

# **TOWN OF SELMA, NORTH CAROLINA**

## **ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2022**

**Prepared by:  
Finance Department**

**Submitted by:  
Town Manager**

# TOWN OF SELMA, NORTH CAROLINA

## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2022

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## INTRODUCTORY SECTION

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# **TOWN OF SELMA, NORTH CAROLINA**

## **TOWN COUNCIL AND OFFICIALS**

**JUNE 30, 2022**

### **TOWN COUNCIL**

Byron James McAllister.....Mayor

Joseph Scarboro.....Mayor Pro-Tem

Bruce Edward McKay.....Council Member

William Overby.....Council Member

Amy West Whitley.....Council Member

### **TOWN OFFICIALS**

Brent Taylor.....Town Manager

Rhonda Sommer.....Finance Officer

Sarai Allen.....Town Clerk

Jennifer Eakes.....Human Resource Director

Alan B. Hewett.....Town Attorney

William Thomas.....Police Chief

Phillip McDaniel.....Fire Chief

Alyssa Fox.....Parks and Recreation Director

Randy Cahoon-Tingle.....Planning/Economic Development Director

Donald Baker.....Electric Utility Director

Ben Scoggins.....Public Works Director

Todd Young.....Water/Sewer Superintendent

## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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Honorable Mayor and Members  
of Town Council  
Town of Selma, North Carolina

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 as of June 30, 2022, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



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***Required Supplementary Information***

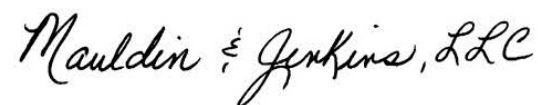
Accounting principles generally accepted in the United States of America require that the Management's Discussion & Analysis on pages 4-12 and the pension and other postemployment benefits (OPEB) information on pages 63-67, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary 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, and the schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 statement 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 and the schedule of expenditures of federal and state awards 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 24, 2022, 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.



Raleigh, North Carolina  
October 24, 2022

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

As management of the Town of Selma (the "Town"), we offer readers of the Town of Selma's financial statements this narrative overview and analysis of the financial activities of the Town of Selma for the year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

***Financial Highlights***

- The assets and deferred outflows of resources of the Town of Selma exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$22,892,281 (net position).
- The government's total net position increased by \$5,156,379 over the previous year's net position. This increase was attributed by governmental activities at \$1,610,378 and business activities at \$3,546,001.
- As of close of the current fiscal year, the Town of Selma's governmental funds reported combined ending fund balances of \$6,240,309 with a net increase of \$1,388,232 in fund balance in comparison with the prior year. Approximately 67.23% of this total amount, or \$4,194,633, is available for spending at the government's discretion (unassigned fund balance). The remaining balance of \$2,045,676 (32.77%) is non-spendable, restricted, or committed. The unassigned fund balance represents 56.81% of total general fund expenditures and transfers out for the fiscal year.
- The Town of Selma's total debt decreased by \$2,011,256 or 12.66% 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 of Selma's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Selma.

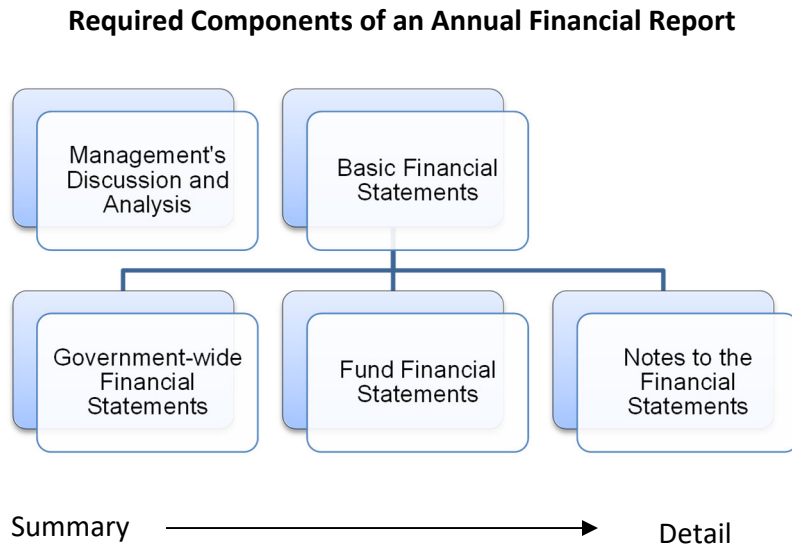
***Basic Financial Statements***

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

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

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

*Figure 1*



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

### ***Government-wide Financial Statements***

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, streets, cemetery, and general administration. Property 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 of Selma.

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

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

***Fund Financial Statements***

The fund financial statements (See Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Selma, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. The funds of the Town of Selma can be divided into two categories: governmental funds and proprietary funds.

*Governmental Funds* – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

The Town of Selma adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

*Notes to the Financial Statements* – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

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

*Other Information* – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Selma's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 63 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, 2022 and 2021

	June 30, 2022		June 30, 2021	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
<b>Assets:</b>				
Current assets	\$ 6,567,240	\$ 11,166,435	\$ 5,216,962	\$ 8,339,420
Capital assets, net	9,307,531	11,092,994	9,447,026	10,719,440
Total assets	<u>15,874,771</u>	<u>22,259,429</u>	<u>14,663,988</u>	<u>19,058,860</u>
Deferred outflows of resources	<u>1,936,342</u>	<u>763,013</u>	<u>2,082,076</u>	<u>780,685</u>
<b>Liabilities:</b>				
Current liabilities	424,800	1,487,120	369,700	1,362,893
Long-term liabilities	8,648,249	4,826,698	10,190,039	5,690,597
Total liabilities	<u>9,073,049</u>	<u>6,313,818</u>	<u>10,559,739</u>	<u>7,053,490</u>
Deferred inflows of resources	<u>1,823,394</u>	<u>731,013</u>	<u>882,033</u>	<u>354,355</u>
<b>Net position:</b>				
Net investment in capital assets	7,615,420	8,649,183	7,643,792	8,133,630
Restricted	1,392,870	98,460	1,255,308	118,741
Unrestricted	(2,093,620)	7,229,968	(3,594,808)	4,179,239
Total net position	<u>\$ 6,914,670</u>	<u>\$ 15,977,611</u>	<u>\$ 5,304,292</u>	<u>\$ 12,431,610</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Selma exceed liabilities and deferred inflows of resources by \$22,892,281 as of June 30, 2022. The Town's net position increased by \$5,156,379 for the fiscal year ended June 30, 2022. The largest portion of net position reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, equipment, and construction in progress) less any related debt still outstanding that was issued to acquire those items. The Town of Selma uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

Although the Town of Selma's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Selma's net position, \$1,491,330 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, 2022 and 2021

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,149,167	\$ 1,099,144	\$ 13,260,550	\$ 12,509,828	\$ 14,409,717	\$ 13,608,972
Operating grants/contributions	1,170,504	321,596	-	-	1,170,504	321,596
Capital grants/contributions	304,103	224,437	514,726	633,486	818,829	857,923
General revenues:					-	-
Property taxes	3,481,935	3,354,040	-	-	3,481,935	3,354,040
Other taxes	1,476,424	1,172,987	-	-	1,476,424	1,172,987
Unrestr. interest income	9,612	4,091	9,627	6,216	19,239	10,307
Unrestr. intergovernmental	582,554	588,667	-	-	582,554	588,667
Miscellaneous	324,941	295,516	-	-	324,941	295,516
Total revenues	<u>8,499,240</u>	<u>7,060,478</u>	<u>13,784,903</u>	<u>13,149,530</u>	<u>22,284,143</u>	<u>20,210,008</u>
Expenses:						
General government	870,980	1,033,446	-	-	870,980	1,033,446
Public Safety	2,521,673	2,589,720	-	-	2,521,673	2,589,720
Transportation	1,786,335	1,837,438	-	-	1,786,335	1,837,438
Culture and recreation	696,066	685,158	-	-	696,066	685,158
Interest on long term debt	57,273	69,995	-	-	57,273	69,995
Water	-	-	1,632,707	1,742,534	1,632,707	1,742,534
Sewer	-	-	2,676,312	3,261,424	2,676,312	3,261,424
Electric	-	-	6,886,418	6,686,175	6,886,418	6,686,175
Total expenses	<u>5,932,327</u>	<u>6,215,757</u>	<u>11,195,437</u>	<u>11,690,133</u>	<u>17,127,764</u>	<u>17,905,890</u>
Increase in net position						
before transfers	2,566,913	844,721	2,589,466	1,459,397	5,156,379	2,304,118
Transfers	(956,535)	175,000	956,535	(175,000)	-	-
Change in net position	<u>1,610,378</u>	<u>1,019,721</u>	<u>3,546,001</u>	<u>1,284,397</u>	<u>5,156,379</u>	<u>2,304,118</u>
Net position, beginning	<u>5,304,292</u>	<u>4,284,571</u>	<u>12,431,610</u>	<u>11,147,213</u>	<u>17,735,902</u>	<u>15,431,784</u>
Net position, ending	<u>\$ 6,914,670</u>	<u>\$ 5,304,292</u>	<u>\$ 15,977,611</u>	<u>\$ 12,431,610</u>	<u>\$ 22,892,281</u>	<u>\$ 17,735,902</u>

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

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 99.85%.
- Increased ad valorem and sales tax revenues of approximately \$127,895 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 \$1,610,378. 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 \$0.58 per \$100 of assessed property value.

Assessed valuation of all taxable property in the Town is \$513,903,054, an increase of \$3,307,869 from the prior year.

***Business-type activities***

Business-type activities increased the Town of Selma's net position by \$3,546,001. This increase was after a transfer of \$175,000 from the Electric Fund to the General Fund in the current fiscal year and a transfer from the General Fund to the Water Fund of \$1,131,535 to fund the automated meter project. 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 \$750,722 or 6.0% for the fiscal year. Total expenses in the same combined funds went down by \$494,696 or 4.2% for period.

***Financial Analysis of the Town's Funds***

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

*Governmental Funds* - The focus of the Town of Selma's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Selma's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Selma. At the end of the current fiscal year, the Town of Selma's fund balance unassigned in the General Fund was \$4,194,633, while total fund balance was \$6,239,503. 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 62.09% of total General Fund expenditures, while total fund balance represents approximately 99.80% of that same expenditure amount.

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

On June 30, 2022, the governmental funds of the Town of Selma reported a combined fund balance of \$6,240,309 with a net increase in fund balance of \$1,388,232.

*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 \$278,484. Total expenditures in the General Fund were less than amounts approved in the final budget by \$1,824,000.

*Proprietary Funds:* The Town of Selma's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water, Sewer and Electric Funds at the end of the fiscal year amounted to \$4,640,120, \$988,761, and \$1,601,087, respectively. The change in net position for the Water, Sewer and Electric Funds were \$1,489,768, \$1,216,052, and \$840,181, respectively resulting in a total combined increase in net position of \$3,546,001 for the Town's proprietary funds.

***Capital Asset and Debt Administration***

*Capital Assets:* The Town of Selma's investment in capital assets for its governmental and business-type activities as of June 30, 2022, totals \$20,400,525 (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:

- \$661,009 in Sewer System Improvements
- \$139,364 in Electric System Components
- \$110,376 in Electric Substation Upgrades
- \$90,296 in a State of the Art Basketball Court
- \$84,273 in Public Safety radios
- \$83,309 in Sidewalk Improvements
- \$76,475 in Replacement Fire Hydrants
- \$75,184 in Major Repairs to the Train Depot
- \$62,150 in Playground Improvements
- \$65,205 in Water Fund Vehicles



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

*Figure 4*  
Town of Selma, North Carolina  
Condensed Statement of Capital Assets (net of depreciation)  
June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 2,612,888	\$ 2,612,888	\$ 311,804	\$ 311,804	\$ 2,924,692	\$ 2,924,692
Construction in progress	91,835	41,151	1,025,503	633,413	1,117,338	674,564
Buildings and improvements	2,787,182	3,011,068	275,189	288,751	3,062,371	3,299,819
Other improvements	2,546,839	2,562,002	-	-	2,546,839	2,562,002
Distribution system	418,693	-	7,994,528	8,160,876	8,413,221	8,160,876
Equipment	772,757	368,389	1,076,555	892,611	1,849,312	1,261,000
Vehicles	77,337	851,528	409,415	431,985	486,752	1,283,513
Total	<u>\$ 9,307,531</u>	<u>\$ 9,447,026</u>	<u>\$ 11,092,994</u>	<u>\$ 10,719,440</u>	<u>\$ 20,400,525</u>	<u>\$ 20,166,466</u>

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, 2022, the Town of Selma had total bonded debt outstanding of \$1,627,000, 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 \$2,430,815. Of this amount, \$816,811 is applicable to the Town's business-type activities. The remaining \$1,614,004 is applicable to the Town's governmental activities.

