

TOWN OF SELMA, NORTH CAROLINA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

**Prepared by:
Finance Department**

**Submitted by:
Town Manager**

TOWN OF SELMA, NORTH CAROLINA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

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INTRODUCTORY SECTION

TOWN OF SELMA, NORTH CAROLINA

TOWN COUNCIL AND OFFICIALS

JUNE 30, 2020

TOWN COUNCIL

Cheryl L. Oliver.....Mayor

Jacqueline J. Lacey.....Mayor Pro-Tem

Byron McAllister.....Council Member

Joe Scarboro.....Council Member

Ann Williams.....Council Member

TOWN OFFICIALS

Steven Hicks.....Town Manager

Rhonda Sommer.....Finance Officer

Jamie Whitley.....Town Clerk

Jennifer Eakes.....Human Resource Director

Alan B. Hewett.....Town Attorney

William Thomas.....Police Chief

Phillip W. McDaniel.....Fire Chief

Billy Roach.....Parks and Recreation Director

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

Phyllis Brown.....Library Director

Donald Baker.....Electric Director

JP McCann.....Public Services Director

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Selma, North Carolina** (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Selma, North Carolina as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The individual fund statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Columbia, South Carolina
September 30, 2020

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

As management of the Town of Selma (the "Town"), we offer readers of the Town of Selma's financial statements this narrative overview and analysis of the financial activities of the Town of Selma for the year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Selma exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$15,431,784 (net position).
- The government's total net position increased by \$553,833 over the previous year's net position. This increase was due primarily to governmental activities.
- As of close of the current fiscal year, the Town of Selma's governmental funds reported combined ending fund balances of \$3,831,401 with a net increase of \$233,676 in fund balance in comparison with the prior year. Approximately 65.61% of this total amount, or \$2,513,666, is available for spending at the government's discretion (unassigned fund balance). The remaining balance of \$1,317,735 (34.39%) is non-spendable, restricted, or committed. The unassigned fund balance represents 41.39% of total general fund expenditures for the fiscal year.
- The Town of Selma's total debt decreased by \$1,671,559 or 10.51% during the current fiscal year. This net change is attributed primarily to payments leading to reduction of debt principal as well as changes in OPEB (Other Postemployment Benefits) liabilities.

Overview of the Financial Statements

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

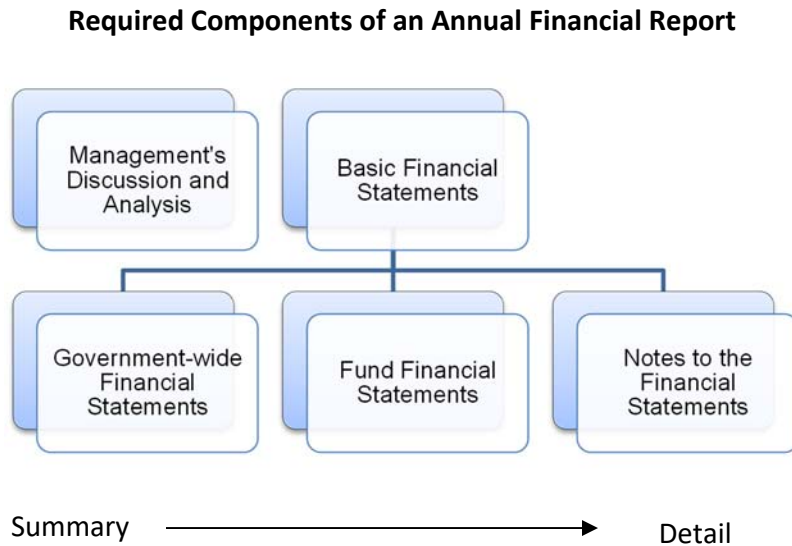
Basic Financial Statements

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

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

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

Figure 1



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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, streets, cemetery, and general administration. Property tax and sales tax funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water, sewer and electric services offered by the Town of Selma.

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

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

Fund Financial Statements

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

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

The Town of Selma adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

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

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

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

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

Government-Wide Financial Analysis

Figure 2
Town of Selma, North Carolina
Condensed Statement of Net Position
June 30, 2020 and 2019

	June 30, 2020		June 30, 2019		Total	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	June 30, 2020	June 30, 2019
Assets:						
Current assets	\$ 4,128,141	\$ 7,781,972	\$ 4,220,665	\$ 7,224,312	\$ 11,910,113	\$ 11,444,977
Capital assets, net	9,851,687	10,126,204	10,215,744	10,579,101	19,977,891	20,794,845
Total assets	<u>13,979,828</u>	<u>17,908,176</u>	<u>14,436,409</u>	<u>17,803,413</u>	<u>31,888,004</u>	<u>32,239,822</u>
Deferred outflows of resources	<u>857,041</u>	<u>335,313</u>	<u>947,022</u>	<u>381,911</u>	<u>1,192,354</u>	<u>1,328,933</u>
Liabilities:						
Current liabilities	279,277	1,223,470	600,275	1,239,228	1,502,747	1,839,503
Long-term liabilities	8,930,910	5,371,645	10,382,191	5,607,256	14,302,555	15,989,447
Total liabilities	<u>9,210,187</u>	<u>6,595,115</u>	<u>10,982,466</u>	<u>6,846,484</u>	<u>15,805,302</u>	<u>17,828,950</u>
Deferred inflows of resources	<u>1,342,111</u>	<u>501,161</u>	<u>683,542</u>	<u>178,312</u>	<u>1,843,272</u>	<u>861,854</u>
Net position:						
Net investment in capital assets	7,836,151	7,158,350	8,027,875	7,169,087	14,994,501	15,196,962
Restricted	1,128,533	81,764	1,182,184	65,619	1,210,297	1,247,803
Unrestricted	(4,680,113)	3,907,099	(5,492,636)	3,925,822	(773,014)	(1,566,814)
Total net position	<u>\$ 4,284,571</u>	<u>\$ 11,147,213</u>	<u>\$ 3,717,423</u>	<u>\$ 11,160,528</u>	<u>\$ 15,431,784</u>	<u>\$ 14,877,951</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Selma exceed liabilities and deferred inflows of resources by \$15,431,784 as of June 30, 2020. The Town's net position increased by \$553,833 for the fiscal year ended June 30, 2020. The largest portion of net position reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, equipment, and construction in progress) less any related debt still outstanding that was issued to acquire those items. The Town of Selma uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

Although the Town of Selma's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Selma's net position, \$1,210,297, represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted.

Figure 3
Town of Selma, North Carolina
Condensed Statement of Revenue, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2020 and 2019

Town of Selma Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 1,040,426	\$ 1,072,680	\$ 11,802,641	\$ 11,488,618	\$ 12,843,067	\$ 12,561,298
Operating grants/contributions	129,752	77,270	-	-	129,752	77,270
Capital grants/contributions	222,002	1,224,261	223,077	932,028	445,079	2,156,289
General revenues:						
Property taxes	2,947,618	2,642,563	-	-	2,947,618	2,642,563
Other taxes	1,048,643	1,008,373	-	-	1,048,643	1,008,373
Unrestricted interest	22,384	31,769	40,303	50,180	62,687	81,949
Unrestricted intergovernmental	592,900	650,319	-	-	592,900	650,319
Miscellaneous	53,164	147,840	-	-	53,164	147,840
Total revenues	<u>6,056,889</u>	<u>6,855,075</u>	<u>12,066,021</u>	<u>12,470,826</u>	<u>18,122,910</u>	<u>19,325,901</u>
Expenses:						
General government	692,288	1,309,226	-	-	692,288	1,309,226
Public safety	2,207,809	2,425,858	-	-	2,207,809	2,425,858
Transportation	1,942,015	2,158,769	-	-	1,942,015	2,158,769
Culture and recreation	751,002	648,039	-	-	751,002	648,039
Interest on long term debt	71,627	66,760	-	-	71,627	66,760
Water	-	-	1,561,932	1,383,303	1,561,932	1,383,303
Sewer	-	-	3,314,723	2,920,681	3,314,723	2,920,681
Electric	-	-	7,027,681	6,987,368	7,027,681	6,987,368
Total expenses	<u>5,664,741</u>	<u>6,608,652</u>	<u>11,904,336</u>	<u>11,291,352</u>	<u>17,569,077</u>	<u>17,900,004</u>
Increase in net position before transfers	392,148	246,423	161,685	1,179,474	553,833	1,425,897
Transfers	175,000	180,000	(175,000)	(180,000)	-	-
Change in net position	567,148	426,423	(13,315)	999,474	553,833	1,425,897
Net position, beginning	3,717,423	3,291,000	11,160,528	10,161,054	14,877,951	13,452,054
Net position, ending	<u>\$ 4,284,571</u>	<u>\$ 3,717,423</u>	<u>\$ 11,147,213</u>	<u>\$ 11,160,528</u>	<u>\$ 15,431,784</u>	<u>\$ 14,877,951</u>

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

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by Johnston County on the Town's behalf by maintaining a combined tax collection percentage of 99.53%.
- Increased ad valorem and sales tax revenues of approximately \$310,263 due to annexation and economic growth in the Town.

Governmental activities

Governmental activities reported an increase in the Town's net position of \$567,148. 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 \$0.54 per \$100 of assessed property value.

Assessed valuation of all taxable property in the Town is \$505,596,194, an increase of \$51,032,316 from the prior year.

Business-type activities

Business-type activities decreased the Town of Selma's net position by \$13,315. This decrease was after a transfer of \$175,000 from the Electric Fund to the General Fund in the current fiscal year. The Town's enterprise operations consist of water, sewer, and electric utilities. Total charges for services in the Water, Sewer and Electric Funds combined went up by \$314,023 or 2.7% for the fiscal year. Total expenses in same combined funds went up by \$612,684 or 5.4% for period.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town of Selma. At the end of the current fiscal year, the Town of Selma's fund balance unassigned in the General Fund was \$2,513,666, while total fund balance was \$3,831,401. 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 41.39% of total General Fund expenditures, while total fund balance represents approximately 63.08% of that same expenditure amount.

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

On June 30, 2020, the governmental funds of the Town of Selma reported a combined fund balance of \$3,831,401 with a net increase in fund balance of \$233,676.

General Fund Budgetary Highlights: During the fiscal year, the Town made various revisions to its original budget. These changes are shown in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services. Actual revenues fell short of amounts budgeted by \$40,807. Total expenditures in the General Fund were less than amounts approved in the final budget by \$876,898.

