

REVIEWED

By SLGFD at 1:13 pm, Nov 01, 2021

TOWN OF SELMA, NORTH CAROLINA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

**Prepared by:
Finance Department**

**Submitted by:
Town Manager**

TOWN OF SELMA, NORTH CAROLINA

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

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INTRODUCTORY SECTION

TOWN OF SELMA, NORTH CAROLINA

TOWN COUNCIL AND OFFICIALS

JUNE 30, 2021

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

Brent Taylor.....Town Manager

Rhonda Sommer.....Finance Officer

Sarai Allen.....Interim 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

Ben Scoggins.....Public Works 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, and each major fund of the **Town of Selma, North Carolina** (the "Town"), as of and for the year ended June 30, 2021, 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, and each major fund of the Town of Selma, North Carolina as of June 30, 2021, 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 60-64, 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 October 5, 2021, 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
October 5, 2021

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

As management of the Town of Selma (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$17,735,902 (net position).
- The government's total net position increased by \$2,304,118 over the previous year's net position. This increase was attributed by governmental activities at \$1,019,721 and business activities at \$1,284,397.
- As of close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,852,077 with a net increase of \$1,020,676 in fund balance in comparison with the prior year. Approximately 64.6% of this total amount, or \$3,132,024, is available for spending at the government's discretion (unassigned fund balance). The remaining balance of \$1,720,053 (35.4%) is non-spendable, restricted, or committed. The unassigned fund balance represents 50.2% of total general fund expenditures for the fiscal year.
- The Town's total debt increased by \$1,640,444 or 11.5% during the current fiscal year. This net change is attributed primarily to changes in pension and OPEB (Other Postemployment Benefits) liabilities.

Overview of the Financial Statements

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

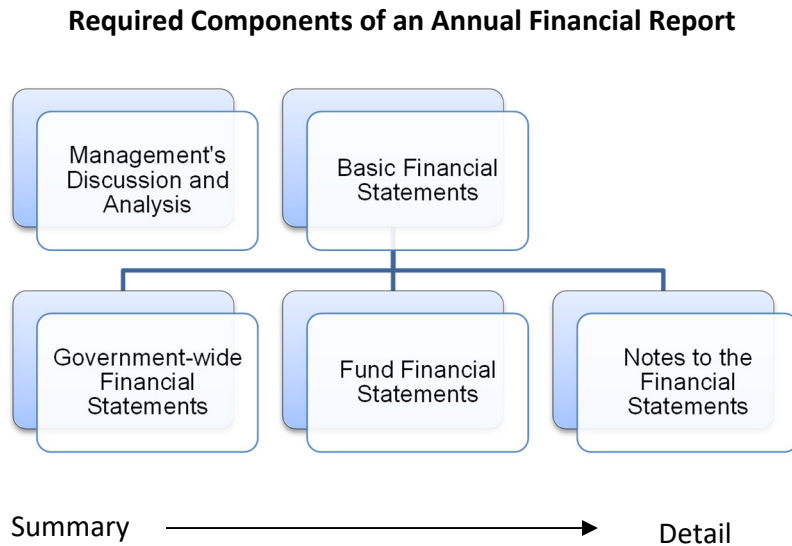
Basic Financial Statements

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

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

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

Figure 1



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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 60 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, 2021 and 2020

	June 30, 2021		June 30, 2020		Total	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	June 30, 2021	June 30, 2020
Assets:						
Current assets	\$ 5,216,962	\$ 8,339,420	\$ 4,128,141	\$ 7,781,972	\$ 13,556,382	\$ 11,910,113
Capital assets, net	9,447,026	10,719,440	9,851,687	10,126,204	20,166,466	19,977,891
Total assets	<u>14,663,988</u>	<u>19,058,860</u>	<u>13,979,828</u>	<u>17,908,176</u>	<u>33,722,848</u>	<u>31,888,004</u>
Deferred outflows of resources	<u>2,082,076</u>	<u>780,685</u>	<u>857,041</u>	<u>335,313</u>	<u>2,862,761</u>	<u>1,192,354</u>
Liabilities:						
Current liabilities	369,700	1,362,893	279,277	1,223,470	1,732,593	1,502,747
Long-term liabilities	10,190,039	5,690,597	8,930,910	5,371,645	15,880,636	14,302,555
Total liabilities	<u>10,559,739</u>	<u>7,053,490</u>	<u>9,210,187</u>	<u>6,595,115</u>	<u>17,613,229</u>	<u>15,805,302</u>
Deferred inflows of resources	<u>882,033</u>	<u>354,355</u>	<u>1,342,111</u>	<u>501,161</u>	<u>1,236,388</u>	<u>1,843,272</u>
Net position:						
Net investment in capital assets	7,643,792	8,133,630	7,836,151	7,158,350	15,777,422	14,994,501
Restricted	1,359,169	118,741	1,128,533	81,764	1,477,910	1,210,297
Unrestricted	(3,698,669)	4,179,239	(4,680,113)	3,907,099	480,570	(773,014)
Total net position	<u>\$ 5,304,292</u>	<u>\$ 12,431,610</u>	<u>\$ 4,284,571</u>	<u>\$ 11,147,213</u>	<u>\$ 17,735,902</u>	<u>\$ 15,431,784</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town exceed liabilities and deferred inflows of resources by \$17,735,902 as of June 30, 2021. The Town's net position increased by \$2,304,118 for the fiscal year ended June 30, 2021. The largest portion of net position reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, equipment, and construction in progress) less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

Although the Town's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$1,477,910, 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, 2021 and 2020

Town of Selma Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,099,144	\$ 1,040,426	\$ 12,509,828	\$ 11,802,641	\$ 13,608,972	\$ 12,843,067
Operating grants/contributions	321,596	129,752	-	-	321,596	129,752
Capital grants/contributions	224,437	222,002	633,486	223,077	857,923	445,079
General revenues:						
Property taxes	3,354,040	2,947,618	-	-	3,354,040	2,947,618
Other taxes	1,172,987	1,048,643	-	-	1,172,987	1,048,643
Unrestricted interest	4,091	22,384	6,216	40,303	10,307	62,687
Unrestricted intergovernmental	588,667	592,900	-	-	588,667	592,900
Miscellaneous	295,516	53,164	-	-	295,516	53,164
Total revenues	<u>7,060,478</u>	<u>6,056,889</u>	<u>13,149,530</u>	<u>12,066,021</u>	<u>20,210,008</u>	<u>18,122,910</u>
Expenses:						
General government	1,033,446	692,288	-	-	1,033,446	692,288
Public safety	2,589,720	2,207,809	-	-	2,589,720	2,207,809
Transportation	1,837,438	1,942,015	-	-	1,837,438	1,942,015
Culture and recreation	685,158	751,002	-	-	685,158	751,002
Interest on long term debt	69,995	71,627	-	-	69,995	71,627
Water	-	-	1,742,534	1,561,932	1,742,534	1,561,932
Sewer	-	-	3,261,424	3,314,723	3,261,424	3,314,723
Electric	-	-	6,686,175	7,027,681	6,686,175	7,027,681
Total expenses	<u>6,215,757</u>	<u>5,664,741</u>	<u>11,690,133</u>	<u>11,904,336</u>	<u>17,905,890</u>	<u>17,569,077</u>
Increase in net position before transfers	844,721	392,148	1,459,397	161,685	2,304,118	553,833
Transfers	175,000	175,000	(175,000)	(175,000)	-	-
Change in net position	1,019,721	567,148	1,284,397	(13,315)	2,304,118	553,833
Net position, beginning	4,284,571	3,717,423	11,147,213	11,160,528	15,431,784	14,877,951
Net position, ending	<u>\$ 5,304,292</u>	<u>\$ 4,284,571</u>	<u>\$ 12,431,610</u>	<u>\$ 11,147,213</u>	<u>\$ 17,735,902</u>	<u>\$ 15,431,784</u>

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 99.75%.
- Increased ad valorem and sales tax revenues of approximately \$501,250 due to changes in the property tax rate and economic growth in the Town.

Governmental Activities

Governmental activities reported an increase in the Town's net position of \$1,019,721. 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 \$0.57 per \$100 of assessed property value.

Assessed valuation of all taxable property in the Town is \$510,595,185, an increase of \$4,998,991 from the prior year.

Business-type Activities

Business-type activities increased the Town's net position by \$1,284,397. This increase 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 \$707,187 or 6.0% for the fiscal year. Total expenses in same combined funds went down by \$214,203 or 1.8% for period.

Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's fund balance unassigned in the General Fund was \$3,132,024, while total fund balance was \$4,852,077. 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 50.23% of total General Fund expenditures, while total fund balance represents approximately 77.81% of that same expenditure amount.

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

On June 30, 2021, the governmental funds of the Town reported a combined fund balance of \$4,852,077 with a net increase in fund balance of \$1,020,676.

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 exceeded budget by \$605,923. Total expenditures in the General Fund were less than amounts approved in the final budget by \$847,676.

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water, Sewer and Electric Funds at the end of the fiscal year amounted to \$3,110,994, \$112,733, and \$955,512, respectively. The change in net position for the Water, Sewer and Electric Funds were \$112,856, \$411,413, and \$760,128, respectively, resulting in a total combined increase in net position of \$1,284,397 for the Town's proprietary funds.

