**TOWN OF SELMA, NORTH CAROLINA**

**ANNUAL FINANCIAL REPORT**

# FOR THE YEAR ENDED JUNE 30, 2021

**Prepared by:**

**Finance Department**

**Submitted by:**

**Town Manager**

# TOWN OF SELMA, NORTH CAROLINA

## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

**TABLE OF CONTENTS**

**Page Number**

**INTRODUCTORY SECTION**

**Town Council and Officials .................................................................................................................................. i**

**FINANCIAL SECTION**

**Independent Auditor’s Report ...................................................................................................................... 1 ‐ 3**

**Management’s Discussion & Analysis ......................................................................................................... 4 ‐ 12**

**Basic Financial Statements:**

**Government‐wide Financial Statements**

**Statement of Net Position ...................................................................................................................... 13 Statement of Activities ........................................................................................................................... 14**

**Fund Financial Statements**

**Balance Sheet – Governmental Funds .................................................................................................... 15**

**Statement of Revenues, Expenditures, and Changes in Fund**

**Balances – Governmental Fund .......................................................................................................... 16**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**

**Fund Balances of the Governmental Fund to the Statement of Activities ............................................ 17 General Fund – Statement of Revenues, Expenditures, and Changes in**

**Fund Balances – Budget and Actual (Non‐GAAP Basis) ........................................................................ 18 Statement of Net Position – Proprietary Funds ....................................................................................... 19**

**Statement of Revenues, Expenses, and Changes in Net**

**Position – Proprietary Funds .............................................................................................................. 20 Statement of Cash Flows – Proprietary Funds ............................................................................. 21 and 22 Notes to Financial Statements ............................................................................................................. 23 ‐ 59**

**Required Supplementary Information:**

**Schedule of Changes in Total Pension Liability – Law Enforcement Officers’ Special**

**Separation Allowance ............................................................................................................................ 60**

**Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement**

**Officers’ Special Separation Allowance ................................................................................................... 61 Schedule of Changes in Total OPEB Liability and Related Ratios .................................................................. 62 Schedule of Town’s Proportionate Share of Net Pension Liability (Asset) – Local Governmental**

**Employees’ Retirement System .............................................................................................................. 63 Schedule of Town’s Contributions – Local Governmental Employees’ Retirement System ........................... 64**

**Individual Fund Statements and Schedules:**

**General Fund – Schedule of Revenues, Expenditures, and Changes in Fund**

**Balances – Budget and Actual (Budgetary Basis) .............................................................................. 65 ‐ 68 Fire Protection – Selma Petroleum Terminals Fund – Schedule of Revenues, Expenditures,**

**and Changes in Balances – Budget and Actual (Non‐GAAP Basis) ............................................................ 69**

# TOWN OF SELMA, NORTH CAROLINA

## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

**TABLE OF CONTENTS**

**Page Number**

**Individual Fund Statements and Schedules (Continued):**

**Fire Grant Fund – Schedule of Revenues, Expenditures,**

**and Changes in Balances – Budget and Actual (Non‐GAAP Basis) ............................................................ 70 Water Fund – Schedule of Revenues, Expenditures,**

**and Changes in Net Position – Budget and Actual (Non‐GAAP Basis) ........................................... 71 and 72 Water Capital Reserve Fund – Schedule of Revenues, Expenditures,**

**and Changes in Net Position – Budget and Actual (Non‐GAAP Basis) ....................................................... 73 Sewer Fund – Schedule of Revenues, Expenditures,**

**and Changes in Net Position – Budget and Actual (Non‐GAAP Basis) ........................................... 74 and 75 Pump Station No. 10 Fund – Schedule of Revenues, Expenditures,**

**and Changes in Net Position – Budget and Actual (Non‐GAAP Basis) ....................................................... 76 Sewer Capital Reserve Fund – Schedule of Revenues, Expenditures,**

**and Changes in Net Position – Budget and Actual (Non‐GAAP Basis) ....................................................... 77 Electric Fund – Schedule of Revenues, Expenditures,**

**and Changes in Net Position – Budget and Actual (Non‐GAAP Basis) ........................................... 78 and 79 Electric Capital Reserve Fund – Schedule of Revenues, Expenditures,**

**and Changes in Net Position – Budget and Actual (Non‐GAAP Basis) ....................................................... 80 Schedule of Ad Valorem Taxes Receivable .................................................................................................. 81 Analysis of Current Tax Levy ....................................................................................................................... 82**

**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* ................................. 83 and 84**

**Schedule of Findings and Questioned Costs ..................................................................................................... 85**

**Schedule of Prior Audit Findings ...................................................................................................................... 86**

**INTRODUCTORY SECTION**

# TOWN OF SELMA, NORTH CAROLINA

**TOWN COUNCIL AND OFFICIALS JUNE 30, 2021**

## TOWN COUNCIL

Cheryl L. Oliver Mayor

Jacqueline J. Lacey Mayor Pro‐Tem

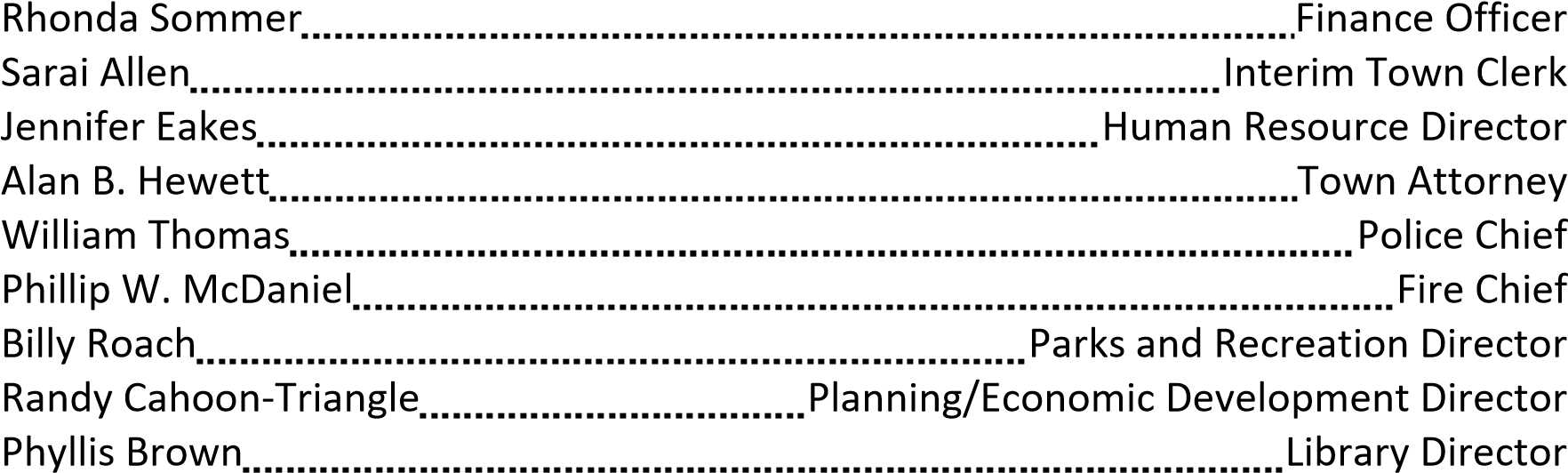
Byron McAllister Council Member

Joe Scarboro Council Member

Ann Williams Council Member

## TOWN OFFICIALS

Brent Taylor Town Manager



Donald Baker Electric Director

Ben Scoggins Public Works Director

i

# 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, and each major fund of the **Town of Selma, North Carolina** (the “Town”), as of and for the year ended June 30, 2021, 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.

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## *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, and each major fund of the Town of Selma, North Carolina as of June 30, 2021, 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 on pages 4‐12 and the pension and other postemployment benefits (OPEB) information on pages 60‐64, as listed in the table of contents, 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 individual fund statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund statements and schedules are 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 5, 2021, 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.



Columbia, South Carolina

October 5, 2021

As management of the Town of Selma (the “Town”), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town’s financial statements, which follow this narrative.

## *Financial Highlights*

* The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $17,735,902 (net position).
* The government’s total net position increased by $2,304,118 over the previous year’s net position. This increase was attributed by governmental activities at $1,019,721 and business activities at $1,284,397.
* As of close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $4,852,077 with a net increase of $1,020,676 in fund balance in comparison with the prior year. Approximately 64.6% of this total amount, or $3,132,024, is available for spending at the government’s discretion (unassigned fund balance). The remaining balance of $1,720,053 (35.4%) is non‐spendable, restricted, or committed. The unassigned fund balance represents 50.2% of total general fund expenditures for the fiscal year.
* The Town's total debt increased by $1,640,444 or 11.5% during the current fiscal year. This net change is attributed primarily to changes in pension and OPEB (Other Postemployment Benefits) liabilities.

## *Overview of the Financial Statements*

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

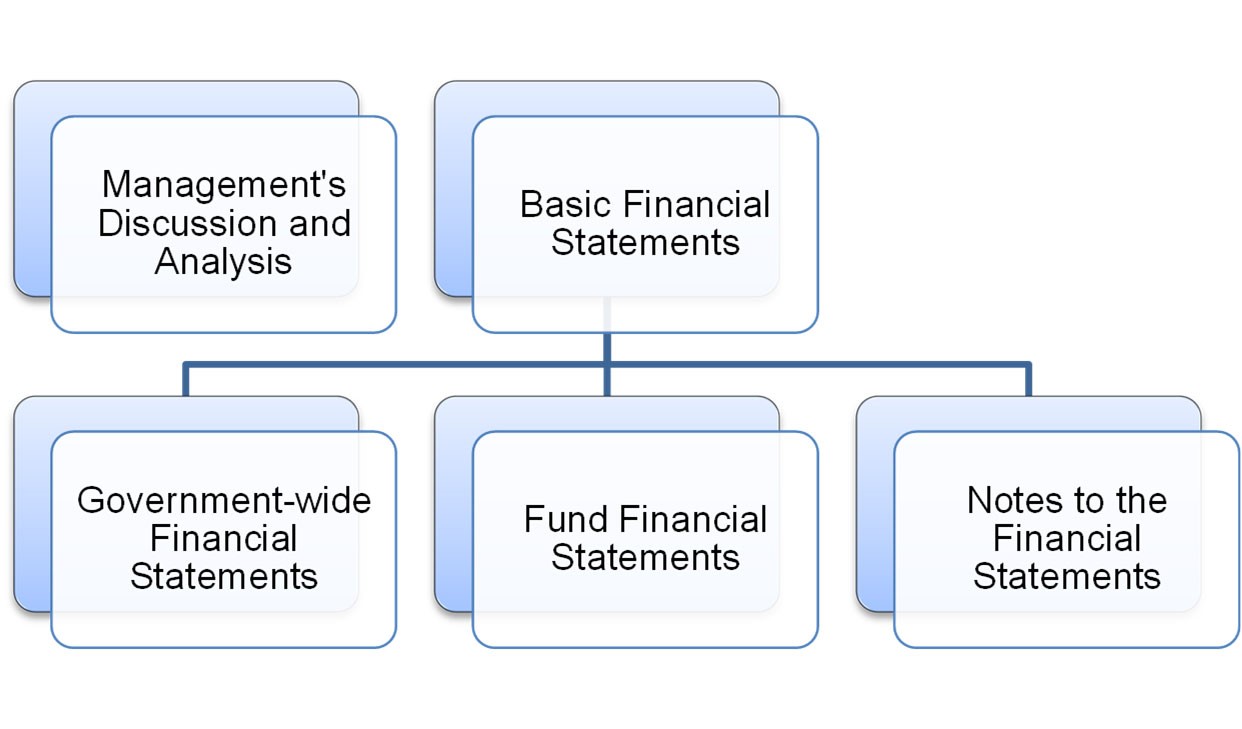
## *Basic Financial Statements*

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.

*Figure 1*

## Required Components of an Annual Financial Report



Summary

Detail

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 tax and sales tax 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.

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

### *Fund Financial Statements*

The fund financial statements (See Figure 1) provide a more detailed look at the Town’s most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, 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. The funds of the Town 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 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 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 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 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.

*Other Information* – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town’s progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 60 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, 2021 and 2020

June 30, 2021 June 30, 2020 Total

Governmental Business‐type Governmental Business‐type

Activities Activities Activities Activities June 30, 2021 June 30, 2020

|  |  |
| --- | --- |
| Assets: |  |
| Current assets | $ 5,216,962 $ 8,339,420 $ 4,128,141 $ 7,781,972 $ 13,556,382 $ 11,910,113 |
| Capital assets, net | 9,447,026 10,719,440 9,851,687 10,126,204 20,166,466 19,977,891 |
| Total assets | 14,663,988 19,058,860 13,979,828 17,908,176 33,722,848 31,888,004 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Deferred outflows of resources Liabilities: | 2,082,076 | 780,685 | 857,041 | 335,313 | 2,862,761 | 1,192,354 |
| Current liabilities | 369,700 | 1,362,893 | 279,277 | 1,223,470 | 1,732,593 | 1,502,747 |
| Long‐term liabilities | 10,190,039 | 5,690,597 | 8,930,910 | 5,371,645 | 15,880,636 | 14,302,555 |
| Total liabilities | 10,559,739 | 7,053,490 | 9,210,187 | 6,595,115 | 17,613,229 | 15,805,302 |
| Deferred inflows of resources Net position: | 882,033 | 354,355 | 1,342,111 | 501,161 | 1,236,388 | 1,843,272 |
| Net investment in capital assets | 7,643,792 | 8,133,630 | 7,836,151 | 7,158,350 | 15,777,422 | 14,994,501 |
| Restricted | 1,359,169 | 118,741 | 1,128,533 | 81,764 | 1,477,910 | 1,210,297 |
| Unrestricted | (3,698,669) | 4,179,239 | (4,680,113) | 3,907,099 | 480,570 | (773,014) |
| Total net potition | $ 5,304,292 $ 12,431,610 $ 4,284,571 $ 11,147,213 $ 17,735,902 $ 15,431,784 | | | | | |

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 exceed liabilities and deferred inflows of resources by $17,735,902 as of June 30, 2021. The Town’s net position increased by $2,304,118 for the fiscal year ended June 30, 2021. 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 uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town'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’s net position, $1,477,910, 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, 2021 and 2020