The Town of Selma's total debt and obligations decreased by \$2,011,256 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 of Selma is \$41,112,244.

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

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

*Figure 5*  
Town of Selma, North Carolina  
Condensed Statement of Outstanding Debt  
June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Installment notes	\$ 1,614,004	\$ 1,803,234	\$ 816,811	\$ 921,810	\$ 2,430,815	\$ 2,725,044
Lease payable	78,107	-	-	-	78,107	-
Revenue bonds	-	-	1,627,000	1,664,000	1,627,000	1,664,000
Compensated absences	254,207	287,525	69,136	68,736	323,343	356,261
Net pension liability	531,405	1,181,287	256,864	643,661	788,269	1,824,948
Law enforcement officers' SSA pension obligation	961,632	1,009,044	-	-	961,632	1,009,044
OPEB liability	5,438,752	5,908,949	2,221,462	2,392,390	7,660,214	8,301,339
	<u>\$ 8,878,107</u>	<u>\$ 10,190,039</u>	<u>\$ 4,991,273</u>	<u>\$ 5,690,597</u>	<u>\$ 13,869,380</u>	<u>\$ 15,880,636</u>

***Economic Factors and Next Year's Budgets and Rates***

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

- The Town of Selma has a population of 6,445.
- The Town's tax collection rates for property excluding motor vehicles and registered motor vehicles are 99.83% and 100.00%, respectively.
- Johnston County's unemployment rate was 3.7% for the month of June 2022 compared to the average unemployment for the State of North Carolina of 3.4% and the national rate of 3.6%.

***Budget Highlights for the Fiscal Year Ending June 30, 2023***

**Governmental Activities:** The property tax rate will increase to \$0.60 per \$100 of assessed property value and the total property valuation increased to \$524,002,333. Total budgeted expenditures in the General Fund are expected to be \$7,145,624. Town employees received a 3.0% cost of living adjustment in compensation that was effective in July 2022.

**Business-type Activities:** The water and sewer rates in the Town will increase for fiscal year 2023 to improve our ability to fund needed infrastructure improvements. Electric rates in the Town will remain the same for fiscal year 2023.

***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, 2022

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,916,489	\$ 8,792,021	\$ 13,708,510
Receivables, net of allowance for uncollectibles	661,614	1,865,507	2,527,121
Taxes receivable, net of allowance for uncollectibles	111,745	-	111,745
Lease receivable	146,964	-	146,964
Inventories	97,902	410,447	508,349
Restricted cash and cash equivalents	632,526	98,460	730,986
Capital assets:			
Non-depreciable	2,704,723	1,337,307	4,042,030
Depreciable, net of accumulated depreciation	6,602,808	9,755,687	16,358,495
Total assets	<u>15,874,771</u>	<u>22,259,429</u>	<u>38,134,200</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pension items	1,057,207	399,704	1,456,911
Deferred outflows - OPEB items	879,135	363,309	1,242,444
Total deferred outflows of resources	<u>1,936,342</u>	<u>763,013</u>	<u>2,699,355</u>
<b>LIABILITIES</b>			
Accounts payable	91,214	826,067	917,281
Accrued liabilities	63,674	80,564	144,238
Customer deposits	-	407,920	407,920
Interest payable	40,054	7,994	48,048
Lease payable, due within one year	2,751	-	2,751
Lease payable, due in more than one year	75,356	-	75,356
Installment notes, due within one year	147,379	107,254	254,633
Installment notes, due in more than one year	1,466,625	709,557	2,176,182
Bonds payable, due within one year	-	38,000	38,000
Bonds payable, due in more than one year	-	1,589,000	1,589,000
Compensated absences, due within one year	79,728	19,321	99,049
Compensated absences, due in more than one year	174,479	49,815	224,294
Total pension liability (LEOSSA), due in more than one year	961,632	-	961,632
Net pension liability (LGRS), due in more than one year	531,405	256,864	788,269
Total OPEB liability, due in more than one year	5,438,752	2,221,462	7,660,214
Total liabilities	<u>9,073,049</u>	<u>6,313,818</u>	<u>15,386,867</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - pension items	809,788	376,690	1,186,478
Deferred inflows - OPEB items	867,482	354,323	1,221,805
Deferred lease receipts	146,124	-	146,124
Total deferred inflows of resources	<u>1,823,394</u>	<u>731,013</u>	<u>2,554,407</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,615,420	8,649,183	16,264,603
Restricted for:			
Stabilization by State Statute	748,280	-	748,280
Streets - Powell Bill	313,640	-	313,640
Cemetery perpetual care	250,050	-	250,050
Debt service	80,094	98,460	178,554
COVID-19 recovery efforts	806	-	806
Unrestricted (deficit)	(2,093,620)	7,229,968	5,136,348
Total net position	<u>\$ 6,914,670</u>	<u>\$ 15,977,611</u>	<u>\$ 22,892,281</u>

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

# TOWN OF SELMA, NORTH CAROLINA

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 870,980	\$ 182,706	\$ -	\$ 117,096	\$ (571,178)	\$ -	\$ (571,178)
Public safety	2,521,673	9,945	1,155,239	-	(1,356,489)	-	(1,356,489)
Transportation	1,786,335	910,323	4,801	187,007	(684,204)	-	(684,204)
Culture and recreation	696,066	46,193	10,464	-	(639,409)	-	(639,409)
Interest on long-term debt	57,273	-	-	-	(57,273)	-	(57,273)
Total governmental activities	5,932,327	1,149,167	1,170,504	304,103	(3,308,553)	-	(3,308,553)
Business-type activities:							
Water	1,632,707	1,977,271	-	9,000	-	353,564	353,564
Sewer	2,676,312	3,384,681	-	505,726	-	1,214,095	1,214,095
Electric	6,886,418	7,898,598	-	-	-	1,012,180	1,012,180
Total business-type activities	11,195,437	13,260,550	-	514,726	-	2,579,839	2,579,839
Total primary government	\$ 17,127,764	\$ 14,409,717	\$ 1,170,504	\$ 818,829	(3,308,553)	2,579,839	(728,714)
General revenues:							
Property taxes, levied for general purposes					3,243,177	-	3,243,177
Property taxes, levied for fire districts					238,758	-	238,758
Other taxes					1,476,424	-	1,476,424
Unrestricted investment earnings					9,612	9,627	19,239
Unrestricted intergovernmental					582,554	-	582,554
Miscellaneous					172,452	-	172,452
Gain on sale of capital assets					152,489	-	152,489
Transfers					(956,535)	956,535	-
Total general revenues and transfers					4,918,931	966,162	5,885,093
Change in net position					1,610,378	3,546,001	5,156,379
Net position, beginning of year					5,304,292	12,431,610	17,735,902
Net position, end of year					\$ 6,914,670	\$ 15,977,611	\$ 22,892,281

# TOWN OF SELMA, NORTH CAROLINA

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2022

	General Fund	American Rescue Plan Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,916,489	\$ -	\$ 4,916,489
Taxes receivable, net	111,745	-	111,745
Accounts receivable, net	661,614	-	661,614
Lease receivable	146,964	-	146,964
Restricted cash and cash equivalents	631,720	806	632,526
Inventory	97,902	-	97,902
Total assets	<u>\$ 6,566,434</u>	<u>\$ 806</u>	<u>\$ 6,567,240</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 91,214	\$ -	\$ 91,214
Accrued liabilities	63,674	-	63,674
Total liabilities	<u>154,888</u>	<u>-</u>	<u>154,888</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - other	13,855	-	13,855
Unavailable revenue - cemetery lot sales	12,064	-	12,064
Deferred lease receipts	146,124	-	146,124
Total deferred inflows of resources	<u>172,043</u>	<u>-</u>	<u>172,043</u>
<b>FUND BALANCES</b>			
Nonspendable - inventories	97,902	-	97,902
Restricted:			
Stabilization by State Statute	748,280	-	748,280
Debt service	80,094	-	80,094
Streets - Powell Bill	313,640	-	313,640
Cemetery perpetual care	237,986	-	237,986
COVID-19 recovery efforts	-	806	806
Committed - Library Trust	87,713	-	87,713
Assigned:			
Economic development	179,255	-	179,255
Fiscal year 2023 operations	300,000	-	300,000
Unassigned	4,194,633	-	4,194,633
Total fund balances	<u>6,239,503</u>	<u>806</u>	<u>6,240,309</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,566,434</u>	<u>\$ 806</u>	
Amounts reported for governmental activities in the statement of net position are different from the governmental funds because:			
Capital assets and right-to-use leased assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.			9,307,531
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.			25,919
The net pension liability (LGRS), 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 funds.			(6,672,717)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.			(1,986,372)
Net position of governmental activities			<u>\$ 6,914,670</u>

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

# TOWN OF SELMA, NORTH CAROLINA

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	American Rescue Plan Fund	Total Governmental Funds
<b>Revenues</b>			
Ad valorem taxes	\$ 3,243,177	\$ -	\$ 3,243,177
Other taxes	1,476,424	-	1,476,424
Unrestricted intergovernmental	821,312	-	821,312
Restricted intergovernmental	332,208	1,131,535	1,463,743
Permits and fees	56,030	-	56,030
Sales and services	1,108,093	-	1,108,093
Investment earnings	8,806	806	9,612
Miscellaneous	183,316	-	183,316
Total revenues	<u>7,229,366</u>	<u>1,132,341</u>	<u>8,361,707</u>
<b>Expenditures</b>			
Current:			
General government	985,476	-	985,476
Public safety	2,559,645	-	2,559,645
Transportation	1,762,248	-	1,762,248
Culture and recreation	688,953	-	688,953
Debt service:			
Principal retirements	192,530	-	192,530
Interest	62,909	-	62,909
Total expenditures	<u>6,251,761</u>	<u>-</u>	<u>6,251,761</u>
Excess of revenues over expenditures	<u>977,605</u>	<u>1,132,341</u>	<u>2,109,946</u>
<b>Other financing sources (uses)</b>			
Transfers in	1,306,535	-	1,306,535
Transfers out	(1,131,535)	(1,131,535)	(2,263,070)
Inception of lease	81,407	-	81,407
Sale of general capital assets	153,414	-	153,414
Total other financing sources	<u>409,821</u>	<u>(1,131,535)</u>	<u>(721,714)</u>
Net change in fund balance	1,387,426	806	1,388,232
<b>Fund balances, beginning of year</b>	<u>4,852,077</u>	<u>-</u>	<u>4,852,077</u>
<b>Fund balances, end of year</b>	<u><u>\$ 6,239,503</u></u>	<u><u>\$ 806</u></u>	<u><u>\$ 6,240,309</u></u>

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

# TOWN OF SELMA, NORTH CAROLINA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

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

Net change in fund balance - governmental fund	\$ 1,388,232
The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets, including right-to-use leased assets, is allocated over their estimated useful lives, or the lease term, and reported as depreciation expense or amortization expense, respectively. This is the amount by which depreciation and amortization expense exceeded capital outlay in the current period.	(138,570)
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.	(925)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund.	(14,956)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount represents the difference between current year principal payments on the Town's outstanding debt for governmental activities (\$192,530) and the inception of a new lease (\$81,407).	111,123
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.	<u>265,474</u>
Change in net position - governmental activities	<u>\$ 1,610,378</u>