Proprietary Funds: The Town of Selma's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water, Sewer and Electric Funds at the end of the fiscal year amounted to \$2,878,046, \$55,742, and \$973,311, respectively. The change in net position for the Water, Sewer and Electric Funds were \$57,394, (\$382,571), and \$311,862, respectively resulting in a total combined decrease in net position of \$13,315 for the Town's proprietary funds.

Capital Asset and Debt Administration

Capital Assets: The Town of Selma's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$19,977,891 (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:

- \$104,189 in electric poles and transformers
- \$82,775 in street and sidewalk replacements
- \$80,996 in HVAC for various Town owned buildings
- \$67,641 in preliminary work towards sewer improvements
- \$69,170 in electric department breakroom addition
- \$60,984 in police vehicles
- \$49,768 in playground equipment

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

Figure 4
Town of Selma, North Carolina
Condensed Statement of Capital Assets (net of depreciation)
June 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,640,743	\$ 2,666,068	\$ 311,804	\$ 311,804	\$ 2,952,547	\$ 2,977,872
Construction in progress	-	489,271	67,641	-	67,641	489,271
Buildings and improvements	3,269,035	2,925,790	261,087	219,622	3,530,122	3,145,412
Other improvements	2,731,039	2,820,434	-	-	2,731,039	2,820,434
Distribution system	-	-	8,060,966	8,554,257	8,060,966	8,554,257
Equipment	219,438	244,507	974,945	969,547	1,194,383	1,214,054
Vehicles	991,432	1,069,674	449,761	523,871	1,441,193	1,593,545
Total	<u>\$ 9,851,687</u>	<u>\$ 10,215,744</u>	<u>\$ 10,126,204</u>	<u>\$ 10,579,101</u>	<u>\$ 19,977,891</u>	<u>\$ 20,794,845</u>

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

Long-term Debt and Obligations: As of June 30, 2020, the Town of Selma had total bonded debt outstanding of \$1,700,000, all of which belongs to business-type activities. All of this debt represents bonds secured by specified revenue sources (e.g. revenue bonds).

The Town also has outstanding installment notes payable totaling \$3,377,890. Of this amount, \$1,338,729 is applicable to the Town's business-type activities. The remaining \$2,039,161 is applicable to the Town's governmental activities.

The Town of Selma's total debt and obligations decreased by \$1,671,559 during the past fiscal year, due to increased installment notes and changes in net pension liability, net of principal payments on debt obligations.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the Town of Selma is \$37,757,907.

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

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

Figure 5
Town of Selma, North Carolina
Condensed Statement of Outstanding Debt
June 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Installment notes	\$ 2,039,161	\$ 2,187,869	\$ 1,338,729	\$ 1,675,014	\$ 3,377,890	\$ 3,862,883
Revenue bonds	-	-	1,700,000	1,735,000	1,700,000	1,735,000
Compensated absences	401,626	324,878	67,704	58,889	469,330	383,767
Net pension liability	840,342	815,154	436,909	419,888	1,277,251	1,235,042
Law enforcement officers'					-	-
SSA pension obligation	789,371	736,478	-	-	789,371	736,478
Net OPEB obligation	4,814,686	6,266,565	1,811,663	1,692,015	6,626,349	7,958,580
	<u>\$ 8,885,186</u>	<u>\$ 10,330,944</u>	<u>\$ 5,355,005</u>	<u>\$ 5,580,806</u>	<u>\$ 14,240,191</u>	<u>\$ 15,911,750</u>

Economic Factors and Next Year's Budgets and Rates

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

- The Town of Selma has a population of 6,703.
- The Town's tax collection rates for property excluding motor vehicles and registered motor vehicles are 99.49% and 100.00%, respectively.
- Johnston County's unemployment rate was 6.7% for the month of June 2020 compared to the average unemployment for the State of North Carolina of 7.6% and the national rate of 11.1%.
- The impacts of the COVID-19 pandemic are presenting challenges to the economy and the financial resources of the Town of Selma. We do not yet know the full impact of those challenges.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: The property tax rate will increase to \$0.57 per \$100 of assessed property value and the total property valuation increased to \$471,973,833. Total budgeted expenditures in the General Fund are expected to be \$6,538,857. Town employees will receive a 2% cost of living adjustment in compensation with an effective date of January 1, 2021.

Business-type Activities: The water and sewer rates in the Town will increase for fiscal year 2021 to improve our ability to fund needed infrastructure improvements. Electric rates in the Town will remain the same for fiscal year 2021.

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, 2020

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 2,914,198	\$ 5,835,078	\$ 8,749,276
Receivables, net of allowance for uncollectibles	495,140	1,354,426	1,849,566
Taxes receivable	68,348	-	68,348
Inventories	85,410	439,829	525,239
Restricted cash and cash equivalents	565,045	152,639	717,684
Capital assets:			
Non-depreciable	2,640,743	379,445	3,020,188
Depreciable, net of accumulated depreciation	7,210,944	9,746,759	16,957,703
Total assets	<u>13,979,828</u>	<u>17,908,176</u>	<u>31,888,004</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension items	672,542	265,890	938,432
Deferred outflows - OPEB items	184,499	69,423	253,922
Total deferred outflows of resources	<u>857,041</u>	<u>335,313</u>	<u>1,192,354</u>
LIABILITIES			
Accounts payable	116,887	605,610	722,497
Accrued liabilities	162,390	229,531	391,921
Customer deposits	-	388,329	388,329
Interest payable	45,724	16,640	62,364
Installment notes, due within one year	235,019	416,918	651,937
Installment notes, due in more than one year	1,804,142	921,811	2,725,953
Bonds payable, due within one year	-	36,000	36,000
Bonds payable, due in more than one year	-	1,664,000	1,664,000
Compensated absences, due within one year	230,761	29,500	260,261
Compensated absences, due in more than one year	170,865	38,204	209,069
Total pension liability (LEOSSA), due in more than one year	789,371	-	789,371
Net pension liability (LGERS), due in more than one year	840,342	436,909	1,277,251
Total OPEB liability, due in more than one year	4,814,686	1,811,663	6,626,349
Total liabilities	<u>9,210,187</u>	<u>6,595,115</u>	<u>15,805,302</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension items	48,468	14,391	62,859
Deferred inflows - OPEB items	1,293,643	486,770	1,780,413
Total deferred inflows of resources	<u>1,342,111</u>	<u>501,161</u>	<u>1,843,272</u>
NET POSITION			
Net investment in capital assets	7,836,151	7,158,350	14,994,501
Restricted for:			
Stabilization by State Statute	546,025	-	546,025
Streets - Powell Bill	226,455	-	226,455
Cemetery perpetual care	266,078	-	266,078
Debt service	89,975	81,764	171,739
Unrestricted (deficit)	(4,680,113)	3,907,099	(773,014)
Total net position	<u>\$ 4,284,571</u>	<u>\$ 11,147,213</u>	<u>\$ 15,431,784</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, 2020

Functions/Programs	Net (Expenses) Revenues and						
	Expenses	Program Revenues			Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 692,288	\$ 117,333	\$ -	\$ -	\$ (574,955)	\$ -	\$ (574,955)
Public safety	2,207,809	5,655	107,657	4,959	(2,089,538)	-	(2,089,538)
Transportation	1,942,015	877,339	5,027	196,794	(862,855)	-	(862,855)
Culture and recreation	751,002	40,099	17,068	20,249	(673,586)	-	(673,586)
Interest on long-term debt	71,627	-	-	-	(71,627)	-	(71,627)
Total governmental activities	5,664,741	1,040,426	129,752	222,002	(4,272,561)	-	(4,272,561)
Business-type activities:							
Water	1,561,932	1,591,478	-	11,036	-	40,582	40,582
Sewer	3,314,723	2,714,059	-	212,041	-	(388,623)	(388,623)
Electric	7,027,681	7,497,104	-	-	-	469,423	469,423
Total business-type activities	11,904,336	11,802,641	-	223,077	-	121,382	121,382
Total primary government	\$ 17,569,077	\$ 12,843,067	\$ 129,752	\$ 445,079	(4,272,561)	121,382	(4,151,179)
General revenues:							
Property taxes, levied for general purposes					2,723,102	-	2,723,102
Property taxes, levied for fire districts					224,516	-	224,516
Other taxes					1,048,643	-	1,048,643
Unrestricted investment earnings					22,384	40,303	62,687
Unrestricted intergovernmental					592,900	-	592,900
Miscellaneous					53,164	-	53,164
Transfers					175,000	(175,000)	-
Total general revenues and transfers					4,839,709	(134,697)	4,705,012
Change in net position					567,148	(13,315)	553,833
Net position, beginning of year					3,717,423	11,160,528	14,877,951
Net position, end of year					\$ 4,284,571	\$ 11,147,213	\$ 15,431,784

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

TOWN OF SELMA, NORTH CAROLINA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2020

	General Fund	Nonmajor Capital Project Fund CDBG Project Fund	Total Governmental Funds
ASSETS			
Cash	\$ 2,914,198	\$ -	\$ 2,914,198
Taxes receivable, net	68,348	-	68,348
Accounts receivable, net	495,140	-	495,140
Restricted cash and cash equivalents	565,045	-	565,045
Inventory	85,410	-	85,410
Total assets	<u>\$ 4,128,141</u>	<u>\$ -</u>	<u>\$ 4,128,141</u>
LIABILITIES			
Accounts payable	\$ 116,887	\$ -	\$ 116,887
Accrued liabilities	162,390	-	162,390
Total liabilities	<u>279,277</u>	<u>-</u>	<u>279,277</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - cemetery lot sales	17,463	-	17,463
Total deferred inflows of resources	<u>17,463</u>	<u>-</u>	<u>17,463</u>
FUND BALANCES			
Nonspendable:			
Inventories	85,410	-	85,410
Restricted:			
Stabilization by State Statute	546,025	-	546,025
Debt service	89,975	-	89,975
Streets - Powell Bill	226,455	-	226,455
Cemetery perpetual care	248,615	-	248,615
Committed - Library Trust	121,255	-	121,255
Unassigned	2,513,666	-	2,513,666
Total fund balances	<u>3,831,401</u>	<u>-</u>	<u>3,831,401</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,128,141</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	9,851,687
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.	17,463
The net pension liability (LGERS), total pension liability (LEOSSA), and the total OPEB liability, along with the related deferred outflows of resources and deferred inflows of resources, are not expected to be liquidated with available financial resources and therefore, are not reported in the funds.	(6,929,469)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(2,486,511)
Net position of governmental activities:	<u>\$ 4,284,571</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, 2020

