

TOWN OF SELMA, NORTH CAROLINA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2024

**Prepared by:
Finance Department**

**Submitted by:
Town Manager**

TOWN OF SELMA, NORTH CAROLINA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2024

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INTRODUCTORY SECTION

TOWN OF SELMA, NORTH CAROLINA

TOWN COUNCIL AND OFFICIALS

JUNE 30, 2024

TOWN COUNCIL

Byron James McAllister Mayor
Joseph Scarboro Mayor Pro-Tem
Susan Parrish Watson Council Member
William Overby Council Member
Amy West Whitley Council Member

TOWN OFFICIALS

Alexis Carter Town Manager
Vacant Finance Director
Leigh Ann Blanton Human Resource Director
Alan B. Hewett Town Attorney
J.A. Hughes Police Chief
Phillip McDaniel Fire Chief
Natalie Salter Parks and Recreation Director
Vacant Planning/Economic Development Director
George Shook Public Services Director

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, 2024, 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, 2024, 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 67-75, 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 combining and 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 combining and 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Town Council and Officials listing in the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2025, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Raleigh, North Carolina
April 22, 2025

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's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2024. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$35,758,012 (net position).
- The government's total net position increased by \$8,189,885 over the previous year's net position. This increase was attributed to governmental activities at \$5,424,486 and business activities at \$2,765,399.
- As of close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$11,479,726 with a net increase of \$4,366,565 in fund balance in comparison with the prior year. Approximately 43.44% of this total amount, or \$4,986,349, is available for spending at the government's discretion (unassigned fund balance). The remaining balance of \$6,493,377 (56.56%) is non-spendable, restricted, or committed. The unassigned fund balance represents 54.91% of total general fund expenditures for the fiscal year.
- The Town's total debt increased by \$57,929 or .65% during the current fiscal year. This net change is attributed primarily to the addition of new debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town.

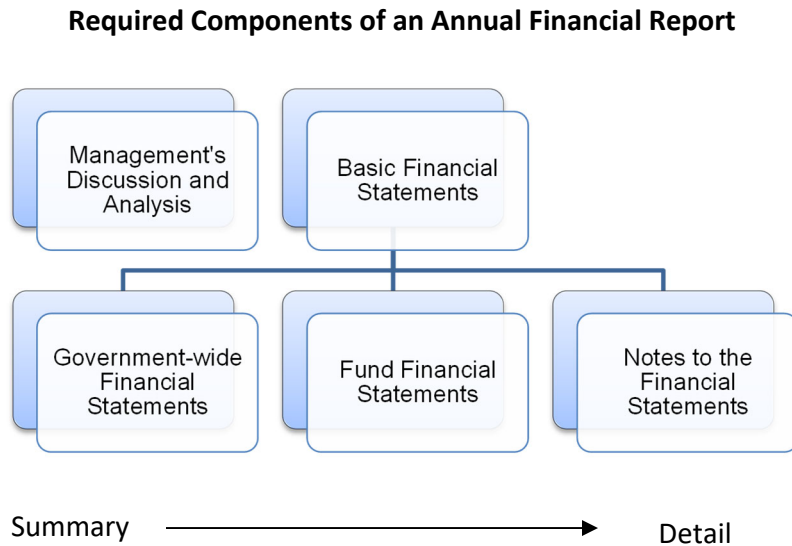
Basic Financial Statements

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

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

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.

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, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. The funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 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'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 64 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, 2024 and 2023

	June 30, 2024		June 30, 2023	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Assets:				
Current assets	\$ 12,106,084	\$ 13,761,889	\$ 7,475,305	\$ 12,352,281
Capital assets, net	11,913,068	14,571,933	9,767,551	13,032,775
Total assets	<u>24,019,152</u>	<u>28,333,822</u>	<u>17,242,856</u>	<u>25,385,056</u>
Deferred outflows of resources	<u>1,708,486</u>	<u>726,359</u>	<u>1,966,462</u>	<u>833,635</u>
Liabilities:				
Current liabilities	863,640	2,090,244	494,865	1,979,813
Long-term liabilities	<u>9,747,346</u>	<u>5,234,678</u>	<u>8,561,928</u>	<u>5,105,453</u>
Total liabilities	<u>10,610,986</u>	<u>7,324,922</u>	<u>9,056,793</u>	<u>7,085,266</u>
Deferred inflows of resources	<u>840,609</u>	<u>253,290</u>	<u>1,300,968</u>	<u>416,855</u>
Net position:				
Net investment in capital assets	9,048,855	12,228,679	8,190,235	10,428,535
Restricted	5,471,757	107,319	1,780,948	106,963
Unrestricted	<u>(244,569)</u>	<u>9,145,971</u>	<u>(1,119,626)</u>	<u>8,181,072</u>
Total net position	<u>\$ 14,276,043</u>	<u>\$ 21,481,969</u>	<u>\$ 8,851,557</u>	<u>\$ 18,716,570</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 exceed liabilities and deferred inflows of resources by \$35,758,012 as of June 30, 2024. The Town's net position increased by \$8,189,885 for the fiscal year ended June 30, 2024. The largest portion of net position reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, equipment, and construction in progress) less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

Although the Town's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$5,579,076 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, 2024 and 2023

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 611,153	\$ 1,200,945	\$ 14,228,048	\$ 13,069,405	\$ 14,839,201	\$ 14,270,350
Operating grants/contributions	3,144,659	1,150,811	-	-	3,144,659	1,150,811
Capital grants/contributions	1,285,990	269,567	1,846,733	861,083	3,132,723	1,130,650
General revenues:						
Property taxes	3,886,951	3,703,653	-	-	3,886,951	3,703,653
Other taxes	1,634,545	1,554,129	-	-	1,634,545	1,554,129
Unrestr. interest income	626,920	192,361	268	160,959	627,188	353,320
Unrestr. intergovernmental	647,189	589,365	-	-	647,189	589,365
Miscellaneous	196,168	377,707	-	3,237	196,168	380,944
Total revenues	<u>12,033,575</u>	<u>9,038,538</u>	<u>16,075,049</u>	<u>14,094,684</u>	<u>28,108,624</u>	<u>23,133,222</u>
Expenses:						
General government	1,045,915	1,311,634	-	-	1,045,915	1,311,634
Public Safety	3,714,840	2,915,713	-	-	3,714,840	2,915,713
Transportation	1,136,442	1,792,015	-	-	1,136,442	1,792,015
Culture and recreation	758,124	809,789	-	-	758,124	809,789
Interest on long term debt	95,347	52,458	-	-	95,347	52,458
Water	-	-	2,576,733	1,863,740	2,576,733	1,863,740
Sewer	-	-	2,992,216	2,862,115	2,992,216	2,862,115
Electric	-	-	6,773,619	6,818,353	6,773,619	6,818,353
Sanitation	-	-	825,503	31,559	825,503	31,559
Total expenses	<u>6,750,668</u>	<u>6,881,609</u>	<u>13,168,071</u>	<u>11,575,767</u>	<u>19,918,739</u>	<u>18,457,376</u>
Increase in net position						
before transfers	5,282,907	2,156,929	2,906,978	2,518,917	8,189,885	4,675,846
Transfers	<u>141,579</u>	<u>(220,042)</u>	<u>(141,579)</u>	<u>220,042</u>	<u>-</u>	<u>-</u>
Change in net position	5,424,486	1,936,887	2,765,399	2,738,959	8,189,885	4,675,846
Net position, beginning	<u>8,851,557</u>	<u>6,914,670</u>	<u>18,716,570</u>	<u>15,977,611</u>	<u>27,568,127</u>	<u>22,892,281</u>
Net position, ending	<u>\$ 14,276,043</u>	<u>\$ 8,851,557</u>	<u>\$ 21,481,969</u>	<u>\$ 18,716,570</u>	<u>\$ 35,758,012</u>	<u>\$ 27,568,127</u>

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 \$263,714 due to economic growth in the Town.

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

Governmental activities

Governmental activities reported an increase in the Town's net position of \$5,424,486. 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 \$538,732,325, an increase of \$7,200,940 from the prior year.

Business-type activities

Business-type activities increased the Town's net position by \$2,765,399. This increase was after a transfer from the Water Fund to the General Fund of \$141,579. 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 increased by \$1,158,643 or 8.87% for the fiscal year. Total expenses in same combined funds went up by \$1,592,304 or 13.8% for the period.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's fund balance unassigned in the General Fund was \$4,986,389, while total fund balance was \$11,479,726. 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 54.91% of total General Fund expenditures, while total fund balance represents approximately 85.52% of that same expenditure amount.

On June 30, 2024, the governmental funds of the Town reported a combined fund balance of \$11,479,726 with a net increase in fund balance of \$4,366,565.

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 \$619,255. Total expenditures in the General Fund were less than amounts approved in the final budget by \$2,212,761.

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water, Sewer, Electric, and Sanitation Funds at the end of the fiscal year amounted to \$3,933,620, \$3,233,717, \$1,943,549, and \$35,085, respectively. The change in net position for the Water, Sewer, Electric, and Sanitation Funds were \$542,279, \$1,287,370, \$938,142, and (\$2,392) respectively resulting in a total combined increase in net position of \$2,765,399 for the Town's proprietary funds.

Capital Asset and Debt Administration

Capital Assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2024, totals \$26,485,001 (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:

- 445,660 in Sewer Infrastructure Projects
- 1,094,789 in Electric System Improvements
- 740,292 in Water System Upgrades and equipment purchases
- 486,568 in General Fund improvements and equipment purchases

Figure 4
Town of Selma, North Carolina
Condensed Statement of Capital Assets (net of depreciation)
June 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 3,004,317	\$ 3,004,317	\$ 311,804	\$ 311,804	\$ 3,316,121	\$ 3,316,121
Construction in progress	665,232	283,178	3,811,890	1,999,540	4,477,122	2,282,718
Buildings and improvements	2,907,242	2,511,018	301,742	234,992	3,208,984	2,746,010
Other improvements	2,099,601	2,322,708	-	-	2,099,601	2,322,708
Distribution system	629,123	481,654	6,998,376	7,515,500	7,627,499	7,997,154
Equipment	2,538,356	1,076,945	2,389,810	2,180,332	4,928,166	3,257,277
Vehicles	69,197	73,267	758,311	751,798	827,508	825,065
Subscription asset	-	14,464	-	38,808	-	53,272
Total	<u>\$ 11,913,068</u>	<u>\$ 9,767,551</u>	<u>\$ 14,571,933</u>	<u>\$ 13,032,774</u>	<u>\$ 26,485,001</u>	<u>\$ 22,800,325</u>

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

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

Long-term Debt and Obligations: As of June 30, 2024, the Town had total bonded debt outstanding of \$1,550,000, all of which belongs to business-type activities. All of this debt represents bonds secured by specified revenue sources (e.g., revenue bonds).

The Town also has outstanding installment notes payable totaling \$3,584,988. Of this amount, \$793,254 is applicable to the Town's business-type activities. The remaining \$2,791,734 is applicable to the Town's governmental activities.

The Town's total debt and obligations increased by \$1,184,084 during the past fiscal year, due to new debt issuances.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the Town is \$43,098,586.

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

Figure 5
Town of Selma, North Carolina
Condensed Statement of Outstanding Debt
June 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Installment notes	\$ 2,791,734	\$ 1,414,243	\$ 793,254	\$ 974,556	\$ 3,584,988	\$ 2,388,799
Lease payable - right-to-use assets	72,480	75,356	-	-	72,480	75,356
Lease payable - SBITAs	-	15,176	-	40,719	-	55,895
Revenue bonds	-	-	1,550,000	1,589,000	1,550,000	1,589,000
Compensated absences	326,746	267,549	71,691	56,415	398,437	323,964
Net pension liability	2,141,481	1,889,018	1,054,759	929,444	3,196,240	2,818,462
Law enforcement officers' SSA pension obligation	850,747	768,079	-	-	850,747	768,079
OPEB liability	3,933,284	4,254,908	1,937,288	1,929,277	5,870,572	6,184,185
	<u>\$ 10,116,472</u>	<u>\$ 8,684,329</u>	<u>\$ 5,406,992</u>	<u>\$ 5,519,411</u>	<u>\$ 15,523,464</u>	<u>\$ 14,203,740</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 has a population of 7,012.
- 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 3.0% for the month of June 2024 compared to the average unemployment for the State of North Carolina of 3.6% and the national rate of 4.1%.

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 \$538,732,325. Total budgeted expenditures in the General Fund are expected to be \$11,197,936.

