

TOWN OF SELMA, NORTH CAROLINA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2025

**Prepared by:
Finance Department**

**Submitted by:
Town Manager**

TOWN OF SELMA, NORTH CAROLINA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS

	Page Number
INTRODUCTORY SECTION	
Town Council and Officials.....	i
FINANCIAL SECTION	
Independent Auditor’s Report	1 - 3
Management’s Discussion & Analysis	4 - 12
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position.....	13
Statement of Activities.....	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Statement of Revenues, Expenditures, and Changes in Fund	
Balances – Governmental Fund	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of the Governmental Fund to the Statement of Activities	17
General Fund – Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Budget and Actual (Non-GAAP Basis).....	18
Statement of Net Position – Proprietary Funds.....	19
Statement of Revenues, Expenses, and Changes in Net	
Position – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds.....	21 and 22
Notes to Financial Statements.....	23 - 65
Required Supplementary Information:	
Schedule of Changes in Total Pension Liability – Law Enforcement Officers’ Special	
Separation Allowance	66 and 67
Schedule of Total Pension Liability as a Percentage of Covered Payroll – Law Enforcement	
Officers’ Special Separation Allowance.....	68 and 69
Schedule of Changes in Total OPEB Liability and Related Ratios	70
Schedule of Town’s Proportionate Share of Net Pension Liability (Asset) – Local Governmental	
Employees’ Retirement System.....	71 and 72
Schedule of Town’s Contributions – Local Governmental Employees’ Retirement System	73 and 74
Combining and Individual Fund Statements and Schedules:	
General Fund – Schedule of Revenues, Expenditures, and Changes in Fund	
Balances – Budget and Actual (Budgetary Basis).....	75 - 78
Fire Protection – Selma Petroleum Terminals Fund – Schedule of Revenues, Expenditures,	
and Changes in Balances – Budget and Actual (Non-GAAP Basis)	79

TOWN OF SELMA, NORTH CAROLINA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS (CONTINUED)

Page Number

FINANCIAL SECTION (CONTINUED)

Combining and Individual Fund Statements and Schedules (Continued):

Fire Grant Fund – Schedule of Revenues, Expenditures, and Changes in Balances – Budget and Actual (Non-GAAP Basis)	80
Facilities Improvement Capital Project Fund – Schedule of Revenue, Expenditures, and Changes in Balances – Budget and Actual (Non-GAAP Basis)	81
Combining Balance Sheet – Nonmajor Governmental Funds	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	83
Eastfield Business Park Fund – Schedule of Revenue, Expenditures, and Changes in Balances – Budget and Actual (Non-GAAP Basis)	84
North Selma Drainage Study Capital Project Fund – Schedule of Revenue, Expenditures, and Changes in Balances – Budget and Actual (Non-GAAP Basis)	85
Water Fund – Schedule of Revenues, Expenditures, and Changes in Net Position – Budget and Actual (Non-GAAP Basis)	86 and 87
Water Capital Reserve Fund – Schedule of Revenues, Expenditures, and Changes in Net Position – Budget and Actual (Non-GAAP Basis)	88
Water Tank Walls and Treatment Capital Project Fund – Schedule of Revenues, Expenditures, and Changes in Net Position – Budget and Actual (Non-GAAP Basis)	89
Sewer Fund – Schedule of Revenues, Expenditures, and Changes in Net Position – Budget and Actual (Non-GAAP Basis)	90 and 91
Sewer Capital Reserve Fund – Schedule of Revenues, Expenditures, and Changes in Net Position – Budget and Actual (Non-GAAP Basis)	92
CDBG I Sewer Project Fund – Schedule of Revenues, Expenditures, and Changes in Net Position – Budget and Actual (Non-GAAP Basis)	93
ASADRA Brack Wilson Project Fund – Schedule of Revenues, Expenditures, and Changes in Net Position – Budget and Actual (Non-GAAP Basis)	94
Sewer AIA Project Fund – Schedule of Revenues, Expenditures, and Changes in Net Position – Budget and Actual (Non-GAAP Basis)	95
Electric Fund – Schedule of Revenues, Expenditures, and Changes in Net Position – Budget and Actual (Non-GAAP Basis)	96 and 97
Electric Capital Reserve Fund – Schedule of Revenues, Expenditures, and Changes in Net Position – Budget and Actual (Non-GAAP Basis)	98
Sanitation Fund – Schedule of Revenues, Expenditures, and Changes in Net Position – Budget and Actual (Non-GAAP Basis)	99
Schedule of Ad Valorem Taxes Receivable	100
Analysis of Current Tax Levy	101

TOWN OF SELMA, NORTH CAROLINA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS (CONTINUED)

	Page Number
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 <i>Government Auditing Standards</i>	102 and 103
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	104 - 106
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	107 - 109
Schedule of Expenditures of Federal and State Awards	110
Schedule of Findings and Questioned Costs	111 - 115
Schedule of Prior Audit Findings	116
Management's Corrective Action Plan	117 and 118

INTRODUCTORY SECTION

TOWN OF SELMA, NORTH CAROLINA

TOWN COUNCIL AND OFFICIALS

JUNE 30, 2025

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

Phillip McDaniel Fire Chief/Interim Town Manager
Leigh Ann Blanton Human Resource Director/Interim Finance Officer
Alan B. Hewett Town Attorney
Jamie Hughes Police Chief
Natalie Salter Parks and Recreation Director
Taylor Graham Planning Specialist
George Shook Public Services Director/Electric Superintendent

FINANCIAL SECTION



Independent Auditor's Report

**To the Honorable Mayor and Members of Town Council
Town of Selma
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, 2025, 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion & Analysis on pages 4-12 and the pension and other postemployment benefits (OPEB) information on pages 66-70, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The individual fund statements and schedules, as listed in the table of contents, and the schedule of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund statements and schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2026, 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 17, 2026

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, 2025. 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 \$40,547,051 (net position).
- The government's total net position increased by \$4,934,956 over the previous year's net position. This increase was attributed to governmental activities at \$360,740 and business activities at \$4,574,216.
- As of close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$9,180,664 with a net decrease of \$2,299,062 in fund balance in comparison with the prior year. Approximately 41.54% of this total amount, or \$3,813,477, is available for spending at the government's discretion (unassigned fund balance). The remaining balance of \$5,367,187 (58.46%) is non-spendable, restricted, or committed. The unassigned fund balance represents 41.55% of total general fund expenditures for the fiscal year.
- The Town's total debt increased by \$1,300,460 or 8.30% 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.

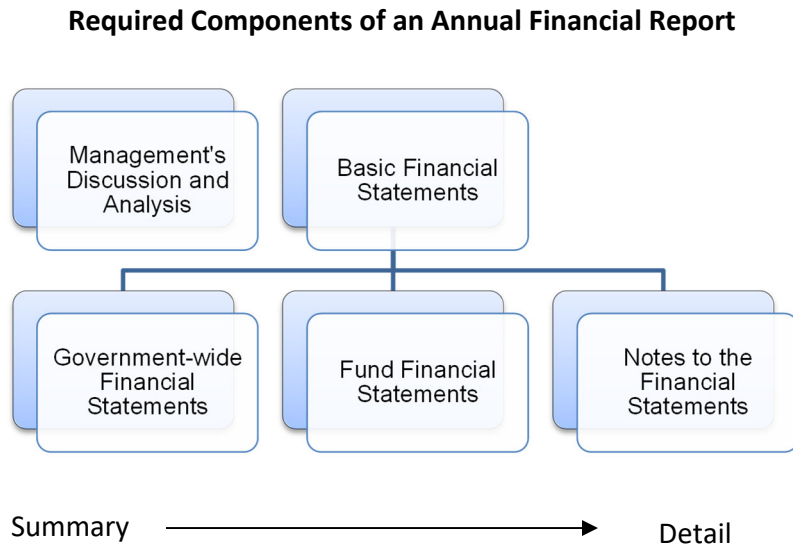
Basic Financial Statements

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 23 of this report.

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

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 66 of this report.

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

Government-wide Financial Analysis

Figure 2
Town of Selma, North Carolina
Condensed Statement of Net Position
June 30, 2025 and 2024

	June 30, 2025		June 30, 2024		Total	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	2025	2024
Assets:						
Current assets	\$ 9,999,999	\$ 16,061,980	\$ 12,106,084	\$ 13,761,889	\$ 26,061,979	\$ 25,867,973
Capital assets, net	14,229,468	19,507,404	11,913,068	14,571,933	33,736,872	26,485,001
Total assets	<u>24,229,467</u>	<u>35,569,384</u>	<u>24,019,152</u>	<u>28,333,822</u>	<u>59,798,851</u>	<u>52,352,974</u>
Deferred outflows of resources	1,621,646	672,563	1,708,486	726,359	2,294,209	2,434,845
Liabilities:						
Current liabilities	1,115,109	3,534,333	863,640	2,090,244	4,649,442	2,953,884
Long-term liabilities	9,646,443	6,711,803	9,747,346	5,234,678	16,358,246	15,127,941
Total liabilities	<u>10,761,552</u>	<u>10,246,136</u>	<u>10,610,986</u>	<u>7,324,922</u>	<u>21,007,688</u>	<u>18,081,825</u>
Deferred inflows of resources	452,778	85,543	840,609	253,290	538,321	1,093,899
Net position:						
Net investment in capital assets	11,332,167	15,706,933	9,048,855	12,228,679	27,039,100	21,277,534
Restricted	4,834,583	107,624	5,471,757	107,319	4,942,207	5,579,076
Unrestricted	(1,529,967)	10,095,711	(244,569)	9,145,971	8,565,744	8,755,485
Total net position	<u>\$ 14,636,783</u>	<u>\$ 25,910,268</u>	<u>\$ 14,276,043</u>	<u>\$ 21,481,969</u>	<u>\$ 40,547,051</u>	<u>\$ 35,612,095</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 \$40,547,051 as of June 30, 2025. The Town's net position increased by \$4,934,956 for the fiscal year ended June 30, 2025. The largest portion of net position reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, equipment, and construction in progress) less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$4,942,207 represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted.

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

Figure 3
Town of Selma, North Carolina
Condensed Statement of Revenue, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2025 and 2024

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 920,427	\$ 611,153	\$ 16,150,577	\$ 14,228,048	\$ 17,071,004	\$ 14,839,201
Operating grants/contributions	1,313	3,144,659	-	-	1,313	3,144,659
Capital grants/contributions	422,786	1,285,990	3,112,086	1,846,733	3,534,872	3,132,723
General revenues:						
Property taxes	4,012,335	3,886,951	-	-	4,012,335	3,886,951
Other taxes	1,765,232	1,634,545	-	-	1,765,232	1,634,545
Unrestr. interest income	322,324	626,920	278,158	268	600,482	627,188
Unrestr. intergovernmental	644,768	647,189	-	-	644,768	647,189
Miscellaneous	147,544	196,168	77,315	-	224,859	196,168
Total revenues	8,236,729	12,033,575	19,618,136	16,075,049	27,854,865	28,108,624
Expenses:						
General government	540,568	1,045,915	-	-	540,568	1,045,915
Public Safety	4,341,998	3,714,840	-	-	4,341,998	3,714,840
Transportation	2,283,751	1,136,442	-	-	2,283,751	1,136,442
Culture and recreation	789,844	758,124	-	-	789,844	758,124
Interest on long term debt	118,600	95,347	-	-	118,600	95,347
Water	-	-	2,383,565	2,576,733	2,383,565	2,576,733
Sewer	-	-	3,027,296	2,992,216	3,027,296	2,992,216
Electric	-	-	8,846,621	6,773,619	8,846,621	6,773,619
Sanitation	-	-	587,666	825,503	587,666	825,503
Total expenses	8,074,761	6,750,668	14,845,148	13,168,071	22,919,909	19,918,739
Increase in net position						
before transfers	161,968	5,282,907	4,772,988	2,906,978	4,934,956	8,189,885
Transfers	198,772	141,579	(198,772)	(141,579)	-	-
Change in net position	360,740	5,424,486	4,574,216	2,765,399	4,934,956	8,189,885
Net position, beginning	14,276,043	8,851,557	21,481,969	18,716,570	35,758,012	27,568,127
Restatement	-	-	(145,917)	-	(145,917)	-
Net position, ending	\$ 14,636,783	\$ 14,276,043	\$ 25,910,268	\$ 21,481,969	\$ 40,547,051	\$ 35,758,012

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 99.84%.
- Increased ad valorem and sales tax revenues of approximately \$256,071 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 \$360,740. 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 \$570,101,687, an increase of \$31,369,362 from the prior year.

Business-type activities

Business-type activities increased the Town's net position by \$4,574,216. This increase was after a transfer from the Electric Fund and Sanitation Fund to the General Fund of \$148,772 and \$50,000, respectively. 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 \$1,922,529 or 13.51% for the fiscal year. Total expenses in same combined funds went up by \$1,677,077 or 12.74% 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 \$3,813,477 while total fund balance was \$9,180,664. 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 41.55% of total General Fund expenditures, while total fund balance represents approximately 79.26% of that same expenditure amount.

On June 30, 2025, the governmental funds of the Town reported a combined fund balance of \$9,180,664 with a net decrease in fund balance of \$2,299,062.

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 were less than amount in the final budget by \$174,239. Total expenditures in the General Fund were less than amounts approved in the final budget by \$2,009,884.

