

TOWN OF SELMA, NORTH CAROLINA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

**Prepared by:
Finance Department**

**Submitted by:
Town Manager**

TOWN OF SELMA, NORTH CAROLINA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023

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INTRODUCTORY SECTION

TOWN OF SELMA, NORTH CAROLINA

TOWN COUNCIL AND OFFICIALS

JUNE 30, 2023

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

Rhonda Sommer Interim Town Manager/Finance Officer
Leigh Ann Planton Town Clerk/Human Resource Director
Alan B. Hewett Town Attorney
William Thomas Police Chief
Phillip McDaniel Fire Chief
Vacant Parks and Recreation Director
Jamie Sullivan Planning/Economic Development Director
George Shook Electric Utility Director
Ben Scoggins Public Works Director
Ken Wall Water/Sewer Superintendent

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**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, each major fund, and the remaining fund information of the **Town of Selma, North Carolina** (the "Town"), as of and for the year ended June 30, 2023, 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, each major fund, and the remaining fund information of the Town as of June 30, 2023, 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.

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.

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 66-70, 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 March 29, 2024, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Raleigh, North Carolina
March 29, 2024

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, 2023. 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 \$27,568,127 (net position).
- The government's total net position increased by \$4,675,846 over the previous year's net position. This increase was attributed by governmental activities at \$1,936,887 and business activities at \$2,738,959.
- As of close of the current fiscal year, the Town of Selma's governmental funds reported combined ending fund balances of \$7,113,161 with a net increase of \$873,658 in fund balance in comparison with the prior year. Approximately 64.97% of this total amount, or \$4,621,618, is available for spending at the government's discretion (unassigned fund balance). The remaining balance of \$2,491,543 (35.03%) is non-spendable, restricted, or committed. The unassigned fund balance represents 52.35% of total general fund expenditures for the fiscal year.
- The Town of Selma's total debt decreased by \$57,929 or .65% during the current fiscal year. This net change is attributed primarily to the retirement of debt.

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.

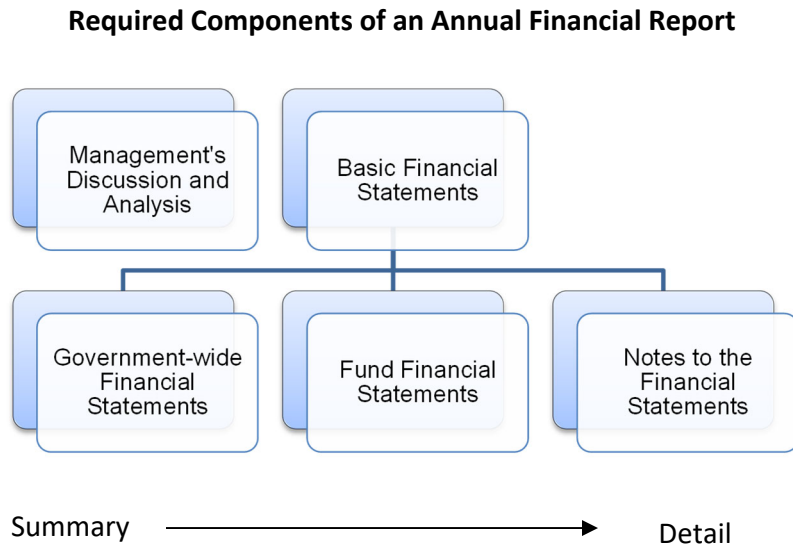
Basic Financial Statements

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 66 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, 2023 and 2022

	June 30, 2023		June 30, 2022	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Assets:				
Current assets	\$ 7,475,305	\$ 12,352,281	\$ 6,567,240	\$ 11,166,435
Capital assets, net	9,767,551	13,032,775	9,307,531	11,092,994
Total assets	<u>17,242,856</u>	<u>25,385,056</u>	<u>15,874,771</u>	<u>22,259,429</u>
Deferred outflows of resources	<u>1,966,462</u>	<u>833,635</u>	<u>1,936,342</u>	<u>763,013</u>
Liabilities:				
Current liabilities	494,865	1,940,812	424,800	1,487,120
Long-term liabilities	8,561,929	5,162,484	8,648,249	4,826,698
Total liabilities	<u>9,056,794</u>	<u>7,103,296</u>	<u>9,073,049</u>	<u>6,313,818</u>
Deferred inflows of resources	<u>1,300,968</u>	<u>416,855</u>	<u>1,823,394</u>	<u>731,013</u>
Net position:				
Net investment in capital assets	8,190,235	10,451,223	7,615,420	8,649,183
Restricted	1,291,698	106,963	1,392,870	98,460
Unrestricted	(630,377)	8,140,354	(2,093,620)	7,229,968
Total net position	<u>\$ 8,851,556</u>	<u>\$ 18,698,540</u>	<u>\$ 6,914,670</u>	<u>\$ 15,977,611</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 \$27,568,127 as of June 30, 2023. The Town's net position increased by \$4,675,846 for the fiscal year ended June 30, 2023. 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, \$1,780,947 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, 2023 and 2022

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 1,185,989	\$ 1,149,167	\$ 13,069,405	\$ 13,260,550	\$ 14,255,394	\$ 14,409,717
Operating grants/contributions	1,150,811	1,170,504	-	-	1,150,811	1,170,504
Capital grants/contributions	269,567	304,103	652,412	514,726	921,979	818,829
General revenues:						
Property taxes	3,703,653	3,481,935	-	-	3,703,653	3,481,935
Other taxes	1,554,129	1,476,424	-	-	1,554,129	1,476,424
Unrestr. interest income	192,361	9,612	160,959	9,627	353,320	19,239
Unrestr. intergovernmental	589,365	582,554	208,671	-	798,036	582,554
Miscellaneous	318,377	324,941	11,837	-	330,214	324,941
Total revenues	8,964,252	8,499,240	14,103,284	13,784,903	23,067,536	22,284,143
Expenses:						
General government	1,252,304	870,980	-	-	1,252,304	870,980
Public Safety	2,885,948	2,521,673	-	-	2,885,948	2,521,673
Transportation	1,792,015	1,786,335	-	-	1,792,015	1,786,335
Culture and recreation	809,789	696,066	-	-	809,789	696,066
Interest on long term debt	52,407	57,273	-	-	52,407	57,273
Water	-	-	1,863,740	1,632,707	1,863,740	1,632,707
Sewer	-	-	2,880,146	2,676,312	2,880,146	2,676,312
Electric	-	-	6,706,919	6,886,418	6,706,919	6,886,418
Sanitation	-	-	31,558	-	31,558	-
Total expenses	6,792,463	5,932,327	11,450,805	11,195,437	18,243,268	17,127,764
Increase in net position						
before transfers	2,171,789	2,566,913	2,652,479	2,589,466	4,824,268	5,156,379
Transfers	(220,042)	(956,535)	220,042	956,535	-	-
Change in net position	1,951,747	1,610,378	2,872,521	3,546,001	4,824,268	5,156,379
Net position, beginning	6,899,809	5,304,292	15,977,611	12,431,610	22,877,420	17,735,902
Net position, ending	\$ 8,851,556	\$ 6,914,670	\$ 18,850,132	\$ 15,977,611	\$ 27,701,688	\$ 22,892,281

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 99.88%.
- Increased ad valorem and sales tax revenues of approximately \$221,718 due to changes in the property tax rate and economic growth in the Town.

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

Governmental activities

Governmental activities reported an increase in the Town's net position of \$1,936,886. 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 \$0.60 per \$100 of assessed property value.

Assessed valuation of all taxable property in the Town is \$531,531,385, an increase of \$17,628,331 from the prior year.

Business-type activities

Business-type activities increased the Town of Selma's net position by \$2,738,959. This increase was after a transfer a transfer from the General Fund to the Water Fund of \$220,042. The Town's enterprise operations consist of water, sewer, electric, and sanitation utilities. Total charges for services in the Water, Sewer, Electric, and Sanitation Funds combined went down by \$191,145 or 1.45% for the fiscal year. Total expenses in same combined funds went up by \$380,330 or 3.4% 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 \$4,621,618, while total fund balance was \$7,113,161. 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 57.78% of total General Fund expenditures, while total fund balance represents approximately 88.93% of that same expenditure amount.

On June 30, 2023, the governmental funds of the Town of Selma reported a combined fund balance of \$7,113,161 with a net increase in fund balance of \$873,852.

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

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 \$134,08. Total expenditures in the General Fund were less than amounts approved in the final budget by \$1,981,633.

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, Electric, and Sanitation Funds at the end of the fiscal year amounted to \$3,973,107, \$2,025,669, \$2,071,042, and \$70,235, respectively. The change in net position for the Water, Sewer, Electric, and Sanitation Funds were \$457,676, \$1,404,951, \$488,874, and \$70,235 respectively resulting in a total combined increase in net position of \$2,738,959 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 \$22,800,326 (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:

- 461,180 in Sewer Infrastructure Projects
- 257,146 in Electric System Improvements
- 169,699 in Water System Upgrades and equipment purchases
- 335,000 purchases of Garbage Trucks
- 250,303 purchases of Garbage Cans
- 473,993 in General Fund improvements and equipment purchases

Figure 4
Town of Selma, North Carolina
Condensed Statement of Capital Assets (net of depreciation)
June 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 3,004,317	\$ 2,612,888	\$ 311,804	\$ 311,804	\$ 3,316,121	\$ 2,924,692
Construction in progress	283,178	91,835	1,999,540	1,025,503	2,282,718	1,117,338
Buildings and improvements	2,511,018	2,787,182	234,992	275,189	2,746,010	3,062,371
Other improvements	2,322,708	2,546,839	-	-	2,322,708	2,546,839
Distribution system	481,654	418,693	7,515,500	7,994,528	7,997,154	8,413,221
Equipment	1,076,945	772,757	2,180,332	1,076,555	3,257,277	1,849,312
Vehicles	73,267	77,337	751,798	409,415	825,065	486,752
Subscription asset	14,464	-	38,808	-	53,272	-
Total	\$ 9,767,551	\$ 9,307,531	\$ 13,032,774	\$ 11,092,994	\$ 22,800,325	\$ 20,400,525

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

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, 2023, the Town of Selma had total bonded debt outstanding of \$1,589,000, 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 \$2,388,750. Of this amount, \$974,521 is applicable to the Town's business-type activities. The remaining \$1,414,229 is applicable to the Town's governmental activities.

The Town of Selma's total debt and obligations decreased by \$470,000 during the past fiscal year, due to debt retirements.

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 \$42,522,510.

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

Figure 5
Town of Selma, North Carolina
Condensed Statement of Outstanding Debt
June 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Installment notes	\$ 1,414,243	\$ 1,614,004	\$ 974,556	\$ 816,811	\$ 2,388,799	\$ 2,430,815
Lease payable - right-to-use assets	75,356	78,107	-	-	75,356	78,107
Lease payable - SBITAs	15,176	-	40,719	-	55,895	-
Revenue bonds	-	-	1,589,000	1,627,000	1,589,000	1,627,000
Compensated absences	267,549	254,207	56,415	69,136	323,964	323,343
Net pension liability	1,889,018	531,405	929,444	256,864	2,818,462	788,269
Law enforcement officers' SSA pension obligation	768,079	961,632	-	-	768,079	961,632
OPEB liability	4,254,908	5,438,752	1,929,277	2,221,462	6,184,185	7,660,214
	<u>\$ 8,684,329</u>	<u>\$ 8,878,107</u>	<u>\$ 5,519,411</u>	<u>\$ 4,991,273</u>	<u>\$ 14,203,740</u>	<u>\$ 13,869,380</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 99.88% and 100.00%, respectively.
- Johnston County's unemployment rate was 3.2% 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%.

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

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities: The property tax rate remained constant at \$0.60 per \$100 of assessed property value and the total property valuation increased to \$523,598,666. Total budgeted expenditures in the General Fund are expected to be \$7,780,776. Town employees received a 3.0% cost of living adjustment in compensation that was effective in July 2023.

Business-type Activities: The water and sewer rates in the Town increased for fiscal year 2024 to improve our ability to fund needed infrastructure improvements. Electric rates in the Town remained the same for fiscal year 2024.

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, 2023**

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 5,445,724	\$ 9,778,738	\$ 15,224,462
Receivables, net of allowance for uncollectibles	672,535	2,392,839	3,065,374
Taxes receivable, net of allowance for uncollectibles	189,025	-	189,025
Lease receivable	121,232	-	121,232
Internal balances	415,042	(415,042)	-
Inventories	96,032	488,783	584,815
Restricted cash and cash equivalents	535,715	106,963	642,678
Capital assets:			
Non-depreciable	3,287,495	2,311,344	5,598,839
Depreciable, net of accumulated depreciation	6,392,325	10,682,623	17,074,948
Lease assets, net of accumulated amortization	73,267	-	73,267
Subscription assets, net of accumulated amortization	14,464	38,808	53,272
Total assets	<u>17,242,856</u>	<u>25,385,056</u>	<u>42,627,912</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension items	1,417,226	600,514	2,017,740
Deferred outflows - OPEB items	549,236	233,121	782,357
Total deferred outflows of resources	<u>1,966,462</u>	<u>833,635</u>	<u>2,800,097</u>
LIABILITIES			
Accounts payable	124,873	1,171,106	1,295,979
Accrued liabilities	76,967	87,740	164,707
Customer deposits	-	436,746	436,746
Interest payable	34,775	6,335	41,110
Subscriptions payable, due within one year	15,176	40,719	55,895
Lease payable, due within one year	2,876	-	2,876
Lease payable, due in more than one year	72,480	-	72,480
Installment notes, due within one year	128,566	181,255	309,821
Installment notes, due in more than one year	1,285,663	793,266	2,078,929
Bonds payable, due within one year	-	39,000	39,000
Bonds payable, due in more than one year	-	1,550,000	1,550,000
Compensated absences, due within one year	111,631	16,912	128,543
Compensated absences, due in more than one year	155,918	39,330	195,248
Total pension liability (LEOSSA), due in more than one year	768,079	-	768,079
Net pension liability (LRS), due in more than one year	1,889,018	929,443	2,818,461
Total OPEB liability, due in more than one year	4,390,771	1,793,414	6,184,185
Total liabilities	<u>9,056,793</u>	<u>7,085,266</u>	<u>16,142,059</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension items	216,221	22,233	238,454
Deferred inflows - OPEB items	966,146	394,622	1,360,768
Deferred lease receipts	118,601	-	118,601
Total deferred inflows of resources	<u>1,300,968</u>	<u>416,855</u>	<u>1,717,823</u>
NET POSITION			
Net investment in capital assets	8,190,235	10,428,535	18,618,770
Restricted for:			
Stabilization by State Statute	1,237,530	-	1,237,530
Streets - Powell Bill	343,401	-	343,401
Cemetery perpetual care	119,775	-	119,775
Debt service	80,242	106,963	187,205
Unrestricted (deficit)	(1,119,626)	8,181,072	7,061,446
Total net position	<u>\$ 8,851,557</u>	<u>\$ 18,716,570</u>	<u>\$ 27,568,127</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, 2023**

<u>Functions/Programs</u>	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Grants and Contributions			
Governmental activities:							
General government	\$ 1,311,634	\$ 211,375	\$ -	\$ 88,425	\$ (1,011,834)	\$ -	\$ (1,011,834)
Public safety	2,915,713	6,460	1,133,368	-	(1,775,885)	-	(1,775,885)
Transportation	1,792,015	906,979	5,196	181,142	(698,698)	-	(698,698)
Culture and recreation	809,789	76,131	12,247	-	(721,411)	-	(721,411)
Interest on long-term debt	52,458	-	-	-	(52,458)	-	(52,458)
Total governmental activities	6,881,609	1,200,945	1,150,811	269,567	(4,260,286)	-	(4,260,286)
Business-type activities:							
Water	1,863,740	2,013,650	-	231,671	-	381,581	381,581
Sewer	2,862,115	3,602,019	-	629,412	-	1,369,316	1,369,316
Electric	6,818,353	7,449,761	-	-	-	631,408	631,408
Sanitation	31,559	3,975	-	-	-	(27,584)	(27,584)
Total business-type activities	11,575,767	13,069,405	-	861,083	-	2,354,721	2,354,721
Total primary government	\$ 18,457,376	\$ 14,270,350	\$ 1,150,811	\$ 1,130,650	(4,260,286)	2,354,721	(1,905,565)
General revenues:							
					3,451,011	-	3,451,011
					252,642	-	252,642
					1,554,129	-	1,554,129
					192,361	160,959	353,320
					589,365	-	589,365
					377,707	-	377,707
					-	3,237	3,237
Transfers					(220,042)	220,042	-
Total general revenues and transfers					6,197,173	384,238	6,581,411
Change in net position					1,936,887	2,738,959	4,675,846
Net position, beginning of year					6,914,670	15,977,611	22,892,281
Net position, end of year					\$ 8,851,557	\$ 18,716,570	\$ 27,568,127

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

TOWN OF SELMA, NORTH CAROLINA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	American Rescue Plan Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,445,724	\$ -	\$ 5,445,724
Taxes receivable, net	189,025	-	189,025
Accounts receivable, net	672,535	-	672,535
Lease receivable	121,232	-	121,232
Due from other funds	415,042	-	415,042
Restricted cash and cash equivalents	535,715	-	535,715
Inventory	96,032	-	96,032
Total assets	\$ 7,475,305	\$ -	\$ 7,475,305
LIABILITIES			
Accounts payable	\$ 124,873	\$ -	\$ 124,873
Accrued liabilities	76,967	-	76,967
Total liabilities	201,840	-	201,840
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - other	34,000	-	34,000
Unavailable revenue - cemetery lot sales	7,703	-	7,703
Deferred lease receipts	118,601	-	118,601
Total deferred inflows of resources	160,304	-	160,304
FUND BALANCES			
Nonspendable - inventories	96,032	-	96,032
Restricted:			
Stabilization by State Statute	1,237,530	-	1,237,530
Debt service	80,242	-	80,242
Streets - Powell Bill	343,401	-	343,401
Cemetery perpetual care	112,072	-	112,072
Committed - Library Trust	56,010	-	56,010
Assigned:			
Economic development	234,226	-	234,226
Fiscal year 2024 operations	332,031	-	332,031
Unassigned	4,621,617	-	4,621,617
Total fund balances	7,113,161	-	7,113,161
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,475,305	\$ -	
Amounts reported for governmental activities in the statement of net position are different from the governmental funds because:			
Capital assets and right-to-use lease and subscription assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.			9,767,551
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.			41,703
The net pension liability (LGERS), total pension liability (LEOSSA), and the total OPEB liability, along with the related deferred outflows and deferred inflows of resources, are not expected to be liquidated with available financial resources and, therefore, are not reported in the governmental funds.			(6,263,773)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.			(1,807,085)
Net position of governmental activities			\$ 8,851,557

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	American Rescue Plan Fund	Total Governmental Funds
Revenues			
Ad valorem taxes	\$ 3,451,011	\$ -	\$ 3,451,011
Other taxes	1,554,129	-	1,554,129
Unrestricted intergovernmental	842,007	-	842,007
Restricted intergovernmental	274,996	1,131,535	1,406,531
Permits and fees	55,142	-	55,142
Sales and services	1,130,019	-	1,130,019
Investment earnings	188,748	3,613	192,361
Miscellaneous	391,554	-	391,554
Total revenues	<u>7,887,606</u>	<u>1,135,148</u>	<u>9,022,754</u>
Expenditures			
Current:			
General government	1,548,021	-	1,548,021
Public safety	3,280,110	-	3,280,110
Transportation	2,032,855	-	2,032,855
Culture and recreation	863,875	-	863,875
Debt service:			
Principal retirements	216,277	-	216,277
Interest	57,740	-	57,740
Total expenditures	<u>7,998,878</u>	<u>-</u>	<u>7,998,878</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(111,272)</u>	<u>1,135,148</u>	<u>1,023,876</u>
Other financing sources (uses)			
Transfers in	1,330,954	-	1,330,954
Transfers out	(415,042)	(1,135,954)	(1,550,996)
Inception of lease	28,927	-	28,927
Sale of general capital assets	40,091	-	40,091
Total other financing sources (uses)	<u>984,930</u>	<u>(1,135,954)</u>	<u>(151,024)</u>
Net change in fund balance	873,658	(806)	872,852
Fund balances, beginning of year	<u>6,239,503</u>	<u>806</u>	<u>6,240,309</u>
Fund balances, end of year	<u>\$ 7,113,161</u>	<u>\$ -</u>	<u>\$ 7,113,161</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, 2023**

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

Net change in fund balance - governmental funds	\$	872,852
The governmental funds reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets, including right-to-use lease and subscription assets, is allocated over their estimated useful lives, or the lease or subscription term, and reported as depreciation expense or amortization expense, respectively. This is the amount by which capital outlay exceeded depreciation and amortization expense in the current period.		559,441
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.		(99,421)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund.		15,784
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 (\$216,277) and the inception of a new lease (\$28,927).		187,350
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>400,881</u>
Change in net position - governmental activities	\$	<u><u>1,936,887</u></u>

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, 2023**

	Budget		Actual Amounts	Variance with
	Original	Final		Actual and Final Budget Positive (Negative)
Revenues				
Ad valorem taxes	\$ 3,285,134	\$ 3,315,134	\$ 3,451,011	\$ 135,877
Other taxes	1,300,000	1,300,000	1,554,129	254,129
Unrestricted intergovernmental	814,500	814,500	842,007	27,507
Restricted intergovernmental	185,000	601,564	232,285	(369,279)
Permits and fees	28,100	28,100	37,142	9,042
Sales and services	999,040	1,097,239	1,130,019	32,780
Investment earnings	4,000	13,000	186,571	173,571
Miscellaneous	5,000	498,067	368,488	(129,579)
Total revenues	<u>6,620,774</u>	<u>7,667,604</u>	<u>7,801,652</u>	<u>134,048</u>
Expenditures				
Current:				
General government	1,304,187	1,836,808	1,548,021	288,787
Public safety	3,103,236	4,001,963	3,203,707	798,256
Transportation	1,898,211	2,762,363	2,032,855	729,508
Culture and recreation	583,658	1,045,452	863,875	181,577
Debt service:				
Principal retirements	199,771	199,776	216,277	(16,501)
Interest	56,561	57,746	57,740	6
Total expenditures	<u>7,145,624</u>	<u>9,904,108</u>	<u>7,922,475</u>	<u>1,981,633</u>
Deficiency of revenues under expenditures	<u>(524,850)</u>	<u>(2,236,504)</u>	<u>(120,823)</u>	<u>2,115,681</u>
Other financing sources (uses):				
Fund balance appropriation	329,850	1,322,201	-	(1,322,201)
Transfers in	195,000	1,316,505	1,330,954	14,449
Transfers out	-	(415,042)	(415,042)	-
Inception of lease	-	-	28,927	28,927
Sale of general capital assets	-	12,840	40,091	27,251
Total other financing sources	<u>524,850</u>	<u>2,236,504</u>	<u>984,930</u>	<u>(1,251,574)</u>
Net change in fund balances	-	-	864,107	864,107
Fund balances, beginning of year	<u>6,027,404</u>	<u>6,027,404</u>	<u>6,027,404</u>	<u>-</u>
Fund balances, end of year	<u>\$ 6,027,404</u>	<u>\$ 6,027,404</u>	6,891,511	<u>\$ 864,107</u>
Reconciliation to the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance:				
Fire Protection - Selma Petroleum Terminals Fund, fund balance, beginning of year			212,099	
Fire Protection - Selma Petroleum Terminals Fund, revenues			43,243	
Fire Protection - Selma Petroleum Terminals Fund, public safety expenditures			(34,791)	
Fire Grant Project Fund, revenues			42,711	
Fire Grant Project Fund, public safety expenditures			(41,612)	
Fund balance, end of year			<u>\$ 7,113,161</u>	

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

TOWN OF SELMA, NORTH CAROLINA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2023

	Water Fund	Sewer Fund	Electric Fund	Nonmajor Sanitation Fund	Totals
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 3,920,515	\$ 2,128,568	\$ 3,241,678	\$ 487,977	\$ 9,778,738
Restricted cash	34,132	72,831	-	-	106,963
Accounts receivable, net of allowances	605,754	956,501	829,909	675	2,392,839
Inventories	151,181	6,823	330,779	-	488,783
Total current assets	4,711,582	3,164,723	4,402,366	488,652	12,767,323
NONCURRENT ASSETS					
Advances to other funds	275,000	-	-	-	275,000
CAPITAL ASSETS					
Nondepreciable	391,109	1,069,012	851,223	-	2,311,344
Depreciable, net of accumulated depreciation	3,450,943	5,601,721	1,047,736	582,223	10,682,623
Subscription assets, net of accumulated amortization	19,414	4,874	14,520	-	38,808
Total noncurrent assets	4,136,466	6,675,607	1,913,479	582,223	13,307,775
Total assets	8,848,048	9,840,330	6,315,845	1,070,875	26,075,098
DEFERRED OUTFLOWS OF RESOURCES					
Pension items	265,996	118,387	216,131	-	600,514
OPEB items	48,104	9,970	175,047	-	233,121
Total deferred outflows of resources	314,100	128,357	391,178	-	833,635
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	273,861	473,170	424,075	-	1,171,106
Accrued liabilities	24,141	9,880	56,679	3,375	94,075
Due to other funds	-	-	-	415,042	415,042
Customer deposits	85,180	77,549	274,017	-	436,746
Installment contracts, current	15,115	52,988	23,065	90,087	181,255
Bonds payable, current	13,000	26,000	-	-	39,000
Subscriptions payable, current	20,370	5,114	15,235	-	40,719
Compensated absences payable, current	7,320	7,320	2,272	-	16,912
Total current liabilities	438,987	652,021	795,343	508,504	2,394,855
NONCURRENT LIABILITIES					
Installment contracts	52,365	565,975	13	174,913	793,266
Bonds payable	491,000	1,059,000	-	-	1,550,000
Advance from other funds	-	275,000	-	-	275,000
Compensated absences payable	8,032	8,032	23,266	-	39,330
Net pension liability	411,694	183,233	334,516	-	929,443
Total OPEB liability	371,051	123,684	1,298,679	-	1,793,414
Total noncurrent liabilities	1,334,142	2,214,924	1,656,474	174,913	5,380,453
Total liabilities	1,773,129	2,866,945	2,451,817	683,417	7,775,308
DEFERRED INFLOWS OF RESOURCES					
Pension items	9,848	4,383	8,002	-	22,233
OPEB items	81,646	27,215	285,761	-	394,622
Total deferred inflows of resources	91,494	31,598	293,763	-	416,855
NET POSITION					
Net investment in capital assets	3,269,616	4,966,530	1,875,166	317,223	10,428,535
Restricted for:					
Debt service	34,132	72,831	-	-	106,963
Unrestricted	3,993,777	2,030,783	2,086,277	70,235	8,181,072
Total net position	\$ 7,297,525	\$ 7,070,144	\$ 3,961,443	\$ 387,458	\$ 18,716,570

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

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Water Fund	Sewer Fund	Electric Fund	Nonmajor Sanitation Fund	Totals
OPERATING REVENUES					
Charges for sales and services	\$ 1,737,785	\$ 3,407,981	\$ 7,413,510	\$ 3,975	\$ 12,563,251
Other operating income	275,865	194,038	36,251	-	506,154
Total operating revenues	2,013,650	3,602,019	7,449,761	3,975	13,069,405
OPERATING EXPENSES					
Salaries and benefits	918,920	360,787	603,003	14,073	1,896,783
General operating expenses	542,544	487,758	455,874	11,753	1,497,929
Depreciation and amortization	264,649	426,186	133,957	4,894	829,686
Electric purchases	-	-	5,513,224	-	5,513,224
Water & sewer purchases	115,318	1,551,228	-	-	1,666,546
Total operating expenses	1,841,431	2,825,959	6,706,058	30,720	11,404,168
Operating income (loss)	172,219	776,060	743,703	(26,745)	1,665,237
NON-OPERATING REVENUES (EXPENSES)					
Interest income	76,095	32,398	52,466	-	160,959
Gain (loss) on sale of capital assets	-	3,237	(111,434)	-	(108,197)
Interest and fiscal charges	(22,309)	(36,156)	(861)	(839)	(60,165)
Total non-operating revenue (expenses)	53,786	(521)	(59,829)	(839)	(7,403)
Income (loss) before capital contributions and transfers	226,005	775,539	683,874	(27,584)	1,657,834
Capital contributions	231,671	629,412	-	-	861,083
Transfers in	-	-	-	415,042	415,042
Transfers out	-	-	(195,000)	-	(195,000)
Change in net position	457,676	1,404,951	488,874	387,458	2,738,959
Net position, beginning of year	6,839,849	5,665,193	3,472,569	-	15,977,611
Net position, end of year	\$ 7,297,525	\$ 7,070,144	\$ 3,961,443	\$ 387,458	\$ 18,716,570

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Water Fund	Sewer Fund	Electric Fund	Nonmajor Sanitation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,638,732	\$ 3,837,085	\$ 7,642,978	\$ 3,300	\$ 13,122,095
Payments to suppliers	(556,745)	(1,804,185)	(6,033,288)	403,289	(7,990,929)
Payments to employees	(905,100)	(374,240)	(768,700)	(11,537)	(2,059,577)
Net cash provided by operating activities	<u>176,887</u>	<u>1,658,660</u>	<u>840,990</u>	<u>395,052</u>	<u>3,071,589</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers to/from other funds	-	-	(195,000)	415,042	220,042
Repayment of interfund advances	75,000	(75,000)	-	-	-
Net cash provided by (used in) non-capital financing activities	<u>75,000</u>	<u>(75,000)</u>	<u>(195,000)</u>	<u>415,042</u>	<u>220,042</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from installment notes	-	-	-	265,000	265,000
Purchase of capital assets	(1,317,294)	(692,141)	(215,333)	(587,117)	(2,811,885)
Receipt of intergovernmental capital grant	-	73,191	-	-	73,191
Principal payments on leases	(18,458)	(4,635)	(13,804)	-	(36,897)
Principal payments on long-term debt	(32,848)	(83,874)	(28,533)	-	(145,255)
Interest paid	(18,237)	(27,721)	926	-	(45,032)
Gain on sale capital assets	-	3,237	8,600	-	11,837
Contributions for tap fees	231,671	-	-	-	231,671
Net cash (used in) capital and related financing activities	<u>(1,155,166)</u>	<u>(731,943)</u>	<u>(248,144)</u>	<u>(322,117)</u>	<u>(2,457,370)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	76,095	32,398	52,466	-	160,959
Net cash provided by investing activities	<u>76,095</u>	<u>32,398</u>	<u>52,466</u>	<u>-</u>	<u>160,959</u>
Net increase (decrease) in cash and cash equivalents	(827,184)	884,115	450,312	487,977	995,220
Cash and cash equivalents, beginning of year	4,781,831	1,317,284	2,791,366	-	8,890,481
Cash and cash equivalents, end of year	<u>\$ 3,954,647</u>	<u>\$ 2,201,399</u>	<u>\$ 3,241,678</u>	<u>\$ 487,977</u>	<u>\$ 9,885,701</u>
CASH AS REPORTED ON STATEMENT OF NET POSITION					
Cash and cash equivalents	\$ 3,920,515	\$ 2,128,568	\$ 3,241,678	\$ 487,977	\$ 9,778,738
Restricted cash and cash equivalents	34,132	72,831	-	-	106,963
Total cash and cash equivalents	<u>\$ 3,954,647</u>	<u>\$ 2,201,399</u>	<u>\$ 3,241,678</u>	<u>\$ 487,977</u>	<u>\$ 9,885,701</u>

continued

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Water Fund	Sewer Fund	Electric Fund	Nonmajor Sanitation Fund	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 172,219	\$ 776,060	\$ 743,703	\$ (26,745)	\$ 1,665,237
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	264,649	426,186	133,957	4,894	829,686
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
(Increase) decrease in accounts receivable	(374,918)	231,651	172,831	(675)	28,889
(Increase) decrease in inventories	(60,768)	4,032	(21,600)	-	(78,336)
(Increase) in deferred outflows of resources - pension items	(99,555)	(44,740)	(56,515)	-	(200,810)
Decrease in deferred outflows of resources - OPEB items	28,820	9,498	91,870	-	130,188
Increase (decrease) in accounts payable	156,860	230,769	(42,590)	-	345,039
Increase (decrease) in accrued liabilities	2,899	(9,681)	(5,405)	2,536	(9,651)
Increase in due to other funds	-	-	-	415,042	415,042
Increase in customer deposits	5,025	3,415	20,386	-	28,826
Increase (decrease) in compensated absences payable	(7,075)	(7,075)	1,256	-	(12,894)
Increase in deferred inflows for OPEB items	8,338	2,779	29,182	-	40,299
(Decrease) in total OPEB liability	(88,562)	(29,520)	(309,966)	-	(428,048)
Increase in deferred inflows for pension items	(140,332)	(68,350)	(145,775)	-	(354,457)
Increase in net pension liability	309,287	133,636	229,656	-	672,579
Net cash provided by operating activities	<u>\$ 176,887</u>	<u>\$ 1,658,660</u>	<u>\$ 840,990</u>	<u>\$ 395,052</u>	<u>\$ 3,071,589</u>

TOWN OF SELMA, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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, electric, and sanitation 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 and amortization 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

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, IT subscriptions, 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 funds:

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town reports the following major enterprise funds:

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

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

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

The Town reports the following nonmajor enterprise fund:

The **Sanitation Fund** accounts for the operation, maintenance and development of the Town's sanitation 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

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, 2023, 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

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 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, 2022.

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

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 lease 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-M).

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

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. Subscription-Based Information Technology Arrangements

The Town has executed contracts that qualify as noncancellable subscription-based information technology arrangements (SBITAs). The Town recognizes a subscription liability and an intangible right-to-use subscription asset in the government-wide financial statements and each major enterprise fund. The Town recognizes subscription assets resulting from SBITAs with an initial, individual value of \$5,000 or more. At the commencement of a SBITA, the Town initially measures the subscription liability at the present value of payments expected to be made during the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for payments made at or before the SBITA commencement date, plus certain implementation and other costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life – which is the shorter of the SBITA term or the useful life of the underlying asset.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Subscription-Based Information Technology Arrangements (Continued)

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

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

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

SBITA assets are reported with depreciable capital assets and SBITA liabilities are reported with subscription payable on the Statement of Net Position.

L. 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, 2023, are recorded as prepaid items in both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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 lease and subscription 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 lease and subscription assets, are depreciated and amortized 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 lease and subscription assets	lease/subscription term

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net assets 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets 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 and benefit payments 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 reduce the pension and OPEB liabilities in the subsequent fiscal period.

O. 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. 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.

Q. 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. 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.

S. 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 \$6,263,773 difference are as follows:

Governmental activities' share of the net pension liability (LGERS)	\$ (1,889,018)
Governmental activities' share of the total OPEB liability	(4,390,771)
Total pension liability (LEOSSA)	(768,079)
Deferred outflows of resources - pension items	1,417,226
Deferred outflows of resources - OPEB items	549,236
Deferred inflows of resources - pension items	(216,221)
Deferred inflows of resources - OPEB items	(966,146)
Net adjustment to reduce <i>fund balance - governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (6,263,773)</u>

NOTES TO FINANCIAL STATEMENTS

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 funds.” The details of this \$1,807,085 difference are as follows:

Installment notes	\$ (1,414,229)
Lease payable	(75,356)
Subscription payable	(15,176)
Accrued interest payable	(34,775)
Compensated absences (i.e., vacation)	<u>(267,549)</u>
 Net adjustment to reduce <i>fund balance - governmental funds</i> to arrive at <i>net position - governmental activities</i>	 <u>\$ (1,807,085)</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 funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “The governmental funds reports capital outlays as expenditures. However, in the statement of activities the cost of those assets, including right-to-use lease and subscription assets, is allocated over their estimated useful lives, or the lease and subscription term, and reported as depreciation expense or amortization expense, respectively.” The details of this \$559,441 difference are as follows:

Capital outlay	\$ 1,274,306
Depreciation and amortization expense	<u>(714,865)</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>\$ 559,441</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 funds.” The details of this \$400,880 difference are as follows:

Compensated absences (i.e., vacation)	\$ (13,342)
Change in accrued interest	5,281
Net pension liability - LGERS and related deferred outflows and inflows of resources	(187,482)
Total pension liability - LEO Special Separation Allowance and related deferred outflows and inflows of resources	(22,995)
Total OPEB liability - and related deferred outflows and inflows of resources	<u>619,418</u>
Net adjustment to increase <i>net change in fund balance - governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u><u>\$ 400,880</u></u>

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2023, are summarized as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 15,224,462
Restricted cash and cash equivalents	<u>642,678</u>
	<u><u>\$ 15,867,140</u></u>
Cash deposited with financial institutions	\$ 6,494,997
Cash on hand	850
Cash deposited with NCCMT	<u>9,371,293</u>
	<u><u>\$ 15,867,140</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, 2023.

As of June 30, 2023, the Town’s investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value June 30, 2023</u>	<u>Duration</u>
North Carolina Capital Management Trust Government Portfolio	Fair Value Level 1	\$ 9,371,293	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, 2023, the Town’s deposits are insured or collateralized as required by state law.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. RECEIVABLES

Receivables at June 30, 2023, for the Town's individual major funds and nonmajor enterprise fund, including any applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Nonmajor Sanitation</u>
Receivables:					
Taxes	\$ 201,938	\$ -	\$ -	\$ -	\$ -
Accounts	727,878	672,554	1,069,173	1,085,419	675
Less allowance for uncollectible	<u>68,256</u>	<u>66,800</u>	<u>112,672</u>	<u>255,510</u>	<u>-</u>
Net total receivable	<u>\$ 861,560</u>	<u>\$ 605,754</u>	<u>\$ 956,501</u>	<u>\$ 829,909</u>	<u>\$ 675</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, 2023, 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, 2023, 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 \$7,812 in lease revenue and \$1,042 in interest revenue related to the lease. As of June 30, 2023, the Town's receivable for lease payments was \$121,232 and the related balance of the deferred inflow of resources was \$118,601.

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 \$17,919 in lease revenue and \$81 in interest revenue related to the lease. As of June 30, 2023, the Town's receivable for this lease has been fully collected.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the Town for the year ended June 30, 2023, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 2,612,888	\$ 391,429	\$ -	\$ 3,004,317
Construction in progress	91,835	191,343	-	283,178
Total	<u>2,704,723</u>	<u>582,772</u>	<u>-</u>	<u>3,287,495</u>
Capital assets, being depreciated/amortized:				
Buildings	5,985,947	40,558	(92,307)	5,934,198
Other improvements	7,016,197	37,954	-	7,054,151
Equipment and furniture	1,251,676	117,908	(11,017)	1,358,567
Vehicles and motorized equipment	3,236,903	466,187	(156,523)	3,546,567
Right-to-use lease asset (land)	81,407	-	-	81,407
Right-to-use subscription asset	-	28,927	-	28,927
Total being depreciated	<u>17,572,130</u>	<u>691,534</u>	<u>(259,847)</u>	<u>18,003,817</u>
Less accumulated depreciation/amortization for:				
Buildings	(3,198,765)	(238,646)	14,231	(3,423,180)
Other improvements	(4,469,358)	(262,085)	-	(4,731,443)
Equipment and furniture	(832,983)	(49,806)	5,876	(876,913)
Vehicles and motorized equipment	(2,464,146)	(145,795)	140,319	(2,469,622)
Right-to-use lease asset (land)	(4,070)	(4,070)	-	(8,140)
Right-to-use subscription asset	-	(14,463)	-	(14,463)
Total	<u>(10,969,322)</u>	<u>(714,865)</u>	<u>160,426</u>	<u>(11,523,761)</u>
Total capital assets and right-to-use assets, being depreciated/amortized, net	<u>6,602,808</u>	<u>(23,331)</u>	<u>(99,421)</u>	<u>6,480,056</u>
Governmental activities capital assets, net	<u>\$ 9,307,531</u>	<u>\$ 559,441</u>	<u>\$ (99,421)</u>	<u>\$ 9,767,551</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Fund:				
Nondepreciable capital assets:				
Land	\$ 182,438	\$ -	\$ -	\$ 182,438
Construction in progress	-	208,671	-	208,671
Total	<u>182,438</u>	<u>208,671</u>	<u>-</u>	<u>391,109</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,011,587	-	-	1,011,587
Distribution system	7,828,020	76,475	-	7,904,495
Equipment	549,827	1,032,148	-	1,581,975
Vehicles and motorized equipment	318,050	-	(53,878)	264,172
Right-to-use subscription asset	-	38,828	-	38,828
Total	<u>9,707,484</u>	<u>1,147,451</u>	<u>(53,878)</u>	<u>10,801,057</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(934,101)	(14,121)	-	(948,222)
Distribution system	(5,529,494)	(187,696)	-	(5,717,190)
Equipment	(484,116)	(16,781)	-	(500,897)
Vehicles and motorized equipment	(172,218)	(26,637)	53,878	(144,977)
Right-to-use subscription asset	-	(19,414)	-	(19,414)
Total	<u>(7,119,929)</u>	<u>(264,649)</u>	<u>53,878</u>	<u>(7,330,700)</u>
Total capital assets being depreciated/amortized, net	<u>2,587,555</u>	<u>882,802</u>	<u>-</u>	<u>3,470,357</u>
Water Fund capital assets, net	<u>\$ 2,769,993</u>	<u>\$ 1,091,473</u>	<u>\$ -</u>	<u>\$ 3,861,466</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Sewer Fund:				
Nondepreciable capital assets:				
Construction in progress	\$ 451,213	\$ 617,799	\$ -	\$ 1,069,012
Total	<u>451,213</u>	<u>617,799</u>	<u>-</u>	<u>1,069,012</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	188,553	-	-	188,553
Distribution system	11,554,084	-	-	11,554,084
Equipment	337,091	10,476	-	347,567
Vehicles and motorized equipment	350,747	63,866	(89,900)	324,713
Right-to-use subscription asset	-	9,749	-	9,749
Total	<u>12,430,475</u>	<u>84,091</u>	<u>(89,900)</u>	<u>12,424,666</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(108,898)	(13,436)	-	(122,334)
Distribution system	(5,858,082)	(367,807)	-	(6,225,889)
Equipment	(311,777)	(7,818)	-	(319,595)
Vehicles and motorized equipment	(203,028)	(32,250)	89,900	(145,378)
Right-to-use subscription asset	-	(4,875)	-	(4,875)
Total	<u>(6,481,785)</u>	<u>(426,186)</u>	<u>89,900</u>	<u>(6,818,071)</u>
Total capital assets being depreciated/amortized, net	<u>5,948,690</u>	<u>(342,095)</u>	<u>-</u>	<u>5,606,595</u>
Sewer Fund capital assets, net	<u>\$ 6,399,903</u>	<u>\$ 275,704</u>	<u>\$ -</u>	<u>\$ 6,675,607</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Electric Fund:				
Nondepreciable capital assets:				
Land	\$ 129,366	\$ -	\$ -	\$ 129,366
Construction in progress	574,290	147,567	-	721,857
Total	<u>703,656</u>	<u>147,567</u>	<u>-</u>	<u>851,223</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	296,022	-	-	296,022
Equipment	7,643,948	33,976	(495,502)	7,182,422
Vehicles and motorized equipment	780,884	33,790	-	814,674
Right-to-use subscription asset	-	29,039	-	29,039
Total	<u>8,720,854</u>	<u>96,805</u>	<u>(495,502)</u>	<u>8,322,157</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(177,974)	(12,640)	-	(190,614)
Equipment	(6,658,418)	(72,150)	375,468	(6,355,100)
Vehicles and motorized equipment	(665,020)	(34,648)	-	(699,668)
Right-to-use subscription asset	-	(14,519)	-	(14,519)
Total	<u>(7,501,412)</u>	<u>(133,957)</u>	<u>375,468</u>	<u>(7,259,901)</u>
Total capital assets being depreciated/amortized, net	<u>1,219,442</u>	<u>(37,152)</u>	<u>(120,034)</u>	<u>1,062,256</u>
Electric Fund capital assets, net	<u>\$ 1,923,098</u>	<u>\$ 110,415</u>	<u>\$ (120,034)</u>	<u>\$ 1,913,479</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Sanitation Fund:				
Capital assets, being depreciated:				
Equipment	\$ -	\$ 246,011	\$ -	\$ 246,011
Vehicles and motorized equipment	-	341,106	-	341,106
Total	-	587,117	-	587,117
Less accumulated depreciation for:				
Equipment	-	(2,050)	-	(2,050)
Vehicles and motorized equipment	-	(2,844)	-	(2,844)
Total	-	(4,894)	-	(4,894)
Total capital assets being depreciated, net	-	582,223	-	582,223
Sanitation Fund capital assets, net	\$ -	\$ 582,223	\$ -	\$ 582,223

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

Governmental activities:	
General government	\$ 76,400
Public safety	197,129
Transportation	298,929
Culture and recreation	142,407
Total depreciation and amortization expense - governmental activities	\$ 714,865
 Business-type activities:	
Water	\$ 264,649
Sewer	426,186
Electric	133,957
Sanitation	4,894
Total depreciation and amortization expense - business-type activities	\$ 829,686

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2023, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Installment notes - direct borrowings	\$ 1,614,004	\$ -	\$ (199,775)	\$ 1,414,229	\$ 128,566
Lease payable - right-to-use assets	78,107	-	(2,751)	75,356	2,876
IT subscriptions payable	-	28,927	(13,751)	15,176	15,176
Compensated absences	254,207	124,973	(111,631)	267,549	111,631
Net pension liability (LGRS)	531,405	1,907,149	(549,536)	1,889,018	-
Law enforcement officers' SSA total pension liability	961,632	97,995	(291,548)	768,079	-
Total OPEB liability	5,438,752	198,949	(1,246,930)	4,390,771	-
Governmental activities Long-term liabilities	<u>\$ 8,878,107</u>	<u>\$ 2,357,993</u>	<u>\$ (2,415,922)</u>	<u>\$ 8,820,178</u>	<u>\$ 258,249</u>
Business-type activities:					
Installment notes - direct borrowings	\$ 816,811	\$ 282,995	\$ (125,285)	\$ 974,521	\$ 181,255
IT subscriptions payable	-	77,616	(36,897)	40,719	40,719
Revenue bonds - direct placement	1,627,000	-	(38,000)	1,589,000	39,000
Compensated absences	69,136	4,646	(17,540)	56,242	16,912
Net pension liability (LGRS)	256,864	939,020	(266,441)	929,443	-
Total OPEB liability Business-type activities	2,221,462	90,221	(382,406)	1,929,277	-
Business-type activities Long-term liabilities	<u>\$ 4,991,273</u>	<u>\$ 1,394,498</u>	<u>\$ (866,569)</u>	<u>\$ 5,519,202</u>	<u>\$ 277,886</u>

For governmental activities, compensated absences are liquidated by the General Fund. The net pension liability (LGRS), total pension liability (LEOSSA), and total OPEB liability are liquidated by the General Fund. The compensated absences, net pension liability (LGRS), 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. The debt service to maturity on the Town's outstanding lease is as follows:

	Principal	Interest	Total
Year Ending June 30,			
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	3,417	523	3,940
2029-2033	19,381	2,167	21,548
2034-2038	23,686	1,293	24,979
2039-2041	16,579	279	16,858
Total	<u>\$ 75,356</u>	<u>\$ 6,617</u>	<u>\$ 81,973</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

IT Subscription Payable

The Town has entered into a noncancelable subscription for the right to use financial software. Annual payments of principal and interest at 5.0% are due on July 1 of each year until the end of the agreement on July 1, 2024. The debt service to maturity on the Town’s outstanding IT subscription payable is as follows:

Governmental Activities

	Principal	Interest	Total
Year Ending June 30, 2024	\$ 15,176	\$ 759	\$ 15,935
Total	\$ 15,176	\$ 759	\$ 15,935

Business-type Activities

	Principal	Interest	Total
Year Ending June 30, 2024	\$ 40,719	\$ 2,035	\$ 42,754
Total	\$ 40,719	\$ 2,035	\$ 42,754

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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, 2023, are as follows:

<i>Governmental activities</i>	Balance as of June 30, 2023
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.	\$ 398,555
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.	287,394
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.	23,999
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.	82,775
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.	201,743
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.	8,580
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	411,183
	\$ 1,414,229

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>
2024	\$ 128,566	\$ 50,684	\$ 179,250
2025	123,133	46,503	169,636
2026	126,441	42,405	168,846
2027	129,834	38,223	168,057
2028	133,343	33,925	167,268
2029-2033	338,835	116,284	455,119
2034-2038	238,283	67,499	305,782
2039-2043	195,794	18,052	213,846
Total	<u>\$ 1,414,229</u>	<u>\$ 413,575</u>	<u>\$ 1,827,804</u>

<i>Business-type activities</i>	<u>Balance as of June 30, 2023</u>
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.	\$ 58,911
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.	578,905
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.	48,620
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.	23,085
A note issued by US Bank for \$265,000 was issued on March 24, 2023, with annual payments of \$93,214 for a new sanitation truck. The note bears an interest rate of 4.35% and matures in 2025.	265,000
Total outstanding notes payable	<u>\$ 974,521</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 business-type activities' installment notes is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 181,255	\$ 16,357	\$ 197,612
2025	106,130	18,580	124,710
2026	109,874	14,574	124,448
2027	20,546	10,425	30,971
2028	20,546	10,163	30,709
2029-2033	103,154	46,669	149,823
2034-2038	83,000	39,225	122,225
2039-2043	92,000	31,106	123,106
2044-2048	100,000	22,200	122,200
2049-2053	110,000	12,450	122,450
2054-2057	48,016	2,400	50,416
Total	<u>\$ 974,521</u>	<u>\$ 224,149</u>	<u>\$ 1,198,670</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,			
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	44,000	39,844	83,844
2029-2033	238,000	179,669	417,669
2034-2038	275,000	142,843	417,843
2039-2043	318,000	99,578	417,578
2044-2048	322,000	49,831	371,831
2049-2053	229,000	14,769	243,769
Total	\$ 1,589,000	\$ 697,702	\$ 2,286,702

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 \$2,286,702. Principal and interest paid for the current year and net revenues were \$83,539 and \$2,033,842, 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, 2023:

Operating revenues	\$ 5,615,669
Non-operating revenues	108,493
Operating expenses	(3,976,555)
Income available for debt service	\$ 1,747,607
Annual debt service (Revenue Bonds only)	\$ 84,494
Debt service coverage ratio	2068%

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Placement - Revenue Bonds (Continued)

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

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2023, is as follows:

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Fund	Sewer Fund	\$ 275,000

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, 2023, the Sewer Fund made a payment of \$75,000 to the Water Fund towards the repayment of this advance.

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sanitation Fund	\$ 415,042

The General Fund transferred \$415,042 to the Sanitation Fund in order to help get its operations going as the Sanitation Fund did not start billing until May of 2023. This will be reimbursed with future revenue.

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Electric Fund	\$ 195,000
Sanitation Fund	General Fund	415,042
General Fund	ARPA Fund	1,135,954

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS

A. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The state's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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, 2023, 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 \$472,300 for the year ended June 30, 2023.

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

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

At June 30, 2023, the Town reported a liability of \$2,818,461 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, 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, 2022, measurement date, the Town's proportion was 0.04996%, which was a decrease of 0.00144% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$776,816. At June 30, 2023, 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	\$ 121,445	\$ 11,907
Changes in plan assumptions	281,219	-
Net difference between projected and actual earnings on pension plan investments	931,530	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	14,516	55,514
Town contributions subsequent to the measurement date	472,300	-
Total	<u>\$ 1,821,010</u>	<u>\$ 67,421</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Town contributions made subsequent to the measurement date of \$472,300 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2024	\$	404,950
2025		340,704
2026		91,834
2027		443,801
	\$	<u>1,281,289</u>

Actuarial Assumptions. The total pension liability measured as of June 30, 2022, was determined by the December 31, 2021 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, 2021 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022, are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 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:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability	\$ 5,086,953	\$ 2,818,461	\$ 949,086

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued 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, 2021, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Active plan members	<u>19</u>
Total	<u><u>25</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, 2021 valuation. The total pension liability in the December 31, 2021, 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	4.31 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 \$75,754 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, 2023, the Town reported a total pension liability of \$768,079. The total pension liability was measured as of December 31, 2022, based on a December 31, 2021, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$67,233.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience differences	\$ 40,273	\$ 29,648
Change in assumptions	112,426	141,385
Town benefit payments made subsequent to the measurement date.	44,031	-
Total	\$ 196,730	\$ 171,033

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 \$44,031 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2024	\$	23,758
2025		11,380
2026		(4,175)
2027		(36,896)
2028		(12,401)
		(18,334)
	\$	(18,334)

Changes in the Total Pension Liability. The changes in the total pension liability of the Town for the fiscal year ended June 30, 2023, were as follows:

		Total Pension Liability
Balance at June 30, 2022	\$	961,632
Service cost		46,047
Interest		20,784
Experience differences		(36,448)
Assumption changes		(148,182)
Benefit payments		(75,754)
Balance at June 30, 2023	\$	768,079

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

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

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate. The following presents the Town's total pension liability calculated using the discount rate of 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	1% Decrease (3.31%)	Current Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$ 836,048	\$ 768,079	\$ 707,016

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, 2021 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 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

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, 2023, were \$72,601, which consisted of \$59,121 from the Town and \$13,480 from the law enforcement officers. As of June 30, 2023, there were twenty-four (25) 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, 2023, were \$96,484, which consisted of \$63,526 from the Town and \$32,958 from the employees. As of June 30, 2023, there were sixty-six (66) participants in the plan.

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NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

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

Membership of the HCB Plan consisted of the following at June 30, 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, 2023, the Town contributed \$283,890 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 \$6,184,185 was measured as of June 30, 2022, based on a June 30, 2021, actuarial valuation. The total OPEB liability was then rolled forward to the measurement date of June 30, 2022, utilizing update procedures incorporating the actuarial assumptions.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2021, 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	2.16%
Measurement date	3.54%
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, 2023, were as follows:

	<u>Total OPEB Liability</u>
Balance at June 30, 2022	\$ 7,660,214
Service cost	117,817
Interest	165,167
Experience differences	6,186
Assumption changes	(1,500,960)
Benefit payments	(264,239)
Balance at June 30, 2023	<u><u>\$ 6,184,185</u></u>

Changes in assumption and other inputs reflect a change in the discount rate from 2.16% to 3.54%. The current mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019. 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 (2.54 percent) or 1-percentage-point higher (4.54) than the current discount rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	\$ 7,219,930	\$ 6,184,185	\$ 5,364,684

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

	1% Decrease (6.00% to 3.50%)	Current (7.00% to 4.50%)	1% Increase (8.00% to 5.50%)
Total OPEB liability	\$ 5,287,297	\$ 6,184,185	\$ 7,323,934

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, 2023, 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, 2023, OPEB expense was (\$597,888). At June 30, 2023, 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	\$ 4,089	\$ 343,027
Changes in plan assumptions	494,377	1,017,741
Town contributions subsequent to the measurement date	283,891	-
Total	\$ 782,357	\$ 1,360,768

Town contributions made subsequent to the measurement date of \$283,891 are reported as deferred outflows of resources and will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:

2024	\$ (400,243)
2025	(462,059)
	\$ (862,302)

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

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 \$3,264,844 as of June 30, 2023.

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, 2023, were \$5,513,224.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SELMA, NORTH CAROLINA

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

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability, beginning balance	\$ 961,632	\$ 1,009,044	\$ 789,371	\$ 736,478
Service cost	46,047	49,322	32,311	26,137
Interest on the total pension liability	20,784	18,582	24,331	25,266
Difference between expected and actual experience	(36,448)	4,926	27,865	64,849
Changes of assumptions or other inputs	(148,182)	(27,786)	221,183	21,340
Benefit payments	(75,754)	(92,456)	(86,017)	(84,699)
Total pension liability, ending balance	<u>\$ 768,079</u>	<u>\$ 961,632</u>	<u>\$ 1,009,044</u>	<u>\$ 789,371</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.

2019	2018	2017
\$ 720,538	\$ 693,194	\$ 724,106
31,340	24,692	24,248
21,695	25,467	24,657
57,200	7,783	-
(26,322)	36,259	(12,960)
(67,973)	(66,857)	(66,857)
<u>\$ 736,478</u>	<u>\$ 720,538</u>	<u>\$ 693,194</u>

TOWN OF SELMA, NORTH CAROLINA

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

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 768,079	\$ 961,632	\$ 1,009,044	\$ 789,371
Town's covered payroll	\$ 997,735	\$ 1,065,370	\$ 1,069,956	\$ 1,021,997
Total pension liability as a percentage of covered payroll	76.98%	90.26%	94.31%	77.24%

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

2019	2018	2017	2016
\$ 736,478	\$ 720,538	\$ 693,194	\$ 724,106
\$ 1,158,005	\$ 1,110,276	\$ 1,030,492	\$ 941,276
63.60%	64.90%	67.27%	76.93%

TOWN OF SELMA, NORTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
OPEB HEALTHCARE BENEFIT PLAN
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
JUNE 30,**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability						
Service cost	\$ 117,817	\$ 155,893	\$ 100,044	\$ 185,598	\$ 196,964	\$ 223,048
Interest on total OPEB liability	165,167	184,095	231,592	304,608	285,237	255,649
Difference between expected and actual experience	6,186	(979,184)	(27,472)	(1,544,380)	(24,361)	(12,765)
Changes of assumptions and other inputs	(1,500,960)	253,789	1,591,645	(19,487)	(409,297)	(746,136)
Benefit payments	<u>(264,239)</u>	<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	(1,476,029)	(641,125)	1,674,990	(1,332,231)	(154,141)	(479,503)
Total OPEB liability - beginning	<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>	<u>8,592,224</u>
Total OPEB liability - ending	<u>\$ 6,184,185</u>	<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	\$ 1,032,620	\$ 1,463,579	\$ 1,463,579	\$ 1,823,609	\$ 2,061,538
Total OPEB liability as a percentage of covered-employee payroll	598.9%	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 TEN FISCAL YEARS**

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Town's proportion of the net pension liability (asset) (%)	0.04996%	0.05140%	0.05107%	0.04677%
Town's proportion of the net pension liability (asset) (\$)	\$ 2,818,461	\$ 788,269	\$ 1,824,948	\$ 1,277,251
Town's covered payroll	\$ 3,724,124	\$ 3,574,071	\$ 3,458,803	\$ 3,184,428
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	75.68%	22.06%	52.76%	40.11%
Plan fiduciary net position as a percentage of the total pension liability	84.14%	95.51%	88.61%	90.86%

2019	2018	2017	2016	2015	2014
0.05206%	0.04977%	0.04958%	0.04754%	0.04640%	0.05280%
\$ 1,235,042	\$ 760,350	\$ 1,052,254	\$ 213,357	\$ (273,641)	\$ 636,444
\$ 3,158,766	\$ 3,029,574	\$ 2,971,719	\$ 2,774,964	\$ 2,723,487	\$ 2,796,230
39.10%	25.10%	35.41%	7.69%	(10.05%)	22.76%
91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

TOWN OF SELMA, NORTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOWN'S CONTRIBUTIONS
LAST TEN FISCAL YEARS**

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 472,300	\$ 407,541	\$ 374,341	\$ 303,010
Contributions in relation to the contractually required contributions	472,300	407,541	374,341	303,010
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 3,857,420	\$ 3,724,124	\$ 3,574,071	\$ 3,458,803
Contributions as a percentage of covered payroll	12.24%	10.94%	10.47%	8.76%

2019	2018	2017	2016	2015	2014
\$ 255,817	\$ 254,019	\$ 226,453	\$ 205,501	\$ 199,781	\$ 196,502
255,817	254,019	226,453	205,501	199,781	196,502
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,184,428	\$ 3,158,766	\$ 3,029,574	\$ 2,971,719	\$ 2,774,964	\$ 2,723,487
8.03%	8.04%	7.47%	6.92%	7.20%	7.22%

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, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Ad valorem taxes:				
Current year	\$ 3,271,134	\$ 3,301,134	\$ 3,441,537	\$ 140,403
Prior year	10,000	10,000	4,422	(5,578)
Penalties and interest	4,000	4,000	5,052	1,052
Total ad valorem taxes	<u>3,285,134</u>	<u>3,315,134</u>	<u>3,451,011</u>	<u>135,877</u>
Other taxes and licenses:				
Local option sales taxes	1,300,000	1,300,000	1,554,129	254,129
Total other taxes and licenses	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,554,129</u>	<u>254,129</u>
Unrestricted intergovernmental:				
Local occupancy taxes	90,000	90,000	84,044	(5,956)
Payments in lieu of taxes (external sources)	35,000	35,000	37,026	2,026
Telecommunications sales tax	27,000	27,000	24,671	(2,329)
Fire district tax	232,000	232,000	252,642	20,642
Utilities sales tax	326,000	326,000	361,541	35,541
Piped natural gas sales tax	6,000	6,000	12,015	6,015
Video franchise fee	22,000	22,000	20,526	(1,474)
Beer and wine tax	28,500	28,500	29,211	711
ABC profit distribution	48,000	48,000	20,331	(27,669)
Total unrestricted intergovernmental	<u>814,500</u>	<u>814,500</u>	<u>842,007</u>	<u>27,507</u>
Restricted intergovernmental:				
Powell Bill allocation	180,000	180,000	181,142	1,142
Controlled substance tax	-	-	590	590
FEMA grant	-	-	233	233
State grants	-	325,064	6,402	(318,662)
County grants	-	91,500	38,722	(52,778)
Solid waste disposal tax	5,000	5,000	5,196	196
Total restricted intergovernmental	<u>185,000</u>	<u>601,564</u>	<u>232,285</u>	<u>(369,279)</u>
Permits and fees:				
Building permits	20,000	20,000	29,140	9,140
Inspection fees	8,100	8,100	8,002	(98)
Total permits and fees	<u>28,100</u>	<u>28,100</u>	<u>37,142</u>	<u>9,042</u>
Sales and services:				
Cemetery fees	180,000	180,000	181,994	1,994
Recreation fees	37,000	74,450	48,782	(25,668)
Refuse charges	690,000	690,000	728,696	38,696
Rents	39,040	40,540	41,281	741
Other fees	53,000	112,249	129,266	17,017
Total sales and services	<u>999,040</u>	<u>1,097,239</u>	<u>1,130,019</u>	<u>32,780</u>
Investment earnings	4,000	13,000	186,571	173,571
Miscellaneous	5,000	498,067	368,488	(129,579)
Total revenues	<u>6,620,774</u>	<u>7,667,604</u>	<u>7,801,652</u>	<u>134,048</u>

Continued

TOWN OF SELMA, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
Current:				
General government:				
Governing body:				
Salaries and employee benefits	\$ 28,592	\$ 28,592	\$ 28,305	\$ 287
Professional services	15,450	54,717	47,493	7,224
Departmental supplies	3,600	3,600	4,892	(1,292)
Other operating expenditures	48,200	25,242	23,354	1,888
Total	<u>95,842</u>	<u>112,151</u>	<u>104,044</u>	<u>8,107</u>
Administration:				
Salaries and employee benefits	451,264	387,004	362,542	24,462
Professional services	14,000	22,660	17,066	5,594
Departmental supplies	25,500	29,755	29,927	(172)
Other operating expenditures	98,748	45,000	39,744	5,256
Repairs and maintenance	2,000	2,445	1,767	678
Total	<u>591,512</u>	<u>486,864</u>	<u>451,046</u>	<u>35,818</u>
Finance:				
Salaries and employee benefits	128,826	130,712	127,730	2,982
Professional services	19,200	25,200	16,885	8,315
Departmental supplies	5,075	5,075	3,285	1,790
Other operating expenditures	107,886	108,186	113,020	(4,834)
Total	<u>260,987</u>	<u>269,173</u>	<u>260,920</u>	<u>8,253</u>
Nonprofit organization support:				
Other operating expenditures	1,400	4,827	4,699	128
Total	<u>1,400</u>	<u>4,827</u>	<u>4,699</u>	<u>128</u>
Planning and economic development:				
Salaries and employee benefits	112,846	99,846	70,421	29,425
Professional services	12,000	20,175	16,352	3,823
Departmental supplies	5,150	3,194	2,435	759
Other operating expenditures	223,450	839,778	637,971	201,807
Repairs and maintenance	1,000	800	133	667
Total	<u>354,446</u>	<u>963,793</u>	<u>727,312</u>	<u>236,481</u>
Total general government	<u>1,304,187</u>	<u>1,836,808</u>	<u>1,548,021</u>	<u>288,787</u>

Continued

TOWN OF SELMA, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Current (Continued):				
Public Safety:				
Police:				
Salaries and employee benefits	\$ 1,967,994	\$ 2,015,396	\$ 1,882,257	\$ 133,139
Professional services	20,000	19,355	17,551	1,804
Departmental supplies	61,800	69,500	62,381	7,119
Other operating expenditures	23,690	40,747	19,824	20,923
Capital outlay	193,200	388,805	387,709	1,096
Repairs and maintenance	29,500	26,205	45,325	(19,120)
Total	<u>2,296,184</u>	<u>2,560,008</u>	<u>2,415,047</u>	<u>144,961</u>
Fire department:				
Salaries and employee benefits	638,233	643,943	621,261	22,682
Professional services	18,020	14,020	12,627	1,393
Departmental supplies	35,844	36,844	32,492	4,352
Other operating expenditures	8,910	9,410	8,040	1,370
Capital outlay	33,320	643,425	26,961	616,464
Repairs and maintenance	72,725	94,313	87,279	7,034
Total	<u>807,052</u>	<u>1,441,955</u>	<u>788,660</u>	<u>653,295</u>
Total public safety	<u>3,103,236</u>	<u>4,001,963</u>	<u>3,203,707</u>	<u>798,256</u>
Transportation:				
Powell bill:				
Capital outlay	144,000	166,491	149,921	16,570
Repairs and maintenance	27,166	9,617	9,225	392
Total	<u>171,166</u>	<u>176,108</u>	<u>159,146</u>	<u>16,962</u>
Public works:				
Salaries and employee benefits	438,547	482,764	406,096	76,668
Professional services	1,000	4,121	2,556	1,565
Departmental supplies	60,300	197,800	70,649	127,151
Other operating expenditures	672,500	672,500	664,225	8,275
Capital outlay	48,964	72,317	71,567	750
Repairs and maintenance	35,800	42,326	42,801	(475)
Total	<u>1,257,111</u>	<u>1,471,828</u>	<u>1,257,894</u>	<u>213,934</u>
Public facilities and grounds:				
Salaries and employee benefits	138,102	138,102	112,095	26,007
Professional services	45,500	97,250	82,883	14,367
Departmental supplies	20,332	22,132	21,144	988
Other operating expenditures	140,500	136,100	125,576	10,524
Capital outlay	63,825	285,760	221,125	64,635
Repairs and maintenance	61,675	435,083	52,992	382,091
Total	<u>469,934</u>	<u>1,114,427</u>	<u>615,815</u>	<u>498,612</u>
Total transportation	<u>1,898,211</u>	<u>2,762,363</u>	<u>2,032,855</u>	<u>729,508</u>

Continued

TOWN OF SELMA, NORTH CAROLINA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Current (Continued):				
Culture and Recreation:				
Recreation:				
Salaries and employee benefits	\$ 278,922	\$ 278,021	\$ 232,418	\$ 45,603
Professional services	9,000	16,200	17,144	(944)
Departmental supplies	19,000	13,333	5,520	7,813
Other operating expenditures	66,090	129,326	128,764	562
Capital outlay	-	344,085	246,456	97,629
Repairs and maintenance	9,800	33,975	36,826	(2,851)
Total	<u>382,812</u>	<u>814,940</u>	<u>667,128</u>	<u>147,812</u>
Library:				
Salaries and employee benefits	137,606	138,370	128,779	9,591
Professional services	8,115	8,115	9,045	(930)
Departmental supplies	17,000	16,915	15,105	1,810
Other operating expenditures	3,900	9,015	7,532	1,483
Repairs and maintenance	3,500	8,498	5,335	3,163
Total	<u>170,121</u>	<u>180,913</u>	<u>165,796</u>	<u>15,117</u>
Civic center:				
Salaries and employee benefits	2,691	8,074	2,546	5,528
Professional services	2,000	2,000	2,219	(219)
Departmental supplies	18,909	32,400	23,331	9,069
Repairs and maintenance	7,125	7,125	2,855	4,270
Total	<u>30,725</u>	<u>49,599</u>	<u>30,951</u>	<u>18,648</u>
Total culture and recreation	<u>583,658</u>	<u>1,045,452</u>	<u>863,875</u>	<u>181,577</u>
Debt Service:				
Principal	199,771	199,776	216,277	(16,501)
Interest	56,561	57,746	57,740	6
Total	<u>256,332</u>	<u>257,522</u>	<u>274,017</u>	<u>(16,495)</u>
Total expenditures	<u>7,145,624</u>	<u>9,904,108</u>	<u>7,922,475</u>	<u>1,981,633</u>
Deficiency of revenues under expenditures	<u>(524,850)</u>	<u>(2,236,504)</u>	<u>(120,823)</u>	<u>2,115,681</u>
Other financing sources (uses)				
Fund balance appropriation	329,850	1,322,201	-	(1,322,201)
Transfers in	195,000	1,316,505	1,330,954	14,449
Transfers out	-	(415,042)	(415,042)	-
Inception of lease	-	-	28,927	28,927
Proceeds from sale of capital assets	-	12,840	40,091	27,251
Total other financing sources	<u>524,850</u>	<u>2,236,504</u>	<u>984,930</u>	<u>(1,251,574)</u>
Net change in fund balances	-	-	864,107	864,107
Fund balance, beginning of year	<u>6,027,404</u>	<u>6,027,404</u>	<u>6,027,404</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,027,404</u>	<u>\$ 6,027,404</u>	<u>\$ 6,027,404</u>	<u>\$ 864,107</u>
Plus Fire Protection - Selma Petroleum Terminals Fund - ending fund balance			<u>220,551</u>	
General Fund - Fund Balance			<u>\$ 7,112,062</u>	

TOWN OF SELMA, NORTH CAROLINA

**FIRE PROTECTION - SELMA PETROLEUM TERMINALS FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 2,177	\$ 2,177
Permits and fees	21,000	21,000	18,000	(3,000)
Miscellaneous	-	24,937	23,066	(1,871)
Total revenues	<u>21,000</u>	<u>45,937</u>	<u>43,243</u>	<u>(2,694)</u>
EXPENDITURES				
Public safety	<u>21,000</u>	<u>45,937</u>	<u>34,791</u>	<u>11,146</u>
Excess of revenues over expenditures	-	-	8,452	8,452
OTHER FINANCING SOURCES (USES)				
Fund balance appropriation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	8,452	8,452
FUND BALANCE, beginning of year	<u>212,099</u>	<u>212,099</u>	<u>212,099</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 212,099</u>	<u>\$ 212,099</u>	<u>\$ 220,551</u>	<u>\$ 8,452</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, 2023**

	Project	Actual		
	Budget	Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ 203,938	69,557	\$ 42,711	\$ 112,268
Total revenues	<u>203,938</u>	<u>69,557</u>	<u>42,711</u>	<u>112,268</u>
EXPENDITURES				
Fire Department:				
Salaries and benefits	171,433	28,562	38,611	67,173
Uniforms and supplies	31,105	17,365	3,001	20,366
Contracted services	1,400	1,350	-	1,350
Capital outlay	-	22,280	-	22,280
Total expenditures	<u>203,938</u>	<u>69,557</u>	<u>41,612</u>	<u>111,169</u>
Net change in fund balance	<u>\$ -</u>	-	1,099	1,099
FUND BALANCE, beginning of year		-	-	-
FUND BALANCE, end of year		<u>-</u>	<u>\$ 1,099</u>	<u>\$ 1,099</u>

**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, 2023**

	Project Budget	Actual		Total
		Prior Years	Current Year	
REVENUES				
Intergovernmental	\$ 2,263,071	1,131,535	\$ 1,131,535	\$ 2,263,070
Investment earnings	-	806	3,613	4,419
Total revenues	<u>2,263,071</u>	<u>1,132,341</u>	<u>1,135,148</u>	<u>2,267,489</u>
OTHER FINANCING USES				
Transfers out	<u>(2,263,071)</u>	<u>(1,131,535)</u>	<u>(1,135,954)</u>	<u>(2,267,489)</u>
Total other financing (uses)	<u>(2,263,071)</u>	<u>(1,131,535)</u>	<u>(1,135,954)</u>	<u>(2,267,489)</u>
Net change in fund balance	<u>\$ -</u>	806	(806)	-
FUND BALANCE, beginning of year		-	806	-
FUND BALANCE, end of year		<u>806</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF SELMA, NORTH CAROLINA

**WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Operating revenues				
Water charges	\$ 1,728,484	\$ 1,728,484	\$ 1,671,263	\$ (57,221)
Penalties	75,000	75,000	40,869	(34,131)
Other operating revenues	348,776	348,776	301,518	(47,258)
Non-operating revenues - interest	1,500	38,855	62,587	23,732
Total revenues	<u>2,153,760</u>	<u>2,191,115</u>	<u>2,076,237</u>	<u>(114,878)</u>
EXPENDITURES				
Water administration				
Salaries and benefits	503,090	489,917	468,213	21,704
Professional services	111,400	147,900	136,771	11,129
Utilities	74,600	74,600	68,985	5,615
Insurance	98,563	84,563	72,697	11,866
Other operating expenditures	87,350	71,350	57,364	13,986
Total water administration	<u>875,003</u>	<u>868,330</u>	<u>804,030</u>	<u>64,300</u>
Water operations				
Salaries and benefits	367,944	388,472	367,089	21,383
Department supplies	23,422	21,822	14,054	7,768
Chemicals	100,000	90,000	74,302	15,698
Maintenance and repairs	86,000	74,000	19,371	54,629
Contract services	100,000	137,500	126,456	11,044
Purchase for resale	175,000	175,000	115,318	59,682
Other operating expenditures	109,717	1,247,950	1,362,535	(114,585)
Total water operations	<u>962,083</u>	<u>2,134,744</u>	<u>2,079,125</u>	<u>55,619</u>

Continued

TOWN OF SELMA, NORTH CAROLINA

**WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (CONTINUED)				
Debt service				
Principal	\$ 32,849	\$ 32,849	\$ 32,848	\$ 1
Interest	22,549	22,549	22,547	2
Total debt service	<u>55,398</u>	<u>55,398</u>	<u>55,395</u>	<u>3</u>
Total expenditures	<u>1,892,484</u>	<u>3,058,472</u>	<u>2,938,550</u>	<u>119,922</u>
Excess (deficiency) of revenues over (under) expenditures	261,276	(867,357)	(862,313)	5,044
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	-	1,067,633	-	(1,067,633)
Transfers in	-	61,000	61,000	-
Transfers out	<u>(261,276)</u>	<u>(261,276)</u>	<u>(258,542)</u>	<u>2,734</u>
Total other financing sources (uses)	<u>(261,276)</u>	<u>867,357</u>	<u>(197,542)</u>	<u>(1,064,899)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	(1,059,855)	<u>\$ (1,059,855)</u>
Adjustments to full accrual:				
Capital outlays			1,317,294	
Payments of debt service - principal			32,848	
Increase in compensated absences			7,075	
Decrease in net pension liability and related pension items			(69,400)	
Decrease in total OPEB liability and related OPEB items			51,404	
Tap contributions			231,671	
Change in accrued interest			238	
Depreciation and amortization expense			(264,649)	
Water Capital Reserve Fund			211,050	
Change in net position			<u>\$ 457,676</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, 2023**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 13,508	\$ 13,508
OTHER FINANCING SOURCES (USES)				
Transfer in	261,276	261,276	258,542	(2,734)
Transfer out	-	(61,000)	(61,000)	-
Reserve for future expenditures	(261,276)	(200,276)	-	200,276
Total other financing sources	-	-	197,542	197,542
Net change in net position	\$ -	\$ -	\$ 211,050	\$ 211,050

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, 2023**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Operating revenues				
Sewer charges	\$ 3,225,595	\$ 3,225,595	\$ 3,116,115	\$ (109,480)
Penalties	75,000	75,000	64,265	(10,735)
Other operating revenues	207,676	207,676	421,639	213,963
Non-operating revenues - interest	750	750	23,115	22,365
Total revenues	<u>3,509,021</u>	<u>3,509,021</u>	<u>3,625,134</u>	<u>116,113</u>
EXPENDITURES				
Sewer administration				
Salaries and benefits	143,108	156,597	152,288	4,309
Professional services	32,300	32,300	18,278	14,022
Utilities	68,000	68,000	62,783	5,217
Insurance	31,700	31,700	23,576	8,124
Maintenance and repairs	3,000	1,800	-	1,800
Other operating expenditures	142,650	143,850	234,331	(90,481)
Total sewer administration	<u>420,758</u>	<u>434,247</u>	<u>491,256</u>	<u>(57,009)</u>
Sewer operations				
Salaries and benefits	254,669	243,842	201,103	42,739
Department supplies	13,000	13,000	7,785	5,215
Maintenance and repairs	93,010	77,548	54,733	22,815
Transmission and treatment fees	2,200,000	2,200,000	1,551,228	648,772
Other operating expenditures	206,050	242,233	168,761	73,472
Total sewer operations	<u>2,766,729</u>	<u>2,776,623</u>	<u>1,983,610</u>	<u>793,013</u>

Continued

TOWN OF SELMA, NORTH CAROLINA

**SEWER FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (CONTINUED)				
Debt service				
Principal	\$ 83,874	\$ 83,874	\$ 81,646	\$ 2,228
Interest	37,484	37,484	19,088	18,396
Total debt service	<u>121,358</u>	<u>121,358</u>	<u>100,734</u>	<u>20,624</u>
Total expenditures	<u>3,308,845</u>	<u>3,332,228</u>	<u>2,575,600</u>	<u>756,628</u>
Excess of revenues over expenditures	200,176	176,793	1,049,534	872,741
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	-	23,383	-	(23,383)
Transfers out	<u>(200,176)</u>	<u>(200,176)</u>	<u>(192,438)</u>	<u>7,738</u>
Total other financing (uses)	<u>(200,176)</u>	<u>(176,793)</u>	<u>(192,438)</u>	<u>(15,645)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	857,096	<u>\$ 857,096</u>
Adjustments to full accrual:				
Sewer Fund capital asset additions			692,141	
Payments of debt service - principal			81,646	
Gain on sale of capital assets			3,237	
Increase in compensated absences			7,075	
Increase in net pension liability and related pension items			(20,546)	
Decrease in total OPEB liability and related OPEB items			17,243	
Change in accrued interest			(8,435)	
Depreciation expense			(426,186)	
Sewer Capital Reserve Fund			<u>201,680</u>	
Change in net position			<u>\$ 1,404,951</u>	

TOWN OF SELMA, NORTH CAROLINA

**SEWER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 9,242	\$ 9,242
Total revenues	-	-	9,242	9,242
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	(200,176)	(200,176)	-	200,176
Transfers in	200,176	200,176	192,438	(7,738)
Total other financing sources (uses)	-	-	192,438	192,438
Net change in net position	\$ -	\$ -	\$ 201,680	\$ 201,680

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, 2023**

	Project Budget	Actual		Total
		Prior Years	Current Year	
REVENUES				
Intergovernmental	\$ 1,999,809	\$ 201,314	\$ 129,245	\$ 330,559
Total revenues	<u>1,999,809</u>	<u>201,314</u>	<u>129,245</u>	<u>330,559</u>
EXPENDITURES				
Capital outlay	<u>1,999,809</u>	<u>201,314</u>	<u>129,245</u>	<u>330,559</u>
Total expenditures	<u>1,999,809</u>	<u>201,314</u>	<u>129,245</u>	<u>330,559</u>
Net change in fund balance	<u>\$ -</u>	-	-	-
FUND BALANCE, beginning of year		<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year		<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, 2023**

	Project	Actual		
	Budget	Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ 3,015,000	\$ 101,226	\$ 388,803	\$ 490,029
Total revenues	<u>3,015,000</u>	<u>101,226</u>	<u>388,803</u>	<u>490,029</u>
EXPENDITURES				
Capital outlay:	<u>3,015,000</u>	<u>101,226</u>	<u>388,803</u>	<u>490,029</u>
Total expenditures	<u>3,015,000</u>	<u>101,226</u>	<u>388,803</u>	<u>490,029</u>
Net change in fund balance	<u>\$ -</u>	-	-	-
FUND BALANCE, beginning of year		-	-	-
FUND BALANCE, end of year		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2023**

	Project	Actual		
	Budget	Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ 150,000	\$ 57,926	\$ 97,964	\$ 155,890
Total revenues	<u>150,000</u>	<u>57,926</u>	<u>97,964</u>	<u>155,890</u>
EXPENDITURES				
Capital outlay:	<u>150,000</u>	<u>57,926</u>	<u>97,964</u>	<u>155,890</u>
Total expenditures	<u>150,000</u>	<u>57,926</u>	<u>97,964</u>	<u>155,890</u>
Net change in fund balance	<u>\$ -</u>	-	-	-
FUND BALANCE, beginning of year		-	-	-
FUND BALANCE, end of year		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF SELMA, NORTH CAROLINA

**ELECTRIC FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Operating revenues				
Electric charges	\$ 7,500,000	\$ 7,500,000	\$ 6,740,335	\$ (759,665)
Other operating revenues	618,000	618,000	709,426	91,426
Nonoperating revenues - interest	<u>1,500</u>	<u>1,500</u>	<u>30,321</u>	<u>28,821</u>
Total revenues	<u>8,119,500</u>	<u>8,119,500</u>	<u>7,480,082</u>	<u>(639,418)</u>
EXPENDITURES				
Electric administration				
Salaries and benefits	663,383	568,179	450,156	118,023
Contracted services	31,900	27,700	24,268	3,432
Utilities	19,000	19,000	11,611	7,389
Insurance	45,600	38,944	38,377	567
Other operating expenditures	<u>147,500</u>	<u>198,123</u>	<u>142,311</u>	<u>55,812</u>
Total electric administration	<u>907,383</u>	<u>851,946</u>	<u>666,723</u>	<u>185,223</u>
Electric operations				
Salaries and benefits	480,812	438,074	313,139	124,935
Department supplies	61,371	61,038	56,929	4,109
Maintenance and repairs	13,500	13,500	11,092	2,408
Purchases for inventory	101,000	86,000	47,483	38,517
Contracted services	87,100	80,740	73,343	7,397
Other operating expenditures	<u>497,470</u>	<u>669,574</u>	<u>263,510</u>	<u>406,064</u>
Total electric operations	<u>1,241,253</u>	<u>1,348,926</u>	<u>765,496</u>	<u>583,430</u>
Electric power purchases	<u>5,746,000</u>	<u>5,746,000</u>	<u>5,513,224</u>	<u>232,776</u>

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, 2023**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (CONTINUED)				
Debt service				
Principal	\$ 27,953	\$ 28,537	\$ 28,533	\$ 4
Interest	1,911	1,327	1,357	(30)
Total debt service	<u>29,864</u>	<u>29,864</u>	<u>29,890</u>	<u>(26)</u>
Total expenditures	<u>7,924,500</u>	<u>7,976,736</u>	<u>6,975,333</u>	<u>1,001,403</u>
Excess of revenues over expenditures	195,000	142,764	504,749	361,985
OTHER FINANCING SOURCES (USES)				
Appropriation to increase net position	-	52,236	-	(52,236)
Transfers out	<u>(195,000)</u>	<u>(195,000)</u>	<u>(195,000)</u>	<u>-</u>
Total other financing (uses)	<u>(195,000)</u>	<u>(142,764)</u>	<u>(195,000)</u>	<u>(52,236)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	309,749	<u>\$ 309,749</u>
Adjustments to full accrual:				
Capital outlays			215,333	
Payments of debt service - principal			28,533	
Gain/Loss on capital assets			(111,434)	
Decrease in compensated absences			(1,256)	
Increase in net pension liability and related pension items			(27,366)	
Decrease in total OPEB liability and related OPEB items			188,914	
Decrease in accrued interest payable			(1,787)	
Depreciation expense			(133,957)	
Electric Capital Reserve Fund			<u>22,145</u>	
Change in net position			<u>\$ 488,874</u>	

TOWN OF SELMA, NORTH CAROLINA

**ELECTRIC CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 22,145	\$ 22,145
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,145</u>	<u>\$ 22,145</u>

TOWN OF SELMA, NORTH CAROLINA

**SANITATION FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Operating revenues				
Sanitation charges	\$ -	\$ -	\$ 3,975	\$ 3,975
Total revenues	-	-	3,975	3,975
EXPENDITURES				
Sanitation operations				
Salaries and benefits	-	25,257	14,073	11,184
Department supplies	-	743	671	72
Maintenance and repairs	-	-	1,254	(1,254)
Contracted services	-	2,000	-	2,000
Other operating expenditures	-	652,042	596,944	55,098
Total sanitation operations	-	680,042	612,942	67,100
Debt service				
Interest	\$ -	\$ -	\$ 840	\$ (840)
Total debt service	-	-	840	(840)
Total expenditures	-	680,042	613,782	66,260
Deficiencies of revenues under expenditures	-	(680,042)	(609,807)	70,235
OTHER FINANCING SOURCES (USES)				
Proceeds from note payable	-	265,000	265,000	-
Transfers in	-	415,042	415,042	-
Total other financing sources	-	680,042	680,042	-
Net change in net position	\$ -	\$ -	70,235	\$ 70,235
Adjustments to full accrual:				
Capital outlays			587,117	
Issuance of installment note			(265,000)	
Depreciation expense			(4,894)	
Change in net position			\$ 387,458	

TOWN OF SELMA, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2023

<u>Fiscal Year</u>	Uncollected Balance June 30, 2022	Additions	Collections And Credits	Uncollected Balance June 30, 2023
2022-2023	\$ -	\$ 3,457,461	\$ 3,453,445	\$ 4,016
2021-2022	4,928	-	3,461	1,467
2020-2021	2,013	-	925	1,088
2019-2020	1,640	-	267	1,373
2018-2019	801	-	25	776
2017-2018	295	-	-	295
2016-2017	17	-	-	17
2015-2016	306	-	-	306
2014-2015	420	-	-	420
2013-2014	1,333	-	89	1,244
2012-2013	2,630	-	-	2,630
	<u>\$ 14,383</u>	<u>\$ 3,457,461</u>	<u>\$ 3,458,212</u>	<u>13,632</u>
Less: allowance for uncollectible accounts:				
	General Fund			<u>4,016</u>
Ad valorem taxes receivable - net				<u>\$ 9,616</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 3,451,011
Reconciling items:				
Refunds and other adjustments				16993
Releases and write-offs				(4,740)
Interest collected				(5,052)
Total collections and credits				<u>\$ 3,458,212</u>

TOWN OF SELMA, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY TOWN-WIDE LEVY JUNE 30, 2023

	Town-wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real property	\$ 401,578,120	0.60	\$ 2,409,469	\$ 2,409,469	\$ -
Personal property	87,572,117	0.60	786,442	525,433	261,009
Public service company	40,729,902	0.60	244,379	244,379	-
Penalties	-		6,239	6,239	-
Total	<u>529,880,139</u>		<u>3,446,529</u>	<u>3,185,520</u>	<u>261,009</u>
Discoveries:					
Current year taxes	46,948		282	282	-
Prior year taxes	2,384,586		13,154	13,154	-
Penalties	-		2,178	2,178	-
Total	<u>2,431,534</u>		<u>15,614</u>	<u>15,614</u>	<u>-</u>
Abatements	(780,288)		(4,682)	(4,682)	-
Total property valuation	<u>\$ 531,531,385</u>				
Net levy			3,457,461	3,196,452	261,009
Uncollected taxes at June 30, 2022			(4,016)	(4,016)	-
Current year's taxes collected			<u>\$ 3,453,445</u>	<u>\$ 3,192,436</u>	<u>\$ 261,009</u>
Current levy collection percentage			<u>99.88%</u>	<u>99.87%</u>	<u>100%</u>

COMPLIANCE SECTION



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the **Town of Selma, North Carolina** (the “Town”) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated March 29, 2024.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal controls, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

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*.

Town of Selma, North Carolina's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinions on the response.

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.



Raleigh, North Carolina
March 29, 2024



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
AND STATE SINGLE AUDIT IMPLEMENTATION ACT**

**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, 2023. 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, 2023.

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.

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.

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
March 29, 2024



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR THE MAJOR
STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH APPLICABLE SECTIONS OF THE UNIFORM GUIDANCE
AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

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

Opinion on Each Major State Program

We have audited the Town of Selma, North Carolina’s (the “Town”) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town’s major state programs for the year ended June 30, 2023. The Town’s major state 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. 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 ethical and other 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 Town of Selma State programs.

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 state 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.

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 state 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 state 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state 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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses 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. However, material weaknesses or significant deficiencies 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

March 29, 2024

TOWN OF SELMA, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
JUNE 30, 2023

Federal Awarding Agency / Pass-through Agency	Federal Assistance Listing Number	Pass-through / Grant ID Number	Federal	State
FEDERAL AWARDS				
<u>Department of Housing and Urban Development</u>				
Passed through N.C. Department of Environmental Quality				
Community Development Block Grant - Sewer Improvements (2020)	14.228	20-I-3616	\$ 129,245	\$ -
Total U.S. Department of Housing and Urban Development			129,245	-
<u>U.S. Department of Homeland Security</u>				
Federal Emergency Management Agency				
Passed through N.C. Department of Public Safety				
Firefighter Recruiting and Retention	97.038	FEMA-4285-DR-NC	41,611	-
Total U.S. Department of Homeland Security			41,611	-
<u>U.S. Department of Treasury</u>				
Direct Award				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	NC0414	1,135,955	-
Passed through N.C. Department of Environmental Quality				
COVID-19 Water Distribution and Capacity Expansion	21.027	SRP-D-ARP-0096	208,671	-
Total U.S. Department of Treasury			1,344,626	-
TOTAL FEDERAL AWARDS			1,515,482	-
STATE AWARDS				
<u>N.C. Department of Transportation</u>				
Powell Bill	n/a	DOT-4	-	167,980
NCDOT Reimbursement - Depot Roof Repairs	n/a	WBS 49227	-	4,370
Total N.C. Department of Transportation			-	172,350
<u>N.C. Department of Environmental Quality</u>				
State Revolving Fund - Brack Wilson Sewer Improvements	n/a	CS370561-04	-	388,803
AIA Sewer Project	n/a	E-AIA-W-21-0220	-	97,964
Total N.C. Department of Environmental Quality			-	486,767
TOTAL STATE AWARDS			-	659,117
TOTAL FEDERAL AND STATE AWARDS			\$ 1,515,482	\$ 659,117

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, 2023. 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, 2023

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 no

Significant deficiency(ies) identified?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

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

yes no

Significant deficiency(ies) identified?

yes 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 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 no

TOWN OF SELMA, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**SECTION I
SUMMARY OF AUDITOR'S RESULTS (CONTINUED)**

State Awards

Internal control over major state programs:

Material weaknesses identified? yes no

Significant deficiencies identified? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? yes no

Identification of major state program:

Program Name _____

State Revolving Fund – Brack Wilson Sewer Improvements

TOWN OF SELMA, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2023-001. Reporting of Accounts Payable and Related Balances

Criteria: Internal controls should be in place to ensure that the Town's accounts payable and related accounts are properly reported in accordance with generally accepted accounting principles.

Condition: During our audit procedures, material misstatements were detected in the recognition and reporting of liabilities in the Water Fund and Sewer Fund as of June 30, 2023.

Context/Cause: During our testing of accounts payable, issues were identified that required audit adjustments to be posted to properly report the balances. The nature and magnitude of these adjustment are as follows:

- An adjustment of \$7,366 was made to the Water Fund to record an expense and related accounts payable for an invoice relating to fiscal year 2023.
- An adjustment of \$24,485 was made to the Sewer Fund to record an expense and related accounts payable for an invoice relating to fiscal year 2023.

Effects: Audit adjustments totaling \$31,851 were needed to correct the above accounts in the Town's general ledger as of and for the year ended June 30, 2023.

Recommendation: We recommend the Town reconcile the balance sheet, each month, to the subsidiary ledgers in order to timely address variances in the account balance which are outside of expectations.

Auditee's Response: We concur with the finding.

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV STATE AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

TOWN OF SELMA, NORTH CAROLINA

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

None reported.

MAYOR
Byron James McAllister

MAYOR PRO-TEM
Joseph Scarboro

COUNCILMEMBERS
Amy West Whitley
William Overby
Susan Parrish Watson



**INTERIM
TOWN MANAGER**
Phillip McDaniel

TOWN CLERK
Dalton Larsen-Batten

TOWN ATTORNEY
Alan "Chip" Hewett

Unit Name: Town of Selma

Audit Report Title: Schedule of Finding and Questioned Costs for the Fiscal Year Ended June 30, 2023

Audit Recommendation:

We recommend the Town reconcile the balance sheet, each month, to the subsidiary ledgers in order to timely address variances in the account balance with are outside of expectations.

Implementation Plan of Action(s):

The Town will implement a process of reconciling the balance sheet, each month, to the subsidiary ledgers.

Implementation Date:

Immediately

Person Responsible for Implementation:

Finance Director.

Signed:

Phillip McDaniel
Interim Town Manager

3/29/24

Date