	General Fund	Nonmajor Capital Project Fund CDBG Project Fund	Total Governmental Funds
Revenues			
Ad valorem taxes	\$ 2,723,102	\$ -	\$ 2,723,102
Other taxes	1,048,643	-	1,048,643
Unrestricted intergovernmental	817,416	-	817,416
Restricted intergovernmental	310,403	23,583	333,986
Permits and fees	50,780	-	50,780
Sales and services	994,848	-	994,848
Investment earnings	22,384	-	22,384
Miscellaneous	70,932	-	70,932
Total revenues	<u>6,038,508</u>	<u>23,583</u>	<u>6,062,091</u>
Expenditures			
Current:			
General government	1,013,303	-	1,013,303
Public safety	2,373,882	-	2,373,882
Transportation	1,649,942	-	1,649,942
Culture and recreation	726,847	-	726,847
Capital outlay	-	23,583	23,583
Debt service:			
Principal retirements	232,333	-	232,333
Interest	77,150	-	77,150
Total expenditures	<u>6,073,457</u>	<u>23,583</u>	<u>6,097,040</u>
Deficiency of revenues over expenditures	<u>(34,949)</u>	<u>-</u>	<u>(34,949)</u>
Other financing sources			
Transfers in	175,000	-	175,000
Issuance of note payable	83,625	-	83,625
Sale of general capital assets	10,000	-	10,000
Total other financing sources	<u>268,625</u>	<u>-</u>	<u>268,625</u>
Net change in fund balances	233,676	-	233,676
Fund balances, beginning of year	<u>3,597,725</u>	<u>-</u>	<u>3,597,725</u>
Fund balances, end of year	<u><u>\$ 3,831,401</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,831,401</u></u>

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

TOWN OF SELMA, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

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

Net change in fund balances - total governmental funds	\$ 233,676
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(338,732)
In the statement of activities, only the loss on the disposal of capital assets is reported. However, in the governmental funds, any proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets disposed.	(25,325)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(5,202)
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 is the net effect of these differences in the treatment of long-term debt and related items.	148,708
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 governmental funds.	<u>554,023</u>
Change in net position - governmental activities	<u>\$ 567,148</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, 2020

	Budget		Actual	Variance with
	Original	Final	Amounts	Actual and Final Budget Positive (Negative)
Revenues				
Ad valorem taxes	\$ 2,686,142	\$ 2,736,434	\$ 2,723,102	\$ (13,332)
Other taxes	995,000	995,000	1,048,643	53,643
Unrestricted intergovernmental	916,207	916,207	817,416	(98,791)
Restricted intergovernmental	262,554	321,549	310,403	(11,146)
Permits and fees	20,000	20,000	22,050	2,050
Sales and services	944,528	967,028	994,848	27,820
Investment earnings	20,500	20,500	21,777	1,277
Miscellaneous	35,700	73,260	70,932	(2,328)
Total revenues	5,880,631	6,049,978	6,009,171	(40,807)
Expenditures				
Current:				
General government	1,116,664	1,248,250	1,013,303	234,947
Public safety	2,595,293	2,631,705	2,370,192	261,513
Transportation	1,695,832	1,833,435	1,649,942	183,493
Culture and recreation	807,828	889,507	726,847	162,660
Debt service:				
Principal retirements	260,271	259,174	232,333	26,841
Interest	84,594	84,594	77,150	7,444
Total expenditures	6,560,482	6,946,665	6,069,767	876,898
Excess (deficiency) of revenues over expenditures	(679,851)	(896,687)	(60,596)	836,091
Other financing sources:				
Fund balance appropriation	504,851	628,062	-	(628,062)
Transfers in	175,000	175,000	175,000	-
Issuance of note payable	-	83,625	83,625	-
Sale of general capital assets	-	10,000	10,000	-
Total other financing sources	679,851	896,687	268,625	(628,062)
Net change in fund balances	-	-	208,029	208,029
Fund balances, beginning of year	3,430,658	3,430,658	3,430,658	-
Fund balances, end of year	\$ 3,430,658	\$ 3,430,658	3,638,687	\$ 208,029
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			167,067	
Investment earnings			607	
Permits and fees			28,730	
Public safety expenditures			(3,690)	
Fund balance, end of year			\$ 3,831,401	

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

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020**

ASSETS	Water Fund	Sewer Fund	Electric Fund	Totals
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,577,742	\$ 732,258	\$ 2,525,078	\$ 5,835,078
Restricted cash	57,716	71,298	23,625	152,639
Accounts receivable, net of allowances	174,000	411,313	769,113	1,354,426
Inventories	83,040	6,437	350,352	439,829
Total current assets	2,892,498	1,221,306	3,668,168	7,781,972
NONCURRENT ASSETS				
Advances to other funds	500,000	-	-	500,000
CAPITAL ASSETS				
Nondepreciable	182,438	67,641	129,366	379,445
Depreciable, net of accumulated depreciation	2,786,996	5,793,018	1,166,745	9,746,759
Total noncurrent assets	3,469,434	5,860,659	1,296,111	10,626,204
Total assets	6,361,932	7,081,965	4,964,279	18,408,176
DEFERRED OUTFLOWS OF RESOURCES				
Pension items	97,218	69,783	98,889	265,890
OPEB items	8,246	8,246	52,931	69,423
Total deferred outflows of resources	105,464	78,029	151,820	335,313
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	8,662	173,237	423,711	605,610
Accrued liabilities	25,186	19,796	201,189	246,171
Customer deposits	76,863	72,525	238,941	388,329
Installment contracts, current	20,141	55,441	341,336	416,918
Bonds payable, current	11,000	25,000	-	36,000
Compensated absences payable, current	5,863	5,863	17,774	29,500
Total current liabilities	147,715	351,862	1,222,951	1,722,528
NONCURRENT LIABILITIES				
Installments contracts	108,830	733,530	79,451	921,811
Bonds payable	528,000	1,136,000	-	1,664,000
Advance from other funds	-	500,000	-	500,000
Compensated absences payable	10,112	10,112	17,980	38,204
Net pension liability	157,326	114,001	165,582	436,909
Total OPEB liability	215,188	215,188	1,381,287	1,811,663
Total noncurrent liabilities	1,019,456	2,708,831	1,644,300	5,372,587
Total liabilities	1,167,171	3,060,693	2,867,251	7,095,115
DEFERRED INFLOWS OF RESOURCES				
Pension items	5,182	3,755	5,454	14,391
OPEB items	57,818	57,818	371,134	486,770
Total deferred inflows of resources	63,000	61,573	376,588	501,161
NET POSITION				
Net investment in capital assets	2,325,088	3,934,313	898,949	7,158,350
Restricted for:				
Debt service	34,091	47,673	-	81,764
Unrestricted	2,878,046	55,742	973,311	3,907,099
Total net position	\$ 5,237,225	\$ 4,037,728	\$ 1,872,260	\$ 11,147,213

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, 2020**

	Water Fund	Sewer Fund	Electric Fund	Totals
OPERATING REVENUES				
Charges for sales and services	\$ 1,344,575	\$ 2,713,198	\$ 7,470,123	\$ 11,527,896
Other operating income	246,903	861	26,981	274,745
Total operating revenues	1,591,478	2,714,059	7,497,104	11,802,641
OPERATING EXPENSES				
Salaries and benefits	764,445	549,853	1,054,858	2,369,156
General operating expenses	416,208	409,886	327,367	1,153,461
Depreciation	235,398	435,549	108,781	779,728
Electric purchases	-	-	5,520,394	5,520,394
Water & sewer purchases	121,733	1,878,719	-	2,000,452
Total operating expenses	1,537,784	3,274,007	7,011,400	11,823,191
Operating income (loss)	53,694	(559,948)	485,704	(20,550)
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental	-	209,641	-	209,641
Interest income	16,812	6,052	17,439	40,303
Interest and fiscal charges	(24,148)	(40,716)	(16,281)	(81,145)
Total non-operating revenue (expenses)	(7,336)	174,977	1,158	168,799
Income (loss) before capital contributions and transfers	46,358	(384,971)	486,862	148,249
Capital contributions	11,036	2,400	-	13,436
Transfers out	-	-	(175,000)	(175,000)
Change in net position	57,394	(382,571)	311,862	(13,315)
Net position, beginning of year	5,179,831	4,420,299	1,560,398	11,160,528
Net position, end of year	\$ 5,237,225	\$ 4,037,728	\$ 1,872,260	\$ 11,147,213

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, 2020

	Water Fund	Sewer Fund	Electric Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,581,029	\$ 2,762,329	\$ 7,560,288	\$ 11,903,646
Payments to suppliers	(555,342)	(2,228,671)	(5,950,578)	(8,734,591)
Payments to employees	(650,404)	(460,493)	(725,171)	(1,836,068)
Net cash provided by operating activities	375,283	73,165	884,539	1,332,987
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers to other funds	-	-	(175,000)	(175,000)
Repayment of interfund advances	75,000	(75,000)	-	-
Net cash provided by (used in) non-capital financing activities	75,000	(75,000)	(175,000)	(175,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from installment notes	23,625	23,625	23,625	70,875
Purchase of capital assets	(41,165)	(114,307)	(171,359)	(326,831)
Receipt of intergovernmental revenues	-	209,641	-	209,641
Principal payments	(31,279)	(77,767)	(333,114)	(442,160)
Interest paid	(24,562)	(42,535)	(23,858)	(90,955)
Contributions for tap fees	11,036	2,400	-	13,436
Net cash provided by (used in) capital and related financing activities	(62,345)	1,057	(504,706)	(565,994)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	16,812	6,052	17,439	40,303
Net cash provided by investing activities	16,812	6,052	17,439	40,303
Net increase in cash and cash equivalents	404,750	5,274	222,272	632,296
Cash and cash equivalents, beginning of year	2,230,708	798,282	2,326,431	5,355,421
Cash and cash equivalents, end of year	\$ 2,635,458	\$ 803,556	\$ 2,548,703	\$ 5,987,717
CASH AS REPORTED ON STATEMENT OF NET POSITION				
Cash and cash equivalents	\$ 2,577,742	\$ 732,258	\$ 2,525,078	\$ 5,835,078
Restricted cash and cash equivalents	57,716	71,298	23,625	152,639
Total cash and cash equivalents	\$ 2,635,458	\$ 803,556	\$ 2,548,703	\$ 5,987,717

continued

TOWN OF SELMA, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2020

	Water Fund	Sewer Fund	Electric Fund	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 53,694	\$ (559,948)	\$ 485,704	\$ (20,550)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	235,398	435,549	108,781	779,728
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase) decrease in accounts receivable	(10,449)	46,286	69,132	104,969
(Increase) decrease in inventories	3,678	2,245	(36,256)	(30,333)
Decrease in deferred outflows of resources - pension items	21,585	6,520	31,929	60,034
Increase in deferred outflows of resources - OPEB items	(2,396)	(1,744)	(9,296)	(13,436)
Increase (decrease) in accounts payable	(21,124)	57,689	(66,561)	(29,996)
Increase in accrued liabilities	7,050	3,345	7,762	18,157
Increase (decrease) in customer deposits	45	1,984	(5,948)	(3,919)
Increase in compensated absences payable	2,136	2,136	4,543	8,815
Increase in deferred inflows for OPEB items	39,459	37,413	234,197	311,069
Increase in total OPEB liability	38,392	18,687	62,569	119,648
Increase in deferred inflows for pension items	4,226	3,169	4,385	11,780
Increase (decrease) in net pension liability	3,589	19,834	(6,402)	17,021
Net cash provided by operating activities	<u>\$ 375,283</u>	<u>\$ 73,165</u>	<u>\$ 884,539</u>	<u>\$ 1,332,987</u>

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

TOWN OF SELMA, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 protection, cultural and recreational activities, public works, water, sewer, and electric services.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the Town’s capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers most revenues to be available if they are collected within 90 days of the end of the current fiscal period, except for property taxes which use a 60 day period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other long-term liabilities, such as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, individual major funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town reports the following major governmental fund:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major enterprise funds:

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

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

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

Additionally, the Town reports the following fund types:

The **capital project fund** is used to account for specific revenues, such as various grants and contributions, which are legally restricted or committed to expenditures for particular projects.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any inter-fund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgets

Annual appropriated budgets are adopted for all funds, with the exception of the CDBG Projects Fund, Water Capital Reserve Fund, Pump Station No. 10 Fund, Sewer Capital Reserve Fund, and Electric Capital Reserve 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, special revenue funds, and the enterprise funds. During the fiscal year ended June 30, 2020, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

All budget appropriations lapse at the end of each year.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The NCCMT-Term Portfolio is a bond fund, has no rating, and is measured at fair value. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as cash equivalents.

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, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Allowances

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

I. Interfund Receivables and Payables

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

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

J. Inventories and Prepaid Items

All inventories are valued at average cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items in both government-wide and fund financial statements.

K. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets are reported in the applicable governmental or 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

Capital assets of the Town are depreciated using the straight line method over the following estimated useful lives:

Infrastructure	20 years
Buildings and improvements	30 years
Electric distribution system	7-45 years
Water and sewer plant and distribution system	20-50 years
Vehicles and equipment	5-10 years

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Town reports deferred outflows of resources for several items related to its pension and other postemployment benefit (OPEB) plans. These items are described in detail below.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports one (1) item as a deferred inflow of resources. This item 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 the 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

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

M. Compensated Absences

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

N. Long-term Obligations

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Long-term Obligations (Continued)

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

O. Fund Equity

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

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

Fund balances are classified as follows:

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

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

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

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

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

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

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

P. Pensions

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Management Estimates

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds 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 (LGRS), total pension liability (LEOSSA), and the total OPEB liability, along with the related deferred outflows of resources and deferred inflows of resources, are not expected to be liquidated with available financial resources and therefore, are not reported in the funds.” The details of this \$6,929,469 difference are as follows:

Governmental activities' share of the net pension liability (LGRS)	\$ (840,342)
Governmental activities' share of the total OPEB liability	(4,814,686)
Total pension liability (LEOSSA)	(789,371)
Deferred outflows of resources - pension items	672,542
Deferred outflows of resources - OPEB items	184,499
Deferred inflows of resources - pension items	(48,468)
Deferred inflows of resources - OPEB items	(1,293,643)
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (6,929,469)</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 \$2,486,511 difference are as follows:

Installment notes	\$ (2,039,161)
Accrued interest payable	(45,724)
Compensated absences (i.e., vacation)	<u>(401,626)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (2,486,511)</u></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 balances - total 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 “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$338,732 difference are as follows:

Capital outlay	\$ 359,579
Depreciation expense	<u>(698,311)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u><u>\$ (338,732)</u></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 “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.” The details of this \$148,708 difference are as follows:

Issuance of installment notes payable	\$ (83,625)
Principal payments on installment notes payable	<u>232,333</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u><u>\$ 148,708</u></u>

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 governmental funds.” The details of this \$554,023 difference are as follows:

Compensated absences (i.e., vacation)	\$ (76,748)
Change in accrued interest	5,523
Net pension liability - LGERS and related deferred outflows and inflows of resources	(176,968)
Total pension liability - LEO Special Separation Allowance and related deferred outflows and inflows of resources	16,105
Total OPEB liability - and related deferred outflows and inflows of resources	<u>786,111</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u><u>\$ 554,023</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2020 are summarized as follows:

Statement of Net Position:

Cash and cash equivalents	\$ 8,749,276
Restricted cash and cash equivalents	717,684
	<u>\$ 9,466,960</u>

Cash deposited with financial institutions	\$ 5,623,304
Cash deposited with NCCMT	3,843,656
	<u>\$ 9,466,960</u>

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 North Carolina Capital Management Trust (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 NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2020. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated.

As of June 30, 2020, the Town's investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value June 30, 2020</u>	<u>Duration</u>
North Carolina Capital Management Trust Government Portfolio	Fair Value Level 1	\$ 3,051,512	N/A
North Carolina Capital Management Trust Term Portfolio	Fair Value Level 1	792,144	.15 years
		<u>\$ 3,843,656</u>	

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2020, the Town's deposits are insured or collateralized as required by state law.

NOTE 4. RECEIVABLES

Receivables at June 30, 2020, for the Town's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Receivables:				
Taxes	\$ 92,631	\$ -	\$ -	\$ -
Accounts	606,017	218,416	493,799	994,934
Less allowance				
for uncollectible	135,160	44,416	82,486	225,821
Net total receivable	<u>\$ 563,488</u>	<u>\$ 174,000</u>	<u>\$ 411,313</u>	<u>\$ 769,113</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the Town for the year ended June 30, 2020 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 2,666,068	\$ -	\$ (25,325)	\$ 2,640,743
Construction in progress	489,271	-	(489,271)	-
Total	<u>3,155,339</u>	<u>-</u>	<u>(514,596)</u>	<u>2,640,743</u>
Capital assets, being depreciated:				
Buildings	5,728,602	579,671	-	6,308,273
Other improvements	6,401,012	155,023	-	6,556,035
Equipment and furniture	907,691	38,956	-	946,647
Vehicles and motorized equipment	3,303,835	75,200	-	3,379,035
Total being depreciated	<u>16,341,140</u>	<u>848,850</u>	<u>-</u>	<u>17,189,990</u>
Less accumulated depreciation for:				
Buildings	(2,802,812)	(236,426)	-	(3,039,238)
Other improvements	(3,580,578)	(244,418)	-	(3,824,996)
Equipment and furniture	(663,184)	(64,025)	-	(727,209)
Vehicles and motorized equipment	(2,234,161)	(153,442)	-	(2,387,603)
Total	<u>(9,280,735)</u>	<u>(698,311)</u>	<u>-</u>	<u>(9,979,046)</u>
Total capital assets, being depreciated, net	<u>7,060,405</u>	<u>150,539</u>	<u>-</u>	<u>7,210,944</u>
Governmental activities capital assets, net	<u>\$ 10,215,744</u>	<u>\$ 150,539</u>	<u>\$ (514,596)</u>	<u>\$ 9,851,687</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Water Fund:				
Nondepreciable capital assets:				
Land	\$ 182,438	\$ -	\$ -	\$ 182,438
Total	<u>182,438</u>	<u>-</u>	<u>-</u>	<u>182,438</u>
Capital assets, being depreciated:				
Buildings and improvements	981,757	-	-	981,757
Distribution system	7,713,237	33,184	-	7,746,421
Equipment	528,358	7,981	-	536,339
Vehicles and motorized equipment	208,085	-	(14,216)	193,869
Total	<u>9,431,437</u>	<u>41,165</u>	<u>(14,216)</u>	<u>9,458,386</u>
Less accumulated depreciation for:				
Buildings and improvements	(895,162)	(12,300)	-	(907,462)
Distribution system	(4,977,126)	(185,381)	-	(5,162,507)
Equipment	(453,809)	(22,121)	-	(475,930)
Vehicles and motorized equipment	(124,111)	(15,596)	14,216	(125,491)
Total	<u>(6,450,208)</u>	<u>(235,398)</u>	<u>14,216</u>	<u>(6,671,390)</u>
Total capital assets being depreciated, net	<u>2,981,229</u>	<u>(194,233)</u>	<u>-</u>	<u>2,786,996</u>
Water Fund capital assets, net	<u>\$ 3,163,667</u>	<u>\$ (194,233)</u>	<u>\$ -</u>	<u>\$ 2,969,434</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	\$ -	\$ 67,641	\$ -	\$ 67,641
Total	<u>-</u>	<u>67,641</u>	<u>-</u>	<u>67,641</u>
Capital assets, being depreciated:				
Buildings and improvements	165,503	-	-	165,503
Distribution system	10,535,907	39,416	-	10,575,323
Equipment	329,080	7,250	-	336,330
Vehicles and motorized equipment	350,747	-	-	350,747
Total	<u>11,381,237</u>	<u>46,666</u>	<u>-</u>	<u>11,427,903</u>
Less accumulated depreciation for:				
Buildings and improvements	(83,634)	(8,895)	-	(92,529)
Distribution system	(4,717,761)	(380,510)	-	(5,098,271)
Equipment	(272,502)	(20,281)	-	(292,783)
Vehicles and motorized equipment	(125,439)	(25,863)	-	(151,302)
Total	<u>(5,199,336)</u>	<u>(435,549)</u>	<u>-</u>	<u>(5,634,885)</u>
Total capital assets being depreciated, net	<u>6,181,901</u>	<u>(388,883)</u>	<u>-</u>	<u>5,793,018</u>
Sewer Fund capital assets, net	<u>\$ 6,181,901</u>	<u>\$ (321,242)</u>	<u>\$ -</u>	<u>\$ 5,860,659</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
Total	<u>129,366</u>	<u>-</u>	<u>-</u>	<u>129,366</u>
Capital assets, being depreciated:				
Buildings and improvements	203,802	69,170	-	272,972
Equipment	7,297,783	102,189	-	7,399,972
Vehicles and motorized equipment	780,884	-	-	780,884
Total	<u>8,282,469</u>	<u>171,359</u>	<u>-</u>	<u>8,453,828</u>
Less accumulated depreciation for:				
Buildings and improvements	(152,644)	(6,510)	-	(159,154)
Equipment	(6,459,363)	(69,620)	-	(6,528,983)
Vehicles and motorized equipment	(566,295)	(32,651)	-	(598,946)
Total	<u>(7,178,302)</u>	<u>(108,781)</u>	<u>-</u>	<u>(7,287,083)</u>
Total capital assets being depreciated, net	<u>1,104,167</u>	<u>62,578</u>	<u>-</u>	<u>1,166,745</u>
Electric Fund capital assets, net	<u>\$ 1,233,533</u>	<u>\$ 62,578</u>	<u>\$ -</u>	<u>\$ 1,296,111</u>

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

Governmental activities:	
General government	\$ 36,151
Public safety	208,220
Transportation	322,340
Culture and recreation	<u>131,600</u>
Total depreciation expense - governmental activities	<u>\$ 698,311</u>
Business-type activities:	
Water	\$ 235,398
Sewer	435,549
Electric	<u>108,781</u>
Total depreciation expense - business-type activities	<u>\$ 779,728</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2020 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Installment notes - direct borrowings	\$ 2,187,869	\$ 83,625	\$ (232,333)	\$ 2,039,161	\$ 235,019
Compensated absences	324,878	247,613	(170,865)	401,626	230,761
Net pension liability (LGERS)	815,154	221,326	(196,138)	840,342	-
Law enforcement officers' SSA total pension liability	736,478	137,592	(84,699)	789,371	-
Total OPEB liability	6,266,565	-	(1,451,879)	4,814,686	-
Governmental activity Long-term liabilities	<u>\$ 10,330,944</u>	<u>\$ 690,156</u>	<u>\$ (2,135,914)</u>	<u>\$ 8,885,186</u>	<u>\$ 465,780</u>
Business-type activities:					
Installment notes - direct borrowings	\$ 1,675,014	\$ 70,875	\$ (407,160)	\$ 1,338,729	\$ 416,918
Revenue bonds - direct placement	1,735,000	-	(35,000)	1,700,000	36,000
Compensated absences	58,889	47,021	(38,206)	67,704	29,500
Net pension liability (LGERS)	419,888	123,893	(106,872)	436,909	-
Total OPEB liability	1,692,015	490,206	(370,558)	1,811,663	-
Business-type activity Long-term liabilities	<u>\$ 5,580,806</u>	<u>\$ 731,995</u>	<u>\$ (957,796)</u>	<u>\$ 5,355,005</u>	<u>\$ 482,418</u>

For governmental funds, compensated absences are liquidated by the General Fund. The net pension liability (LGERS), total pension liability (LEOSSA), and total OPEB liability are liquidated by the General Fund. The compensated absences, net pension liability (LGERS), and total OPEB liability for the business-type activities are liquidated by the respective fund carrying the liability.

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, 2020 are as follows:

Governmental activities	Balance as of June 30, 2020
A note issued by RBC Bank for \$525,000 was issued on July 23, 2010 with annual payments of \$52,500 for the purchase of real property. The note bears an interest rate of 5.25% and matures in 2020.	\$ 52,500

continued

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Borrowing - Installment Notes (Continued)

<i>Governmental activities</i>	<u>Balance as of June 30, 2020</u>
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.	\$ 442,896
A note issued by US Department of Agriculture for \$210,000 was issued on September 14, 2010 with annual payments of \$18,890 for the purchase of a fire truck. The note bears an interest rate of 4.00% and matures in 2025.	98,990
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.	315,372
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.	26,479
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.	91,324
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.	281,647
A note issued by KS Bank for \$138,990 was issued on December 20, 2016 with annual payments of \$28,921, plus interest, for a new knuckleboom truck. The note bears an interest rate of 1.55% and matures in 2022.	45,200
A note issued by KS Bank for \$49,350 was issued on October 28, 2018 with annual payments of \$8,833 for a jetter machine. The note bears an interest rate of 2.93% and matures in 2023. The note contains a provision that in an event of default, the outstanding balance becomes immediately due if the Town is unable to make payment.	32,879
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.	589,766
A note issued by KS Bank for \$60,000 was issued on June 5, 2020 with annual payments of \$15,542 for police vehicles. The note bears an interest rate of 2.29% and matures in 2023.	44,570
A note issued by US Bank for \$23,625 was issued on June 5, 2020 with annual payments of \$6,087 for a new ERP system. The note bears an interest rate of 2.05% and matures in 2023.	17,538
Total outstanding installment notes payable	<u><u>\$ 2,039,161</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Borrowings - Installment Notes (Continued)

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 235,019	\$ 70,386	\$ 305,405
2022	175,070	63,484	238,554
2023	162,573	58,334	220,907
2024	145,361	53,127	198,488
2025	140,599	47,926	188,525
2026-2030	609,143	169,750	778,893
2031-2035	227,276	94,276	321,552
2036-2040	257,359	48,422	305,781
2041-2042	86,761	4,664	91,425
Total	<u>\$ 2,039,161</u>	<u>\$ 610,369</u>	<u>\$ 2,649,530</u>

Business-type activities

**Balance as of
June 30, 2020**

A note issued by RBC Bank for \$3,355,700 was issued on November 17, 2005, with annual payments of \$294,476 for the purchase of electric utility improvements. The note bears an interest rate of 3.65% and matures in 2020.

\$ 282,112

A note issued by BB&T for \$157,256 was issued on June 29, 2015, with annual payments of \$32,624 for the purchase of an electric utility truck. The note bears an interest rate of 1.24% and matures in 2020.

32,261

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.

78,546

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.

617,969

A note issued by KS Bank for \$279,650 was issued on October 28, 2018, with annual payments of \$50,056 for a jetter machine. The note bears an interest rate of 2.93% and matures in 2023. The note contains a provision that in an event of default, the outstanding balance becomes immediately due if the Town is unable to make payment.

186,313

continued

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Borrowings - Installment Notes (Continued)

<i>Business-type activities (continued)</i>	<u>Balance as of June 30, 2020</u>
A note issued by KS Bank for \$110,000 was issued on July 23, 2018, with annual payments of \$23,776 for a bucket truck. The note bears an interest rate of 2.64% and matures in 2023.	\$ 89,136
A note issued by US Bank for \$70,875 was issued on June 5, 2020, with annual payments of \$18,261 for a new ERP system. The note bears an interest rate of 2.05% and matures in 2023.	52,392
Total outstanding installment notes payable	<u><u>\$ 1,338,729</u></u>

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 416,918	\$ 31,609	\$ 448,527
2022	104,970	18,350	123,320
2023	107,255	15,821	123,076
2024	91,296	13,230	104,526
2025	20,546	10,950	31,496
2026-2030	104,728	50,794	155,522
2031-2035	92,091	43,763	135,854
2036-2040	87,000	36,075	123,075
2041-2045	95,000	27,638	122,638
2046-2050	104,000	18,413	122,413
2051-2056	114,925	8,642	123,567
Total	<u><u>\$ 1,338,729</u></u>	<u><u>\$ 275,285</u></u>	<u><u>\$ 1,614,014</u></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, 2020, \$539,000 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, 2019, \$1,161,000 of the bonds were outstanding. The bonds mature in 2053. The bonds contain a provision that in an event of default, the outstanding balance becomes immediately due if the Town is unable to make payment.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2021	\$ 36,000	\$ 47,579	\$ 83,579
2022	37,000	46,580	83,580
2023	38,000	45,539	83,539
2024	39,000	44,476	83,476
2025	40,000	43,371	83,371
2026-2030	219,000	199,049	418,049
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
2051-2053	140,000	5,971	145,971
Total	<u>\$ 1,700,000</u>	<u>\$ 837,399</u>	<u>\$ 2,537,399</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 \$2,537,399. Principal and interest paid for the current year and net revenues were \$83,556 and \$397,201, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Placement - Revenue Bonds (Continued)

The Town of Selma's Water & Sewer Revenue Bonds, Series 2007 and Series 2013 have covenant requirements (Article V, Section 5.01(c)(2)) which require 110% debt coverage ratio based on the income available for debt service as compared to the annual debt service requirement. The Town has been in compliance with the covenants as to rates and charges in the Water & Sewer Revenue Bonds, Series 2007 and 2013 since its adoption in 2007, except for fiscal years ended June 30, 2013, and June 30, 2014. Below is a calculation of the coverage ratio as of June 30, 2020:

Operating revenues	\$ 4,305,537
Non-operating revenues	22,864
Operating expenses	<u>(4,140,844)</u>
Income available for debt service	<u>\$ 187,557</u>
Annual debt service (Revenue Bonds only)	\$ 83,556
Debt service coverage ratio	224%

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, 2020, is as follows:

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Fund	Sewer Fund	\$ 500,000

The Water Fund has loaned the Sewer Fund \$850,000 over the past few years; the Sewer Fund has increased charges to the customers so as to begin making annual installments with the intention of repaying the advance in full. During the year ended June 30, 2020, the Sewer Fund made a payment of \$75,000 to the Water Fund towards the repayment of this advance.

NOTES TO FINANCIAL STATEMENTS

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

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Electric Fund	\$ 175,000

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

NOTE 8. PENSION PLANS

A. Local Governmental Employees' Retirement System

Plan Description. The Town of Selma 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 Comprehensive Annual Financial Report (CAFR) for the state of North Carolina. The state's CAFR 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Selma's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Selma were \$303,010 for the year ended June 30, 2020.

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, 2020, the Town reported a liability of \$1,277,251 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019, 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 June 30, 2019, the Town's proportion was 0.04677%, which was a decrease of 0.00529% from its proportion measured as of June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

For the year ended June 30, 2020, the Town recognized pension expense of \$568,814. At June 30, 2020, 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	\$ 218,698	-
Changes in plan assumptions	208,171	-
Net difference between projected and actual earnings on pension plan investments	31,154	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,851	42,071
Town contributions subsequent to the measurement date	303,010	-
Total	<u>\$ 767,884</u>	<u>\$ 42,071</u>

Town contributions made subsequent to the measurement date of \$303,010 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2021	\$ 221,157
2022	61,441
2023	115,118
2024	25,087
	<u>\$ 422,803</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Actuarial Assumptions. The total pension liability as of June 30, 2019, was determined by the December 31, 2018 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Actuarial Assumptions (Continued). The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019, are as follows:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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 (asset) calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 2,921,309	\$ 1,277,251	\$ (89,292)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the state of North Carolina.

B. Law Enforcement Officers Special Separation Allowance

Plan Description. The Town of Selma 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, 2018, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Active plan members	<u>21</u>
Total	<u><u>26</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

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

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 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 \$84,699 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, 2020, the Town reported a total pension liability of \$789,371. The total pension liability was measured as of December 31, 2019, based on a December 31, 2018, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the Town recognized pension expense of \$70,513.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience differences	\$ 93,427	\$ -
Change in assumptions	34,113	20,788
Town benefit payments made subsequent to the measurement date.	43,008	-
Total	<u>\$ 170,548</u>	<u>\$ 20,788</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 \$43,008 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2021	\$ 26,950
2022	27,730
2023	25,756
2024	19,347
2025	6,969
	<u>\$ 106,752</u>

Changes in the Total Pension Liability. The changes in the total pension liability of the Town for the fiscal year ended June 30, 2020, were as follows:

	Total Pension Liability
Balance at June 30, 2019	\$ 736,478
Service Cost	26,137
Interest	25,266
Experience differences	64,849
Assumption changes	21,340
Benefit payments	(84,699)
Balance at June 30, 2020	<u>\$ 789,371</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 3.26 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Total pension liability	\$ 849,321	\$ 789,371	\$ 734,852

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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

C. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (the "Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the state of North Carolina. The state's CAFR 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, 2020, were \$63,811 which consisted of \$50,756 from the Town and \$13,055 from the law enforcement officers. As of June 30, 2020, there were twenty-three (23) 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, 2020, were \$82,866, which consisted of \$57,160 from the Town and \$25,706 from the employees. As of June 30, 2020, there were fifty-nine (59) participants in the plan.

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NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS

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

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Active participants	31
Retirees and beneficiaries currently receiving benefits	<u>34</u>
Total	<u><u>65</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, 2020, the Town contributed \$253,922 for the pay as you go benefits for the HCB Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The Town's total OPEB liability of \$6,626,348 was measured as of June 30, 2019, and was determined by an actuarial valuation as of the same date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation rate	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increase, including wage inflation	
General employees	3.50% - 7.75%
Firefighters	3.50% - 7.75%
Law Enforcement Officers	3.50% - 7.35%
Municipal bond index rate	
Prior measurement date	3.89%
Measurement date	3.50%
Health care cost trends	
Pre-medicare	7.00% - 4.50%, Ultimate Trend in 2026
Medicare	5.00% - 4.50%, Ultimate Trend in 2021

The discount rate is based on the yield June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly 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, 2020, were as follows:

	Total OPEB Liability
Balance at June 30, 2019	\$ 7,958,580
Service Cost	185,598
Interest	304,608
Experience differences	(1,544,380)
Assumption changes	(19,487)
Benefit payments	(258,570)
Balance at June 30, 2020	<u>\$ 6,626,349</u>

Change in assumption and other inputs reflect a change in the discount rate from 3.89% to 3.50%. The current mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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 (2.50 percent) or 1-percentage-point higher (4.50) than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 7,811,190	\$ 6,626,348	\$ 5,701,411

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

	1% Decrease (6.00% to 3.50%)	Current (7.00% to 4.50%)	1% Increase (8.00% to 5.50%)
Total OPEB liability	\$ 5,662,711	\$ 6,626,348	\$ 7,869,723

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, 2020, and the current sharing pattern of costs between employer and inactive employees.

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

For the year ended June 30, 2020, OPEB expense was a credit (negative) \$124,451 due to the amortization of previous deferred inflows of resources exceeding current year OPEB expense (service cost and interest on beginning total OPEB liability).

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (Continued)

At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,183,851
Changes in plan assumptions	-	596,562
Town contributions subsequent to the measurement date	253,922	-
Total	<u>\$ 253,922</u>	<u>\$ 1,780,413</u>

Town contributions made subsequent to the measurement date of \$253,922 are reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2021	\$ (609,885)
2022	(609,885)
2023	(514,488)
2024	(46,155)
	<u>\$ (1,780,413)</u>

NOTE 10. RISK MANAGEMENT

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RISK MANAGEMENT (CONTINUED)

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$500,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

Litigation:

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

Grant Contingencies:

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

NOTE 12. JOINTLY GOVERNED ORGANIZATIONS

The Town, in conjunction with thirty-one other local governments, is a member of the North Carolina Eastern Municipal Power Agency ("NCEMPA"). The NCEMPA 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 NCEMPA's governing board. The thirty-one members, who receive power from the NCEMPA, have signed power sales agreements to purchase a specified share of the power generated by the NCEMPA. 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, 2020, were \$5,520,395.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SELMA, NORTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
JUNE 30, 2020**

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	2020	2019	2018	2017
Total pension liability, beginning balance	\$ 736,478	\$ 720,538	\$ 693,194	\$ 724,106
Service Cost	26,137	31,340	24,692	24,248
Interest on the total pension liability	25,266	21,695	25,467	24,657
Difference between expected and actual experience	64,849	57,200	7,783	-
Changes of assumptions or other inputs	21,340	(26,322)	36,259	(12,960)
Benefit payments	(84,699)	(67,973)	(66,857)	(66,857)
Total pension liability, ending balance	<u>\$ 789,371</u>	<u>\$ 736,478</u>	<u>\$ 720,538</u>	<u>\$ 693,194</u>

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

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

TOWN OF SELMA, NORTH CAROLINA

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

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability	\$ 789,371	\$ 736,478	\$ 720,538	\$ 693,194	\$ 724,106
Town's covered payroll	\$ 1,021,997	\$ 1,158,005	\$ 1,110,276	\$ 1,030,492	\$ 941,276
Total pension liability as a percentage of covered payroll	77.24%	63.60%	64.90%	67.27%	76.93%

The Town of Selma has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

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

TOWN OF SELMA, NORTH CAROLINA

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

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 185,598	\$ 196,964	\$ 223,048
Interest on total OPEB liability	304,608	285,237	255,649
Difference between expected and actual experience	(1,544,380)	(24,361)	(12,765)
Changes of assumptions and other inputs	(19,487)	(409,297)	(746,136)
Benefit payments	(258,570)	(202,684)	(199,299)
Net change in total OPEB liability	(1,332,231)	(154,141)	(479,503)
Total OPEB liability - beginning	7,958,580	8,112,721	8,592,224
Total OPEB liability - ending	\$ 6,626,349	\$ 7,958,580	\$ 8,112,721
Covered-employee payroll	\$ 1,463,579	\$ 1,823,609	\$ 2,061,538
Total OPEB liability as a percentage of covered-employee payroll	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

TOWN OF SELMA'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

LAST SEVEN FISCAL YEARS*

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

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

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

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

TOWN OF SELMA, NORTH CAROLINA

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

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

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

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

TOWN OF SELMA, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Ad valorem taxes:				
Current year	\$ 2,678,642	\$ 2,728,934	\$ 2,716,517	\$ (12,417)
Prior year	1,000	1,000	1,198	198
Penalties and interest	6,500	6,500	5,387	(1,113)
Total ad valorem taxes	2,686,142	2,736,434	2,723,102	(13,332)
Other taxes and licenses:				
Local option sales taxes	995,000	995,000	1,048,638	53,638
Animal licenses	-	-	5	5
Total other taxes and licenses	995,000	995,000	1,048,643	53,643
Unrestricted intergovernmental:				
Local occupancy taxes	150,000	150,000	87,674	(62,326)
Payments in lieu of taxes (external sources)	33,500	33,500	34,262	762
Telecommunications sales tax	54,000	54,000	33,147	(20,853)
Fire district tax	220,207	220,207	224,516	4,309
Utilities sales tax	350,000	350,000	328,810	(21,190)
Piped natural gas sales tax	11,000	11,000	6,696	(4,304)
Video franchise fee	30,000	30,000	23,864	(6,136)
Beer and wine tax	27,500	27,500	28,572	1,072
ABC profit distribution	40,000	40,000	49,875	9,875
Total unrestricted intergovernmental	916,207	916,207	817,416	(98,791)
Restricted intergovernmental:				
Powell Bill allocation	167,000	167,000	168,211	1,211
Controlled substance tax	-	-	2,285	2,285
On-behalf of payments - Fire and Rescue	90,554	90,554	106,957	16,403
Local grants	-	30,149	20,249	(9,900)
FEMA grant	-	-	2,674	2,674
State grants	-	28,846	5,000	(23,846)
Solid waste disposal tax	5,000	5,000	5,027	27
Total restricted intergovernmental	262,554	321,549	310,403	(11,146)
Permits and fees:				
Building permits	10,000	10,000	11,195	1,195
Inspection fees	10,000	10,000	10,855	855
Total permits and fees	20,000	20,000	22,050	2,050
Sales and service:				
Cemetery fees	181,787	181,787	200,792	19,005
Recreation fees	62,200	62,200	40,100	(22,100)
Refuse charges	660,000	660,000	681,750	21,750
Rents	17,041	17,041	17,453	412
Other fees	23,500	46,000	54,753	8,753
Total sales and service	944,528	967,028	994,848	27,820
Investment earnings	20,500	20,500	21,777	1,277
Miscellaneous	35,700	73,260	70,932	(2,328)
Total revenues	5,880,631	6,049,978	6,009,171	(40,807)

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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
Expenditures				
Current:				
General government:				
Governing body:				
Salaries and employee benefits	\$ 28,554	\$ 28,554	\$ 28,136	\$ 418
Professional services	12,750	19,591	15,521	4,070
Departmental supplies	1,500	2,999	3,036	(37)
Other operating expenditures	33,400	43,110	24,972	18,138
Capital outlay	-	250	250	-
Total	76,204	94,504	71,915	22,589
Administration:				
Salaries and employee benefits	339,126	334,517	292,613	41,904
Professional services	17,800	47,661	51,366	(3,705)
Departmental supplies	10,000	10,073	11,192	(1,119)
Other operating expenditures	71,282	63,749	58,160	5,589
Capital outlay	-	12,029	6,980	5,049
Repairs and maintenance	500	60	38	22
Total	438,708	468,089	420,349	47,740
Finance:				
Salaries and employee benefits	60,691	64,318	61,374	2,944
Professional services	98,650	97,900	81,393	16,507
Departmental supplies	2,000	1,000	562	438
Other operating expenditures	11,450	10,700	6,588	4,112
Capital outlay	-	23,625	-	23,625
Total	172,791	197,543	149,917	47,626
Nonprofit Organization Support:				
Other operating expenditures	27,225	17,225	14,670	2,555
Total	27,225	17,225	14,670	2,555
Planning and Economic Development:				
Salaries and employee benefits	144,036	103,035	90,184	12,851
Professional services	41,500	97,962	68,668	29,294
Departmental supplies	4,500	3,550	4,388	(838)
Other operating expenditures	210,200	265,342	193,004	72,338
Repairs and maintenance	1,500	1,000	208	792
Total	401,736	470,889	356,452	114,437
Total general government	1,116,664	1,248,250	1,013,303	234,947

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, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
Public Safety:				
Police:				
Salaries and employee benefits	\$ 1,764,087	\$ 1,753,208	\$ 1,582,636	\$ 170,572
Professional services	15,000	16,500	16,152	348
Departmental supplies	12,000	10,000	6,016	3,984
Other operating expenditures	76,500	70,000	49,697	20,303
Capital outlay	12,000	63,275	60,984	2,291
Repairs and maintenance	27,000	32,895	29,129	3,766
Total	1,906,587	1,945,878	1,744,614	201,264
Fire Department:				
Salaries and employee benefits	558,521	567,587	517,497	50,090
Professional services	9,300	9,300	9,299	1
Departmental supplies	46,970	29,125	26,834	2,291
Other operating expenditures	25,615	24,615	17,827	6,788
Capital outlay	12,000	16,400	15,246	1,154
Repairs and maintenance	36,300	38,800	38,875	(75)
Total	688,706	685,827	625,578	60,249
Total public safety	2,595,293	2,631,705	2,370,192	261,513
Transportation:				
Powell Bill:				
Departmental supplies	1,000	1,000	-	1,000
Capital outlay	143,365	151,473	91,556	59,917
Repairs and maintenance	8,500	17,528	9,977	7,551
Total	152,865	170,001	101,533	68,468
Public Works:				
Salaries and employee benefits	391,795	402,467	359,874	42,593
Professional services	586,000	583,319	603,090	(19,771)
Departmental supplies	30,871	29,896	30,011	(115)
Other operating expenditures	30,701	29,857	23,887	5,970
Capital outlay	6,500	6,500	6,323	177
Repairs and maintenance	42,000	37,931	32,807	5,124
Total	1,087,867	1,089,970	1,055,992	33,978
Public Facilities and Grounds:				
Salaries and employee benefits	115,121	122,830	119,151	3,679
Professional services	25,000	34,719	32,442	2,277
Departmental supplies	283,351	275,247	203,208	72,039
Capital outlay	10,000	96,770	96,769	1
Repairs and maintenance	21,628	43,898	40,847	3,051
Total	455,100	573,464	492,417	81,047
Total transportation	1,695,832	1,833,435	1,649,942	183,493

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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
Culture and Recreation:				
Recreation:				
Salaries and employee benefits	\$ 298,371	\$ 298,371	\$ 276,630	\$ 21,741
Professional services	75,800	75,800	62,304	13,496
Departmental supplies	56,000	52,424	36,985	15,439
Other operating expenditures	113,410	136,385	83,296	53,089
Capital outlay	35,000	76,036	76,036	-
Repairs and maintenance	47,000	21,537	7,966	13,571
Total	625,581	660,553	543,217	117,336
Library:				
Salaries and employee benefits	132,897	141,659	128,246	13,413
Professional services	3,000	5,000	4,878	122
Departmental supplies	33,000	31,000	20,007	10,993
Other operating expenditures	6,600	6,600	2,897	3,703
Repairs and maintenance	6,750	6,750	6,642	108
Total	182,247	191,009	162,670	28,339
Civic Center:				
Salaries and employee benefits	-	503	336	167
Professional services	-	16,445	2,007	14,438
Departmental supplies	-	17,809	15,518	2,291
Repairs and maintenance	-	3,188	3,099	89
Total	-	37,945	20,960	16,985
Total culture and recreation	807,828	889,507	726,847	162,660
Debt Service:				
Principal	260,271	259,174	232,333	26,841
Interest	84,594	84,594	77,150	7,444
Total expenditures	6,560,482	6,946,665	6,069,767	876,898
Deficiency of revenues over expenditures	(679,851)	(896,687)	(60,596)	836,091
Other financing sources				
Fund balance appropriation	504,851	628,062	-	(628,062)
Transfers in	175,000	175,000	175,000	-
Issuance of note payable	-	83,625	83,625	-
Proceeds from sale of capital assets	-	10,000	10,000	-
Total other financing sources	679,851	896,687	268,625	(628,062)
Net change in fund balances	-	-	208,029	208,029
Fund balance, beginning of year	3,430,658	3,430,658	3,430,658	-
Fund balance, end of year	\$ 3,430,658	\$ 3,430,658		\$ 208,029
Plus Fire Protection - Selma Petroleum Terminals Fund - ending fund balance			192,714	
General Fund - Fund Balance			\$ 3,831,401	

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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 607	\$ 607
Permits and fees	21,000	21,000	28,730	7,730
Miscellaneous	5,000	5,000	-	(5,000)
Total revenues	26,000	26,000	29,337	3,337
EXPENDITURES				
Public safety	10,000	10,000	3,690	6,310
Net change in fund balances	16,000	16,000	25,647	9,647
FUND BALANCE, beginning of year	167,067	167,067	167,067	-
FUND BALANCE, end of year	<u>\$ 183,067</u>	<u>\$ 183,067</u>	<u>\$ 192,714</u>	<u>\$ 9,647</u>

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Fund

CDBG Project Fund – To account for the financial resources to be used for improvements which are funded primarily through federal grants.

TOWN OF SELMA, NORTH CAROLINA

CDBG PROJECT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) PROJECT LIFE AS OF JUNE 30, 2020

	Project Budget	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ 1,289,900	\$ 1,123,510	\$ 23,583	\$ 1,147,093
Contributions	26,383	26,383	-	26,383
Total revenues	<u>1,316,283</u>	<u>1,149,893</u>	<u>23,583</u>	<u>1,173,476</u>
EXPENDITURES				
Capital outlay:				
Other	1,321,283	1,154,893	23,583	1,178,476
Total expenditures	<u>1,321,283</u>	<u>1,154,893</u>	<u>23,583</u>	<u>1,178,476</u>
Excess (deficiency) of revenues over expenditures	(5,000)	(5,000)	-	(5,000)
OTHER FINANCING SOURCES				
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Net change in fund balance	-	-	-	-
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

TOWN OF SELMA, NORTH CAROLINA

WATER FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Operating revenues				
Water charges	\$ 1,188,338	\$ 1,245,838	\$ 1,285,179	\$ 39,341
Penalties	75,000	75,000	53,038	(21,962)
Other operating revenues	231,058	231,058	253,261	22,203
Non-operating revenues - interest	12,000	12,000	15,954	3,954
Total revenues	<u>1,506,396</u>	<u>1,563,896</u>	<u>1,607,432</u>	<u>43,536</u>
EXPENDITURES				
Water administration				
Salaries and benefits	359,686	344,092	330,521	13,571
Professional services	71,825	79,364	70,513	8,851
Utilities	64,175	69,575	67,970	1,605
Insurance	78,899	80,699	72,615	8,084
Other operating expenditures	32,675	57,406	17,072	40,334
Total water administration	<u>607,260</u>	<u>631,136</u>	<u>558,691</u>	<u>72,445</u>
Water operations				
Salaries and benefits	255,208	273,410	277,074	(3,664)
Department supplies	12,050	11,450	10,550	900
Chemicals	70,000	62,700	43,366	19,334
Maintenance and repairs	40,500	107,700	71,563	36,137
Contract services	75,000	65,000	63,789	1,211
Purchase for resale	125,810	125,810	121,733	4,077
Other operating expenditures	107,704	114,813	89,793	25,020
Total water operations	<u>686,272</u>	<u>760,883</u>	<u>677,868</u>	<u>83,015</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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
Debt service				
Principal	\$ 38,510	\$ 38,510	\$ 31,279	\$ 7,231
Interest	27,296	27,296	24,563	2,733
Total debt service	65,806	65,806	55,842	9,964
Total expenditures	1,359,338	1,457,825	1,292,401	165,424
Excess of revenues over expenditures	147,058	106,071	315,031	208,960
OTHER FINANCING SOURCES (USES)				
Budgeted use of net position	-	17,362	-	(17,362)
Proceeds from note payable	-	23,625	23,625	-
Transfers in	-	-	-	-
Transfers out	(147,058)	(147,058)	(147,058)	-
Total other financing sources (uses)	(147,058)	(106,071)	(123,433)	(17,362)
Net change in net position	\$ -	\$ -	191,598	\$ 191,598
Adjustments to full accrual:				
Capital outlays			41,165	
Issuance of installment note			(23,625)	
Payments of debt service - principal			31,279	
Increase in compensated absences			(2,136)	
Increase in net pension liability and related pension items			(29,400)	
Increase in total OPEB liability and related OPEB items			(75,455)	
Tap contributions			11,036	
Change in accrued interest			414	
Depreciation expense			(235,398)	
Water Capital Reserve Fund			147,916	
Change in net position			\$ 57,394	

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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 858	\$ 858
OTHER FINANCING SOURCES (USES)				
Increase to net position	(147,058)	(147,058)	-	147,058
Transfer in	147,058	147,058	147,058	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	147,058	147,058
Net change in net position	\$ -	\$ -	\$ 147,916	\$ 147,916