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(deficit) of the Water, Sewer, Electric, and Sanitation Funds at the end of the fiscal year amounted to \$4,256,577, \$4,063,639, \$1,951,089, and (\$175,594), respectively. The change in net position for the Water, Sewer, Electric, and Sanitation Funds were \$767,642, \$3,508,961, \$80,084, and \$217,529 respectively resulting in a total combined increase in net position of \$4,574,216 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, 2025, totals \$33,736,872 (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:

- 2,915,956 in Sewer Infrastructure Projects
- 1,721,028 in Electric System Upgrades and Improvements
- 768,131 in Water System Upgrades and equipment purchases
- 442,006 in Sanitation vehicles
- 3,675,683 in General Fund improvements, Capital Projects, Vehicles, and equipment purchases

Figure 4
Town of Selma, North Carolina
Condensed Statement of Capital Assets (net of depreciation)
June 30, 2025 and 2024

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 2,977,317	\$ 3,004,317	\$ 311,804	\$ 311,804	\$ 3,289,121	\$ 3,316,121
Construction in progress	3,014,495	665,232	8,447,184	3,811,890	11,461,679	4,477,122
Buildings and improvements	2,688,827	2,907,242	291,803	301,742	2,980,630	3,208,984
Other improvements	1,948,467	2,099,601	-	-	1,948,467	2,099,601
Distribution system	-	-	6,461,086	6,998,376	6,461,086	6,998,376
Equipment	828,894	629,123	2,764,254	2,389,810	3,593,148	3,018,933
Vehicles	2,706,341	2,538,356	1,231,273	758,311	3,937,614	3,296,667
Right-to-use lease asset	65,127	69,197	-	-	65,127	69,197
Total	\$ 14,229,468	\$ 11,913,068	\$ 19,507,404	\$ 14,571,933	\$ 33,736,872	\$ 26,485,001

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

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

Long-term Debt and Obligations: As of June 30, 2025, the Town had total bonded debt outstanding of \$1,510,000, 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 \$5,118,296. Of this amount, \$2,290,471 is applicable to the Town's business-type activities. The remaining \$2,827,825 is applicable to the Town's governmental activities.

The Town's total debt and obligations increased by \$1,300,460 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 \$42,611,630.

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, 2025 and 2024

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Installment notes	\$ 2,827,825	\$ 2,791,734	\$ 2,290,471	\$ 939,171	\$ 5,118,296	\$ 3,730,905
Lease payable - right-to-use assets	69,476	72,480	-	-	69,476	72,480
Revenue bonds	-	-	1,510,000	1,550,000	1,510,000	1,550,000
Compensated absences	272,001	326,746	175,565	71,691	447,566	398,437
Net pension liability	2,163,450	2,141,481	1,065,580	1,054,759	3,229,030	3,196,240
Law enforcement officers' SSA pension obligation	941,545	850,747	-	-	941,545	850,747
OPEB liability	3,788,130	3,933,284	1,865,795	1,937,288	5,653,925	5,870,572
	<u>\$ 10,062,427</u>	<u>\$ 10,116,472</u>	<u>\$ 6,907,411</u>	<u>\$ 5,552,909</u>	<u>\$ 16,969,838</u>	<u>\$ 15,669,381</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 7,044.
- The Town's tax collection rates for property excluding motor vehicles and registered motor vehicles are 99.82% and 100.00%, respectively.
- Johnston County's unemployment rate was 3.5% for the month of June 2025 compared to the average unemployment for the State of North Carolina of 3.7% 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, 2026

Governmental Activities: The property tax rate remained constant at \$0.60 per \$100 of assessed property value and the total property valuation increased to \$547,228,206. Total budgeted expenditures in the General Fund are expected to be \$11,293,273.

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 are proposed to increase prior to fiscal year end June 30, 2026.

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, 2025**

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 6,761,486	\$ 12,612,580	\$ 19,374,066
Receivables, net of allowance for uncollectibles	750,589	3,357,871	4,108,460
Taxes receivable, net of allowance for uncollectibles	272,943	-	272,943
Lease receivable	175,482	-	175,482
Internal balances	1,200,559	(1,200,559)	-
Inventories	96,032	661,134	757,166
Restricted cash and cash equivalents	742,908	630,954	1,373,862
Capital assets:			
Non-depreciable	5,991,812	8,758,958	14,750,770
Depreciable, net of accumulated depreciation	8,172,529	10,748,446	18,920,975
Lease assets, net of accumulated amortization	65,127	-	65,127
Total assets	<u>24,229,467</u>	<u>35,569,384</u>	<u>59,798,851</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension items	1,416,157	571,351	1,987,508
Deferred outflows - OPEB items	205,489	101,212	306,701
Total deferred outflows of resources	<u>1,621,646</u>	<u>672,563</u>	<u>2,294,209</u>
LIABILITIES			
Accounts payable	375,581	2,689,236	3,064,817
Accrued liabilities	234,811	113,192	348,003
Customer deposits	-	523,330	523,330
Interest payable	88,733	12,967	101,700
Lease payable, due within one year	3,138	-	3,138
Lease payable, due in more than one year	66,338	-	66,338
Installment notes, due within one year	315,670	140,693	456,363
Installment notes, due in more than one year	2,512,155	2,149,778	4,661,933
Bonds payable, due within one year	-	41,000	41,000
Bonds payable, due in more than one year	-	1,469,000	1,469,000
Compensated absences, due within one year	105,310	13,915	119,225
Compensated absences, due in more than one year	166,691	161,650	328,341
Total pension liability (LEOSSA), due in more than one year	941,545	-	941,545
Net pension liability (LGRS), due in more than one year	2,163,450	1,065,580	3,229,030
Total OPEB liability, due in more than one year	3,788,130	1,865,795	5,653,925
Total liabilities	<u>10,761,552</u>	<u>10,246,136</u>	<u>21,007,688</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension items	161,187	26,336	187,523
Deferred inflows - OPEB items	120,208	59,207	179,415
Deferred lease receipts	171,383	-	171,383
Total deferred inflows of resources	<u>452,778</u>	<u>85,543</u>	<u>538,321</u>
NET POSITION			
Net investment in capital assets	11,332,167	15,706,933	27,039,100
Restricted for:			
Stabilization by State Statute	2,179,499	-	2,179,499
Streets - Powell Bill	662,156	-	662,156
Cemetery perpetual care	5,196	-	5,196
Debt service	80,752	630,954	711,706
Capital Projects	1,906,980	-	1,906,980
Unrestricted	(1,529,967)	9,572,381	8,042,414
Total net position (deficit)	<u>\$ 14,636,783</u>	<u>\$ 25,910,268</u>	<u>\$ 40,547,051</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, 2025**

Functions/Programs	Net (Expenses) Revenues and Changes in Net Position						
	Expenses	Program Revenues			Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 540,568	\$ 574,308	\$ -	\$ 50,410	\$ 84,150	\$ -	\$ 84,150
Public safety	4,341,998	4,885	1,033	-	(4,336,080)	-	(4,336,080)
Transportation	2,283,751	226,464	-	351,393	(1,705,894)	-	(1,705,894)
Culture and recreation	789,844	114,770	280	20,983	(653,811)	-	(653,811)
Interest on long-term debt	118,600	-	-	-	(118,600)	-	(118,600)
Total governmental activities	8,074,761	920,427	1,313	422,786	(6,730,235)	-	(6,730,235)
Business-type activities:							
Water	2,383,565	2,264,175	-	771,842	-	652,452	552,661
Sewer	3,027,296	4,081,600	-	2,340,244	-	3,394,548	1,292,670
Electric	8,769,306	8,956,982	-	-	-	187,676	1,123,346
Sanitation	587,666	847,820	-	-	-	260,154	(61,967)
Total business-type activities	14,767,833	16,150,577	-	3,112,086	-	4,494,830	2,906,710
Total primary government	\$ 22,842,594	\$ 17,071,004	\$ 1,313	\$ 3,534,872	(6,730,235)	4,494,830	(3,823,525)
General revenues:							
Property taxes, levied for general purposes					3,800,282	-	3,800,282
Property taxes, levied for fire districts					212,053	-	212,053
Other taxes					1,765,232	-	1,765,232
Unrestricted investment earnings					322,324	278,158	600,482
Unrestricted intergovernmental					644,768	-	644,768
Miscellaneous					142,380	-	142,380
Gain on sale of capital assets					5,164	-	5,164
Transfers					198,772	(198,772)	-
Total general revenues and transfers					7,090,975	79,386	7,170,361
Change in net position					360,740	4,574,216	4,934,956
Net position, beginning of year,					14,276,043	21,481,969	35,758,012
Error correction (Note 13)					-	(145,917)	(145,917)
Net position, beginning of year, adjusted					14,276,043	21,336,052	35,612,095
Net position, end of year					\$ 14,636,783	\$ 25,910,268	\$ 40,547,051

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

TOWN OF SELMA, NORTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Facilities Improvement Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,594,576	\$ 1,344,938	\$ 821,972	\$ 6,761,486
Taxes receivable, net	272,943	-	-	272,943
Accounts receivable, net	710,611	-	39,978	750,589
Lease receivable	175,482	-	-	175,482
Due from other funds	1,229,406	-	-	1,229,406
Restricted cash and cash equivalents	742,908	-	-	742,908
Inventory	96,032	-	-	96,032
Total assets	<u>\$ 7,821,958</u>	<u>\$ 1,344,938</u>	<u>\$ 861,950</u>	<u>\$ 10,028,846</u>
LIABILITIES				
Accounts payable	\$ 104,520	\$ 260,023	\$ 11,038	\$ 375,581
Accrued liabilities	234,811	-	-	234,811
Due to other funds	-	-	28,847	28,847
Total liabilities	<u>339,331</u>	<u>260,023</u>	<u>39,885</u>	<u>639,239</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - other	32,364	-	-	32,364
Unavailable revenue - cemetery lot sales	5,196	-	-	5,196
Deferred lease receipts	171,383	-	-	171,383
Total deferred inflows of resources	<u>208,943</u>	<u>-</u>	<u>-</u>	<u>208,943</u>
FUND BALANCES				
Nonspendable - inventories	96,032	-	-	96,032
Restricted:				
Stabilization by State Statute	2,179,499	-	-	2,179,499
Debt service	80,752	-	-	80,752
Streets - Powell Bill	662,156	-	-	662,156
Capital projects	-	1,084,915	822,065	1,906,980
Committed - Library Trust	61,768	-	-	61,768
Assigned:				
Fiscal year 2026 operations	380,000	-	-	380,000
Unassigned	3,813,477	-	-	3,813,477
Total fund balances	<u>7,273,684</u>	<u>1,084,915</u>	<u>822,065</u>	<u>9,180,664</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,821,958</u>	<u>\$ 1,344,938</u>	<u>\$ 861,950</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.				14,229,468
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.				37,560
The net pension liability (LRS), total pension liability (LEOSA), 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.				(5,552,874)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.				<u>(3,258,035)</u>
Net position of governmental activities				<u>\$ 14,636,783</u>

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

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	General Fund	Facilities Improvement Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Ad valorem taxes	\$ 3,800,282	\$ -	\$ -	\$ 3,800,282
Other taxes	1,765,232	-	-	1,765,232
Unrestricted intergovernmental	856,821	-	-	856,821
Restricted intergovernmental	274,356	-	148,663	423,019
Permits and fees	125,381	-	-	125,381
Sales and services	771,451	-	-	771,451
Investment earnings	267,238	54,993	93	322,324
Miscellaneous	143,460	-	-	143,460
Total revenues	<u>8,004,221</u>	<u>54,993</u>	<u>148,756</u>	<u>8,207,970</u>
Expenditures				
Current:				
General government	1,285,103	-	-	1,285,103
Public safety	4,675,691	-	-	4,675,691
Transportation	2,080,452	-	-	2,080,452
Culture and recreation	679,723	-	-	679,723
Capital outlay	-	1,882,506	127,680	2,010,186
Debt service:				
Principal retirements	346,470	-	-	346,470
Interest	109,705	-	-	109,705
Total expenditures	<u>9,177,144</u>	<u>1,882,506</u>	<u>127,680</u>	<u>11,187,330</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,172,923)</u>	<u>(1,827,513)</u>	<u>21,076</u>	<u>(2,979,360)</u>
Other financing sources				
Transfers in	198,772	-	-	198,772
Issuance of notes payable	379,557	-	-	379,557
Sale of general capital assets	101,969	-	-	101,969
Total other financing sources	<u>680,298</u>	<u>-</u>	<u>-</u>	<u>680,298</u>
Net change in fund balance	(492,625)	(1,827,513)	21,076	(2,299,062)
Fund balances, beginning of year	<u>7,766,309</u>	<u>2,912,428</u>	<u>800,989</u>	<u>11,479,726</u>
Fund balances, end of year	<u>\$ 7,273,684</u>	<u>\$ 1,084,915</u>	<u>\$ 822,065</u>	<u>\$ 9,180,664</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, 2025

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

Net change in fund balance - governmental funds	\$ (2,299,062)
<p>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.</p>	2,413,205
<p>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.</p>	(96,805)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund.</p>	23,596
<p>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 (\$346,470) and the issuance of new debt (\$379,557).</p>	(33,087)
<p>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.</p>	<u>352,893</u>
Change in net position - governmental activities	<u>\$ 360,740</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, 2025**

	Budget		Actual Amounts	Variance with Actual and Final Budget
	Original	Final		Positive (Negative)
Revenues				
Ad valorem taxes	\$ 3,669,534	\$ 3,880,954	\$ 3,800,282	\$ (80,672)
Other taxes	1,430,800	1,655,800	1,765,232	109,432
Unrestricted intergovernmental	1,035,231	766,717	856,821	90,104
Restricted intergovernmental	446,634	603,243	274,356	(328,887)
Permits and fees	80,000	129,400	107,381	(22,019)
Sales and services	1,369,200	731,714	771,451	39,737
Investment earnings	49,000	253,100	265,430	12,330
Miscellaneous	162,418	137,724	143,460	5,736
Total revenues	<u>8,242,817</u>	<u>8,158,652</u>	<u>7,984,413</u>	<u>(174,239)</u>
Expenditures				
Current:				
General government	1,503,192	1,560,476	1,285,103	275,373
Public safety	4,679,100	5,679,062	4,645,203	1,033,859
Transportation	1,886,483	2,649,395	2,080,452	568,943
Culture and recreation	770,149	811,432	679,723	131,709
Debt service:				
Principal retirements	338,899	346,470	346,470	-
Interest	109,705	109,705	109,705	-
Total expenditures	<u>9,287,528</u>	<u>11,156,540</u>	<u>9,146,656</u>	<u>2,009,884</u>
Deficiency of revenues under expenditures	<u>(1,044,711)</u>	<u>(2,997,888)</u>	<u>(1,162,243)</u>	<u>(2,184,123)</u>
Other financing sources (uses):				
Fund balance appropriation	720,939	2,289,422	-	(2,289,422)
Transfers in	263,772	278,772	278,772	-
Transfers out	-	(15,000)	-	15,000
Issuance of notes payable	-	344,694	379,557	34,863
Sale of general capital assets	60,000	100,000	101,969	1,969
Total other financing sources	<u>1,044,711</u>	<u>2,997,888</u>	<u>760,298</u>	<u>(2,237,590)</u>
Net change in fund balances	-	-	(401,945)	(4,421,713)
Fund balances, beginning of year	<u>7,606,178</u>	<u>7,606,178</u>	<u>7,606,178</u>	<u>-</u>
Fund balances, end of year	<u>\$ 7,606,178</u>	<u>\$ 7,606,178</u>	<u>7,204,233</u>	<u>\$ (4,421,713)</u>
Reconciliation to the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance:				
Fire Protection - Selma Petroleum Terminals Fund, fund balance, beginning of year			169,342	
Fire Protection - Selma Petroleum Terminals Fund, revenues			19,808	
Fire Protection - Selma Petroleum Terminals Fund, public safety expenditures			(20,998)	
Fire Protection - Selma Petroleum Terminals Fund, transfers			(80,000)	
Fire Grant Fund, fund balance, beginning of year			(9,211)	
Fire Grant Project Fund, public safety expenditures			(9,490)	
Fund balance, end of year			<u>\$ 7,273,684</u>	

