,935</u>
Sewer operations				
Salaries and benefits	169,234	226,470	224,462	2,008
Department supplies	7,500	7,500	3,462	4,038
Maintenance and repairs	97,000	72,916	58,897	14,019
Transmission and treatment fees	1,375,000	2,065,893	1,811,370	254,523
Other operating expenditures	102,056	424,254	276,255	147,999
Total sewer operations	<u>1,750,790</u>	<u>2,797,033</u>	<u>2,374,446</u>	<u>422,587</u>

continued

**TOWN OF SELMA, NORTH CAROLINA
SEWER FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Debt service				
Principal	142,005	142,005	77,185	64,820
Interest	44,502	38,095	37,765	330
Total debt service	<u>186,507</u>	<u>180,100</u>	<u>114,950</u>	<u>65,150</u>
Total expenditures	<u>2,371,631</u>	<u>3,391,524</u>	<u>2,878,852</u>	<u>512,672</u>
Excess (deficiency) of revenues over expenditures	45,869	(974,024)	(484,397)	489,627
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	56,375	1,035,375	-	(1,035,375)
Proceeds from installment note	-	-	230,300	
Transfers in	-	40,893	97,268	56,375
Transfers out	<u>(102,244)</u>	<u>(102,244)</u>	<u>(5,000)</u>	<u>97,244</u>
Total other financing sources (uses)	<u>(45,869)</u>	<u>974,024</u>	<u>322,568</u>	<u>(881,756)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	(161,829)	<u>\$ (392,129)</u>
Adjustments to full accrual:				
Capital outlays			506,568	
Issuance of installment note			(230,300)	
Payments of debt service - principal			77,185	
Increase in compensated absences			(2,074)	
Increase in net pension liability and related pension items			(3,672)	
Decrease in total OPEB liability and related OPEB items			120	
Capital asset contributions			744,212	
Tap contributions			24,274	
Change in accrued interest			(4,548)	
Depreciation expense			(382,921)	
Pump Station No. 10 Fund			(98,696)	
Noble Street Interceptor Rehabilitation Fund			(40,893)	
Sewer Capital Reserve Fund			143,144	
Change in net position			<u>\$ 570,570</u>	

**TOWN OF SELMA, NORTH CAROLINA
NOBLE STREET INTERCEPTOR REHABILITATION FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2019**

	Project Budget	Actual		Total
		Prior Years	Current Year	
REVENUES				
Intergovernmental	\$ 562,000	\$ 461,853	\$ -	\$ 461,853
Total revenues	<u>562,000</u>	<u>461,853</u>	<u>-</u>	<u>461,853</u>
EXPENDITURES				
Capital outlay:	<u>1,279,768</u>	<u>1,120,728</u>	<u>-</u>	<u>1,120,728</u>
Total expenditures	<u>1,279,768</u>	<u>1,120,728</u>	<u>-</u>	<u>1,120,728</u>
Excess (deficiency) of revenues over expenditures	(717,768)	(658,875)	-	(658,875)
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term financing	656,232	669,000	-	669,000
Appropriation of fund balance	40,893	-	-	-
Transfers in	61,536	30,768	-	30,768
Transfers out	<u>(40,893)</u>	<u>-</u>	<u>(40,893)</u>	<u>(40,893)</u>
Total other financing sources (uses)	<u>717,768</u>	<u>699,768</u>	<u>(40,893)</u>	<u>658,875</u>
Net change in fund balance	<u>\$ -</u>	40,893	(40,893)	-
FUND BALANCE, beginning of year		-	40,893	-
FUND BALANCE, end of year		<u>\$ 40,893</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF SELMA, NORTH CAROLINA
PUMP STATION NO. 10 FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2019**

	Project Budget	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ 170,252	\$ 29,352	\$ 133,256	\$ 162,608
Interest earnings	-	104	536	640
Total revenues	<u>170,252</u>	<u>29,456</u>	<u>133,792</u>	<u>163,248</u>
EXPENDITURES				
Capital outlay:	<u>262,552</u>	<u>23,060</u>	<u>232,488</u>	<u>255,548</u>
Total expenditures	<u>262,552</u>	<u>23,060</u>	<u>232,488</u>	<u>255,548</u>
Excess (deficiency) of revenues over expenditures	(92,300)	6,396	(98,696)	(92,300)
OTHER FINANCING SOURCES				
Proceeds from insurance	<u>92,300</u>	<u>92,300</u>	-	<u>92,300</u>
Total other financing sources	<u>92,300</u>	<u>92,300</u>	-	<u>92,300</u>
Net change in fund balance	<u>\$ -</u>	98,696	(98,696)	-
FUND BALANCE, beginning of year		-	98,696	-
FUND BALANCE, end of year		<u>\$ 98,696</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF SELMA, NORTH CAROLINA
SEWER CAPITAL RESERVE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Interest	\$ 350	\$ 350	\$ 985	\$ 635
Total revenues	<u>350</u>	<u>350</u>	<u>985</u>	<u>635</u>
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	(46,219)	(46,219)	-	46,219
Transfers in	102,244	102,244	198,534	96,290
Transfers out	<u>(56,375)</u>	<u>(56,375)</u>	<u>(56,375)</u>	<u>-</u>
Total other financing sources	<u>(350)</u>	<u>(350)</u>	<u>142,159</u>	<u>142,509</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,144</u>	<u>\$ 143,144</u>

**TOWN OF SELMA, NORTH CAROLINA
ELECTRIC FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Operating revenues				
Electric charges	\$ 7,537,000	\$ 7,537,000	\$ 7,219,312	\$ (317,688)
Other operating revenues	621,090	624,121	607,359	(16,762)
Nonoperating revenues - interest	2,500	2,500	11,218	8,718
Total revenues	<u>8,160,590</u>	<u>8,163,621</u>	<u>7,837,889</u>	<u>(325,732)</u>
EXPENDITURES				
Electric administration				
Salaries and benefits	262,775	489,786	457,578	32,208
Contracted services	40,250	36,011	54,578	(18,567)
Utilities	7,000	8,600	8,007	593
Insurance	25,064	25,064	24,396	668
Other operating expenditures	361,004	142,739	125,265	17,474
Total electric administration	<u>696,093</u>	<u>702,200</u>	<u>669,824</u>	<u>32,376</u>
Electric operations				
Salaries and benefits	427,797	366,525	244,629	121,896
Department supplies	61,000	60,000	59,107	893
Maintenance and repairs	6,500	5,500	4,562	938
Purchases for inventory	80,000	80,000	36,255	43,745
Contracted services	90,000	112,856	101,910	10,946
Other operating expenditures	167,728	392,794	144,314	248,480
Total electric operations	<u>833,025</u>	<u>1,017,675</u>	<u>590,777</u>	<u>426,898</u>
Electric power purchases	<u>5,683,069</u>	<u>6,133,069</u>	<u>5,697,174</u>	<u>435,895</u>

**TOWN OF SELMA, NORTH CAROLINA
ELECTRIC FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Debt service				
Principal	316,769	316,930	296,059	20,871
Interest	34,116	33,955	31,051	2,904
Total debt service	<u>350,885</u>	<u>350,885</u>	<u>327,110</u>	<u>23,775</u>
Total expenditures	<u>7,563,072</u>	<u>8,203,829</u>	<u>7,284,885</u>	<u>918,944</u>
Excess (deficiency) of revenues over expenditures	597,518	(40,208)	553,004	593,212
OTHER FINANCING SOURCES (USES)				
Appropriation to increase net position	-	637,726	-	(637,726)
Proceeds from note payable	-	-	110,000	110,000
Transfers out	<u>(597,518)</u>	<u>(597,518)</u>	<u>(597,518)</u>	<u>-</u>
Total other financing sources (uses)	<u>(597,518)</u>	<u>40,208</u>	<u>(487,518)</u>	<u>(527,726)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	65,486	<u>\$ 65,486</u>
Adjustments to full accrual:				
Capital outlays			99,892	
Issuance of installment note			(110,000)	
Payments of debt service - principal			296,059	
Decrease in compensated absences			6,040	
Increase in net pension liability and related pension items			(8,966)	
Decrease in total OPEB liability and related OPEB items			811	
Change in accrued interest			3,735	
Depreciation expense			(100,054)	
Wastewater System Improvements Capital Fund			<u>430,372</u>	
Change in net position			<u>\$ 683,375</u>	

**TOWN OF SELMA, NORTH CAROLINA
ELECTRIC CAPITAL RESERVE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Interest	\$ 1,350	\$ 1,350	\$ 7,854	\$ 6,504
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	(807,907)	(807,907)	-	807,907
Transfer in	806,557	806,557	1,424,461	617,904
Transfers out	-	-	(1,001,943)	(1,001,943)
Total other financing sources (uses)	(1,350)	(1,350)	422,518	423,868
Net change in net position	\$ -	\$ -	\$ 430,372	\$ 430,372

TOWN OF SELMA, NORTH CAROLINA

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2019**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 2,463,404	\$ 2,461,183	\$ 2,221
2017-2018	1,604	-	970	634
2016-2017	857	-	837	20
2015-2016	1,144	-	837	307
2014-2015	1,216	-	796	420
2013-2014	1,592	-	71	1,521
2012-2013	2,838	-	68	2,770
2011-2012	2,924	-	21	2,903
2010-2011	2,771	-	12	2,759
2009-2010	3,131	-	-	3,131
2008-2009	3,624	-	20	3,604
	<u>\$ 21,701</u>	<u>\$ 2,463,404</u>	<u>\$ 2,464,815</u>	<u>20,290</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>20,268</u>
Ad valorem taxes receivable - net				<u>\$ 22</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 2,453,109
Reconciling items:				
Releases and write-offs				16,633
Interest collected				(4,927)
Total collections and credits				<u>\$ 2,464,815</u>

TOWN OF SELMA, NORTH CAROLINA

**ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
JUNE 30, 2019**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Real property	\$ 314,778,155	0.54	\$ 1,699,802	\$ 1,699,802	\$ -
Personal property	110,175,740	0.54	594,949	594,949	187,264
Public service company	31,345,602	0.54	169,266	168,653	-
Penalties	-		1,782	-	-
Total	456,299,497		2,465,799	2,463,404	187,264
Discoveries:					
Current year taxes	128,234		692	692	-
Prior year taxes	754,669		2,840	2,840	-
Penalties	-		752	-	-
Total	882,903		4,284	3,532	-
Abatements	(2,618,522)		(14,140)	(14,140)	-
Total property valuation	\$ 454,563,878				
Net levy			2,640,060	2,452,796	187,264
Uncollected taxes at June 30, 2019			(2,221)	(2,221)	-
Current year's taxes collected			\$ 2,637,839	\$ 2,450,575	\$ 187,264
Current levy collection percentage			99.92%	99.91%	100.00%

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***

**To the Honorable Mayor and Members
of Town Council
Town of Selma, 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 Selma, North Carolina (the "Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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*.

The Town of Selma, North Carolina's Response to Finding

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 26, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

**To the Honorable Mayor and Members
of Town Council
Town of Selma, North Carolina**

Report on Compliance for Each Major Federal Program

We have audited the Town of Selma, North Carolina's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

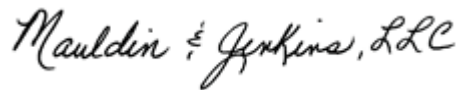
Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town 's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Atlanta, Georgia
October 26, 2019

TOWN OF SELMA, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
JUNE 30, 2019**

<u>Awarding Agency</u>	<u>CFDA Number</u>	<u>Pass-through Number</u>	<u>Federal</u>	<u>State</u>
FEDERAL AWARDS				
<u>Department of Housing and Urban Development</u>				
Passed through N.C. Department of Commerce and N.C. Department of Environmental Quality				
Community Development Block Grant	14.228	15-I-2763	\$ 713,053	\$ -
<u>U.S. Department of Homeland Security</u>				
Federal Emergency Management Agency				
Passed through N.C. Department of Public Safety				
Staffing for Adequate Fire and Emergency Response	97.038	n/a	51,657	-
Disaster Grants - Public Assistance	97.036	n/a	207,161	69,054
Total U.S. Department of Homeland Security			258,818	69,054
<u>U.S. Department of Agriculture</u>				
Rural Business-Cooperative Service Financial Assistance Agreement	10.351	n/a	197,266	-
TOTAL FEDERAL AWARDS			<u>1,169,137</u>	<u>69,054</u>
STATE AWARDS				
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-4	-	311,748
TOTAL STATE AWARDS			<u>-</u>	<u>380,802</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 1,169,137</u>	<u>\$ 380,802</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the "SEFSA") includes the federal and state award activity of the Town of Selma, North Carolina (the "Town") under programs of the federal government and the state of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Town did not utilize the 10% de minimus indirect cost rate.

TOWN OF SELMA, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:
Material weaknesses identified?

yes no

Significant deficiencies identified?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major state programs:

Material weaknesses identified:

yes no

Significant deficiencies identified:

yes none reported

Type of auditor's report issued on compliance of major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported
In accordance with 2 CFR 200.516(a)?

yes no

Identification of major programs:

CFDA Number(s)
14.228

Name of Federal Program or Cluster
Community Development Block Grant

Dollar threshold used to distinguish between type A and
type B programs:

\$750,000

Auditee qualified as low-risk auditee:

yes no

State Awards

There was not an audit of major state award programs for the year ended June 30, 2019 due to the total amount expended being less than \$500,000.

TOWN OF SELMA, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2019-001 Restatement of Prior Year Balances

Criteria: Internal controls should be in place to ensure that financial statements properly present the financial position and results of operations of the Town.

Condition: Internal controls were not sufficient to timely detect material misstatements in the Town's financial statements for the fiscal year ended June 30, 2018.

Context/Cause: During our audit for the fiscal year ended June 30, 2019, a material misstatement was identified by management that caused the need to restate opening net position for the fiscal year ended June 30, 2018 for the Sewer Fund. The Town had unrecorded capital project related costs for the Ricks Road sewer project that should have been reported as construction in progress as of June 30, 2018. A total adjustment of \$410,457 was required to correct the capital assets balance and restate the opening net position of the Sewer Fund and business-type activities.

Effects: As a result of the issue identified, the total restatement to the beginning net position of the Sewer Fund and business-type activities was \$410,457.

Recommendation: We recommend the Town carefully review the financial statement and the applicable reporting requirements under generally accepted accounting principles (GAAP) to ensure that all information and financial data is being properly reported.

Auditee's Response: We concur with the finding. We have implemented year-end close-out procedures to ensure all fund's outlays are evaluated for capital asset reporting to ensure outlays are capitalized across all funds.

TOWN OF SELMA, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2018-001 **Restatement of Prior Year Balances**

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the Town's financial statements for the year ended June 30, 2018. An adjustment of \$76,645 was required to correct the accrued vacation balances and restate the opening net position of governmental activities.

Status: Item was corrected as of June 30, 2019 related to the reporting of governmental activities. See 2019-001.

2018-002 **General Ledger Maintenance**

Condition: The Town's reviews and manual adjustments were not sufficient to detect, correct and prevent errors in the reporting of several general ledger accounts. Adjustments were required in order to reconcile opening equity to agree with the prior year's audited financial statements. Entries in the General Fund, Water Fund, Sewer Fund and Electric Fund of approximately \$33,000, \$99,000, \$152,000, and \$408,000, respectively, were required to correct the opening balances.

Status: Item was corrected as of June 30, 2019.

MAYOR
Cheryl Oliver

MAYOR PRO-TEM
Jacqueline Lacy

COUNCILMEMBERS
Tommy Holmes
Mark Petersen
Ann Williams



TOWN MANAGER
Steven Hicks

TOWN CLERK
Jamie Whitley

TOWN ATTORNEY
Alan "Chip" Hewett

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2019-001 **Restatement of Prior Year Balances**

Contact Person Responsible for the Corrective Action Plan: Rhonda Sommer, Finance Director

Corrective Action Plan: We have implemented year-end close-out procedures to ensure all fund's outlays are evaluated for capital asset reporting to ensure outlays are capitalized across all funds.

Anticipated Completion Date: June 30, 2020.