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, 2020

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Operating revenues				
Sewer charges	\$ 2,683,411	\$ 2,683,411	\$ 2,471,212	\$ (212,199)
Penalties	75,000	75,000	54,469	(20,531)
Intergovernmental (Golden Leaf)	-	966,380	209,641	(756,739)
Other operating revenues	226,800	226,800	188,378	(38,422)
Non-operating revenues - interest	7,500	7,500	5,048	(2,452)
Total revenues	<u>2,992,711</u>	<u>3,959,091</u>	<u>2,928,748</u>	<u>(1,030,343)</u>
EXPENDITURES				
Sewer administration				
Salaries and benefits	223,736	234,161	222,040	12,121
Professional services	69,625	65,766	59,846	5,920
Utilities	50,000	58,993	66,093	(7,100)
Insurance	76,500	55,031	49,999	5,032
Maintenance and repairs	1,000	1,000	300	700
Other operating expenditures	34,500	219,955	282,015	(62,060)
Total sewer administration	<u>455,361</u>	<u>634,906</u>	<u>680,293</u>	<u>(45,387)</u>
Sewer operations				
Salaries and benefits	232,479	237,655	217,393	20,262
Department supplies	8,000	8,000	2,469	5,531
Maintenance and repairs	82,000	99,527	70,665	28,862
Transmission and treatment fees	1,761,027	1,761,027	1,878,719	(117,692)
Other operating expenditures	44,838	931,876	17,211	914,665
Total sewer operations	<u>2,128,344</u>	<u>3,038,085</u>	<u>2,186,457</u>	<u>851,628</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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
Debt service				
Principal	\$ 146,236	\$ 155,382	\$ 77,767	\$ 77,615
Interest	43,470	44,923	42,536	2,387
Total debt service	189,706	200,305	120,303	80,002
Total expenditures	2,773,411	3,873,296	2,987,053	886,243
Excess (deficiency) of revenues over expenditures	219,300	85,795	(58,305)	(144,100)
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	-	109,880	-	(109,880)
Proceeds from installment note	-	23,625	23,625	-
Transfers in	-	-	-	-
Transfers out	(219,300)	(219,300)	-	219,300
Total other financing sources (uses)	(219,300)	(85,795)	23,625	109,420
Net change in net position	\$ -	\$ -	(34,680)	\$ (34,680)
Adjustments to full accrual:				
Capital outlays			114,307	
Issuance of installment note			(23,625)	
Payments of debt service - principal			77,767	
Increase in compensated absences			(2,136)	
Increase in net pension liability and related pension items			(29,523)	
Increase in total OPEB liability and related OPEB items			(54,356)	
Tap contributions			2,400	
Change in accrued interest			1,819	
Depreciation expense			(435,549)	
Sewer Capital Reserve Fund			1,005	
Change in net position			<u>\$ (382,571)</u>	

TOWN OF SELMA, NORTH CAROLINA

PUMP STATION NO. 10 FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) PROJECT LIFE AS OF JUNE 30, 2020

	Project Budget	Actual		
		Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ 170,252	\$ 162,608	\$ -	\$ 162,608
Interest earnings	-	640	-	640
Total revenues	170,252	163,248	-	163,248
EXPENDITURES				
Capital outlay:	262,552	255,548	-	255,548
Total expenditures	262,552	255,548	-	255,548
Excess (deficiency) of revenues over expenditures	(92,300)	(92,300)	-	(92,300)
OTHER FINANCING SOURCES				
Proceeds from insurance	92,300	92,300	-	92,300
Total other financing sources	92,300	92,300	-	92,300
Net change in fund balance	\$ -	-	-	-
FUND BALANCE, beginning of year		-	-	-
FUND BALANCE, end of year		\$ -	\$ -	\$ -

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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 1,005	\$ 1,005
Total revenues	-	-	1,005	1,005
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	(219,300)	(219,300)	-	219,300
Transfers in	219,300	219,300	-	(219,300)
Transfers out	-	-	-	-
Total other financing sources	-	-	-	-
Net change in net position	\$ -	\$ -	\$ 1,005	\$ 1,005

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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Operating revenues				
Electric charges	\$ 7,650,000	\$ 7,650,000	\$ 6,930,398	\$ (719,602)
Other operating revenues	727,500	727,500	566,706	(160,794)
Nonoperating revenues - interest	7,500	7,500	7,380	(120)
Total revenues	8,385,000	8,385,000	7,504,484	(880,516)
EXPENDITURES				
Electric administration				
Salaries and benefits	549,041	535,043	450,525	84,518
Contracted services	29,625	29,625	22,465	7,160
Utilities	8,600	10,600	14,599	(3,999)
Insurance	26,000	26,000	24,164	1,836
Other operating expenditures	151,925	199,419	141,531	57,888
Total electric administration	765,191	800,687	653,284	147,403
Electric operations				
Salaries and benefits	463,698	463,698	274,594	189,104
Department supplies	60,650	60,650	40,545	20,105
Maintenance and repairs	5,500	5,500	4,254	1,246
Purchases for inventory	75,000	67,735	31,162	36,573
Contracted services	76,500	82,218	25,786	56,432
Other operating expenditures	262,500	350,426	202,033	148,393
Total electric operations	943,848	1,030,227	578,374	451,853
Electric power purchases	6,161,483	6,161,483	5,520,395	641,088

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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
Debt service				
Principal	\$ 335,536	\$ 335,796	\$ 333,114	\$ 2,682
Interest	26,102	25,842	23,858	1,984
Total debt service	361,638	361,638	356,972	4,666
Total expenditures	8,232,160	8,354,035	7,109,025	1,245,010
Excess (deficiency) of revenues over expenditures	152,840	30,965	395,459	364,494
OTHER FINANCING SOURCES (USES)				
Appropriation to increase net position	22,160	120,410	-	(120,410)
Proceeds from note payable	-	23,625	23,625	-
Transfers out	(175,000)	(175,000)	(175,000)	-
Total other financing sources (uses)	(152,840)	(30,965)	(151,375)	(120,410)
Net change in net position	\$ -	\$ -	244,084	\$ 244,084
Adjustments to full accrual:				
Capital outlays			171,359	
Issuance of installment note			(23,625)	
Payments of debt service - principal			333,114	
Decrease in compensated absences			(4,543)	
Increase in net pension liability and related pension items			(29,912)	
Increase in total OPEB liability and related OPEB items			(287,470)	
Change in accrued interest			7,577	
Depreciation expense			(108,781)	
Electric Capital Reserve Fund			10,059	
Change in net position			\$ 311,862	

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, 2020

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Interest	\$ 5,000	\$ 5,000	\$ 10,059	\$ 5,059
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	(5,000)	(5,000)	-	5,000
Transfer in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	(5,000)	(5,000)	-	5,000
Net change in net position	\$ -	\$ -	\$ 10,059	\$ 10,059

TOWN OF SELMA, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections And Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 2,735,238	\$ 2,722,325	\$ 12,913
2018-2019	2,221	-	1,179	1,042
2017-2018	634	-	321	313
2016-2017	20	-	4	16
2015-2016	307	-	-	307
2014-2015	420	-	-	420
2013-2014	1,521	-	106	1,415
2012-2013	2,770	-	8	2,762
2011-2012	2,903	-	-	2,903
2010-2011	2,759	-	-	2,759
2009-2010	3,131	-	-	3,131
	<u>\$ 16,686</u>	<u>\$ 2,735,238</u>	<u>\$ 2,723,943</u>	<u>27,981</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>24,284</u>
Ad valorem taxes receivable - net				<u>\$ 3,697</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 2,723,102
Reconciling items:				
Releases and write-offs				6,228
Interest collected				<u>(5,387)</u>
Total collections and credits				<u>\$ 2,723,943</u>

TOWN OF SELMA, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

TOWN-WIDE LEVY

JUNE 30, 2020

	Town-wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding	Registered
				Registered Motor Vehicles	Motor Vehicles
Original levy:					
Real property	\$ 369,607,638	0.54	\$ 1,995,881	\$ 1,995,881	\$ -
Personal property	101,185,185	0.54	546,400	359,695	186,705
Public service company	34,803,371	0.54	187,938	187,938	-
Penalties	-		1,225	-	-
Total	<u>505,596,194</u>		<u>2,731,444</u>	<u>2,543,514</u>	<u>186,705</u>
Discoveries:					
Current year taxes	171,957		929	929	-
Prior year taxes	1,087,730		5,748	5,748	-
Penalties	-		1,303	-	-
Total	<u>1,259,687</u>		<u>7,980</u>	<u>6,677</u>	<u>-</u>
Abatements	<u>(306,961)</u>		<u>(1,658)</u>	<u>(1,658)</u>	<u>-</u>
Total property valuation	<u>\$ 506,548,920</u>				
Net levy			2,735,238	2,548,533	186,705
Uncollected taxes at June 30, 2020			<u>(12,913)</u>	<u>(12,913)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,722,325</u>	<u>\$ 2,535,620</u>	<u>\$ 186,705</u>
Current levy collection percentage			<u>99.53%</u>	<u>99.49%</u>	<u>100.00%</u>

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Selma, North Carolina** (the "Town") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 30, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The script is cursive and fluid, with the letters "M", "J", and "L" being particularly large and stylized.

Columbia, South Carolina
September 30, 2020

TOWN OF SELMA, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the
financial statements audited were prepared
in accordance with GAAP:

Unmodified

Internal control over financial reporting:
Material weaknesses identified?

_____ yes X no

Significant deficiencies identified?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

There was not an audit of major federal award programs for the year ended June 30, 2020, due to the total amount expended being less than \$750,000.

State Awards

There was not an audit of major state award programs for the year ended June 30, 2020, due to the total amount expended being less than \$500,000.

TOWN OF SELMA, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

2019-001 Restatement of Prior Year Balances

Condition: Internal controls were not sufficient to timely detect material misstatements in the Town's financial statements for the fiscal year ended June 30, 2018.

Context/Cause: During our audit for the fiscal year ended June 30, 2019, a material misstatement was identified by management that caused the need to restate opening net position for the fiscal year ended June 30, 2018, for the Sewer Fund. The Town had unrecorded capital project related costs for the Ricks Road sewer project that should have been reported as construction in progress as of June 30, 2018. A total adjustment of \$410,457 was required to correct the capital assets balance and restate the opening net position of the Sewer Fund and business-type activities.

Effects: As a result of the issue identified, the total restatement to the beginning net position of the Sewer Fund and business-type activities was \$410,457.

Status: Item was corrected as of June 30, 2020.