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

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025**

	Water Fund	Sewer Fund	Electric Fund	Sanitation Fund	Totals
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 4,700,842	\$ 4,716,689	\$ 2,415,220	\$ 779,829	\$ 12,612,580
Restricted cash	140,829	168,802	321,323	-	630,954
Accounts receivable, net of allowances	387,556	1,842,261	1,019,547	108,507	3,357,871
Inventories	173,913	11,086	476,135	-	661,134
Total current assets	<u>5,403,140</u>	<u>6,738,838</u>	<u>4,232,225</u>	<u>888,336</u>	<u>17,262,539</u>
NONCURRENT ASSETS					
Advances to other funds	324,154	-	-	-	324,154
CAPITAL ASSETS					
Nondepreciable	1,884,824	4,307,579	2,566,555	-	8,758,958
Depreciable, net of accumulated depreciation	2,948,973	5,005,948	1,926,008	867,517	10,748,446
Total noncurrent assets	<u>5,157,951</u>	<u>9,313,527</u>	<u>4,492,563</u>	<u>867,517</u>	<u>19,831,558</u>
Total assets	<u>10,561,091</u>	<u>16,052,365</u>	<u>8,724,788</u>	<u>1,755,853</u>	<u>37,094,097</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension items	225,078	69,254	225,078	51,941	571,351
OPEB items	39,871	12,268	39,871	9,202	101,212
Total deferred outflows of resources	<u>264,949</u>	<u>81,522</u>	<u>264,949</u>	<u>61,143</u>	<u>672,563</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	83,775	2,029,286	559,240	16,935	2,689,236
Accrued liabilities	29,246	11,284	77,638	7,991	126,159
Due to other funds	215,829	12,236	330,539	3,500	562,104
Customer deposits	106,483	95,524	321,323	-	523,330
Installment contracts, current	6,546	14,000	34,563	85,584	140,693
Bonds payable, current	14,000	27,000	-	-	41,000
Compensated absences payable, current	4,155	4,155	1,910	3,695	13,915
Total current liabilities	<u>460,034</u>	<u>2,193,485</u>	<u>1,325,213</u>	<u>117,705</u>	<u>4,096,437</u>
NONCURRENT LIABILITIES					
Installment contracts	32,728	537,969	1,575,337	3,744	2,149,778
Bonds payable	464,000	1,005,000	-	-	1,469,000
Advance from other funds	-	148,092	-	814,517	962,609
Compensated absences payable	73,349	17,179	66,952	4,170	161,650
Net pension liability	419,774	129,161	419,774	96,871	1,065,580
Total OPEB liability	<u>735,010</u>	<u>226,157</u>	<u>735,010</u>	<u>169,618</u>	<u>1,865,795</u>
Total noncurrent liabilities	<u>1,724,861</u>	<u>2,063,558</u>	<u>2,797,073</u>	<u>1,088,920</u>	<u>7,674,412</u>
Total liabilities	<u>2,184,895</u>	<u>4,257,043</u>	<u>4,122,286</u>	<u>1,206,625</u>	<u>11,770,849</u>
DEFERRED INFLOWS OF RESOURCES					
Pension items	10,375	3,192	10,375	2,394	26,336
OPEB items	23,324	7,177	23,324	5,382	59,207
Total deferred inflows of resources	<u>33,699</u>	<u>10,369</u>	<u>33,699</u>	<u>7,776</u>	<u>85,543</u>
NET POSITION					
Net investment in capital assets	4,316,523	7,729,558	2,882,663	778,189	15,706,933
Restricted for:					
Debt service	140,829	168,802	321,323	-	630,954
Unrestricted	4,150,094	3,968,115	1,629,766	(175,594)	9,572,381
Total net position	<u>\$ 8,607,446</u>	<u>\$ 11,866,475</u>	<u>\$ 4,833,752</u>	<u>\$ 602,595</u>	<u>\$ 25,910,268</u>

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

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Water Fund	Sewer Fund	Electric Fund	Sanitation Fund	Totals
OPERATING REVENUES					
Charges for sales and services	\$ 1,985,677	\$ 3,905,098	\$ 8,846,005	\$ 847,070	\$ 15,583,850
Other operating income	278,498	176,502	110,977	750	566,727
Total operating revenues	2,264,175	4,081,600	8,956,982	847,820	16,150,577
OPERATING EXPENSES					
Salaries and benefits	985,583	335,165	1,124,199	191,473	2,636,420
General operating expenses	875,855	344,317	758,285	289,179	2,267,636
Depreciation and amortization	349,638	430,320	169,842	99,384	1,049,184
Electric purchases	-	-	6,774,633	-	6,774,633
Water & sewer purchases	151,621	1,917,494	-	-	2,069,115
Total operating expenses	2,362,697	3,027,296	8,826,959	580,036	14,796,988
Operating income (loss)	(98,522)	1,054,304	130,023	267,784	1,353,589
NON-OPERATING REVENUES (EXPENSES)					
Interest income	115,190	114,413	41,180	7,375	278,158
Gain (loss) on sale of capital assets	-	-	62,656	-	62,656
Interest and fiscal charges	(20,868)	-	(5,003)	(7,630)	(33,501)
Total non-operating revenue (expenses)	94,322	114,413	98,833	(255)	307,313
Income (loss) before capital contributions and transfers	(4,200)	1,168,717	228,856	267,529	1,660,902
Capital contributions	771,842	2,340,244	-	-	3,112,086
Transfers out	-	-	(148,772)	(50,000)	(198,772)
Change in net position	767,642	3,508,961	80,084	217,529	4,574,216
Net position, beginning of year	7,839,804	8,357,514	4,899,585	385,066	21,481,969
Error Correction (NOTE 13)	-	-	(145,917)	-	(145,917)
Net position, beginning of year, adjusted	7,839,804	8,357,514	4,753,668	385,066	21,336,052
Net position, end of year	\$ 8,607,446	\$ 11,866,475	\$ 4,833,752	\$ 602,595	\$ 25,910,268

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

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Water Fund	Sewer Fund	Electric Fund	Sanitation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 2,584,012	\$ 3,064,822	\$ 8,714,078	\$ 782,598	\$ 15,145,510
Payments to suppliers	(1,023,400)	(791,483)	(7,456,688)	(653,936)	(9,925,507)
Payments to employees	(999,947)	(370,226)	(1,136,340)	(212,923)	(2,719,436)
Net cash provided by operating activities	<u>560,665</u>	<u>1,903,113</u>	<u>121,050</u>	<u>(84,261)</u>	<u>2,500,567</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers to/from other funds	-	-	(148,772)	(50,000)	(198,772)
Repayment of interfund advances	(101,062)	(62,764)	330,539	-	166,713
Net cash provided by (used in) non-capital financing activities	<u>(101,062)</u>	<u>(62,764)</u>	<u>181,767</u>	<u>(50,000)</u>	<u>(32,059)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from installment notes	-	-	1,500,000	-	1,500,000
Purchase of capital assets	(768,131)	(3,068,149)	(1,721,028)	(442,006)	(5,999,314)
Receipt of intergovernmental capital grant	-	2,340,244	-	-	2,340,244
Principal payments on long-term debt	(26,091)	(41,000)	(36,017)	(85,584)	(188,692)
Interest paid	(20,868)	7,492	1,468	1,421	(10,487)
Gain on sale capital assets	-	-	77,301	-	77,301
Contributions for tap fees	771,842	-	-	-	771,842
Net cash used in capital and related financing activities	<u>(43,248)</u>	<u>(761,413)</u>	<u>(178,276)</u>	<u>(526,169)</u>	<u>(1,509,106)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	115,190	114,413	41,180	-	270,783
Net cash provided by investing activities	<u>115,190</u>	<u>114,413</u>	<u>41,180</u>	<u>-</u>	<u>270,783</u>
Net increase in cash and cash equivalents	531,545	1,193,349	165,721	(660,430)	1,230,185
Cash and cash equivalents, beginning of year	4,310,126	3,692,142	2,570,822	625,742	11,198,832
Cash and cash equivalents, end of year	<u>\$ 4,841,671</u>	<u>\$ 4,885,491</u>	<u>\$ 2,736,543</u>	<u>\$ (34,688)</u>	<u>\$ 12,429,017</u>
CASH AS REPORTED ON STATEMENT OF NET POSITION					
Cash and cash equivalents	\$ 4,700,842	\$ 4,716,689	\$ 2,415,220	\$ 779,829	\$ 12,612,580
Restricted cash and cash equivalents	140,829	168,802	321,323	-	630,954
Total cash and cash equivalents	<u>\$ 4,841,671</u>	<u>\$ 4,885,491</u>	<u>\$ 2,736,543</u>	<u>\$ 779,829</u>	<u>\$ 13,243,534</u>

continued

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Water Fund	Sewer Fund	Electric Fund	Sanitation Fund	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (98,522)	\$ 1,054,304	\$ 130,023	\$ 267,784	\$ 1,353,589
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	349,638	430,320	169,842	99,384	1,049,184
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
(Increase) decrease in accounts receivable	319,837	(1,026,203)	(265,550)	(65,222)	(1,037,138)
(Increase) decrease in inventories	(1,317)	273	(49,324)	-	(50,368)
(Increase) in deferred outflows of resources - pension items	22,463	6,912	22,463	5,184	57,022
Decrease in deferred outflows of resources - OPEB items	(10,865)	(11,252)	27,331	(8,440)	(3,226)
Increase (decrease) in accounts payable	(222,164)	1,470,055	125,554	185	1,373,630
Increase (decrease) in accrued liabilities	4,649	(6,235)	(9,850)	(831)	(12,267)
Increase in due to other funds	215,829	-	-	(364,942)	(149,113)
Increase in customer deposits	11,728	9,425	22,646	-	43,799
Increase (decrease) in compensated absences payable	59,372	3,202	37,898	3,402	103,874
Increase in deferred inflows for OPEB items	(64,956)	(19,986)	(64,956)	(14,990)	(164,888)
(Decrease) in total OPEB liability	(28,164)	(8,666)	(28,164)	(6,499)	(71,493)
Increase in deferred inflows for pension items	(1,126)	(347)	(1,126)	(260)	(2,859)
Increase in net pension liability	4,263	1,311	4,263	984	10,821
Net cash provided by operating activities	<u>\$ 560,665</u>	<u>\$ 1,903,113</u>	<u>\$ 121,050</u>	<u>\$ (84,261)</u>	<u>\$ 2,500,567</u>

TOWN OF SELMA, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets

Annual appropriated budgets are adopted for all funds, with the exception of the Fire Grant Fund, Facilities Improvement Fund, Eastfield Business Park 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, 2025, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

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

E. Deposits

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Restricted Cash and Cash Equivalents

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

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2024.

H. Allowances

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

I. Interfund Receivables and Payables

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Leases

Lessee

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

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

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

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

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

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

Lessor

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Leases (Continued)

Lessor (Continued)

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

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

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

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

K. 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, 2025, 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) 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 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 assets	lease 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)

N. Deferred Outflows/Inflows of Resources (Continued)

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

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

O. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation, holiday, compensatory, and sick pay benefits. 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. Any unused sick leave accumulated for employees that leave the Town before retirement forfeited. The Town determined based on a four-year look-back period that the Town does not have sick leave that is more likely than not to be paid out through a cash settlement at year end. As such, no compensated absences liability is recorded related to sick leave.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Long-term Obligations

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

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

Q. Fund Equity

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

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

Fund balances are classified as follows:

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Equity (Continued)

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Pensions

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

S. Management Estimates

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – governmental fund and net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “the net pension liability (LGERS), total pension liability (LEOSSA), and the total OPEB liability, along with the related deferred outflows and deferred inflows of resources, are not expected to be liquidated with available financial resources and therefore, are not reported in the funds.” The details of this (\$5,552,874) difference are as follows:

Governmental activities' share of the net pension liability (LGERS)	\$ (2,163,450)
Governmental activities' share of the total OPEB liability	(3,788,130)
Total pension liability (LEOSSA)	(941,545)
Deferred outflows of resources - pension items	1,416,157
Deferred outflows of resources - OPEB items	205,489
Deferred inflows of resources - pension items	(161,187)
Deferred inflows of resources - OPEB items	(120,208)
Net adjustment to reduce <i>fund balance - governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (5,552,874)</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 (\$3,258,035) difference are as follows:

Installment notes	\$ (2,827,825)
Lease payable	(69,476)
Accrued interest payable	(88,733)
Compensated absences	<u>(272,001)</u>
Net adjustment to reduce <i>fund balance - governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (3,258,035)</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 assets, is allocated over their estimated useful lives, or the lease term, and reported as depreciation expense or amortization expense, respectively.” The details of this \$2,413,205 difference are as follows:

Capital outlay	\$ 3,495,431
Depreciation and amortization expense	<u>(1,082,226)</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>\$ 2,413,205</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 (\$352,893) difference are as follows:

Compensated absences	\$	(54,745)
Change in accrued interest		8,896
Net pension liability - LGERS and related deferred outflows and inflows of resources		131,930
Total pension liability - LEO Special Separation Allowance and related deferred outflows and inflows of resources		11,222
Total OPEB liability - and related deferred outflows and inflows of resources		<u>(450,196)</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>(352,893)</u></u>

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2025, are summarized as follows:

Statement of Net Position:		
Cash and cash equivalents	\$	19,374,066
Restricted cash and cash equivalents		<u>1,373,862</u>
		<u><u>\$ 20,747,928</u></u>
Cash deposited with financial institutions	\$	12,525,275
Cash on hand		850
Cash deposited with NCCMT		<u>8,221,803</u>
		<u><u>\$ 20,747,928</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk: State statutes and the Town’s policies authorize the Town to invest in obligations of the state of North Carolina or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers' acceptances; the NCCMT; and obligations of other political subdivisions of the state of North Carolina. The Town does not have a credit rating policy which provides restrictions or limitations on credit ratings for the Town’s investments. The Town’s investment in the NCCMT Government Portfolio carried a credit rating of AAAm by Standard & Poor’s and AAAmf by Moody’s Investor Service as of June 30, 2025.