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

# TOWN OF SELMA, NORTH CAROLINA

## GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2022

	Budget		Actual	Variance with
	Original	Final	Amounts	Actual and Final Budget Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 3,128,774	\$ 3,128,774	\$ 3,243,177	\$ 114,403
Other taxes	1,075,000	1,075,000	1,476,424	401,424
Unrestricted intergovernmental	775,025	825,025	821,312	(3,713)
Restricted intergovernmental	204,986	635,356	299,996	(335,360)
Permits and fees	23,000	23,000	35,030	12,030
Sales and services	1,046,740	1,024,819	1,108,093	83,274
Investment earnings	3,700	3,700	8,666	4,966
Miscellaneous	20,000	162,825	164,285	1,460
Total revenues	6,277,225	6,878,499	7,156,983	278,484
<b>Expenditures</b>				
Current:				
General government	1,083,498	1,174,342	985,476	188,866
Public safety	2,770,534	3,495,489	2,496,152	999,337
Transportation	1,777,170	2,242,707	1,762,248	480,459
Culture and recreation	668,128	847,374	688,953	158,421
Debt service:				
Principal retirements	175,085	189,372	192,530	(3,158)
Interest	62,810	62,984	62,909	75
Total expenditures	6,537,225	8,012,268	6,188,268	1,824,000
Excess (deficiency) of revenues over (under) expenditures	(260,000)	(1,133,769)	968,715	2,102,484
<b>Other financing sources (uses):</b>				
Fund balance appropriation	85,000	827,350	-	(827,350)
Transfers in	175,000	1,306,535	1,306,535	-
Transfers out	-	(1,131,535)	(1,131,535)	-
Inception of lease	-	-	81,407	81,407
Sale of general capital assets	-	131,419	153,414	21,995
Total other financing sources (uses)	260,000	1,133,769	409,821	(723,948)
Net change in fund balances	-	-	1,378,536	1,378,536
<b>Fund balances, beginning of year</b>	4,648,868	4,648,868	4,648,868	-
<b>Fund balances, end of year</b>	\$ 4,648,868	\$ 4,648,868	6,027,404	\$ 1,378,536
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			203,209	
Fire Protection - Selma Petroleum Terminals Fund, revenues			40,171	
Fire Protection - Selma Petroleum Terminals Fund, public safety expenditures			(31,281)	
Fire Grant Project Fund, revenues			32,212	
Fire Grant Project Fund, public safety expenditures			(32,212)	
Fund balance, end of year			\$ 6,239,503	

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



**TOWN OF SELMA, NORTH CAROLINA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2022**

ASSETS	Water Fund	Sewer Fund	Electric Fund	Totals
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 4,747,762	\$ 1,252,893	\$ 2,791,366	\$ 8,792,021
Restricted cash	34,069	64,391	-	98,460
Accounts receivable, net of allowances	230,836	631,931	1,002,740	1,865,507
Inventories	90,413	10,855	309,179	410,447
Total current assets	5,103,080	1,960,070	4,103,285	11,166,435
<b>NONCURRENT ASSETS</b>				
Advances to other funds	350,000	-	-	350,000
<b>CAPITAL ASSETS</b>				
Nondepreciable	182,438	451,213	703,656	1,337,307
Depreciable, net of accumulated depreciation	2,587,555	5,948,690	1,219,442	9,755,687
Total noncurrent assets	3,119,993	6,399,903	1,923,098	11,442,994
Total assets	8,223,073	8,359,973	6,026,383	22,609,429
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension items	166,441	73,647	159,616	399,704
OPEB items	76,924	19,468	266,917	363,309
Total deferred outflows of resources	243,365	93,115	426,533	763,013
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	117,001	242,401	466,665	826,067
Accrued liabilities	17,165	11,101	60,292	88,558
Customer deposits	80,155	74,134	253,631	407,920
Installment contracts, current	20,848	57,873	28,533	107,254
Bonds payable, current	12,000	26,000	-	38,000
Compensated absences payable, current	6,897	6,897	5,527	19,321
Total current liabilities	254,066	418,406	814,648	1,487,120
<b>NONCURRENT LIABILITIES</b>				
Installment contracts	67,485	618,989	23,083	709,557
Bonds payable	504,000	1,085,000	-	1,589,000
Advance from other funds	-	350,000	-	350,000
Compensated absences payable	15,530	15,530	18,755	49,815
Net pension liability	102,407	49,597	104,860	256,864
Total OPEB liability	459,613	153,204	1,608,645	2,221,462
Total noncurrent liabilities	1,149,035	2,272,320	1,755,343	5,176,698
Total liabilities	1,403,101	2,690,726	2,569,991	6,663,818
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension items	150,180	72,733	153,777	376,690
OPEB items	73,308	24,436	256,579	354,323
Total deferred inflows of resources	223,488	97,169	410,356	731,013
<b>NET POSITION</b>				
Net investment in capital assets	2,165,660	4,612,041	1,871,482	8,649,183
Restricted for:				
Debt service	34,069	64,391	-	98,460
Unrestricted	4,640,120	988,761	1,601,087	7,229,968
Total net position	\$ 6,839,849	\$ 5,665,193	\$ 3,472,569	\$ 15,977,611

he 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, 2022**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Electric Fund</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>				
Charges for sales and services	\$ 1,703,875	\$ 3,189,673	\$ 7,854,091	\$ 12,747,639
Other operating income	273,396	195,008	44,507	512,911
Total operating revenues	<u>1,977,271</u>	<u>3,384,681</u>	<u>7,898,598</u>	<u>13,260,550</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	833,105	285,336	779,287	1,897,728
General operating expenses	430,360	295,781	381,607	1,107,748
Depreciation	231,978	409,186	112,466	753,630
Electric purchases	-	-	5,611,573	5,611,573
Water & sewer purchases	114,090	1,647,858	-	1,761,948
Total operating expenses	<u>1,609,533</u>	<u>2,638,161</u>	<u>6,884,933</u>	<u>11,132,627</u>
Operating income (loss)	367,738	746,520	1,013,665	2,127,923
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	4,669	1,957	3,001	9,627
Interest and fiscal charges	(23,174)	(38,151)	(1,485)	(62,810)
Total non-operating revenue (expenses)	<u>(18,505)</u>	<u>(36,194)</u>	<u>1,516</u>	<u>(53,183)</u>
Income (loss) before capital contributions and transfers	349,233	710,326	1,015,181	2,074,740
Capital contributions	9,000	505,726	-	514,726
Transfers in	1,131,535	-	-	1,131,535
Transfers out	<u>-</u>	<u>-</u>	<u>(175,000)</u>	<u>(175,000)</u>
Change in net position	1,489,768	1,216,052	840,181	3,546,001
Net position, beginning of year	<u>5,350,081</u>	<u>4,449,141</u>	<u>2,632,388</u>	<u>12,431,610</u>
Net position, end of year	<u>\$ 6,839,849</u>	<u>\$ 5,665,193</u>	<u>\$ 3,472,569</u>	<u>\$ 15,977,611</u>

# TOWN OF SELMA, NORTH CAROLINA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2022

	Water Fund	Sewer Fund	Electric Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 1,965,620	\$ 3,355,124	\$ 7,685,884	\$ 13,006,628
Payments to suppliers	(445,423)	(1,947,508)	(5,920,072)	(8,313,003)
Payments to employees	(886,079)	(333,635)	(1,031,292)	(2,251,006)
Net cash provided by operating activities	634,118	1,073,981	734,520	2,442,619
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers to/from other funds	1,131,535	-	(175,000)	956,535
Repayment of interfund advances	75,000	(75,000)	-	-
Net cash provided by (used in) non-capital financing activities	1,206,535	(75,000)	(175,000)	956,535
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(169,699)	(668,716)	(288,769)	(1,127,184)
Receipt of intergovernmental capital grant	-	271,714	-	271,714
Principal payments on long-term debt	(32,491)	(81,646)	(27,833)	(141,970)
Interest paid	(21,024)	(33,462)	(359)	(54,845)
Contributions for tap fees	9,000	-	-	9,000
Net cash (used in) capital and related financing activities	(214,214)	(512,110)	(316,961)	(1,043,285)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	4,669	1,957	3,001	9,627
Net cash provided by investing activities	4,669	1,957	3,001	9,627
Net increase in cash and cash equivalents	1,631,108	488,828	245,560	2,365,496
Cash and cash equivalents, beginning of year	3,150,723	828,456	2,545,806	6,524,985
Cash and cash equivalents, end of year	\$ 4,781,831	\$ 1,317,284	\$ 2,791,366	\$ 8,890,481
<b>CASH AS REPORTED ON STATEMENT OF NET POSITION</b>				
Cash and cash equivalents	\$ 4,747,762	\$ 1,252,893	\$ 2,791,366	\$ 8,792,021
Restricted cash and cash equivalents	34,069	64,391	-	98,460
Total cash and cash equivalents	\$ 4,781,831	\$ 1,317,284	\$ 2,791,366	\$ 8,890,481

*continued*

**TOWN OF SELMA, NORTH CAROLINA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Electric Fund</b>	<b>Totals</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 367,738	\$ 746,520	\$ 1,013,665	\$ 2,127,923
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	231,978	409,186	112,466	753,630
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase) in accounts receivable	(11,651)	(30,927)	(220,697)	(263,275)
(Increase) decrease in inventories	(5,984)	(4,437)	46,189	35,768
(Increase) decrease in deferred outflows of resources - pension items	(29,480)	12,448	(24,439)	(41,471)
Decrease in deferred outflows of resources - OPEB items	9,677	9,397	40,069	59,143
Increase in accounts payable	101,696	568	26,919	129,183
Decrease in accrued liabilities	(18,285)	(15,066)	(156,932)	(190,283)
Increase in customer deposits	3,315	1,370	7,983	12,668
Increase (decrease) in compensated absences payable	5,197	5,197	(9,994)	400
Increase in deferred inflows for OPEB items	2,932	979	7,111	11,022
(Decrease) in total OPEB liability	(30,819)	(10,263)	(129,846)	(170,928)
Increase in deferred inflows for pension items	146,047	69,807	149,782	365,636
(Decrease) in net pension liability	(138,243)	(120,798)	(127,756)	(386,797)
Net cash provided by operating activities	<u>\$ 634,118</u>	<u>\$ 1,073,981</u>	<u>\$ 734,520</u>	<u>\$ 2,442,619</u>

**TOWN OF SELMA, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

Incorporated in 1873, under the laws of the State of North Carolina, the Town of Selma, North Carolina is governed by an elected mayor and a four-member council. The government provides such services as police 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 segment 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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 leases, 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 **American Rescue Plan Fund** accounts for the Coronavirus State and Local Fiscal Recovery Funds that were received by the Town pursuant to the passage of the American Rescue Plan Act.

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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town reports the following major enterprise funds (continued):

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

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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Budgets

Annual appropriated budgets are adopted for all funds, with the exception of the American Rescue Plan Fund, Fire Grant Fund, CDBG I Sewer Project Fund, ASADRA Brack Wilson Project Fund, and Sewer AIA Project Fund, for which project length budgets were 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, 2022, 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.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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 American Rescue Plan Fund reports restricted cash for amounts that are required to be spent in accordance with the requirements of the federal program. 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, 2021.

#### 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Leases

##### *Lessee*

The Town is a lessee for a noncancellable lease of real property. The Town recognizes a lease liability and an intangible right-to-use leased asset in the government-wide financial statements. The Town recognizes lease liabilities and leased right to use assets in accordance with its capitalization policy (Note 1-L).

At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term.

Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- The Town uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the Town is reasonably certain to exercise

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

In the statement of net position, lease assets are reported with other capital assets and lease liabilities are reported with other long-term liabilities as amounts due within one year and amounts due in more than one year.