Capital Asset and Debt Administration

Capital Assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$20,166,466 (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:

- \$775,189 in sewer improvements
- \$542,667 in smart electric meters
- \$142,875 in streets resurfacing
- \$61,375 in financial software
- \$57,681 in a sewer maintenance vehicle
- \$39,841 in stormwater/drainage improvements
- \$35,796 in an excavator
- \$34,501 in recreation improvements

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, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,612,888	\$ 2,640,743	\$ 311,804	\$ 311,804	\$ 2,924,692	\$ 2,952,547
Construction in progress	41,151	-	633,413	67,641	674,564	67,641
Buildings and improvements	3,011,068	3,269,035	288,751	261,087	3,299,819	3,530,122
Other improvements	2,562,002	2,731,039	-	-	2,562,002	2,731,039
Distribution system	-	-	8,160,876	8,060,966	8,160,876	8,060,966
Equipment	368,389	219,438	892,611	974,945	1,261,000	1,194,383
Vehicles	851,528	991,432	431,985	449,761	1,283,513	1,441,193
Total	<u>\$ 9,447,026</u>	<u>\$ 9,851,687</u>	<u>\$ 10,719,440</u>	<u>\$ 10,126,204</u>	<u>\$ 20,166,466</u>	<u>\$ 19,977,891</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, 2021, the Town had total bonded debt outstanding of \$1,664,000, all of which belongs to business-type activities. All of this debt represents bonds secured by specified revenue sources (e.g., revenue bonds).

The Town also has outstanding installment notes payable totaling \$2,725,044. Of this amount, \$921,810 is applicable to the Town's business-type activities. The remaining \$1,803,234 is applicable to the Town's governmental activities.

The Town's total debt and obligations increased by \$1,640,444 during the past fiscal year, due to changes in net pension and OPEB liabilities, net of principal payments on debt obligations.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for the Town is \$40,847,615.

Additional information regarding the Town'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, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Installment notes	\$ 1,803,234	\$ 2,039,161	\$ 921,810	\$ 1,338,729	\$ 2,725,044	\$ 3,377,890
Revenue bonds	-	-	1,664,000	1,700,000	1,664,000	1,700,000
Compensated absences	287,525	401,626	68,736	67,704	356,261	469,330
Net pension liability	1,181,287	840,342	643,661	436,909	1,824,948	1,277,251
Law enforcement officers' SSA pension obligation	1,009,044	789,371	-	-	1,009,044	789,371
Total OPEB liability	5,908,949	4,814,686	2,392,390	1,811,663	8,301,339	6,626,349
	<u>\$ 10,190,039</u>	<u>\$ 8,885,186</u>	<u>\$ 5,690,597</u>	<u>\$ 5,355,005</u>	<u>\$ 15,880,636</u>	<u>\$ 14,240,191</u>

Economic Factors and Next Year's Budgets and Rates

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

- The Town has a population of 6,317.
- The Town's tax collection rates for property excluding motor vehicles and registered motor vehicles are 99.73% and 100.00%, respectively.
- Johnston County's unemployment rate was 4.4% for the month of June 2021 compared to the average unemployment for the State of North Carolina of 4.6% and the national rate of 5.9%.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The property tax rate will increase to \$0.58 per \$100 of assessed property value and the total property valuation increased to \$516,321,956. Total budgeted expenditures in the General Fund are expected to be \$6,537,225. Town employees received a 1.4% cost of living adjustment in compensation with an effective date of July 16, 2021.

Business-type Activities: The water and sewer rates in the Town will increase for fiscal year 2022 to improve our ability to fund needed infrastructure improvements. Electric rates in the Town will remain the same for fiscal year 2022.

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, 2021

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 3,740,156	\$ 6,406,244	\$ 10,146,400
Receivables, net of allowance for uncollectibles	576,550	1,368,220	1,944,770
Taxes receivable, net of allowance for uncollectibles	106,988	-	106,988
Inventories	97,902	446,215	544,117
Restricted cash and cash equivalents	695,366	118,741	814,107
Capital assets:			
Non-depreciable	2,654,039	945,217	3,599,256
Depreciable, net of accumulated depreciation	6,792,987	9,774,223	16,567,210
Total assets	<u>14,663,988</u>	<u>19,058,860</u>	<u>33,722,848</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension items	1,038,662	358,233	1,396,895
Deferred outflows - OPEB items	1,043,414	422,452	1,465,866
Total deferred outflows of resources	<u>2,082,076</u>	<u>780,685</u>	<u>2,862,761</u>
LIABILITIES			
Accounts payable	119,656	696,884	816,540
Accrued liabilities	204,354	261,100	465,454
Customer deposits	-	395,252	395,252
Interest payable	45,690	9,747	55,437
Installment notes, due within one year	175,052	104,971	280,023
Installment notes, due in more than one year	1,628,182	816,839	2,445,021
Bonds payable, due within one year	-	37,000	37,000
Bonds payable, due in more than one year	-	1,627,000	1,627,000
Compensated absences, due within one year	111,867	30,423	142,290
Compensated absences, due in more than one year	175,658	38,313	213,971
Total pension liability (LEOSSA), due in more than one year	1,009,044	-	1,009,044
Net pension liability (LGRS), due in more than one year	1,181,287	643,661	1,824,948
Total OPEB liability, due in more than one year	5,908,949	2,392,390	8,301,339
Total liabilities	<u>10,559,739</u>	<u>7,053,580</u>	<u>17,613,319</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension items	34,117	11,054	45,171
Deferred inflows - OPEB items	847,916	343,301	1,191,217
Total deferred inflows of resources	<u>882,033</u>	<u>354,355</u>	<u>1,236,388</u>
NET POSITION			
Net investment in capital assets	7,643,792	8,133,630	15,777,422
Restricted for:			
Stabilization by State Statute	642,663	-	642,663
Streets - Powell Bill	253,559	-	253,559
Cemetery perpetual care	374,476	-	374,476
Debt service	88,471	118,741	207,212
Unrestricted (deficit)	(3,698,669)	4,179,239	480,570
Total net position	<u>\$ 5,304,292</u>	<u>\$ 12,431,610</u>	<u>\$ 17,735,902</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, 2021

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,033,446	\$ 99,798	\$ -	\$ 38,776	\$ (894,872)	\$ -	\$ (894,872)
Public safety	2,589,720	3,725	314,058	-	(2,271,937)	-	(2,271,937)
Transportation	1,837,438	989,120	5,017	185,661	(657,640)	-	(657,640)
Culture and recreation	685,158	26,236	2,521	-	(656,401)	-	(656,401)
Interest on long-term debt	69,995	-	-	-	(69,995)	-	(69,995)
Total governmental activities	6,215,757	1,118,879	321,596	224,437	(4,550,845)	-	(4,550,845)
Business-type activities:							
Water	1,742,534	1,852,488	-	-	-	109,954	109,954
Sewer	3,261,424	3,055,287	-	616,801	-	410,664	410,664
Electric	6,686,175	7,602,053	-	16,685	-	932,563	932,563
Total business-type activities	11,690,133	12,509,828	-	633,486	-	1,453,181	1,453,181
Total primary government	\$ 17,905,890	\$ 13,628,707	\$ 321,596	\$ 857,923	(4,550,845)	1,453,181	(3,097,664)
General revenues:							
Property taxes, levied for general purposes					3,100,008	-	3,100,008
Property taxes, levied for fire districts					234,297	-	234,297
Other taxes					1,172,987	-	1,172,987
Unrestricted investment earnings					4,091	6,216	10,307
Unrestricted intergovernmental					588,667	-	588,667
Miscellaneous					295,516	-	295,516
Transfers					175,000	(175,000)	-
Total general revenues and transfers					5,570,566	(168,784)	5,401,782
Change in net position					1,019,721	1,284,397	2,304,118
Net position, beginning of year					4,284,571	11,147,213	15,431,784
Net position, end of year					\$ 5,304,292	\$ 12,431,610	\$ 17,735,902

TOWN OF SELMA, NORTH CAROLINA

BALANCE SHEET GOVERNMENTAL FUND JUNE 30, 2021

	General Fund
ASSETS	
Cash	\$ 3,740,156
Taxes receivable, net	106,988
Accounts receivable, net	576,550
Restricted cash and cash equivalents	695,366
Inventory	97,902
Total assets	<u>\$ 5,216,962</u>
LIABILITIES	
Accounts payable	\$ 119,656
Accrued liabilities	204,354
Total liabilities	<u>324,010</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - other	19,735
Unavailable revenue - cemetery lot sales	21,140
Total deferred inflows of resources	<u>40,875</u>
FUND BALANCES	
Nonspendable - inventories	97,902
Restricted:	
Stabilization by State Statute	642,663
Debt service	88,471
Streets - Powell Bill	253,559
Cemetery perpetual care	353,336
Committed - Library Trust	110,072
Assigned:	
Economic development	119,050
Fiscal year 2022 operations	55,000
Unassigned	3,132,024
Total fund balances	<u>4,852,077</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,216,962</u>
Amounts reported for governmental activities in the statement of net position are different from the governmental fund because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	9,447,026
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental fund.	40,875
The net pension liability (LGRS), total pension liability (LEOSSA), and the total OPEB liability, along with the related deferred outflows and deferred inflows of resources, are not expected to be liquidated with available financial resources and, therefore, are not reported in the governmental fund.	(6,899,237)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund.	<u>(2,136,449)</u>
Net position of governmental activities	<u>\$ 5,304,292</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 FUND FOR THE YEAR ENDED JUNE 30, 2021