As of June 30, 2025, the Town’s investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value June 30, 2025</u>	<u>Duration</u>
North Carolina Capital Management Trust Government Portfolio	Fair Value Level 1	\$ 8,221,803	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, 2025, the Town’s deposits are insured or collateralized as required by state law.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. RECEIVABLES

Receivables at June 30, 2025, for the Town’s individual major funds, enterprise funds, and other governmental funds including any applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Sanitation</u>	<u>Other Governmental</u>
Receivables:						
Taxes	\$ 285,856	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts	767,968	471,594	1,985,485	1,317,486	108,507	39,978
Less allowance for uncollectible	70,270	84,038	143,224	297,939	-	-
Net total receivable	<u>\$ 983,554</u>	<u>\$ 387,556</u>	<u>\$ 1,842,261</u>	<u>\$ 1,019,547</u>	<u>\$ 108,507</u>	<u>\$ 39,978</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, 2025, 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, 2025, 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, 2025, the Town’s receivable for lease payments was \$104,676 and the related balance of the deferred inflow of resources was \$100,638.

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 \$17,322 in lease revenue and \$736 in interest revenue related to the lease. As of June 30, 2025, the Town’s receivable for lease payments was \$70,806 and the related balance of the deferred inflow of resources was \$70,745.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the Town for the year ended June 30, 2025, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 3,004,317	\$ -	\$ (27,000)	\$ 2,977,317
Construction in progress	665,232	2,529,515	(180,252)	3,014,495
Total	<u>3,669,549</u>	<u>2,529,515</u>	<u>(207,252)</u>	<u>5,991,812</u>
Capital assets, being depreciated/amortized:				
Buildings	6,523,761	96,391	(100,017)	6,520,135
Other improvements	7,088,979	100,863	-	7,189,842
Equipment and furniture	1,469,802	280,520	(41,730)	1,708,592
Vehicles and motorized equipment	4,738,012	668,394	(280,954)	5,125,452
Right-to-use lease asset (land)	81,407	-	-	81,407
Total being depreciated	<u>19,901,961</u>	<u>1,146,168</u>	<u>(422,701)</u>	<u>20,625,428</u>
Less accumulated depreciation/amortization for:				
Buildings	(3,616,519)	(283,273)	68,484	(3,831,308)
Other improvements	(4,989,378)	(251,997)	-	(5,241,375)
Equipment and furniture	(840,679)	(80,699)	41,680	(879,698)
Vehicles and motorized equipment	(2,199,656)	(462,187)	242,732	(2,419,111)
Right-to-use lease asset (land)	(12,210)	(4,070)	-	(16,280)
Total	<u>(11,658,442)</u>	<u>(1,082,226)</u>	<u>352,896</u>	<u>(12,387,772)</u>
Total capital assets and right-to-use assets, being depreciated/amortized, net	<u>8,243,519</u>	<u>63,942</u>	<u>(69,805)</u>	<u>8,237,656</u>
Governmental activities capital assets, net	<u>\$ 11,913,068</u>	<u>\$ 2,593,457</u>	<u>\$ (277,057)</u>	<u>\$ 14,229,468</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Fund:				
Nondepreciable capital assets:				
Land	\$ 182,438	\$ -	\$ -	\$ 182,438
Construction in progress	978,097	724,289	-	1,702,386
Total	<u>1,160,535</u>	<u>724,289</u>	<u>-</u>	<u>1,884,824</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	1,011,587	-	-	1,011,587
Distribution system	7,932,495	-	-	7,932,495
Equipment	1,695,971	43,842	-	1,739,813
Vehicles and motorized equipment	264,172	-	(4,117)	260,055
Total	<u>10,904,225</u>	<u>43,842</u>	<u>(4,117)</u>	<u>10,943,950</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(960,578)	(11,108)	-	(971,686)
Distribution system	(5,902,701)	(185,494)	-	(6,088,195)
Equipment	(614,563)	(127,741)	-	(742,304)
Vehicles and motorized equipment	(171,614)	(25,295)	4,117	(192,792)
Total	<u>(7,649,456)</u>	<u>(349,638)</u>	<u>4,117</u>	<u>(7,994,977)</u>
Total capital assets being depreciated/amortized, net	<u>3,254,769</u>	<u>(305,796)</u>	<u>-</u>	<u>2,948,973</u>
Water Fund capital assets, net	<u>\$ 4,415,304</u>	<u>\$ 418,493</u>	<u>\$ -</u>	<u>\$ 4,833,797</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Sewer Fund:				
Nondepreciable capital assets:				
Construction in progress	\$ 1,391,623	\$ 2,915,956	\$ -	\$ 4,307,579
Total	<u>1,391,623</u>	<u>2,915,956</u>	<u>-</u>	<u>4,307,579</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	188,553	-	-	188,553
Distribution system	11,554,084	-	-	11,554,084
Equipment	380,276	152,193	(18,278)	514,191
Vehicles and motorized equipment	386,751	-	(4,117)	382,634
Total	<u>12,509,664</u>	<u>152,193</u>	<u>(22,395)</u>	<u>12,639,462</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(134,005)	(10,459)	-	(144,464)
Distribution system	(6,585,502)	(351,796)	-	(6,937,298)
Equipment	(327,420)	(24,749)	18,278	(333,891)
Vehicles and motorized equipment	(178,662)	(43,316)	4,117	(217,861)
Total	<u>(7,225,589)</u>	<u>(430,320)</u>	<u>22,395</u>	<u>(7,633,514)</u>
Total capital assets being depreciated/amortized, net	<u>5,284,075</u>	<u>(278,127)</u>	<u>-</u>	<u>5,005,948</u>
Sewer Fund capital assets, net	<u>\$ 6,675,698</u>	<u>\$ 2,637,829</u>	<u>\$ -</u>	<u>\$ 9,313,527</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Electric Fund:				
Nondepreciable capital assets:				
Land	\$ 129,366	\$ -	\$ -	\$ 129,366
Construction in progress	1,442,170	995,049	-	2,437,219
Total	1,571,536	995,049	-	2,566,585
Capital assets, being depreciated/amortized:				
Buildings and improvements	399,708	28,630	-	428,338
Equipment	7,487,114	473,162	(38,690)	7,921,586
Vehicles and motorized equipment	889,358	224,187	(202,344)	911,201
Total	8,776,180	725,979	(241,034)	9,261,125
Less accumulated depreciation/amortization for:				
Buildings and improvements	(203,523)	(17,002)	-	(220,525)
Equipment	(6,450,928)	(117,662)	38,690	(6,529,900)
Vehicles and motorized equipment	(737,229)	(35,178)	187,685	(584,722)
Total	(7,391,680)	(169,842)	226,375	(7,335,147)
Total capital assets being depreciated/amortized, net	1,384,500	556,137	(14,659)	1,925,978
Electric Fund capital assets, net	\$ 2,956,036	\$ 1,551,186	\$ (14,659)	\$ 4,492,563

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Sanitation Fund:				
Capital assets, being depreciated:				
Equipment	\$ 246,011	\$ -	\$ -	\$ 246,011
Vehicles and motorized equipment	342,632	442,006	-	784,638
Total	588,643	442,006	-	1,030,649
Less accumulated depreciation for:				
Equipment	(26,651)	(24,601)	-	(51,252)
Vehicles and motorized equipment	(37,097)	(74,783)	-	(111,880)
Total	(63,748)	(99,384)	-	(163,132)
Total capital assets being depreciated, net	524,895	342,622	-	867,517
Sanitation Fund capital assets, net	\$ 524,895	\$ 342,622	\$ -	\$ 867,517

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

Governmental activities:	
General government	\$ 254,132
Public safety	445,020
Transportation	205,225
Cemetery	32,747
Culture and recreation	145,102
	\$ 1,082,226
Total depreciation and amortization expense - governmental activities	
Business-type activities:	
Water	\$ 349,638
Sewer	430,320
Electric	169,842
Sanitation	99,384
	\$ 1,049,184
Total depreciation and amortization expense - business-type activities	

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2025, is as follows:

	<u>Beginning Balance, restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental activities:					
Installment notes - direct borrowings	\$ 2,791,734	\$ 379,557	\$ (343,466)	\$ 2,827,825	\$ 315,670
Lease payable - right-to-use assets	72,480	-	(3,004)	69,476	3,138
Compensated absences	326,746	-	(54,745)	272,001	105,310
Net pension liability (LGRS)	2,141,481	673,238	(651,269)	2,163,450	-
Law enforcement officers' SSA total pension liability	850,747	194,777	(103,979)	941,545	-
Total OPEB liability	<u>3,933,284</u>	<u>535</u>	<u>(145,689)</u>	<u>3,788,130</u>	<u>-</u>
Governmental activities Long-term liabilities	<u>\$ 10,116,472</u>	<u>\$ 1,248,107</u>	<u>\$ (1,302,152)</u>	<u>\$ 10,062,427</u>	<u>\$ 424,118</u>
Business-type activities:					
Installment notes - direct borrowings	\$ 939,171	\$ 1,500,000	\$ (148,700)	\$ 2,290,471	\$ 140,693
Revenue bonds - direct placement	1,550,000	-	(40,000)	1,510,000	41,000
Compensated absences	71,691	103,874	-	175,565	13,915
Net pension liability (LGRS)	1,054,759	361,594	(350,773)	1,065,580	-
Total OPEB liability Business-type activities	<u>1,937,288</u>	<u>264</u>	<u>(71,757)</u>	<u>1,865,795</u>	<u>-</u>
Long-term liabilities	<u>\$ 5,552,909</u>	<u>\$ 1,965,732</u>	<u>\$ (611,230)</u>	<u>\$ 6,907,411</u>	<u>\$ 195,608</u>

In Accordance with GASB 101, *Compensated Absences*, the Town has chosen to present a net change in its liability for compensated absences.

The Town's legal debt margin at June 30, 2025 was \$42,611,630.

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
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	3,715	465	4,180
2031-2035	21,021	1,838	22,859
2036-2040	25,609	892	26,501
2041-2044	5,737	48	5,785
Total	<u>\$ 69,476</u>	<u>\$ 5,389</u>	<u>\$ 74,865</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Borrowings - Installment Notes

The Town has various installment notes outstanding for buildings, equipment, and vehicle financing arrangements. The assets purchased or constructed with the financing has been pledged as collateral on the financing. The outstanding balances for the notes as of June 30, 2025, are as follows:

<i>Governmental activities</i>	Balance as of June 30, 2025
A note issued by US Department of Agriculture for \$550,000 was issued on December 6, 2010 with annual payments of \$30,850 for the purchase of real property. The note bears an interest rate of 3.75% and matures in 2040.	\$ 366,172
A note issued by US Department of Agriculture for \$375,000 was issued on September 21, 2011 with annual payments of \$22,350 for library expansion. The note bears an interest rate of 4.25% and matures in 2041.	266,698
A note issued by US Department of Agriculture for \$31,900 was issued on March 21, 2012 with annual payments of \$1,790 for fire department renovations. The note bears an interest rate of 3.75% and matures in 2042.	22,195
A note issued by US Department of Agriculture for \$110,000 was issued on March 21, 2012 with annual payments of \$6,170 for fire department renovations. The note bears an interest rate of 3.75% and matures in 2042.	76,534
A note issued by BB&T Bank for \$400,000 was issued on August 25, 2015 with annual payments of \$26,667, plus interest, for Town Hall renovations. The note bears an interest rate of 2.69% and matures in 2030.	148,384
A note issued by Local Government Federal Credit Union for \$722,000 was issued on December 6, 2018 with annual payments of \$76,287 for a firetruck. The note bears an interest rate of 3.15% and matures in 2028. The note contains a provision that in an event of default, the outstanding balance becomes immediately due if the Town is unable to make payment.	282,547
A note issued by KS Bank for \$525,000 was issued on October 17, 2023 with annual payments of \$44,700.22 for a new Town Hall. The note bears an interest rate of 5.70% and matures in 2043.	510,553
A note issued by Local Government Federal Credit Union for \$525,000 was issued 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.	483,075
A note issued by KS Bank for \$344,694 was issued on August 27, 2024 with annual payments of \$55,125 for a 2024 Street Sweeper. The note bears an interest rate of 6.25% and matures in 2032. 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.	304,974

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Borrowings - Installment Notes (Continued)

A note issued by KS Bank for \$34,863 was issued on June 16, 2025 with annual payments of \$10,004 for a 2025 Fire Brush Truck. The note bears an interest rate of 5.75% 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.	34,863
A note issued by Local Government Federal Credit Union for \$152,420 was issued on December 1, 2023 with annual payments of \$42,847.722 for police vehicles. The note bears an interest rate of 5.875% and matures in 2027.	114,798
A note issued by First-Citizens Bank & Trust for \$265,000 was issued on February 9, 2024 with annual payments of \$61,191.40 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.	217,032
	\$ 2,827,825

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

	Principal	Interest	Total
Year Ending June 30,			
2026	\$ 315,670	\$ 134,227	\$ 449,897
2027	329,627	119,941	449,568
2028	344,252	106,071	450,323
2029	316,730	89,956	406,686
2030	183,056	75,358	258,414
2031-2035	686,270	245,783	932,053
2036-2040	409,411	119,872	529,283
2041-2045	242,809	27,527	270,336
Total	\$ 2,827,825	\$ 918,735	\$ 3,746,560

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Borrowings - Installment Notes (Continued)