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, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,682,837	\$ 11,091,513	\$ 20,774,350
Receivables, net of allowance for uncollectibles	702,268	2,320,733	3,023,001
Taxes receivable, net of allowance for uncollectibles	349,058	-	349,058
Lease receivable	201,082	-	201,082
Internal balances	368,442	(368,442)	-
Inventories	96,032	610,766	706,798
Restricted cash and cash equivalents	706,365	107,319	813,684
Capital assets:			
Non-depreciable	3,669,549	4,123,694	7,793,243
Depreciable, net of accumulated depreciation	8,174,322	10,448,239	18,622,561
Lease assets, net of accumulated amortization	69,197	-	69,197
Total assets	<u>24,019,152</u>	<u>28,333,822</u>	<u>52,352,974</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension items	1,473,263	628,373	2,101,636
Deferred outflows - OPEB items	235,223	97,986	333,209
Total deferred outflows of resources	<u>1,708,486</u>	<u>726,359</u>	<u>2,434,845</u>
LIABILITIES			
Accounts payable	261,644	1,315,606	1,577,250
Accrued liabilities	153,033	115,671	268,704
Customer deposits	-	479,531	479,531
Interest payable	79,838	7,122	86,960
Lease payable, due within one year	3,004	-	3,004
Lease payable, due in more than one year	69,476	-	69,476
Installment notes, due within one year	274,080	118,118	392,198
Installment notes, due in more than one year	2,517,653	675,136	3,192,789
Bonds payable, due within one year	-	40,000	40,000
Bonds payable, due in more than one year	-	1,510,000	1,510,000
Compensated absences, due within one year	92,042	14,196	106,238
Compensated absences, due in more than one year	234,704	57,495	292,199
Total pension liability (LEOSSA), due in more than one year	850,747	-	850,747
Net pension liability (LGERs), due in more than one year	2,141,481	1,054,759	3,196,240
Total OPEB liability, due in more than one year	3,933,284	1,937,288	5,870,572
Total liabilities	<u>10,610,986</u>	<u>7,324,922</u>	<u>17,935,908</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension items	187,908	29,195	217,103
Deferred inflows - OPEB items	454,984	224,095	679,079
Deferred lease receipts	197,717	-	197,717
Total deferred inflows of resources	<u>840,609</u>	<u>253,290</u>	<u>1,093,899</u>
NET POSITION			
Net investment in capital assets	9,048,855	12,228,679	21,277,534
Restricted for:			
Stabilization by State Statute	1,038,011	-	1,038,011
Streets - Powell Bill	517,921	-	517,921
Cemetery perpetual care	121,892	-	121,892
Debt service	80,516	107,319	187,835
Capital Projects	3,713,417	-	3,713,417
Unrestricted (deficit)	(244,569)	9,145,971	8,901,402
Total net position	<u>\$ 14,276,043</u>	<u>\$ 21,481,969</u>	<u>\$ 35,758,012</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, 2024

Functions/Programs	Net (Expenses) Revenues and						
	Program Revenues				Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,045,916	\$ 290,286	\$ -	\$ 196,825	\$ (558,805)	\$ -	\$ (558,805)
Public safety	3,714,840	4,760	3,103,734	-	(606,346)	-	(606,346)
Transportation	1,136,441	193,782	3,860	288,176	(650,623)	-	(650,623)
Culture and recreation	758,124	122,325	37,065	800,989	202,255	-	202,255
Interest on long-term debt	95,347	-	-	-	(95,347)	-	(95,347)
Total governmental activities	6,750,668	611,153	3,144,659	1,285,990	(1,708,866)	-	(1,708,866)
Business-type activities:							
Water	2,576,733	2,151,375	-	978,019	-	552,661	552,661
Sewer	2,992,216	3,416,172	-	868,714	-	1,292,670	1,292,670
Electric	6,773,619	7,896,965	-	-	-	1,123,346	1,123,346
Sanitation	825,503	763,536	-	-	-	(61,967)	(61,967)
Total business-type activities	13,168,071	14,228,048	-	1,846,733	-	2,906,710	2,906,710
Total primary government	\$ 19,918,739	\$ 14,839,201	\$ 3,144,659	\$ 3,132,723	(1,708,866)	2,906,710	1,197,844
General revenues:							
Property taxes, levied for general purposes					3,578,432	-	3,578,432
Property taxes, levied for fire districts					308,519	-	308,519
Other taxes					1,634,545	-	1,634,545
Unrestricted investment earnings					626,920	268	627,188
Unrestricted intergovernmental					647,189	-	647,189
Miscellaneous					184,009	-	184,009
Gain on sale of capital assets					12,159	-	12,159
Transfers					141,579	(141,579)	-
Total general revenues and transfers					7,133,352	(141,311)	6,992,041
Change in net position					5,424,486	2,765,399	8,189,885
Net position, beginning of year					8,851,557	18,716,570	27,568,127
Net position, end of year					\$ 14,276,043	\$ 21,481,969	\$ 35,758,012

The accompanying notes are an integral part of these financial statements

TOWN OF SELMA, NORTH CAROLINA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2024

	General Fund	Facilities Improvement Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,969,420	\$ 2,912,428	\$ 800,989	\$ 9,682,837
Taxes receivable, net	349,058	-	-	349,058
Accounts receivable, net	632,150	-	70,118	702,268
Lease receivable	201,082	-	-	201,082
Due from other funds	435,844	-	-	435,844
Restricted cash and cash equivalents	706,365	-	-	706,365
Inventory	96,032	-	-	96,032
Total assets	<u>\$ 8,389,951</u>	<u>\$ 2,912,428</u>	<u>\$ 871,107</u>	<u>\$ 12,173,486</u>
LIABILITIES				
Accounts payable	\$ 258,928	\$ -	\$ 2,716	\$ 261,644
Accrued liabilities	153,033	-	-	153,033
Due to other funds	-	-	67,402	67,402
Total liabilities	<u>411,961</u>	<u>-</u>	<u>70,118</u>	<u>482,079</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - cemetery lot sales	13,964	-	-	13,964
Deferred lease receipts	197,717	-	-	197,717
Total deferred inflows of resources	<u>211,681</u>	<u>-</u>	<u>-</u>	<u>211,681</u>
FUND BALANCES				
Nonspendable:				
Inventories	96,032	-	-	96,032
Advances to other funds	368,442	-	-	368,442
Restricted:				
Stabilization by State Statute	1,038,011	-	-	1,038,011
Debt service	80,516	-	-	80,516
Streets - Powell Bill	517,921	-	-	517,921
Cemetery perpetual care	107,928	-	-	107,928
Capital projects	-	2,912,428	800,989	3,713,417
Committed - Library Trust	59,016	-	-	59,016
Assigned:				
Fiscal year 2025 operations	512,094	-	-	512,094
Unassigned	4,986,349	-	-	4,986,349
Total fund balances	<u>7,766,309</u>	<u>2,912,428</u>	<u>800,989</u>	<u>11,479,726</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,389,951</u>	<u>\$ 2,912,428</u>	<u>\$ 871,107</u>	

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

Capital assets and right-to-use lease and subscription assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	11,913,068
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	13,964
The net pension liability (LGRS), total pension liability (LEOSSA), and the total OPEB liability, along with the related deferred outflows and deferred inflows of resources, are not expected to be liquidated with available financial resources and, therefore, are not reported in the governmental funds.	(5,859,918)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(3,270,797)

Net position of governmental activities	<u>\$ 14,276,043</u>
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TOWN OF SELMA, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Facilities Improvement Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 3,578,432	\$ -	\$ -	\$ 3,578,432
Other taxes	1,634,545	-	-	1,634,545
Unrestricted intergovernmental	955,708	-	-	955,708
Restricted intergovernmental	401,805	3,102,302	888,277	4,392,384
Permits and fees	56,645	-	-	56,645
Sales and services	582,247	-	-	582,247
Investment earnings	622,737	4,183	-	626,920
Miscellaneous	222,274	-	-	222,274
Total revenues	<u>8,054,393</u>	<u>3,106,485</u>	<u>888,277</u>	<u>12,049,155</u>
Expenditures				
Current:				
General government	1,735,599	-	-	1,735,599
Public safety	4,776,231	-	-	4,776,231
Transportation	1,628,200	-	-	1,628,200
Culture and recreation	744,729	-	-	744,729
Capital outlay	-	194,057	87,288	281,345
Debt service:				
Principal retirements	146,618	-	-	146,618
Interest	50,284	-	-	50,284
Total expenditures	<u>9,081,661</u>	<u>194,057</u>	<u>87,288</u>	<u>9,363,006</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,027,268)</u>	<u>2,912,428</u>	<u>800,989</u>	<u>2,686,149</u>
Other financing sources (uses)				
Transfers in	201,154	-	-	201,154
Transfers out	(59,575)	-	-	(59,575)
Issuance of notes payable	1,506,070	-	-	1,506,070
Sale of general capital assets	32,767	-	-	32,767
Total other financing sources	<u>1,680,416</u>	<u>-</u>	<u>-</u>	<u>1,680,416</u>
Net change in fund balance	653,148	2,912,428	800,989	4,366,565
Fund balances, beginning of year	<u>7,113,161</u>	<u>-</u>	<u>-</u>	<u>7,113,161</u>
Fund balances, end of year	<u><u>\$ 7,766,309</u></u>	<u><u>\$ 2,912,428</u></u>	<u><u>\$ 800,989</u></u>	<u><u>\$ 11,479,726</u></u>

The accompanying notes are an integral part of these financial statements

TOWN OF SELMA, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

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

Net change in fund balance - governmental funds	\$ 4,366,565
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.	2,166,125
In the statement of activities, only the gain 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 net book value of the capital assets disposed.	(20,608)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund.	(27,739)
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 \$146,618 and the inception of a new debt (\$1,506,070).	(1,359,452)
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>299,595</u>
Change in net position - governmental activities	<u>\$ 5,424,486</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SELMA, NORTH CAROLINA

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2024

	Budget		Actual	Variance with
	Original	Final	Amounts	Actual and Final Budget Positive (Negative)
Revenues				
Ad valorem taxes	\$ 3,341,592	\$ 3,341,592	\$ 3,578,432	\$ 236,840
Other taxes	1,400,000	1,400,000	1,634,545	234,545
Unrestricted intergovernmental	1,013,324	1,016,279	955,708	(60,571)
Restricted intergovernmental	528,349	587,858	401,805	(186,053)
Permits and fees	66,000	66,000	34,145	(31,855)
Sales and services	619,540	637,056	582,247	(54,809)
Investment earnings	30,000	30,000	622,737	592,737
Miscellaneous	53,008	327,939	216,360	(111,579)
Total revenues	7,051,813	7,406,724	8,025,979	619,255
Expenditures				
Current:				
General government	1,351,697	1,978,168	1,735,599	242,569
Public safety	3,875,134	5,682,308	4,741,075	941,233
Transportation	1,660,731	2,353,323	1,628,200	725,123
Culture and recreation	662,211	986,396	744,729	241,667
Debt service:				
Principal retirements	208,582	208,582	146,618	61,964
Interest	50,339	50,489	50,284	205
Total expenditures	7,808,694	11,259,266	9,046,505	2,212,761
Deficiency of revenues under expenditures	(756,881)	(3,852,542)	(1,020,526)	2,832,016
Other financing sources (uses):				
Fund balance appropriation	461,881	4,686,013	-	(4,686,013)
Transfers in	295,000	314,754	201,154	(113,600)
Transfers out	-	(59,575)	(59,575)	-
Issuance of notes payable	-	(1,088,650)	1,506,070	2,594,720
Sale of general capital assets	-	-	32,767	32,767
Total other financing sources	756,881	3,852,542	1,680,416	(2,172,126)
Net change in fund balances	-	-	659,890	659,890
Fund balances, beginning of year	6,891,511	6,891,511	6,891,511	-
Fund balances, end of year	\$ 6,891,511	\$ 6,891,511	7,551,401	\$ 659,890
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			220,551	
Fire Protection - Selma Petroleum Terminals Fund, revenues			28,414	
Fire Protection - Selma Petroleum Terminals Fund, public safety expenditures			(24,846)	
Fire Grant Fund, fund balance, beginning of year			1,099	
Fire Grant Project Fund, public safety expenditures			(10,310)	
Fund balance, end of year			\$ 7,766,309	

The accompanying notes are an integral part of these financial statements

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024**

	Water Fund	Sewer Fund	Electric Fund	Sanitation Fund	Totals
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 4,275,881	\$ 3,619,068	\$ 2,570,822	\$ 625,742	\$ 11,091,513
Restricted cash	34,245	73,074	-	-	107,319
Accounts receivable, net of allowances	707,393	816,058	753,997	43,285	2,320,733
Inventories	172,596	11,359	426,811	-	610,766
Total current assets	5,190,115	4,519,559	3,751,630	669,027	14,130,331
NONCURRENT ASSETS					
Advances to other funds	223,092	-	-	-	223,092
CAPITAL ASSETS					
Nondepreciable	1,160,535	1,391,623	1,571,536	-	4,123,694
Depreciable, net of accumulated depreciation	3,254,769	5,284,075	1,384,500	524,895	10,448,239
Total noncurrent assets	4,638,396	6,675,698	2,956,036	524,895	14,795,025
Total assets	9,828,511	11,195,257	6,707,666	1,193,922	28,925,356
DEFERRED OUTFLOWS OF RESOURCES					
Pension items	247,541	76,166	247,541	57,125	628,373
OPEB items	29,006	1,016	67,202	762	97,986
Total deferred outflows of resources	276,547	77,182	314,743	57,887	726,359
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	305,939	559,231	433,686	16,750	1,315,606
Accrued liabilities	24,597	10,021	81,031	7,144	122,793
Customer deposits	94,755	86,099	298,677	-	479,531
Installment contracts, current	6,546	25,988	-	85,584	118,118
Bonds payable, current	13,000	27,000	-	-	40,000
Compensated absences payable, current	3,954	3,954	4,302	1,986	14,196
Total current liabilities	448,791	712,293	817,696	111,464	2,090,244
NONCURRENT LIABILITIES					
Installment contracts	45,819	539,987	-	89,330	675,136
Bonds payable	478,000	1,032,000	-	-	1,510,000
Advance from other funds	-	223,092	-	368,442	591,534
Compensated absences payable	14,178	14,178	26,662	2,477	57,495
Net pension liability	415,511	127,850	415,511	95,887	1,054,759
Total OPEB liability	763,174	234,823	763,174	176,117	1,937,288
Total noncurrent liabilities	1,716,682	2,171,930	1,205,347	732,253	5,826,212
Total liabilities	2,165,473	2,884,223	2,023,043	843,717	7,916,456
DEFERRED INFLOWS OF RESOURCES					
Pension items	11,501	3,539	11,501	2,654	29,195
OPEB items	88,280	27,163	88,280	20,372	224,095
Total deferred inflows of resources	99,781	30,702	99,781	23,026	253,290
NET POSITION					
Net investment in capital assets	3,871,939	5,050,723	2,956,036	349,981	12,228,679
Restricted for:					
Debt service	34,245	73,074	-	-	107,319
Unrestricted	3,933,620	3,233,717	1,943,549	35,085	9,145,971
Total net position	\$ 7,839,804	\$ 8,357,514	\$ 4,899,585	\$ 385,066	\$ 21,481,969

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, 2024**

	Water Fund	Sewer Fund	Electric Fund	Sanitation Fund	Totals
OPERATING REVENUES					
Charges for sales and services	\$ 1,878,556	\$ 3,215,244	\$ 7,680,486	\$ 763,000	\$ 13,537,286
Other operating income	272,819	200,928	216,479	536	690,762
Total operating revenues	2,151,375	3,416,172	7,896,965	763,536	14,228,048
OPERATING EXPENSES					
Salaries and benefits	1,303,354	377,704	307,600	441,622	2,430,280
General operating expenses	800,363	475,700	582,964	321,900	2,180,927
Depreciation and amortization	357,584	417,267	160,818	58,854	994,523
Electric purchases	-	-	5,721,625	-	5,721,625
Water & sewer purchases	93,850	1,686,351	-	-	1,780,201
Total operating expenses	2,555,151	2,957,022	6,773,007	822,376	13,107,556
Operating income (loss)	(403,776)	459,150	1,123,958	(58,840)	1,120,492
NON-OPERATING REVENUES (EXPENSES)					
Interest income	118	150	-	-	268
Interest and fiscal charges	(21,582)	(35,194)	(612)	(3,127)	(60,515)
Total non-operating expenses	(21,464)	(35,044)	(612)	(3,127)	(60,247)
Income (loss) before capital contributions and transfers	(425,240)	424,106	1,123,346	(61,967)	1,060,245
Capital contributions	978,019	868,714	-	-	1,846,733
Transfers in	-	-	-	59,575	59,575
Transfers out	(10,500)	(5,450)	(185,204)	-	(201,154)
Change in net position	542,279	1,287,370	938,142	(2,392)	2,765,399
Net position, beginning of year	7,297,525	7,070,144	3,961,443	387,458	18,716,570
Net position, end of year	<u>\$ 7,839,804</u>	<u>\$ 8,357,514</u>	<u>\$ 4,899,585</u>	<u>\$ 385,066</u>	<u>\$ 21,481,969</u>

TOWN OF SELMA, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2024

	Water Fund	Sewer Fund	Electric Fund	Sanitation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 2,049,736	\$ 3,937,623	\$ 7,997,537	\$ 720,926	\$ 14,705,822
Payments to suppliers	(873,975)	(2,080,526)	(6,391,010)	(305,150)	(9,650,661)
Payments to employees	(862,182)	(276,246)	(851,103)	(197,925)	(2,187,456)
Net cash provided by operating activities	313,579	1,580,851	755,424	217,851	2,867,705
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers to/from other funds	(10,500)	(5,450)	(185,204)	59,575	(141,579)
Repayment of interfund advances	51,908	(51,908)	-	(46,600)	(46,600)
Net cash provided by (used in) non-capital financing activities	41,408	(57,358)	(185,204)	12,975	(188,179)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(911,422)	(417,358)	(1,203,376)	(1,526)	(2,533,682)
Receipt of intergovernmental capital grant	-	496,256	-	-	496,256
Principal payments on leases	(20,370)	(5,114)	(14,520)	-	(40,004)
Principal payments on long-term debt	(28,120)	(79,012)	(23,164)	(90,088)	(220,384)
Interest paid	(17,733)	(27,672)	(16)	(1,447)	(46,868)
Contributions for tap fees	978,019	-	-	-	978,019
Net cash provided by (used in) capital and related financing activities	374	(32,900)	(1,241,076)	(93,061)	(1,366,663)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	118	150	-	-	268
Net cash provided by investing activities	118	150	-	-	268
Net increase (decrease) in cash and cash equivalents	355,479	1,490,743	(670,856)	137,765	1,313,131
Cash and cash equivalents, beginning of year	3,954,647	2,201,399	3,241,678	487,977	9,885,701
Cash and cash equivalents, end of year	\$ 4,310,126	\$ 3,692,142	\$ 2,570,822	\$ 625,742	\$ 11,198,832
CASH AS REPORTED ON STATEMENT OF NET POSITION					
Cash and cash equivalents	\$ 4,275,881	\$ 3,619,068	\$ 2,570,822	\$ 625,742	\$ 11,091,513
Restricted cash and cash equivalents	34,245	73,074	-	-	107,319
Total cash and cash equivalents	\$ 4,310,126	\$ 3,692,142	\$ 2,570,822	\$ 625,742	\$ 11,198,832
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (403,776)	\$ 459,150	\$ 1,123,958	\$ (58,840)	\$ 1,120,492
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	357,584	417,267	160,818	58,854	994,523
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
(Increase) decrease in accounts receivable	(101,639)	512,901	75,912	(42,610)	444,564
(Increase) in inventories	(21,415)	(4,536)	(96,032)	-	(121,983)
(Increase) decrease in deferred outflows of resources - pension items	18,455	42,221	(31,410)	(57,125)	(27,859)
(Increase) decrease in deferred outflows of resources - OPEB items	19,098	8,954	107,845	(762)	135,135
Increase in accounts payable	32,078	86,061	9,611	16,750	144,500
Increase (decrease) in accrued liabilities	(3,388)	(7,357)	23,128	2,091	14,474
Increase in customer deposits	9,575	8,550	24,660	-	42,785
Increase in compensated absences payable	2,780	2,780	5,426	4,463	15,449
Increase (decrease) in deferred inflows for OPEB items	6,634	(52)	(197,481)	20,372	(170,527)
Increase (decrease) in total OPEB liability	392,123	111,139	(535,505)	176,117	143,874
Increase (decrease) in deferred inflows for pension items	1,653	(844)	3,499	2,654	6,962
Increase (decrease) in net pension liability	3,817	(55,383)	80,995	95,887	125,316
Net cash provided by operating activities	\$ 313,579	\$ 1,580,851	\$ 755,424	\$ 217,851	\$ 2,867,705

The accompanying notes are an integral part of these financial statements

TOWN OF SELMA, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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 **Facilities Improvement Capital Project Fund** accounts for the capital project related to the improvement of the public utilities' facilities.

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 nonmajor governmental funds:

The **Eastfield Business Park Capital Project Fund** accounts for transactions related to the Eastfield Business Park Capital Project.

The **North Selma Drainage Study Capital Project Fund** accounts for transactions related to the North Selma Drainage Study Capital Project.

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 **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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The principal operating revenues of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgets

Annual appropriated budgets are adopted for all funds, with the exception of the Fire Grant Fund, Facilities Improvement Fund, Eastfield Business Park Fund, Water Tank Walls and Treatment 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, 2024, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Deposits (Continued)

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the state of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high-quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value, while non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as a cash equivalent.

F. Restricted Cash and Cash Equivalents

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

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2023.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Interfund Receivables and Payables

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

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

J. 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-L).

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Leases (Continued)

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.

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

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

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

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

K. Inventories and Prepaid Items

All inventories are valued at average cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Payments made to vendors for services that will benefit periods beyond June 30, 2024, 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)

L. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (including right-to-use 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

M. 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)

M. 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 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 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 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.

N. Compensated Absences

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are accrued and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are expensed in the year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

P. Fund Equity

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

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

Fund balances are classified as follows:

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Equity (Continued)

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Pensions

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

R. Management Estimates

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – governmental fund* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “the net pension liability (LGERs), total pension liability (LEOSSA), and the total OPEB liability, along with the related deferred outflows and deferred inflows of resources, are not expected to be liquidated with available financial resources and therefore, are not reported in the funds.” The details of this \$5,859,918 difference are as follows:

Governmental activities' share of the net pension liability (LGERs)	\$ (2,141,481)
Governmental activities' share of the total OPEB liability	(3,933,284)
Total pension liability (LEOSSA)	(850,747)
Deferred outflows of resources - pension items	1,473,263
Deferred outflows of resources - OPEB items	235,223
Deferred inflows of resources - pension items	(187,908)
Deferred inflows of resources - OPEB items	<u>(454,984)</u>
Net adjustment to reduce <i>fund balance – governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$ (5,859,918)</u></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 \$3,270,797 difference are as follows:

Installment notes	\$ (2,791,733)
Lease payable	(72,480)
Accrued interest payable	(79,838)
Compensated absences (i.e., vacation)	<u>(326,746)</u>
Net adjustment to reduce <i>fund balance - governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (3,270,797)</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 \$2,166,125 difference are as follows:

Capital outlay	\$ 3,026,808
Depreciation and amortization expense	<u>(860,683)</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>\$ 2,166,125</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 \$299,595 difference are as follows:

Compensated absences (i.e., vacation)	\$ (59,197)
Change in accrued interest	(45,063)
Net pension liability - LGERS and related deferred outflows and inflows of resources	(211,256)
Total pension liability - LEO Special Separation Allowance and related deferred outflows and inflows of resources	(39,525)
Total OPEB liability - and related deferred outflows and inflows of resources	<u>654,636</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>\$ 299,595</u></u>

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

For the fiscal year ended June 30, 2024, the expenditures made in the Town’s Water Fund exceeded the authorized appropriations made by the governing board by \$231,564. This over-expenditure occurred because of unplanned contractual expenditures by the Town. Management and the Town Council will more closely review the budget reports to ensure compliance in the future years.

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2024, are summarized as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 20,841,752
Restricted cash and cash equivalents	813,684
	<u>\$ 21,655,436</u>
Cash deposited with financial institutions	\$ 13,030,443
Cash on hand	850
Cash deposited with NCCMT	8,624,143
	<u><u>\$ 21,655,436</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. 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, 2024.

As of June 30, 2024, the Town's investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation</u>	<u>Fair Value</u>	<u>Duration</u>
	<u>Measurement</u>	<u>June 30, 2024</u>	
	<u>Method</u>		
North Carolina Capital Management Trust			
Government Portfolio	Fair Value Level 1	\$ 8,624,143	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, 2024, the Town's deposits are insured or collateralized as required by state law.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

Receivables at June 30, 2024, for the Town's individual major funds and nonmajor governmental funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Water	Sewer	Electric	Sanitation	Other Governmental
Receivables:						
Taxes	\$ 361,971	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts	686,202	765,025	927,886	988,854	43,285	70,118
Less allowance for uncollectible	66,965	57,632	111,828	234,857	-	-
Net total receivable	<u>\$ 981,208</u>	<u>\$ 707,393</u>	<u>\$ 816,058</u>	<u>\$ 753,997</u>	<u>\$ 43,285</u>	<u>\$ 70,118</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, 2024, 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, 2024, the lease payments received were \$773 per month which includes the principal and interest components of the payment. As the lease does not contain a specific interest rate, the Town used the effective T-bill rate (0.83%) at the time of the measurement of the lease to estimate an incremental borrowing rate. For the current year, the Town recognized \$8,278 in lease revenue and \$998 in interest revenue related to the lease. As of June 30, 2024, the Town's receivable for lease payments was \$112,954 and the related balance of the deferred inflow of resources was \$109,650.

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 \$17,264 in lease revenue and \$736 in interest revenue related to the lease. As of June 30, 2024, the Town's receivable for lease payments was \$88,067 and the related balance of the deferred inflow of resources was \$88,067.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the Town for the year ended June 30, 2024, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 3,004,317	\$ -	\$ -	\$ 3,004,317
Construction in progress	283,178	382,054	-	665,232
Total	<u>3,287,495</u>	<u>382,054</u>	<u>-</u>	<u>3,669,549</u>
Capital assets, being depreciated/amortized:				
Buildings	5,934,198	655,160	(65,597)	6,523,761
Other improvements	7,054,151	34,828	-	7,088,979
Equipment and furniture	1,358,567	224,647	(113,412)	1,469,802
Vehicles and motorized equipment	3,546,567	1,730,119	(538,674)	4,738,012
Right-to-use lease asset (land)	81,407	-	-	81,407
Right-to-use subscription asset	28,927	-	(28,927)	-
Total being depreciated	<u>18,003,817</u>	<u>2,644,754</u>	<u>(746,610)</u>	<u>19,901,961</u>
Less accumulated depreciation/amortization for:				
Buildings	(3,423,180)	(258,936)	65,597	(3,616,519)
Other improvements	(4,731,443)	(257,935)	-	(4,989,378)
Equipment and furniture	(876,913)	(65,811)	102,045	(840,679)
Vehicles and motorized equipment	(2,469,622)	(259,467)	529,433	(2,199,656)
Right-to-use lease asset (land)	(8,140)	(4,070)	-	(12,210)
Right-to-use subscription asset	(14,463)	(14,464)	28,927	-
Total	<u>(11,523,761)</u>	<u>(860,683)</u>	<u>726,002</u>	<u>(11,658,442)</u>
Total capital assets and right-to-use assets, being depreciated/amortized, net	<u>6,480,056</u>	<u>1,784,071</u>	<u>(20,608)</u>	<u>8,243,519</u>
Governmental activities capital assets, net	<u>\$ 9,767,551</u>	<u>\$ 2,166,125</u>	<u>\$ (20,608)</u>	<u>\$ 11,913,068</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Water Fund:				
Nondepreciable capital assets:				
Land	\$ 182,438	\$ -	\$ -	\$ 182,438
Construction in progress	208,671	769,426	-	978,097
Total	391,109	769,426	-	1,160,535
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,011,587	-	-	1,011,587
Distribution system	7,904,495	28,000	-	7,932,495
Equipment	1,581,975	113,996	-	1,695,971
Vehicles and motorized equipment	264,172	-	-	264,172
Right-to-use subscription asset	38,828	-	(38,828)	-
Total	10,801,057	141,996	(38,828)	10,904,225
Less accumulated depreciation/amortization for:				
Buildings and improvements	(948,222)	(12,356)	-	(960,578)
Distribution system	(5,717,190)	(185,511)	-	(5,902,701)
Equipment	(500,897)	(113,666)	-	(614,563)
Vehicles and motorized equipment	(144,977)	(26,637)	-	(171,614)
Right-to-use subscription asset	(19,414)	(19,414)	38,828	-
Total	(7,330,700)	(357,584)	38,828	(7,649,456)
Total capital assets being depreciated/amortized, net	3,470,357	(215,588)	-	3,254,769
Water Fund capital assets, net	\$ 3,861,466	\$ 553,838	\$ -	\$ 4,415,304

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer Fund:				
Nondepreciable capital assets:				
Construction in progress	\$ 1,069,012	\$ 322,611	\$ -	\$ 1,391,623
Total	<u>1,069,012</u>	<u>322,611</u>	<u>-</u>	<u>1,391,623</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	188,553	-	-	188,553
Distribution system	11,554,084	-	-	11,554,084
Equipment	347,567	32,709	-	380,276
Vehicles and motorized equipment	324,713	62,038	-	386,751
Right-to-use subscription asset	9,749	-	(9,749)	-
Total	<u>12,424,666</u>	<u>94,747</u>	<u>(9,749)</u>	<u>12,509,664</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(122,334)	(11,671)	-	(134,005)
Distribution system	(6,225,889)	(359,613)	-	(6,585,502)
Equipment	(319,595)	(7,825)	-	(327,420)
Vehicles and motorized equipment	(145,378)	(33,284)	-	(178,662)
Right-to-use subscription asset	(4,875)	(4,874)	9,749	-
Total	<u>(6,818,071)</u>	<u>(417,267)</u>	<u>9,749</u>	<u>(7,225,589)</u>
Total capital assets being depreciated/amortized, net	<u>5,606,595</u>	<u>(322,520)</u>	<u>-</u>	<u>5,284,075</u>
Sewer Fund capital assets, net	<u>\$ 6,675,607</u>	<u>\$ 91</u>	<u>\$ -</u>	<u>\$ 6,675,698</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Electric Fund:				
Nondepreciable capital assets:				
Land	\$ 129,366	\$ -	\$ -	\$ 129,366
Construction in progress	721,857	720,313	-	1,442,170
Total	<u>851,223</u>	<u>720,313</u>	<u>-</u>	<u>1,571,536</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	296,022	103,686	-	399,708
Equipment	7,182,422	304,692	-	7,487,114
Vehicles and motorized equipment	814,674	74,684	-	889,358
Right-to-use subscription asset	29,039	-	(29,039)	-
Total	<u>8,322,157</u>	<u>483,062</u>	<u>(29,039)</u>	<u>8,776,180</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(190,614)	(12,909)	-	(203,523)
Equipment	(6,355,100)	(95,828)	-	(6,450,928)
Vehicles and motorized equipment	(699,668)	(37,561)	-	(737,229)
Right-to-use subscription asset	(14,519)	(14,520)	29,039	-
Total	<u>(7,259,901)</u>	<u>(160,818)</u>	<u>29,039</u>	<u>(7,391,680)</u>
Total capital assets being depreciated/amortized, net	<u>1,062,256</u>	<u>322,244</u>	<u>-</u>	<u>1,384,500</u>
Electric Fund capital assets, net	<u>\$ 1,913,479</u>	<u>\$ 1,042,557</u>	<u>\$ -</u>	<u>\$ 2,956,036</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. 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	1,526	-	342,632
Total	587,117	1,526	-	588,643
Less accumulated depreciation for:				
Equipment	(2,050)	(24,601)	-	(26,651)
Vehicles and motorized equipment	(2,844)	(34,253)	-	(37,097)
Total	(4,894)	(58,854)	-	(63,748)
Total capital assets being depreciated, net	582,223	(57,328)	-	524,895
Sanitation Fund capital assets, net	\$ 582,223	\$ (57,328)	\$ -	\$ 524,895

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

Governmental activities:	
General government	\$ 95,066
Public safety	308,772
Transportation	310,608
Culture and recreation	146,237
Total depreciation and amortization expense - governmental activities	\$ 860,683
Business-type activities:	
Water	\$ 357,584
Sewer	417,267
Electric	160,818
Sanitation	58,854
Total depreciation and amortization expense - business-type activities	\$ 994,523

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2024, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Installment notes - direct borrowings	\$ 1,414,229	\$ 1,506,071	\$ (128,566)	\$ 2,791,734	\$ 274,080
Lease payable - right-to-use assets	75,356	-	(2,876)	72,480	3,004
IT subscriptions payable	15,176	-	(15,176)	-	-
Compensated absences	267,549	151,239	(92,042)	326,746	92,042
Net pension liability (LGRS)	1,889,018	902,778	(650,315)	2,141,481	-
Law enforcement officers' SSA total pension liability	768,079	157,088	(74,420)	850,747	-
Total OPEB liability	4,390,771	198,949	(656,436)	3,933,284	-
Governmental activities Long-term liabilities	<u>\$ 8,820,178</u>	<u>\$ 2,916,125</u>	<u>\$ (1,619,831)</u>	<u>\$ 10,116,472</u>	<u>\$ 369,126</u>
Business-type activities:					
Installment notes - direct borrowings	\$ 974,521	\$ -	\$ (181,267)	\$ 793,254	\$ 118,118
IT subscriptions payable	40,719	-	(40,719)	-	-
Revenue bonds - direct placement	1,589,000	-	(39,000)	1,550,000	40,000
Compensated absences	56,242	29,645	(14,196)	71,691	14,196
Net pension liability (LGRS)	929,443	939,020	(813,704)	1,054,759	-
Total OPEB liability Business-type activities	1,929,277	90,222	(82,211)	1,937,288	-
Business-type activities Long-term liabilities	<u>\$ 5,519,202</u>	<u>\$ 1,058,887</u>	<u>\$ (1,171,097)</u>	<u>\$ 5,406,992</u>	<u>\$ 172,314</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,			
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	3,564	495	4,059
2030-2034	20,188	2,006	22,194
2035-2039	24,632	1,097	25,729
2040-2044	11,262	141	11,403
Total	<u>\$ 72,480</u>	<u>\$ 5,992</u>	<u>\$ 78,472</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. 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, 2024, are as follows:

<i>Governmental activities</i>	<u>Balance as of June 30, 2024</u>
A note was issued by US Department of Agriculture for \$550,000 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.	\$ 382,671
A note was issued by US Department of Agriculture for \$375,000 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.	277,264
A note was issued by US Department of Agriculture for \$31,900 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.	23,117
A note was issued by US Department of Agriculture for \$110,000 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.	79,715
A note was issued by BB&T Bank for \$400,000 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.	175,051
A note was issued by Local Government Federal Credit Union for \$722,000 on December 6, 2018, with annual payments of \$76,287 for a firetruck. The note bears an interest rate of 3.15% and matures in 2028. The note contains a provision that in an event of default, the outstanding balance becomes immediately due if the Town is unable to make payment.	347,846
A note was issued by KS Bank for \$525,000 on October 17, 2023, with annual payments of \$44,700 for a new Town Hall. The note bears an interest rate of 5.70% and matures in 2043.	525,000
A note was issued by Local Government Federal Credit Union for \$525,000 on December 20, 2023, with annual payments of \$69,187 for a fire pump truck. The note bears an interest rate of 5.40% and matures in 2033. 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.	525,000
A note was issued by Local Government Federal Credit Union for \$38,651 on December 20, 2023, with annual payments of \$38,651 for a fire brush truck. The note bears an interest rate of 5.30% and matures in 2027. 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.	38,650

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Direct Borrowings - Installment Notes (Continued)

<i>Governmental activities, continued</i>	<u>Balance as of June 30, 2024</u>
A note was issued by Local Government Federal Credit Union for \$152,420 on December 1, 2023, with annual payments of \$42,848 for police vehicles. The note bears an interest rate of 5.875% and matures in 2027.	\$ 152,420
A note was issued by First-Citizens Bank & Trust for \$265,000 on February 9, 2024, with annual payments of \$61,191 for a leaf truck. The note bears an interest rate of 4.99% and matures in 2029. 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.	<u>265,000</u>
	<u><u>\$ 2,791,734</u></u>

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>
2025	\$ 274,080	\$ 124,437	\$ 398,517
2026	280,989	116,739	397,728
2027	292,729	104,209	396,938
2028	305,039	91,110	396,149
2029	264,014	77,542	341,556
2030-2034	651,180	293,479	944,659
2035-2039	391,489	137,793	529,282
2040-2044	332,214	43,992	376,206
Total	<u><u>\$ 2,791,734</u></u>	<u><u>\$ 989,301</u></u>	<u><u>\$ 3,781,035</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Direct Borrowings - Installment Notes (Continued)

<i>Business-type activities</i>	Balance as of June 30, 2024
A note was issued by North Carolina Drinking Water State Revolving Fund for \$130,913 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.	\$ 52,371
A note was issued by US Department of Agriculture for \$687,000 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.	565,970
A note was issued by US Bank for \$265,000 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.	174,913
Total outstanding notes payable	<u>\$ 793,254</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2025	\$ 118,118	\$ 18,580	\$ 136,698
2026	109,874	14,574	124,448
2027	20,546	10,425	30,971
2028	20,546	10,163	30,709
2029	21,546	9,900	31,446
2030-2034	97,637	45,225	142,862
2035-2039	85,000	37,669	122,669
2040-2044	93,000	29,381	122,381
2045-2049	102,000	20,325	122,325
2050-2054	100,012	10,388	110,400
2055-2058	24,975	1,163	26,138
Total	<u>\$ 793,254</u>	<u>\$ 207,793</u>	<u>\$ 1,001,047</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Direct Placement - Revenue Bonds

In July 2007, the Town issued \$643,000 of Direct Placement Water and Sewer Revenue Bonds, Series 2007 for water system improvements. Principal installments are due annually on June 1 with semiannual interest payments due on December 1 and June 1. The bonds bear an interest rate of 4.25%. At June 30, 2024, \$491,000 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, 2024, \$1,059,000 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.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
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	45,000	38,590	83,590
2030-2034	245,000	168,959	413,959
2035-2039	283,000	134,746	417,746
2040-2044	326,000	90,058	416,058
2045-2049	298,000	40,609	338,609
2050-2054	185,000	9,903	194,903
Total	<u>\$ 1,550,000</u>	<u>\$ 649,401</u>	<u>\$ 2,199,401</u>

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$643,000 and \$1,320,000 of Water & Sewer Revenue Bonds Series 2007 and 2013, respectively. The bonds are payable solely from water and sewer customer net revenues and are payable through 2047 and 2053, respectively. Annual principal and interest payments on the bonds are expected to require less than 20 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,199,401. Principal and interest paid for the current year and net revenues were \$83,388 and \$1,937,478, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Direct Placement - Revenue Bonds (Continued)

The Town of Selma's Water & Sewer Revenue Bonds, Series 2007 and Series 2013 have covenant requirements (Article V, Section 5.01(c)(2)) which require 110% debt coverage ratio based on the income available for debt service as compared to the annual debt service requirement. The Town has been in compliance with the covenants as to rates and charges in the Water & Sewer Revenue Bonds, Series 2007 and 2013 since its adoption in 2007, except for fiscal years ended June 30, 2013, and June 30, 2014. Below is a calculation of the coverage ratio as of June 30, 2024:

Operating revenues	\$ 5,980,084
Non-operating revenues	474,015
Operating expenses	<u>(4,727,319)</u>
Income available for debt service	<u>\$ 1,726,780</u>
Annual debt service (Revenue Bonds only)	\$ 83,476
Debt service coverage ratio	2069%

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2024, is as follows:

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Fund	Sewer Fund	\$ 223,092
General Fund	Sanitation Fund	368,442

The Water Fund previously loaned the Sewer Fund \$850,000 with the intention that the Sewer Fund would repay this balance over several 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, 2024, the Sewer Fund made a payment of \$75,000 to the Water Fund towards the repayment of this advance.

The General Fund loaned the Sanitation Fund \$415,042 to commence operations; the Sanitation Fund is making annual installments until the loan is paid in full. During the year ended June 30, 2024, the Sanitation Fund made a payment of \$46,600 to the General 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	North Selma Drainage Capital Project Fund	\$ 67,042

The North Selma Drainage Capital Project Fund had a negative cash balance in the amount of \$67,042 which was owed back to the General Fund at year-end.

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Electric Fund	\$ 185,204
Sanitation Fund	General Fund	59,575
General Fund	Water Fund	10,500
General Fund	Sewer Fund	5,450

Transfers are used (1) to move revenues from the Electric Fund, Water Fund, and Sewer Fund to the General Fund for operating purposes; and (2) to move funds from the General Fund to the Sanitation Fund for project costs related to the Town's capital projects.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. 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 9. 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, 2024, was 14.04% of compensation for law enforcement officers and 12.89% 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 \$556,727 for the year ended June 30, 2024.

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, 2024, the Town reported a liability of \$3,196,240 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023, 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, 2023, measurement date, the Town's proportion was 0.04826%, which was a decrease of 0.00170% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the Town recognized pension expense of \$873,417. At June 30, 2024, 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	\$ 356,155	\$ 7,667
Changes in plan assumptions	135,822	-
Net difference between projected and actual earnings on pension plan investments	855,453	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	80,798
Town contributions subsequent to the measurement date	556,727	-
Total	<u>\$ 1,904,157</u>	<u>\$ 88,465</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Town contributions made subsequent to the measurement date of \$556,727 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, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2025	\$	454,317
2026		214,025
2027		554,449
2028		36,174
	\$	<u>1,258,965</u>

Actuarial Assumptions. The total pension liability measured as of June 30, 2023, was determined by the December 31, 2022 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, 2022 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 9. 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, 2023, are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.1%
Global Equity	42.0%	6.5%
Real Estate	8.0%	4.9%
Alternatives	8.0%	7.5%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 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 9. 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	\$ 5,537,353	\$ 3,196,240	\$ 1,268,809

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, 2022, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Active plan members	21
Total	27

NOTES TO FINANCIAL STATEMENTS

NOTE 9. 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, 2022 valuation. The total pension liability in the December 31, 2022, 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	4.00 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 \$74,003 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, 2024, the Town reported a total pension liability of \$850,747. The total pension liability was measured as of December 31, 2023, based on a December 31, 2022, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the Town recognized pension expense of \$106,913.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience differences	\$ 73,878	\$ 22,848
Change in assumptions	86,599	105,790
Town benefit payments made subsequent to the measurement date.	37,002	-
Total	<u>\$ 197,479</u>	<u>\$ 128,638</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. 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 \$37,002 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, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2025	\$ 28,775
2026	13,220
2027	(19,501)
2028	4,995
2029	4,350
	<u>\$ 31,839</u>

Changes in the Total Pension Liability. The changes in the total pension liability of the Town for the fiscal year ended June 30, 2024, were as follows:

	Total Pension Liability
Balance at June 30, 2023	\$ 768,079
Service cost	33,837
Interest	31,509
Experience differences	71,275
Assumption changes	20,050
Benefit payments	(74,003)
Balance at June 30, 2024	<u>\$ 850,747</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. 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 4.00 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 (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current rate:

	1% Decrease (3.00%)	Current Discount Rate (4.00%)	1% Increase (5.00%)
Total pension liability	\$ 924,790	\$ 850,747	\$ 783,636

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, 2022 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 9. 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, 2024, were \$75,910, which consisted of \$64,755 from the Town and \$11,155 from the law enforcement officers. As of June 30, 2024, there were twenty-six (26) participants in the plan.

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

All other permanent full-time employees of the Town (excluding law enforcement officers) also participate in the Supplemental Retirement Income Plan, a defined contribution pension plan as described previously. The Plan is a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Town contributes each month an amount equal to 3% of each employee's salary, and all amounts contributed are vested immediately. Also, these employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2024, were \$93,250, which consisted of \$64,833 from the Town and \$28,417 from the employees. As of June 30, 2024, there were sixty-nine (69) participants in the plan.

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NOTES TO FINANCIAL STATEMENTS

NOTE 10. 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, 2023, the date of the latest actuarial valuation:

Active participants	13
Retirees and beneficiaries currently receiving benefits	<u>33</u>
Total	<u><u>46</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, 2024, the Town contributed \$307,818 for the pay as you go benefits for the HCB Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The Town's total OPEB liability of \$5,870,572 was measured as of June 30, 2023, based on an actuarial valuation performed as of the same date. The measurement date of June 30, 2023, is used for the Town's financial statements as of, and for the fiscal year ended June 30, 2024.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2023 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	3.54%
Measurement date	3.65%
Health care cost trends	
Pre-medicare	7.00% - 4.50%, Ultimate Trend in 2033
Medicare	5.125% - 4.50%, Ultimate Trend by 2026

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, 2024, were as follows:

	<u>Total OPEB Liability</u>
Balance at June 30, 2023	\$ 6,184,185
Service cost	78,836
Interest	217,027
Experience differences	(349,221)
Assumption changes	6,702
Benefit payments	(266,957)
Balance at June 30, 2024	<u><u>\$ 5,870,572</u></u>

Changes in assumption and other inputs reflect a change in the discount rate from 3.54% to 3.65%. 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, 2023 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 10. 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 (2.65 percent) or 1-percentage-point higher (4.65) than the current discount rate:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Total OPEB liability	\$ 6,819,925	\$ 5,870,572	\$ 5,116,826

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	\$ 5,098,761	\$ 5,870,572	\$ 6,840,670

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, 2024, and the current sharing pattern of costs between employer and inactive employees.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2024, OPEB expense was (\$597,888). At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,992	\$ 195,719
Changes in plan assumptions	23,399	483,360
Town contributions subsequent to the measurement date	307,818	-
Total	<u>\$ 333,209</u>	<u>\$ 679,079</u>

Town contributions made subsequent to the measurement date of \$307,818 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, 2025. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:

2025	\$ (612,949)
2026	<u>(40,739)</u>
	<u>\$ (653,688)</u>

NOTE 11. 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 11. 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 \$1,000,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

NOTE 12. 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 \$3,268,737 as of June 30, 2024.

NOTE 13. 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, 2024, were \$5,721,625.

NOTE 14. SUBSEQUENT EVENTS

The Town entered into a financing agreement subsequent to the year ended June 30, 2024, for a Sweeper Truck in the amount of \$344,694. The note was issued on August 27, 2024, with annual payments of \$55,125 and bears an interest rate of 6.25% with a maturity date of May 15, 2032.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SELMA, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY LAST EIGHT FISCAL YEARS

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2024	2023	2022	2021
Total pension liability, beginning balance	\$ 768,079	\$ 961,632	\$ 1,009,044	\$ 789,371
Service cost	33,837	46,047	49,322	32,311
Interest on the total pension liability	31,509	20,784	18,582	24,331
Difference between expected and actual experience	71,275	(36,448)	4,926	27,865
Changes of assumptions or other inputs	20,050	(148,182)	(27,786)	221,183
Benefit payments	(74,003)	(75,754)	(92,456)	(86,017)
Total pension liability, ending balance	<u>\$ 850,747</u>	<u>\$ 768,079</u>	<u>\$ 961,632</u>	<u>\$ 1,009,044</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.

2020	2019	2018	2017
\$ 736,478	\$ 720,538	\$ 693,194	\$ 724,106
26,137	31,340	24,692	24,248
25,266	21,695	25,467	24,657
64,849	57,200	7,783	-
21,340	(26,322)	36,259	(12,960)
(84,699)	(67,973)	(66,857)	(66,857)
<u>\$ 789,371</u>	<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 NINE FISCAL YEARS

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2024	2023	2022	2021
Total pension liability	\$ 850,747	\$ 768,079	\$ 961,632	\$ 1,009,044
Town's covered payroll	\$ 1,174,324	\$ 997,735	\$ 1,065,370	\$ 1,069,956
Total pension liability as a percentage of covered payroll	72.45%	76.98%	90.26%	94.31%

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

2020	2019	2018	2017	2016
\$ 789,371	\$ 736,478	\$ 720,538	\$ 693,194	\$ 724,106
\$ 1,021,997	\$ 1,158,005	\$ 1,110,276	\$ 1,030,492	\$ 941,276
77.24%	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
LAST SEVEN FISCAL YEARS**

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	\$ 78,836	\$ 117,817	\$ 155,893	\$ 100,044	\$ 185,598	\$ 196,964	\$ 223,048
Interest on total OPEB liability	217,027	165,167	184,095	231,592	304,608	285,237	255,649
Difference between expected and actual experience	(349,221)	6,186	(979,184)	(27,472)	(1,544,380)	(24,361)	(12,765)
Changes of assumptions and other inputs	6,702	(1,500,960)	253,789	1,591,645	(19,487)	(409,297)	(746,136)
Benefit payments	(266,957)	(264,239)	(255,718)	(220,819)	(258,570)	(202,684)	(199,299)
Net change in total OPEB liability	(313,613)	(1,476,029)	(641,125)	1,674,990	(1,332,231)	(154,141)	(479,503)
Total OPEB liability - beginning	6,184,185	7,660,214	8,301,339	6,626,349	7,958,580	8,112,721	8,592,224
Total OPEB liability - ending	\$ 5,870,572	\$ 6,184,185	\$ 7,660,214	\$ 8,301,339	\$ 6,626,349	\$ 7,958,580	\$ 8,112,721
 Covered-employee payroll	 \$ 824,306	 \$ 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	 712.2%	 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

	2024	2023	2022	2021	2020
Town's proportion of the net pension liability (asset) (%)	4.82600%	0.04996%	0.05140%	0.05107%	0.04677%
Town's proportion of the net pension liability (asset) (\$)	\$ 3,196,236	\$ 2,818,461	\$ 788,269	\$ 1,824,948	\$ 1,277,251
Town's covered payroll	\$ 3,857,420	\$ 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	82.86%	75.68%	22.06%	52.76%	40.11%
Plan fiduciary net position as a percentage of the total pension liability	82.49%	84.14%	95.51%	88.61%	90.86%

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

TOWN OF SELMA, NORTH CAROLINA

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

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	2024	2023	2022	2021	2020
Contractually required contribution	\$ 556,727	\$ 472,300	\$ 407,541	\$ 374,341	\$ 303,010
Contributions in relation to the contractually required contributions	556,727	472,300	407,541	374,341	303,010
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 4,246,740	\$ 3,857,420	\$ 3,724,124	\$ 3,574,071	\$ 3,458,803
Contributions as a percentage of covered payroll	13.11%	12.24%	10.94%	10.47%	8.76%

2019	2018	2017	2016	2015
\$ 255,817	\$ 254,019	\$ 226,453	\$ 205,501	\$ 199,781
255,817	254,019	226,453	205,501	199,781
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 3,184,428	\$ 3,158,766	\$ 3,029,574	\$ 2,971,719	\$ 2,774,964
8.03%	8.04%	7.47%	6.92%	7.20%

TOWN OF SELMA, NORTH CAROLINA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2024

	Capital Project Funds		Total Nonmajor Governmental Funds
	Eastfield Business Park Fund	North Selma Drainage Study Fund	
ASSETS			
Cash and cash equivalents	\$ 800,989	\$ -	\$ 800,989
Accounts receivable	-	70,118	70,118
Total assets	<u>\$ 800,989</u>	<u>\$ 70,118</u>	<u>\$ 871,107</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 2,716	\$ 2,716
Due to other Funds	-	67,402	67,402
Total liabilities	<u>-</u>	<u>70,118</u>	<u>70,118</u>
FUND BALANCES			
Restricted - capital outlay	<u>800,989</u>	<u>-</u>	<u>800,989</u>
Total fund balances	<u>800,989</u>	<u>-</u>	<u>800,989</u>
Total liabilities and fund balances	<u>\$ 800,989</u>	<u>\$ 70,118</u>	<u>\$ 871,107</u>

TOWN OF SELMA, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2024

	Capital Project Funds		Total Nonmajor Governmental Funds
	Eastfield Business Park Fund	North Selma Drainage Study Fund	
REVENUES			
Intergovernmental	\$ 800,989	\$ 87,288	\$ 888,277
Total revenues	800,989	87,288	888,277
EXPENDITURES			
Capital outlay	-	87,288	87,288
Total expenditures	-	87,288	87,288
Net change in fund balances	800,989	-	800,989
FUND BALANCES, beginning of year	-	-	-
FUND BALANCES, end of year	\$ 800,989	\$ -	\$ 800,989

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, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Ad valorem taxes:				
Current year	\$ 3,331,592	\$ 3,331,592	\$ 3,570,267	\$ 238,675
Prior year	5,000	5,000	1,938	(3,062)
Penalties and interest	5,000	5,000	6,227	1,227
Total ad valorem taxes	<u>3,341,592</u>	<u>3,341,592</u>	<u>3,578,432</u>	<u>236,840</u>
Other taxes and licenses:				
Local option sales taxes	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,634,545</u>	<u>234,545</u>
Total other taxes and licenses	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,634,545</u>	<u>234,545</u>
Unrestricted intergovernmental:				
Local occupancy taxes	90,000	90,000	92,467	2,467
Payments in lieu of taxes (external sources)	37,000	39,955	42,050	2,095
Telecommunications sales tax	22,000	22,000	23,297	1,297
Fire district tax	421,824	421,824	308,519	(113,305)
Utilities sales tax	340,000	340,000	399,187	59,187
Piped natural gas sales tax	6,000	6,000	10,338	4,338
Video franchise fee	20,000	20,000	18,750	(1,250)
Beer and wine tax	28,500	28,500	34,227	5,727
Animal/Nuisance Penalties/Fines	-	-	700	700
ABC profit distribution	<u>48,000</u>	<u>48,000</u>	<u>26,173</u>	<u>(21,827)</u>
Total unrestricted intergovernmental	<u>1,013,324</u>	<u>1,016,279</u>	<u>955,708</u>	<u>(60,571)</u>
Restricted intergovernmental:				
Powell Bill allocation	180,000	180,000	200,888	20,888
Controlled substance tax	-	9,509	1,223	(8,286)
FEMA grant	-	-	232	232
State grants	343,549	343,549	170,902	(172,647)
County grants	-	50,000	24,700	(25,300)
Solid waste disposal tax	<u>4,800</u>	<u>4,800</u>	<u>3,860</u>	<u>(940)</u>
Total restricted intergovernmental	<u>528,349</u>	<u>587,858</u>	<u>401,805</u>	<u>(186,053)</u>
Permits and fees:				
Building permits	25,000	25,000	23,530	(1,470)
Inspection fees	<u>20,000</u>	<u>20,000</u>	<u>10,615</u>	<u>(9,385)</u>
Total permits and fees	<u>45,000</u>	<u>45,000</u>	<u>34,145</u>	<u>(10,855)</u>
Sales and services:				
Cemetery fees	205,000	205,000	206,742	1,742
Recreation fees	60,000	76,629	72,454	(4,175)
Refuse charges	-	-	31,872	31,872
Rents	39,540	41,540	34,356	(7,184)
Other fees	<u>315,000</u>	<u>313,887</u>	<u>236,823</u>	<u>(77,064)</u>
Total sales and services	<u>619,540</u>	<u>637,056</u>	<u>582,247</u>	<u>(54,809)</u>
Investment earnings	30,000	30,000	622,737	592,737
Miscellaneous	<u>46,090</u>	<u>321,021</u>	<u>216,360</u>	<u>(104,661)</u>
Total revenues	<u>7,023,895</u>	<u>7,378,806</u>	<u>8,025,979</u>	<u>647,173</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, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
Current:				
General government:				
Governing body:				
Salaries and employee benefits	\$ 27,293	\$ 27,293	\$ 26,118	\$ 1,175
Professional services	48,250	102,435	99,881	2,554
Departmental supplies	4,600	4,600	4,078	522
Other operating expenditures	36,200	20,520	20,521	(1)
Total	116,343	154,848	150,598	4,250
Administration:				
Salaries and employee benefits	388,711	360,561	332,959	27,602
Professional services	16,000	17,898	17,831	67
Departmental supplies	22,979	29,856	28,779	1,077
Other operating expenditures	56,700	57,230	55,850	1,380
Repairs and maintenance	1,000	13,000	635	12,365
Capital outlay	-	653,911	655,160	(1,249)
Total	485,390	1,132,456	1,091,214	41,242
Finance:				
Salaries and employee benefits	125,239	119,739	118,140	1,599
Professional services	20,790	28,290	23,677	4,613
Departmental supplies	5,475	4,275	3,925	350
Other operating expenditures	118,236	108,736	85,870	22,866
Total	269,740	261,040	231,612	29,428
Nonprofit organization support:				
Other operating expenditures	1,400	1,400	1,350	50
Total	1,400	1,400	1,350	50
Planning and economic development:				
Salaries and employee benefits	34,444	30,444	30,155	289
Professional services	50,980	66,790	62,962	3,828
Departmental supplies	2,500	2,190	2,089	101
Other operating expenditures	390,900	329,000	137,619	191,381
Capital outlay	-	-	28,000	(28,000)
Total	478,824	428,424	260,825	167,599
Total general government	1,351,697	1,978,168	1,735,599	242,569

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, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Current (Continued):				
Public Safety:				
Police:				
Salaries and employee benefits	\$ 2,464,865	\$ 2,091,265	\$ 2,127,003	\$ (35,738)
Professional services	20,800	22,800	22,227	573
Departmental supplies	64,550	67,950	66,591	1,359
Other operating expenditures	37,315	71,318	18,912	52,406
Capital outlay	64,350	577,676	446,890	130,786
Repairs and maintenance	32,000	45,335	79,997	(34,662)
Total	2,683,880	2,876,344	2,761,620	114,724
Fire department:				
Salaries and employee benefits	918,838	879,938	868,940	10,998
Professional services	19,820	68,045	56,444	11,601
Departmental supplies	48,850	48,900	44,241	4,659
Other operating expenditures	10,478	13,228	11,838	1,390
Capital outlay	61,200	1,617,508	853,068	764,440
Repairs and maintenance	104,150	150,427	144,924	5,503
Total	1,163,336	2,778,046	1,979,455	798,591
Total public safety	3,847,216	5,654,390	4,741,075	913,315
Transportation:				
Powell bill:				
Capital outlay	258,666	258,666	39,907	218,759
Repairs and maintenance	17,500	17,500	3,058	14,442
Total	276,166	276,166	42,965	233,201
Public works:				
Salaries and employee benefits	468,793	473,793	394,386	79,407
Professional services	3,000	8,187	6,106	2,081
Departmental supplies	55,300	95,900	89,899	6,001
Capital outlay	67,449	623,543	620,248	3,295
Repairs and maintenance	37,550	60,863	52,824	8,039
Total	632,092	1,262,286	1,163,463	98,823
Public facilities and grounds:				
Salaries and employee benefits	177,875	177,875	178,962	(1,087)
Professional services	34,000	49,000	43,529	5,471
Departmental supplies	26,200	27,518	24,918	2,600
Other operating expenditures	126,700	133,386	132,120	1,266
Capital outlay	8,649	47,771	8,343	39,428
Repairs and maintenance	379,049	379,321	33,900	345,421
Total	752,473	814,871	421,772	393,099
Total transportation	1,660,731	2,353,323	1,628,200	725,123

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, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
Expenditures (Continued)				
Current (Continued):				
Culture and Recreation:				
Recreation:				
Salaries and employee benefits	\$ 253,939	\$ 217,839	\$ 182,700	\$ 35,139
Professional services	13,700	21,100	20,952	148
Departmental supplies	10,550	20,877	15,993	4,884
Other operating expenditures	100,290	134,944	120,496	14,448
Capital outlay	-	285,907	151,650	134,257
Repairs and maintenance	38,700	70,722	59,914	10,808
Total	417,179	751,389	551,705	199,684
Library:				
Salaries and employee benefits	144,587	139,667	126,229	13,438
Professional services	4,855	10,855	8,601	2,254
Departmental supplies	11,000	13,000	11,633	1,367
Other operating expenditures	2,025	2,000	1,723	277
Repairs and maintenance	8,500	5,420	5,317	103
Total	170,967	170,942	153,503	17,439
Civic center:				
Salaries and employee benefits	10,765	765	-	765
Professional services	2,500	2,500	1,388	1,112
Departmental supplies	30,500	30,500	24,696	5,804
Repairs and maintenance	30,300	30,300	13,437	16,863
Total	74,065	64,065	39,521	24,544
Total culture and recreation	662,211	986,396	744,729	241,667
Debt Service:				
Principal	208,582	208,582	146,618	61,964
Interest	50,339	50,489	50,284	205
Total	258,921	259,071	196,902	62,169
Total expenditures	7,780,776	11,231,348	9,046,505	2,184,843
Deficiency of revenues under expenditures	(756,881)	(3,852,542)	(1,020,526)	2,832,016
Other financing sources (uses)				
Fund balance appropriation	461,881	4,686,013	-	(4,686,013)
Transfers in	295,000	314,754	201,154	(113,600)
Transfers out	-	(59,575)	(59,575)	-
Inception of lease	-	(1,088,650)	1,506,070	2,594,720
Proceeds from sale of capital assets	-	-	32,767	32,767
Total other financing sources	756,881	3,852,542	1,680,416	(2,172,126)
Net change in fund balances	-	-	659,890	659,890
Fund balance, beginning of year	6,891,511	6,891,511	6,891,511	-
Fund balance, end of year	\$ 6,891,511	\$ 6,891,511		\$ 659,890
Plus Fire Protection - Selma Petroleum Terminals Fund - ending fund balance			224,119	
Plus Fire Grant Fund- ending fund balance			(9,211)	
General Fund - Fund Balance			\$ 7,766,309	

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, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ -	\$ -
Permits and fees	21,000	21,000	22,500	1,500
Miscellaneous	6,918	6,918	5,914	(1,004)
Total revenues	27,918	27,918	28,414	496
EXPENDITURES				
Public safety	27,918	27,918	24,846	3,072
Net change in fund balance	-	-	3,568	3,568
FUND BALANCE, beginning of year	220,551	220,551	220,551	-
FUND BALANCE, end of year	\$ 220,551	\$ 220,551	\$ 224,119	\$ 3,568

TOWN OF SELMA, NORTH CAROLINA

FIRE GRANT FUND (GENERAL FUND) SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) PROJECT LIFE AS OF JUNE 30, 2024

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Intergovernmental	\$ 203,938	\$ 112,268	\$ -	\$ 112,268
Total revenues	<u>203,938</u>	<u>112,268</u>	<u>-</u>	<u>112,268</u>
EXPENDITURES				
Fire Department:				
Salaries and benefits	171,433	67,173	319	67,492
Uniforms and supplies	31,105	20,366	9,991	30,357
Contracted services	1,400	1,350	-	1,350
Capital outlay	-	22,280	-	22,280
Total expenditures	<u>203,938</u>	<u>111,169</u>	<u>10,310</u>	<u>121,479</u>
Net change in fund balance	<u>\$ -</u>	1,099	(10,310)	(9,211)
FUND BALANCE, beginning of year		-	1,099	-
FUND BALANCE, end of year		<u>\$ 1,099</u>	<u>\$ (9,211)</u>	<u>\$ (9,211)</u>

TOWN OF SELMA, NORTH CAROLINA

FACILITIES IMPROVEMENT CAPITAL PROJECT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) PROJECT LIFE AS OF JUNE 30, 2024

	Project Budget	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ 3,102,302	\$ -	\$ 3,102,302	\$ 3,102,302
Interest earnings	-	-	4,183	4,183
Total revenues	<u>3,102,302</u>	<u>-</u>	<u>3,106,485</u>	<u>3,106,485</u>
EXPENDITURES				
Capital outlay:				
Construction	<u>3,102,302</u>	<u>-</u>	<u>194,057</u>	<u>194,057</u>
Total expenditures	<u>3,102,302</u>	<u>-</u>	<u>194,057</u>	<u>194,057</u>
Net change in fund balance	-	-	2,912,428	2,912,428
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,912,428</u>	<u>\$ 2,912,428</u>

TOWN OF SELMA, NORTH CAROLINA

EASTFIELD BUSINESS PARK CAPITAL PROJECT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) PROJECT LIFE AS OF JUNE 30, 2024

	Project		Actual	
	Budget	Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ 800,000	\$ -	\$ 800,000	\$ 800,000
NCDOT Grant	200,000	-	989	989
Total revenues	1,000,000	-	800,989	800,989
EXPENDITURES				
Sitework	193,758	-	-	-
Design	65,000	-	-	-
Administration	95,000	-	-	-
Supplies & Materials	646,242	-	-	-
Total expenditures	1,000,000	-	-	-
Net change in fund balance	-	-	800,989	800,989
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	\$ -	\$ -	\$ 800,989	\$ 800,989

TOWN OF SELMA, NORTH CAROLINA

NORTH SELMA DRAINAGE STUDY CAPITAL PROJECT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) PROJECT LIFE AS OF JUNE 30, 2024

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Intergovernmental	\$ 359,000	\$ -	\$ 87,288	\$ 87,288
Total revenues	359,000	-	87,288	87,288
EXPENDITURES				
Capital outlay:				
Construction	359,000	-	87,288	87,288
Total expenditures	359,000	-	87,288	87,288
Net change in fund balance	-	-	-	-
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	\$ -	\$ -	\$ -	\$ -

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, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Operating revenues				
Water charges	\$ 1,851,253	\$ 1,881,253	\$ 1,807,394	\$ (73,859)
Penalties	60,000	60,000	46,362	(13,638)
Other operating revenues	393,568	402,774	297,619	(105,155)
Non-operating revenues - interest	10,000	10,000	118	(9,882)
Total revenues	<u>2,314,821</u>	<u>2,354,027</u>	<u>2,151,493</u>	<u>(202,534)</u>
EXPENDITURES				
Water administration				
Salaries and benefits	607,679	521,679	478,110	43,569
Professional services	148,850	433,960	247,552	186,408
Utilities	67,800	72,300	70,776	1,524
Insurance	106,286	106,286	82,134	24,152
Other operating expenditures	87,650	179,040	75,639	103,401
Total water administration	<u>1,018,265</u>	<u>1,313,265</u>	<u>954,211</u>	<u>359,054</u>
Water operations				
Salaries and benefits	362,365	362,365	295,884	66,481
Department supplies	20,501	53,101	66,498	(13,397)
Chemicals	85,000	85,000	78,213	6,787
Maintenance and repairs	117,845	147,745	82,510	65,235
Contract services	110,000	128,000	86,143	41,857
Purchase for resale	183,077	123,077	93,850	29,227
Other operating expenditures	94,400	182,277	968,950	(786,673)
Total water operations	<u>973,188</u>	<u>1,081,565</u>	<u>1,672,048</u>	<u>(590,483)</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, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
Debt service				
Principal	\$ 28,128	\$ 28,128	\$ 28,120	\$ 8
Interest	21,672	21,672	21,815	(143)
Total debt service	49,800	49,800	49,935	(135)
Total expenditures	2,041,253	2,444,630	2,676,194	(231,564)
 Excess (deficiency) of revenues over (under) expenditures	273,568	(90,603)	(524,701)	(434,098)
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	(273,568)	101,103	-	(101,103)
Transfers in	-	311,500	311,500	-
Transfers out	-	(10,500)	(10,500)	-
Total other financing sources (uses)	(273,568)	402,103	301,000	(101,103)
 Net change in net position	\$ -	\$ 311,500	(223,701)	\$ (535,201)
 Adjustments to full accrual:				
Capital outlays			911,422	
Payments of debt service - principal			28,120	
Increase in compensated absences			(2,780)	
Increase in net pension liability and related pension items			(23,925)	
Increase in total OPEB liability and related OPEB items			(417,855)	
Tap contributions			978,019	
Change in accrued interest			(5)	
Depreciation and amortization expense			(357,584)	
Transfer in from Water Capital Reserve Fund			(311,500)	
Water Capital Reserve Fund change in fund balance			(37,932)	
Change in net position			\$ 542,279	

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, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ -	\$ -
OTHER FINANCING SOURCES (USES)				
Transfer in	273,568	273,568	273,568	-
Transfer out	-	(311,500)	(311,500)	-
Reserve for future expenditures	(273,568)	37,932	-	(37,932)
Total other financing uses	-	-	(37,932)	(37,932)
Net change in net position	\$ -	\$ -	\$ (37,932)	\$ (37,932)

TOWN OF SELMA, NORTH CAROLINA

WATER TANK WALLS AND TREATMENT CAPITAL PROJECT FUND (WATER FUND) SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) PROJECT LIFE AS OF JUNE 30, 2024

	Project Budget	Prior Years	Actual Current Year	Total
REVENUES				
Intergovernmental	\$ 12,800,000	\$ -	\$ 296,607	\$ 296,607
Total revenues	<u>12,800,000</u>	<u>-</u>	<u>296,607</u>	<u>296,607</u>
EXPENDITURES				
Capital outlay:				
Engineering fees	2,000,000	-	-	-
Administration	684,000	-	-	-
Construction	<u>10,116,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>12,800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	-	-	296,607	296,607
Net change in fund balance	<u>\$ -</u>	-	296,607	296,607
FUND BALANCE, beginning of year		-	-	-
FUND BALANCE, end of year		<u>\$ -</u>	<u>\$ 296,607</u>	<u>\$ 296,607</u>

TOWN OF SELMA, NORTH CAROLINA

SEWER FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Operating revenues				
Sewer charges	\$ 3,504,991	\$ 3,504,991	\$ 3,112,057	\$ (392,934)
Penalties	75,000	75,000	78,604	3,604
Intergovernmental	-	-	20,500	20,500
Other operating revenues	220,176	660,676	225,511	(435,165)
Non-operating revenues - interest	7,500	7,500	150	(7,350)
Total revenues	3,807,667	4,248,167	3,436,822	(811,345)
EXPENDITURES				
Sewer administration				
Salaries and benefits	156,996	140,261	47,916	92,345
Professional services	25,950	29,685	21,267	8,418
Utilities	66,000	66,000	65,247	753
Insurance	32,500	32,500	24,677	7,823
Maintenance and repairs	3,000	2,000	1,334	666
Other operating expenditures	126,800	130,350	42,203	88,147
Total sewer administration	411,246	400,796	202,644	198,152
Sewer operations				
Salaries and benefits	268,824	273,825	189,025	84,800
Department supplies	12,500	12,000	7,525	4,475
Maintenance and repairs	140,500	140,700	110,250	30,450
Transmission and treatment fees	2,300,000	1,850,000	1,686,351	163,649
Other operating expenditures	359,947	369,746	296,768	72,978
Total sewer operations	3,081,771	2,646,271	2,289,919	356,352

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, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
Debt service				
Principal	\$ 79,049	\$ 79,049	\$ 79,012	\$ 37
Interest	35,425	35,425	35,194	231
Total debt service	114,474	114,474	114,206	268
Total expenditures	3,607,491	3,161,541	2,606,769	554,772
 Excess of revenues over expenditures	 200,176	 1,086,626	 830,053	 (256,573)
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(1,326,950)	(5,450)	1,321,500
Total other financing uses	-	(1,326,950)	(5,450)	1,321,500
 Net change in net position	 \$ 200,176	 \$ (240,324)	 824,603	 \$ 1,064,927
 Adjustments to full accrual:				
Sewer Fund capital asset additions			417,358	
Payments of debt service - principal			79,012	
Increase in compensated absences			(2,780)	
Decrease in net pension liability and related pension items			14,006	
Increase in total OPEB liability and related OPEB items			(120,041)	
Change in accrued interest			(7,522)	
Depreciation expense			(417,267)	
ASADRA Brack Wilson Fund Balance			498,108	
CDBG I Sewer Fund Balance			1,893	
Change in net position			\$ 1,287,370	

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, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	(200,176)	(200,176)	-	200,176
Transfers in	200,176	200,176	200,176	-
Total other financing sources	-	-	200,176	200,176
Net change in net position	\$ -	\$ -	\$ 200,176	\$ 200,176

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, 2024

	Project Budget	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ 1,999,809	\$ 330,559	\$ 40,696	\$ 371,255
Total revenues	<u>1,999,809</u>	<u>330,559</u>	<u>40,696</u>	<u>371,255</u>
EXPENDITURES				
Capital outlay	1,999,809	330,559	38,803	369,362
Total expenditures	<u>1,999,809</u>	<u>330,559</u>	<u>38,803</u>	<u>369,362</u>
Net change in fund balance	<u>\$ -</u>	-	1,893	1,893
FUND BALANCE, beginning of year		-	-	-
FUND BALANCE, end of year		<u>\$ -</u>	<u>\$ 1,893</u>	<u>\$ 1,893</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, 2024

	Project	Actual		
	Budget	Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ 3,015,000	\$ 490,029	\$ 770,908	\$ 1,260,937
Total revenues	<u>3,015,000</u>	<u>490,029</u>	<u>770,908</u>	<u>1,260,937</u>
EXPENDITURES				
Capital outlay:	3,015,000	490,029	272,800	762,829
Total expenditures	<u>3,015,000</u>	<u>490,029</u>	<u>272,800</u>	<u>762,829</u>
Net change in fund balance	<u>\$ -</u>	-	498,108	498,108
FUND BALANCE, beginning of year		-	-	-
FUND BALANCE, end of year		<u>\$ -</u>	<u>\$ 498,108</u>	<u>\$ 498,108</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, 2024

	Project	Actual		
	Budget	Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ 150,000	\$ 155,890	\$ 16,610	\$ 172,500
Total revenues	150,000	155,890	16,610	172,500
EXPENDITURES				
Capital outlay:	150,000	155,890	16,610	172,500
Total expenditures	150,000	155,890	16,610	172,500
Net change in fund balance	\$ -	-	-	-
FUND BALANCE, beginning of year		-	-	-
FUND BALANCE, end of year		\$ -	\$ -	\$ -

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, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Operating revenues				
Electric charges	\$ 7,550,000	\$ 7,550,000	\$ 6,992,803	\$ (557,197)
Other operating revenues	710,500	856,417	904,162	47,745
Nonoperating revenues - interest	10,000	10,000	-	(10,000)
Total revenues	8,270,500	8,416,417	7,896,965	(519,452)
EXPENDITURES				
Electric administration				
Salaries and benefits	771,078	598,278	482,009	116,269
Contracted services	34,850	30,850	27,157	3,693
Utilities	17,500	17,500	16,203	1,297
Insurance	48,000	48,000	42,874	5,126
Other operating expenditures	192,900	283,200	197,162	86,038
Total electric administration	1,064,328	977,828	765,405	212,423
Electric operations				
Salaries and benefits	382,458	439,458	392,222	47,236
Department supplies	71,000	115,606	91,842	23,764
Maintenance and repairs	25,000	40,300	23,272	17,028
Purchases for inventory	150,000	150,000	(9,891)	159,891
Contracted services	65,000	105,096	94,010	11,086
Other operating expenditures	1,235,478	1,542,559	1,303,711	238,848
Total electric operations	1,928,936	2,393,019	1,895,166	497,853
Electric power purchases	5,771,000	6,358,050	5,721,625	636,425
				<i>Continued</i>

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, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
Debt service				
Principal	\$ 23,165	\$ 23,165	\$ 23,165	\$ -
Interest	612	612	612	-
Total debt service	23,777	23,777	23,777	-
Total expenditures	8,788,041	9,752,674	8,405,973	1,346,701
 Deficiency of revenues under expenditures	(517,541)	(1,336,257)	(509,008)	827,249
 OTHER FINANCING SOURCES (USES)				
Appropriation to increase net position	-	808,920	-	(808,920)
Transfers in	712,541	712,541	712,541	-
Transfers out	(195,000)	(185,204)	(185,204)	-
Total other financing sources	517,541	1,336,257	527,337	(808,920)
 Net change in net position	\$ -	\$ -	18,329	\$ 18,329
 Adjustments to full accrual:				
Capital outlays			1,203,376	
Payments of debt service - principal			23,165	
Increase in compensated absences			(5,426)	
Increase in net pension liability and related pension items			(53,084)	
Decrease in total OPEB liability and related OPEB items			625,141	
Depreciation expense			(160,818)	
Electric Capital Reserve Fund			(712,541)	
Change in net position			\$ 938,142	

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, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ -	\$ -
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	712,541	712,541	-	(712,541)
Transfers out	(712,541)	(712,541)	(712,541)	-
Total other financing uses	-	-	(712,541)	(712,541)
Net change in net position	\$ -	\$ -	\$ (712,541)	\$ (712,541)

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, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Operating revenues				
Sanitation charges	\$ 735,750	\$ 735,750	\$ 763,536	\$ 27,786
Total revenues	735,750	735,750	763,536	27,786
EXPENDITURES				
Sanitation administration				
Salaries and benefits	108,849	107,224	33,043	74,181
Contracted services	4,975	4,975	2,000	2,975
Utilities	5,000	500	333	167
Other operating expenditures	11,900	20,900	17,460	3,440
Total sanitation operations	130,724	133,599	52,836	80,763
Sanitation operations				
Salaries and benefits	127,285	179,485	161,332	18,153
Department supplies	54,000	54,000	52,054	1,946
Maintenance and repairs	42,000	59,300	57,418	1,882
Contracted services	4,226	4,126	3,512	614
Other operating expenditures	234,300	218,000	196,290	21,710
Total sanitation operations	461,811	514,911	470,606	44,305
Debt service				
Principal	90,088	90,088	90,088	-
Interest	3,127	3,127	3,127	-
Total debt service	93,215	93,215	93,215	-
Total expenditures	685,750	741,725	616,657	125,068
Excess (deficiency) of revenues over (under) expenditures	50,000	(5,975)	146,879	152,854
OTHER FINANCING SOURCES (USES)				
Appropriation to increase net position	-	(3,500)	-	3,500
Transfers in	-	59,575	59,575	-
Transfers out	(50,000)	(50,100)	-	50,100
Total other financing sources (uses)	(50,000)	5,975	59,575	53,600
Net change in net position	\$ -	\$ -	206,454	\$ 206,454
Adjustments to full accrual:				
Capital outlays			1,526	
Payments of debt service - principal			90,088	
Increase in compensated absences			(4,463)	
Increase in net pension liability and related pension items			(41,416)	
Increase in total OPEB liability and related OPEB items			(195,727)	
Depreciation expense			(58,854)	
Change in net position			\$ (2,392)	

TOWN OF SELMA, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2024

Fiscal Year	Uncollected Balance June 30, 2023	Additions	Collections And Credits	Uncollected Balance June 30, 2024
2023-2024	\$ -	\$ 3,545,789	\$ 3,541,554	\$ 4,235
2022-2023	4,016	-	1,192	2,824
2021-2022	1,409	-	61	1,348
2020-2021	1,089	-	-	1,089
2019-2020	1,374	-	322	1,052
2018-2019	776	-	-	776
2017-2018	295	-	-	295
2016-2017	17	-	-	17
2015-2016	306	-	-	306
2014-2015	420	-	-	420
	<u>\$ 9,702</u>	<u>\$ 3,545,789</u>	<u>\$ 3,543,129</u>	<u>12,362</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>1,038</u>
Ad valorem taxes receivable - net				<u>\$ 11,324</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 3,578,432
Reconciling items:				
Refunds and other adjustments				(27,261)
Releases and write-offs				(1,815)
Interest collected				(6,227)
Total collections and credits				<u>\$ 3,543,129</u>

TOWN OF SELMA, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

TOWN-WIDE LEVY

JUNE 30, 2024

	Town-wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real property	\$ 424,418,529	0.60	\$ 2,546,511	\$ 2,546,511	\$ -
Personal property	89,712,411	0.60	841,644	538,274	303,370
Public service company	24,473,071	0.60	146,838	146,838	-
Penalties	-		6,156	6,156	-
Total	<u>538,604,011</u>		<u>3,541,149</u>	<u>3,237,779</u>	<u>303,370</u>
Discoveries:					
Current year taxes	603,781		3,623	3,623	-
Prior year taxes	-		-	-	-
Penalties	-		3,869	3,869	-
Total	<u>603,781</u>		<u>7,492</u>	<u>7,492</u>	<u>-</u>
Abatements	<u>(475,467)</u>		<u>(2,852)</u>	<u>(2,852)</u>	<u>-</u>
Total property valuation	<u>\$ 538,732,325</u>				
Net levy			3,545,789	3,242,419	303,370
Uncollected taxes at June 30, 2024			<u>(4,235)</u>	<u>(4,235)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 3,541,554</u>	<u>\$ 3,238,184</u>	<u>\$ 303,370</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 aggregate remaining fund information of the **Town of Selma, North Carolina** (the "Town") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 22, 2025.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-003 to be a significant deficiency.

Report on Compliance and Other Matters

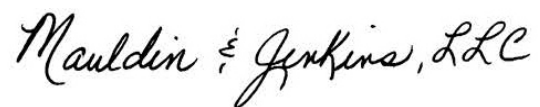
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2024-004.

Town of Selma, North Carolina's Responses to Findings

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

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
April 22, 2025

**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, 2024. 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, 2024.

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
April 22, 2025

**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, 2024. 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, 2024.

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*, the Uniform Guidance, and the State Single Audit Implementation Act 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*, the Uniform Guidance, and the State Single Audit Implementation Act 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
April 22, 2025

TOWN OF SELMA, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL
AND STATE AWARDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Federal Awarding Agency / Pass-through Agency	Federal Assistance Listing Number	Pass-through / Grant ID Number	Federal	State
FEDERAL AWARDS				
<u>U.S. 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	\$ 38,803	\$ -
Total U.S. Department of Housing and Urban Development			38,803	-
<u>U.S. Department of Homeland Security</u>				
Federal Emergency Management Agency				
Passed through N.C. Department of Public Safety				
Assistance to Firefighters Grant	97.044	EMW-2022-FG-05335	145,542	
Total U.S. Department of Homeland Security			145,542	-
<u>U.S. Department of Treasury</u>				
Passed through N.C. Department of Environmental Quality				
COVID-19 - Drinking Water SRP - Water Distribution and Capacity Expar	21.027	SRP-D-ARP-0096	518,337	-
COVID-19 - Brack Wilson Lift Station	21.027	SRP-W-ARP-0233	272,800	-
COVID-19 - Drinking Water AIA (ARPA)	21.027	SRP-D-ARP-0060	71,310	-
COVID-19 - LASII ARPA Stormwater Master Plan	21.027	SRP-SW-ARP-0072	87,288	-
Total U.S. Department of Treasury			949,735	
TOTAL FEDERAL AWARDS			1,134,080	-
STATE AWARDS				
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-4	-	51,732
Total N.C. Department of Transportation			-	51,732
<u>N.C. Department of Environmental Quality</u>				
Drinking Water State Reserve Earmark - Water System Improvements Project		SRP-D-134-0009	-	296,607
AIA Sewer Project		E-AIA-W-21-0220	-	18,595
Total N.C. Department of Environmental Quality			-	315,202
<u>N.C. Office of State Budget Management</u>				
Facilities Improvements		24-DG-12892	-	194,057
Total N.C. Office of State Budget Management			-	194,057
TOTAL STATE AWARDS			-	560,991
TOTAL FEDERAL AND STATE AWARDS			\$ 1,134,080	\$ 560,991

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, 2024. 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, 2024

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, 2024

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 – Drinking Water State Reserve Earmark – Water System Improvements Project

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, 2024

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2024-001 Revenues, Including Grants, and Related Accounts

Criteria: Internal controls should be in place to ensure that the Town is properly recording revenues from all sources, including grants, in the correct fiscal period in accordance with generally accepted accounting principles (GAAP).

Condition: During our audit procedures, we noted several issues with the Town's recording of revenues and the related accounts. Principally, the Town did not record the necessary year-end adjustments to ensure revenues and related accounts were recorded in accordance with GAAP which requires revenues to be recorded when they are earned, regardless of when the related cash is received. As a result of the issues identified, a significant number of audit adjustments were required to correct the Town's revenues and related accounts.

Context/Cause: The nature and magnitude of the audit adjustments required are as follows:

- In the Town's General Fund, adjustments totaling approximately \$172,000 were required to correct current year revenues and accounts receivable.
- In the Town's North Selma Drainage Fund, adjustments totaling approximately \$70,000 were required to accrue grant revenue that was earned by the Town as of June 30, 2024, but had not been recorded.
- In the Town's Water Fund, Sewer Fund, and Electric Fund, adjustments totaling approximately \$684,000, \$988,000, and \$137,000, respectively, were required to correct current year revenues and accounts receivable. These entries were required to (1) reverse entries recorded in the prior year that were not correctly removed during the current period; (2) correct the accrual for unbilled services as of year-end; (3) properly accrue grant revenues/reimbursements that were earned by June 30, 2024; and (4) correct the current year reporting of accounts receivable recorded in the prior year where the Town improperly recorded the revenue again instead of reducing the accounts receivable when the cash was received.

Effects: Audit adjustments totaling approximately \$2,051,000 were needed to correct the above accounts in the Town's general ledger as of and for the year ended June 30, 2024. In addition, the issues noted above pertaining to grant revenues of the Town prevented the Town from preparing an accurate schedule of expenditures of federal and state awards (SEFSA). The SEFSA is a required statement in a governmental audit when the entity expends more than \$750,000 in federal awards and/or \$500,000 in State of North Carolina awards. The SEFSA originally submitted by the Town for audit omitted several major grants and included incorrect amounts of current period expenditures for others. This created significant delays in completing the Town's audit as we were not able to perform major program determination to select the programs that were required to be audited. The Town was not able to produce a final SEFSA that was reconciled to its general ledger until late March 2025 and, when combined with the issues noted above regarding the recording of revenues and related accounts, led to significant delays in completing the Town's audit.

Recommendation: More than annually, the Town needs to review its general ledger to ensure revenues are being accounted for properly in accordance with GAAP. Furthermore, the Town needs to develop a consistent method for tracking its grant-funded projects to ensure revenues and related amounts are properly accounted for and recorded in the SEFSA.

Auditee's Response: We concur with the finding and will take steps in the future to implement the recommendations noted.

TOWN OF SELMA, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2024-002 Expenses/Expenditures and Related Accounts

Criteria: Internal controls should be in place to ensure that expenses/expenditures of the Town are recorded in accordance with GAAP, which includes recording expenses/expenditures in the period incurred, regardless of the timing of the related cash flows. Furthermore, as it relates to capital assets, the Town needs to ensure that items are properly classified as capital in accordance with the Town's capitalization policy and, to the extent that they are not, are properly expensed.

Condition: During our audit procedures, we noted a significant number of issues with regard to the expenses/expenditures and related accounts of the Town. As a result of the issues identified, a significant number of audit adjustments were required to properly report transactions of the Town in accordance with GAAP.

Context/Cause: The nature and magnitude of the audit adjustments required are as follows:

- In the Town's General Fund, adjustments totaling approximately \$133,000 were required to (1) correct the Town's accrued payroll liability and the related expenditures; and (2) to correct the recording of interfund transactions that occurred during the fiscal year ended June 30, 2024.
- In the Town's Water Fund, Sewer Fund, Electric Fund, and Sanitation Fund, adjustments totaling approximately \$97,000, \$228,000, \$33,000, and \$59,000, respectively, were required. These adjustments were required to correct: (1) payroll expenses and the related accrued payroll liability as of year-end; (2) the liability for compensated absences that had not been updated by the Town since the prior year-end; (3) the recording of interfund transactions that occurred during the fiscal year ended June 30, 2024; (4) the reporting of interest expense on long-term liabilities; and (5) to properly expense items that did not qualify for reporting as capital assets that the Town had incorrectly capitalized.

Effects: Audit adjustments totaling approximately \$550,000 were needed to correct the Town's expenses/expenditures and the related accounts as of and for the fiscal year ended June 30, 2024.

Recommendation: The Town needs to develop stronger internal controls to ensure the above items are recorded in accordance with GAAP. The majority of the issues noted above are routine transactions of the Town and should be easily identified during a monthly or annual close. The use of a checklist or other standardized process to ensure these transactions are identified, recorded, and reviewed should help in ensuring these items are corrected in future years.

Auditee's Response: We concur with the finding and will take steps in the future to implement the recommendations noted.

TOWN OF SELMA, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2024-003 Manual Journal Entries

Criteria: Internal controls should be in place which provide reasonable assurance that an individual cannot misappropriate funds or record transactions in the Town's general ledger without such actions being detected during the normal course of business.

Condition: Appropriate segregation of duties was not achieved by the Town as it relates to the recording of manual journal entries. In this context, appropriate segregation of duties would mean that manual journal entries are prepared by one Town employee and subsequently reviewed and approved by another Town employee with the requisite knowledge to review and approve such transactions.

Context/Cause: During our audit for the fiscal year ended June 30, 2024, we selected twenty-five (25) journal entries for review. In conducting this test, we look for the following for each entry selected: (1) that the journal entry has been properly recorded; (2) that there is proper basis for the journal entry; and (3) that the entry was reviewed and approved by someone other than the person posting the entry to the general ledger. In our review of the entries selected, we noted the following:

- Of the twenty-five (25) entries selected for testing, twenty-four (24) were not able to be evaluated for proper basis for the entry as no supporting documentation was able to be provided by the Town to support the need for the journal entry.
- Of the twenty-five (25) entries selected for testing, we noted that nineteen (19) were prepared and posted by the same employee without any subsequent review.

Effects: Failure to properly segregate duties and to ensure that manual adjustments to the Town's general ledger are properly supported, reviewed, and approved may allow for errors or irregularities to occur and not be detected in a timely manner.

Recommendation: We recommend the Town review its policies and procedures for manual journal entries and make updates as necessary to ensure that all manual entries are properly supported, reviewed, and approved.

Auditee's Response: We concur with the finding and will take steps in the future to implement the recommendations noted.

TOWN OF SELMA, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2024-004 Compliance with Bonding Requirements per G.S. 159-29 Section 9 of Session Law 2022-53

Criteria: Effective January 1, 2023, the fidelity bond requirements of G.S. 159-29 have been rewritten by Section 9 of Session Law 2022-53. A person may not be appointed as a finance officer or assume the duties for which a bond is required if the person is unable to obtain the bond required by G.S. 159-29. Under the revised statute, the bond for the finance officer “may not be less than the greater of the following: (1) Fifty thousand dollars (\$50,000). (2) An amount equal to ten percent (10%) of the unit’s annually budgeted funds, up to one million dollars (\$1,000,000).”

Condition: Per the Local Government Commission (LGC), the Finance Director of the Town does not meet the bonding requirements as stated above per G.S. 159-29.

Context/Cause: During our audit for the fiscal year ended June 30, 2024, we reviewed the Town’s bonding of the Finance Director, noting that for nine months of the fiscal year there was no bond for the Interim Finance Director.

Effects: The Interim Finance Director of the Town does not meet the bonding requirements as stated per G.S. 159-29.

Recommendation: We recommend the Town work with other bonding agencies to assist with obtaining the required amount of bonding of one million dollars (\$1,000,000) for the Finance Director.

Auditee’s Response: We concur with the finding. The interim Finance Director is currently bonded for \$1,000,000.

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, 2024

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.

Current Status: Uncorrected; see finding 2024-002.

MAYOR
Byron James McAllister

MAYOR PRO-TEM
Joe Scarboro

COUNCILMEMBERS
Amy West Whitley
Susan Parrish Watson
William Overby



TOWN MANAGER
Alexis Carter

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, 2024

Audit Recommendation 2024-001:

More than annually, the Town needs to review its general ledger to ensure revenues are being accounted for properly in accordance with GAAP. Furthermore, the Town needs to develop a consistent method for tracking its grant-funded projects to ensure revenues and related amounts are properly accounted for and recorded in the SEFSA.

Implementation Plan of Action(s):

The Town will implement a process of reconciling accrued revenues at year end. Additionally, the Town will implement a process of reconciling grant-funded projects to ensure that revenues and related amounts are properly accounted for and recorded in the SEFSA.

Implementation Date:

Immediately

Person Responsible for Implementation:

Finance Director

Audit Recommendation 2024-002:

The Town needs to develop stronger internal controls to ensure the above items are recorded in accordance with GAAP. The majority of the issues noted above are routine transactions of the Town and should be easily identified during a monthly or annual close. The use of a checklist or other standardized process to ensure these transactions are identified, recorded, and reviewed should help in ensuring these items are corrected in future years.

Implementation Plan of Action(s):

The Town will develop standardized processes to ensure that all transactions regarding payroll expenses and accrued liabilities, interfund transfers and capital assets are properly recorded in a timely manner.

Implementation Date:

Immediately

Person Responsible for Implementation:

Finance Director

Audit Recommendation 2024-003:

We recommend the Town review its policies and procedures for manual journal entries and make updates as necessary to ensure that all manual entries are properly supported, reviewed and approved.

Implementation Plan of Action(s):

The Town will update its policies and procedures for manual journal entries to ensure that proper documentation is attached digitally with the ERP system and to ensure that a proper approval process is followed.

Implementation Date:
Finance Director

Person Responsible for Implementation:
Finance Director

Audit Recommendation 2024-004:

We recommend the Town work with other bonding agencies to assist with obtaining the required amount of bonding of one million dollars (\$1,000,000) for the Finance Director.

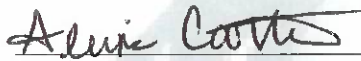
Implementation Plan of Action(s):

The Town will obtain the required level of bonding insurance for the Finance Director.

Implementation Date:
Immediately

Person Responsible for Implementation:
Deputy Town Manager

Signed:



Alexis Carter
Town Manager

04/22/2025

Date