##### *Lessor*

The Town is the lessor for certain noncancellable lease of real property and spaces within existing Town buildings. The Town recognizes a lease receivable and a deferred inflow of resources for deferred lease receipts in accordance with these transactions.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### J. Leases (Continued)

##### *Lessor (Continued)*

At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments made at or before the lease commencement date, less certain other amounts to be paid by the Town (if any). Subsequently, the deferred inflow of resources is amortized into lease revenue on a straight-line basis over the lease term.

Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments:

- The lease agreements entered into by the Town as lessor do not include stated interest rates. Therefore, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease receivable are composed of fixed payments that the Town will receive over the term of the lease agreement.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease.

#### K. 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, 2022, are recorded as prepaid items in both government-wide and fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. Capital Assets

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

Capital assets of the Town and right-to-use leased assets, 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
Right-to-use leased assets	20 years

#### M. 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports two (2) items as deferred inflows of resources (not related to pension or OPEB). The first item, unavailable revenue, arises only under the modified accrual basis of accounting and accordingly, the item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the sales of cemetery plots which are sold on payment plans 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. The second item, deferred lease receipts, is reported in both the governmental funds balance sheet and the statement of net position. This item will be amortized into lease revenues on the straight-line basis over the term of the applicable lease agreements.

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.

#### N. 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### O. 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.

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.

#### P. 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### P. Fund Equity (Continued)

*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.

*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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Q. 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.

#### R. 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 \$6,672,717 difference are as follows:

Governmental activities' share of the net pension liability (LGERS)	\$	(531,405)
Governmental activities' share of the total OPEB liability		(5,438,752)
Total pension liability (LEOSSA)		(961,632)
Deferred outflows of resources - pension items		1,057,207
Deferred outflows of resources - OPEB items		879,135
Deferred inflows of resources - pension items		(809,788)
Deferred inflows of resources - OPEB items		<u>(867,482)</u>
Net adjustment to reduce <i>fund balance - governmental fund</i> to arrive at <i>net position - governmental activities</i>	\$	<u><u>(6,672,717)</u></u>



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 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 \$1,986,372 difference are as follows:

Installment notes	\$ (1,614,004)
Lease payable	(78,107)
Accrued interest payable	(40,054)
Compensated absences (i.e., vacation)	<u>(254,207)</u>
Net adjustment to reduce <i>fund balance - governmental fund</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (1,986,372)</u>

#### 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, including right-to-use leased assets, is allocated over their estimated useful lives, or the lease term, and reported as depreciation expense or amortization expense, respectively.” The details of this \$138,570 difference are as follows:

Capital outlay	\$ 561,678
Depreciation and amortization expense	<u>(700,248)</u>
Net adjustment to decrease <i>net change in fund balance - governmental fund</i> to arrive at <i>change in net position - governmental activities</i>	<u>\$ (138,570)</u>

## NOTES TO FINANCIAL STATEMENTS

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

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

Another element of the reconciliation states that “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 \$265,474 difference are as follows:

Compensated absences (i.e., vacation)	\$ 33,318
Change in accrued interest	5,636
Net pension liability - LGERS and related deferred outflows and inflows of resources	(10,603)
Total pension liability - LEO Special Separation Allowance and related deferred outflows and inflows of resources	(49,229)
Total OPEB liability - and related deferred outflows and inflows of resources	<u>286,352</u>
Net adjustment to increase <i>net change in fund balance - governmental fund</i> to arrive at <i>change in net position - governmental activities</i>	<u><u>\$ 265,474</u></u>

### NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2022, are summarized as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 13,708,510
Restricted cash and cash equivalents	730,986
	<u>\$ 14,439,496</u>
Cash deposited with financial institutions	\$ 8,433,405
Cash on hand	850
Cash deposited with NCCMT	6,005,241
	<u><u>\$ 14,439,496</u></u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 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 and AAAMf by Moody's Investor Service as of June 30, 2022.

As of June 30, 2022, the Town's investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value June 30, 2022</u>	<u>Duration</u>
North Carolina Capital Management Trust Government Portfolio	Fair Value Level 1	\$ 6,073,832	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, 2022, the Town's deposits are insured or collateralized as required by state law.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. RECEIVABLES

Receivables at June 30, 2022, for the Town's individual major funds, including any applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Receivables:				
Taxes	\$ 127,374	\$ -	\$ -	\$ -
Accounts	713,235	289,929	744,656	1,215,857
Less allowance				
for uncollectible	67,250	59,093	112,725	213,117
Net total receivable	<u>\$ 773,359</u>	<u>\$ 230,836</u>	<u>\$ 631,931</u>	<u>\$ 1,002,740</u>

#### *Lease receivables*

During the fiscal year, the Town had active noncancelable lease agreements as lessor. A description of those agreements and the related balances reported as of June 30, 2022, are as follows:

**Cell Towers:** The Town has leased certain space to a telecommunications company for the installation of equipment. The Town receives monthly payments in varying amounts that increase over time, as specified in the contract. For the fiscal year ended June 30, 2022, the lease payments received were \$709 per month which includes the principal and interest components of the payment. As the lease does not contain a specific interest rate, the Town used the effective T-bill rate (0.83%) at the time of the measurement of the lease to estimate an incremental borrowing rate. For the current year, the Town recognized \$8,951 in lease revenue and \$1,010 in interest revenue related to the lease. As of June 30, 2022, the Town's receivable for lease payments was \$129,045 and the related balance of the deferred inflow of resources was \$127,552.

**EMS Station:** The Town has leased certain space within its EMS Station to Johnston County. The Town receives monthly payments of \$1,500 per month which includes the principal and interest components of the payment. As the lease does not contain a specific interest rate, the Town used the effective T-bill rate (0.83%) at the time of the measurement of the lease to estimate an incremental borrowing rate. For the current year, the Town recognized \$17,143 in lease revenue and \$205 in interest revenue related to the lease. As of June 30, 2022, the Town's receivable for lease payments was \$17,919 and the related balance of the deferred inflow of resources was \$18,572.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS

Capital asset activity for the Town for the year ended June 30, 2022, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Nondepreciable capital assets:					
Land	\$ 2,612,888	\$ -	\$ -	\$ -	\$ 2,612,888
Construction in progress	41,151	87,685	-	(37,001)	91,835
Total	<u>2,654,039</u>	<u>87,685</u>	<u>-</u>	<u>(37,001)</u>	<u>2,704,723</u>
Capital assets, being depreciated:					
Buildings	6,290,069	20,070	(324,192)	-	5,985,947
Other improvements	6,768,995	250,712	(6,010)	2,500	7,016,197
Equipment and furniture	1,159,959	78,716	(21,500)	34,501	1,251,676
Vehicles and motorized equipment	3,193,815	43,088	-	-	3,236,903
Right-to-use lease asset (land)	-	81,407	-	-	81,407
Total being depreciated	<u>17,412,838</u>	<u>473,993</u>	<u>(351,702)</u>	<u>37,001</u>	<u>17,572,130</u>
Less accumulated depreciation for:					
Buildings	(3,279,001)	(243,956)	324,192	-	(3,198,765)
Other improvements	(4,206,993)	(268,150)	5,785	-	(4,469,358)
Equipment and furniture	(791,570)	(62,213)	20,800	-	(832,983)
Vehicles and motorized equipment	(2,342,287)	(121,859)	-	-	(2,464,146)
Right-to-use lease asset (land)	-	(4,070)	-	-	(4,070)
Total	<u>(10,619,851)</u>	<u>(700,248)</u>	<u>350,777</u>	<u>-</u>	<u>(10,969,322)</u>
Total capital assets and right-to-use assets, being depreciated/amortized, net	<u>6,792,987</u>	<u>(226,255)</u>	<u>(925)</u>	<u>37,001</u>	<u>6,602,808</u>
Governmental activities capital assets, net	<u>\$ 9,447,026</u>	<u>\$ (138,570)</u>	<u>\$ (925)</u>	<u>\$ -</u>	<u>\$ 9,307,531</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Fund:</b>				
Nondepreciable capital assets:				
Land	\$ 182,438	\$ -	\$ -	\$ 182,438
Total	<u>182,438</u>	<u>-</u>	<u>-</u>	<u>182,438</u>
Capital assets, being depreciated:				
Buildings and improvements	1,003,881	7,706	-	1,011,587
Distribution system	7,746,421	81,599	-	7,828,020
Equipment	535,933	13,894	-	549,827
Vehicles and motorized equipment	251,550	66,500	-	318,050
Total	<u>9,537,785</u>	<u>169,699</u>	<u>-</u>	<u>9,707,484</u>
Less accumulated depreciation for:				
Buildings and improvements	(920,472)	(13,629)	-	(934,101)
Distribution system	(5,348,950)	(180,544)	-	(5,529,494)
Equipment	(476,481)	(7,635)	-	(484,116)
Vehicles and motorized equipment	(142,048)	(30,170)	-	(172,218)
Total	<u>(6,887,951)</u>	<u>(231,978)</u>	<u>-</u>	<u>(7,119,929)</u>
Total capital assets being depreciated, net	<u>2,649,834</u>	<u>(62,279)</u>	<u>-</u>	<u>2,587,555</u>
Water Fund capital assets, net	<u>\$ 2,832,272</u>	<u>\$ (62,279)</u>	<u>\$ -</u>	<u>\$ 2,769,993</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Sewer Fund:</b>				
Nondepreciable capital assets:				
Construction in progress	\$ 90,746	\$ 360,467	\$ -	\$ 451,213
Total	<u>90,746</u>	<u>360,467</u>	<u>-</u>	<u>451,213</u>
Capital assets, being depreciated:				
Buildings and improvements	180,847	7,706	-	188,553
Distribution system	11,259,766	294,318	-	11,554,084
Equipment	330,866	6,225	-	337,091
Vehicles and motorized equipment	350,747	-	-	350,747
Total	<u>12,122,226</u>	<u>308,249</u>	<u>-</u>	<u>12,430,475</u>
Less accumulated depreciation for:				
Buildings and improvements	(95,954)	(12,944)	-	(108,898)
Distribution system	(5,496,361)	(361,721)	-	(5,858,082)
Equipment	(303,119)	(8,658)	-	(311,777)
Vehicles and motorized equipment	(177,165)	(25,863)	-	(203,028)
Total	<u>(6,072,599)</u>	<u>(409,186)</u>	<u>-</u>	<u>(6,481,785)</u>
Total capital assets being depreciated, net	<u>6,049,627</u>	<u>(100,937)</u>	<u>-</u>	<u>5,948,690</u>
Sewer Fund capital assets, net	<u>\$ 6,140,373</u>	<u>\$ 259,530</u>	<u>\$ -</u>	<u>\$ 6,399,903</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Electric Fund:</b>				
Nondepreciable capital assets:				
Land	\$ 129,366	\$ -	\$ -	\$ 129,366
Construction in progress	542,667	31,623	-	574,290
Total	<u>672,033</u>	<u>31,623</u>	<u>-</u>	<u>703,656</u>
Capital assets, being depreciated:				
Buildings and improvements	288,316	7,706	-	296,022
Equipment	7,394,508	249,440	-	7,643,948
Vehicles and motorized equipment	780,884	-	-	780,884
Total	<u>8,463,708</u>	<u>257,146</u>	<u>-</u>	<u>8,720,854</u>
Less accumulated depreciation for:				
Buildings and improvements	(167,867)	(10,107)	-	(177,974)
Equipment	(6,589,096)	(69,322)	-	(6,658,418)
Vehicles and motorized equipment	(631,983)	(33,037)	-	(665,020)
Total	<u>(7,388,946)</u>	<u>(112,466)</u>	<u>-</u>	<u>(7,501,412)</u>
Total capital assets being depreciated, net	<u>1,074,762</u>	<u>144,680</u>	<u>-</u>	<u>1,219,442</u>
Electric Fund capital assets, net	<u>\$ 1,746,795</u>	<u>\$ 176,303</u>	<u>\$ -</u>	<u>\$ 1,923,098</u>