<i>Business-type activities</i>	<u>Balance as of June 30, 2025</u>
A note issued by North Carolina Drinking Water State Revolving Fund for \$130,913 was issued on January 31, 2013, with annual payments of \$6,545 for the refinancing of water system improvements. The note is a non-interest bearing note and matures in 2032.	\$ 39,274
A note issued by US Department of Agriculture for \$687,000 was issued on December 19, 2016, to refinance previously issued line of credit with BB&T Bank. The note bears an interest rate of 1.875% and matures in 2056.	551,970
A note issued by US Bank for \$265,000 was issued on March 24, 2023, with annual payments of \$93,214 for a new sanitation truck. The note bears an interest rate of 4.35% and matures in 2025.	89,327
A note issued by KS Bank for \$94,118 was issued on December 1, 2023 with annual payments of \$26,458 for an Excavator. The note bears an interest rate of 5.875% and matures in 2028.	70,887
A note issued by KS Bank for \$51,799 was issued on December 1, 2023 with annual payments of \$14,562 for a 2025 F-250. The note bears an interest rate of 5.875% and matures in 2028.	39,013
A note issued by KS Bank for \$1,500,000 was issued on June 16, 2025 with annual payments of \$204,799 to fund Electric Substation. The note bears an interest rate of 6.05% and matures in 2036.	1,500,000
Total outstanding notes payable	<u>\$ 2,290,471</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,			
2026	140,693	18,580	\$ 159,273
2027	167,458	14,574	182,032
2028	180,012	10,425	190,437
2029	149,351	10,163	159,514
2030	157,305	9,900	167,205
2031-2035	897,813	45,225	943,038
2036-2040	280,115	37,669	317,784
2041-2045	95,000	29,381	124,381
2046-2050	104,000	20,325	124,325
2051-2055	114,000	10,388	124,388
2056-2058	4,724	1,163	5,887
Total	<u>\$ 2,290,471</u>	<u>\$ 207,793</u>	<u>\$ 2,498,264</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Placement - Revenue Bonds

In July 2007, the Town issued \$643,000 of Direct Placement Water and Sewer Revenue Bonds, Series 2007 for water system improvements. Principal installments are due annually on June 1 with semiannual interest payments due on December 1 and June 1. The bonds bear an interest rate of 4.25%. At June 30, 2025, \$492,000 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, 2025, \$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:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	46,000	37,294	83,294
2031-2035	252,000	165,665	417,665
2036-2040	292,000	126,395	418,395
2041-2045	333,000	80,283	413,283
2046-2050	274,000	32,491	306,491
2051-2055	140,000	9,901	149,901
Total	<u>\$ 1,510,000</u>	<u>\$ 613,784</u>	<u>\$ 2,123,784</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 \$2,123,784. Principal and interest paid for the current year and net revenues were \$83,371 and \$4,276,603, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Placement - Revenue Bonds

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, 2025:

Operating revenues	\$ 6,345,775
Non-operating revenues	229,603
Operating expenses	<u>(3,500,233)</u>
Income available for debt service	<u><u>\$ 3,075,145</u></u>
Annual debt service (Revenue Bonds only)	\$ 83,371
Debt service coverage ratio	3689%

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

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2025, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Fund	Sewer Fund	\$ 148,092
General Fund	Sanitation Fund	814,517
Water Fund	Water Fund (Wells & Expansion)	176,062

The Water Fund has loaned the Sewer Fund \$850,000 over the past few years; the Sewer Fund has increased charges to the customers so as to begin making annual installments with the intention of repaying the advance in full. During the year ended June 30, 2025, the Sewer Fund made a payment of \$148,092 to the Water Fund towards the repayment of this advance. The Water Fund is providing funds of \$176,062 for the Wells & Expansion Project and to start making payments after the project is completed. The General Fund loaned the Sanitation Fund \$814,517 to commence operations; the Sanitation Fund is making annual installments until the loan is paid in full.

NOTES TO FINANCIAL STATEMENTS

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

Due to/from other funds:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Water Fund	\$ 39,767
General Fund	Sewer Fund	12,236
General Fund	Electric Fund	330,539
General Fund	North Selma Drainage Fund	28,847
General Fund	Fire Grant Fund (General Fund)	80,000

Several funds owed the General fund for various items during the fiscal year. The North Selma Drainage Capital Project Fund had a negative cash balance that 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	\$ 148,772
General Fund	Sanitation Fund	50,000

Transfers are used (1) to move revenues from the Electric 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 8. PENSION PLANS

A. Local Governmental Employees' Retirement System

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town's contractually required contribution rate for the year ended June 30, 2025, was 15.10% of compensation for law enforcement officers and 13.60% 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 \$726,537 for the year ended June 30, 2025.

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, 2025, the Town reported a liability of \$3,229,030 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024, 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, 2025, the Town's proportion was 0.04790%, which was a decrease of 0.00036% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the Town recognized pension expense of \$923,161. At June 30, 2025, 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	\$ 565,848	\$ 3,805
Changes in plan assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	438,985	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	75,997
Town contributions subsequent to the measurement date	726,537	-
Total	\$ 1,731,370	\$ 79,802

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Town contributions made subsequent to the measurement date of \$726,537 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2026	\$	270,996
2027		608,971
2028		94,701
2029		(49,637)
	\$	<u>925,031</u>

Actuarial Assumptions. The total pension liability measured as of June 30, 2024, was determined by the December 31, 2023 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, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Actuarial Assumptions (Continued). The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighing 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, 2024, are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed Income	33.0%	2.4%
Global Equity	38.0%	639.0%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. All rates of return and inflation are annualized.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees’ Retirement System (Continued)

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Town’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability	\$ 5,721,936	\$ 3,229,030	\$ 1,178,272

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, 2023, the date of the most recent actuarial valuation the Separation Allowance’s membership consisted of:

Retirees receiving benefits	6
Active plan members	24
Total	30

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

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

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2023 valuation. The total pension liability in the December 31, 2023, 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	4.28 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, 2025, the Town reported a total pension liability of \$941,545. The total pension liability was measured as of December 31, 2024, based on a December 31, 2023, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the Town recognized pension expense of \$122,640.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience differences	\$ 139,215	\$ 16,048
Change in assumptions	42,920	91,673
Town benefit payments made subsequent to the measurement date.	74,003	-
Total	<u>\$ 256,138</u>	<u>\$ 107,721</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

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

The town reported \$74,003 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:

2026	\$	29,182
2027		(3,539)
2028		20,957
2029		20,312
2030		7,502
		<u>74,414</u>
	\$	<u>74,414</u>

Changes in the Total Pension Liability. The changes in the total pension liability of the Town for the fiscal year ended June 30, 2025, were as follows:

	Total Pension Liability
Balance at June 30, 2024	\$ 850,747
Service cost	44,939
Interest	32,550
Experience differences	109,940
Assumption changes	(22,628)
Benefit payments	(74,003)
Balance at June 30, 2025	<u>\$ 941,545</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

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

Sensitivity of the Town’s Total Pension Liability to Changes in the Discount Rate. The following presents the Town’s total pension liability calculated using the discount rate of 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 (3.28 percent) or 1-percentage-point higher (5.28 percent) than the current rate:

	1% Decrease (3.28%)	Current Discount Rate (4.28%)	1% Increase (5.28%)
Total pension liability	\$ 1,025,382	\$ 941,545	\$ 865,819

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, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

C. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (the “Plan”), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the ACFR for the state of North Carolina. The state’s ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute, each month, an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2025, were \$91,673, which consisted of \$79,166 from the Town and \$12,507 from the law enforcement officers. As of June 30, 2025, there were twenty-eight (28) 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, 2025, were \$151,575, which consisted of \$118,029 from the Town and \$33,546 from the employees. As of June 30, 2025, there were sixty-one (61) participants in the plan.

THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

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

Membership of the HCB Plan consisted of the following at June 30, 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, 2025, the Town contributed \$305,903 for the pay as you go benefits for the HCB Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The Town’s total OPEB liability of \$5,653,925 was measured as of June 30, 2024, based on a June 30, 2023, actuarial valuation. The total OPEB liability was then rolled forward to the measurement date of June 30, 2024, utilizing update procedures incorporating the actuarial assumptions.

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	3.65%
Measurement date	3.93%
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, 2025, were as follows:

	<u>Total OPEB Liability</u>
Balance at June 30, 2024	\$ 5,870,572
Service cost	61,287
Interest	212,107
Experience differences	(20,213)
Assumption changes	(226,229)
Benefit payments	(243,599)
Balance at June 30, 2025	<u><u>\$ 5,653,925</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 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93 percent) or 1-percentage-point higher (4.93) than the current discount rate:

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
Total OPEB liability	\$ 6,533,538	\$ 5,653,925	\$ 4,951,312

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	\$ 4,888,180	\$ 5,653,925	\$ 6,613,567

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, 2025, and the current sharing pattern of costs between employer and inactive employees.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2025, OPEB income was (\$448,119). At June 30, 2025, 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	\$ -	\$ 52,846
Changes in plan assumptions	798	126,569
Town contributions subsequent to the measurement date	305,903	-
Total	\$ 306,701	\$ 179,415

Town contributions made subsequent to the measurement date of \$305,903 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, 2026. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:

2026	\$ (149,303)
2027	(29,314)
	\$ (178,617)

NOTE 10. RISK MANAGEMENT

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RISK MANAGEMENT (CONTINUED)

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$1,000,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

Grant Contingencies:

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

Construction Commitments:

The Town has entered into construction commitments for various Town projects with outstanding construction commitments of \$7,551,301 as of June 30, 2025.

NOTE 12. JOINTLY GOVERNED ORGANIZATIONS

The Town, in conjunction with thirty-one other local governments, is a member of the North Carolina City Electric Agency (the "Electric Agency"). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The thirty-one members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2025, were \$6,483,862.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. ERROR CORRECTION

During the year ended June 30, 2025, the Town has determined that certain adjustments to beginning balances are necessary to correct errors reported in prior period financial statements.

Installment notes - An adjustment of \$145,917 was made to correct the beginning net position of the Electric Fund due to an omission of two installment notes that began in December 2023 and were improperly omitted as liabilities as of June 30, 2024. The effect of this adjustment is to decrease beginning net position in the Electric Fund and Business-Type Activities.

	June 30, 2024 as Previously Reported	Error Correction	June 30, 2024 as Restated
Government-wide			
Business-type Activities	21,481,969	(145,917)	21,336,052
Total Primary Government	\$ 21,481,969	\$ (145,917)	\$ 21,336,052
Individual Funds			
Major Funds:			
Electric Fund, net position	4,899,585	(145,917)	4,753,668
Total Individual Funds	\$ 4,899,585	\$ (145,917)	\$ 4,753,668

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF SELMA, NORTH CAROLINA

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

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2025	2024	2023	2022	2021
Total pension liability, beginning balance	\$ 850,747	\$ 768,079	\$ 961,632	\$ 1,009,044	\$ 789,371
Service cost	44,939	33,837	46,047	49,322	32,311
Interest on the total pension liability	32,550	31,509	20,784	18,582	24,331
Difference between expected and actual experience	109,940	71,275	(36,448)	4,926	27,865
Changes of assumptions or other inputs	(22,628)	20,050	(148,182)	(27,786)	221,183
Benefit payments	(74,003)	(74,003)	(75,754)	(92,456)	(86,017)
Total pension liability, ending balance	\$ 941,545	\$ 850,747	\$ 768,079	\$ 961,632	\$ 1,009,044

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total pension liability	\$ 941,545	\$ 850,747	\$ 768,079	\$ 961,632	\$ 1,009,044
Town's covered payroll	\$ 1,336,886	\$ 1,174,324	\$ 997,735	\$ 1,065,370	\$ 1,069,956
Total pension liability as a percentage of covered payroll	70.43%	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
\$ 789,371	\$ 736,478	\$ 720,538	\$ 693,194
\$ 1,021,997	\$ 1,158,005	\$ 1,110,276	\$ 1,030,492
77.24%	63.60%	64.90%	67.27%

TOWN OF SELMA, NORTH CAROLINA

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability								
Service cost	\$ 61,287	\$ 78,836	\$ 117,817	\$ 155,893	\$ 100,044	\$ 185,598	\$ 196,964	\$ 223,048
Interest on total OPEB liability	212,107	217,027	165,167	184,095	231,592	304,608	285,237	255,649
Difference between expected and actual experience	(20,213)	(349,221)	6,186	(979,184)	(27,472)	(1,544,380)	(24,361)	(12,765)
Changes of assumptions and other inputs	(226,229)	6,702	(1,500,960)	253,789	1,591,645	(19,487)	(409,297)	(746,136)
Benefit payments	(243,599)	(266,957)	(264,239)	(255,718)	(220,819)	(258,570)	(202,684)	(199,299)
Net change in total OPEB liability	<u>(216,647)</u>	<u>(313,613)</u>	<u>(1,476,029)</u>	<u>(641,125)</u>	<u>1,674,990</u>	<u>(1,332,231)</u>	<u>(154,141)</u>	<u>(479,503)</u>
Total OPEB liability - beginning	<u>5,870,572</u>	<u>6,184,185</u>	<u>7,660,214</u>	<u>8,301,339</u>	<u>6,626,349</u>	<u>7,958,580</u>	<u>8,112,721</u>	<u>8,592,224</u>
Total OPEB liability - ending	<u>\$ 5,653,925</u>	<u>\$ 5,870,572</u>	<u>\$ 6,184,185</u>	<u>\$ 7,660,214</u>	<u>\$ 8,301,339</u>	<u>\$ 6,626,349</u>	<u>\$ 7,958,580</u>	<u>\$ 8,112,721</u>
Covered-employee payroll	\$ 824,306	\$ 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	685.9%	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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Town's proportion of the net pension liability (asset) (%)	0.04790%	0.04826%	0.04996%	0.05140%	0.05107%
Town's proportion of the net pension liability (asset) (\$)	\$ 3,229,030	\$ 3,196,236	\$ 2,818,461	\$ 788,269	\$ 1,824,948
Town's covered payroll	\$ 4,246,740	\$ 3,857,420	\$ 3,724,124	\$ 3,574,071	\$ 3,458,803
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	76.04%	82.86%	75.68%	22.06%	52.76%
Plan fiduciary net position as a percentage of the total pension liability	83.30%	82.49%	84.14%	95.51%	88.61%

	2020	2019	2018	2017	2016
	0.04677%	0.05206%	0.04977%	0.04958%	0.04754%
\$	1,277,251	\$ 1,235,042	\$ 760,350	\$ 1,052,254	\$ 213,357
\$	3,184,428	\$ 3,158,766	\$ 3,029,574	\$ 2,971,719	\$ -
	40.11%	39.10%	25.10%	35.41%	#DIV/0!
	90.86%	91.63%	94.18%	91.47%	98.09%