Town of Selma

Changes in Net Position

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Revenues:  Program revenues: |  |  |  |  |  |  |  |  |  |  |  |  |
| Charges for services | $ | 1,099,144 | $ | 1,040,426 | $ | 12,509,828 | $ | 11,802,641 | $ | 13,608,972 | $ | 12,843,067 |
| Operating grants/contributions |  | 321,596 |  | 129,752 |  | ‐ |  | ‐ |  | 321,596 |  | 129,752 |
| Capital grants/contributions General revenues: |  | 224,437 |  | 222,002 |  | 633,486 |  | 223,077 |  | 857,923 |  | 445,079 |
| Property taxes |  | 3,354,040 |  | 2,947,618 |  | ‐ |  | ‐ |  | 3,354,040 |  | 2,947,618 |
| Other taxes |  | 1,172,987 |  | 1,048,643 |  | ‐ |  | ‐ |  | 1,172,987 |  | 1,048,643 |
| Unrestricted interest |  | 4,091 |  | 22,384 |  | 6,216 |  | 40,303 |  | 10,307 |  | 62,687 |
| Unrestricted intergovernmental |  | 588,667 |  | 592,900 |  | ‐ |  | ‐ |  | 588,667 |  | 592,900 |
| Miscellaneous |  | 295,516 |  | 53,164 |  | ‐ |  | ‐ |  | 295,516 |  | 53,164 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Total revenues  Expenses: | 7,060,478 | 6,056,889 | 13,149,530 | 12,066,021 | 20,210,008 | 18,122,910 |
| General government | 1,033,446 | 692,288 | ‐ | ‐ | 1,033,446 | 692,288 |
| Public safety | 2,589,720 | 2,207,809 | ‐ | ‐ | 2,589,720 | 2,207,809 |
| Transportation | 1,837,438 | 1,942,015 | ‐ | ‐ | 1,837,438 | 1,942,015 |
| Culture and recreation | 685,158 | 751,002 | ‐ | ‐ | 685,158 | 751,002 |
| Interest on long term debt | 69,995 | 71,627 | ‐ | ‐ | 69,995 | 71,627 |
| Water | ‐ | ‐ | 1,742,534 | 1,561,932 | 1,742,534 | 1,561,932 |
| Sewer | ‐ | ‐ | 3,261,424 | 3,314,723 | 3,261,424 | 3,314,723 |
| Electric | ‐ | ‐ | 6,686,175 | 7,027,681 | 6,686,175 | 7,027,681 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Total expenses | 6,215,757 | 5,664,741 | 11,690,133 | 11,904,336 | 17,905,890 | 17,569,077 |
| Increase in net position before transfers | 844,721 | 392,148 | 1,459,397 | 161,685 | 2,304,118 | 553,833 |
| Transfers | 175,000 | 175,000 | (175,000) | (175,000) | ‐ | ‐ |

Governmental Activities Business‐type Activities Total

2021

2020

2021

2020

2021

2020

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Change in net position |  | 1,019,721 |  | 567,148 |  | 1,284,397 |  | (13,315) | 2,304,118 |  | 553,833 |
| Net position, beginning |  | 4,284,571 |  | 3,717,423 |  | 11,147,213 |  | 11,160,528 | 15,431,784 |  | 14,877,951 |
| Net position, ending | $ | 5,304,292 | $ | 4,284,571 | $ | 12,431,610 | $ | 11,147,213 $ | 17,735,902 | $ | 15,431,784 |

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 99.75%.
* Increased ad valorem and sales tax revenues of approximately $501,250 due to changes in the property tax rate and economic growth in the Town.

### *Governmental Activities*

Governmental activities reported an increase in the Town’s net position of $1,019,721. 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 $0.57 per $100 of assessed property value.

Assessed valuation of all taxable property in the Town is $510,595,185, an increase of $4,998,991 from the prior year.

### *Business‐type Activities*

Business‐type activities increased the Town’s net position by $1,284,397. 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. Total charges for services in the Water, Sewer and Electric Funds combined went up by $707,187 or 6.0% for the fiscal year. Total expenses in same combined funds went down by $214,203 or 1.8% for period.

### *Financial Analysis of the Town’s Funds*

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with financerelated legal requirements.

*Governmental Funds ‐*The focus of the Town's governmental funds is to provide information on nearterm inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town'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. At the end of the current fiscal year, the Town’s fund balance unassigned in the General Fund was $3,132,024, while total fund balance was $4,852,077. 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 50.23% of total General Fund expenditures, while total fund balance represents approximately 77.81% of that same expenditure amount.

On June 30, 2021, the governmental funds of the Town reported a combined fund balance of $4,852,077 with a net increase in fund balance of $1,020,676.

*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: 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 budget by $605,923. Total expenditures in the General Fund were less than amounts approved in the final budget by $847,676.

*Proprietary Funds*: The Town's proprietary funds provide the same type of information found in the government‐wide statements but in more detail. Unrestricted net position of the Water, Sewer and Electric Funds at the end of the fiscal year amounted to $3,110,994, $112,733, and $955,512, respectively. The change in net position for the Water, Sewer and Electric Funds were $112,856, $411,413, and $760,128, respectively, resulting in a total combined increase in net position of $1,284,397 for the Town’s proprietary funds.

### *Capital Asset and Debt Administration*

*Capital Assets:* The Town's investment in capital assets for its governmental and business‐type activities as of June 30, 2021, totals $20,166,466 (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:

* $775,189 in sewer improvements
* $542,667 in smart electric meters  $142,875 in streets resurfacing
* $61,375 in financial software
* $57,681 in a sewer maintenance vehicle
* $39,841 in stormwater/drainage improvements
* $35,796 in an excavator
* $34,501 in recreation improvements

*Figure 4*

Town of Selma, North Carolina

Condensed Statement of Capital Assets (net of depreciation) June 30, 2021 and 2020

Governmental Activities Business‐type Activities Total

2021

2020

2021

2020

2021

2020

|  |  |
| --- | --- |
| Land | $ 2,612,888 $ 2,640,743 $ 311,804 $ 311,804 $ 2,924,692 $ 2,952,547 |
| Construction in progress | 41,151 ‐ 633,413 67,641 674,564 67,641 |
| Buildings and improvements | 3,011,068 3,269,035 288,751 261,087 3,299,819 3,530,122 |
| Other improvements | 2,562,002 2,731,039 ‐ ‐ 2,562,002 2,731,039 |
| Distribution system | ‐ ‐ 8,160,876 8,060,966 8,160,876 8,060,966 |
| Equipment | 368,389 219,438 892,611 974,945 1,261,000 1,194,383 |
| Vehicles | 851,528 991,432 431,985 449,761 1,283,513 1,441,193 |
| Total | $ 9,447,026 $ 9,851,687 $ 10,719,440 $ 10,126,204 $ 20,166,466 $ 19,977,891 |

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

***Long‐term Debt and Obligations****:* As of June 30, 2021, the Town had total bonded debt outstanding of $1,664,000, 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 $2,725,044. Of this amount, $921,810 is applicable to the Town’s business‐type activities. The remaining $1,803,234 is applicable to the Town’s governmental activities.

The Town’s total debt and obligations increased by $1,640,444 during the past fiscal year, due to changes in net pension and OPEB liabilities, 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 is $40,847,615.

Additional information regarding the Town'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, 2021 and 2020

Governmental Activities Business‐type Activities Total

2021

2020

2021

2020

2021

2020

|  |  |
| --- | --- |
| Installment notes | $ 1,803,234 $ 2,039,161 $ 921,810 $ 1,338,729 $ 2,725,044 $ 3,377,890 |
| Revenue bonds | ‐ ‐ 1,664,000 1,700,000 1,664,000 1,700,000 |
| Compensated absences | 287,525 401,626 68,736 67,704 356,261 469,330 |
| Net pension liability  Law enforcement officers' | 1,181,287 840,342 643,661 436,909 1,824,948 1,277,251 |
| SSA pension obligation | 1,009,044 789,371 ‐ ‐ 1,009,044 789,371 |
| Total OPEB liability | 5,908,949 4,814,686 2,392,390 1,811,663 8,301,339 6,626,349  $ 10,190,039 $ 8,885,186 $ 5,690,597 $ 5,355,005 $ 15,880,636 $ 14,240,191 |

### *Economic Factors and Next Year’s Budgets and Rates*

The following key economic indicators reflect the growth and prosperity of the Town:  The Town has a population of 6,317.

* The Town’s tax collection rates for property excluding motor vehicles and registered motor vehicles are 99.73% and 100.00%, respectively.
* Johnston County’s unemployment rate was 4.4% for the month of June 2021 compared to the average unemployment for the State of North Carolina of 4.6% and the national rate of

5.9%.

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

***Governmental Activities****:* The property tax rate will increase to $0.58 per $100 of assessed property value and the total property valuation increased to $516,321,956. Total budgeted expenditures in the General Fund are expected to be $6,537,225. Town employees received a 1.4% cost of living adjustment in compensation with an effective date of July 16, 2021.

***Business‐type Activities:*** The water and sewer rates in the Town will increase for fiscal year 2022 to improve our ability to fund needed infrastructure improvements. Electric rates in the Town will remain the same for fiscal year 2022.

### *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, 2021**

**Primary**

**Government**

**Governmental Business‐type**

**Activities Activities Total**

**ASSETS**

|  |  |
| --- | --- |
| $ | 6,406,244  1,368,220  ‐  446,215  118,741  945,217  9,774,223 |
|  | 19,058,860 |
|  | 358,233  422,452 |
|  | 780,685 |
|  | 696,884  261,100  395,252  9,747  104,971 816,839 37,000  1,627,000  30,423  38,313  ‐  643,661  2,392,390 |
|  | 7,053,580 |
|  | 11,054 343,301 |
|  | 354,355 |
|  | 8,133,630  ‐  ‐  ‐  118,741  4,179,239 |
| $ | 12,431,610 |

|  |  |
| --- | --- |
| $ | 3,740,156 576,550  106,988 97,902  695,366  2,654,039  6,792,987 |
|  | 14,663,988 |
|  | 1,038,662  1,043,414 |
|  | 2,082,076 |
|  | 119,656  204,354  ‐  45,690 175,052 1,628,182  ‐  111,867  175,658 1,009,044 1,181,287  5,908,949 |
|  | 10,559,739 |
|  | 34,117 847,916 |
|  | 882,033 |
|  | 7,643,792  642,663  253,559  374,476  88,471  (3,698,669) |
| $ | 5,304,292 |

Cash and cash equivalents$ 10,146,400

Receivables, net of allowance for uncollectibles 1,944,770 Taxes receivable, net of allowance for uncollectibles 106,988

Inventories 544,117

Restricted cash and cash equivalents 814,107

Capital assets:

Non‐depreciable 3,599,256

Depreciable, net of accumulated depreciation 16,567,210

Total assets 33,722,848

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows ‐ pension items 1,396,895

Deferred outflows ‐ OPEB items 1,465,866

Total deferred outflows of resources 2,862,761

**LIABILITIES**

Accounts payable 816,540

Accrued liabilities 465,454 Customer deposits 395,252

Interest payable 55,437

Installment notes, due within one year 280,023 Installment notes, due in more than one year 2,445,021 Bonds payable, due within one year 37,000 Bonds payable, due in more than one year 1,627,000 Compensated absences, due within one year 142,290 Compensated absences, due in more than one year 213,971 Total pension liability (LEOSSA), due in more than one year 1,009,044 Net pension liability (LGERS), due in more than one year 1,824,948 Total OPEB liability, due in more than one year 8,301,339

Total liabilities 17,613,319

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows ‐ pension items 45,171

Deferred inflows ‐ OPEB items 1,191,217

Total deferred inflows of resources 1,236,388

**NET POSITION**

Net investment in capital assets 15,777,422

Restricted for:

Stabilization by State Statute 642,663 Streets ‐ Powell Bill 253,559 Cemetery perpetual care 374,476 Debt service 207,212 Unrestricted (deficit) 480,570 Total net position$ 17,735,902

**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, 2021**

**Functions/Programs**

Governmental activities: General government

Public safety

Transportation

Culture and recreation

Interest on long‐term debt

Total governmental activities

Business‐type activities:

Water Sewer

Electric

Total business‐type activities

Total primary government

**Net (Expenses) Revenues and**

**Program Revenues Changes in Net Position**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Operating** | **Capital** |  |  |  |
|  | **Charges for** | **Grants and** | **Grants and** | **Governmental** | **Business‐type** |  |
| **Expenses** | **Services** | **Contributions** | **Contributions** | **Activities** | **Activities** | **Total** |

|  |  |
| --- | --- |
| $ | ‐  ‐  ‐  ‐ |
|  | ‐ |
|  | 109,954 410,664  932,563 |
|  | 1,453,181 |
|  | 1,453,181 |
|  | ‐  6,216  ‐  ‐  (175,000) |
|  | (168,784) |
|  | 1,284,397 11,147,213 |
| $ | 12,431,610 |

|  |  |
| --- | --- |
| $ | (894,872)  (2,271,937)  (657,640)  (656,401)  (69,995) |
|  | (4,550,845) |
|  | ‐  ‐ |
|  | ‐ |
|  | (4,550,845) |
|  | 3,100,008  234,297  1,172,987  4,091 588,667 295,516 175,000 |
|  | 5,570,566 |
|  | 1,019,721 4,284,571 |
| $ | 5,304,292 |

|  |  |
| --- | --- |
| $ | ‐  314,058  5,017  2,521  ‐ |
|  | 321,596 |
|  | ‐  ‐ |
|  | ‐ |
| $ | 321,596 |

|  |  |
| --- | --- |
| $ | 99,798 3,725 989,120 26,236  ‐ |
|  | 1,118,879 |
|  | 1,852,488 3,055,287  7,602,053 |
|  | 12,509,828 |
| $ | 13,628,707 |

|  |  |
| --- | --- |
| $ | 1,033,446 2,589,720  1,837,438  685,158  69,995 |
|  | 6,215,757 |
|  | 1,742,534 3,261,424  6,686,175 |
|  | 11,690,133 |
| $ | 17,905,890 |

$ 38,776$ (894,872) ‐ (2,271,937) 185,661 (657,640) ‐ (656,401) ‐ (69,995)

224,437 (4,550,845)

‐ 109,954 616,801 410,664 16,685 932,563 633,486 1,453,181

$ 857,923 (3,097,664)

General revenues:

Property taxes, levied for general purposes 3,100,008

Property taxes, levied for fire districts 234,297

Other taxes 1,172,987

Unrestricted investment earnings 10,307 Unrestricted intergovernmental 588,667

Miscellaneous 295,516

Transfers ‐

Total general revenues and transfers 5,401,782

Change in net position 2,304,118 Net position, beginning of year 15,431,784 **Net position, end of year**$ 17,735,902

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

14

**TOWN OF SELMA, NORTH CAROLINA**

**BALANCE SHEET**

**GOVERNMENTAL FUND**

**JUNE 30, 2021**

|  |  |  |
| --- | --- | --- |
| **ASSETS**  Cash  Taxes receivable, net  Accounts receivable, net  Restricted cash and cash equivalents  Inventory  Total assets  **LIABILITIES**  Accounts payable  Accrued liabilities  Total liabilities  **DEFERRED INFLOWS OF RESOURCES**  Unavailable revenue ‐ other  Unavailable revenue ‐ cemetery lot sales Total deferred inflows of resources  **FUND BALANCES**  Nonspendable ‐ inventories Restricted:  Stabilization by State Statute  Debt service  Streets ‐ Powell Bill  Cemetery perpetual care Committed ‐ Library Trust Assigned:  Economic development  Fiscal year 2022 operations  Unassigned  Total fund balances  Total liabilities, deferred inflows of resources, and fund balances  Amounts reported for governmental activities in the statement of net position are different from the governmental fund because:  Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.  Some receivables are not available to pay for current‐period expenditures and, therefore, are reported as unavailable revenue in the governmental fund.  The net pension liability (LGERS), total pension liability (LEOSSA), and the total OPEB liability, along with the related deferred outflows and deferred inflows of resources, are not expected to be liquidated with available financial resources and, therefore, are not reported in the governmental fund.  Long‐term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund.  Net position of governmental activities |  | **General**  **Fund** |
| $ | 3,740,156 106,988  576,550  695,366  97,902 |
| $ | 5,216,962 |
| $ | 119,656  204,354 |
|  | 324,010 |
|  | 19,735  21,140 |
|  | 40,875 |
|  | 97,902  642,663 88,471 253,559  353,336  110,072  119,050 55,000  3,132,024 |
|  | 4,852,077 |
| $ | 5,216,962 |
|  | 9,447,026  40,875  (6,899,237)  (2,136,449) |
| $ | 5,304,292 |

**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 FUND FOR THE YEAR ENDED JUNE 30, 2021

|  |  |  |
| --- | --- | --- |
| **Revenues**  Ad valorem taxes |  | **General**  **Fund** |
| $ | 3,100,008 |
| Other taxes |  | 1,172,987 |
| Unrestricted intergovernmental |  | 822,964 |
| Restricted intergovernmental |  | 540,912 |
| Permits and fees |  | 36,885 |
| Sales and services |  | 1,058,582 |
| Investment earnings |  | 4,091 |
| Miscellaneous  Total revenues  **Expenditures**  Current:  General government |  | 300,637 |
|  | 7,037,066 |
|  | 1,088,085 |
| Public safety |  | 2,473,012 |
| Transportation |  | 1,749,036 |
| Culture and recreation |  | 619,363 |
| Debt service:  Principal retirements |  | 235,927 |
| Interest  Total expenditures  Excess of revenues over expenditures  **Other financing sources**  Transfers in |  | 70,029 |
|  | 6,235,452 |
|  | 801,614 |
|  | 175,000 |
| Sale of general capital assets  Total other financing sources  Net change in fund balance |  | 44,062 |
|  | 219,062 |
|  | 1,020,676 |
| **Fund balances, beginning of year**  **Fund balances, end of year** |  | 3,831,401 |
| $ | 4,852,077 |

**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 THE GOVERNMENTAL FUND**

### TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

|  |  |  |
| --- | --- | --- |
| Amounts reported for governmental activities in the statement of activities are different because:  Net change in fund balance ‐ governmental fund | $ | 1,020,676 |
| The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. |  | (316,267) |
| In the statement of activities, only the loss on the disposal of capital assets is reported. However, in the governmental fund, any 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 disposed. |  | (88,394) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund. |  | 23,412 |
| 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 represents current year principal payments on the Town's outstanding debt. |  | 235,927 |
| 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 the governmental fund.  Change in net position ‐ governmental activities |  | 144,367 |
| $ | 1,019,721 |

**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, 2021**

**Budget**

**Revenues**

|  |  |
| --- | --- |
| $ | 2,869,333 991,851  839,689 229,896 19,000 1,004,728  11,750  7,500 |
|  | 5,973,747 |
|  | 1,140,107  2,461,622  1,900,739  725,515  238,619 72,255 |
|  | 6,538,857 |
|  | (565,110) |
|  | 390,110 175,000  ‐ |
|  | 565,110 |
|  | ‐  3,638,687 |
| $ | 3,638,687 |

Ad valorem taxes$ 2,886,333 Other taxes 991,851

**Original**

**Final**

Unrestricted intergovernmental 839,689 Restricted intergovernmental 430,050 Permits and fees 19,000

Sales and services 923,898

Investment earnings 11,750

Miscellaneous 248,682

Total revenues 6,351,253

**Expenditures**  Current:

General government 1,362,023 Public safety 2,604,062 Transportation 1,982,685

Culture and recreation 756,587

Debt service:

Principal retirements 236,821

Interest 71,555

Total expenditures 7,013,733

Excess (deficiency) of revenues over expenditures (662,480)

**Other financing sources:**

Fund balance appropriation 446,480

Transfers in 175,000

Sale of general capital assets 41,000

Total other financing sources 662,480

Net change in fund balances **Fund balances, beginning of year** 3,638,687

**Fund balances, end of year**

$

3,638,687

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

Fire Protection ‐ Selma Petroleum Terminals Fund, revenues

Fire Protection ‐ Selma Petroleum Terminals Fund, public safety expenditures

Fire Grant Project Fund, revenues

Fire Grant Project Fund, public safety expenditures

Fund balance, end of year

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

|  |  |
| --- | --- |
|  | **Variance with** |
| **Actual** | **Actual and Final Budget** |
| **Amounts** | **Positive (Negative)** |

|  |  |
| --- | --- |
| $ | 3,100,008  1,172,987  822,964 503,567 24,835  1,058,582  3,991 270,242 |
|  | 6,957,176 |
|  | 1,088,085  2,403,617  1,749,036  619,363  235,927 70,029 |
|  | 6,166,057 |
|  | 791,119 |
|  | ‐  175,000 44,062 |
|  | 219,062 |
|  | 1,010,181  3,638,687 |
|  | 4,648,868  192,714 42,545  (32,050) 37,345  (37,345) |
| $ | 4,852,077 |

$ 213,675

$

1,010,181

181,136

(16,725)

73,517 5,835 134,684

(7,759)

21,560 605,923

273,938

200,445

233,649 137,224

894

1,526 847,676

1,453,599

(446,480)

3,062

(443,418)

1,010,181

‐

**TOWN OF SELMA, NORTH CAROLINA**

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

**JUNE 30, 2021**

**Water Sewer Electric**

**ASSETS Fund Fund Fund Totals**

**CURRENT ASSETS**

|  |  |
| --- | --- |
| $ | 2,536,274  9,532 782,043  355,368 |
|  | 3,683,217 |
|  | ‐ |
|  | 672,033 1,074,762 |
|  | 1,746,795 |
|  | 5,430,012 |
|  | 135,177  306,986 |
|  | 442,163 |
|  | 439,746  216,096 245,648  27,833  ‐  20,271 |
|  | 949,594 |
|  | 51,618  ‐  ‐  14,005  232,616 1,738,491 |
|  | 2,036,730 |
|  | 2,986,324 |
|  | 3,995  249,468 |
|  | 253,463 |
|  | 1,667,344  9,532 955,512 |
| $ | 2,632,388 |

|  |  |
| --- | --- |
| $ | 762,891  65,565  366,992 6,418 |
|  | 1,201,866 |
|  | ‐ |
|  | 90,746  6,049,627 |
|  | 6,140,373 |
|  | 7,342,239 |
|  | 86,095  28,865 |
|  | 114,960 |
|  | 241,833 21,456 72,764  56,647  25,000 5,076 |
|  | 422,776 |
|  | 676,883  1,111,000  425,000  12,154 170,395  163,467 |
|  | 2,558,899 |
|  | 2,981,675 |
|  | 2,926  23,457 |
|  | 26,383 |
|  | 4,270,843  65,565 112,733 |
| $ | 4,449,141 |

|  |  |
| --- | --- |
| $ | 3,107,079  43,644  219,185 84,429 |
|  | 3,454,337 |
|  | 425,000 |
|  | 182,438 2,649,834 |
|  | 3,257,272 |
|  | 6,711,609 |
|  | 136,961 86,601 |
|  | 223,562 |
|  | 15,305 33,295 76,840  20,491  12,000 5,076 |
|  | 163,007 |
|  | 88,338  516,000  ‐  12,154 240,650  490,432 |
|  | 1,347,574 |
|  | 1,510,581 |
|  | 4,133  70,376 |
|  | 74,509 |
|  | 2,195,443  43,644  3,110,994 |
| $ | 5,350,081 |

Cash and cash equivalents$ 6,406,244 Restricted cash 118,741

Accounts receivable, net of allowances 1,368,220

Inventories 446,215

Total current assets 8,339,420

**NONCURRENT ASSETS**

Advances to other funds 425,000

**CAPITAL ASSETS**

Nondepreciable 945,217

Depreciable, net of accumulated depreciation 9,774,223

Total noncurrent assets 11,144,440

Total assets 19,483,860

**DEFERRED OUTFLOWS OF RESOURCES**

Pension items 358,233

OPEB items 422,452

Total deferred outflows of resources 780,685

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable 696,884

Accrued liabilities 270,847 Customer deposits 395,252

Installment contracts, current 104,971 Bonds payable, current 37,000

Compensated absences payable, current 30,423

Total current liabilities 1,535,377

**NONCURRENT LIABILITIES**

Installment contracts 816,839 Bonds payable 1,627,000

Advance from other funds 425,000 Compensated absences payable 38,313

Net pension liability 643,661

Total OPEB liability 2,392,390 Total noncurrent liabilities 5,943,203

Total liabilities 7,478,580

**DEFERRED INFLOWS OF RESOURCES**

Pension items 11,054

OPEB items 343,301

Total deferred inflows of resources 354,355

**NET POSITION**

Net investment in capital assets 8,133,630

Restricted for:

Debt service 118,741

Unrestricted 4,179,239

Total net position$ 12,431,610

**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, 2021**

**Water Sewer Electric**

**Fund Fund Fund Totals**

**OPERATING REVENUES**

|  |  |
| --- | --- |
| $ | 7,582,833 19,220 |
|  | 7,602,053 |
|  | 812,441  408,126  105,232  5,354,013  ‐ |
|  | 6,679,812 |
|  | 922,241  16,685  2,565  (6,363) |
|  | 12,887 |
|  | 935,128  ‐  (175,000) |
|  | 760,128 1,872,260 |
| $ | 2,632,388 |

|  |  |
| --- | --- |
| $ | 2,857,337  197,950 |
|  | 3,055,287 |
|  | 264,241  360,903  441,083  ‐  2,154,132 |
|  | 3,220,359 |
|  | (165,072)  ‐  749  (41,065) |
|  | (40,316) |
|  | (205,388)  616,801  ‐ |
|  | 411,413 4,037,728 |
| $ | 4,449,141 |

|  |  |
| --- | --- |
| $ | 1,586,626 265,862 |
|  | 1,852,488 |
|  | 967,598  419,757  219,930  ‐  111,054 |
|  | 1,718,339 |
|  | 134,149  ‐  2,902  (24,195) |
|  | (21,293) |
|  | 112,856  ‐  ‐ |
|  | 112,856 5,237,225 |
| $ | 5,350,081 |

Charges for sales and services $ 12,026,796

Other operating income 483,032

Total operating revenues

12,509,828

**OPERATING EXPENSES**

Salaries and benefits 2,044,280 General operating expenses 1,188,786

Depreciation 766,245 Electric purchases 5,354,013

Water & sewer purchases 2,265,186

Total operating expenses 11,618,510 Operating income (loss) 891,318

**NON‐OPERATING REVENUES (EXPENSES)**

Intergovernmental 16,685 Interest income 6,216

Interest and fiscal charges (71,623)

Total non‐operating revenue (expenses) (48,722)

Income (loss) before capital contributions and transfers 842,596

Intergovernmental revenue 616,801

Transfers out (175,000)

Change in net position 1,284,397 **Net position, beginning of year** 11,147,213

**Net position, end of year**

$

12,431,610

**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, 2021**

|  |  |  |  |
| --- | --- | --- | --- |
| **Water** | **Sewer** | **Electric** |  |
| **Fund** | **Fund** | **Fund** | **Totals** |

**CASH FLOWS FROM OPERATING ACTIVITIES**

|  |  |
| --- | --- |
| $ | 1,807,303  (525,580) (706,217) |
|  | 575,506 |
|  | ‐  75,000 ‐ |
|  | 75,000 |
|  | (84,863) ‐  (31,142) (22,138) |
|  | (138,143) |
|  | 2,902 |
|  | 2,902 |
|  | 515,265  2,635,458 |
| $ | 3,150,723 |
| $ | 3,107,079  43,644 |
| $ | 3,150,723 |

|  |  |
| --- | --- |
| $ | 7,595,830  (5,751,120) (781,449) |
|  | 1,063,261 |
|  | (175,000)  ‐  16,685 |
|  | (158,315) |
|  | (558,011)  ‐  (341,336) (11,061) |
|  | (910,408) |
|  | 2,565 |
|  | 2,565 |
|  | (2,897)  2,548,703 |
| $ | 2,545,806 |
| $ | 2,536,274  9,532 |
| $ | 2,545,806 |

|  |  |
| --- | --- |
| $ | 3,099,847  (2,446,420) (328,712) |
|  | 324,715 |
|  | ‐  (75,000)  ‐ |
|  | (75,000) |
|  | (722,892) 616,801  (80,441)  (39,032) |
|  | (225,564) |
|  | 749 |
|  | 749 |
|  | 24,900  803,556 |
| $ | 828,456 |
| $ | 762,891  65,565 |
| $ | 828,456 |

Receipts from customers and users$ 12,502,980

Payments to suppliers (8,723,120)

Payments to employees (1,816,378)

Net cash provided by operating activities 1,963,482

**CASH FLOWS FROM NON‐CAPITAL FINANCING ACTIVITIES**

Transfers to other funds (175,000)

Repayment of interfund advances‐

Intergovernmental revenues 16,685

Net cash provided by (used in) non‐capital financing activities (158,315)

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of capital assets (1,365,766)

Receipt of intergovernmental capital grant 616,801

Principal payments on long‐term debt (452,919)

Interest paid (72,231)

Net cash (used in) capital and related financing activities (1,274,115)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received 6,216

Net cash provided by investing activities 6,216 Net increase (decrease) in cash and cash equivalents 537,268 Cash and cash equivalents, beginning of year 5,987,717

Cash and cash equivalents, end of year

$

6,524,985

**CASH AS REPORTED ON STATEMENT OF NET POSITION**

Cash and cash equivalents$ 6,406,244

Restricted cash and cash equivalents 118,741

Total cash and cash equivalents$ 6,524,985

*continued*

**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, 2021**

|  |  |  |  |
| --- | --- | --- | --- |
| **Water** | **Sewer** | **Electric** |  |
| **Fund** | **Fund** | **Fund** | **Totals** |

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH**

**PROVIDED BY OPERATING ACTIVITIES**

|  |  |
| --- | --- |
| $ | 134,149  219,930  (45,185)  (1,389) (39,743)  (78,355)  6,643  8,147  (23)  1,255  12,558 275,244  (1,049)  83,324 |
| $ | 575,506 |

|  |  |
| --- | --- |
| $ | 922,241 105,232  (12,930) (5,016) (36,288) (254,055)  16,035  21,700 6,707  (1,478) (121,666) 357,204  (1,459)  67,034 |
| $ | 1,063,261 |

|  |  |
| --- | --- |
| $ | (165,072)  441,083  44,321  19  (16,312)  (20,619)  68,596  1,722  239  1,255  (34,361)  (51,721)  (829)  56,394 |
| $ | 324,715 |

Operating income (loss)$ 891,318

Adjustments to reconcile operating income (loss) to net cash provided by operating activities:

Depreciation expense 766,245

Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:

(Increase) decrease in accounts receivable (13,794) (Increase) decrease in inventories (6,386)

Increase in deferred outflows of resources ‐ pension items (92,343) Increase in deferred outflows of resources ‐ OPEB items (353,029)

Increase in accounts payable 91,274 Increase in accrued liabilities 31,569 Increase (decrease) in customer deposits 6,923

Increase (decrease) in compensated absences payable 1,032

Increase (decrease) in deferred inflows for OPEB items (143,469)

Increase (decrease) in total OPEB liability 580,727

Decrease in deferred inflows for pension items (3,337)

Increase in net pension liability 206,752 Net cash provided by operating activities$ 1,963,482

**TOWN OF SELMA, NORTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021**

### 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 standardsetting 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 and fire 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.

### 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.

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

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.

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.

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

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.

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 Fire Grant 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 and the enterprise funds. During the fiscal year ended June 30, 2021, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

All annual budget appropriations lapse at the end of each year.

### 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 Government Portfolio, a SEC‐registered (2a‐7) money market mutual fund, is measured at fair value. Because the NCCMT

Government Portfolio has a weighted average maturity of less than 90 days, it is presented as a cash equivalent.

### 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, 2020.

### 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, 2021, 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 businesstype 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.

### 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 deferred outflows of resources for several items related to its pension and other postemployment benefit (OPEB) plans. These items are described in detail on the following page.

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 reports one (1) item as a deferred inflow of resources (not related to pension or OPEB). This item arises only under the modified accrual basis of accounting and accordingly, the item is reported only in the governmental fund balance sheet. The governmental fund reports unavailable revenues from the sales of cemetery plots which are sold on payment plans as well as from property taxes. As these amounts are not considered available to pay current period expenditures, they are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

### L. Deferred Outflows/Inflows of Resources (Continued)

As noted above, the Town reports deferred outflows of resources and deferred inflows of resources related to its pension and OPEB plans. Certain changes in the pension and OPEB liabilities are recognized in pension or OPEB expense over time instead of all being recognized in the year of occurrence, including: (1) differences between actual and expected experience of the pension and OPEB plans result from periodic studies by the actuary which adjust the pension and OPEB liabilities for actual experience for certain trend information that was previously assumed; (2) changes in actuarial assumptions; and (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. These three (3) items are recorded as deferred outflows or deferred inflows of resources and are amortized into pension or OPEB expense over the expected remaining service lives of plan members. The Town also reports differences between projected investment returns on pension investments and the actual return on those investments as deferred outflows or deferred inflows of resources and these differences are amortized against pension expense over a five (5) year period. Finally, the Town reports contributions to its pension and OPEB plans that have occurred after the applicable measurement dates but before fiscal year end as contributions subsequent to the measurement dates. These deferred outflows of resources will be reduce the pension and OPEB liabilities in the subsequent fiscal period.

### 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.

### 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.

### 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.

### 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 – governmental fund and net position – governmental activities* as reported in the government‐wide statement of net position. One element of that reconciliation explains that “the net pension liability (LGERS), total pension liability

(LEOSSA), and the total OPEB liability, along with the related deferred outflows and deferred inflows of resources, are not expected to be liquidated with available financial resources and therefore, are not reported in the funds.” The details of this $6,899,237 difference are as follows:

Governmental activities' share of the net pension liability (LGERS) $ (1,181,287) Governmental activities' share of the total OPEB liability (5,908,949)

Total pension liability (LEOSSA) (1,009,044)

Deferred outflows of resources ‐ pension items 1,038,662 Deferred outflows of resources ‐ OPEB items 1,043,414

Deferred inflows of resources ‐ pension items (34,117) Deferred inflows of resources ‐ OPEB items (847,916)

Net adjustment to reduce *fund balance ‐ governmental fund* to arrive at *net*

*position ‐ governmental activities* $ (6,899,237)

**2. RECONCILIATION OF GOVERNMENT‐WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)**

### A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government‐wide Statement of Net Position (Continued)

Another element of the reconciliation explains that “long‐term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.” The details of this $2,136,449 difference are as follows:

Installment notes $ (1,803,234) Accrued interest payable (45,690)

Compensated absences (i.e., vacation) (287,525)

|  |  |  |
| --- | --- | --- |
| Net adjustment to reduce *fund balance ‐ governmental fund* to arrive at *net* |  |  |
| *position ‐ governmental activities* | $ | (2,136,449) |

### 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 balance – governmental fund* and *changes in net position of governmental activities* as reported in the government‐wide statement of activities. One element of that reconciliation explains that “The governmental fund reports 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 $316,267 difference are as follows:

Capital outlay $ 377,303

Depreciation expense (693,570)

Net adjustment to decrease *net change in fund balance ‐ governmental fund* to

arrive at *change in net position ‐ governmental activities* $ (316,267)

**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 “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 the governmental fund.” The details of this $144,367 difference are as follows:

Compensated absences (i.e., vacation) $ 114,101 Change in accrued interest 34

Net pension liability ‐ LGERS and related deferred outflows and

inflows of resources (149,601)

Total pension liability ‐ LEO Special Separation Allowance and related

deferred outflows and inflows of resources (30,546)

Total OPEB liability ‐ and related deferred outflows and

inflows of resources 210,379

|  |  |  |
| --- | --- | --- |
| Net adjustment to increase *net change in fund balance ‐ governmental fund* to |  |  |
| arrive at *change in net position ‐ governmental activities* | $ | 144,367 |

### NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2021, are summarized as follows:

Statement of Net Position:

Cash and cash equivalents $ 10,240,729

Restricted cash and cash equivalents 719,778

|  |  |
| --- | --- |
| $ | 10,960,507 |
| $ | 5,469,980  5,490,527 |
| $ | 10,960,507 |

Cash deposited with financial institutions

Cash deposited with NCCMT

### 3. DEPOSITS AND INVESTMENTS (CONTINUED)

**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 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 NCCMT Government Portfolio carried a credit rating of AAAm by Standard & Poor’s as of June 30, 2021.

As of June 30, 2021, the Town’s investment balances were as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Valuation** |  |  |
|  | **Measurement** | **Fair Value** |  |
| **Investment by Type** | **Method** | **June 30, 2021** | **Duration** |

|  |  |  |  |
| --- | --- | --- | --- |
| North Carolina Capital Management Trust |  |  |  |
| Government Portfolio | Fair Value Level 1 | $ 5,490,527 | N/A |

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.

**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, 2021, the Town’s deposits are insured or collateralized as required by state law.

### 4. RECEIVABLES

Receivables at June 30, 2021, for the Town’s individual major funds, including any applicable allowances for uncollectible accounts are as follows:

|  |  |
| --- | --- |
| $ | ‐  1,009,691  227,648 |
| $ | 782,043 |

|  |  |
| --- | --- |
| $ | ‐  457,733  90,741 |
| $ | 366,992 |

|  |  |
| --- | --- |
| $ | ‐  272,814  53,629 |
| $ | 219,185 |

|  |  |
| --- | --- |
| $ | 127,395  624,725  68,582 |
| $ | 683,538 |

**General Water Sewer Electric**

Receivables:

Taxes

Accounts

Less allowance for uncollectible

Net total receivable

### NOTE 5. CAPITAL ASSETS

Capital asset activity for the Town for the year ended June 30, 2021, is as follows:

**Beginning Ending**

**Governmental Activities:**

Nondepreciable capital assets:

Land

Construction in progress Total

Capital assets, being depreciated:

Buildings

Other improvements

Equipment and furniture

Vehicles and motorized equipment

Total being depreciated

Less accumulated depreciation for:

Buildings

Other improvements

Equipment and furniture

Vehicles and motorized equipment Total

Total capital assets, being

depreciated, net

Governmental activities capital

assets, net

**Balance Increases Decreases Transfers Balance**

$ 2,640,743 $ ‐ $ (27,855) $ ‐ $ 2,612,888 ‐ 41,151 ‐ ‐ 41,151

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  | | --- | --- | |  | 2,640,743 | |  | 6,308,273 6,556,035  946,647 3,379,035 | |  | 17,189,990 | |  | (3,039,238)  (3,824,996) (727,209) (2,387,603) | |  | (9,979,046) | |  | 7,210,944 | | $ | 9,851,687 | | |  |  | | --- | --- | |  | 41,151 | |  | 43,316 212,960 79,876  ‐ | |  | 336,152 | |  | (242,839)  (252,907) (92,616) (105,208) | |  | (693,570) | |  | (357,418) | | $ | (316,267) | | |  |  | | --- | --- | |  | (27,855) | |  | (61,520)  ‐  (5,464) (46,320) | |  | (113,304) | |  | 3,076  ‐  3,369 46,320 | |  | 52,765 | |  | (60,539) | | $ | (88,394) | | |  |  | | --- | --- | |  | ‐ | |  | ‐  ‐  138,900  (138,900) | |  | ‐ | |  | ‐  (129,090)  24,886 104,204 | |  | ‐ | |  | ‐ | | $ | ‐ | | |  |  | | --- | --- | |  | 2,654,039 | |  | 6,290,069  6,768,995  1,159,959  3,193,815 | |  | 17,412,838 | |  | (3,279,001)  (4,206,993) (791,570) (2,342,287) | |  | (10,619,851) | |  | 6,792,987 | | $ | 9,447,026 | |

**5.**

**Beginning Ending**

**Balance Increases Decreases Balance**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Water Fund:**  Nondepreciable capital assets: |  |  |  |  |  |  |  |  |
| Land | $ | 182,438 | $ | ‐ | $ | ‐ | $ | 182,438 |

|  |  |
| --- | --- |
|  | ‐ |
|  | ‐  ‐  (5,464)  ‐ |
|  | (5,464) |
|  | ‐  ‐  3,369  ‐ |
|  | 3,369 |
|  | (2,095) |
| $ | (2,095) |

|  |  |
| --- | --- |
|  | ‐ |
|  | 22,124  ‐  5,058 57,681 |
|  | 84,863 |
|  | (13,010) (186,443) (3,920) (16,557) |
|  | (219,930) |
|  | (135,067) |
| $ | (135,067) |

|  |  |
| --- | --- |
|  | 1,003,881  7,746,421 535,933  251,550 |
|  | 9,537,785 |
|  | (920,472)  (5,348,950)  (476,481)  (142,048) |
|  | (6,887,951) |
|  | 2,649,834 |
| $ | 2,832,272 |

|  |  |
| --- | --- |
|  | 981,757 7,746,421 536,339 193,869 |
|  | 9,458,386 |
|  | (907,462)  (5,162,507) (475,930) (125,491) |
|  | (6,671,390) |
|  | 2,786,996 |
| $ | 2,969,434 |

Total 182,438 182,438

Capital assets, being depreciated:

Buildings and improvements

Distribution system

Equipment

Vehicles and motorized equipment Total

Less accumulated depreciation for:

Buildings and improvements

Distribution system

Equipment

Vehicles and motorized equipment Total

Total capital assets being depreciated, net

Water Fund capital assets, net

|  |  |  |  |
| --- | --- | --- | --- |
| **Beginning** |  |  | **Ending** |
| **Balance** | **Increases** | **Decreases** | **Balance** |

**5.**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Sewer Fund:**  Nondepreciable capital assets: |  |  |  |  |  |  |  |  |
| Construction in progress | $ | 67,641 | $ | 90,746 | $ | (67,641) | $ | 90,746 |
| Total |  | 67,641 |  | 90,746 |  | (67,641) |  | 90,746 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  | | --- | --- | |  | 165,503  10,575,323  336,330 350,747 | |  | 11,427,903 | |  | (92,529) (5,098,271) (292,783) (151,302) | |  | (5,634,885) | |  | 5,793,018 | | $ | 5,860,659 | | |  |  | | --- | --- | |  | 15,344 684,443  ‐  ‐ | |  | 699,787 | |  | (3,425)  (398,090)  (13,705)  (25,863) | |  | (441,083) | |  | 258,704 | | $ | 349,450 | | |  |  | | --- | --- | |  | ‐  ‐  (5,464)  ‐ | |  | (5,464) | |  | ‐  3,369  ‐ | |  | 3,369 | |  | (2,095) | | $ | (69,736) | | |  |  | | --- | --- | |  | 180,847  11,259,766  330,866  350,747 | |  | 12,122,226 | |  | (95,954) (5,496,361) (303,119)  (177,165) | |  | (6,072,599) | |  | 6,049,627 | | $ | 6,140,373 | |

Capital assets, being depreciated:

Buildings and improvements Distribution system Equipment

Vehicles and motorized equipment Total

Less accumulated depreciation for:

Buildings and improvements Distribution system

Equipment

Vehicles and motorized equipment Total

Total capital assets being depreciated, net

Sewer Fund

capital assets, net

**5.**

**Beginning Ending**

**Balance Increases Decreases Balance**

**Electric Fund:**

Nondepreciable capital assets:

Land $ 129,366 $ ‐ $ ‐ $ 129,366

Construction in progress ‐ 542,667 ‐ 542,667

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  | | --- | --- | |  | 129,366 | |  | 272,972 7,399,972 780,884 | |  | 8,453,828 | |  | (159,154) (6,528,983)  (598,946) | |  | (7,287,083) | |  | 1,166,745 | | $ | 1,296,111 | | |  |  | | --- | --- | |  | 542,667 | |  | 15,344  ‐  ‐ | |  | 15,344 | |  | (8,713) (63,482)  (33,037) | |  | (105,232) | |  | (89,888) | | $ | 452,779 | | |  |  | | --- | --- | |  | ‐ | |  | ‐  (5,464)  ‐ | |  | (5,464) | |  | ‐  3,369  ‐ | |  | 3,369 | |  | (2,095) | | $ | (2,095) | | |  |  | | --- | --- | |  | 672,033 | |  | 288,316 7,394,508 780,884 | |  | 8,463,708 | |  | (167,867) (6,589,096) (631,983) | |  | (7,388,946) | |  | 1,074,762 | | $ | 1,746,795 | |

Total

Capital assets, being depreciated:

Buildings and improvements

Equipment

Vehicles and motorized equipment Total

Less accumulated depreciation for:

Buildings and improvements Equipment

Vehicles and motorized equipment Total

Total capital assets being depreciated, net

Electric Fund

capital assets, net

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

|  |  |  |
| --- | --- | --- |
| Governmental activities: |  |  |
| General government | $ | 34,291 |
| Public safety |  | 215,388 |
| Transportation |  | 267,433 |
| Culture and recreation |  | 176,458 |

|  |  |
| --- | --- |
| $ | 693,570 |
| $ | 219,930 441,083 105,232 |
| $ | 766,245 |

Total depreciation expense ‐ governmental activities

Business‐type activities:

Water

Sewer

Electric

Total depreciation expense ‐ business‐type activities

Long‐term liability activity for the year ended June 30, 2021, is as follows:

**Beginning Ending Due Within**

**Balance Additions Reductions Balance One Year**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  | | --- | --- | | $ | 2,039,161 401,626 840,342  789,371 4,814,686 | | $ | 8,885,186 | | $ | 1,338,729 1,700,000 67,704 436,909 1,811,663 | | $ | 5,355,005 | | |  |  | | --- | --- | | $ | ‐  599,995  306,505 1,369,377 | | $ | 2,275,877 | | $ | ‐  31,455 323,074  652,234 | | $ | 1,006,763 | | |  |  | | --- | --- | | $ | (235,927) (114,101) (259,050)  (86,832) (275,114) | | $ | (971,024) | | $ | (416,919) (36,000) (30,423) (116,322) (71,507) | | $ | (671,171) | | |  |  | | --- | --- | | $ | 1,803,234 287,525 1,181,287  1,009,044  5,908,949 | | $ | 10,190,039 | | $ | 921,810 1,664,000 68,736 643,661 2,392,390 | | $ | 5,690,597 | | |  |  | | --- | --- | | $ | 175,052 111,867  ‐  ‐  ‐ | | $ | 286,919 | | $ | 104,971 37,000  30,423  ‐  ‐ | | $ | 172,394 | |

**Governmental activities:**

Installment notes ‐ direct borrowings

Compensated absences

Net pension liability (LGERS)

Law enforcement officers'

SSA total pension liability

Total OPEB liability

Governmental activity Long‐term liabilities

**Business‐type activities:**

Installment notes ‐ direct borrowings

Revenue bonds ‐ direct placement Compensated absences

Net pension liability (LGERS)

Total OPEB liability Business‐type activity

Long‐term liabilities

For governmental activities, 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, net pension liability (LGERS), and total OPEB liability for the business‐type activities are liquidated by the respective fund carrying the liability.

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, 2021, are as follows:

Balance as of

***Governmental activities*** June 30, 2021

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. $ 428,655

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. 306,441

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. 84,059

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. 25,682

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. 88,578

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. 254,981

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. 16,760

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. 25,018

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.

532,108

A note issued by KS Bank for $60,000 was issued on June 5, 2020, with annual payments of $15,542

for police vehicles. The note bears an interest rate of 2.29% and matures in 2023. 29,142

A note issued by US Bank for $23,625 was issued on June 5, 2020, with annual payments of $6,087

for a new ERP system. The note bears an interest rate of 2.05% and matures in 2023. 11,810

Total outstanding installment notes payable $ 1,803,234

### (Continued)

The debt service to maturity on the Town’s governmental activities’ installment notes is as follows:

**Principal Interest Total**

|  |  |  |  |
| --- | --- | --- | --- |
| Year Ending June 30, |  |  |  |
| 2022 | $ 175,072 | $ 63,484 | $ 238,556 |
| 2023 | 162,573 | 58,334 | 220,907 |
| 2024 | 145,361 | 53,127 | 198,488 |
| 2025 | 140,599 | 47,926 | 188,525 |
| 2026 | 144,559 | 43,129 | 187,688 |
| 2027‐2031 | 518,820 | 149,310 | 668,130 |
| 2032‐2036 | 220,626 | 85,156 | 305,782 |
| 2037‐2041 | 267,465 | 38,317 | 305,782 |
| 2042 | 28,159 | 1,199 | 29,358 |
| Total | $ 1,803,234 | $ 539,982 | $ 2,343,216 |
|  |  |  | **Balance as of** |
| ***Business‐type activities*** |  |  | **June 30, 2021** |

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‐interst bearing note and matures

in 2032. $ 72,002

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. 604,969

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. 141,768

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. 67,641

A note issued by US Bank for $70,875 was issued on June 5, 2020, with annual

payments of $18,261 for a new ERP system. The note bears an interest rate of 2.05%

and matures in 2023. 35,430

Total outstanding notes payable $ 921,810

### (Continued)

The debt service to maturity on the Town’s business‐type activities’ installment notes is as follows:

**Principal Interest Total**

|  |  |  |  |
| --- | --- | --- | --- |
| Year Ending June 30, |  |  |  |
| 2022 | $ 104,971 | $ 18,350 | $ 123,321 |
| 2023 | 107,255 | 15,699 | 122,954 |
| 2024 | 91,296 | 13,230 | 104,526 |
| 2025 | 20,546 | 10,950 | 31,496 |
| 2026 | 20,546 | 10,688 | 31,234 |
| 2027‐2031 | 105,728 | 49,444 | 155,172 |
| 2032‐2036 | 87,546 | 42,281 | 129,827 |
| 2037‐2041 | 88,000 | 34,444 | 122,444 |
| 2042‐2046 | 97,000 | 25,856 | 122,856 |
| 2047‐2051 | 106,000 | 16,463 | 122,463 |
| 2052‐2056 | 92,922 | 6,150 | 99,072 |
| Total | $ 921,810 | $ 243,555 | $ 1,165,365 |

### 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, 2021, $528,000 of the bonds were outstanding. The bonds mature in 2047. The bonds contain 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, 2021, $1,136,000 of the bonds were outstanding. The bonds mature in 2053. The bonds contain a provision that in an event of default, the outstanding balance becomes immediately due if the Town is unable to make payment.

### Placement ‐ Revenue Bonds (Continued)

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

**Principal Interest Total**

|  |  |  |  |
| --- | --- | --- | --- |
| Year Ending June 30, |  |  |  |
| 2022 | $ 37,000 | $ 46,580 | $ 83,580 |
| 2023 | 38,000 | 45,539 | 83,539 |
| 2024 | 39,000 | 44,476 | 83,476 |
| 2025 | 40,000 | 43,371 | 83,371 |
| 2026 | 41,000 | 42,245 | 83,245 |
| 2027‐2031 | 225,000 | 192,780 | 417,780 |
| 2032‐2036 | 260,000 | 158,313 | 418,313 |
| 2037‐2041 | 301,000 | 117,746 | 418,746 |
| 2042‐2046 | 339,000 | 70,295 | 409,295 |
| 2047‐2051 | 250,000 | 25,479 | 275,479 |
| 2052‐2053 | 94,000 | 2,996 | 96,996 |
| Total | $ 1,664,000 | $ 789,820 | $ 2,453,820 |
|  |  |  |  |

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 $2,453,820. Principal and interest paid for the current year and net revenues were $83,579 and $1,250,544, respectively.

|  |  |  |
| --- | --- | --- |
| Operating revenues | $ | 4,907,775 |
| Non‐operating revenues |  | 3,651 |
| Operating expenses |  | (4,277,685) |

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, 2021:

|  |  |  |
| --- | --- | --- |
| Income available for debt service | $ | 633,741 |
| Annual debt service (Revenue Bonds only) | $ | 83,579 |
| Debt service coverage ratio |  | 758% |

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.

### 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2021, is as follows:

Advances to/from other funds:

#### Receivable Fund Payable Fund Amount

Water Fund Sewer Fund $ 425,000

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. During the year ended June 30, 2021, the Sewer Fund made a payment of $75,000 to the Water Fund towards the repayment of this advance.

Interfund transfers:

#### Transfers In Transfers Out Amount

General Fund Electric Fund $ 175,000

Transfers are used to move revenues from the Electric Fund to the General Fund for operating purposes.

### NOTE 8. PENSION PLANS

**A. Local Governmental Employees’ Retirement System**

**Plan Description.** The Town 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 Annual Comprehensive Financial

Report (ACFR) for the state of North Carolina. The state’s ACFR 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.

**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’s contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% 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 were $374,341 for the year ended June 30, 2021.

*Refunds of Contributions* – Town employees who have terminated service as a contributing member of

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

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

At June 30, 2021, the Town reported a liability of $1,824,948 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long‐term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At the June 30, 2020, measurement date, the Town’s proportion was 0.05107%, which was an increase of 0.00430% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of $635,012. At June 30, 2021, the

Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

#### Deferred Outflows Deferred Inflows of Resources of Resources

|  |  |  |
| --- | --- | --- |
| Differences between expected and actual experience | $ 230,459 | $ ‐ |
| Changes in plan assumptions  Net difference between projected and actual earnings on | 135,812 | ‐ |
| pension plan investments  Changes in proportion and differences between Town | 256,812 | ‐ |
| contributions and proportionate share of contributions | 46,752 | 31,339 |
| Town contributions subsequent to the measurement date | 374,341 | ‐ |
| Total | $ 1,044,176 | $ 31,339 |

Town contributions made subsequent to the measurement date of $374,341 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ending June 30:**

1. $ 181,171
2. 239,741
3. 141,580
4. 76,004

$ 638,496

**Actuarial Assumptions.** The total pension liability as of June 30, 2020, was determined by the December 31,

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

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

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

**Actuarial Assumptions (Continued).** The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020, are as follows:

**Long‐term Expected Real**

**Asset Class Target Allocation Rate of Return**

|  |  |  |
| --- | --- | --- |
| Fixed Income | 29.0% | 1.4% |
| Global Equity | 42.0% | 5.3% |
| Real Estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Credit | 7.0% | 6.0% |
| Inflation Protection | 6.0% | 4.0% |
| Total | 100% |  |

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long‐term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long‐term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

**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 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:

##### Current

**1% Decrease Discount Rate 1% Increase**

**(6.00%) (7.00%) (8.00%)**

Town's proportionate share of the net

pension liability $ 3,702,622 $ 1,824,948 $ 264,470

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) for the state of North Carolina.

**B. Law Enforcement Officers Special Separation Allowance**

**Plan Description.** The Town 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, 2019, the date of the most recent actuarial valuation the Separation Allowance’s membership consisted of:

|  |  |
| --- | --- |
| Retirees receiving benefits | 6 |
| Active plan members | 22 |
| Total | 28 |

**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, 2019 valuation.

The total pension liability in the December 31, 2029, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |  |
| --- | --- |
| Inflation | 2.50 percent |
| Salary increases | 3.25 to 7.75 percent, including inflation and productivity factor |
| Discount rate | 1.93 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 $86,017 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

|  |  |
| --- | --- |
| **Deferred Outflows** | **Deferred Inflows** |
| **of Resources** | **of Resources** |

At June 30, 2021, the Town reported a total pension liability of $1,009,044. The total pension liability was measured as of December 31, 2020, based on a December 31, 2019, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of $118,270.

|  |  |  |
| --- | --- | --- |
| Experience differences | $ 93,025 | $ ‐ |
| Change in assumptions  Town benefit payments made subsequent to | 206,718 | 13,832 |
| the measurement date. | 52,976 | ‐ |
| Total | $ 352,719 | $ 13,832 |

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

The town reported $52,976 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as

follows:

**Year ending June 30:**

2022 $ 70,669 2023 68,695

1. 62,286
2. 49,908
3. 34,353

$ 285,911

**Changes in the Total Pension Liability.** The changes in the total pension liability of the Town for the fiscal

year ended June 30, 2021, were as follows:

**Total Pension Liability**

Balance at June 30, 2020 $ 789,371 Service Cost 32,311 Interest 24,331

Experience differences 27,865 Assumption changes 221,183

Benefit payments (86,017)

Balance at June 30, 2021 $ 1,009,044

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.

|  |  |  |
| --- | --- | --- |
| **1% Decrease (0.93%)** | **Current**  **Discount Rate**  **(1.93%)** | **1% Increase (2.93%)** |

**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 1.93 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 (0.93 percent) or 1‐percentage‐point higher (2.93 percent) than the current rate:

Total pension liability $ 1,099,998 $ 1,009,044 $ 926,643

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, 2019 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 (the “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 Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The state’s ACFR 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.

1. **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, 2021, were $65,281 which consisted of $51,276 from the Town and $14,005 from the law enforcement officers. As of June 30, 2021, there were twenty‐seven (27) participants in the plan.

1. **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, 2021, were $99,254, which consisted of $64,710 from the Town and $30,344 from the employees. As of June 30, 2021, there were sixty‐four (64) participants in the plan.

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**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, 2019, the date of the latest actuarial valuation:

|  |  |
| --- | --- |
| Active participants  Retirees and beneficiaries currently receiving benefits Total | 31 34  65 |

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, 2021, the Town contributed $267,220 for the pay as you go benefits for the HCB Plan.

###### Total OPEB Liability

The Town’s total OPEB liability of $8,301,339 was measured as of June 30, 2020, based on a June 30, 2019, actuarial valuation. The total OPEB liability was then rolled forward to the measurement date of June 30,

2020, utilizing update procedures incorporating the actuarial assumptions.

**Actuarial Assumptions and Other Inputs***.* The total OPEB liability in the June 30, 2019, 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  Salary increase, including wage inflation | 3.50% |
| General employees | 3.50% ‐ 7.75% |
| Firefighters | 3.50% ‐ 7.75% |
| Law Enforcement Officers Municipal bond index rate | 3.50% ‐ 7.35% |
| Prior measurement date | 3.50% |
| Measurement date  Health care cost trends | 2.21% |
| Pre‐medicare | 7.00% ‐ 4.50%, Ultimate Trend in 2026 |
| Medicare | 5.00% ‐ 4.50%, Ultimate Trend in 2021 |

The discount rate is based on the yield June average of the Bond Buyer 20‐year General Obligation Bond Index published at the last Thursday of June 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, 2021, were as follows:

**Total OPEB Liability**

|  |  |
| --- | --- |
| Balance at June 30, 2020 | $ 6,626,348 |
| Service Cost | 100,044 |
| Interest | 231,593 |
| Experience differences | (27,472) |
| Assumption changes | 1,591,645 |
| Benefit payments | (220,819) |
| Balance at June 30, 2021 | $ 8,301,339 |

Change in assumption and other inputs reflect a change in the discount rate from 3.50% to 2.21%. 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, 2020, valuation were based on the results of an actuarial experience study for the period January 1,

2010 through December 31, 2014.

###### Total OPEB Liability (Continued)

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.** The following presents the total

|  |  |  |  |
| --- | --- | --- | --- |
| than the current discount rate: |  |  |  |
|  | **1% Decrease (1.21%)** | **Current**  **Discount Rate**  **(2.21%)** | **1% Increase (3.21%)** |

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 (1.21 percent) or 1‐percentage‐point higher (3.21)

Total OPEB liability $ 9,968,785 $ 8,301,339 $ 7,023,539

|  |  |  |
| --- | --- | --- |
| than the current healthcare cost trend rates: |  |  |
| **1% Decrease** | **Current** | **1% Increase** |
| **(6.00% to 3.50%)** | **(7.00% to 4.50%)** | **(8.00% to 5.50%)** |

**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

Total OPEB liability $ 6,902,681 $ 8,301,339 $ 10,149,332

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, 2021, 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 (Continued)

For the year ended June 30, 2021, OPEB expense was $107,968. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Deferred Outflows of Deferred Inflows Resources of Resources**

Differences between expected and actual experience $ ‐ $ 816,246

Changes in plan assumptions 1,198,646 374,971

Town contributions subsequent to the measurement date 267,220 ‐

Total $ 1,465,866 $ 1,191,217

Town contributions made subsequent to the measurement date of $267,220 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ending June 30:**

2022 $ (223,669) 2023 (128,272)

1. 340,061
2. 19,309

$ 7,429

### 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 selffunded 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.

### 10. RISK MANAGEMENT (CONTINUED)

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.

### 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 with outstanding construction commitments of $257,351 as of June 30, 2021.

### NOTE 12. JOINTLY GOVERNED ORGANIZATIONS

The Town, in conjunction with thirty‐one other local governments, is a member of the North Carolina City

Electric Agency (the “Electric Agency”). The Electric Agency 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 Electric Agency’s governing board. The thirty‐one members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. 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, 2021, were $5,354,013.

# REQUIRED SUPPLEMENTARY INFORMATION

## TOWN OF SELMA, NORTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**

**JUNE 30, 2021**

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

**2021 2020 2019 2018 2017**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Total pension liability, beginning balance | $ 789,371 | $ 736,478 | $ 720,538 | $ 693,194 | $ 724,106 |
| Service Cost | 32,311 | 26,137 | 31,340 | 24,692 | 24,248 |
| Interest on the total pension liability | 24,331 | 25,266 | 21,695 | 25,467 | 24,657 |
| Difference between expected and actual experience | 27,865 | 64,849 | 57,200 | 7,783 | ‐ |
| Changes of assumptions or other inputs | 221,183 | 21,340 | (26,322) | 36,259 | (12,960) |
| Benefit payments | (86,017) | (84,699) | (67,973) | (66,857) | (66,857) |

Total pension liability, ending balance $ 1,009,044 $ 789,371 $ 736,478 $ 720,538 $ 693,194 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 SIX FISCAL YEARS**

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

**2021 2020 2019 2018 2017 2016**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Total pension liability | $ 1,009,044 | $ 789,371 | $ 736,478 | $ 720,538 | $ 693,194 | $ 724,106 |
| Town's covered payroll  Total pension liability as a percentage | $ 1,069,956 | $ 1,021,997 | $ 1,158,005 | $ 1,110,276 | $ 1,030,492 | $ 941,276 |
| of covered payroll | 94.31% | 77.24% | 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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Net change in total OPEB liability** | 1,674,990 | (1,332,231) | (154,141) | (479,503) |
| **Total OPEB liability ‐ beginning** | 6,626,349 | 7,958,580 | 8,112,721 | 8,592,224 |
| **Total OPEB liability ‐ ending** | $ 8,301,339 | $ 6,626,349 | $ 7,958,580 | $ 8,112,721 |
| **Covered‐employee payroll**  **Total OPEB liability as a percentage of** | $ 3,178,466 | $ 1,463,579 | $ 1,823,609 | $ 2,061,538 |
| **covered‐employee payroll** | 261.2% | 452.7% | 436.4% | 393.5% |

**2021 2020 2019 2018**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Total OPEB liability |  |  |  |  |
| Service cost | $ 100,044 | $ 185,598 | $ 196,964 | $ 223,048 |
| Interest on total OPEB liability | 231,592 | 304,608 | 285,237 | 255,649 |
| Difference between expected and actual experience | (27,472) | (1,544,380) | (24,361) | (12,765) |
| Changes of assumptions and other inputs | 1,591,645 | (19,487) | (409,297) | (746,136) |
| Benefit payments | (220,819) | (258,570) | (202,684) | (199,299) |

**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 SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) LAST EIGHT FISCAL YEARS\***

### LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

**2021**

**2020**

**2019**

**2018**

|  |  |  |
| --- | --- | --- |
| 0.05107% | 0.04677% | 0.05206% |
| $ 1,824,948 | $ 1,277,251 | $ 1,235,042 |
| $ 3,458,803 | $ 3,184,428 | $ 3,158,766 |
| 52.76% | 40.11% | 39.10% |
| 88.61% | 90.86% | 91.63% |
| **2017** | **2016** | **2015** |

Town's proportion of the net pension liability (asset) (%)

Town's proportion of the net pension liability (asset) ($)

Town's covered payroll

Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll

Plan fiduciary net position as a percentage of the total pension liability

|  |  |  |
| --- | --- | --- |
| 0.04958% | 0.04754% | 0.04640% |
| $ 1,052,254 | $ 213,357 | $ (273,641) |
| $ 2,971,719 | $ 2,774,964 | $ 2,723,487 |
| 35.41% | 7.69% | ( 10.05%) |
| 91.47% | 98.09% | 102.64% |

Town's proportion of the net pension liability (asset) (%)

Town's proportion of the net pension liability (asset) ($)

Town's covered payroll

Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll

Plan fiduciary net position as a percentage of the total pension liability

0.04977%

$ 760,350 $ 3,029,574

25.10%

94.18%

**2014**

0.05280%

$ 636,444 $ 2,796,230

22.76%

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'S CONTRIBUTIONS LAST EIGHT FISCAL YEARS**

**LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM**

**2021**

**2020**

**2019**

**2018**

|  |  |  |  |
| --- | --- | --- | --- |
| $ 374,341 | $ 303,010 | $ 255,817 | $ 254,019 |
| 374,341 | 303,010 | 255,817 | 254,019 |
| $ ‐ | $ ‐ | $ ‐ | $ ‐ |
| $ 3,574,071 | $ 3,458,803 | $ 3,184,428 | $ 3,158,766 |
| 10.47% | 8.76% | 8.03% | 8.04% |
| **2017** | **2016** | **2015** | **2014** |

Contractually required contribution

Contributions in relation to the contractually required contribution

Contribution deficiency (excess)

Town's covered payroll

Contributions as a percentage of covered payroll

|  |  |  |  |
| --- | --- | --- | --- |
| $ 226,453 | $ 205,501 | $ 199,781 | $ 196,502 |
| 226,453 | 205,501 | 199,781 | 196,502 |
| $ ‐ | $ ‐ | $ ‐ | $ ‐ |
| $ 3,029,574 | $ 2,971,719 | $ 2,774,964 | $ 2,723,487 |
| 7.47% | 6.92% | 7.20% | 7.22% |

Contractually required contribution

Contributions in relation to the contractually required contribution

Contribution deficiency (excess)

Town's covered payroll

Contributions as a percentage of covered payroll

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

**Revenues** Ad valorem taxes:

Current year

Prior year

Penalties and interest

Total ad valorem taxes

Other taxes and licenses:

Local option sales taxes

Total other taxes and licenses

Unrestricted intergovernmental:

Local occupancy taxes

Payments in lieu of taxes (external sources)

Telecommunications sales tax

Fire district tax Utilities sales tax

Piped natural gas sales tax

Video franchise fee

Beer and wine tax

ABC profit distribution

Total unrestricted intergovernmental

Restricted intergovernmental:

Powell Bill allocation

Controlled substance tax

On‐behalf of payments ‐ Fire and Rescue

FEMA grant

State grants

CARES Act grant

Solid waste disposal tax

Total restricted intergovernmental

Permits and fees:

Building permits

Inspection fees

Total permits and fees

Sales and services:

Cemetery fees

Recreation fees Refuse charges

Rents

Other fees

Total sales and services

Investment earnings

Miscellaneous

Total revenues

**Original Final Actual Final Budget**

|  |  |
| --- | --- |
| $ | 215,925  (5,000)  2,750 |
|  | 213,675 |
|  | 181,136 |
|  | 181,136 |
|  | (72,540) 23,919  (2,063)  22,108 1,341 3,378  (436)  (5)  7,573 |
|  | (16,725) |
|  | (7,586)  1,431 16,481  ‐  24,747 38,227  217 |
|  | 73,517 |
|  | 7,010  (1,175) |
|  | 5,835 |
|  | 98,448 4,856 31,360 4,414  (4,394) |
|  | 134,684 |
|  | (7,759)  21,560 |
|  | 605,923 |

|  |  |
| --- | --- |
| $ | 3,093,758  ‐  6,250 |
|  | 3,100,008 |
|  | 1,172,987 |
|  | 1,172,987 |
|  | 57,460 58,919  32,937 234,297  331,341  8,878  23,564 27,995  47,573 |
|  | 822,964 |
|  | 160,914  1,431  73,077  7,859  24,747  230,522 5,017 |
|  | 503,567 |
|  | 17,010 7,825 |
|  | 24,835 |
|  | 274,348  5,166  691,360  43,604 44,104 |
|  | 1,058,582 |
|  | 3,991  270,242 |
|  | 6,957,176 |

|  |  |
| --- | --- |
| $ | 2,860,833  5,000 3,500 |
|  | 2,869,333 |
|  | 991,851 |
|  | 991,851 |
|  | 130,000  35,000  35,000 212,189  330,000  5,500  24,000 28,000  40,000 |
|  | 839,689 |
|  | 168,500  ‐  56,596  ‐  ‐  ‐  4,800 |
|  | 229,896 |
|  | 10,000 9,000 |
|  | 19,000 |
|  | 175,900  64,000  660,000  39,190 65,638 |
|  | 1,004,728 |
|  | 11,750 7,500 |
|  | 5,973,747 |

$ 2,877,833

5,000

3,500

2,886,333

991,851

991,851

130,000

35,000

35,000 212,189

330,000

5,500 24,000 28,000

40,000

839,689

168,500

‐

56,596

7,859

‐

192,295

4,800

430,050

10,000

9,000

19,000

175,900

310 660,000 39,190

48,498

923,898

11,750

248,682

6,351,253

*continued*

**Final**

**Actual**

**Final**

**Budget**

**Original**

**Expenditures Current:**

**General government:**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Governing body: |  |  |  |  |  |  |  |  |
| Salaries and employee benefits | $ | 28,553 | $ | 28,553 | $ | 28,600 | $ | (47) |
| Professional services |  | 9,850 |  | 16,350 |  | 19,741 |  | (3,391) |
| Departmental supplies |  | 2,600 |  | 2,600 |  | 1,268 |  | 1,332 |
| Other operating expenditures |  | 23,197 |  | 18,763 |  | 16,030 |  | 2,733 |

|  |  |
| --- | --- |
|  | 627 |
|  | 25,028 1,382  (589)  5,899 110 |
|  | 31,830 |
|  | 10,685 2,428 1,089 17,147  8,394 |
|  | 39,743 |
|  | 325 |
|  | 325 |
|  | 24,123 16,520 1,658 158,644  468 |
|  | 201,413 |
|  | 273,938 |

|  |  |
| --- | --- |
|  | 65,639 |
|  | 331,301  25,835 19,905  32,251 890 |
|  | 410,182 |
|  | 139,335  16,563  3,315 86,541 15,344 |
|  | 261,098 |
|  | 2,175 |
|  | 2,175 |
|  | 86,645  10,964  4,192  246,658 532 |
|  | 348,991 |
|  | 1,088,085 |

|  |  |
| --- | --- |
|  | 64,200 |
|  | 369,529  17,215 18,766  40,750  ‐ |
|  | 446,260 |
|  | 140,789  15,250  4,404  87,236  ‐ |
|  | 247,679 |
|  | 2,000 |
|  | 2,000 |
|  | 110,768  29,500  5,350  234,350  ‐ |
|  | 379,968 |
|  | 1,140,107 |

Total 66,266

Administration:

Salaries and employee benefits356,329

Professional services27,217 Departmental supplies19,316

Other operating expenditures38,150

Repairs and maintenance1,000

Total 442,012

Finance:

Salaries and employee benefits150,020

Professional services18,991 Departmental supplies4,404

Other operating expenditures103,688

Capital outlay23,738

Total 300,841

Nonprofit Organization Support:

Other operating expenditures2,500

Total 2,500

Planning and Economic Development:

Salaries and employee benefits110,768

Professional services27,484 Departmental supplies5,850

Other operating expenditures405,302

Repairs and maintenance1,000

Total 550,404

Total general government 1,362,023

*continued*

**Expenditures (Continued) Public Safety:**

Police:

Salaries and employee benefits

Professional services

Departmental supplies

Other operating expenditures

Capital outlay

Repairs and maintenance Total

Fire Department:

Salaries and employee benefits

Professional services

Departmental supplies

Other operating expenditures

Repairs and maintenance Total

Total public safety

**Transportation:** Powell Bill:

Capital outlay

Repairs and maintenance

Total

Public Works:

Salaries and employee benefits

Professional services

Departmental supplies

Other operating expenditures

Repairs and maintenance Total

Public Facilities and Grounds:

Salaries and employee benefits

Professional services

Departmental supplies

Other operating expenditures

Capital outlay

Repairs and maintenance Total

Total transportation

**Original Final Actual Final Budget**

|  |  |
| --- | --- |
| $ | 130,669  (367)  2,374 109  ‐  2,347 |
|  | 135,132 |
|  | 50,866  (66)  5,744 4,178 4,591 |
|  | 65,313 |
|  | 200,445 |
|  | 80,987 13,387 |
|  | 94,374 |
|  | 76,136 3,179  6,124  3,519  (569) |
|  | 88,389 |
|  | 7,846 17,625 4,007 17,371 2,579 1,458 |
|  | 50,886 |
|  | 233,649 |

|  |  |
| --- | --- |
| $ | 1,648,103  20,517 39,776 10,791 15,500 18,353 |
|  | 1,753,040 |
|  | 556,926  12,225  27,299  5,376 48,751 |
|  | 650,577 |
|  | 2,403,617 |
|  | 197,748 30,464 |
|  | 228,212 |
|  | 361,706 74,626  37,136  605,681 12,419 |
|  | 1,091,568 |
|  | 154,486 42,875  14,693  130,429  51,721 35,052 |
|  | 429,256 |
|  | 1,749,036 |

|  |  |
| --- | --- |
| $ | 1,736,307  13,000 44,500  13,400  ‐  17,000 |
|  | 1,824,207 |
|  | 562,912  4,300  31,669  4,934 33,600 |
|  | 637,415 |
|  | 2,461,622 |
|  | 280,886 41,700 |
|  | 322,586 |
|  | 509,798  11,250  40,654  600,000 11,350 |
|  | 1,173,052 |
|  | 157,801  45,000  17,500  158,300  ‐  26,500 |
|  | 405,101 |
|  | 1,900,739 |

$ 1,778,772

20,150

42,150

10,900 15,500

20,700

1,888,172

607,792

12,159

33,043

9,554

53,342

715,890 2,604,062

278,735

43,851

322,586

437,842 77,805 43,260

609,200

11,850

1,179,957

162,332 60,500 18,700 147,800

54,300

36,510

480,142

1,982,685

*continued*

**Expenditures (Continued)**

**Culture and Recreation:**

Recreation:

Salaries and employee benefits

Professional services

Departmental supplies

Other operating expenditures

Capital outlay

Repairs and maintenance

Total

Library:

Salaries and employee benefits

Professional services

Departmental supplies

Other operating expenditures

Repairs and maintenance

Total

Civic Center:

Salaries and employee benefits

Professional services

Departmental supplies

Repairs and maintenance

Capital outlay Total

Total culture and recreation

**Debt Service:**

Principal

Interest

Total

Total expenditures

Excess (deficiency) of revenues over (under) expenditures

**Other financing sources**

Fund balance appropriation

Transfers in

Proceeds from sale of capital assets

Total other financing sources

Net change in fund balances **Fund balance, beginning of year**

**Fund balance, end of year**

|  |  |
| --- | --- |
| $ | 282,770 10,818  23,819  9,951  34,501 15,029 |
|  | 376,888 |
|  | 126,357  7,198  15,961  1,876 11,038 |
|  | 162,430 |
|  | ‐  13,349  12,221  1,735 52,740 |
|  | 80,045 |
|  | 619,363 |
|  | 235,927 70,029 |
|  | 305,956 |
|  | 6,166,057 |
|  | 791,119 |
|  | ‐  175,000 44,062 |
|  | 219,062 |
|  | 1,010,181  3,638,687 |
|  | 203,209 |
| $ | 4,852,077 |

**Original Final Actual Final Budget**

|  |  |
| --- | --- |
| $ | 20,604 12,852 5,341 20,199 53,310 2,450 |
|  | 114,756 |
|  | 6,276  2 2,939 3,984 562 |
|  | 13,763 |
|  | 2,500 101 6,314  (210)  ‐ |
|  | 8,705 |
|  | 137,224 |
|  | 894  1,526 |
|  | 2,420 |
|  | 847,676 |
|  | 1,453,599 |
|  | (446,480)  ‐  3,062 |
|  | (443,418) |
|  | 1,010,181  ‐ |
| $ | 1,010,181 |

|  |  |
| --- | --- |
| $ | 299,143  77,500 29,160  85,650  ‐  15,700 |
|  | 507,153 |
|  | 128,402  5,500  18,800  14,160 5,000 |
|  | 171,862 |
|  | 2,500  7,000  21,000  1,000 15,000 |
|  | 46,500 |
|  | 725,515 |
|  | 238,619 72,255 |
|  | 310,874 |
|  | 6,538,857 |
|  | (565,110) |
|  | 390,110  175,000  ‐ |
|  | 565,110 |
|  | ‐  3,638,687 |
| $ | 3,638,687 |

$ 303,374

23,670 29,160 30,150 87,811

17,479

491,644

132,633 7,200

18,900

5,860

11,600

176,193

2,500

13,450

18,535

1,525

52,740

88,750 756,587

236,821

71,555

308,376 7,013,733

(662,480)

446,480

175,000

41,000

662,480

‐

3,638,687

$ 3,638,687

Plus Fire Protection ‐ Selma Petroleum Terminals Fund ‐ ending fund balance

General Fund ‐ Fund Balance

## 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, 2021

|  |  |
| --- | --- |
| $ | 100  12,050  30,395 |
|  | 42,545 |
|  | 32,050 |
|  | 10,495  ‐ |
|  | ‐ |
|  | 10,495  192,714 |
| $ | 203,209 |

|  |  |
| --- | --- |
| $ | ‐  21,000  5,000 |
|  | 26,000 |
|  | 10,000 |
|  | 16,000  ‐  (16,000) |
|  | (16,000) |
|  | ‐  192,714 |
| $ | 192,714 |

**REVENUES**

**Variance**

**With**

**Original**

**Final**

**Final**

**Actual**

**Budget**

**Budget**

Interest$ ‐$ 100

Permits and fees21,000 (8,950) Miscellaneous5,000 25,395

Total revenues

26,000

16,545

**EXPENDITURES**

Public safety 51,000 18,950

**Excess (deficiency) of revenues over (under)**

**expenditures** (25,000) 35,495

**OTHER FINANCING SOURCES (USES)**

Fund balance appropriation 41,000 (41,000)

Reserves to fund balance for future expenditures (16,000) 16,000

Total other financing sources (uses)

25,000

(25,000)

Net change in fund balance ‐ 10,495 **FUND BALANCE, beginning of year** 192,714 ‐

**FUND BALANCE, end of year**

$

192,714

$

10,495

**TOWN OF SELMA, NORTH CAROLINA FIRE GRANT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,**

**AND CHANGES IN FUND BALANCES ‐ BUDGET AND ACTUAL (NON‐GAAP BASIS)**

**PROJECT LIFE AS OF JUNE 30, 2021**

|  |  |
| --- | --- |
|  | 37,345 |
|  | ‐  13,985 1,080 22,280 |
|  | 37,345 |
|  | ‐  ‐ |
| $ | ‐ |

|  |  |
| --- | --- |
|  | ‐ |
|  | ‐  ‐ |
|  | ‐ |
|  | ‐ |
| $ | ‐ |

|  |  |
| --- | --- |
|  | 273,495 |
|  | 199,995  48,500 3,000  22,000 |
|  | 273,495 |
| $ | ‐ |

**EXPENDITURES**

**Project**

**Budget**

**Prior**

**Current**

**Years**

**Total**

**Year**

**REVENUES**

273,495

$

Intergovernmental

$

‐

$

37,345

$

37,345

Total

revenues

37,345

**Actual**

Fire Department:

Salaries and benefits Uniforms and supplies 13,985 Contracted services 1,080

Capital outlay 22,280

Total expenditures 37,345

Net change in fund balance **FUND BALANCE, beginning of year** ‐

**FUND BALANCE, end of year**

$

‐

### WATER FUND OF REVENUES, EXPENDITURES,

**POSITION ‐ BUDGET AND ACTUAL THE YEAR ENDED JUNE 30, 2021**

**REVENUES**

Operating revenues

|  |  |  |
| --- | --- | --- |
| **Budget**  **Original**  **Final** | **Actual** | **Variance With**  **Final Budget** |

|  |  |
| --- | --- |
| $ | 88,788  (5,715) (77,545) (7,372) |
|  | (1,844) |
|  | 57,299  461  (994)  6,252  49,478 |
|  | 112,496 |
|  | 4,689  5,054 19,465 44,615  12,370 6,159  39,915 |
|  | 132,267 |

|  |  |
| --- | --- |
| $ | 1,511,748  69,285  271,455  2,628 |
|  | 1,855,116 |
|  | 364,020 84,836 68,046 57,744  50,719 |
|  | 625,365 |
|  | 292,600 8,946 50,535 42,885 61,380 111,054  135,178 |
|  | 702,578 |

|  |  |
| --- | --- |
| $ | 1,422,960  75,000  349,000  10,000 |
|  | 1,856,960 |
|  | 421,319 82,250  67,375 61,460  67,975 |
|  | 700,379 |
|  | 292,735 14,000 70,000 87,500 75,000  117,213  175,093 |
|  | 831,541 |

Water charges$ 1,422,960

Penalties75,000

Other operating revenues349,000 Non‐operating revenues ‐ interest10,000

Total revenues 1,856,960

**EXPENDITURES**

Water administration

Salaries and benefits 421,319 Professional services 85,297

Utilities 67,052 Insurance 63,996

Other operating expenditures 100,197

Total water administration 737,861

Water operations

Salaries and benefits 297,289 Department supplies 14,000

Chemicals 70,000

Maintenance and repairs 87,500 Contract services 73,750 Purchase for resale 117,213

Other operating expenditures 175,093

Total water operations 834,845

*continued*

### WATER FUND

**OF REVENUES, EXPENDITURES, POSITION ‐ BUDGET AND ACTUAL**

### THE YEAR ENDED JUNE 30, 2021

**Budget Variance With**

**Final Budget**

**Original**

**Final**

**Actual**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **EXPENDITURES (CONTINUED)**  Debt service |  |  |  |  |  |  |  |  |
| Principal | $ | 34,516 | $ | 34,516 | $ | 31,142 | $ | 3,374 |
| Interest |  | 25,524 |  | 25,524 |  | 24,232 |  | 1,292 |

|  |  |
| --- | --- |
|  | 4,666 |
|  | 249,429 |
|  | 247,585  (40,786)  11,265 |
|  | (29,521) |
| $ | 218,064 |

|  |  |
| --- | --- |
|  | 55,374 |
|  | 1,383,317 |
|  | 471,799  ‐  (253,735) |
|  | (253,735) |
|  | 218,064  84,863  31,142  (1,255) (42,532) (209,447) (2,057) (219,930)  254,008 |
| $ | 112,856 |

|  |  |
| --- | --- |
|  | 60,040 |
|  | 1,591,960 |
|  | 265,000  ‐  (265,000) |
|  | (265,000) |
| $ | ‐ |

Total debt service 60,040

Total expenditures 1,632,746

Excess of revenues over expenditures 224,214

**OTHER FINANCING SOURCES (USES)**

Appropriation of net position40,786

Transfers out (265,000)

Total other financing sources (uses) (224,214)

Net change in net position$ ‐

Adjustments to full accrual:

Capital outlays

Payments of debt service ‐ principal

Increase in compensated absences

Increase in net pension liability and related pension items

Increase in total OPEB liability and related OPEB items

Change in accrued interest

Depreciation expense

Water Capital Reserve Fund

Change in net position

**WATER CAPITAL RESERVE FUND OF REVENUES, EXPENDITURES,**

**REVENUES**

Interest

**OTHER FINANCING SOURCES**

Transfer in

Total other financing sources

Net change in net position

**POSITION ‐ BUDGET AND ACTUAL**

**THE YEAR ENDED JUNE 30, 2021**

**Budget Variance With**

**Final Budget**

**Original**

**Final**

**Actual**

$

‐

$

‐

$

273

$

273

|  |  |
| --- | --- |
|  | (11,265) |
|  | (11,265) |
| $ | (10,992) |

|  |  |
| --- | --- |
|  | 253,735 |
|  | 253,735 |
| $ | 254,008 |

|  |  |
| --- | --- |
|  | 265,000 |
|  | 265,000 |
| $ | 265,000 |

265,000 265,000

$ 265,000

### SEWER FUND

**OF REVENUES, EXPENDITURES, POSITION ‐ BUDGET AND ACTUAL THE YEAR ENDED JUNE 30, 2021**

**REVENUES**

Operating revenues

|  |  |  |
| --- | --- | --- |
| **Budget**  **Original**  **Final** | **Actual** | **Variance With**  **Final Budget** |

|  |  |
| --- | --- |
| $ | 128,968  (7,126) 617,920  (7,314)  (6,896) |
|  | 725,552 |
|  | 22,546 40,185  (5,713)  14,415  1,000  116,088 |
|  | 188,521 |
|  | 34,528 4,931 22,224 180,764 221,863 |
|  | 464,310 |

|  |  |
| --- | --- |
| $ | 2,782,891  67,874 617,920 203,402  604 |
|  | 3,672,691 |
|  | 106,136 24,958 66,713  39,299  ‐  36,387 |
|  | 273,493 |
|  | 210,409  5,069  34,276  2,154,132  888,883 |
|  | 3,292,769 |

|  |  |
| --- | --- |
| $ | 2,653,923  75,000  ‐  209,500  7,500 |
|  | 2,945,923 |
|  | 125,745 69,750 53,000 80,500  1,000  275,398 |
|  | 605,393 |
|  | 240,706 10,000 137,500 1,534,896  88,857 |
|  | 2,011,959 |

Sewer charges$ 2,653,923 Penalties 75,000

Intergovernmental ‐

Other operating revenues210,716

Non‐operating revenues ‐ interest 7,500

Total revenues 2,947,139

**EXPENDITURES**

Sewer administration

Salaries and benefits 128,682 Professional services 65,143

Utilities 61,000

Insurance 53,714

Maintenance and repairs 1,000

Other operating expenditures 152,475

Total sewer administration 462,014

Sewer operations

Salaries and benefits 244,937 Department supplies 10,000 Maintenance and repairs 56,500 Transmission and treatment fees 2,334,896

Other operating expenditures 1,110,746

Total sewer operations 3,757,079

*continued*

### SEWER FUND

**OF REVENUES, EXPENDITURES, POSITION ‐ BUDGET AND ACTUAL**

### THE YEAR ENDED JUNE 30, 2021

**Budget Variance With**

**Final Budget**

**Original**

**Final**

**Actual**

**EXPENDITURES (CONTINUED)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Debt service |  |  |  |  |  |  |  |  |
| Principal | $ | 83,816 | $ | 80,816 | $ | 80,441 | $ | 375 |
| Interest |  | 42,755 |  | 42,755 |  | 41,131 |  | 1,624 |

|  |  |
| --- | --- |
|  | 1,999 |
|  | 654,830 |
|  | 1,380,382  (1,597,525)  7,642 |
|  | (1,589,883) |
| $ | (209,501) |

|  |  |
| --- | --- |
|  | 121,572 |
|  | 3,687,834 |
|  | (15,143)  ‐  (194,358) |
|  | (194,358) |
|  | (209,501)  722,892 80,441  (1,255) (39,253) 106,701  (2,033) (441,083)  194,504 |
| $ | 411,413 |

|  |  |
| --- | --- |
|  | 126,571 |
|  | 2,743,923 |
|  | 202,000  ‐  (202,000) |
|  | (202,000) |
| $ | ‐ |

Total debt service 123,571

Total expenditures 4,342,664

**Excess (deficiency) of revenues over (under) expenditures** (1,395,525)

**OTHER FINANCING SOURCES (USES)**

Appropriation of net position1,597,525

Transfers out (202,000)

Total other financing sources (uses) 1,395,525

Net change in net position$ ‐

Adjustments to full accrual:

Capital outlays

Payments of debt service ‐ principal

Increase in compensated absences

Increase in net pension liability and related pension items

Decrease in total OPEB liability and related OPEB items

Change in accrued interest

Depreciation expense

Sewer Capital Reserve Fund

Change in net position

### PUMP STATION NO. 10 FUND OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES ‐ BUDGET AND ACTUAL (NON‐GAAP BASIS) PROJECT LIFE AS OF JUNE 30, 2021

**Project Actual**

**Budget Prior Years Current Year Total**

**REVENUES**

|  |  |
| --- | --- |
| $ | ‐  ‐ |
|  | ‐ |
|  | ‐ |
|  | ‐ |
|  | ‐  ‐ |
|  | ‐ |
|  | ‐  ‐ |
| $ | ‐ |

|  |  |
| --- | --- |
| $ | 162,608  640 |
|  | 163,248 |
|  | 255,548 |
|  | 255,548 |
|  | (92,300)  92,300 |
|  | 92,300 |
|  | ‐ |
| $ | ‐ |

|  |  |
| --- | --- |
| $ | 170,252  ‐ |
|  | 170,252 |
|  | 262,552 |
|  | 262,552 |

|  |  |
| --- | --- |
|  | 92,300 |
| $ | ‐ |

Intergovernmental$ 162,608

Interest earnings 640

Total revenues 163,248

**EXPENDITURES**

Capital outlay: 255,548

Total expenditures 255,548

**Excess (deficiency) of revenues over (under) expenditures**  (92,300) (92,300)

**OTHER FINANCING SOURCES**

Proceeds from insurance 92,300 92,300 Total other financing sources 92,300

Net change in fund balance ‐

**FUND BALANCE, beginning of year** ‐

**FUND BALANCE, end of year**

$

‐

**SEWER CAPITAL RESERVE FUND**

**OF REVENUES, EXPENDITURES, POSITION ‐ BUDGET AND ACTUAL THE YEAR ENDED JUNE 30, 2021**

**REVENUES**

Interest

Total revenues

**OTHER FINANCING SOURCES (USES)**

|  |  |
| --- | --- |
|  | 146 |
|  | 202,000  (7,642) |
|  | 194,358 |
| $ | 194,504 |

|  |  |
| --- | --- |
|  | 146 |
|  | ‐  194,358 |
|  | 194,358 |
| $ | 194,504 |

|  |  |
| --- | --- |
|  | ‐ |
|  | (202,000)  202,000 |
|  | ‐ |
| $ | ‐ |

Appropriation of net position (202,000)

**Variance**

**With**

**Original**

**Final**

**Actual**

**Final**

**Budget**

$

‐

$

‐

$

146

$

146

‐

**Budget**

Transfers in202,000

Total other financing sources ‐

Net change in net position$ ‐

### ELECTRIC FUND

**OF REVENUES, EXPENDITURES, POSITION ‐ BUDGET AND ACTUAL THE YEAR ENDED JUNE 30, 2021**

**REVENUES**

Operating revenues

|  |  |  |
| --- | --- | --- |
| **Budget**  **Original**  **Final** | **Actual** | **Variance With**  **Final Budget** |

|  |  |
| --- | --- |
| $ | (653,878) (178,115)  (3,868) |
|  | (835,861) |
|  | 56,664 7,694 1,684 4,584  74,717 |
|  | 145,343 |
|  | 185,772 18,596 3,188 25,467  2,165  138,409 |
|  | 373,597 |
|  | 483,587 |

|  |  |
| --- | --- |
| $ | 7,007,363  611,376  1,132 |
|  | 7,619,871 |
|  | 516,998 22,449 12,816 25,416 125,319 |
|  | 702,998 |
|  | 286,153 40,404 16,924  43,533  52,385 624,796 |
|  | 1,064,195 |
|  | 5,354,013 |

|  |  |
| --- | --- |
| $ | 7,661,241  769,694  5,000 |
|  | 8,435,935 |
|  | 573,261 27,750 12,000 30,000  167,525 |
|  | 810,536 |
|  | 471,925 60,000 6,000 73,000 76,500 731,820 |
|  | 1,419,245 |
|  | 5,837,600 |

Electric charges$ 7,661,241

Other operating revenues789,491

Nonoperating revenues ‐ interest 5,000

Total revenues 8,455,732

**EXPENDITURES**

Electric administration

Salaries and benefits 573,662 Contracted services 30,143

Utilities 14,500

Insurance 30,000

Other operating expenditures 200,036

Total electric administration 848,341

Electric operations

Salaries and benefits 471,925 Department supplies 59,000 Maintenance and repairs 20,112

Purchases for inventory 69,000

Contracted services 54,550

Other operating expenditures 763,205

Total electric operations 1,437,792

Electric power purchases 5,837,600

*continued*

### ELECTRIC FUND

**OF REVENUES, EXPENDITURES, POSITION ‐ BUDGET AND ACTUAL**

### THE YEAR ENDED JUNE 30, 2021

**Budget Variance With**

**Final Budget**

**Original**

**Final**

**Actual**

**EXPENDITURES (CONTINUED)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Debt service |  |  |  |  |  |  |  |  |
| Principal | $ | 344,865 | $ | 344,865 | $ | 341,336 | $ | 3,529 |
| Interest |  | 14,780 |  | 14,780 |  | 13,154 |  | 1,626 |

|  |  |
| --- | --- |
|  | 5,155 |
|  | 1,007,682 |
|  | 171,821  (36,555)  ‐ |
|  | (36,555) |
| $ | 135,266 |

|  |  |
| --- | --- |
|  | 354,490 |
|  | 7,475,696 |
|  | 144,175  ‐  166,091  (175,000) |
|  | (8,909) |
|  | 135,266  558,011  341,336 1,478  (29,287)  18,517 4,698  (105,232) (164,659) |
| $ | 760,128 |

|  |  |
| --- | --- |
|  | 359,645 |
|  | 8,427,026 |
|  | 8,909  ‐  166,091  (175,000) |
|  | (8,909) |
| $ | ‐ |

Total debt service 359,645

Total expenditures 8,483,378

**Excess (deficiency) of revenues over (under) expenditures** (27,646)

**OTHER FINANCING SOURCES (USES)**

Appropriation to increase net position 36,555

Transfers in166,091

Transfers out (175,000)

Total other financing sources (uses) 27,646

Net change in net position$ ‐

Adjustments to full accrual:

Capital outlays

Payments of debt service ‐ principal

Decrease in compensated absences

Increase in net pension liability and related pension items

Decrease in total OPEB liability and related OPEB items Decrease in accrued interest payable

Depreciation expense

Electric Capital Reserve Fund

Change in net position

### ELECTRIC CAPITAL RESERVE FUND

**SCHEDULE OF REVENUES, EXPENDITURES, NET POSITION ‐ BUDGET AND ACTUAL**

### FOR THE YEAR ENDED JUNE 30, 2021

**Budget Variance With**

|  |  |
| --- | --- |
|  | **Actual** |
| $ | 1,432 |
|  | ‐  (166,091) |
|  | (166,091) |
| $ | (164,659) |

|  |  |
| --- | --- |
|  | (166,091)  ‐ |
|  | (166,091) |
| $ | (164,659) |

|  |  |
| --- | --- |
|  | ‐  ‐ |
|  | ‐ |
| $ | ‐ |

**Final Budget**

**Original**

**Final**

$

‐

$

‐

**REVENUES**

Interest$ 1,432

**OTHER FINANCING SOURCES (USES)**

Appropriation of net position166,091

Transfers out (166,091)

Total other financing sources (uses) ‐

Net change in net position$ ‐

## TOWN OF SELMA, NORTH CAROLINA

### SCHEDULE OF AD VALOREM TAXES RECEIVABLE

**JUNE 30, 2021**

Uncollected Uncollected

Balance Collections Balance

Fiscal Year June 30, 2019 Additions And Credits June 30, 2020

|  |  |
| --- | --- |
| $ | 3,117,188  9,541 241 17  ‐  ‐  18  67  18  ‐ |
| $ | 3,127,090 |

|  |  |
| --- | --- |
| $ | 3,124,925  ‐  ‐  ‐  ‐  ‐  ‐  ‐  ‐ |
| $ | 3,124,925 |

|  |  |
| --- | --- |
| $ | ‐  12,913 1,042 312 17 306  420 1,415 2,762 2,903 2,760 |
| $ | 24,850 |

2020‐2021 $ 7,737

22,685

2019‐2020 3,372 2018‐2019 801 2017‐2018 295 2016‐2017 17

2015‐2016 306 2014‐2015 420 2013‐2014 1,397

2012‐2013 2,695 2011‐2012 2,885

2010‐2011 2,760

|  |  |
| --- | --- |
| Less: allowance for uncollectible accounts: |  |
| General Fund | 20,407 |

|  |  |  |
| --- | --- | --- |
| Ad valorem taxes receivable ‐ net | $ | 2,278 |

|  |  |
| --- | --- |
| $ | 3,100,008  33,332  (6,250) |
| $ | 3,127,090 |

Reconciliation to revenues:

Ad valorem taxes ‐ General Fund Reconciling items:

Releases and write‐offs

Interest collected

Total collections and credits

## TOWN OF SELMA, NORTH CAROLINA

### ANALYSIS OF CURRENT TAX LEVY

**TOWN‐WIDE LEVY JUNE 30, 2021**

Total

Levy

Property excluding

|  |  |
| --- | --- |
| $ | 384,190,349 91,644,134  37,866,769  ‐ |
|  | 513,701,252 |
|  | 1,159,024  91,148  ‐ |
|  | 1,250,172 |
|  | (4,356,239) |
| $ | 510,595,185 |

Town‐wide Registered

Registered

Motor

Property

Total

Vehicles

Valuation

Levy

Rate

7,085

(24,831)

(24,831)

‐

Motor Vehicles Original levy:

Real property 0.57 $ 2,189,885 $ 2,189,885 $ ‐

Personal property 0.57 736,945 522,372 214,573 Public service company 0.57 215,841 215,841 ‐

Penalties 12,194 ‐ ‐

Total 3,154,865 2,928,098 214,573

Discoveries:

Current year taxes 6,606 6,606 ‐

Prior year taxes 479 479 ‐

Penalties 222 ‐ ‐

Total 7,307 ‐

Abatements

Total property valuation

|  |  |  |  |
| --- | --- | --- | --- |
| Net levy | 3,124,925 | 2,910,352 | 214,573 |

Uncollected taxes at June 30, 2021

(7,737)

(7,737)

‐

3,117,188

$

$2,902,615

$

214,573

99.75

%

99.73

%

100.00

%

Current year's taxes collected

Current levy collection percentage

# 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, and each major fund of the

**Town of Selma, North Carolina** (the “Town”) as of and for the year ended June 30, 2021, 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 5, 2021.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town’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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**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 financial statements. 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*.

**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.



Columbia, South Carolina

October 5, 2021

# TOWN OF SELMA, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

### 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 X no

Significant deficiencies identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

***Federal Awards***

There was not an audit of major federal award programs for the year ended June 30, 2021, due to the total amount expended being less than $750,000.

***State Awards***

There was not an audit of major state award programs for the year ended June 30, 2021, due to the total amount expended

being less than $500,000.

# TOWN OF SELMA, NORTH CAROLINA

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

None reported.