	General Fund
Revenues	
Ad valorem taxes	\$ 3,100,008
Other taxes	1,172,987
Unrestricted intergovernmental	822,964
Restricted intergovernmental	540,912
Permits and fees	36,885
Sales and services	1,058,582
Investment earnings	4,091
Miscellaneous	300,637
Total revenues	<u>7,037,066</u>
Expenditures	
Current:	
General government	1,088,085
Public safety	2,473,012
Transportation	1,749,036
Culture and recreation	619,363
Debt service:	
Principal retirements	235,927
Interest	70,029
Total expenditures	<u>6,235,452</u>
Excess of revenues over expenditures	<u>801,614</u>
Other financing sources	
Transfers in	175,000
Sale of general capital assets	44,062
Total other financing sources	<u>219,062</u>
Net change in fund balance	1,020,676
Fund balances, beginning of year	<u>3,831,401</u>
Fund balances, end of year	<u><u>\$ 4,852,077</u></u>

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

TOWN OF SELMA, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

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

Net change in fund balance - governmental fund	\$ 1,020,676
The governmental fund reports 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.	(316,267)
In the statement of activities, only the loss on the disposal of capital assets is reported. However, in the governmental fund, any proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets disposed.	(88,394)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund.	23,412
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 represents current year principal payments on the Town's outstanding debt.	235,927
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.	<u>144,367</u>
Change in net position - governmental activities	<u><u>\$ 1,019,721</u></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, 2021

	Budget		Actual	Variance with
	Original	Final	Amounts	Actual and Final Budget Positive (Negative)
Revenues				
Ad valorem taxes	\$ 2,869,333	\$ 2,886,333	\$ 3,100,008	\$ 213,675
Other taxes	991,851	991,851	1,172,987	181,136
Unrestricted intergovernmental	839,689	839,689	822,964	(16,725)
Restricted intergovernmental	229,896	430,050	503,567	73,517
Permits and fees	19,000	19,000	24,835	5,835
Sales and services	1,004,728	923,898	1,058,582	134,684
Investment earnings	11,750	11,750	3,991	(7,759)
Miscellaneous	7,500	248,682	270,242	21,560
Total revenues	5,973,747	6,351,253	6,957,176	605,923
Expenditures				
Current:				
General government	1,140,107	1,362,023	1,088,085	273,938
Public safety	2,461,622	2,604,062	2,403,617	200,445
Transportation	1,900,739	1,982,685	1,749,036	233,649
Culture and recreation	725,515	756,587	619,363	137,224
Debt service:				
Principal retirements	238,619	236,821	235,927	894
Interest	72,255	71,555	70,029	1,526
Total expenditures	6,538,857	7,013,733	6,166,057	847,676
Excess (deficiency) of revenues over expenditures	(565,110)	(662,480)	791,119	1,453,599
Other financing sources:				
Fund balance appropriation	390,110	446,480	-	(446,480)
Transfers in	175,000	175,000	175,000	-
Sale of general capital assets	-	41,000	44,062	3,062
Total other financing sources	565,110	662,480	219,062	(443,418)
Net change in fund balances	-	-	1,010,181	1,010,181
Fund balances, beginning of year	3,638,687	3,638,687	3,638,687	-
Fund balances, end of year	\$ 3,638,687	\$ 3,638,687	4,648,868	\$ 1,010,181
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			192,714	
Fire Protection - Selma Petroleum Terminals Fund, revenues			42,545	
Fire Protection - Selma Petroleum Terminals Fund, public safety expenditures			(32,050)	
Fire Grant Project Fund, revenues			37,345	
Fire Grant Project Fund, public safety expenditures			(37,345)	
Fund balance, end of year			\$ 4,852,077	

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

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021**

ASSETS	Water Fund	Sewer Fund	Electric Fund	Totals
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,107,079	\$ 762,891	\$ 2,536,274	\$ 6,406,244
Restricted cash	43,644	65,565	9,532	118,741
Accounts receivable, net of allowances	219,185	366,992	782,043	1,368,220
Inventories	84,429	6,418	355,368	446,215
Total current assets	3,454,337	1,201,866	3,683,217	8,339,420
NONCURRENT ASSETS				
Advances to other funds	425,000	-	-	425,000
CAPITAL ASSETS				
Nondepreciable	182,438	90,746	672,033	945,217
Depreciable, net of accumulated depreciation	2,649,834	6,049,627	1,074,762	9,774,223
Total noncurrent assets	3,257,272	6,140,373	1,746,795	11,144,440
Total assets	6,711,609	7,342,239	5,430,012	19,483,860
DEFERRED OUTFLOWS OF RESOURCES				
Pension items	136,961	86,095	135,177	358,233
OPEB items	86,601	28,865	306,986	422,452
Total deferred outflows of resources	223,562	114,960	442,163	780,685
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	15,305	241,833	439,746	696,884
Accrued liabilities	33,295	21,456	216,096	270,847
Customer deposits	76,840	72,764	245,648	395,252
Installment contracts, current	20,491	56,647	27,833	104,971
Bonds payable, current	12,000	25,000	-	37,000
Compensated absences payable, current	5,076	5,076	20,271	30,423
Total current liabilities	163,007	422,776	949,594	1,535,377
NONCURRENT LIABILITIES				
Installment contracts	88,338	676,883	51,618	816,839
Bonds payable	516,000	1,111,000	-	1,627,000
Advance from other funds	-	425,000	-	425,000
Compensated absences payable	12,154	12,154	14,005	38,313
Net pension liability	240,650	170,395	232,616	643,661
Total OPEB liability	490,432	163,467	1,738,491	2,392,390
Total noncurrent liabilities	1,347,574	2,558,899	2,036,730	5,943,203
Total liabilities	1,510,581	2,981,675	2,986,324	7,478,580
DEFERRED INFLOWS OF RESOURCES				
Pension items	4,133	2,926	3,995	11,054
OPEB items	70,376	23,457	249,468	343,301
Total deferred inflows of resources	74,509	26,383	253,463	354,355
NET POSITION				
Net investment in capital assets	2,195,443	4,270,843	1,667,344	8,133,630
Restricted for:				
Debt service	43,644	65,565	9,532	118,741
Unrestricted	3,110,994	112,733	955,512	4,179,239
Total net position	\$ 5,350,081	\$ 4,449,141	\$ 2,632,388	\$ 12,431,610

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, 2021**

	Water Fund	Sewer Fund	Electric Fund	Totals
OPERATING REVENUES				
Charges for sales and services	\$ 1,586,626	\$ 2,857,337	\$ 7,582,833	\$ 12,026,796
Other operating income	265,862	197,950	19,220	483,032
Total operating revenues	1,852,488	3,055,287	7,602,053	12,509,828
OPERATING EXPENSES				
Salaries and benefits	967,598	264,241	812,441	2,044,280
General operating expenses	419,757	360,903	408,126	1,188,786
Depreciation	219,930	441,083	105,232	766,245
Electric purchases	-	-	5,354,013	5,354,013
Water & sewer purchases	111,054	2,154,132	-	2,265,186
Total operating expenses	1,718,339	3,220,359	6,679,812	11,618,510
Operating income (loss)	134,149	(165,072)	922,241	891,318
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental	-	-	16,685	16,685
Interest income	2,902	749	2,565	6,216
Interest and fiscal charges	(24,195)	(41,065)	(6,363)	(71,623)
Total non-operating revenue (expenses)	(21,293)	(40,316)	12,887	(48,722)
Income (loss) before capital contributions and transfers	112,856	(205,388)	935,128	842,596
Intergovernmental revenue	-	616,801	-	616,801
Transfers out	-	-	(175,000)	(175,000)
Change in net position	112,856	411,413	760,128	1,284,397
Net position, beginning of year	5,237,225	4,037,728	1,872,260	11,147,213
Net position, end of year	\$ 5,350,081	\$ 4,449,141	\$ 2,632,388	\$ 12,431,610

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, 2021

	Water Fund	Sewer Fund	Electric Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,807,303	\$ 3,099,847	\$ 7,595,830	\$ 12,502,980
Payments to suppliers	(525,580)	(2,446,420)	(5,751,120)	(8,723,120)
Payments to employees	(706,217)	(328,712)	(781,449)	(1,816,378)
Net cash provided by operating activities	575,506	324,715	1,063,261	1,963,482
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers to other funds	-	-	(175,000)	(175,000)
Repayment of interfund advances	75,000	(75,000)	-	-
Intergovernmental revenues	-	-	16,685	16,685
Net cash provided by (used in) non-capital financing activities	75,000	(75,000)	(158,315)	(158,315)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(84,863)	(722,892)	(558,011)	(1,365,766)
Receipt of intergovernmental capital grant	-	616,801	-	616,801
Principal payments on long-term debt	(31,142)	(80,441)	(341,336)	(452,919)
Interest paid	(22,138)	(39,032)	(11,061)	(72,231)
Net cash (used in) capital and related financing activities	(138,143)	(225,564)	(910,408)	(1,274,115)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	2,902	749	2,565	6,216
Net cash provided by investing activities	2,902	749	2,565	6,216
Net increase (decrease) in cash and cash equivalents	515,265	24,900	(2,897)	537,268
Cash and cash equivalents, beginning of year	2,635,458	803,556	2,548,703	5,987,717
Cash and cash equivalents, end of year	\$ 3,150,723	\$ 828,456	\$ 2,545,806	\$ 6,524,985
CASH AS REPORTED ON STATEMENT OF NET POSITION				
Cash and cash equivalents	\$ 3,107,079	\$ 762,891	\$ 2,536,274	\$ 6,406,244
Restricted cash and cash equivalents	43,644	65,565	9,532	118,741
Total cash and cash equivalents	\$ 3,150,723	\$ 828,456	\$ 2,545,806	\$ 6,524,985

continued

TOWN OF SELMA, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Water Fund	Sewer Fund	Electric Fund	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 134,149	\$ (165,072)	\$ 922,241	\$ 891,318
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	219,930	441,083	105,232	766,245
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase) decrease in accounts receivable	(45,185)	44,321	(12,930)	(13,794)
(Increase) decrease in inventories	(1,389)	19	(5,016)	(6,386)
Increase in deferred outflows of resources - pension items	(39,743)	(16,312)	(36,288)	(92,343)
Increase in deferred outflows of resources - OPEB items	(78,355)	(20,619)	(254,055)	(353,029)
Increase in accounts payable	6,643	68,596	16,035	91,274
Increase in accrued liabilities	8,147	1,722	21,700	31,569
Increase (decrease) in customer deposits	(23)	239	6,707	6,923
Increase (decrease) in compensated absences payable	1,255	1,255	(1,478)	1,032
Increase (decrease) in deferred inflows for OPEB items	12,558	(34,361)	(121,666)	(143,469)
Increase (decrease) in total OPEB liability	275,244	(51,721)	357,204	580,727
Decrease in deferred inflows for pension items	(1,049)	(829)	(1,459)	(3,337)
Increase in net pension liability	83,324	56,394	67,034	206,752
Net cash provided by operating activities	<u>\$ 575,506</u>	<u>\$ 324,715</u>	<u>\$ 1,063,261</u>	<u>\$ 1,963,482</u>

TOWN OF SELMA, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Incorporated in 1873, under the laws of the State of North Carolina, the Town of Selma, North Carolina is governed by an elected mayor and a four-member council. The government provides such services as police and fire protection, cultural and recreational activities, public works, water, sewer, and electric services.

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or 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.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

The Town reports the following major governmental fund:

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

The 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In accounting and reporting for its proprietary operations, the government applies all GASB pronouncements. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989, which did not conflict with or contradict GASB pronouncements.

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

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

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

D. Budgets

Annual appropriated budgets are adopted for all funds, with the exception of the Fire Grant Fund, for which a project length budget was adopted. In accordance with state law, the budgets adopted for the enterprise funds are adopted on the modified accrual basis of accounting, and a reconciliation is provided along with the budget schedule to reconcile from the modified accrual basis to the accrual basis. The enterprise fund capital project funds are consolidated with their respective operating fund for reporting purposes. The governmental funds' budgets are adopted on a basis other than accounting principles generally accepted in the United States of America. Budgets are adopted to show use of fund balance as another financing source for both governmental and proprietary funds, as well as the proprietary funds are budgeted on the modified accrual basis of accounting. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General fund and the enterprise funds. During the fiscal year ended June 30, 2021, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

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

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. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as a cash equivalent.

F. Restricted Cash and Cash Equivalents

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

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.

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, 2021, 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 on the following page.

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 (not related to pension or OPEB). This item arises only under the modified accrual basis of accounting and accordingly, the item is reported only in the governmental fund balance sheet. The governmental fund reports unavailable revenues from the sales of cemetery plots which are sold on payment plans as well as from property taxes. As these amounts are not considered available to pay current period expenditures, they are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

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 – governmental fund* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “the net pension liability (LGERS), total pension liability (LEOSSA), and the total OPEB liability, along with the related deferred outflows and deferred inflows of resources, are not expected to be liquidated with available financial resources and therefore, are not reported in the funds.” The details of this \$6,899,237 difference are as follows:

Governmental activities' share of the net pension liability (LGERS)	\$	(1,181,287)
Governmental activities' share of the total OPEB liability		(5,908,949)
Total pension liability (LEOSSA)		(1,009,044)
Deferred outflows of resources - pension items		1,038,662
Deferred outflows of resources - OPEB items		1,043,414
Deferred inflows of resources - pension items		(34,117)
Deferred inflows of resources - OPEB items		(847,916)
Net adjustment to reduce <i>fund balance - governmental fund</i> to arrive at <i>net position - governmental activities</i>	\$	<u>(6,899,237)</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 fund.” The details of this \$2,136,449 difference are as follows:

Installment notes	\$ (1,803,234)
Accrued interest payable	(45,690)
Compensated absences (i.e., vacation)	<u>(287,525)</u>
Net adjustment to reduce <i>fund balance - governmental fund</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (2,136,449)</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 balance - governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “The governmental fund reports capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$316,267 difference are as follows:

Capital outlay	\$ 377,303
Depreciation expense	<u>(693,570)</u>
Net adjustment to decrease <i>net change in fund balance - governmental fund</i> to arrive at <i>change in net position - governmental activities</i>	<u><u>\$ (316,267)</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 “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.” The details of this \$144,367 difference are as follows:

Compensated absences (i.e., vacation)	\$ 114,101
Change in accrued interest	34
Net pension liability - LGERS and related deferred outflows and inflows of resources	(149,601)
Total pension liability - LEO Special Separation Allowance and related deferred outflows and inflows of resources	(30,546)
Total OPEB liability - and related deferred outflows and inflows of resources	210,379
Net adjustment to increase <i>net change in fund balance - governmental fund</i> to arrive at <i>change in net position - governmental activities</i>	<u>\$ 144,367</u>

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2021, are summarized as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 10,240,729
Restricted cash and cash equivalents	719,778
	<u>\$ 10,960,507</u>
Cash deposited with financial institutions	\$ 5,469,980
Cash deposited with NCCMT	5,490,527
	<u>\$ 10,960,507</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk. State statutes and the Town's policies authorize the Town to invest in obligations of the state of North Carolina or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers' acceptances; the NCCMT; and obligations of other political subdivisions of the state of North Carolina. The Town does not have a credit rating policy which provides restrictions or limitations on credit ratings for the Town's investments. The Town's investment in the NCCMT Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2021.

As of June 30, 2021, the Town's investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value June 30, 2021</u>	<u>Duration</u>
North Carolina Capital Management Trust Government Portfolio	Fair Value Level 1	\$ 5,490,527	N/A

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest rate risk: The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk – deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes (G.S. 159-31) require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities. As of June 30, 2021, the Town's deposits are insured or collateralized as required by state law.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. RECEIVABLES

Receivables at June 30, 2021, for the Town's individual major funds, including any applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
Receivables:				
Taxes	\$ 127,395	\$ -	\$ -	\$ -
Accounts	624,725	272,814	457,733	1,009,691
Less allowance for uncollectible	<u>68,582</u>	<u>53,629</u>	<u>90,741</u>	<u>227,648</u>
Net total receivable	<u><u>\$ 683,538</u></u>	<u><u>\$ 219,185</u></u>	<u><u>\$ 366,992</u></u>	<u><u>\$ 782,043</u></u>

NOTE 5. CAPITAL ASSETS

Capital asset activity for the Town for the year ended June 30, 2021, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Nondepreciable capital assets:					
Land	\$ 2,640,743	\$ -	\$ (27,855)	\$ -	\$ 2,612,888
Construction in progress	<u>-</u>	<u>41,151</u>	<u>-</u>	<u>-</u>	<u>41,151</u>
Total	<u>2,640,743</u>	<u>41,151</u>	<u>(27,855)</u>	<u>-</u>	<u>2,654,039</u>
Capital assets, being depreciated:					
Buildings	6,308,273	43,316	(61,520)	-	6,290,069
Other improvements	6,556,035	212,960	-	-	6,768,995
Equipment and furniture	946,647	79,876	(5,464)	138,900	1,159,959
Vehicles and motorized equipment	<u>3,379,035</u>	<u>-</u>	<u>(46,320)</u>	<u>(138,900)</u>	<u>3,193,815</u>
Total being depreciated	<u>17,189,990</u>	<u>336,152</u>	<u>(113,304)</u>	<u>-</u>	<u>17,412,838</u>
Less accumulated depreciation for:					
Buildings	(3,039,238)	(242,839)	3,076	-	(3,279,001)
Other improvements	(3,824,996)	(252,907)	-	(129,090)	(4,206,993)
Equipment and furniture	(727,209)	(92,616)	3,369	24,886	(791,570)
Vehicles and motorized equipment	<u>(2,387,603)</u>	<u>(105,208)</u>	<u>46,320</u>	<u>104,204</u>	<u>(2,342,287)</u>
Total	<u>(9,979,046)</u>	<u>(693,570)</u>	<u>52,765</u>	<u>-</u>	<u>(10,619,851)</u>
Total capital assets, being depreciated, net	<u>7,210,944</u>	<u>(357,418)</u>	<u>(60,539)</u>	<u>-</u>	<u>6,792,987</u>
Governmental activities capital assets, net	<u><u>\$ 9,851,687</u></u>	<u><u>\$ (316,267)</u></u>	<u><u>\$ (88,394)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,447,026</u></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	22,124	-	1,003,881
Distribution system	7,746,421	-	-	7,746,421
Equipment	536,339	5,058	(5,464)	535,933
Vehicles and motorized equipment	193,869	57,681	-	251,550
Total	<u>9,458,386</u>	<u>84,863</u>	<u>(5,464)</u>	<u>9,537,785</u>
Less accumulated depreciation for:				
Buildings and improvements	(907,462)	(13,010)	-	(920,472)
Distribution system	(5,162,507)	(186,443)	-	(5,348,950)
Equipment	(475,930)	(3,920)	3,369	(476,481)
Vehicles and motorized equipment	(125,491)	(16,557)	-	(142,048)
Total	<u>(6,671,390)</u>	<u>(219,930)</u>	<u>3,369</u>	<u>(6,887,951)</u>
Total capital assets being depreciated, net	<u>2,786,996</u>	<u>(135,067)</u>	<u>(2,095)</u>	<u>2,649,834</u>
Water Fund capital assets, net	<u>\$ 2,969,434</u>	<u>\$ (135,067)</u>	<u>\$ (2,095)</u>	<u>\$ 2,832,272</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer Fund:				
Nondepreciable capital assets:				
Construction in progress	\$ 67,641	\$ 90,746	\$ (67,641)	\$ 90,746
Total	<u>67,641</u>	<u>90,746</u>	<u>(67,641)</u>	<u>90,746</u>
Capital assets, being depreciated:				
Buildings and improvements	165,503	15,344	-	180,847
Distribution system	10,575,323	684,443	-	11,259,766
Equipment	336,330	-	(5,464)	330,866
Vehicles and motorized equipment	350,747	-	-	350,747
Total	<u>11,427,903</u>	<u>699,787</u>	<u>(5,464)</u>	<u>12,122,226</u>
Less accumulated depreciation for:				
Buildings and improvements	(92,529)	(3,425)	-	(95,954)
Distribution system	(5,098,271)	(398,090)	-	(5,496,361)
Equipment	(292,783)	(13,705)	3,369	(303,119)
Vehicles and motorized equipment	(151,302)	(25,863)	-	(177,165)
Total	<u>(5,634,885)</u>	<u>(441,083)</u>	<u>3,369</u>	<u>(6,072,599)</u>
Total capital assets being depreciated, net	<u>5,793,018</u>	<u>258,704</u>	<u>(2,095)</u>	<u>6,049,627</u>
Sewer Fund capital assets, net	<u><u>\$ 5,860,659</u></u>	<u><u>\$ 349,450</u></u>	<u><u>\$ (69,736)</u></u>	<u><u>\$ 6,140,373</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Electric Fund:				
Nondepreciable capital assets:				
Land	\$ 129,366	\$ -	\$ -	\$ 129,366
Construction in progress	-	542,667	-	542,667
Total	<u>129,366</u>	<u>542,667</u>	<u>-</u>	<u>672,033</u>
Capital assets, being depreciated:				
Buildings and improvements	272,972	15,344	-	288,316
Equipment	7,399,972	-	(5,464)	7,394,508
Vehicles and motorized equipment	780,884	-	-	780,884
Total	<u>8,453,828</u>	<u>15,344</u>	<u>(5,464)</u>	<u>8,463,708</u>
Less accumulated depreciation for:				
Buildings and improvements	(159,154)	(8,713)	-	(167,867)
Equipment	(6,528,983)	(63,482)	3,369	(6,589,096)
Vehicles and motorized equipment	(598,946)	(33,037)	-	(631,983)
Total	<u>(7,287,083)</u>	<u>(105,232)</u>	<u>3,369</u>	<u>(7,388,946)</u>
Total capital assets being depreciated, net	<u>1,166,745</u>	<u>(89,888)</u>	<u>(2,095)</u>	<u>1,074,762</u>
Electric Fund capital assets, net	<u>\$ 1,296,111</u>	<u>\$ 452,779</u>	<u>\$ (2,095)</u>	<u>\$ 1,746,795</u>

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

Governmental activities:	
General government	\$ 34,291
Public safety	215,388
Transportation	267,433
Culture and recreation	<u>176,458</u>
Total depreciation expense - governmental activities	<u>\$ 693,570</u>
Business-type activities:	
Water	\$ 219,930
Sewer	441,083
Electric	<u>105,232</u>
Total depreciation expense - business-type activities	<u>\$ 766,245</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2021, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Installment notes - direct borrowings	\$ 2,039,161	\$ -	\$ (235,927)	\$ 1,803,234	\$ 175,052
Compensated absences	401,626	-	(114,101)	287,525	111,867
Net pension liability (LGERS)	840,342	599,995	(259,050)	1,181,287	-
Law enforcement officers'					
SSA total pension liability	789,371	306,505	(86,832)	1,009,044	-
Total OPEB liability	4,814,686	1,369,377	(275,114)	5,908,949	-
Governmental activity					
Long-term liabilities	<u>\$ 8,885,186</u>	<u>\$ 2,275,877</u>	<u>\$ (971,024)</u>	<u>\$ 10,190,039</u>	<u>\$ 286,919</u>
Business-type activities:					
Installment notes - direct borrowings	\$ 1,338,729	\$ -	\$ (416,919)	\$ 921,810	\$ 104,971
Revenue bonds - direct placement	1,700,000	-	(36,000)	1,664,000	37,000
Compensated absences	67,704	31,455	(30,423)	68,736	30,423
Net pension liability (LGERS)	436,909	323,074	(116,322)	643,661	-
Total OPEB liability	1,811,663	652,234	(71,507)	2,392,390	-
Business-type activity					
Long-term liabilities	<u>\$ 5,355,005</u>	<u>\$ 1,006,763</u>	<u>\$ (671,171)</u>	<u>\$ 5,690,597</u>	<u>\$ 172,394</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Borrowings - Installment Notes

The Town has various installment notes outstanding for buildings, equipment, and vehicle financing arrangements. The assets purchased or constructed with the financing has been pledged as collateral on the financing. The outstanding balances for the notes as of June 30, 2021, are as follows:

<i>Governmental activities</i>	<u>Balance as of June 30, 2021</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.	\$ 428,655
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.	306,441
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.	84,059
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.	25,682
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.	88,578
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.	254,981
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.	16,760
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.	25,018
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.	532,108
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.	29,142
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.	11,810
Total outstanding installment notes payable	<u>\$ 1,803,234</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>
2022	\$ 175,072	\$ 63,484	\$ 238,556
2023	162,573	58,334	220,907
2024	145,361	53,127	198,488
2025	140,599	47,926	188,525
2026	144,559	43,129	187,688
2027-2031	518,820	149,310	668,130
2032-2036	220,626	85,156	305,782
2037-2041	267,465	38,317	305,782
2042	28,159	1,199	29,358
Total	<u>\$ 1,803,234</u>	<u>\$ 539,982</u>	<u>\$ 2,343,216</u>

Business-type activities

**Balance as of
June 30, 2021**

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. \$ 72,002

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. 604,969

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. 141,768

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. 67,641

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. 35,430

Total outstanding notes payable \$ 921,810

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Borrowings - Installment Notes (Continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2022	\$ 104,971	\$ 18,350	\$ 123,321
2023	107,255	15,699	122,954
2024	91,296	13,230	104,526
2025	20,546	10,950	31,496
2026	20,546	10,688	31,234
2027-2031	105,728	49,444	155,172
2032-2036	87,546	42,281	129,827
2037-2041	88,000	34,444	122,444
2042-2046	97,000	25,856	122,856
2047-2051	106,000	16,463	122,463
2052-2056	92,922	6,150	99,072
Total	<u>\$ 921,810</u>	<u>\$ 243,555</u>	<u>\$ 1,165,365</u>

Direct Placement - Revenue Bonds

In July 2007, the Town issued \$643,000 of Direct Placement Water and Sewer Revenue Bonds, Series 2007 for water system improvements. Principal installments are due annually on June 1 with semiannual interest payments due on December 1 and June 1. The bonds bear an interest rate of 4.25%. At June 30, 2021, \$528,000 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, 2021, \$1,136,000 of the bonds were outstanding. The bonds mature in 2053. The bonds contain a provision that in an event of default, the outstanding balance becomes immediately due if the Town is unable to make payment.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Direct Placement - Revenue Bonds (Continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
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	41,000	42,245	83,245
2027-2031	225,000	192,780	417,780
2032-2036	260,000	158,313	418,313
2037-2041	301,000	117,746	418,746
2042-2046	339,000	70,295	409,295
2047-2051	250,000	25,479	275,479
2052-2053	94,000	2,996	96,996
Total	<u>\$ 1,664,000</u>	<u>\$ 789,820</u>	<u>\$ 2,453,820</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 \$2,453,820. Principal and interest paid for the current year and net revenues were \$83,579 and \$1,250,544, respectively.

The Town of Selma's Water & Sewer Revenue Bonds, Series 2007 and Series 2013 have covenant requirements (Article V, Section 5.01(c)(2)) which require 110% debt coverage ratio based on the income available for debt service as compared to the annual debt service requirement. The Town has been in compliance with the covenants as to rates and charges in the Water & Sewer Revenue Bonds, Series 2007 and 2013 since its adoption in 2007, except for fiscal years ended June 30, 2013, and June 30, 2014. Below is a calculation of the coverage ratio as of June 30, 2021:

Operating revenues	\$ 4,907,775
Non-operating revenues	3,651
Operating expenses	<u>(4,277,685)</u>
Income available for debt service	<u>\$ 633,741</u>
Annual debt service (Revenue Bonds only)	\$ 83,579
Debt service coverage ratio	758%

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2021, is as follows:

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Fund	Sewer Fund	\$ 425,000

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, 2021, the Sewer Fund made a payment of \$75,000 to the Water Fund towards the repayment of this advance.