TOWN OF SELMA, NORTH CAROLINA

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

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contractually required contribution	\$ 726,537	\$ 556,727	\$ 472,300	\$ 407,541
Contributions in relation to the contractually required contributions	726,537	556,727	472,300	407,541
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 5,174,155	\$ 4,246,740	\$ 3,857,420	\$ 3,724,124
Contributions as a percentage of covered payroll	14.04%	13.11%	12.24%	10.94%

2021	2020	2019	2018	2017	2016
\$ 374,341	\$ 303,010	\$ 255,817	\$ 254,019	\$ 226,453	\$ 205,501
374,341	303,010	255,817	254,019	226,453	205,501
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,574,071	\$ 3,458,803	\$ 3,184,428	\$ 3,158,766	\$ 3,029,574	\$ 2,971,719
10.47%	8.76%	8.03%	8.04%	7.47%	6.92%

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, 2025**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Ad valorem taxes:				
Current year	\$ 3,659,534	\$ 3,870,954	\$ 3,788,302	\$ (82,652)
Prior year	5,000	5,000	4,170	(830)
Penalties and interest	5,000	5,000	7,810	2,810
Total ad valorem taxes	<u>3,669,534</u>	<u>3,880,954</u>	<u>3,800,282</u>	<u>(80,672)</u>
Other taxes and licenses:				
Local option sales taxes	1,430,800	1,655,800	1,765,232	109,432
Total other taxes and licenses	<u>1,430,800</u>	<u>1,655,800</u>	<u>1,765,232</u>	<u>109,432</u>
Unrestricted intergovernmental:				
Local occupancy taxes	90,000	80,000	79,943	(57)
Payments in lieu of taxes (external sources)	42,000	42,000	48,095	6,095
Telecommunications sales tax	20,130	20,130	22,278	2,148
Fire district tax	430,000	173,986	212,053	38,067
Utilities sales tax	344,420	344,420	418,844	74,424
Piped natural gas sales tax	10,804	10,804	12,513	1,709
Video franchise fee	19,380	19,380	17,380	(2,000)
Beer and wine tax	29,497	29,497	-	(29,497)
Animal/Nuisance Penalties/Fines	1,000	1,000	250	(750)
ABC profit distribution	48,000	45,500	45,465	(35)
Total unrestricted intergovernmental	<u>1,035,231</u>	<u>766,717</u>	<u>856,821</u>	<u>90,104</u>
Restricted intergovernmental:				
Powell bill allocation	181,000	223,000	223,713	713
Controlled substance tax	8,000	-	410	410
Federal byrne	-	330,000	-	(330,000)
FEMA grant	243	243	233	(10)
State grants	201,000	-	-	-
County grants	51,500	50,000	50,000	-
Solid waste disposal tax	4,891	-	-	-
Total restricted intergovernmental	<u>446,634</u>	<u>603,243</u>	<u>274,356</u>	<u>(328,887)</u>
Permits and fees:				
Building permits	25,000	45,000	45,144	144
Inspection fees	20,000	24,500	31,875	7,375
Other fees	-	29,900	30,362	462
Total permits and fees	<u>45,000</u>	<u>99,400</u>	<u>107,381</u>	<u>7,981</u>
Sales and services:				
Cemetery fees	232,000	202,000	202,696	696
Recreation fees	78,000	78,000	77,380	(620)
Refuse charges	818,000	18,000	12,713	(5,287)
Rents	30,300	30,300	31,805	1,505
Other fees	210,900	403,414	446,857	43,443
Total sales and services	<u>1,369,200</u>	<u>731,714</u>	<u>771,451</u>	<u>39,737</u>
Investment earnings	49,000	251,500	265,430	13,930
Miscellaneous	155,500	137,724	143,460	5,736
Total revenues	<u>8,200,899</u>	<u>8,127,052</u>	<u>7,984,413</u>	<u>(142,639)</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, 2025**

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures				
Current:				
General government:				
Governing body:				
Salaries and employee benefits	\$ 28,591	\$ 28,591	\$ 27,318	\$ 1,273
Professional services	98,750	64,250	57,430	6,820
Departmental supplies	3,500	3,500	7,000	(3,500)
Other operating expenditures	35,900	35,900	18,587	17,313
Total	<u>166,741</u>	<u>132,241</u>	<u>110,335</u>	<u>21,906</u>
Administration:				
Salaries and employee benefits	432,227	461,027	365,587	95,440
Professional services	52,500	112,500	62,294	50,206
Departmental supplies	31,495	28,495	29,868	(1,373)
Other operating expenditures	103,276	68,876	60,222	8,654
Repairs and maintenance	2,000	2,000	1,761	239
Total	<u>621,498</u>	<u>672,898</u>	<u>519,732</u>	<u>153,166</u>
Finance:				
Salaries and employee benefits	132,813	153,845	150,252	3,593
Professional services	80,000	110,125	115,246	(5,121)
Departmental supplies	5,500	5,500	6,103	(603)
Other operating expenditures	133,700	133,927	113,652	20,275
Total	<u>352,013</u>	<u>403,397</u>	<u>385,253</u>	<u>18,144</u>
Nonprofit organization support:				
Other operating expenditures	1,400	1,400	1,400	-
Total	<u>1,400</u>	<u>1,400</u>	<u>1,400</u>	<u>-</u>
Planning and economic development:				
Salaries and employee benefits	109,440	109,440	91,758	17,682
Professional services	29,800	28,954	31,376	(2,422)
Departmental supplies	2,150	2,150	1,494	656
Other operating expenditures	220,150	209,996	142,909	67,087
Capital outlay	-	-	846	(846)
Total	<u>361,540</u>	<u>350,540</u>	<u>268,383</u>	<u>82,157</u>
Total general government	<u>1,503,192</u>	<u>1,560,476</u>	<u>1,285,103</u>	<u>275,373</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, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Current (Continued):				
Public Safety:				
Police:				
Salaries and employee benefits	\$ 2,895,481	\$ 2,658,481	\$ 2,569,101	\$ 89,380
Professional services	46,393	46,393	46,616	(223)
Departmental supplies	81,890	81,890	68,941	12,949
Other operating expenditures	70,280	427,610	25,050	402,560
Capital outlay	82,938	145,685	475,871	(330,186)
Repairs and maintenance	47,000	47,000	104,027	(57,027)
Total	3,223,982	3,407,059	3,289,606	117,453
Fire department:				
Salaries and employee benefits	1,093,550	1,093,550	1,047,585	45,965
Professional services	23,420	31,405	11,171	20,234
Departmental supplies	73,920	77,420	57,510	19,910
Other operating expenditures	14,910	14,910	10,252	4,658
Capital outlay	115,000	919,442	137,287	782,155
Repairs and maintenance	92,400	106,676	91,792	14,884
Total	1,413,200	2,243,403	1,355,597	887,806
Total public safety	4,637,182	5,650,462	4,645,203	1,005,259
Transportation:				
Powell bill:				
Capital outlay	330,000	319,000	55,402	263,598
Repairs and maintenance	12,000	24,000	12,757	11,243
Total	342,000	343,000	68,159	274,841
Public works:				
Salaries and employee benefits	419,692	419,692	398,562	21,130
Professional services	90,000	90,000	86,402	3,598
Departmental supplies	87,000	176,479	137,881	38,598
Capital outlay	230,000	230,000	225,589	4,411
Repairs and maintenance	98,000	98,000	77,944	20,056
Total	924,692	1,014,171	926,378	87,793
Public facilities and grounds:				
Salaries and employee benefits	205,641	278,914	271,640	7,274
Professional services	65,500	65,500	49,829	15,671
Departmental supplies	29,400	30,568	42,981	(12,413)
Other operating expenditures	194,250	210,750	217,544	(6,794)
Capital outlay	18,000	211,780	435,848	(224,068)
Repairs and maintenance	107,000	494,712	68,073	426,639
Total	619,791	1,292,224	1,085,915	206,309
Total transportation	1,886,483	2,649,395	2,080,452	568,943

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, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Current (Continued):				
Culture and Recreation:				
Recreation:				
Salaries and employee benefits	\$ 269,761	\$ 169,461	\$ 146,513	\$ 22,948
Professional services	15,000	15,000	6,662	8,338
Departmental supplies	18,500	18,500	16,881	1,619
Other operating expenditures	53,500	54,674	33,819	20,855
Capital outlay	-	133,250	133,250	-
Repairs and maintenance	41,100	38,100	23,956	14,144
Total	397,861	428,985	361,081	67,904
Library:				
Salaries and employee benefits	136,546	170,868	152,407	18,461
Professional services	9,100	9,100	6,116	2,984
Departmental supplies	15,850	15,850	12,970	2,880
Other operating expenditures	7,600	7,600	2,664	4,936
Repairs and maintenance	13,600	13,600	6,048	7,552
Total	182,696	217,018	180,205	36,813
Civic center:				
Salaries and employee benefits	-	-	-	-
Professional services	2,000	2,000	1,232	768
Departmental supplies	32,320	27,320	21,878	5,442
Repairs and maintenance	3,500	17,409	3,682	13,727
Total	37,820	46,729	26,792	19,937
Community Engagement:				
Salaries and employee benefits	19,772	-	-	-
Professional services	31,000	31,000	17,006	13,994
Departmental supplies	3,300	1,000	1,226	(226)
Other operating expenditures	92,700	85,700	93,413	(7,713)
Repairs and maintenance	5,000	1,000	-	1,000
Total	151,772	118,700	111,645	7,055
Total culture and recreation	770,149	811,432	679,723	131,709
Debt Service:				
Principal	338,899	346,470	346,470	-
Interest	109,705	109,705	109,705	-
Total	448,604	456,175	456,175	-
Total expenditures	9,245,610	11,127,940	9,146,656	1,981,284
Deficiency of revenues under expenditures	(1,044,711)	(3,000,888)	(1,162,243)	(2,123,923)
Other financing sources (uses)				
Fund balance appropriation	720,939	2,277,422	-	(2,277,422)
Transfers in	263,772	278,772	278,772	-
Issuance of debt	-	344,694	379,557	34,863
Proceeds from sale of capital assets	60,000	100,000	101,969	1,969
Total other financing sources	1,044,711	3,000,888	760,298	(2,240,590)
Net change in fund balances	-	-	(401,945)	(4,364,513)
Fund balance, beginning of year			7,606,178	
Plus Fire Protection - Selma Petroleum Terminals Fund - ending fund balance			88,152	
Plus Fire Grant Fund- ending fund balance			(18,701)	
Fund balance, end of year			\$ 7,273,684	

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, 2025**

	Budget		Actual	Variance with
	Original	Final		Final Budget
REVENUES				
Interest	\$ -	\$ 1,600	\$ 1,808	\$ 208
Permits and fees	35,000	30,000	18,000	(12,000)
Miscellaneous	6,918	-	-	-
	<u>41,918</u>	<u>31,600</u>	<u>19,808</u>	<u>(11,792)</u>
EXPENDITURES				
Public safety	41,918	28,600	20,998	7,602
Deficiency of revenues under expenditures	-	3,000	(1,190)	(19,394)
OTHER FINANCING SOURCES (USES)				
Fund balance appropriation	-	12,000	-	(12,000)
Transfers Out	-	(15,000)	(80,000)	(65,000)
	<u>-</u>	<u>(3,000)</u>	<u>(80,000)</u>	<u>(77,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(81,190)	<u>\$ (96,394)</u>
FUND BALANCE, beginning of year			<u>169,342</u>	
FUND BALANCE, end of year			<u>\$ 88,152</u>	

**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, 2025**

	Project Budget	Actual		
		Prior Years	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	67,492	8,816	76,308
Uniforms and supplies	31,105	30,357	674	31,031
Contracted services	1,400	1,350	-	1,350
Capital outlay	-	22,280	-	22,280
Total expenditures	<u>203,938</u>	<u>121,479</u>	<u>9,490</u>	<u>130,969</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (9,211)</u>	<u>(9,490)</u>	<u>\$ (18,701)</u>
FUND BALANCE, beginning of year			<u>(9,211)</u>	
FUND BALANCE, end of year			<u>\$ (18,701)</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, 2025**

	Project	Actual		
	Budget	Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ 2,908,245	\$ 3,102,302	\$ -	\$ 3,102,302
Interest earnings	-	4,183	54,993	59,176
Total revenues	<u>2,908,245</u>	<u>3,106,485</u>	<u>54,993</u>	<u>3,161,478</u>
EXPENDITURES				
Capital outlay:				
Construction	2,908,245	194,057	1,882,506	2,076,563
Total expenditures	<u>2,908,245</u>	<u>194,057</u>	<u>1,882,506</u>	<u>2,076,563</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,912,428</u>	(1,827,513)	<u>1,084,915</u>
FUND BALANCE, beginning of year			<u>2,912,428</u>	
FUND BALANCE, end of year			<u>\$ 1,084,915</u>	

TOWN OF SELMA, NORTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025**

ASSETS	Capital Project Funds		Total Nonmajor Governmental Funds
	Eastfield Business Park Fund	North Selma Drainage Study Fund	
Cash and cash equivalents	\$ 821,972	\$ -	\$ 821,972
Accounts receivable	-	39,978	39,978
Total assets	\$ 821,972	\$ 39,978	\$ 861,950
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 11,038	\$ 11,038
Due to other Funds	-	28,847	28,847
Total liabilities	-	39,885	39,885
FUND BALANCES			
Restricted - capital outlay	821,972	93	822,065
Total fund balances	821,972	93	822,065
Total liabilities and fund balances	\$ 821,972	\$ 39,978	\$ 861,950

TOWN OF SELMA, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Capital Project Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Eastfield Business Park Fund</u>	<u>North Selma Drainage Study Fund</u>	
REVENUES			
Intergovernmental	\$ 20,983	\$ 127,680	\$ 148,663
Interest earnings	-	93	93
Total revenues	<u>20,983</u>	<u>127,773</u>	<u>148,756</u>
EXPENDITURES			
Capital outlay	-	127,680	127,680
Total expenditures	<u>-</u>	<u>127,680</u>	<u>127,680</u>
Net change in fund balances	20,983	93	21,076
FUND BALANCES, beginning of year	<u>800,989</u>	<u>-</u>	<u>800,989</u>
FUND BALANCES, end of year	<u>\$ 821,972</u>	<u>\$ 93</u>	<u>\$ 822,065</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, 2025**