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

Governmental activities:	
General government	\$ 59,696
Public safety	230,622
Transportation	256,064
Culture and recreation	<u>153,866</u>
Total depreciation expense - governmental activities	<u>\$ 700,248</u>
Business-type activities:	
Water	\$ 231,978
Sewer	409,186
Electric	<u>112,466</u>
Total depreciation expense - business-type activities	<u>\$ 753,630</u>



## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2022, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Installment notes - direct borrowings	\$ 1,803,234	\$ -	\$ (189,230)	\$ 1,614,004	\$ 147,379
Lease payable	-	81,407	(3,300)	78,107	2,751
Compensated absences	287,525	48,778	(82,096)	254,207	79,728
Net pension liability (LGERS)	1,181,287	483,836	(1,133,718)	531,405	-
Law enforcement officers'					
SSA total pension liability	1,009,044	134,908	(182,320)	961,632	-
Total OPEB liability	5,908,949	421,582	(891,779)	5,438,752	-
Governmental activities					
Long-term liabilities	<u>\$ 10,190,039</u>	<u>\$ 1,170,511</u>	<u>\$ (2,482,443)</u>	<u>\$ 8,878,107</u>	<u>\$ 229,858</u>
<b>Business-type activities:</b>					
Installment notes - direct borrowings	\$ 921,810	\$ -	\$ (104,999)	\$ 816,811	\$ 107,254
Revenue bonds - direct placement	1,664,000	-	(37,000)	1,627,000	38,000
Compensated absences	68,736	19,721	(19,321)	69,136	19,321
Net pension liability (LGERS)	643,661	238,308	(625,105)	256,864	-
Total OPEB liability	2,392,390	172,195	(343,123)	2,221,462	-
Business-type activities					
Long-term liabilities	<u>\$ 5,690,597</u>	<u>\$ 430,224</u>	<u>\$ (1,129,548)</u>	<u>\$ 4,991,273</u>	<u>\$ 164,575</u>

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.

### Lease Payable

In April 2022, the Town entered into a noncancelable lease for the right to use land. Annual payments of principal and interest at 0.83% are due on April 1 of each year until the end of the agreement on April 1, 2041. Debt service to maturity on the Town's outstanding lease is as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 2,751	\$ 648	\$ 3,399
2024	2,876	625	3,501
2025	3,004	602	3,606
2026	3,138	577	3,715
2027	3,275	551	3,826
2028-2032	18,599	2,321	20,920
2033-2037	22,769	1,482	24,251
2038-2041	21,695	459	22,154
Total	<u>\$ 78,107</u>	<u>\$ 7,265</u>	<u>\$ 85,372</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### Direct Borrowings - Installment Notes

The Town has various installment notes outstanding for buildings, equipment, and vehicle financing arrangements. The assets purchased or constructed with the financing has been pledged as collateral on the financing. The outstanding balances for the notes as of June 30, 2022, are as follows:

	Balance as of June 30, 2022
<b><i>Governmental activities</i></b>	
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.	\$ 413,882
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.	68,531
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.	297,116
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.	24,856
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.	85,730
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.	228,424
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.	16,918
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.	472,582
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.	5,965
Total outstanding installment notes payable	<u>\$ 1,614,004</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### Direct Borrowings - Installment Notes (Continued)

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 147,379	\$ 57,646	\$ 205,025
2024	145,361	52,779	198,140
2025	140,599	47,926	188,525
2026	144,559	43,129	187,688
2027	129,834	38,223	168,057
2028-2032	429,842	131,448	561,290
2033-2037	229,284	76,498	305,782
2038-2042	247,146	27,813	274,959
Total	<u>\$ 1,614,004</u>	<u>\$ 475,462</u>	<u>\$ 2,089,466</u>

#### *Business-type activities*

Balance as of  
June 30, 2022

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

\$ 65,456

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.

591,969

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.

95,838

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.

45,653

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.

17,895

Total outstanding notes payable \$ 816,811

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### Direct Borrowings - Installment Notes (Continued)

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 107,254	\$ 15,699	\$ 122,953
2024	91,296	13,230	104,526
2025	20,546	10,950	31,496
2026	20,546	10,688	31,234
2027	20,546	10,425	30,971
2028-2032	107,700	48,075	155,775
2033-2037	82,000	40,763	122,763
2038-2042	90,000	32,794	122,794
2043-2047	98,000	24,038	122,038
2048-2052	108,000	14,475	122,475
2053-2056	70,923	4,069	74,992
Total	<u>\$ 816,811</u>	<u>\$ 225,206</u>	<u>\$ 1,042,017</u>

#### 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, 2022, \$516,000 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, 2022, \$1,111,000 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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG-TERM DEBT (CONTINUED)

#### Direct Placement - Revenue Bonds (Continued)

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

	Principal	Interest	Total
Year Ending June 30,			
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	43,000	41,076	84,076
2028-2032	231,000	186,320	417,320
2033-2037	268,000	150,705	418,705
2038-2042	309,000	108,800	417,800
2043-2047	345,000	60,138	405,138
2048-2052	226,000	19,571	245,571
2053	47,000	999	47,999
Total	<u>\$ 1,627,000</u>	<u>\$ 743,240</u>	<u>\$ 2,370,240</u>

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$643,000, and \$1,320,000, of Water & Sewer Revenue Bonds Series 2007 and 2013, respectively. The bonds are payable solely from water and sewer customer net revenues and are payable through 2047 and 2053, respectively. Annual principal and interest payments on the bonds are expected to require less than 20 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,370,240. Principal and interest paid for the current year and net revenues were \$83,580 and \$2,276,772, respectively.

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, 2022:

Operating revenues	\$ 5,361,952
Non-operating revenues	6,626
Operating expenses	<u>(3,606,530)</u>
Income available for debt service	<u>\$ 1,762,048</u>
Annual debt service (Revenue Bonds only)	\$ 83,580
Debt service coverage ratio	2108%

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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2022, is as follows:

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Fund	Sewer Fund	\$ 350,000

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, 2022, the Sewer Fund made a payment of \$75,000 to the Water Fund towards the repayment of this advance.

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Electric Fund	\$ 175,000
General Fund	ARPA Fund	1,131,535
Water Fund	General Fund	1,131,535

Transfers are used (1) to move revenues from the Electric Fund to the General Fund for operating purposes; (2) to move American Rescue Plan Funds from the special revenue fund to the General Fund to pay public safety personnel costs in responding to the pandemic; and (3) to move funds from the General Fund to the Water Fund for project costs related to the Town's meter replacement project.

### 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](http://www.osc.nc.gov).

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

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

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town's contractually required contribution rate for the year ended June 30, 2022, was 12.10% of compensation for law enforcement officers and 11.35% 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 \$407,541 for the year ended June 30, 2022.

*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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

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

At June 30, 2022, the Town reported a liability of \$788,269 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, 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, 2021, measurement date, the Town's proportion was 0.05140%, which was an increase of 0.00033% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$342,405. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 250,779	\$ -
Changes in plan assumptions	495,234	-
Net difference between projected and actual earnings on pension plan investments	-	1,126,199
Changes in proportion and differences between Town contributions and proportionate share of contributions	30,633	29,802
Town contributions subsequent to the measurement date	407,541	-
Total	<u>\$ 1,184,187</u>	<u>\$ 1,156,001</u>

Town contributions made subsequent to the measurement date of \$407,541 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

##### Year ending June 30:

2023	\$ 76,271
2024	(22,511)
2025	(88,491)
2026	(344,624)
	<u>\$ (379,355)</u>



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

**Actuarial Assumptions.** The total pension liability measured as of June 30, 2021, was determined by the December 31, 2020 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including a 3.25 percent inflation and productivity factor
Investment rate of return	6.50 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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

**Actuarial Assumptions (Continued).** The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021, are as follows:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation 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 2.50%. All rates of return and inflation are annualized.

**Discount Rate.** The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS (CONTINUED)

#### A. Local Governmental Employees' Retirement System (Continued)

##### **Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.**

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<b>1% Decrease (5.50%)</b>	<b>Current Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Town's proportionate share of the net pension liability	\$ 3,059,992	\$ 788,269	\$ (1,081,228)

**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, 2020, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Active plan members	<u>21</u>
Total	<u><u>27</u></u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS (CONTINUED)

#### B. Law Enforcement Officers Special Separation Allowance (Continued)

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

**Actuarial Assumptions.** The entry age actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020, 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	2.25 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 \$92,546 as benefits came due for the reporting period.

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

At June 30, 2022, the Town reported a total pension liability of \$961,632. The total pension liability was measured as of December 31, 2021, based on a December 31, 2020, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$134,908.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Experience differences	\$ 68,804	\$ -
Change in assumptions	158,138	30,477
Town benefit payments made subsequent to the measurement date.	45,782	-
Total	<u>\$ 272,724</u>	<u>\$ 30,477</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. PENSION PLANS (CONTINUED)

#### B. Law Enforcement Officers Special Separation Allowance (Continued)

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

The town reported \$45,782 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

##### Year ending June 30:

2023	\$ 64,613
2024	58,204
2025	45,826
2026	30,272
2027	(2,450)
	\$ 196,465

**Changes in the Total Pension Liability.** The changes in the total pension liability of the Town for the fiscal year ended June 30, 2022, were as follows:

	<b>Total Pension Liability</b>
Balance at June 30, 2021	\$ 1,009,044
Service Cost	49,322
Interest	18,582
Experience differences	4,926
Assumption changes	(27,786)
Benefit payments	(92,456)
Balance at June 30, 2022	\$ 961,632

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. PENSION PLANS (CONTINUED)

#### B. Law Enforcement Officers Special Separation Allowance (Continued)

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

**Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate.** The following presents the Town's total pension liability calculated using the discount rate of 2.50 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 (1.50 percent) or 1-percentage-point higher (3.50 percent) than the current rate:

	1% Decrease (1.25%)	Current Discount Rate (2.25%)	1% Increase (3.25%)
Total pension liability	\$ 1,051,388	\$ 961,632	\$ 880,262

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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

#### 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. PENSION PLANS (CONTINUED)

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

**Funding Policy.** Article 12E of G.S. Chapter 143 requires the Town to contribute, each month, an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2022, were \$63,939, which consisted of \$50,664 from the Town and \$13,275 from the law enforcement officers. As of June 30, 2022, there were twenty-four (24) participants in the plan.

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

All other permanent full-time employees of the Town (excluding law enforcement officers) also participate in the Supplemental Retirement Income Plan, a defined contribution pension plan as described previously. The Plan is a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Town contributes each month an amount equal to 3% of each employee's salary, and all amounts contributed are vested immediately. Also, these employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2022, were \$109,254, which consisted of \$67,258 from the Town and \$42,318 from the employees. As of June 30, 2022, there were sixty-six (66) participants in the plan.

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## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

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

Membership of the HCB Plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

Active participants	19
Retirees and beneficiaries currently receiving benefits	<u>32</u>
Total	<u><u>51</u></u>

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, 2022, the Town contributed \$264,239 for the pay as you go benefits for the HCB Plan.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### ***Total OPEB Liability***

The Town's total OPEB liability of \$7,660,214 was measured as of June 30, 2021, based on a June 30, 2020, actuarial valuation. The total OPEB liability was then rolled forward to the measurement date of June 30, 2021, utilizing update procedures incorporating the actuarial assumptions.