Interfund transfers:

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town's contractually required contribution rate for the year ended June 30, 2021, 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 were \$374,341 for the year ended June 30, 2021.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

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

At June 30, 2021, the Town reported a liability of \$1,824,948 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At the June 30, 2020, measurement date, the Town's proportion was 0.05107%, which was an increase of 0.00430% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$635,012. At June 30, 2021, 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	\$ 230,459	\$ -
Changes in plan assumptions	135,812	-
Net difference between projected and actual earnings on pension plan investments	256,812	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	46,752	31,339
Town contributions subsequent to the measurement date	374,341	-
Total	<u>\$ 1,044,176</u>	<u>\$ 31,339</u>

Town contributions made subsequent to the measurement date of \$374,341 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2022	\$ 181,171
2023	239,741
2024	141,580
2025	76,004
	<u>\$ 638,496</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, 2020, was determined by the December 31, 2019 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, 2019 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, 2020, are as follows:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 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 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	\$ 3,702,622	\$ 1,824,948	\$ 264,470

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

B. Law Enforcement Officers Special Separation Allowance

Plan Description. The Town administers a public employee retirement system (the "Separation Allowance"), an agent multiple-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report is not issued for the Plan.

All full time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Active plan members	<u>22</u>
Total	<u><u>28</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, 2019 valuation. The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 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 \$86,017 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, 2021, the Town reported a total pension liability of \$1,009,044. The total pension liability was measured as of December 31, 2020, based on a December 31, 2019, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$118,270.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience differences	\$ 93,025	\$ -
Change in assumptions	206,718	13,832
Town benefit payments made subsequent to the measurement date.	52,976	-
Total	<u>\$ 352,719</u>	<u>\$ 13,832</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 \$52,976 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2022	\$ 70,669
2023	68,695
2024	62,286
2025	49,908
2026	34,353
	<u>\$ 285,911</u>

Changes in the Total Pension Liability. The changes in the total pension liability of the Town for the fiscal year ended June 30, 2021, were as follows:

	Total Pension Liability
Balance at June 30, 2020	\$ 789,371
Service Cost	32,311
Interest	24,331
Experience differences	27,865
Assumption changes	221,183
Benefit payments	(86,017)
Balance at June 30, 2021	<u>\$ 1,009,044</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 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 1,099,998	\$ 1,009,044	\$ 926,643

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, 2019 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 Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The state's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

NOTES TO FINANCIAL STATEMENTS

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, 2021, were \$65,281 which consisted of \$51,276 from the Town and \$14,005 from the law enforcement officers. As of June 30, 2021, there were twenty-seven (27) 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, 2021, were \$99,254, which consisted of \$64,710 from the Town and \$30,344 from the employees. As of June 30, 2021, there were sixty-four (64) 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	34
Total	<u>65</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, 2021, the Town contributed \$267,220 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 \$8,301,339 was measured as of June 30, 2020, based on a June 30, 2019, actuarial valuation. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020, utilizing update procedures incorporating the actuarial assumptions.

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	3.50%
Measurement date	2.21%
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 20-year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer.

Changes in the Total OPEB Liability. The changes in the total OPEB liability for the Town for the fiscal year ended June 30, 2021, were as follows:

	Total OPEB Liability
Balance at June 30, 2020	\$ 6,626,348
Service Cost	100,044
Interest	231,593
Experience differences	(27,472)
Assumption changes	1,591,645
Benefit payments	(220,819)
Balance at June 30, 2021	<u>\$ 8,301,339</u>

Change in assumption and other inputs reflect a change in the discount rate from 3.50% to 2.21%. 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, 2020, 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 (1.21 percent) or 1-percentage-point higher (3.21) than the current discount rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 9,968,785	\$ 8,301,339	\$ 7,023,539

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	\$ 6,902,681	\$ 8,301,339	\$ 10,149,332

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, 2021, and the current sharing pattern of costs between employer and inactive employees.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2021, OPEB expense was \$107,968. At June 30, 2021, 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	\$ -	\$ 816,246
Changes in plan assumptions	1,198,646	374,971
Town contributions subsequent to the measurement date	267,220	-
Total	\$ 1,465,866	\$ 1,191,217

Town contributions made subsequent to the measurement date of \$267,220 are reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2022	\$ (223,669)
2023	(128,272)
2024	340,061
2025	19,309
	\$ 7,429

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.

Construction Commitments:

The Town has entered into construction commitments for various Town projects with outstanding construction commitments of \$257,351 as of June 30, 2021.

NOTE 12. JOINTLY GOVERNED ORGANIZATIONS

The Town, in conjunction with thirty-one other local governments, is a member of the North Carolina City Electric Agency (the "Electric Agency"). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The thirty-one members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2021, were \$5,354,013.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SELMA, NORTH CAROLINA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
JUNE 30, 2021**

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

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

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

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

TOWN OF SELMA, NORTH CAROLINA

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

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total pension liability	\$ 1,009,044	\$ 789,371	\$ 736,478	\$ 720,538	\$ 693,194	\$ 724,106
Town's covered payroll	\$ 1,069,956	\$ 1,021,997	\$ 1,158,005	\$ 1,110,276	\$ 1,030,492	\$ 941,276
Total pension liability as a percentage of covered payroll	94.31%	77.24%	63.60%	64.90%	67.27%	76.93%

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

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

TOWN OF SELMA, NORTH CAROLINA

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

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 100,044	\$ 185,598	\$ 196,964	\$ 223,048
Interest on total OPEB liability	231,592	304,608	285,237	255,649
Difference between expected and actual experience	(27,472)	(1,544,380)	(24,361)	(12,765)
Changes of assumptions and other inputs	1,591,645	(19,487)	(409,297)	(746,136)
Benefit payments	(220,819)	(258,570)	(202,684)	(199,299)
Net change in total OPEB liability	1,674,990	(1,332,231)	(154,141)	(479,503)
 Total OPEB liability - beginning	 6,626,349	 7,958,580	 8,112,721	 8,592,224
Total OPEB liability - ending	\$ 8,301,339	\$ 6,626,349	\$ 7,958,580	\$ 8,112,721
Covered-employee payroll	\$ 3,178,466	\$ 1,463,579	\$ 1,823,609	\$ 2,061,538
Total OPEB liability as a percentage of covered-employee payroll	261.2%	452.7%	436.4%	393.5%

Notes to the Schedule:

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

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

TOWN OF SELMA, NORTH CAROLINA

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

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

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

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

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

TOWN OF SELMA, NORTH CAROLINA

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

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

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

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

TOWN OF SELMA, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED JUNE 30, 2021

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Ad valorem taxes:				
Current year	\$ 2,860,833	\$ 2,877,833	\$ 3,093,758	\$ 215,925
Prior year	5,000	5,000	-	(5,000)
Penalties and interest	3,500	3,500	6,250	2,750
Total ad valorem taxes	2,869,333	2,886,333	3,100,008	213,675
Other taxes and licenses:				
Local option sales taxes	991,851	991,851	1,172,987	181,136
Total other taxes and licenses	991,851	991,851	1,172,987	181,136
Unrestricted intergovernmental:				
Local occupancy taxes	130,000	130,000	57,460	(72,540)
Payments in lieu of taxes (external sources)	35,000	35,000	58,919	23,919
Telecommunications sales tax	35,000	35,000	32,937	(2,063)
Fire district tax	212,189	212,189	234,297	22,108
Utilities sales tax	330,000	330,000	331,341	1,341
Piped natural gas sales tax	5,500	5,500	8,878	3,378
Video franchise fee	24,000	24,000	23,564	(436)
Beer and wine tax	28,000	28,000	27,995	(5)
ABC profit distribution	40,000	40,000	47,573	7,573
Total unrestricted intergovernmental	839,689	839,689	822,964	(16,725)
Restricted intergovernmental:				
Powell Bill allocation	168,500	168,500	160,914	(7,586)
Controlled substance tax	-	-	1,431	1,431
On-behalf of payments - Fire and Rescue	56,596	56,596	73,077	16,481
FEMA grant	-	7,859	7,859	-
State grants	-	-	24,747	24,747
CARES Act grant	-	192,295	230,522	38,227
Solid waste disposal tax	4,800	4,800	5,017	217
Total restricted intergovernmental	229,896	430,050	503,567	73,517
Permits and fees:				
Building permits	10,000	10,000	17,010	7,010
Inspection fees	9,000	9,000	7,825	(1,175)
Total permits and fees	19,000	19,000	24,835	5,835
Sales and services:				
Cemetery fees	175,900	175,900	274,348	98,448
Recreation fees	64,000	310	5,166	4,856
Refuse charges	660,000	660,000	691,360	31,360
Rents	39,190	39,190	43,604	4,414
Other fees	65,638	48,498	44,104	(4,394)
Total sales and services	1,004,728	923,898	1,058,582	134,684
Investment earnings	11,750	11,750	3,991	(7,759)
Miscellaneous	7,500	248,682	270,242	21,560
Total revenues	5,973,747	6,351,253	6,957,176	605,923

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, 2021

	Budget		Actual	Variance With Final Budget
	Original	Final		
Expenditures				
Current:				
General government:				
Governing body:				
Salaries and employee benefits	\$ 28,553	\$ 28,553	\$ 28,600	\$ (47)
Professional services	9,850	16,350	19,741	(3,391)
Departmental supplies	2,600	2,600	1,268	1,332
Other operating expenditures	23,197	18,763	16,030	2,733
Total	64,200	66,266	65,639	627
Administration:				
Salaries and employee benefits	369,529	356,329	331,301	25,028
Professional services	17,215	27,217	25,835	1,382
Departmental supplies	18,766	19,316	19,905	(589)
Other operating expenditures	40,750	38,150	32,251	5,899
Repairs and maintenance	-	1,000	890	110
Total	446,260	442,012	410,182	31,830
Finance:				
Salaries and employee benefits	140,789	150,020	139,335	10,685
Professional services	15,250	18,991	16,563	2,428
Departmental supplies	4,404	4,404	3,315	1,089
Other operating expenditures	87,236	103,688	86,541	17,147
Capital outlay	-	23,738	15,344	8,394
Total	247,679	300,841	261,098	39,743
Nonprofit Organization Support:				
Other operating expenditures	2,000	2,500	2,175	325
Total	2,000	2,500	2,175	325
Planning and Economic Development:				
Salaries and employee benefits	110,768	110,768	86,645	24,123
Professional services	29,500	27,484	10,964	16,520
Departmental supplies	5,350	5,850	4,192	1,658
Other operating expenditures	234,350	405,302	246,658	158,644
Repairs and maintenance	-	1,000	532	468
Total	379,968	550,404	348,991	201,413
Total general government	1,140,107	1,362,023	1,088,085	273,938

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, 2021

	Budget		Actual	Variance With Final Budget
	Original	Final		
Expenditures (Continued)				
Public Safety:				
Police:				
Salaries and employee benefits	\$ 1,736,307	\$ 1,778,772	\$ 1,648,103	\$ 130,669
Professional services	13,000	20,150	20,517	(367)
Departmental supplies	44,500	42,150	39,776	2,374
Other operating expenditures	13,400	10,900	10,791	109
Capital outlay	-	15,500	15,500	-
Repairs and maintenance	17,000	20,700	18,353	2,347
Total	1,824,207	1,888,172	1,753,040	135,132
Fire Department:				
Salaries and employee benefits	562,912	607,792	556,926	50,866
Professional services	4,300	12,159	12,225	(66)
Departmental supplies	31,669	33,043	27,299	5,744
Other operating expenditures	4,934	9,554	5,376	4,178
Repairs and maintenance	33,600	53,342	48,751	4,591
Total	637,415	715,890	650,577	65,313
Total public safety	2,461,622	2,604,062	2,403,617	200,445
Transportation:				
Powell Bill:				
Capital outlay	280,886	278,735	197,748	80,987
Repairs and maintenance	41,700	43,851	30,464	13,387
Total	322,586	322,586	228,212	94,374
Public Works:				
Salaries and employee benefits	509,798	437,842	361,706	76,136
Professional services	11,250	77,805	74,626	3,179
Departmental supplies	40,654	43,260	37,136	6,124
Other operating expenditures	600,000	609,200	605,681	3,519
Repairs and maintenance	11,350	11,850	12,419	(569)
Total	1,173,052	1,179,957	1,091,568	88,389
Public Facilities and Grounds:				
Salaries and employee benefits	157,801	162,332	154,486	7,846
Professional services	45,000	60,500	42,875	17,625
Departmental supplies	17,500	18,700	14,693	4,007
Other operating expenditures	158,300	147,800	130,429	17,371
Capital outlay	-	54,300	51,721	2,579
Repairs and maintenance	26,500	36,510	35,052	1,458
Total	405,101	480,142	429,256	50,886
Total transportation	1,900,739	1,982,685	1,749,036	233,649
				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, 2021

	Budget		Actual	Variance With Final Budget
	Original	Final		
Expenditures (Continued)				
Culture and Recreation:				
Recreation:				
Salaries and employee benefits	\$ 299,143	\$ 303,374	\$ 282,770	\$ 20,604
Professional services	77,500	23,670	10,818	12,852
Departmental supplies	29,160	29,160	23,819	5,341
Other operating expenditures	85,650	30,150	9,951	20,199
Capital outlay	-	87,811	34,501	53,310
Repairs and maintenance	15,700	17,479	15,029	2,450
Total	507,153	491,644	376,888	114,756
Library:				
Salaries and employee benefits	128,402	132,633	126,357	6,276
Professional services	5,500	7,200	7,198	2
Departmental supplies	18,800	18,900	15,961	2,939
Other operating expenditures	14,160	5,860	1,876	3,984
Repairs and maintenance	5,000	11,600	11,038	562
Total	171,862	176,193	162,430	13,763
Civic Center:				
Salaries and employee benefits	2,500	2,500	-	2,500
Professional services	7,000	13,450	13,349	101
Departmental supplies	21,000	18,535	12,221	6,314
Repairs and maintenance	1,000	1,525	1,735	(210)
Capital outlay	15,000	52,740	52,740	-
Total	46,500	88,750	80,045	8,705
Total culture and recreation	725,515	756,587	619,363	137,224
Debt Service:				
Principal	238,619	236,821	235,927	894
Interest	72,255	71,555	70,029	1,526
Total	310,874	308,376	305,956	2,420
Total expenditures	6,538,857	7,013,733	6,166,057	847,676
Excess (deficiency) of revenues over (under) expenditures	(565,110)	(662,480)	791,119	1,453,599
Other financing sources				
Fund balance appropriation	390,110	446,480	-	(446,480)
Transfers in	175,000	175,000	175,000	-
Proceeds from sale of capital assets	-	41,000	44,062	3,062
Total other financing sources	565,110	662,480	219,062	(443,418)
Net change in fund balances	-	-	1,010,181	1,010,181
Fund balance, beginning of year	3,638,687	3,638,687	3,638,687	-
Fund balance, end of year	\$ 3,638,687	\$ 3,638,687		\$ 1,010,181
Plus Fire Protection - Selma Petroleum Terminals Fund - ending fund balance			203,209	
General Fund - Fund Balance			\$ 4,852,077	

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, 2021

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Interest	\$ -	\$ -	\$ 100	\$ 100
Permits and fees	21,000	21,000	12,050	(8,950)
Miscellaneous	5,000	5,000	30,395	25,395
Total revenues	26,000	26,000	42,545	16,545
EXPENDITURES				
Public safety	10,000	51,000	32,050	18,950
Excess (deficiency) of revenues over (under) expenditures	16,000	(25,000)	10,495	35,495
OTHER FINANCING SOURCES (USES)				
Fund balance appropriation	-	41,000	-	(41,000)
Reserves to fund balance for future expenditures	(16,000)	(16,000)	-	16,000
Total other financing sources (uses)	(16,000)	25,000	-	(25,000)
Net change in fund balance	-	-	10,495	10,495
FUND BALANCE, beginning of year	192,714	192,714	192,714	-
FUND BALANCE, end of year	\$ 192,714	\$ 192,714	\$ 203,209	\$ 10,495

TOWN OF SELMA, NORTH CAROLINA
FIRE GRANT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)**
PROJECT LIFE AS OF JUNE 30, 2021

	Project	Actual		
	Budget	Prior Years	Current Year	Total
REVENUES				
Intergovernmental	\$ 273,495	\$ -	\$ 37,345	\$ 37,345
Total revenues	273,495	-	37,345	37,345
EXPENDITURES				
Fire Department:				
Salaries and benefits	199,995	-	-	-
Uniforms and supplies	48,500	-	13,985	13,985
Contracted services	3,000	-	1,080	1,080
Capital outlay	22,000	-	22,280	22,280
Total expenditures	273,495	-	37,345	37,345
Net change in fund balance	\$ -	-	-	-
FUND BALANCE, beginning of year		-	-	-
FUND BALANCE, end of year		\$ -	\$ -	\$ -

TOWN OF SELMA, NORTH CAROLINA

WATER FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2021

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Operating revenues				
Water charges	\$ 1,422,960	\$ 1,422,960	\$ 1,511,748	\$ 88,788
Penalties	75,000	75,000	69,285	(5,715)
Other operating revenues	349,000	349,000	271,455	(77,545)
Non-operating revenues - interest	10,000	10,000	2,628	(7,372)
Total revenues	1,856,960	1,856,960	1,855,116	(1,844)
EXPENDITURES				
Water administration				
Salaries and benefits	421,319	421,319	364,020	57,299
Professional services	82,250	85,297	84,836	461
Utilities	67,375	67,052	68,046	(994)
Insurance	61,460	63,996	57,744	6,252
Other operating expenditures	67,975	100,197	50,719	49,478
Total water administration	700,379	737,861	625,365	112,496
Water operations				
Salaries and benefits	292,735	297,289	292,600	4,689
Department supplies	14,000	14,000	8,946	5,054
Chemicals	70,000	70,000	50,535	19,465
Maintenance and repairs	87,500	87,500	42,885	44,615
Contract services	75,000	73,750	61,380	12,370
Purchase for resale	117,213	117,213	111,054	6,159
Other operating expenditures	175,093	175,093	135,178	39,915
Total water operations	831,541	834,845	702,578	132,267

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, 2021

	Budget		Actual	Variance With Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
Debt service				
Principal	\$ 34,516	\$ 34,516	\$ 31,142	\$ 3,374
Interest	25,524	25,524	24,232	1,292
Total debt service	60,040	60,040	55,374	4,666
Total expenditures	1,591,960	1,632,746	1,383,317	249,429
 Excess of revenues over expenditures	265,000	224,214	471,799	247,585
 OTHER FINANCING SOURCES (USES)				
Appropriation of net position	-	40,786	-	(40,786)
Transfers out	(265,000)	(265,000)	(253,735)	11,265
Total other financing sources (uses)	(265,000)	(224,214)	(253,735)	(29,521)
 Net change in net position	\$ -	\$ -	218,064	\$ 218,064
 Adjustments to full accrual:				
Capital outlays			84,863	
Payments of debt service - principal			31,142	
Increase in compensated absences			(1,255)	
Increase in net pension liability and related pension items			(42,532)	
Increase in total OPEB liability and related OPEB items			(209,447)	
Change in accrued interest			(2,057)	
Depreciation expense			(219,930)	
Water Capital Reserve Fund			254,008	
Change in net position			\$ 112,856	

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, 2021**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 273	\$ 273
OTHER FINANCING SOURCES				
Transfer in	265,000	265,000	253,735	(11,265)
Total other financing sources	265,000	265,000	253,735	(11,265)
Net change in net position	<u>\$ 265,000</u>	<u>\$ 265,000</u>	<u>\$ 254,008</u>	<u>\$ (10,992)</u>

TOWN OF SELMA, NORTH CAROLINA

SEWER FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2021

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Operating revenues				
Sewer charges	\$ 2,653,923	\$ 2,653,923	\$ 2,782,891	\$ 128,968
Penalties	75,000	75,000	67,874	(7,126)
Intergovernmental	-	-	617,920	617,920
Other operating revenues	209,500	210,716	203,402	(7,314)
Non-operating revenues - interest	7,500	7,500	604	(6,896)
Total revenues	2,945,923	2,947,139	3,672,691	725,552
EXPENDITURES				
Sewer administration				
Salaries and benefits	125,745	128,682	106,136	22,546
Professional services	69,750	65,143	24,958	40,185
Utilities	53,000	61,000	66,713	(5,713)
Insurance	80,500	53,714	39,299	14,415
Maintenance and repairs	1,000	1,000	-	1,000
Other operating expenditures	275,398	152,475	36,387	116,088
Total sewer administration	605,393	462,014	273,493	188,521
Sewer operations				
Salaries and benefits	240,706	244,937	210,409	34,528
Department supplies	10,000	10,000	5,069	4,931
Maintenance and repairs	137,500	56,500	34,276	22,224
Transmission and treatment fees	1,534,896	2,334,896	2,154,132	180,764
Other operating expenditures	88,857	1,110,746	888,883	221,863
Total sewer operations	2,011,959	3,757,079	3,292,769	464,310

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, 2021

	Budget		Actual	Variance With Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
Debt service				
Principal	\$ 83,816	\$ 80,816	\$ 80,441	\$ 375
Interest	42,755	42,755	41,131	1,624
Total debt service	126,571	123,571	121,572	1,999
Total expenditures	2,743,923	4,342,664	3,687,834	654,830
 Excess (deficiency) of revenues over (under) expenditures	202,000	(1,395,525)	(15,143)	1,380,382
 OTHER FINANCING SOURCES (USES)				
Appropriation of net position	-	1,597,525	-	(1,597,525)
Transfers out	(202,000)	(202,000)	(194,358)	7,642
Total other financing sources (uses)	(202,000)	1,395,525	(194,358)	(1,589,883)
 Net change in net position	\$ -	\$ -	(209,501)	\$ (209,501)
 Adjustments to full accrual:				
Capital outlays			722,892	
Payments of debt service - principal			80,441	
Increase in compensated absences			(1,255)	
Increase in net pension liability and related pension items			(39,253)	
Decrease in total OPEB liability and related OPEB items			106,701	
Change in accrued interest			(2,033)	
Depreciation expense			(441,083)	
Sewer Capital Reserve Fund			194,504	
Change in net position			\$ 411,413	

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, 2021

	Project Budget	Prior Years	Actual 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 (under) 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, 2021

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 146	\$ 146
Total revenues	-	-	146	146
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	(202,000)	(202,000)	-	202,000
Transfers in	202,000	202,000	194,358	(7,642)
Total other financing sources	-	-	194,358	194,358
Net change in net position	\$ -	\$ -	\$ 194,504	\$ 194,504

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, 2021

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Operating revenues				
Electric charges	\$ 7,661,241	\$ 7,661,241	\$ 7,007,363	\$ (653,878)
Other operating revenues	769,694	789,491	611,376	(178,115)
Nonoperating revenues - interest	5,000	5,000	1,132	(3,868)
Total revenues	8,435,935	8,455,732	7,619,871	(835,861)
EXPENDITURES				
Electric administration				
Salaries and benefits	573,261	573,662	516,998	56,664
Contracted services	27,750	30,143	22,449	7,694
Utilities	12,000	14,500	12,816	1,684
Insurance	30,000	30,000	25,416	4,584
Other operating expenditures	167,525	200,036	125,319	74,717
Total electric administration	810,536	848,341	702,998	145,343
Electric operations				
Salaries and benefits	471,925	471,925	286,153	185,772
Department supplies	60,000	59,000	40,404	18,596
Maintenance and repairs	6,000	20,112	16,924	3,188
Purchases for inventory	73,000	69,000	43,533	25,467
Contracted services	76,500	54,550	52,385	2,165
Other operating expenditures	731,820	763,205	624,796	138,409
Total electric operations	1,419,245	1,437,792	1,064,195	373,597
Electric power purchases	5,837,600	5,837,600	5,354,013	483,587

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, 2021

	Budget		Actual	Variance With Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
Debt service				
Principal	\$ 344,865	\$ 344,865	\$ 341,336	\$ 3,529
Interest	14,780	14,780	13,154	1,626
Total debt service	359,645	359,645	354,490	5,155
Total expenditures	8,427,026	8,483,378	7,475,696	1,007,682
 Excess (deficiency) of revenues over (under) expenditures	 8,909	 (27,646)	 144,175	 171,821
 OTHER FINANCING SOURCES (USES)				
Appropriation to increase net position	-	36,555	-	(36,555)
Transfers in	166,091	166,091	166,091	
Transfers out	(175,000)	(175,000)	(175,000)	-
Total other financing sources (uses)	(8,909)	27,646	(8,909)	(36,555)
 Net change in net position	 \$ -	 \$ -	 135,266	 \$ 135,266
 Adjustments to full accrual:				
Capital outlays			558,011	
Payments of debt service - principal			341,336	
Decrease in compensated absences			1,478	
Increase in net pension liability and related pension items			(29,287)	
Decrease in total OPEB liability and related OPEB items			18,517	
Decrease in accrued interest payable			4,698	
Depreciation expense			(105,232)	
Electric Capital Reserve Fund			(164,659)	
Change in net position			<u>\$ 760,128</u>	

TOWN OF SELMA, NORTH CAROLINA

**ELECTRIC CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 1,432	\$ 1,432
OTHER FINANCING SOURCES (USES)				
Appropriation of net position	-	166,091	-	(166,091)
Transfers out	-	(166,091)	(166,091)	-
Total other financing sources (uses)	-	-	(166,091)	(166,091)
Net change in net position	\$ -	\$ -	\$ (164,659)	\$ (164,659)

TOWN OF SELMA, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2021

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections And Credits	Uncollected Balance June 30, 2020
2020-2021	\$ -	\$ 3,124,925	\$ 3,117,188	\$ 7,737
2019-2020	12,913	-	9,541	3,372
2018-2019	1,042	-	241	801
2017-2018	312	-	17	295
2016-2017	17	-	-	17
2015-2016	306	-	-	306
2014-2015	420	-	-	420
2013-2014	1,415	-	18	1,397
2012-2013	2,762	-	67	2,695
2011-2012	2,903	-	18	2,885
2010-2011	2,760	-	-	2,760
	<u>\$ 24,850</u>	<u>\$ 3,124,925</u>	<u>\$ 3,127,090</u>	<u>22,685</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>20,407</u>
Ad valorem taxes receivable - net				<u>\$ 2,278</u>
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				\$ 3,100,008
Reconciling items:				
Releases and write-offs				33,332
Interest collected				<u>(6,250)</u>
Total collections and credits				<u>\$ 3,127,090</u>

TOWN OF SELMA, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY

TOWN-WIDE LEVY

JUNE 30, 2021

				Total Levy	
	Town-wide			Property excluding	
	Property Valuation	Rate	Total Levy	Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real property	\$ 384,190,349	0.57	\$ 2,189,885	\$ 2,189,885	\$ -
Personal property	91,644,134	0.57	736,945	522,372	214,573
Public service company	37,866,769	0.57	215,841	215,841	-
Penalties	-		12,194	-	-
Total	<u>513,701,252</u>		<u>3,154,865</u>	<u>2,928,098</u>	<u>214,573</u>
Discoveries:					
Current year taxes	1,159,024		6,606	6,606	-
Prior year taxes	91,148		479	479	-
Penalties	-		222	-	-
Total	<u>1,250,172</u>		<u>7,307</u>	<u>7,085</u>	<u>-</u>
Abatements	<u>(4,356,239)</u>		<u>(24,831)</u>	<u>(24,831)</u>	<u>-</u>
Total property valuation	<u>\$ 510,595,185</u>				
Net levy			3,124,925	2,910,352	214,573
Uncollected taxes at June 30, 2021			<u>(7,737)</u>	<u>(7,737)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 3,117,188</u>	<u>\$ 2,902,615</u>	<u>\$ 214,573</u>
Current levy collection percentage			<u>99.75%</u>	<u>99.73%</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, and each major fund of the **Town of Selma, North Carolina** (the "Town") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 5, 2021.

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.

Columbia, South Carolina
October 5, 2021

TOWN OF SELMA, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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, 2021, 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, 2021, 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, 2021**

None reported.