	Project Budget	Actual		Total
		Prior Years	Current Year	
REVENUES				
Intergovernmental	\$ 800,000	\$ 800,000	\$ -	\$ 800,000
NCDOT Grant	200,000	989	20,983	21,972
Total revenues	<u>1,000,000</u>	<u>800,989</u>	<u>20,983</u>	<u>821,972</u>
EXPENDITURES				
Sitework	193,758	-	-	-
Design	65,000	-	-	-
Administration	95,000	-	-	-
Supplies & Materials	646,242	-	-	-
Total expenditures	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 800,989</u>	20,983	<u>\$ 821,972</u>
FUND BALANCE, beginning of year			<u>800,989</u>	
FUND BALANCE, end of year			<u>\$ 821,972</u>	

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, 2025

	Project Budget	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ 274,428	\$ 87,288	\$ 127,680	\$ 214,968
Interest earnings	-	-	93	93
Total revenues	<u>274,428</u>	<u>87,288</u>	<u>127,773</u>	<u>215,061</u>
EXPENDITURES				
Capital outlay:				
Construction	<u>274,428</u>	<u>87,288</u>	<u>127,680</u>	<u>214,968</u>
Total expenditures	<u>274,428</u>	<u>87,288</u>	<u>127,680</u>	<u>214,968</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	93	\$ <u>93</u>
FUND BALANCE, beginning of year			<u>-</u>	
FUND BALANCE, end of year			<u>\$ 93</u>	

TOWN OF SELMA, NORTH CAROLINA

**WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Operating revenues				
Water charges	\$ 1,991,533	\$ 1,950,000	\$ 1,912,724	\$ (37,276)
Penalties	55,000	35,000	33,523	(1,477)
Other operating revenues	452,568	432,000	317,928	(114,072)
Non-operating revenues - interest	60,000	75,000	89,724	14,724
Total revenues	<u>2,559,101</u>	<u>2,492,000</u>	<u>2,353,899</u>	<u>(138,101)</u>
EXPENDITURES				
Water administration				
Salaries and benefits	679,702	646,152	550,121	96,031
Professional services	259,534	437,977	234,537	203,440
Utilities	73,000	73,000	74,272	(1,272)
Insurance	76,858	76,828	101,614	(24,786)
Other operating expenditures	102,500	108,500	40,127	68,373
Total water administration	<u>1,191,594</u>	<u>1,342,457</u>	<u>1,000,671</u>	<u>341,786</u>
Water operations				
Salaries and benefits	440,510	406,959	372,469	34,490
Department supplies	26,500	26,500	13,845	12,655
Chemicals	110,000	110,000	66,562	43,438
Maintenance and repairs	125,000	180,932	84,614	96,318
Contract services	262,583	304,383	231,039	73,344
Purchase for resale	187,000	187,000	151,621	35,379
Other operating expenditures	175,500	175,500	885,148	(709,648)
Total water operations	<u>1,327,093</u>	<u>1,391,274</u>	<u>1,805,298</u>	<u>(414,024)</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, 2025**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (CONTINUED)				
Debt service				
Principal	\$ 26,091	\$ 26,091	\$ 26,091	\$ -
Interest	20,868	20,868	20,868	-
Total debt service	<u>46,959</u>	<u>46,959</u>	<u>46,959</u>	<u>-</u>
Total expenditures	<u>2,565,646</u>	<u>2,780,690</u>	<u>2,852,928</u>	<u>(72,238)</u>
Excess (deficiency) of revenues over (under) expenditures	(6,545)	(288,690)	(499,029)	(210,339)
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	<u>6,545</u>	<u>288,690</u>	-	<u>(288,690)</u>
Total other financing sources (uses)	<u>6,545</u>	<u>288,690</u>	-	<u>(288,690)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	(499,029)	<u>\$ (499,029)</u>
 Adjustments to full accrual:				
Capital outlays			768,131	
Payments of debt service - principal			26,091	
Increase in compensated absences			(59,372)	
Increase in net pension liability and related pension items			(25,600)	
Decrease in total OPEB liability and related OPEB items			103,985	
Tap contributions			771,842	
Change in accrued interest			5,766	
Depreciation and amortization expense			(349,638)	
Water Capital Reserve Fund			25,466	
Change in net position			<u>\$ 767,642</u>	

TOWN OF SELMA, NORTH CAROLINA

**WATER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 25,466	\$ 25,466
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,466</u>	<u>\$ 25,466</u>

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, 2025

	Project Budget	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ 1,760,744	\$ 296,607	\$ 601,759	\$ 898,366
Total revenues	<u>1,760,744</u>	<u>296,607</u>	<u>601,759</u>	<u>898,366</u>
EXPENDITURES				
Capital outlay:				
Engineering fees	1,760,744	-	517,356	517,356
Construction	-	-	84,403	84,403
Total expenditures	<u>1,760,744</u>	<u>-</u>	<u>601,759</u>	<u>601,759</u>
(Deficiency) of revenues (under) expenditures	-	296,607	-	296,607
Net change in fund balance	<u>\$ -</u>	<u>\$ 296,607</u>	-	<u>\$ 296,607</u>
FUND BALANCE, beginning of year			<u>296,607</u>	
FUND BALANCE, end of year			<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, 2025**

	Budget		Actual	Variance with
	Original	Final		Final Budget
REVENUES				
Operating revenues				
Sewer charges	\$ 3,318,576	\$ 3,190,000	\$ 3,308,357	\$ 118,357
Penalties	65,000	55,000	49,826	(5,174)
Other operating revenues	268,100	338,153	904,861	566,708
Non-operating revenues - interest	15,000	15,000	61,921	46,921
Total revenues	<u>3,666,676</u>	<u>3,598,153</u>	<u>4,324,965</u>	<u>726,812</u>
EXPENDITURES				
Sewer administration				
Salaries and benefits	203,451	146,209	104,212	41,997
Professional services	28,500	42,563	38,769	3,794
Utilities	71,000	71,000	63,567	7,433
Insurance	36,000	39,000	39,186	(186)
Maintenance and repairs	4,000	4,000	140	3,860
Other operating expenditures	167,500	165,500	62,336	103,164
Total sewer administration	<u>510,451</u>	<u>468,272</u>	<u>308,210</u>	<u>160,062</u>
Sewer operations				
Salaries and benefits	268,824	273,825	243,593	30,232
Department supplies	12,500	12,000	7,282	4,718
Maintenance and repairs	140,500	140,700	50,130	90,570
Transmission and treatment fees	2,300,000	2,200,000	1,917,494	282,506
Other operating expenditures	359,947	369,746	740,346	(370,600)
Total sewer operations	<u>3,081,771</u>	<u>2,996,271</u>	<u>2,958,845</u>	<u>37,426</u>

Continued

TOWN OF SELMA, NORTH CAROLINA

**SEWER FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (CONTINUED)				
Debt service				
Principal	\$ 41,000	\$ 41,000	\$ 41,000	\$ -
Interest	33,454	33,454	33,454	-
Total debt service	<u>74,454</u>	<u>74,454</u>	<u>74,454</u>	<u>-</u>
Total expenditures	<u>3,666,676</u>	<u>3,538,997</u>	<u>3,341,509</u>	<u>197,488</u>
Excess (deficiency) of revenues over (under) expenditures	-	59,156	983,456	924,300
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	-	381,344	-	(381,344)
Transfers out	-	(440,500)	-	440,500
Total other financing (uses)	<u>-</u>	<u>(59,156)</u>	<u>-</u>	<u>59,156</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	983,456	<u>\$ 983,456</u>
Adjustments to full accrual:				
Sewer Fund capital asset additions			3,068,149	
Payments of debt service - principal			41,000	
Increase in compensated absences			(3,202)	
Decrease in net pension liability and related pension items			(7,876)	
Increase in total OPEB liability and related OPEB items			39,904	
Change in accrued interest			(7,492)	
Depreciation expense			(430,320)	
ASADRA Brack Wilson Fund Balance			(193,367)	
CDBG I Sewer Fund Balance			(7,070)	
Sewer Capital Reserve Fund			25,779	
Change in net position			<u>\$ 3,508,961</u>	

TOWN OF SELMA, NORTH CAROLINA

**SEWER CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2025**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 25,779	\$ 25,779
Total revenues	-	-	25,779	25,779
Net change in net position	\$ -	\$ -	\$ 25,779	\$ 25,779

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, 2025**

	Project Budget	Actual		Total
		Prior Years	Current Year	
REVENUES				
Intergovernmental	\$ 1,870,804	\$ 371,255	\$ 776,326	\$ 1,147,581
Total revenues	<u>1,870,804</u>	<u>371,255</u>	<u>776,326</u>	<u>1,147,581</u>
EXPENDITURES				
Capital outlay	<u>1,870,804</u>	<u>369,362</u>	<u>785,289</u>	<u>1,154,651</u>
Total expenditures	<u>1,870,804</u>	<u>369,362</u>	<u>785,289</u>	<u>1,154,651</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,893</u>	(8,963)	<u>\$ (7,070)</u>
FUND BALANCE, beginning of year			<u>1,893</u>	
FUND BALANCE, end of year			<u>\$ (7,070)</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, 2025**

	Project Budget	Actual		Total
		Prior Years	Current Year	
REVENUES				
Intergovernmental	\$ 3,015,000	\$ 1,260,937	\$ 1,412,488	\$ 2,673,425
Interest earnings	-	-	26,704	26,704
Total revenues	<u>3,015,000</u>	<u>1,260,937</u>	<u>1,439,192</u>	<u>2,700,129</u>
EXPENDITURES				
Capital outlay:	<u>3,015,000</u>	<u>762,829</u>	<u>2,130,667</u>	<u>2,893,496</u>
Total expenditures	<u>3,015,000</u>	<u>762,829</u>	<u>2,130,667</u>	<u>2,893,496</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 498,108</u>	(691,475)	<u>\$ (193,367)</u>
FUND BALANCE, beginning of year			<u>498,108</u>	
FUND BALANCE, end of year			<u>\$ (193,367)</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, 2025**

	Project	Actual		
	Budget	Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ 150,000	\$ 172,500	\$ 3,102	\$ 175,602
Total revenues	<u>150,000</u>	<u>172,500</u>	<u>3,102</u>	<u>175,602</u>
EXPENDITURES				
Capital outlay:	<u>150,000</u>	<u>172,500</u>	<u>-</u>	<u>172,500</u>
Total expenditures	<u>150,000</u>	<u>172,500</u>	<u>-</u>	<u>172,500</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	3,102	<u>\$ 3,102</u>
FUND BALANCE, beginning of year			<u>-</u>	
FUND BALANCE, end of year			<u>\$ 3,102</u>	

TOWN OF SELMA, NORTH CAROLINA

**ELECTRIC FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Operating revenues				
Electric charges	\$ 7,580,000	\$ 7,815,000	\$ 8,151,979	\$ 336,979
Other operating revenues	2,484,520	2,389,154	805,003	(1,584,151)
Nonoperating revenues - interest	31,000	25,000	24,960	(40)
Total revenues	<u>10,095,520</u>	<u>10,229,154</u>	<u>8,981,942</u>	<u>(1,247,212)</u>
EXPENDITURES				
Electric administration				
Salaries and benefits	746,469	513,969	490,535	23,434
Contracted services	22,000	41,000	23,367	17,633
Utilities	17,500	17,500	10,760	6,740
Insurance	48,000	54,000	54,320	(320)
Other operating expenditures	144,500	315,000	183,380	131,620
Total electric administration	<u>978,469</u>	<u>941,469</u>	<u>762,362</u>	<u>179,107</u>
Electric operations				
Salaries and benefits	606,223	604,400	635,958	(31,558)
Department supplies	106,000	102,000	82,875	19,125
Maintenance and repairs	70,000	70,000	59,871	10,129
Purchases for inventory	150,000	165,656	143,225	22,431
Contracted services	140,000	140,000	94,840	45,160
Other operating expenditures	2,094,087	2,321,696	1,379,680	942,016
Total electric operations	<u>3,166,310</u>	<u>3,403,752</u>	<u>2,396,449</u>	<u>1,007,303</u>
Electric power purchases	<u>5,771,000</u>	<u>6,358,050</u>	<u>5,721,625</u>	<u>636,425</u>

Continued

TOWN OF SELMA, NORTH CAROLINA

**ELECTRIC FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (CONTINUED)				
Debt service				
Principal	\$ 36,017	\$ 36,017	\$ 36,017	\$ -
Interest	5,003	5,003	5,003	-
Total debt service	<u>41,020</u>	<u>41,020</u>	<u>41,020</u>	<u>-</u>
Total expenditures	<u>9,956,799</u>	<u>10,744,291</u>	<u>8,921,456</u>	<u>1,822,835</u>
Excess of revenues over expenditures	138,721	(515,137)	60,486	575,623
OTHER FINANCING SOURCES (USES)				
Appropriation to increase net position	10,051	663,909	-	(663,909)
Transfers out	<u>(148,772)</u>	<u>(148,772)</u>	<u>(148,772)</u>	<u>-</u>
Total other financing (uses)	<u>(138,721)</u>	<u>515,137</u>	<u>(148,772)</u>	<u>(663,909)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	(88,286)	<u>\$ (88,286)</u>
Adjustments to full accrual:				
Capital outlays			1,721,028	
Issuance of installment note			(1,500,000)	
Payments of debt service - principal			36,017	
Gain/Loss on capital assets			62,656	
Increase in compensated absences			(37,898)	
Increase in net pension liability and related pension items			(25,600)	
Decrease in total OPEB liability and related OPEB items			65,789	
Depreciation expense			(169,842)	
Electric Capital Reserve Fund			<u>16,220</u>	
Change in net position			<u>\$ 80,084</u>	

TOWN OF SELMA, NORTH CAROLINA

**ELECTRIC CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 16,220	\$ 16,220
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,220</u>	<u>\$ 16,220</u>