**Actuarial Assumptions and Other Inputs.** The total OPEB liability in the June 30, 2020, 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	0.75%
Wage inflation	3.25%
Salary increase, including wage inflation	
General employees	3.25% - 8.41%
Firefighters	3.25% - 8.15%
Law Enforcement Officers	3.25% - 7.90%
Municipal bond index rate	
Prior measurement date	2.21%
Measurement date	2.16%
Health care cost trends	
Pre-medicare	7.00% - 4.50%, Ultimate Trend in 2031
Medicare	5.125% - 4.50%, Ultimate Trend in 2024

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, 2022, were as follows:

	<b>Total OPEB Liability</b>
Balance at June 30, 2021	\$ 8,301,339
Service Cost	155,893
Interest	184,095
Experience differences	(979,184)
Assumption changes	253,789
Benefit payments	(255,718)
Balance at June 30, 2022	<u>\$ 7,660,214</u>

Changes in assumption and other inputs reflect a change in the discount rate from 2.21% to 2.16%. 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, 2021, valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.** The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (2.16) than the current discount rate:

	<b>1% Decrease (1.16%)</b>	<b>Current Discount Rate (2.16%)</b>	<b>1% Increase (3.16%)</b>
Total OPEB liability	\$ 9,138,692	\$ 7,660,214	\$ 6,516,420

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate.** The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease (6.00% to 3.50%)</b>	<b>Current (7.00% to 4.50%)</b>	<b>1% Increase (8.00% to 5.50%)</b>
Total OPEB liability	\$ 6,478,691	\$ 7,660,214	\$ 9,190,836

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, 2022, and the current sharing pattern of costs between employer and inactive employees.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2022, OPEB expense was (\$129,578). At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,068,425
Changes in plan assumptions	975,224	153,380
Town contributions subsequent to the measurement date	267,220	-
Total	<u>\$ 1,242,444</u>	<u>\$ 1,221,805</u>

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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### **Year ending June 30:**

2023	\$ (374,169)
2024	106,460
2025	21,128
2026	-
	<u>\$ (246,581)</u>

### NOTE 10. RISK MANAGEMENT

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

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 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**

#### **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 \$1,650,238 as of June 30, 2022.

### **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, 2022, were \$5,611,573.

## REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF SELMA, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY  
JUNE 30,**

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability, beginning balance	\$ 1,009,044	\$ 789,371	\$ 736,478	\$ 720,538	\$ 693,194	\$ 724,106
Service Cost	49,322	32,311	26,137	31,340	24,692	24,248
Interest on the total pension liability	18,582	24,331	25,266	21,695	25,467	24,657
Difference between expected and actual experience	4,926	27,865	64,849	57,200	7,783	-
Changes of assumptions or other inputs	(27,786)	221,183	21,340	(26,322)	36,259	(12,960)
Benefit payments	(92,456)	(86,017)	(84,699)	(67,973)	(66,857)	(66,857)
Total pension liability, ending balance	<u>\$ 961,632</u>	<u>\$ 1,009,044</u>	<u>\$ 789,371</u>	<u>\$ 736,478</u>	<u>\$ 720,538</u>	<u>\$ 693,194</u>

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

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

**TOWN OF SELMA, NORTH CAROLINA**

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

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability	\$ 961,632	\$ 1,009,044	\$ 789,371	\$ 736,478	\$ 720,538	\$ 693,194	\$ 724,106
Town's covered payroll	\$ 1,065,370	\$ 1,069,956	\$ 1,021,997	\$ 1,158,005	\$ 1,110,276	\$ 1,030,492	\$ 941,276
Total pension liability as a percentage of covered payroll	90.26%	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 JUNE 30,

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ 155,893	\$ 100,044	\$ 185,598	\$ 196,964	\$ 223,048
Interest on total OPEB liability	184,095	231,592	304,608	285,237	255,649
Difference between expected and actual experience	(979,184)	(27,472)	(1,544,380)	(24,361)	(12,765)
Changes of assumptions and other inputs	253,789	1,591,645	(19,487)	(409,297)	(746,136)
Benefit payments	<u>(255,718)</u>	<u>(220,819)</u>	<u>(258,570)</u>	<u>(202,684)</u>	<u>(199,299)</u>
Net change in total OPEB liability	(641,125)	1,674,990	(1,332,231)	(154,141)	(479,503)
 Total OPEB liability - beginning	 8,301,339	 6,626,349	 7,958,580	 8,112,721	 8,592,224
Total OPEB liability - ending	<u>\$ 7,660,214</u>	<u>\$ 8,301,339</u>	<u>\$ 6,626,349</u>	<u>\$ 7,958,580</u>	<u>\$ 8,112,721</u>
 Covered-employee payroll	 \$ 1,032,620	 \$ 1,463,579	 \$ 1,463,579	 \$ 1,823,609	 \$ 2,061,538
 Total OPEB liability as a percentage of covered-employee payroll	 741.8%	 567.2%	 452.7%	 436.4%	 393.5%

### Notes to the Schedule:

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

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



# TOWN OF SELMA, NORTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) LAST NINE FISCAL YEARS\*

### LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Town's proportion of the net pension liability (asset) (%)	0.05140%	0.05107%	0.04677%	0.05206%	0.04977%
Town's proportion of the net pension liability (asset) (\$)	\$ 788,269	\$ 1,824,948	\$ 1,277,251	\$ 1,235,042	\$ 760,350
Town's covered payroll	\$ 3,574,071	\$ 3,458,803	\$ 3,184,428	\$ 3,158,766	\$ 3,029,574
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	22.06%	52.76%	40.11%	39.10%	25.10%
Plan fiduciary net position as a percentage of the total pension liability	95.51%	88.61%	90.86%	91.63%	94.18%
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	
Town's proportion of the net pension liability (asset) (%)	0.04958%	0.04754%	0.04640%	0.05280%	
Town's proportion of the net pension liability (asset) (\$)	\$ 1,052,254	\$ 213,357	\$ (273,641)	\$ 636,444	
Town's covered payroll	\$ 2,971,719	\$ 2,774,964	\$ 2,723,487	\$ 2,796,230	
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	35.41%	7.69%	( 10.05%)	22.76%	
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%	

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

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

# TOWN OF SELMA, NORTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF TOWN'S CONTRIBUTIONS LAST NINE FISCAL YEARS

### LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 407,541	\$ 374,341	\$ 303,010	\$ 255,817	\$ 254,019
Contributions in relation to the contractually required contribution	407,541	374,341	303,010	255,817	254,019
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 3,724,124	\$ 3,574,071	\$ 3,458,803	\$ 3,184,428	\$ 3,158,766
Contributions as a percentage of covered payroll	10.94%	10.47%	8.76%	8.03%	8.04%
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	
Contractually required contribution	\$ 226,453	\$ 205,501	\$ 199,781	\$ 196,502	
Contributions in relation to the contractually required contribution	226,453	205,501	199,781	196,502	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$ 3,029,574	\$ 2,971,719	\$ 2,774,964	\$ 2,723,487	
Contributions as a percentage of covered payroll	7.47%	6.92%	7.20%	7.22%	

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

# TOWN OF SELMA, NORTH CAROLINA

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
<b>Revenues</b>				
Ad valorem taxes:				
Current year	\$ 3,119,774	\$ 3,119,774	\$ 3,219,762	\$ 99,988
Prior year	5,000	5,000	13,902	8,902
Penalties and interest	4,000	4,000	9,513	5,513
Total ad valorem taxes	3,128,774	3,128,774	3,243,177	114,403
Other taxes and licenses:				
Local option sales taxes	1,075,000	1,075,000	1,476,424	401,424
Total other taxes and licenses	1,075,000	1,075,000	1,476,424	401,424
Unrestricted intergovernmental:				
Local occupancy taxes	55,000	105,000	90,654	(14,346)
Payments in lieu of taxes (external sources)	35,000	35,000	27,938	(7,062)
Telecommunications sales tax	35,000	35,000	24,289	(10,711)
Fire district tax	222,525	222,525	238,758	16,233
Utilities sales tax	320,000	320,000	349,274	29,274
Piped natural gas sales tax	5,000	5,000	10,755	5,755
Video franchise fee	24,000	24,000	22,144	(1,856)
Beer and wine tax	28,500	28,500	25,273	(3,227)
ABC profit distribution	50,000	50,000	32,227	(17,773)
Total unrestricted intergovernmental	775,025	825,025	821,312	(3,713)
Restricted intergovernmental:				
Powell Bill allocation	161,000	161,000	181,404	20,404
Controlled substance tax	-	-	114	114
FEMA grant	38,986	38,986	23,304	(15,682)
State grants	-	393,870	76,373	(317,497)
County grants	-	36,500	14,000	(22,500)
Solid waste disposal tax	5,000	5,000	4,801	(199)
Total restricted intergovernmental	204,986	635,356	299,996	(335,360)
Permits and fees:				
Building permits	14,000	14,000	23,185	9,185
Inspection fees	9,000	9,000	11,845	2,845
Total permits and fees	23,000	23,000	35,030	12,030
Sales and services:				
Cemetery fees	205,000	205,000	214,207	9,207
Recreation fees	52,500	48,919	32,198	(16,721)
Refuse charges	680,000	680,000	719,640	39,640
Rents	40,240	36,400	38,432	2,032
Other fees	69,000	54,500	103,616	49,116
Total sales and services	1,046,740	1,024,819	1,108,093	83,274
Investment earnings	3,700	3,700	8,666	4,966
Miscellaneous	20,000	162,825	164,285	1,460
Total revenues	6,277,225	6,878,499	7,156,983	278,484

*continued*

# TOWN OF SELMA, NORTH CAROLINA

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current:</b>				
<b>General government:</b>				
Governing body:				
Salaries and employee benefits	\$ 28,570	\$ 28,820	\$ 28,610	\$ 210
Professional services	15,450	16,992	16,703	289
Departmental supplies	1,600	1,600	2,538	(938)
Other operating expenditures	19,200	20,480	15,442	5,038
Total	64,820	67,892	63,293	4,599
Administration:				
Salaries and employee benefits	345,636	353,787	313,604	40,183
Professional services	14,000	17,322	18,530	(1,208)
Departmental supplies	18,950	20,149	20,592	(443)
Other operating expenditures	97,121	49,942	39,857	10,085
Repairs and maintenance	1,608	1,855	1,994	(139)
Total	477,315	443,055	394,577	48,478
Finance:				
Salaries and employee benefits	113,796	134,148	119,225	14,923
Professional services	18,000	18,000	16,935	1,065
Departmental supplies	4,600	4,600	3,683	917
Other operating expenditures	106,475	108,370	101,765	6,605
Capital outlay	-	13,143	7,706	5,437
Total	242,871	278,261	249,314	28,947
Nonprofit organization support:				
Other operating expenditures	3,975	3,975	3,975	-
Total	3,975	3,975	3,975	-
Planning and economic development:				
Salaries and employee benefits	110,498	112,712	104,650	8,062
Professional services	4,500	4,500	3,968	532
Departmental supplies	4,445	5,873	3,027	2,846
Other operating expenditures	174,074	257,074	162,408	94,666
Repairs and maintenance	1,000	1,000	264	736
Total	294,517	381,159	274,317	106,842
Total general government	1,083,498	1,174,342	985,476	188,866

*continued*

# TOWN OF SELMA, NORTH CAROLINA

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
Expenditures (Continued)				
Public Safety:				
Police:				
Salaries and employee benefits	\$ 1,930,932	\$ 1,722,401	\$ 1,583,075	\$ 139,326
Professional services	20,750	21,175	21,121	54
Departmental supplies	47,200	61,600	62,329	(729)
Other operating expenditures	23,318	17,132	8,257	8,875
Capital outlay	36,473	311,380	116,882	194,498
Repairs and maintenance	20,500	23,906	23,324	582
Total	2,079,173	2,157,594	1,814,988	342,606
Fire department:				
Salaries and employee benefits	567,567	590,144	550,455	39,689
Professional services	14,420	14,764	14,836	(72)
Departmental supplies	30,545	35,101	35,656	(555)
Other operating expenditures	11,795	6,329	6,786	(457)
Capital outlay	10,784	624,625	19,439	605,186
Repairs and maintenance	56,250	66,932	53,992	12,940
Total	691,361	1,337,895	681,164	656,731
Total public safety	2,770,534	3,495,489	2,496,152	999,337
Transportation:				
Powell bill:				
Capital outlay	127,665	151,365	94,082	57,283
Repairs and maintenance	24,500	25,800	18,947	6,853
Total	152,165	177,165	113,029	64,136
Public works:				
Salaries and employee benefits	442,742	439,243	387,621	51,622
Professional services	11,500	16,815	14,189	2,626
Departmental supplies	40,650	46,550	49,203	(2,653)
Other operating expenditures	620,000	620,000	620,643	(643)
Capital outlay	19,741	10,541	9,504	1,037
Repairs and maintenance	15,420	28,818	28,384	434
Total	1,150,053	1,161,967	1,109,544	52,423
Public facilities and grounds:				
Salaries and employee benefits	166,502	136,059	118,244	17,815
Professional services	104,000	86,019	65,836	20,183
Departmental supplies	17,700	16,778	16,300	478
Other operating expenditures	147,000	144,529	130,566	13,963
Capital outlay	-	31,736	104,693	(72,957)
Repairs and maintenance	39,750	488,454	104,036	384,418
Total	474,952	903,575	539,675	363,900
Total transportation	1,777,170	2,242,707	1,762,248	480,459

*continued*

# TOWN OF SELMA, NORTH CAROLINA

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
<b>Expenditures (Continued)</b>				
<b>Culture and Recreation:</b>				
Recreation:				
Salaries and employee benefits	\$ 317,769	\$ 313,918	\$ 245,504	\$ 68,414
Professional services	10,000	18,800	21,896	(3,096)
Departmental supplies	26,110	24,528	24,338	190
Other operating expenditures	84,250	86,821	68,962	17,859
Capital outlay	12,060	182,166	136,979	45,187
Repairs and maintenance	11,000	11,161	21,532	(10,371)
Total	461,189	637,394	519,211	118,183
Library:				
Salaries and employee benefits	142,949	138,090	113,955	24,135
Professional services	7,190	7,190	6,672	518
Departmental supplies	16,000	16,000	11,771	4,229
Other operating expenditures	3,800	3,900	2,047	1,853
Repairs and maintenance	5,000	10,300	1,635	8,665
Total	174,939	175,480	136,080	39,400
Civic center:				
Salaries and employee benefits	2,691	2,691	2,428	263
Professional services	7,500	1,408	2,768	(1,360)
Departmental supplies	20,284	22,009	22,262	(253)
Repairs and maintenance	1,525	8,392	6,204	2,188
Total	32,000	34,500	33,662	838
Total culture and recreation	668,128	847,374	688,953	158,421
<b>Debt Service:</b>				
Principal	175,085	189,372	192,530	(3,158)
Interest	62,810	62,984	62,909	75
Total	237,895	252,356	255,439	(3,083)
Total expenditures	6,537,225	8,012,268	6,188,268	1,824,000
Excess (deficiency) of revenues over (under) expenditures	(260,000)	(1,133,769)	968,715	2,102,484
<b>Other financing sources (uses)</b>				
Fund balance appropriation	85,000	827,350	-	(827,350)
Transfers in	175,000	1,306,535	1,306,535	-
Transfers out	-	(1,131,535)	(1,131,535)	-
Inception of lease	-	-	81,407	81,407
Proceeds from sale of capital assets	-	131,419	153,414	21,995
Total other financing sources	260,000	1,133,769	409,821	(723,948)
Net change in fund balances	-	-	1,378,536	1,378,536
<b>Fund balance, beginning of year</b>	4,648,868	4,648,868	4,648,868	-
<b>Fund balance, end of year</b>	\$ 4,648,868	\$ 4,648,868		\$ 1,378,536
Plus Fire Protection - Selma Petroleum Terminals Fund - ending fund balance			212,099	
General Fund - Fund Balance			\$ 6,239,503	

# 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, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 140	\$ 140
Permits and fees	21,000	21,000	21,000	-
Miscellaneous	-	9,031	19,031	10,000
Total revenues	21,000	30,031	40,171	10,140
<b>EXPENDITURES</b>				
Public safety	21,000	36,031	31,281	4,750
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	(6,000)	8,890	14,890
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund balance appropriation	-	6,000	-	(6,000)
Total other financing sources (uses)	-	6,000	-	(6,000)
Net change in fund balance	-	-	8,890	8,890
<b>FUND BALANCE, beginning of year</b>	203,209	203,209	203,209	-
<b>FUND BALANCE, end of year</b>	<u>\$ 203,209</u>	<u>\$ 203,209</u>	<u>\$ 212,099</u>	<u>\$ 8,890</u>

**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, 2022**

	Project	Actual		
	Budget	Prior Years	Current Year	Total
<b>REVENUES</b>				
Intergovernmental	\$ 236,150	\$ 37,345	\$ 32,212	\$ 69,557
Total revenues	236,150	37,345	32,212	69,557
<b>EXPENDITURES</b>				
Fire Department:				
Salaries and benefits	199,995	-	28,562	28,562
Uniforms and supplies	34,515	13,985	3,380	17,365
Contracted services	1,640	1,080	270	1,350
Capital outlay	-	22,280	-	22,280
Total expenditures	236,150	37,345	32,212	69,557
Net change in fund balance	\$ -	-	-	-
<b>FUND BALANCE, beginning of year</b>		-	-	-
<b>FUND BALANCE, end of year</b>		\$ -	\$ -	\$ -



**TOWN OF SELMA, NORTH CAROLINA**  
**AMERICAN RESCUE PLAN FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**PROJECT LIFE AS OF JUNE 30, 2022**

	Project Budget	Prior Years	Actual Current Year	Total
<b>REVENUES</b>				
Intergovernmental	\$ 2,263,071	\$ -	\$ 1,131,535	\$ 1,131,535
Investment earnings	-	-	806	806
Total revenues	<u>2,263,071</u>	<u>-</u>	<u>1,132,341</u>	<u>1,132,341</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(2,263,071)</u>	<u>-</u>	<u>(1,131,535)</u>	<u>(1,131,535)</u>
Total other financing (uses)	<u>(2,263,071)</u>	<u>-</u>	<u>(1,131,535)</u>	<u>(1,131,535)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>-</u>	<u>806</u>	<u>806</u>
<b>FUND BALANCE, beginning of year</b>		<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>		<u><u>\$ -</u></u>	<u><u>\$ 806</u></u>	<u><u>\$ 806</u></u>

# TOWN OF SELMA, NORTH CAROLINA

## WATER FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Operating revenues				
Water charges	\$ 1,705,644	\$ 1,705,644	\$ 1,629,265	\$ (76,379)
Penalties	75,000	75,000	57,158	(17,842)
Other operating revenues	337,053	342,753	299,848	(42,905)
Non-operating revenues - interest	3,000	3,000	3,871	871
Total revenues	2,120,697	2,126,397	1,990,142	(136,255)
EXPENDITURES				
Water administration				
Salaries and benefits	477,586	426,166	405,469	20,697
Professional services	92,400	106,952	88,461	18,491
Utilities	69,400	69,400	62,473	6,927
Insurance	77,860	76,638	67,935	8,703
Other operating expenditures	93,400	89,238	72,575	16,663
Total water administration	810,646	768,394	696,913	71,481
Water operations				
Salaries and benefits	346,357	385,947	394,394	(8,447)
Department supplies	17,500	18,750	15,201	3,549
Chemicals	70,000	86,000	75,055	10,945
Maintenance and repairs	87,500	70,250	19,205	51,045
Contract services	152,605	152,605	69,120	83,485
Purchase for resale	150,000	150,000	114,090	35,910
Other operating expenditures	179,126	1,334,061	204,579	1,129,482
Total water operations	1,003,088	2,197,613	891,644	1,305,969
				continued

# TOWN OF SELMA, NORTH CAROLINA

## WATER FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
Debt service				
Principal	\$ 32,493	\$ 32,493	\$ 32,491	\$ 2
Interest	23,417	23,417	23,410	7
Total debt service	55,910	55,910	55,901	9
Total expenditures	1,869,644	3,021,917	1,644,458	1,377,459
 Excess (deficiency) of revenues over (under) expenditures	251,053	(895,520)	345,684	1,241,204
 <b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation of net position	-	15,038	-	(15,038)
Transfers in	-	1,131,535	1,131,535	-
Transfers out	(251,053)	(251,053)	(255,319)	(4,266)
Total other financing sources (uses)	(251,053)	895,520	876,216	(19,304)
 Net change in net position	<u>\$ -</u>	<u>\$ -</u>	1,221,900	<u>\$ 1,221,900</u>
 Adjustments to full accrual:				
Capital outlays			169,699	
Payments of debt service - principal			32,491	
Increase in compensated absences			(5,197)	
Decrease in net pension liability and related pension items			21,676	
Decrease in total OPEB liability and related OPEB items			18,210	
Tap contributions			9,000	
Change in accrued interest			(2,150)	
Depreciation expense			(231,978)	
Water Capital Reserve Fund			256,117	
Change in net position			<u>\$ 1,489,768</u>	

# TOWN OF SELMA, NORTH CAROLINA

## WATER CAPITAL RESERVE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 798	\$ 798
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	251,053	251,053	255,319	4,266
Reserve for future expenditures	(251,053)	(251,053)	-	251,053
Total other financing sources	-	-	255,319	255,319
Net change in net position	\$ -	\$ -	\$ 256,117	\$ 256,117

# TOWN OF SELMA, NORTH CAROLINA

## SEWER FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Operating revenues				
Sewer charges	\$ 3,255,784	\$ 3,255,784	\$ 3,012,918	\$ (242,866)
Penalties	75,000	75,000	71,922	(3,078)
Intergovernmental	-	138,060	138,059	(1)
Other operating revenues	219,182	319,182	307,040	(12,142)
Non-operating revenues - interest	750	750	1,482	732
Total revenues	3,550,716	3,788,776	3,531,421	(257,355)
EXPENDITURES				
Sewer administration				
Salaries and benefits	144,573	137,721	81,196	56,525
Professional services	38,900	38,900	32,161	6,739
Utilities	54,000	54,000	57,806	(3,806)
Insurance	30,100	30,100	24,154	5,946
Maintenance and repairs	2,500	2,500	-	2,500
Other operating expenditures	197,150	316,540	131,342	185,198
Total sewer administration	467,223	579,761	326,659	253,102
Sewer operations				
Salaries and benefits	267,084	269,584	224,749	44,835
Department supplies	10,000	10,000	3,592	6,408
Maintenance and repairs	66,942	66,942	19,026	47,916
Transmission and treatment fees	2,300,000	2,300,000	1,647,858	652,142
Other operating expenditures	106,650	386,001	342,760	43,241
Total sewer operations	2,750,676	3,032,527	2,237,985	794,542

*continued*

# TOWN OF SELMA, NORTH CAROLINA

## SEWER FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
Debt service				
Principal	\$ 81,648	\$ 81,648	\$ 81,646	\$ 2
Interest	39,487	39,487	39,276	211
Total debt service	121,135	121,135	120,922	213
Total expenditures	3,339,034	3,733,423	2,685,566	1,047,857
 <b>Excess of revenues over expenditures</b>	 211,682	 55,353	 845,855	 790,502
 <b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation of net position	-	156,329	-	(156,329)
Transfers out	(211,682)	(211,682)	(194,665)	17,017
Total other financing (uses)	(211,682)	(55,353)	(194,665)	(139,312)
 Net change in net position	 \$ -	 \$ -	 651,190	 \$ 651,190
 Adjustments to full accrual:				
Sewer Fund capital asset additions			668,716	
Payments of debt service - principal			81,646	
Increase in compensated absences			(5,197)	
Increase in net pension liability and related pension items			38,543	
Decrease in total OPEB liability and related OPEB items			(113)	
Change in accrued interest			(4,689)	
Depreciation expense			(409,186)	
Sewer Capital Reserve Fund			195,142	
Change in net position			<u>\$ 1,216,052</u>	

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

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
PROJECT LIFE AS OF JUNE 30, 2022**

	Project	Actual		
	Budget	Prior Years	Current Year	Total
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 162,608	\$ -	\$ 162,608
Interest earnings	-	640	-	640
Total revenues	-	163,248	-	163,248
<b>EXPENDITURES</b>				
Capital outlay:	-	255,548	-	255,548
Total expenditures	-	255,548	-	255,548
(Deficiency) of revenues (under) expenditures	-	(92,300)	-	(92,300)
<b>OTHER FINANCING SOURCES</b>				
Proceeds from insurance	-	92,300	-	92,300
Total other financing sources	-	92,300	-	92,300
Net change in fund balance	\$ -	-	-	-
<b>FUND BALANCE, beginning of year</b>		-	-	-
<b>FUND BALANCE, end of year</b>		\$ -	\$ -	\$ -

# TOWN OF SELMA, NORTH CAROLINA

## SEWER CAPITAL RESERVE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 477	\$ 477
Total revenues	-	-	477	477
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation of net position	(211,682)	(211,682)	-	211,682
Transfers in	211,682	211,682	194,665	(17,017)
Total other financing sources (uses)	-	-	194,665	194,665
Net change in net position	\$ -	\$ -	\$ 195,142	\$ 195,142



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

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**PROJECT LIFE AS OF JUNE 30, 2022**

	Project Budget	Prior Years	Actual Current Year	Total
<b>REVENUES</b>				
Intergovernmental	\$ 1,999,809	\$ -	\$ 201,314	\$ 201,314
Total revenues	<u>1,999,809</u>	<u>-</u>	<u>201,314</u>	<u>201,314</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>1,999,809</u>	<u>-</u>	<u>201,314</u>	<u>201,314</u>
Total expenditures	<u>1,999,809</u>	<u>-</u>	<u>201,314</u>	<u>201,314</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, beginning of year</b>		<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# TOWN OF SELMA, NORTH CAROLINA

## ASADRA BRACK WILSON PROJECT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) PROJECT LIFE AS OF JUNE 30, 2022

	Project	Actual		
	Budget	Prior Years	Current Year	Total
<b>REVENUES</b>				
Intergovernmental	\$ 3,015,000	\$ -	\$ 101,226	\$ 101,226
Total revenues	3,015,000	-	101,226	101,226
<b>EXPENDITURES</b>				
Capital outlay:	3,015,000	-	101,226	101,226
Total expenditures	3,015,000	-	101,226	101,226
Net change in fund balance	\$ -	-	-	-
<b>FUND BALANCE, beginning of year</b>		-	-	-
<b>FUND BALANCE, end of year</b>		\$ -	\$ -	\$ -

# TOWN OF SELMA, NORTH CAROLINA

## SEWER AIA PROJECT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) PROJECT LIFE AS OF JUNE 30, 2022

	Project	Actual		
	Budget	Prior Years	Current Year	Total
<b>REVENUES</b>				
Intergovernmental	\$ 150,000	\$ -	\$ 57,926	\$ 57,926
Total revenues	150,000	-	57,926	57,926
<b>EXPENDITURES</b>				
Capital outlay:	150,000	-	57,926	57,926
Total expenditures	150,000	-	57,926	57,926
Net change in fund balance	\$ -	-	-	-
<b>FUND BALANCE, beginning of year</b>		-	-	-
<b>FUND BALANCE, end of year</b>		\$ -	\$ -	\$ -

# TOWN OF SELMA, NORTH CAROLINA

## ELECTRIC FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2022

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Operating revenues				
Electric charges	\$ 7,650,000	\$ 7,650,000	\$ 7,234,268	\$ (415,732)
Other operating revenues	729,000	743,407	664,330	(79,077)
Nonoperating revenues - interest	1,500	1,500	1,592	92
Total revenues	8,380,500	8,394,907	7,900,190	(494,717)
EXPENDITURES				
Electric administration				
Salaries and benefits	619,151	586,219	454,379	131,840
Contracted services	33,700	31,200	23,830	7,370
Utilities	19,000	19,000	14,106	4,894
Insurance	45,600	34,600	35,085	(485)
Other operating expenditures	112,750	159,607	98,256	61,351
Total electric administration	830,201	830,626	625,656	204,970
Electric operations				
Salaries and benefits	460,296	469,296	419,982	49,314
Department supplies	44,500	65,100	52,683	12,417
Maintenance and repairs	13,500	21,598	15,916	5,682
Purchases for inventory	75,000	122,527	73,766	48,761
Contracted services	62,950	62,950	30,751	32,199
Other operating expenditures	473,873	450,943	324,494	126,449
Total electric operations	1,130,119	1,192,414	917,592	274,822
Electric power purchases	5,954,000	5,954,000	5,611,573	342,427
continued				

*continued*

# TOWN OF SELMA, NORTH CAROLINA

## ELECTRIC FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
Debt service				
Principal	\$ 27,834	\$ 27,834	\$ 27,833	\$ 1
Interest	2,031	2,031	1,847	184
Total debt service	29,865	29,865	29,680	185
Total expenditures	7,944,185	8,006,905	7,184,501	822,404
 <b>Excess of revenues over expenditures</b>	 436,315	 388,002	 715,689	 327,687
 <b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation to increase net position	(261,315)	(213,002)	-	213,002
Transfers out	(175,000)	(175,000)	(175,000)	-
Total other financing (uses)	(436,315)	(388,002)	(175,000)	213,002
 Net change in net position	 \$ -	 \$ -	 540,689	 \$ 540,689
 Adjustments to full accrual:				
Capital outlays			288,769	
Payments of debt service - principal			27,833	
Decrease in compensated absences			9,994	
Increase in net pension liability and related pension items			2,413	
Decrease in total OPEB liability and related OPEB items			82,666	
Decrease in accrued interest payable			(1,126)	
Depreciation expense			(112,466)	
Electric Capital Reserve Fund			1,409	
Change in net position			\$ 840,181	

# TOWN OF SELMA, NORTH CAROLINA

## ELECTRIC CAPITAL RESERVE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 1,409	\$ 1,409
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation of net position	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in net position	\$ -	\$ -	\$ 1,409	\$ 1,409

# TOWN OF SELMA, NORTH CAROLINA

## SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2022

Fiscal Year	Uncollected Balance June 30, 2021	Additions	Collections And Credits	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 3,220,809	\$ 3,215,881	\$ 4,928
2020-2021	7,737	-	5,724	2,013
2019-2020	3,372	-	1,732	1,640
2018-2019	801	-	-	801
2017-2018	295	-	-	295
2016-2017	17	-	-	17
2015-2016	306	-	-	306
2014-2015	420	-	-	420
2013-2014	1,397	-	64	1,333
2012-2013	2,695	-	65	2,630
2011-2012	2,885	-	-	2,885
	<u>\$ 19,925</u>	<u>\$ 3,220,809</u>	<u>\$ 3,223,466</u>	<u>17,268</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>15,629</u>
Ad valorem taxes receivable - net				<u>\$ 1,639</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 3,243,177
Reconciling items:				
Releases and write-offs				(10,198)
Interest collected				(9,513)
Total collections and credits				<u>\$ 3,223,466</u>

# TOWN OF SELMA, NORTH CAROLINA

## ANALYSIS OF CURRENT TAX LEVY

### TOWN-WIDE LEVY

JUNE 30, 2022

				Total Levy	
	Town-wide			Property Excluding	Registered
	Property Valuation	Rate	Total Levy	Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real property	\$ 388,818,004	0.58	\$ 2,255,144	\$ 2,255,144	\$ -
Personal property	82,878,919	0.58	721,438	480,698	240,740
Public service company	39,529,248	0.58	229,270	229,270	-
Penalties	-		2,003	-	-
Total	<u>511,226,171</u>		<u>3,207,855</u>	<u>2,965,112</u>	<u>240,740</u>
Discoveries:					
Current year taxes	1,464,129		8,492	8,492	-
Prior year taxes	1,277,268		6,839	6,839	-
Penalties	-		2,363	-	-
Total	<u>2,741,397</u>		<u>17,694</u>	<u>15,331</u>	<u>-</u>
Abatements	(64,514)		(374)	(374)	-
Total property valuation	<u>\$ 513,903,054</u>				
Net levy			3,220,809	2,980,069	240,740
Uncollected taxes at June 30, 2022			<u>(4,928)</u>	<u>(4,928)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 3,215,881</u>	<u>\$ 2,975,141</u>	<u>\$ 240,740</u>
Current levy collection percentage			<u>99.85%</u>	<u>99.83%</u>	<u>100.00%</u>



## COMPLIANCE SECTION

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**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***

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**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, 2022, 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 24, 2022.

**Report on 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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### **Report on 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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The script is cursive and fluid, with the company name written in a professional, yet personal, style.

Raleigh, North Carolina  
October 24, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the **Town of Selma, North Carolina's** (the "Town") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2022. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town's federal programs.

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### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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## Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Mauldin & Jenkins, LLC*

Raleigh, North Carolina  
October 24, 2022

**TOWN OF SELMA, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL  
AND STATE AWARDS  
JUNE 30, 2022**

<u>Federal Awarding Agency / Pass-through Agency</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through / Grant ID Number</u>	<u>Federal</u>	<u>State</u>
<b>FEDERAL AWARDS</b>				
<u>Department of Housing and Urban Development</u>				
Passed through N.C. Department of Environmental Quality				
Community Development Block Grant - Sewer Improvements (2015)	14.228	15-I-3166	\$ 116,460	\$ -
Community Development Block Grant - Sewer Improvements (2020)	14.228	20-I-3616	84,854	-
Total U.S. Department of Housing and Urban Development			<u>201,314</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
Federal Emergency Management Agency				
Passed through N.C. Department of Public Safety				
Staffing for Adequate Fire and Emergency Response	97.038	EMW-2017-FH-00245	23,068	-
Firefighter Recruiting and Retention	97.038	FEMA-4285-DR-NC	32,212	-
Total U.S. Department of Homeland Security			<u>55,280</u>	<u>-</u>
<u>U.S. Department of Treasury</u>				
Direct Award				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	NC0414	1,131,535	-
<b>TOTAL FEDERAL AWARDS</b>			<u>1,388,129</u>	<u>-</u>
<b>STATE AWARDS</b>				
<u>N.C. Department of Transportation</u>				
Powell Bill	n/a	DOT-4	-	121,861
NCDOT Reimbursement - Depot Repairs	n/a	WBS 49227	-	5,603
NCDOT Reimbursement - Depot Roof Repairs	n/a	WBS 49227	-	66,813
Total N.C. Department of Transportation			<u>-</u>	<u>194,277</u>
<u>N.C. Department of Environmental Quality</u>				
State Revolving Fund - Brack Wilson Sewer Improvements	n/a	CS370561-04	-	101,226
AIA Sewer Project	n/a	E-AIA-W-21-0220	-	35,426
Total N.C. Department of Environmental Quality			<u>-</u>	<u>136,652</u>
<b>TOTAL STATE AWARDS</b>			<u>-</u>	<u>330,929</u>
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<u>\$ 1,388,129</u>	<u>\$ 330,929</u>

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (the "SEFSA") includes the federal and state award activity of the Town of Selma, North Carolina (the "Town") under programs of the federal government and the state of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

**Note 2. Summary of Significant Accounting Policies**

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

**Note 3. Indirect Cost Rate**

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

# TOWN OF SELMA, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

### 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 weakness(es) identified?

\_\_\_\_ yes X no

Significant deficiency(ies) identified?

\_\_\_\_ yes X none reported

Noncompliance material to financial statements noted?

\_\_\_\_ yes X no

#### **Federal Awards**

Internal control over major federal programs:  
Material weakness(es) identified?

\_\_\_\_ yes X no

Significant deficiency(ies) identified?

\_\_\_\_ yes X none reported

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

Unmodified

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

\_\_\_\_ yes X no

Identification of major federal programs:

Assistance Listing Number  
21.027

Name of Federal Program or Cluster  
Coronavirus State and Local Fiscal Recovery Funds

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

\$750,000

Auditee qualified as a low-risk auditee?

\_\_\_\_ yes X no

#### **State Awards**

There was not an audit of major state award programs for the year ended June 30, 2022, due to the total amount expended being less than \$500,000.

### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported

### SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported



**TOWN OF SELMA, NORTH CAROLINA**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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None reported.