TOWN OF SELMA, NORTH CAROLINA
SANITATION FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Operating revenues				
Sanitation charges	\$ 745,557	\$ 779,557	\$ 847,070	\$ 67,513
Other operating revenues	-	-	750	750
Nonoperating revenues - interest	-	-	7,375	7,375
Total revenues	<u>745,557</u>	<u>779,557</u>	<u>855,195</u>	<u>75,638</u>
EXPENDITURES				
Sanitation administration				
Salaries and benefits	105,979	105,979	32,685	73,294
Other operating expenditures	26,900	26,900	13,576	13,324
Total sanitation operations	<u>132,879</u>	<u>132,879</u>	<u>46,261</u>	<u>86,618</u>
Sanitation operations				
Salaries and benefits	189,364	189,364	183,093	6,271
Department supplies	50,000	50,000	22,760	27,240
Maintenance and repairs	40,000	40,000	40,650	(650)
Contracted services	12,000	12,000	4,828	7,172
Other operating expenditures	611,600	645,600	645,685	(85)
Total sanitation operations	<u>902,964</u>	<u>936,964</u>	<u>897,016</u>	<u>39,948</u>
Debt service				
Principal	85,585	85,584	85,584	-
Interest	7,630	7,630	7,630	-
Total debt service	<u>93,215</u>	<u>93,214</u>	<u>93,214</u>	<u>-</u>
Total expenditures	<u>1,129,058</u>	<u>1,163,057</u>	<u>1,036,491</u>	<u>126,566</u>
Deficiency of revenues under expenditures	(383,501)	(383,500)	(181,296)	(50,928)
OTHER FINANCING SOURCES (USES)				
Appropriation to increase net position	433,501	433,500	-	(433,500)
Transfers out	(50,000)	(50,000)	(50,000)	-
Total other financing sources	<u>383,501</u>	<u>383,500</u>	<u>(50,000)</u>	<u>(433,500)</u>
Net change in net position	<u>\$ -</u>	<u>\$ -</u>	(231,296)	<u>\$ (484,428)</u>
Adjustments to full accrual:				
Capital outlays			442,006	
Payments of debt service - principal			85,584	
Increase in compensated absences			(3,402)	
Increase in net pension liability and related pension items			(5,908)	
Increase in total OPEB liability and related OPEB items			29,929	
Depreciation expense			(99,384)	
Change in net position			<u>\$ 217,529</u>	

TOWN OF SELMA, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2025

Fiscal Year	Uncollected Balance June 30, 2024	Additions	Collections And Credits	Uncollected Balance June 30, 2025
2024-2025	\$ -	\$ 3,764,222	\$ 3,758,083	\$ 6,139
2023-2024	4,235	-	2,717	1,518
2022-2023	2,824	-	1,277	1,547
2021-2022	1,348	-	42	1,306
2020-2021	1,089	-	-	1,089
2019-2020	1,052	-	-	1,052
2018-2019	776	-	-	776
2017-2018	295	-	-	295
2016-2017	17	-	-	17
2015-2016	726	-	420	306
	\$ 12,362	\$ 3,764,222	\$ 3,762,539	14,045
Less: allowance for uncollectible accounts:				
	General Fund			1,814
Ad valorem taxes receivable - net				\$ 12,231
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 3,800,282
Reconciling items:				
	Refunds and other adjustments			(28,119)
	Releases and write-offs			(1,814)
	Interest collected			(7,810)
Total collections and credits				\$ 3,762,539

TOWN OF SELMA, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

TOWN-WIDE LEVY

JUNE 30, 2025

	Town-wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Real property	\$ 436,059,665	0.60	\$ 2,616,358	\$ 2,616,358	\$ -
Personal property	106,080,051	0.60	971,427	636,480	334,947
Public service company	26,721,939	0.60	160,332	160,332	-
Penalties	-		8,475	8,475	-
Total	568,861,655		3,756,592	3,421,645	334,947
Discoveries:					
Current year taxes	1,160,972		6,986	6,986	-
Prior year taxes	87,900		513	513	-
Penalties			184	184	-
Total	1,248,872		7,683	7,683	-
Abatements	(8,840)		(53)	(53)	-
Total property valuation	\$ 570,101,687				
Net levy			3,764,222	3,429,275	334,947
Uncollected taxes at June 30, 2025			(6,139)	(6,139)	-
Current year's taxes collected			\$ 3,758,083	\$ 3,423,136	\$ 334,947
Current levy collection percentage			99.84%	99.82%	100%

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
Selma, North Carolina**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the **Town of Selma, North Carolina** (the "Town") as of and for the year ended June 30, 2025, 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 17, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal controls, described in the accompanying schedule of findings and questioned costs as item 2025-001 and 2025-002 that we consider to be a material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2025-003.

Town of Selma, North Carolina's Response to Finding

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

Purpose of this Report

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

Mauldin & Jenkins, PLLC

Raleigh, North Carolina
April 17, 2026



Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with Applicable Sections of the OMB Uniform Guidance and the State Single Audit Implementation Act

**To the Honorable Mayor and Members of Town Council
Town of Selma
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 described in the OMB *Compliance Supplement* that and the *Audit Manual for Government 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 federal programs for the year ended June 30, 2025. 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 major federal program for the year ended June 30, 2025.

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); 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 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*, 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 federal 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 and the State Single Audit Implementation Act, 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.



Raleigh, North Carolina
April 17, 2026



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 OMB Uniform Guidance and the State Single Audit Implementation Act

**To the Honorable Mayor and Members of Town Council
Town of Selma
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, 2025. 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, 2025.

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 and the State Single Audit Implementation Act, 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.

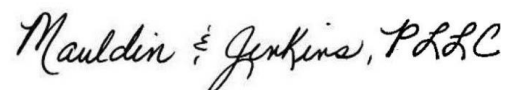
Report on Internal Control over Compliance

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 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.



Raleigh, North Carolina
April 17, 2026

TOWN OF SELMA, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

<u>Federal Awarding Agency / Pass-through Agency</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through / Grant ID Number</u>	<u>Federal</u>	<u>State</u>
FEDERAL AWARDS				
<u>Department of Housing and Urban Development</u>				
Passed through N.C. Department of Environmental Quality				
Community Development Block Grant - Sewer Improvements (2020)	14.228	20-I-3616	\$ 791,531	\$ -
Total U.S. Department of Housing and Urban Development			791,531	-
 <u>U.S. Department of Treasury</u>				
Passed through N.C. Department of Environmental Quality				
COVID-19 - Drinking Water SRP - Water Distribution and Capacity Expan	21.027	SRP-D-ARP-0096	53,170	-
COVID-19 - Brack Wilson Lift Station	21.027	SRP-W-ARP-0233	2,130,667	-
COVID-19 - Drinking Water AIA (ARPA)	21.027	SRP-D-ARP-0060	69,360	-
COVID-19 - LASII ARPA Stormwater Master Plan	21.027	SRP-SW-ARP-0072	127,680	-
Total U.S. Department of Treasury			2,380,877	-
TOTAL FEDERAL AWARDS			3,172,408	-
 STATE AWARDS				
<u>N.C. Department of Transportation</u>				
Powell Bill		DOT-4	-	68,159
Total N.C. Department of Transportation			-	68,159
 <u>N.C. Department of Environmental Quality</u>				
Drinking Water State Reserve Earmark - Water System Improvements Project		SRP-D-134-0009	-	601,759
AIA Sewer Project		E-AIA-W-21-0220	-	-
Total N.C. Department of Environmental Quality			-	601,759
 <u>N.C. Office of State Budget Management</u>				
Facilities Improvements		24-DG-12892	-	1,882,506
Total N.C. Office of State Budget Management			-	1,882,506
TOTAL STATE AWARDS			-	2,552,424
TOTAL FEDERAL AND STATE AWARDS			\$ 3,172,408	\$ 2,552,424

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, 2025. 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, 2025

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
14.228

Name of Federal Program or Cluster

Coronavirus State and Local Fiscal Recovery Funds
Community Development Block Grant

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, 2025**

**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 _____

Special Appropriations – Facilities Improvement

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, 2025

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2025-001 Correction of an Error in Previously Issued Financial Statements

Criteria: Internal controls should be in place to ensure that financial statements properly present the financial position and results of the Town in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to timely detect material misstatements in the Town's financial statements for the year ended June 30, 2024.

Context/Cause: During our audit for the year ended June 30, 2025, a material misstatement in the opening balances of the Town were identified and thus a restatement of beginning balances was required.

An adjustment of \$145,917 was made to correct the beginning net position of the Electric Fund for the omission of two installment notes that began in December 2023. The effect of this adjustment is a decrease in the Electric Fund and Business-Type Activities.

Effects: As a result of the error identified above, a material audit adjustment was required to correct previously reported balances of the Town.

Recommendation: We recommend the Town carefully review the financial statements and the applicable reporting requirements under GAAP to ensure that all information and financial data is properly reported.

Auditee's Response: We concur with the finding.

TOWN OF SELMA, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

2025-002 Financial Close and Maintenance of General Ledger Accounts

Criteria: Internal controls should be in place to ensure that financial statements properly present the financial position and results of operations of the Town in accordance with generally accepted accounting principles.

Condition: During our audit procedures, the Town's reviews and year-end adjustments were not sufficient to prevent or detect and correct material misstatements in the Town's financial statements submitted for audit. The nature and magnitude of these misstatements, as well as the audit adjustments required, are discussed below.

Context/Cause: During our audit for the year ended June 30, 2025, material audit adjustments were required to correct current year balances for the Town:

- An adjustment of \$100,948 was made to the General Fund to record pension contributions from utility funds.
- An adjustment of \$105,450 was made to the General Fund to reverse duplicated amounts.
- An adjustment of \$149,142 was made to the General Fund to correct sales tax revenue and accounts receivable.
- An adjustment of \$440,397 was made to the General Fund and Sanitation Fund to correct the Due to/Due from between the funds.
- An adjustment of \$290,772 was made to the General Fund to correct Sales and Use Tax revenue.
- An adjustment of \$103,465, \$138,843, \$262,231, \$7,168 was made to the Water Fund, Sewer Fund, Electric Fund, Sanitation Fund to correct unbilled accounts receivable, respectively.
- An adjustment of \$13,975, \$6,858, \$16,424 was made to the Water Fund, Sewer Fund, Electric Fund to correct compensated absences liability, respectively.
- An adjustment of \$26,091, \$36,017, \$93,973 was made to the Water Fund, Electric Fund, Sanitation Fund to correct debt payments, respectively.
- An adjustment of \$75,000 was made to the Water Fund and Sewer Fund to correct Due to/Due from.
- An adjustment of 412,086, \$829,660 was made to the Water Fund and Sewer Fund to correct grants accounts receivables, respectively.
- An adjustment of \$22,395 was made to the Sewer Fund to correct capital asset disposals.
- An adjustment of \$1,914,673 was made to the Electric Fund to correct capital asset disposals and capital asset additions.
- An adjustment of \$1,500,000 was made to the Electric Fund to reverse duplicated amounts.

Effects: As a result of the issues identified above, material audit adjustments were required to correct reported balances of the Town. Audit adjustments totaling \$6,545,658 were needed to correct the financial statements as of June 30, 2025.

Recommendation: Management should be reconciling the financial statements, each month, to the subsidiary ledgers in order to timely address variances in the account balance which are outside of expectations. Additionally, management should be reviewing classification of revenue at year end to ensure proper accounting in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding.

TOWN OF SELMA, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

2025-003 Late Audit Submission

Criteria: N.C. General Statutes 159-34 requires the Town to have an audit completed by December 31, 2025.

Condition: In performing our audit, it was noted that the finance department experienced significant delays in the year-end accounting and reporting process due to turnover in the department. In addition, several accounts were not properly adjusted or timely reconciled to facilitate meeting the required reporting deadline.

Context/Cause: See the condition above.

Effects: The Town did not meet the required extended reporting deadline of February 12, 2026.

Recommendation: We recommend the Town establish effective policies and controls around the yearend closeout process. Additionally, we recommend the Town consider engaging with a consulting firm when there is significant turnover in the finance department to assist in the design and development of the procedures along with the physical closeout continuing until the Town has sufficient procedures and controls in place to perform the functions on their own.

Auditee's Response: We concur with the finding.

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV STATE AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

TOWN OF SELMA, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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.

Current Status: Repeat Finding, See 2025-002.

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.

Current Status: Repeat Finding, See 2025-002.

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.

Current Status: Corrected.

MAYOR
Byron James McAllister

MAYOR PRO-TEM
Joe Scarboro

COUNCILMEMBERS
Amy West Whitley
Susan Parrish Watson
William Overby



**INTERIM
TOWN MANAGER**
Phillip McDaniel

TOWN CLERK
Dalton Larsen-Batten

TOWN ATTORNEY
Alan "Chip" Hewett

Unit Name: Town of Selma

Audit Report Title: Schedule of Findings Fiscal Year Ended June 30, 2025

Audit Recommendation 2025-001:

We recommend the Town carefully review the financial statements and the applicable reporting requirements under GAAP to ensure that all information and financial data is properly reported.

Implementation Plan of Action:

The Town will implement a standardized process to review financial statement and applicable reporting requirements under GAAP to ensure financial data is reported in a proper and timely manner.

Implementation Date:

Immediately

Person(s) Responsible for Implementation:

Finance and Assistant Finance Director

Audit Recommendation 2025-002:

Management should be reconciling the financial statements, each month, to the subsidiary ledgers in order to timely address variances in the account balance which are outside of expectations. Additionally, management should be reviewing classification of revenue at year end to ensure proper accounting in accordance with generally accepted accounting principles.

Implementation Plan of Action:

The Town will implement a process of reconciling financial statements each month in a timely fashion and addressing account balances outside of expectations. The Town will also strive to review the classification of review at year end to ensure proper accounting in accordance with GAAP.

Implementation Date:

Immediately

Person(s) Responsible for Implementation:

Finance and Assistant Finance Director

Audit Recommendation 2025-003:

We recommend the Town establish effective policies and controls around the yearend closeout process. Additionally, we recommend the Town consider engaging with a consulting firm when there is significant turnover in the finance department to assist in the design and development of the procedures along with the physical closeout continuing until the Town has sufficient procedures and controls in place to perform the functions on their own

Implementation Plan of Action:

The Town will implement a standardized process to establish effective policies and controls around the yearend closeout process. The Town currently has a CPA firm on contract that will remain in place to help train and establish process over the next fiscal year with new staff in the finance department.

Implementation Date:

Immediately

Person(s) Responsible for Implementation:

Finance and Assistant Finance Director

Signed:



Interim Town Manager

4/15/26

Date: