

**TOWN OF SELMER, TENNESSEE**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2014**

# TOWN OF SELMER, TENNESSEE

## ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

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**TOWN OF SELMER, TENNESSEE  
ROSTER OF PUBLICLY ELECTED AND MANAGEMENT OFFICIALS  
JUNE 30, 2014**

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**Elected Officials**

John Smith	Mayor
John Finlayson	Alderman
Johnny Norris	Alderman
Paul Simpson	Alderman
Edward Smith	Alderman
Chris Tull	Alderman

**Management Officials**

Anji Deaton	CMFO
Ann Henderson	City Recorder
Anthony Carr	Fire Chief
Neal Burks	Police Chief
Richard Ashe	Public Works Director
Jim Replogle	Building Inspector
Sybil Dancer	Parks and Recreation Director

**Counsel**

Terry Abernathy	Selmer, Tennessee
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## **Independent Auditor's Report**

To the Mayor and Board of Aldermen  
Town of Selmer, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Selmer, Tennessee (the Town), as of and for the year ended June 30, 2014, 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 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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Sanitation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Emphasis of Matter***

As described in Note IV.E., the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *The Financial Reporting for Pension Plans – an amendment of GASB Statement 25*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress on pages 4 through 8 and page 42 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, other supplemental information, and schedule of expenditures of federal awards and state financial assistance 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, except for that which has been marked "unaudited", 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 combining and individual nonmajor fund financial statements and schedules, other supplemental information, except for that which has been marked "unaudited", and the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the AWWA WLCC Free Water Audit Software: Reporting Worksheet – "unaudited" have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2014, on our consideration of the City'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 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 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 City's internal control over financial reporting and compliance.



September 19, 2014

**TOWN OF SELMER, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

Our discussion and analysis of the Town of Selmer, Tennessee, will offer readers of the Town's financial statements a narrative overview and review of the financial activities of the Town for the fiscal year ended June 30, 2014. Readers are encouraged to consider the information presented here in conjunction with the Town's financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 9 and 10) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

**Reporting the Town as a Whole**

**The Statement of Net Position and the Statement of Activities**

Our analysis of the Town as a whole begins on page 9. The following is one of the most important questions asked about the Town's finances, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Town's assets, liabilities, deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows of future fiscal periods.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- Governmental activities – Most of the Town's basic services are reported here, including the general government; public safety; public works; health, welfare, and recreation; industrial development; capital projects; and debt service. Property taxes, local sales taxes, and state shared revenue finance most of these activities.
- Business-type activities – The Town charges a fee to customers to help cover all or most of the cost of certain services it provides. The Town's gas, water, and sewer operations are reported here.

**Reporting the Town's Most Significant Funds**

The fund financial statements begin on page 11 and provide detailed information about the most significant funds (not the Town as a whole). Some funds are required to be established by State law. The Town's two kinds of funds – governmental and proprietary – use different accounting approaches.

- *Governmental Funds* – Most of the Town's basic services are reported in governmental funds, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- *Proprietary Funds* – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

**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 can be found on pages 25 - 41.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found starting on page 42 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 44 - 47 of this report.

## **THE TOWN AS A WHOLE**

For the year ended June 30, 2014, net position changed as follows:



# **TOWN OF SELMER'S NET POSITION**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Current and other assets	\$ 3,403,657	\$ 2,677,743	\$ 6,694,857	\$ 6,326,376	\$ 10,098,514	\$ 9,004,119
Capital assets	3,012,499	2,673,587	25,451,372	25,692,354	28,463,871	28,365,941
Total Assets	<u>6,416,156</u>	<u>5,351,330</u>	<u>32,146,229</u>	<u>32,018,730</u>	<u>38,562,385</u>	<u>37,370,060</u>
Long term liabilities	1,175,000	1,334,695	11,536,406	12,215,209	12,711,406	13,549,904
Other liabilities	586,521	83,520	597,271	474,702	1,183,792	558,222
Total liabilities	<u>1,761,521</u>	<u>1,418,215</u>	<u>12,133,677</u>	<u>12,689,911</u>	<u>13,895,198</u>	<u>14,108,126</u>
Total deferred inflows of resources	<u>724,690</u>	<u>723,678</u>	<u>-</u>	<u>-</u>	<u>724,690</u>	<u>723,678</u>
Net Position						
Net investments in capital assets	1,913,882	1,415,275	13,964,857	13,528,067	15,878,739	14,943,342
Restricted	170,321	109,349	-	-	170,321	109,349
Unrestricted	1,845,742	1,684,813	6,047,695	5,800,752	7,893,437	7,485,565
Total Net Position	<u>\$ 3,929,945</u>	<u>\$ 3,209,437</u>	<u>\$ 20,012,552</u>	<u>\$ 19,328,819</u>	<u>\$ 23,942,497</u>	<u>\$ 22,538,256</u>

During the current fiscal year, the Town's total net position increased by \$1,395,281 (exclusive of prior period adjustments) compared to the prior year increase of \$940,825.

## **Governmental Activities**

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

## **Business-type Activities**

The changes in business-type activities net position are described below:

- The Town's Gas Fund had an increase in net position of \$444,432 compared to an increase in the prior year of \$656,767. The primary cause of this reduction is due to an increase in the cost of natural gas sold.
- The Town's Water Systems Fund operated at an increase in net position of \$230,341 compared to an increase in the prior year of \$6,904. The primary reason for this increase is due to large grant revenues in the current year.

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program Revenues:						
Fees, fines and charges for services	\$ 955,641	\$ 875,742	\$ 5,400,786	\$ 5,109,945	\$ 6,356,427	\$ 5,985,687
Operating grants and contributions	237,624	232,075	-	-	237,624	232,075
Capital grants and contributions	635,636	304,045	353,021	32,536	988,657	336,581
General Revenues:						
Property taxes	854,813	844,571	-	-	854,813	844,571
Sales taxes	1,844,131	1,760,784	-	-	1,844,131	1,760,784
Public service taxes	34,559	31,879	-	-	34,559	31,879
Investment earnings	11,630	13,291	18,945	28,942	30,575	42,233
Insurance recoveries	-	23,432	7,014	13,212	7,014	36,644
Gain on sale of assets	9,911	10,105	850	4,350	10,761	14,455
Loss on disposal of assets	-	-	-	-	-	-
Miscellaneous	51,284	29,417	-	-	51,284	29,417
Transfers	126,072	123,330	-	-	126,072	123,330
<b>Total Revenues</b>	<b>4,761,301</b>	<b>4,248,671</b>	<b>5,780,616</b>	<b>5,188,985</b>	<b>10,541,917</b>	<b>9,437,656</b>
<b>Expenses:</b>						
General government	824,424	745,857	-	-	824,424	745,857
Public safety	1,565,721	1,568,874	-	-	1,565,721	1,568,874
Public works	1,219,394	1,220,887	-	-	1,219,394	1,220,887
Health, welfare and recreation	392,665	394,380	-	-	392,665	394,380
Interest on long-term debt	38,589	41,519	-	-	38,589	41,519
Water and Sewer	-	-	3,048,989	2,900,707	3,048,989	2,900,707
Natural Gas	-	-	1,930,782	1,501,277	1,930,782	1,501,277
Transfers out	-	-	126,072	123,330	126,072	123,330
<b>Total Expenses</b>	<b>4,040,793</b>	<b>3,971,517</b>	<b>5,105,843</b>	<b>4,525,314</b>	<b>9,146,636</b>	<b>8,496,831</b>
Increase (decrease) in net position	720,508	277,154	674,773	663,671	1,395,281	940,825
Net position-beginning, as originally stated	3,209,437	2,952,595	19,328,819	18,711,958	22,538,256	21,664,553
Prior period adjustments	-	(20,312)	8,960	(46,810)	8,960	(67,122)
Net position-beginning, as restated	3,209,437	2,932,283	19,337,779	18,665,148	22,547,216	21,597,431
Net position-end of year	\$ 3,929,945	\$ 3,209,437	\$ 20,012,552	\$ 19,328,819	\$ 23,942,497	\$ 22,538,256

## THE TOWN'S FUNDS

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of \$2,012,740 which is 11.7% increase from last year's total of \$1,802,219.

The following schedule presents a summary of general and, special revenue funds' revenues and expenditures for the fiscal year ended June 30, 2014, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	June 30, 2014	Percent of Total	Increase (Decrease) from June 30, 2013
Taxes	\$ 2,339,838	50.68%	\$ 79,304
Intergovernmental	1,256,665	27.22%	347,994
Licenses and permits	3,028	0.07%	(187)
Charges for services	523,758	11.35%	3,147
Fines and forfeitures	428,855	9.29%	76,939
Other revenues	64,453	1.40%	(3,993)
<b>Total Revenues</b>	<b>\$ 4,616,597</b>	<b>100.00%</b>	<b>\$ 503,204</b>

The increase in intergovernmental revenues was due to grant revenues for two new fire trucks.

<b>Expenditures</b>	<b>June 30, 2014</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from June 30, 2013</b>
General government	\$ 768,741	16.57%	\$ 78,962
Public Safety	1,408,989	30.37%	(9,230)
Public Works	1,137,282	24.51%	10,040
Health, welfare, and recreation	315,306	6.80%	(2,469)
Capital outlay	717,671	15.47%	219,576
Debt Service	291,570	6.28%	35,994
<b>Total Expenditures</b>	<b>\$ 4,639,559</b>	<b>100.00%</b>	<b>\$ 332,873</b>

The increased capital outlay expenditures were primarily due to the purchase of two new fire trucks.

#### **General Fund Budgetary Highlights**

Over the course of the year, the Town did revise the budget two times.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

##### **Capital Assets**

At the end of June 30, 2014, the Town had invested \$28,463,871 net of accumulated depreciation in a broad range of capital assets, including police and fire equipment; buildings; parks facilities; water and sewer lines; natural gas lines; and equipment. This amount represents a net increase (including additions and deductions) of \$97,928, or 3.5% above the prior year. Additional information on capital assets is in Note III.A.

##### **Debt**

At year-end, the Town had \$12,711,406 in outstanding long-term debt compared to \$13,549,904 last year. Of the total outstanding debt 9% belongs to the Governmental funds and 91% to the Water and Sewer Fund. Additional information on debt is in Note III.B.

#### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Town Recorder at Town of Selmer, 144 North Second Street, Selmer, Tennessee 38375.

**TOWN OF SELMER, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,175,779	\$ 5,792,612	\$ 7,968,391
Receivables:			
Property taxes	806,939	-	806,939
Accounts receivable	52,003	428,069	480,072
Grant receivable	79,130	142,462	221,592
Due from other governments	224,080	-	224,080
Inventories	-	353,819	353,819
Prepaid items	26,155	17,466	43,621
Internal balances	39,571	(39,571)	-
Capital assets (net of accumulated depreciation):			
Nondepreciable	365,481	617,826	983,307
Depreciable	2,647,018	24,833,546	27,480,564
<b>TOTAL ASSETS</b>	<b>6,416,156</b>	<b>32,146,229</b>	<b>38,562,385</b>
<b>LIABILITIES</b>			
Accounts payable	536,230	376,554	912,784
Accrued expenses	50,291	76,667	126,958
Unearned revenues	-	-	-
Customer deposits	-	144,050	144,050
Debt:			
Due within one year	247,742	545,778	793,520
Due in more than one year (net of unamortized premiums)	927,258	10,990,628	11,917,886
<b>TOTAL LIABILITIES</b>	<b>1,761,521</b>	<b>12,133,677</b>	<b>13,895,198</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues - property taxes	724,690	-	724,690
	<u>724,690</u>	<u>-</u>	<u>724,690</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,913,882	13,964,857	15,878,739
Restricted for:			
State Street Aid Fund	27,107	-	27,107
Drug Fund	79,557	-	79,557
Sanitation	63,657	-	63,657
Unrestricted	1,845,742	6,047,695	7,893,437
<b>TOTAL NET POSITION</b>	<b>\$ 3,929,945</b>	<b>\$ 20,012,552</b>	<b>\$ 23,942,497</b>

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

**TOWN OF SELMER, TENNESSEE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities</b>							
General Government	\$ 824,424	\$ 33,840	\$ 1,539	\$ -	\$ (789,045)	\$ -	\$ (789,045)
Public Safety	1,565,721	440,766	10,200	522,924	(591,831)	-	(591,831)
Public Works	1,219,394	436,165	224,385	-	(558,844)	-	(558,844)
Health, Welfare and Recreation	392,665	44,870	1,500	112,712	(233,583)	-	(233,583)
Interest on long-term debt	38,589	-	-	-	(38,589)	-	(38,589)
<b>Total governmental activities</b>	<b>4,040,793</b>	<b>955,641</b>	<b>237,624</b>	<b>635,636</b>	<b>(2,211,892)</b>	<b>-</b>	<b>(2,211,892)</b>
<b>Business-type activities</b>							
Water and Sewer	3,048,989	2,989,055	-	353,021	-	293,087	293,087
Natural Gas	1,930,782	2,411,731	-	-	-	480,949	480,949
<b>Total business-type activities</b>	<b>4,979,771</b>	<b>5,400,786</b>	<b>-</b>	<b>353,021</b>	<b>-</b>	<b>774,036</b>	<b>774,036</b>
<b>Total Government</b>	<b>\$ 9,020,564</b>	<b>\$ 6,356,427</b>	<b>\$ 237,624</b>	<b>\$ 988,657</b>	<b>(2,211,892)</b>	<b>774,036</b>	
<b>General Revenues:</b>							
Taxes:							
Property					854,813	-	854,813
Sales					1,844,131	-	1,844,131
Public service taxes					34,559	-	34,559
Investment earnings					11,630	18,945	30,575
Insurance recoveries					-	7,014	7,014
Sale of capital assets					9,911	850	10,761
Miscellaneous					51,284	-	51,284
Transfers					126,072	(126,072)	-
Total general revenues and transfers					2,932,400	(99,263)	2,833,137
Change in net position					720,508	674,773	1,395,281
Net position at beginning of year, as originally stated					3,209,437	19,328,819	22,538,256
Prior period adjustment					-	8,960	8,960
Net position at beginning of year, as restated					3,209,437	19,337,779	22,547,216
Net position at end of year					\$ 3,929,945	\$ 20,012,552	\$ 23,942,497

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

**TOWN OF SELMER, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	General	Sanitation	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,016,040	\$ 46,515	\$ 113,224	\$ 2,175,779
Taxes receivable	806,939	-	-	806,939
Grant receivables	79,130	-	-	79,130
Accounts receivable	52,003	-	-	52,003
Due from other funds	26,876	39,571	-	66,447
Receivables from other governments	202,180	-	21,900	224,080
Prepaid expenses	26,155	-	-	26,155
Total assets	<u>\$ 3,209,323</u>	<u>\$ 86,086</u>	<u>\$ 135,124</u>	<u>\$ 3,430,533</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 515,593	\$ 19,053	\$ 1,584	\$ 536,230
Accrued expenses	44,372	3,376	-	47,748
Due to other funds	-	-	26,876	26,876
Total liabilities	<u>559,965</u>	<u>22,429</u>	<u>28,460</u>	<u>610,854</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property taxes	<u>806,939</u>	<u>-</u>	<u>-</u>	<u>806,939</u>
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid items	26,155	-	-	26,155
Restricted				
State street aid	-	-	27,107	27,107
Drug	-	-	79,557	79,557
Sanitation	-	63,657	-	63,657
Unassigned				
General fund	1,816,264	-	-	1,816,264
Total fund balances	<u>1,842,419</u>	<u>63,657</u>	<u>106,664</u>	<u>2,012,740</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,209,323</u>	<u>\$ 86,086</u>	<u>\$ 135,124</u>	<u>\$ 3,430,533</u>

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

**TOWN OF SELMER, TENNESSEE**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

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Total fund balance - total governmental funds	\$ 2,012,740
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	3,012,499
Compensated absences are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(76,383)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	
Due within one year	\$ 247,752
Due in more than one year	826,418
	(1,074,170)
Bond premiums are not reported in the governmental funds but are recorded for government-wide purposes.	(24,447)
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.	(2,543)
Some property tax will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues in the governmental funds.	<u>82,249</u>
Net position of governmental activities	<u><u>\$ 3,929,945</u></u>

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

**TOWN OF SELMER, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	General	Sanitation	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 2,339,838	\$ -	\$ -	\$ 2,339,838
Intergovernmental revenues	1,142,973	-	113,692	1,256,665
Licenses and permits	3,028	-	-	3,028
Charges for services	87,593	436,165	-	523,758
Fines, forfeits, and penalties	392,582	-	36,273	428,855
Other revenues	58,333	-	6,120	64,453
<b>Total Revenues</b>	<b>4,024,347</b>	<b>436,165</b>	<b>156,085</b>	<b>4,616,597</b>
<b>Expenditures</b>				
Current				
General government	768,741	-	-	768,741
Public safety	1,363,310	-	45,679	1,408,989
Public works	549,323	459,068	128,891	1,137,282
Health, welfare, and recreation	315,306	-	-	315,306
Capital outlay	717,671	-	-	717,671
Debt service	291,570	-	-	291,570
<b>Total Expenditures</b>	<b>4,005,921</b>	<b>459,068</b>	<b>174,570</b>	<b>4,639,559</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>18,426</b>	<b>(22,903)</b>	<b>(18,485)</b>	<b>(22,962)</b>
<b>Other financing sources (uses)</b>				
Transfers in	126,072	-	10,000	136,072
Transfers out	(10,000)	-	-	(10,000)
Sale of capital assets	4,111	-	5,800	9,911
Proceeds from notes payable	97,500	-	-	97,500
<b>Total other financing sources (uses)</b>	<b>217,683</b>	<b>-</b>	<b>15,800</b>	<b>233,483</b>
<b>Net change in fund balances</b>	<b>236,109</b>	<b>(22,903)</b>	<b>(2,685)</b>	<b>210,521</b>
<b>FUND BALANCES - beginning of year</b>	<b>1,606,310</b>	<b>86,560</b>	<b>109,349</b>	<b>1,802,219</b>
<b>FUND BALANCES - end of year</b>	<b>\$ 1,842,419</b>	<b>\$ 63,657</b>	<b>\$ 106,664</b>	<b>\$ 2,012,740</b>

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



**TOWN OF SELMER, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

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Net change in fund balances - total governmental funds	\$ 210,521
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount recorded in the current period.	717,671
Depreciation expense on capital assets is reported in the government-wide statement of activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(377,125)
Principal paid on debt	251,956
Debt proceeds are recorded on the governmental funds as revenue, but the government-wide statement of activities does not report debt proceeds as revenue.	(97,500)
Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in the government funds	6,264
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>8,721</u>
Change in net position of governmental activities	<u><u>\$ 720,508</u></u>

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

**TOWN OF SELMER, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
<b>Taxes</b>				
Property taxes - current	\$ 700,000	\$ 700,000	\$ 769,880	\$ 69,880
Property taxes - delinquent	20,000	20,000	27,571	7,571
Local option sales taxes	1,200,000	1,200,000	1,237,149	37,149
Local wholesale beer taxes	170,000	170,000	198,176	28,176
Business taxes	25,000	25,000	58,327	33,327
Cable TV franchise taxes	28,500	28,500	34,559	6,059
Hotel/Motel taxes	20,000	20,000	14,176	(5,824)
<b>Total taxes</b>	<b>2,163,500</b>	<b>2,163,500</b>	<b>2,339,838</b>	<b>176,338</b>
<b>Intergovernmental</b>				
State of Tennessee				
- TVA replacement tax	45,000	45,000	48,641	3,641
- Sales tax allocation	300,000	300,000	311,860	11,860
- Income tax allocation	15,000	15,000	17,762	2,762
- Beer tax allocation	1,000	1,000	2,080	1,080
- Mixed drink tax allocation	2,000	2,000	1,771	(229)
- Petroleum tax	10,000	10,000	8,999	(1,001)
- Telecommunication tax	250	250	444	194
- Corporate excise tax	9,000	9,000	2,386	(6,614)
State law enforcement	9,600	9,600	10,200	600
Grants for Fire Dept	20,000	20,000	42,258	22,258
CDBG disaster recovery grant	-	515,000	480,666	(34,334)
State LPRF grant	158,600	158,600	112,712	(45,888)
State highway maintenance grant	85,000	85,000	101,694	16,694
Farmers market grant	-	-	1,500	1,500
<b>Total intergovernmental revenues</b>	<b>655,450</b>	<b>1,170,450</b>	<b>1,142,973</b>	<b>(27,477)</b>
<b>Licenses and permits</b>				
Beer permits	1,650	1,650	944	(706)
Building permits	1,200	1,200	2,084	884
<b>Total licenses and permits</b>	<b>2,850</b>	<b>2,850</b>	<b>3,028</b>	<b>178</b>
<b>Charges for services</b>				
Special fire protection	10,250	10,250	11,911	1,661
Swimming pool charges	3,000	3,000	3,162	162
Recreation programs	35,000	35,000	41,708	6,708
Community center fees	35,000	35,000	30,812	(4,188)
<b>Total charges for services</b>	<b>83,250</b>	<b>83,250</b>	<b>87,593</b>	<b>4,343</b>
<b>Fines, forfeits, and penalties</b>				
City court fines	165,000	165,000	208,686	43,686
Fines, fees and penalties - auto cameras	90,000	90,000	138,856	48,856
Court fines from County	30,000	30,000	35,290	5,290
Sale of seized or abandoned vehicles	-	-	9,750	9,750
<b>Total fines, forfeits, and penalties</b>	<b>285,000</b>	<b>285,000</b>	<b>392,582</b>	<b>107,582</b>

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

**TOWN OF SELMER, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL (continued)**  
**YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues (continued)</b>				
<b>Other revenues</b>				
Civic Center - United Way	2,500	2,500	1,539	(961)
Rent - Development 1	15,000	15,000	25,371	10,371
Insurance recoveries	5,000	5,000	11,798	6,798
Sales of materials	6,000	6,000	-	(6,000)
Contributions	500	500	-	(500)
Penalties and interest	11,000	11,000	11,510	510
Miscellaneous	1,000	1,000	8,115	7,115
<b>Total other revenues</b>	<b>41,000</b>	<b>41,000</b>	<b>58,333</b>	<b>17,333</b>
<b>Total revenues</b>	<b>3,231,050</b>	<b>3,746,050</b>	<b>4,024,347</b>	<b>278,297</b>
<b>Expenditures</b>				
<b>General government</b>				
<b>Legislative</b>				
Mayor	47,000	47,000	47,405	(405)
Reimbursement for mayor	(28,000)	(28,000)	(28,000)	-
Board and committee members	9,000	9,000	9,000	-
Payroll taxes	4,300	4,300	4,263	37
Retirement	7,950	7,950	7,811	139
Election officials	5,000	5,000	6,906	(1,906)
Memberships and registration fees	3,300	3,300	3,693	(393)
Advertising	2,500	2,500	1,883	617
State planning office	7,500	7,500	6,854	646
Travel	2,000	2,000	145	1,855
Mayor expense	8,000	8,000	7,048	952
Prizes and awards	200	200	40	160
Salaries	6,000	6,000	6,052	(52)
Payroll taxes	459	459	459	-
<b>Total legislative</b>	<b>75,209</b>	<b>75,209</b>	<b>73,559</b>	<b>1,650</b>
<b>General government buildings</b>				
Utility services	2,500	2,500	1,325	1,175
Electricity	5,500	5,500	4,862	638
Repairs and maintenance	6,000	6,000	6,504	(504)
Houshold and janitorial	1,000	1,000	1,340	(340)
<b>Total general government buildings</b>	<b>15,000</b>	<b>15,000</b>	<b>14,031</b>	<b>969</b>

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

**TOWN OF SELMER, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL (continued)**  
**YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures (continued)</b>				
<b>General government (continued)</b>				
<b>Financial administration</b>				
Salaries	51,000	51,000	51,307	(307)
Salaries - permanent employees	31,050	31,050	31,297	(247)
OASI	6,300	6,300	6,152	148
Hospital and health	285,000	285,000	294,632	(9,632)
Retirement	13,650	13,650	13,611	39
Workers compensation	95,400	95,400	74,376	21,024
Unemployment	3,000	3,000	4,823	(1,823)
Refunds	300	300	409	(109)
Postage and box rental	2,500	2,500	729	1,771
Telephone	7,500	7,500	7,327	173
Professional services	1,000	1,000	-	1,000
Legal	10,000	10,000	6,100	3,900
Audit	12,000	12,000	12,000	-
Data processing services	13,400	13,400	11,119	2,281
Other professional	1,500	1,500	-	1,500
Miscellaneous	750	750	257	493
Office supplies	3,000	3,000	2,366	634
Property tax roll	2,050	2,050	2,043	7
Computer supplies	1,500	1,500	993	507
Fax and copier	3,000	3,000	3,031	(31)
Insurance - vehicles	98,301	98,301	104,133	(5,832)
Surety bonds	1,000	1,000	671	329
Office supplies	100	100	-	100
Awards for services	2,100	2,100	1,800	300
<b>Total financial administration</b>	<b>645,401</b>	<b>645,401</b>	<b>629,176</b>	<b>16,225</b>
<b>Civic center</b>				
Advertising	500	500	3,259	(2,759)
Utility service	12,000	12,000	10,839	1,161
Electricity	35,000	35,000	26,087	8,913
Repair and maintenance	2,000	2,000	193	1,807
Repair and maintenance-other	3,000	3,000	7,242	(4,242)
Household and janitorial	5,000	5,000	4,255	745
Surety bonds	300	300	100	200
<b>Total civic center</b>	<b>57,800</b>	<b>57,800</b>	<b>51,975</b>	<b>5,825</b>
<b>Debt service</b>				
Principal	225,547	232,309	251,956	(19,647)
Interest	37,027	39,136	39,614	(478)
<b>Total debt service</b>	<b>262,574</b>	<b>271,445</b>	<b>291,570</b>	<b>(20,125)</b>
<b>Total general government</b>	<b>1,055,984</b>	<b>1,064,855</b>	<b>1,060,311</b>	<b>4,544</b>

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

**TOWN OF SELMER, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL (continued)**  
**YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures (continued)</b>				
<b>Public safety</b>				
<b>Police department</b>				
Salaries	178,200	178,200	180,349	(2,149)
Payroll taxes	49,500	49,500	47,335	2,165
Retirement	106,500	106,500	96,230	10,270
Employee education	16,000	16,000	14,997	1,003
Vehicle tow-in service	500	500	-	500
Telephone	4,000	4,000	2,291	1,709
Professional service	50,000	50,000	37,500	12,500
Data processing	750	750	462	288
Repair and maintenance	1,000	1,000	1,262	(262)
Repair and maintenance - vehicles	20,000	20,000	23,071	(3,071)
Repair and maintenance - radios	3,500	3,500	2,816	684
Travel	1,000	1,000	179	821
Ambulance and clinic	1,500	1,500	2,011	(511)
City court cost	12,000	12,000	14,674	(2,674)
Miscellaneous	1,250	1,250	1,622	(372)
Office supplies	9,000	9,000	10,337	(1,337)
Operating supplies	8,000	8,000	9,630	(1,630)
Uniforms	12,000	12,000	10,229	1,771
Gas, oil and diesel	45,000	45,000	33,914	11,086
Building and office	725	725	720	5
Capital outlay	-	102,500	99,460	3,040
Overtime	55,000	55,000	19,771	35,229
Salaries	31,750	31,750	32,024	(274)
Hourly wages	382,000	382,000	375,040	6,960
Overtime	500	500	-	500
Hourly wages	27,750	27,750	22,017	5,733
<b>Total police department</b>	<b>1,017,425</b>	<b>1,119,925</b>	<b>1,037,941</b>	<b>81,984</b>
<b>Fire department</b>				
Salaries	161,500	161,500	153,601	7,899
Overtime	7,500	7,500	11,240	(3,740)
Payroll taxes	13,000	13,000	13,353	(353)
Retirement	28,200	28,200	27,317	883
Training	11,000	11,000	15,774	(4,774)
Grant paid employees	20,000	20,000	14,341	5,659
Volunteer firemen	20,000	20,000	17,911	2,089
Fire code enforcement	3,500	3,500	3,921	(421)
Subscriptions	200	200	211	(11)
Public relations	1,600	1,600	2,619	(1,019)
Utilities	25,000	25,000	25,476	(476)
Telephone	4,500	4,500	4,402	98
Repair and maintenance	8,000	8,000	7,246	754
Repair and maintenance - vehicles	13,000	13,000	13,010	(10)
Repair and maintenance - building	4,000	4,000	4,178	(178)
Repair and maintenance - radios	1,800	1,800	1,815	(15)
Travel	-	-	5,830	(5,830)
Miscellaneous	-	-	546	(546)
Office supplies and materials	1,500	1,500	2,214	(714)
Additional items of equipment	-	-	15,585	(15,585)
Operating supplies	1,500	1,500	5,354	(3,854)
Uniforms	3,500	3,500	3,124	376
Gas, oil and diesel	18,000	18,000	21,315	(3,315)
Grants and donations	10,000	10,000	-	10,000
Capital outlay	-	510,000	483,421	26,579
<b>Total fire department</b>	<b>357,300</b>	<b>867,300</b>	<b>853,804</b>	<b>13,496</b>

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

**TOWN OF SELMER, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL (continued)**  
**YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures (continued)</b>				
<b>Public safety (continued)</b>				
<b>Building Inspector</b>				
Salaries	41,500	41,500	41,841	(341)
Payroll taxes	3,300	3,300	3,141	159
Retirement	6,900	6,900	6,994	(94)
Education and training	500	500	34	466
Telephone	350	350	615	(265)
Repair and maintenance - vehicle	750	750	251	499
Repair and maintenance - grounds	2,500	2,500	-	2,500
Operating supplies	500	500	292	208
Gas, oil and diesel	3,300	3,300	1,278	2,022
<b>Total building inspector</b>	<b>59,600</b>	<b>59,600</b>	<b>54,446</b>	<b>5,154</b>
<b>Total public safety</b>	<b>1,434,325</b>	<b>2,046,825</b>	<b>1,946,191</b>	<b>100,634</b>
<b>Public works</b>				
<b>Streets and highways</b>				
Salaries	44,200	44,200	44,578	(378)
Overtime	5,000	5,000	4,003	997
Hourly wages	235,000	235,000	228,074	6,926
Payroll taxes	23,000	23,000	20,176	2,824
Retirement	47,050	47,050	43,346	3,704
Utilities	2,000	2,000	1,957	43
Electricity	2,000	2,000	1,936	64
Telephone	2,000	2,000	1,664	336
Repair and maintenance	500	500	851	(351)
Repair and maintenance - vehicles	20,000	20,000	17,864	2,136
Repair and maintenance - other equipment	1,500	1,500	3,065	(1,565)
Repair and maintenance - machinery	5,000	5,000	8,610	(3,610)
Repair and maintenance - radios	1,800	1,800	-	1,800
Repair and maintenance - streets	35,000	35,000	32,604	2,396
Operations and maintenance	1,000	1,000	15	985
Other contractual services	78,000	78,000	75,080	2,920
Clinic, hospital	300	300	415	(115)
Miscellaneous	150	150	379	(229)
Office supplies	2,000	2,000	3,450	(1,450)
Operating supplies	10,000	10,000	20,002	(10,002)
Uniforms	6,000	6,000	5,198	802
Gas, oil and diesel	35,000	35,000	32,804	2,196
Consumable tools	400	400	178	222
Sign parts and supplies	4,000	4,000	2,820	1,180
Capital outlay	9,220	9,220	17,100	(7,880)
<b>Total streets and highways</b>	<b>570,120</b>	<b>570,120</b>	<b>566,169</b>	<b>3,951</b>
<b>Animal shelter</b>				
Operating supplies	5,000	5,000	254	4,746
<b>Total public works</b>	<b>575,120</b>	<b>575,120</b>	<b>566,423</b>	<b>8,697</b>
<b>Health, welfare, and recreation</b>				
<b>Grants and appropriations</b>				
Grant/donation - senior citizens	6,000	6,000	6,000	-
Grant/donation - McNairy County developmental	2,200	2,200	2,200	-
Grant/donation - Carl Perkins center	1,000	1,000	1,000	-
Grant/donation - fall festival	1,000	1,000	1,000	-
Grant/donation - rockabilly festival	1,000	1,000	1,000	-
Grant/donation - McNairy Arts	3,500	3,500	6,450	(2,950)
Grant/donation - books from birth	1,000	1,000	1,000	-
<b>Total grants and appropriations</b>	<b>15,700</b>	<b>15,700</b>	<b>18,650</b>	<b>(2,950)</b>

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

**TOWN OF SELMER, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL (continued)**  
**YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures (continued)</b>				
<b>Health, welfare, and recreation (continued)</b>				
<b>Swimming pools</b>				
Hourly wages	8,000	8,000	7,075	925
Payroll taxes	250	250	537	(287)
Publications and subscriptions	125	125	33	92
Utilities	4,500	4,500	3,261	1,239
Telephone	1,500	1,500	1,183	317
Repairs and maintenance	1,000	1,000	70	930
Chemicals	2,500	2,500	1,294	1,206
Other operating supplies	800	800	951	(151)
<b>Total swimming pools</b>	<b>18,675</b>	<b>18,675</b>	<b>14,404</b>	<b>4,271</b>
<b>Parks and recreation</b>				
Salaries	43,300	43,300	44,182	(882)
Overtime	1,200	1,200	90	1,110
Hourly wages	59,000	59,000	57,979	1,021
Payroll taxes	6,900	6,900	7,624	(724)
Retirement	14,700	14,700	10,167	4,533
Refunds	500	500	2,071	(1,571)
Utility	12,000	12,000	9,751	2,249
Telephone	3,000	3,000	2,692	308
Data processing	750	750	-	750
Repair and maintenance	16,000	16,000	23,788	(7,788)
Repair and maintenance-other	2,500	2,500	1,117	1,383
Office supplies	6,500	6,500	4,581	1,919
Uniforms	500	500	1,082	(582)
Other operating supplies	45,000	45,000	46,666	(1,666)
Gas, oil and diesel	7,000	7,000	5,784	1,216
Other insurance	3,350	3,350	1,178	2,172
Capital outlay	218,800	218,800	117,690	101,110
<b>Total parks and recreation</b>	<b>441,000</b>	<b>441,000</b>	<b>336,442</b>	<b>104,558</b>
<b>Libraries</b>				
Grants and donations	13,500	13,500	13,500	-
<b>Economic Development</b>				
Grants or donations	50,000	50,000	50,000	-
<b>Total economic development</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>-</b>
<b>Total health, welfare, and recreation</b>	<b>538,875</b>	<b>538,875</b>	<b>432,996</b>	<b>105,879</b>
<b>Total expenditures</b>	<b>3,604,304</b>	<b>4,225,675</b>	<b>4,005,921</b>	<b>219,754</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(373,254)</b>	<b>(479,625)</b>	<b>18,426</b>	<b>498,051</b>
<b>Other financing sources (uses)</b>				
Transfers in	106,000	106,000	126,072	20,072
Transfers out	-	-	(10,000)	(10,000)
Sale of assets	-	-	4,111	4,111
Proceeds from capital outlay note	97,500	97,500	97,500	-
<b>Total other financing sources (uses)</b>	<b>203,500</b>	<b>203,500</b>	<b>217,683</b>	<b>14,183</b>
<b>Net change in fund balance</b>	<b>(169,754)</b>	<b>(276,125)</b>	<b>236,109</b>	<b>512,234</b>
<b>Fund balance, beginning of year</b>	<b>1,606,310</b>	<b>1,606,310</b>	<b>1,606,310</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 1,436,556</b>	<b>\$ 1,330,185</b>	<b>\$ 1,842,419</b>	<b>\$ 512,234</b>

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

**TOWN OF SELMER, TENNESSEE  
SANITATION FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2014**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Garbage pickup	\$ 431,000	\$ 431,000	\$ 435,905	\$ 4,905
Uncollectible accounts	-	-	(4,701)	(4,701)
Recovery of uncollectible accounts	1,200	1,200	371	(829)
Service charges and fees	3,500	3,500	4,590	1,090
Total revenues	<u>435,700</u>	<u>435,700</u>	<u>436,165</u>	<u>465</u>
<b>Expenditures:</b>				
Payroll	121,500	121,500	120,850	650
Payroll taxes	9,500	9,500	8,727	773
Employee insurance	35,000	35,000	25,617	9,383
Retirement	20,200	20,200	19,524	676
Utilities	4,000	4,000	3,833	167
Telephone	1,500	1,500	1,665	(165)
Data processing	15,600	15,600	15,600	-
Repairs and maintenance	19,600	19,600	21,110	(1,510)
Contractual services	145,000	145,000	159,186	(14,186)
Ambulance, clinic, etc...	100	100	-	100
Landfill services	45,000	45,000	49,519	(4,519)
Miscellaneous	700	700	-	700
Office supplies	1,200	1,200	806	394
Operating supplies	1,500	1,500	1,838	(338)
Uniforms	4,000	4,000	2,759	1,241
Gas and oil	28,000	28,000	28,034	(34)
Other operating supplies	1,000	1,000	-	1,000
Consumable tools	200	200	-	200
Total expenditures	<u>453,600</u>	<u>453,600</u>	<u>459,068</u>	<u>(5,468)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,900)</u>	<u>(17,900)</u>	<u>(22,903)</u>	<u>(5,003)</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>(17,900)</u>	<u>(17,900)</u>	<u>(22,903)</u>	<u>(5,003)</u>
<b>Fund Balance, beginning of year</b>	<u>86,560</u>	<u>86,560</u>	<u>86,560</u>	<u>-</u>
<b>Fund Balance, end of the year</b>	<u>\$ 68,660</u>	<u>\$ 68,660</u>	<u>\$ 63,657</u>	<u>\$ (5,003)</u>

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



**TOWN OF SELMER, TENNESSEE  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

	<u>Water and Sewer</u>	<u>Natural Gas</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 693,797	\$ 5,098,815	\$ 5,792,612
Accounts receivable, net of allowance	343,410	84,659	428,069
Grant receivable	142,462	-	142,462
Inventory	149,699	204,120	353,819
Due from other funds	2,207	-	2,207
Prepaid expenses	10,459	7,007	17,466
<b>TOTAL CURRENT ASSETS</b>	<u>1,342,034</u>	<u>5,394,601</u>	<u>6,736,635</u>
<b>NONCURRENT ASSETS</b>			
Capital assets, net	<u>23,693,869</u>	<u>1,757,503</u>	<u>25,451,372</u>
<b>TOTAL ASSETS</b>	<u>25,035,903</u>	<u>7,152,104</u>	<u>32,188,007</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	312,904	63,650	376,554
Accrued expenses	38,160	10,091	48,251
Accrued interest	28,416	-	28,416
Customer deposits	105,915	38,135	144,050
Due to other funds	39,571	2,207	41,778
Current portion of long-term debt	545,778	-	545,778
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,070,744</u>	<u>114,083</u>	<u>1,184,827</u>
<b>NONCURRENT LIABILITIES</b>			
Compensated absences	26,645	23,246	49,891
Notes payable (net of unamortized premium)	10,940,737	-	10,940,737
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>10,967,382</u>	<u>23,246</u>	<u>10,990,628</u>
<b>TOTAL LIABILITIES</b>	<u>12,038,126</u>	<u>137,329</u>	<u>12,175,455</u>
<b>NET POSITION</b>			
Net investment in capital assets	12,207,354	1,757,503	13,964,857
Unrestricted	<u>790,423</u>	<u>5,257,272</u>	<u>6,047,695</u>
<b>TOTAL NET POSITIONS</b>	<u>\$ 12,997,777</u>	<u>\$ 7,014,775</u>	<u>\$ 20,012,552</u>

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

**TOWN OF SELMER, TENNESSEE  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>Water and Sewer</b>	<b>Natural Gas</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Utility sales and services	\$ 2,837,361	\$ 2,381,288	\$ 5,218,649
Recovery of uncollectible accounts	10,500	1,109	11,609
Uncollectible accounts	(32,686)	(8,380)	(41,066)
Service charges and fees	163,485	37,571	201,056
Other income	10,395	143	10,538
<b>TOTAL OPERATING REVENUES</b>	<b>2,989,055</b>	<b>2,411,731</b>	<b>5,400,786</b>
<b>OPERATING EXPENSES</b>			
Cost of natural gas sold	-	1,102,454	1,102,454
Personal services	818,612	595,500	1,414,112
Contractual services	858,599	95,559	954,158
Supplies	74,038	19,309	93,347
Insurance	56,569	24,601	81,170
Depreciation	742,836	92,480	835,316
<b>TOTAL OPERATING EXPENSES</b>	<b>2,550,654</b>	<b>1,929,903</b>	<b>4,480,557</b>
<b>OPERATING INCOME</b>	<b>438,401</b>	<b>481,828</b>	<b>920,229</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	2,109	16,836	18,945
Insurance recoveries	265	6,749	7,014
Debt issue costs	(141,502)	-	(141,502)
Accretion on debt premiums	10,917	-	10,917
Gain on sale of capital assets	850	-	850
Interest expense	(367,750)	(879)	(368,629)
<b>NET NONOPERATING EXPENSES</b>	<b>(495,111)</b>	<b>22,706</b>	<b>(472,405)</b>
<b>NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(56,710)</b>	<b>504,534</b>	<b>447,824</b>
Capital contributions	353,021	-	353,021
Transfers out	(65,970)	(60,102)	(126,072)
<b>CHANGE IN NET POSITION</b>	<b>230,341</b>	<b>444,432</b>	<b>674,773</b>
<b>NET POSITION - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED</b>	<b>12,758,476</b>	<b>6,570,343</b>	<b>19,328,819</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>8,960</b>	<b>-</b>	<b>8,960</b>
<b>NET POSITION - BEGINNING OF YEAR, AS RESTATED</b>	<b>12,767,436</b>	<b>6,570,343</b>	<b>19,337,779</b>
<b>NET POSITION- END OF YEAR</b>	<b>\$ 12,997,777</b>	<b>\$ 7,014,775</b>	<b>\$ 20,012,552</b>

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

**TOWN OF SELMER, TENNESSEE  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2014**

	<u>Water and Sewer</u>	<u>Natural Gas</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 2,835,562	\$2,408,559	\$5,244,121
Cash receipts from other funds for services	-	-	-
Cash payments to suppliers for goods and services	(839,003)	(1,316,880)	(2,155,883)
Cash payments to other funds for services	(10,142)	(9,618)	(19,760)
Cash payments for personnel services	(820,221)	(594,922)	(1,415,143)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>1,166,196</u>	<u>487,139</u>	<u>1,653,335</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	<u>(65,970)</u>	<u>(60,102)</u>	<u>(126,072)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of fixed assets	(502,978)	(82,396)	(585,374)
Gain on sale of capital assets	850	-	850
Insurance recoveries	265	6,749	7,014
Contributions from grants	353,021	-	353,021
Note proceeds	6,750,000	-	6,750,000
Debt premiums	99,230	-	99,230
Debt issue costs	(141,502)	-	(141,502)
Principal payments on long-term debt	(7,245,185)	(270,900)	(7,516,085)
Interest paid on long-term debt	(364,699)	(879)	(365,578)
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,050,998)</u>	<u>(347,426)</u>	<u>(1,398,424)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earned	<u>2,109</u>	<u>16,836</u>	<u>18,945</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>51,337</u>	<u>96,447</u>	<u>147,784</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>642,460</u>	<u>5,002,368</u>	<u>5,644,828</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 693,797</u>	<u>\$5,098,815</u>	<u>\$5,792,612</u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ 438,401	\$ 481,828	\$ 920,229
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	742,836	92,480	835,316
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(7,191)	(2,252)	(9,443)
(Increase) decrease in due from other funds	2,089	-	2,089
(Increase) decrease in grant receivables	(142,462)	-	(142,462)
(Increase) decrease in inventory	26,735	(75,152)	(48,417)
(Increase) decrease in prepaids	(397)	(218)	(615)
Increase (decrease) in accounts payable	122,411	(1,050)	121,361
Increase (decrease) in accrued liabilities	1,454	1,463	2,917
Increase (decrease) in due to other funds	(12,231)	(9,618)	(21,849)
Increase (decrease) in compensated absences	(1,609)	578	(1,031)
Increase (decrease) in customer deposits	(3,840)	(920)	(4,760)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 1,166,196</u>	<u>\$ 487,139</u>	<u>\$ 1,653,335</u>

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

**TOWN OF SELMER, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE I. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**A. REPORTING ENTITY**

The Town is a Tennessee municipal corporation with a six-member Town council comprised of the Mayor and five aldermen.

In determining the financial reporting entity, the Town complies with the provisions as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

*Blended Component Units*

Blended component units are separate legal entities that meet the component unit criteria described in the codification as listed above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

**B. BASIS OF PRESENTATION**

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. 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 activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**TOWN OF SELMER, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**Governmental Funds**

*General Fund*

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

**Proprietary Fund**

*Enterprise Funds*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

**TOWN OF SELMER, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**Major and Nonmajor Funds**

The funds are further classified as major or nonmajor as follows:

<b>Fund</b>	<b>Brief Description</b>
<b><i>Major:</i></b> General	See above for description.
<b><u>Special Revenue Fund:</u></b> Sanitation Fund	Accounts for the solid waste revenue and expenditures related to disposal services.
<b><u>Proprietary Funds:</u></b> Water and Sewer Fund	Accounts for the activities associated with the water distribution system and for the activities associated with the sewage treatment plant, sewage pumping stations and collection systems.
Natural Gas Fund	Accounts for activities associated with the gas distribution system.
<b><i>Nonmajor:</i></b> <b><u>Special Revenue Funds:</u></b> State Street Aid	Accounts for the state gas tax revenue and the expenditures legally restricted to street maintenance.
Drug Fund	Accounts for revenues and expenditures on drug fines and enforcement costs.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates timing transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

The 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 thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60

**TOWN OF SELMER, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest 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. Entitlements are recorded as revenues when all eligibility requirements are met; including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when the cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

The City does not allocate indirect costs.

**D. BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds.

The Town adopts its budget in accordance with the State's legal requirement which is the level of classification detail at which expenditures may not legally exceed appropriations.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles.
- b. Unused appropriations for each of the annually budgeted funds lapse at the end of the year.
- c. Revisions to the budget may be made throughout the year in accordance with governing statutes and consistent with generally accepted accounting principles.

**TOWN OF SELMER, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE**

**Cash and Cash Equivalents**

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent. The Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, sales taxes, and grants. Business-type activities report utilities as their major receivables. Utility receivables are shown net of any allowance for uncollectible accounts. The allowance amounts are as follows: Water and Sewer - \$11,055; and Gas - \$13,374.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note IV.B. for details of interfund transactions, including receivables and payables at year-end.

**Inventories and Prepaid Expenses**

Inventories consist primarily of supplies, valued at cost, which approximates market. Cost is determined using an average-cost method. All Town inventories are maintained on a consumption basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Prepaid expenses are also maintained on the consumptive basis of accounting.

**Capital Assets**

Capital assets, including property; plant; equipment; and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$10,000 for buildings and infrastructure; \$5,000 for improvements other than buildings; and \$2,500 for equipment. All land, construction in progress, and works of art will be included. The water and sewer and natural gas funds use a threshold of \$100 and an estimated life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.



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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

	<u>Years</u>
Buildings	30-40
Improvements other than buildings	30-40
Machinery & equipment	5-20
Furniture & fixtures	10
Infrastructure	25-50
Distribution plant	20-50
General plant	20-50
Treatment plant	20-50

**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 outflows 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/expenditure) until then. The government does not have any items that qualify for this reporting category as of June 30, 2014.

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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of deferred inflows of resources. It involves the recording of unavailable revenue, which is reported in the government-wide Statement of Net Position and the governmental balance sheet. The governmental funds report unavailable revenues from one source: property taxes.

**Compensated absences**

The Town accrues accumulated unpaid vacation when earned by the employee. The portion for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

**Long-term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, general obligation bonds, accrued compensated absences, and unamortized premiums and discounts.

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Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net position is displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority. The Board of Aldermen is the government's highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be

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taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

*Nonspendable* fund balance is associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).

*Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

The City has not yet adopted an order of fund balance spending policy. It considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

## **F. REVENUES, EXPENDITURES AND EXPENSES**

### **Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

### **Sales Tax**

The City presently levies a two and three-quarters percent sales tax on taxable sales within the City. The sales tax is collected by the Tennessee Department of Revenue and 0.875 percent is remitted to the City in the month following receipt by the Department of Revenue. The remaining 1.875 percent goes to McNairy County for the school system. The Department of Revenue receives the sales tax approximately one month after collection by vendors. The sales tax is recorded in the General Fund. Sales tax remitted to the City in July and August has been accrued and is included under the caption "Due from other governments."

### **Property Tax**

Property taxes are levied annually on the first of January. The taxes are due and payable from the following October through February in the year succeeding the tax levy. An unperfected lien attaches by statute to property on March 1 for unpaid taxes from the prior year's levy. Taxes uncollected for one year past the due date are submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

### **Operating Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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. It also includes all revenue and

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expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from the daily operations are defined as non-operating.

**Expenditures/ Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund – By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**Interfund Transfers**

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a local government unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows.

**A. FUND ACCOUNTING REQUIREMENTS**

<b>Fund</b>	<b>Required By</b>
Police Drug Fund	State Law

**B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee.

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**C. REVENUE RESTRICTIONS**

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<b>Revenue Source</b>	<b>Legal Restrictions of Use</b>
Gasoline Excise Tax	Street purposes
Grants	Grant program expenditures

**D. FUND EQUITY RESTRICTIONS**

**Deficit Prohibition**

Tennessee Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town had no deficit fund balances at June 30, 2014.

**E. BUDGET APPROPRIATIONS**

The Town's Sanitation and State Street Aid funds had expenditures which exceeded appropriations for the year ended June 30, 2014.

**NOTE III. - DETAIL NOTES - ALL FUNDS AND ACCOUNT GROUPS**

**A. ASSETS**

**Cash and Investments**

The Town maintains checking and collection accounts with local banks.

The Town's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its subdivisions. The Town has no policy that further limits allowable investments.

**Deposits**

Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the balance sheet as "Cash and cash equivalents" and "Investments".

The Town's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the State's Bank Collateral Pool).

**Change in Capital Assets**

Depreciation was charged to various functions and activities as follows:

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<b>Governmental activities</b>	
General government	\$ 60,922
Public safety	156,732
Public works	82,112
Health, welfare and recreation	77,359
Total governmental activities	<u>377,125</u>
<b>Business-type activities</b>	
Water and sewer	742,836
Natural gas	92,480
Total business-type	<u>\$ 835,316</u>

During the fiscal year ended June 30, 2014, the following changes in capital assets occurred:

	Balance 7/1/13	Adjustments	Increases	Decreases	Balance 6/30/13
<b>Governmental activities:</b>					
Capital assets not being depreciated					
Land	\$ 241,892	\$ -	\$ -	\$ -	\$ 241,892
Construction in progress	80,714	-	113,289	70,414	123,589
Subtotal	<u>322,606</u>	<u>-</u>	<u>113,289</u>	<u>70,414</u>	<u>365,481</u>
Capital assets being depreciated					
Buildings and improvements	4,193,818	-	70,414	-	4,264,232
Infrastructure	139,622	-	-	-	139,622
Other fixed assets	2,977,499	-	604,381	105,806	3,476,074
Subtotal	<u>7,310,939</u>	<u>-</u>	<u>674,795</u>	<u>105,806</u>	<u>7,879,928</u>
Less accumulated depreciation for:					
Buildings and improvements	2,659,898	-	189,395	-	2,849,293
Infrastructure	75,031	-	10,699	-	85,730
Other fixed assets	2,225,029	-	177,031	104,173	2,297,887
Subtotal	<u>\$ 4,959,958</u>	<u>\$ -</u>	<u>\$ 377,125</u>	<u>\$ 104,173</u>	<u>5,232,910</u>
Total capital assets, being depreciated, net					<u>2,647,018</u>
Governmental activities capital assets, net					<u>\$ 3,012,499</u>
<b>Business-type activities:</b>					
Capital assets not being depreciated					
Land	\$ 182,425	\$ -	\$ -	\$ -	\$ 182,425
Construction in Progress	1,273,815	8,960	436,893	1,284,267	435,401
Subtotal	<u>1,456,240</u>	<u>8,960</u>	<u>436,893</u>	<u>1,284,267</u>	<u>617,826</u>
Capital assets being depreciated					
Equipment	1,090,318	-	57,032	5,100	1,142,250
Intangibles	939,889	-	-	-	939,889
Infrastructure	37,653,036	-	1,375,665	-	39,028,701
Subtotal	<u>39,683,243</u>	<u>-</u>	<u>1,432,697</u>	<u>5,100</u>	<u>41,110,840</u>
Less accumulated depreciation for:					
Equipment	1,009,220	(51)	27,328	5,100	1,031,397
Intangibles	644,097	-	7,539	-	651,636
Infrastructure	13,793,812	-	800,449	-	14,594,261
Total accumulated depreciation	<u>\$ 15,447,129</u>	<u>\$ (51)</u>	<u>\$ 835,316</u>	<u>\$ 5,100</u>	<u>16,277,294</u>
Total capital assets, being depreciated, net					<u>24,833,546</u>
Business-type activities capital assets, net					<u>\$ 25,451,372</u>

**B. LIABILITIES**

**Pension Plan Obligations**

**Plan Description**

Employees of the Town are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated

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Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Town participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us).

**Funding Policy**

The Town has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

The Town is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2014, was 16.62% of annual covered payroll. The contribution requirements of plan members are set by State statute. The contribution requirement for the Town is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ended June 30, 2014, the Town's annual pension cost of \$379,922 to TCRS was equal to the Town's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected 3.5 percent annual increase in the Social Security wage base and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a ten-year period. The Town's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was 5 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

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**Trend Information**

<u>Ended</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/2014	\$ 379,922	100.00%	\$ -
6/30/2013	\$ 374,853	100.00%	\$ -
6/30/2012	\$ 379,552	100.00%	\$ -

**Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the plan was 95.79% percent funded. The actuarial accrued liability for benefits was \$9.37 million, and the actuarial value of assets was \$8.98 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.39 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.18 million, and the ratio of the UAAL to the covered payroll was 18.11% percent.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

**Long-Term Obligations**

The Town's long-term debt is segregated between amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. During the year, the Town paid \$408,243 in interest costs. Most of the governmental long-term debts have, in prior years, been liquidated by the general fund.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the debt instrument using the straight-line method. Debt issuance costs are expensed in the period incurred.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of 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.

**Governmental Activities**

As of June 30, 2014, the governmental long-term liabilities of the Town consisted of the following:

**General Long-Term Liabilities**

**General Obligation Bonds**

General Obligation Refunding Bonds Series 2011, dated 02/10/11, 3%, due semi-annually through 2019	\$ 890,000
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**Capital Outlay Notes**

Capital Outlay Note, dated 07/29/13, 3.24%, due in  
monthly installments of \$2,168 thru July 2017 76,180

Capital Outlay Note, dated 04/13/12, 3.25%, due in  
annual installments through 04/13/24 45,833

Capital Outlay Note, dated 07/03/12, 2.95%, due in  
monthly installments through 07/03/2016 62,157

**Other liabilities**

Unamortized premium on debt 24,447  
Compensated absences 76,383

**Total General Long-Term Liabilities** \$ 1,175,000

**Business-Type Activities**

**General Obligation Bonds**

Water and Sewer Bonds, Series 2013, interest 1.00% -  
4.25%, payable semi-annually through August 2035 \$ 6,490,000

**Revenue and Tax Bonds**

Water, Sewer, and Gas Revenue & Tax Bonds, Series 2001  
2.75%, payable monthly through June 2052 108,845

Water, Sewer, and Gas Revenue & Tax Bonds, Series 2010  
2.75%, payable monthly through June 2050 1,768,082

**General Obligation Bonds**

General Obligation Refunding Bonds Series 2011, dated 02/10/11,  
3.4%, due semi-annually through 2025 1,675,000

**Notes Payable**

General Obligation Capital Outlay Note, Series 2012, dated 12/18/12,  
2.0%, due semi-annually through 2024 1,275,000

**Other liabilities**

Unamortized premium on debt 169,588  
Compensated absences 49,891

**Total Business-Type Activities** \$ 11,536,406

**Change in Long-term liabilities**

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	Beginning Balance	Additions	Retirements	Ending Balance	Due within one year
<b>Governmental Type Activities</b>					
General Obligation Bonds	\$ 1,070,000	\$ -	\$ 180,000	\$ 890,000	\$ 190,000
Capital Outlay Notes	158,626	97,500	71,956	184,170	57,752
Compensated absences	76,383	-	-	76,383	-
Unamortized debt premiums	29,686	-	5,239	24,447	-
Total governmental activities	1,334,695	97,500	257,195	1,175,000	247,752
<b>Business Type Activities</b>					
General Obligation Bonds	1,815,000	6,750,000	400,000	8,165,000	400,000
Revenue and Tax Bonds	8,467,674	-	6,590,747	1,876,927	30,778
Notes Payable	1,800,339	-	525,339	1,275,000	115,000
Compensated absences	50,922	-	1,031	49,891	-
Unamortized debt premiums	81,274	99,230	10,916	169,588	-
Total business type activities	12,215,209	6,849,230	7,528,033	11,536,406	545,778
Total government	\$ 13,549,904	\$ 6,946,730	\$ 7,785,228	\$ 12,711,406	\$ 793,530

**General Government**

The Town obtained debt funding through a capital outlay note in the amount of \$97,500 to fund police cars. The capital outlay note has an interest rate of 3.24% and is payable in 48 monthly installments.

**Water System**

During the year the Town issued \$6,750,000 in refunding bonds. General obligation bonds with a variable interest rate were issued to refund \$6,529,837 in various existing bonds. Redemption fees and other issuance costs associated with this refunding were approximately \$141,502. The Town recognized all of these costs in the current year. The bonds were issued at a premium of \$99,230 which will be accreted over the next 22 years. The City refunded these bond to benefit from lower interest rates.

**Other Long-term liabilities**

Governmental-type compensated absences have been paid in prior years by the General Fund.

**Annual Requirements to Retire Debt Outstanding**

The annual aggregate maturities for each debt type for years subsequent to June 30, 2014, are as follows:

<b>Notes Payable</b> Year Ending June 30,	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>
	Principal	Interest	Principal	Interest	
2015	\$ 57,752	\$ 5,122	\$ 115,000	\$ 25,500	\$ 203,374
2016	59,493	3,232	115,000	23,200	200,925
2017	32,678	1,718	120,000	20,900	175,296
2018	6,746	1,049	125,000	18,500	151,295
2019	4,583	894	125,000	16,000	146,477
2020	4,583	745	130,000	13,500	148,828
2021	4,584	596	130,000	10,900	146,080
2022	4,584	447	135,000	8,300	148,331
2023	4,584	298	140,000	5,600	150,482
2024	4,583	149	140,000	2,800	147,532
	<u>\$ 184,170</u>	<u>\$ 14,250</u>	<u>\$ 1,275,000</u>	<u>\$ 145,200</u>	<u>\$ 1,618,620</u>

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**General Obligation Bonds**

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2015	\$ 190,000	\$ 26,700	\$ 400,000	\$ 274,769	\$ 891,469
2016	175,000	21,000	400,000	265,268	861,268
2017	175,000	15,750	405,000	255,768	851,518
2018	175,000	10,500	410,000	246,168	841,668
2019	175,000	5,250	415,000	236,468	831,718
2020-2024	-	-	2,125,000	1,008,657	3,133,657
2025-2029	-	-	1,720,000	666,058	2,386,058
2030-2034	-	-	1,865,000	328,944	2,193,944
2035	-	-	425,000	17,000	442,000
	<u>\$ 890,000</u>	<u>\$ 79,200</u>	<u>\$ 8,165,000</u>	<u>\$ 3,299,100</u>	<u>\$ 12,433,300</u>

**Revenue and Tax Bonds**

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2015	\$ 30,778	\$ 51,336
2016	31,638	50,476
2017	32,520	49,594
2018	33,429	48,685
2019	34,361	47,753
2020-2024	186,737	223,833
2025-2029	214,288	196,282
2030-2034	245,906	164,664
2035-2039	282,188	128,482
2040-2044	323,825	86,745
2045-2049	371,603	38,967
2050-2052	89,654	1,692
	<u>\$ 1,876,927</u>	<u>\$ 1,088,509</u>

**NOTE IV – OTHER NOTES**

**A. INSURANCE**

The Town is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is carried for employees bonds and certain property destruction and employee health and accident claims. The Town also participates in the Tennessee Municipal League Risk Management Pool, a public entity risk pool, for errors and omissions; automobile liability and physical damage; workers compensation; and employees' liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the three past fiscal years. The Tennessee Municipal League Risk Management Pool has been self-sustaining through member premiums. Members consist of local jurisdiction municipalities and utility districts in the State. Members are responsible for a pro-rata portion of claims that exceed the Pool's reserves. No additional assessments have ever been made by the Pool to its members as a result of losses experienced.

**B. INTERFUND TRANSACTIONS AND BALANCES**

**TOWN OF SELMER, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

	General	Solid Waste	Water	Total
<b>DUE FROM:</b>				
General	\$ -	\$ -	\$ -	\$ -
Drug	26,876	-	-	26,876
Gas	-	-	2,207	2,207
Water and Sewer	-	39,571	-	39,571
	<u>\$ 26,876</u>	<u>\$ 39,571</u>	<u>\$ 2,207</u>	<u>\$ 68,654</u>

The outstanding balances between funds result from revenues that are collected by one fund for another fund. These balances are all expected to be repaid within one year. The Gas Fund made an operating transfer to the General Fund during the year in the amount of \$60,102 and the Water and Sewer Fund made one to the General Fund in the amount of \$65,970 for in-lieu-of tax payments. The General Fund made a transfer in the amount of \$10,000 to the State Street Aid Fund to aid in costs.

**C. COMMITMENTS AND CONTINGENCIES**

The Town is in the process of developing a park. The Town has expended \$112,712 on this project which is completely funded by a grant.

The Utility Department is converting to AMR meters. The project had a total estimated cost of \$1,500,000 and was funded with loan proceeds. The remaining costs are approximately \$290,000 which will be funded with remaining available loan funds.

**D. PRIOR PERIOD ADJUSTMENTS**

A prior period adjustment was made on the Water Fund. We made an adjustment to construction in process and net position to record prior year grant revenues and project costs that were not recorded.

**E. ACCOUNTING CHANGES**

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*, and Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal years beginning after June 15, 2014. For governments to adopt Statement 68, the underlying pension plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulated and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations.

**TOWN OF SELMER, TENNESSEE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
JUNE 30, 2014**

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Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	\$ 8,979	\$ 9,373	\$ 394	95.79%	\$ 2,177	18.11%
July 1, 2011	\$ 7,979	\$ 8,731	\$ 752	91.39%	\$ 2,108	35.66%
July 1, 2009	\$ 6,469	\$ 6,852	\$ 383	94.41%	\$ 2,195	17.43%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method.

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

**TOWN OF SELMER, TENNESSEE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

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**Schedule of Funding Progress**

Information relating to the City's pension can be found in the Notes to Financial Statements at Note II.B. The schedule of funding progress is designed to reflect the pension plan's success over time in setting aside assets sufficient to cover its actuarial accrued liability.

**TOWN OF SELMER, TENNESSEE  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<b>SPECIAL REVENUE</b>		<b>Total</b>
	<b>State Street Aid Fund</b>	<b>Drug Fund</b>	<b>Other Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,065	\$ 107,159	\$ 113,224
Receivables from other governments	21,042	858	21,900
Total Assets	<u>\$ 27,107</u>	<u>\$ 108,017</u>	<u>\$ 135,124</u>
 <b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 1,584	\$ 1,584
Due from other funds	-	26,876	26,876
Total liabilities	<u>-</u>	<u>28,460</u>	<u>28,460</u>
 <b>FUND BALANCES</b>			
Restricted			
State street aid	27,107	-	27,107
Drug	-	79,557	79,557
Total fund balances	<u>27,107</u>	<u>79,557</u>	<u>106,664</u>
Total liabilities and fund balances	<u>\$ 27,107</u>	<u>\$ 108,017</u>	<u>\$ 135,124</u>

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

**TOWN OF SELMER, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	<b>SPECIAL REVENUE</b>		<b>Total</b>
	<b>State Street Aid Fund</b>	<b>Drug Fund</b>	<b>Other Nonmajor Governmental Funds</b>
<b>Revenues:</b>			
Intergovernmental revenues	\$ 113,692	\$ -	\$ 113,692
Fines and forfeitures	-	31,413	31,413
Seizures	-	4,860	4,860
Donations	-	6,000	6,000
Interest income	10	110	120
Total revenues	<u>113,702</u>	<u>42,383</u>	<u>156,085</u>
<b>Expenditures:</b>			
Public works	128,891	-	128,891
Public safety	-	45,679	45,679
Total expenditures	<u>128,891</u>	<u>45,679</u>	<u>174,570</u>
Excess (deficiency) of revenues over expenditures	<u>(15,189)</u>	<u>(3,296)</u>	<u>(18,485)</u>
<b>Other financing sources (uses):</b>			
Transfers in	10,000	-	10,000
Sale of capital assets	-	5,800	5,800
Total other financing sources (uses)	<u>10,000</u>	<u>5,800</u>	<u>15,800</u>
Net change in fund balances	(5,189)	2,504	(2,685)
Fund Balance, beginning of the year	<u>32,296</u>	<u>77,053</u>	<u>109,349</u>
Fund Balance, end of the year	<u>\$ 27,107</u>	<u>\$ 79,557</u>	<u>\$ 106,664</u>

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



**TOWN OF SELMER, TENNESSEE  
STATE STREET AID FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
State gas tax - 1989	\$ 120,000	\$ 120,000	\$ 12,514	\$ (107,486)
State gas tax - 3 cent	-	-	23,226	23,226
State gas and motor fuel tax	-	-	77,952	77,952
Interest income	-	-	10	10
Total revenues	<u>120,000</u>	<u>120,000</u>	<u>113,702</u>	<u>(6,298)</u>
<b>Expenditures</b>				
Street maintenance	2,500	2,500	-	2,500
Street lighting	125,000	125,000	128,849	(3,849)
Miscellaneous	-	-	42	(42)
Total expenditures	<u>127,500</u>	<u>127,500</u>	<u>128,891</u>	<u>(1,391)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,500)</u>	<u>(7,500)</u>	<u>(15,189)</u>	<u>(7,689)</u>
<b>Other financing sources (uses):</b>				
Transfer in	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
Net change in fund balances	(7,500)	(7,500)	(5,189)	(7,689)
Fund Balance, beginning of the year	<u>32,296</u>	<u>32,296</u>	<u>32,296</u>	<u>-</u>
Fund Balance, end of the year	<u>\$ 24,796</u>	<u>\$ 24,796</u>	<u>\$ 27,107</u>	<u>\$ (7,689)</u>

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

**TOWN OF SELMER, TENNESSEE  
DRUG FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Unauthorized substance abuse tax	\$ 1,500	\$ 1,500	\$ -	\$ (1,500)
Fines and forfeitures	22,000	22,000	31,413	9,413
Seizures	19,000	19,000	4,860	(14,140)
Interest income	200	200	110	(90)
Donations	3,500	3,500	6,000	2,500
Miscellaneous	-	-	-	-
Total revenues	<u>46,200</u>	<u>46,200</u>	<u>42,383</u>	<u>(3,817)</u>
<b>Expenditures:</b>				
Employee education	500	500	-	500
Vehicle tow-in	1,500	1,500	1,255	245
Utilities	5,000	5,000	4,306	694
Telephone	5,500	5,500	5,845	(345)
Repairs and maintenance	4,000	4,000	839	3,161
Miscellaneous	1,000	1,000	-	1,000
Meals and entertainment	200	200	-	200
Office supplies	2,000	2,000	2,073	(73)
Operating supplies	3,000	3,000	1,131	1,869
Educational supplies	3,500	3,500	1,324	2,176
Gas, oil, & diesel	17,000	17,000	14,241	2,759
Drug control	12,000	12,000	14,665	(2,665)
Debt service:				
Principal	18,200	18,200	-	18,200
Interest	-	-	-	-
Total expenditures	<u>73,400</u>	<u>73,400</u>	<u>45,679</u>	<u>27,721</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,200)</u>	<u>(27,200)</u>	<u>(3,296)</u>	<u>23,904</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	-	-	5,800	5,800
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,800</u>	<u>5,800</u>
Net change in fund balances	<u>(27,200)</u>	<u>(27,200)</u>	<u>2,504</u>	<u>29,704</u>
Fund Balance, beginning of the year	<u>77,053</u>	<u>77,053</u>	<u>77,053</u>	<u>-</u>
Fund Balance, end of the year	<u>\$ 49,853</u>	<u>\$ 49,853</u>	<u>\$ 79,557</u>	<u>\$ 29,704</u>

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

**TOWN OF SELMER, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>Tax Levy for Year</b>	<b>Tax Rate</b>	<b>Tax Levy</b>	<b>Beginning Outstanding Taxes</b>	<b>Additions and Adjustments</b>	<b>Collections</b>	<b>Ending Outstanding Taxes</b>	<b>Delinquent Taxes Filed in Chancery Court</b>
2014	0.806	\$ 723,678	\$ -	\$ 724,690	\$ -	\$ 724,690	\$ -
2013	0.806	811,556	723,678	87,619	767,156	44,141	-
2012	0.806	797,532	39,990	(7)	25,618	14,365	14,365
2011	0.806	771,160	15,789	(1,560)	3,858	10,371	10,371
2010	0.806	781,240	4,674	-	1,246	3,428	3,428
2009	0.88	751,336	3,255	-	984	2,271	2,271
2008	0.88	682,683	2,054	-	-	2,054	2,054
2007	0.88	696,681	3,319	-	-	3,319	3,319
2006	0.88	649,017	1,224	-	123	1,101	1,101
2005	0.88	724,246	759	-	-	759	759
2004	0.88	754,547	440	-	-	440	440
2003	0.72	506,183	390	(390)	-	-	-
			<u>\$ 795,572</u>	<u>\$ 810,352</u>	<u>\$ 798,985</u>	<u>\$ 806,939</u>	<u>\$ 38,108</u>

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

TOWN OF SELMER  
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS  
GENERAL LONG TERM DEBT  
JUNE 30, 2014

Year Ending June 30,	Series 2011 Refunding Bonds		Capital Outlay Notes				Totals	
	Principal	Interest	Series 2012		Bancorp South 2013		Bancorp South 2012	
			Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 190,000	\$ 26,700	\$ 4,583	\$ 1,490	\$ 23,826	\$ 2,195	\$ 29,343	\$ 1,437
2016	175,000	21,000	4,583	1,341	24,690	1,331	30,220	560
2017	175,000	15,750	4,583	1,192	25,501	520	2,594	6
2018	175,000	10,500	4,583	1,043	2,163	6	-	-
2019	175,000	5,250	4,583	894	-	-	-	-
2020	-	-	4,583	745	-	-	-	-
2021	-	-	4,584	596	-	-	-	-
2022	-	-	4,584	447	-	-	-	-
2023	-	-	4,584	298	-	-	-	-
2024	-	-	4,583	149	-	-	-	-
	<u>\$ 890,000</u>	<u>\$ 79,200</u>	<u>\$ 45,833</u>	<u>\$ 8,195</u>	<u>\$ 76,180</u>	<u>\$ 4,052</u>	<u>\$ 62,157</u>	<u>\$ 2,003</u>
							<u>\$ 1,074,170</u>	<u>\$ 93,450</u>

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

TOWN OF SELMER, TENNESSEE  
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS  
WATER/SEWER FUND  
FOR THE YEAR ENDED JUNE 30, 2014

Year Ending June 30,	Tax and Revenue Bonds				General Obligation Bonds				Capital Outlay Notes			
	Series 2010		Series 2001		Series 2011		Series 2013		Series 2012		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 29,134	\$ 48,354	\$ 1,644	\$ 2,982	\$ 150,000	\$ 55,750	\$ 250,000	\$ 219,019	\$ 115,000	\$ 25,500	\$ 545,778	\$ 351,605
2016	29,948	47,540	1,690	2,936	150,000	51,250	250,000	214,018	115,000	23,200	546,638	338,944
2017	30,783	46,705	1,737	2,889	150,000	46,750	255,000	209,018	120,000	20,900	557,520	326,262
2018	31,643	45,845	1,785	2,840	150,000	42,250	260,000	203,918	125,000	18,500	568,429	313,353
2019	32,525	44,963	1,835	2,790	150,000	37,750	265,000	198,718	125,000	16,000	574,361	300,221
2020	33,433	44,055	1,887	2,739	150,000	33,250	270,000	193,419	130,000	13,500	585,320	286,963
2021	34,366	43,122	1,940	2,686	150,000	28,562	275,000	187,006	130,000	10,900	591,306	272,276
2022	35,325	42,163	1,994	2,632	150,000	23,688	270,000	178,756	135,000	8,300	592,319	255,539
2023	36,311	41,177	2,050	2,576	150,000	18,438	270,000	170,656	140,000	5,600	598,361	238,447
2024	37,324	40,164	2,107	2,519	160,000	13,000	280,000	161,882	140,000	2,800	619,431	220,365
2025	38,365	39,123	2,166	2,460	165,000	6,600	290,000	152,782	-	-	495,531	200,965
2026	39,437	38,051	2,226	2,400	-	-	300,000	143,356	-	-	341,663	183,807
2027	40,536	36,952	2,289	2,337	-	-	310,000	132,856	-	-	352,825	172,145
2028	41,668	35,820	2,352	2,274	-	-	320,000	121,232	-	-	364,020	159,326
2029	42,830	34,658	2,419	2,207	-	-	335,000	109,232	-	-	380,249	146,097
2030	44,026	33,462	2,485	2,141	-	-	345,000	95,832	-	-	391,511	131,435
2031	45,255	32,233	2,556	2,070	-	-	355,000	81,600	-	-	402,811	115,903
2032	46,517	30,971	2,626	2,000	-	-	370,000	66,512	-	-	419,143	99,483
2033	47,815	29,673	2,700	1,926	-	-	390,000	50,788	-	-	440,515	82,387
2034	49,150	28,338	2,776	1,850	-	-	405,000	34,212	-	-	456,926	64,400
2035	50,521	26,967	2,853	1,773	-	-	425,000	17,000	-	-	478,374	45,740
2036	51,931	25,557	2,933	1,693	-	-	-	-	-	-	54,864	27,250
2037	53,381	24,207	3,014	1,612	-	-	-	-	-	-	56,395	25,819
2038	54,869	22,619	3,099	1,527	-	-	-	-	-	-	57,968	24,146
2039	56,401	21,067	3,186	1,440	-	-	-	-	-	-	59,587	22,527
2040	57,976	19,512	3,274	1,352	-	-	-	-	-	-	61,250	20,864
2041	59,592	17,896	3,367	1,259	-	-	-	-	-	-	62,959	19,155
2042	61,256	16,232	3,460	1,166	-	-	-	-	-	-	64,716	17,398
2043	62,965	14,523	3,556	1,070	-	-	-	-	-	-	66,521	15,593
2044	64,722	12,766	3,657	969	-	-	-	-	-	-	68,379	13,735
2045	66,529	10,959	3,758	868	-	-	-	-	-	-	70,287	11,827
2046	68,384	9,104	3,863	763	-	-	-	-	-	-	72,247	9,867
2047	70,294	7,194	3,971	655	-	-	-	-	-	-	74,265	7,849
2048	72,254	5,234	4,083	543	-	-	-	-	-	-	76,337	5,777
2049	74,271	3,217	4,196	430	-	-	-	-	-	-	78,467	3,647
2050	76,345	1,123	4,314	312	-	-	-	-	-	-	80,659	1,435
2051	-	-	4,434	192	-	-	-	-	-	-	4,434	192
2052	-	-	4,561	65	-	-	-	-	-	-	4,561	65
	<u>\$ 1,768,082</u>	<u>\$ 1,021,566</u>	<u>\$ 108,845</u>	<u>\$ 66,943</u>	<u>\$ 1,675,000</u>	<u>\$ 357,288</u>	<u>\$ 6,490,000</u>	<u>\$ 2,941,812</u>	<u>\$ 1,275,000</u>	<u>\$ 145,200</u>	<u>\$ 11,316,927</u>	<u>\$ 4,532,809</u>

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

**TOWN OF SELMER, TENNESSEE  
SCHEDULE OF UTILITY RATES IN FORCE  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Water/Sewer</b> <b>Quantity</b>	<b>Inside City</b>		<b>Outside City</b>	
	<b>Water</b>	<b>Sewer</b>	<b>Water</b>	<b>Sewer</b>
First 2,000 gallons (minimum)	6.90	8.42	12.72	12.68
Over 2,000 gallons (per 1,000 gallons)	0.0250	0.0306	0.0461	0.0457

<b>Natural Gas</b>	<b>Inside City</b>		<b>Outside City</b>	
	<b>Residential</b>	<b>Commercial</b>	<b>Residential</b>	<b>Commercial</b>
1-700 MCF	6.90	6.90	7.93	7.93
Over 700 MCF	1.158	1.158	1.328	1.328

<b>Industrial</b>	
All usage per MCF	1.158

**Number of customers at June 30, 2014:**

Water	7,522
Sewer	2,014
Natural Gas	1,742

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

**TOWN OF SELMER**  
**AWWA WLCC FREE WATER AUDIT SOFTWARE: REPORTING WORKSHEET - "UNAUDITED"**  
**FOR THE YEAR ENDED JUNE 30, 2014**



Click to access definition  
 Click to add a comment

Water Audit Report for: **Selmer Utility Division (TN0000615)**  
 Reporting Year: **2014** **7/2013 - 6/2014**

Please enter data in the white cells below. Where available, metered values should be used, if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of  
 All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade

**WATER SUPPLIED**

Volume from own sources:   MG/yr

Water imported:   MG/yr

Water exported:   MG/yr

**WATER SUPPLIED:**  MG/yr

Master Meter and Supply Error Adjustments

Pcnt:  Value:  MG/yr

MG/yr

MG/yr

Enter negative % or value for under-registration  
 Enter positive % or value for over-registration

**AUTHORIZED CONSUMPTION**

Billed metered:   MG/yr

Billed unmetered:   MG/yr

Unbilled metered:   MG/yr

Unbilled unmetered:   MG/yr

**AUTHORIZED CONSUMPTION:**  MG/yr

FALSE

Click here for help using option buttons below

Pcnt:  Value:  MG/yr

24081

Use buttons to select percentage of water supplied OR value

**WATER LOSSES (Water Supplied - Authorized Consumption)**  MG/yr

**Apparent Losses**

Unauthorized consumption:   MG/yr

FALSE

Customer metering inaccuracies:   MG/yr

Systematic data handling errors:   MG/yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

**Apparent Losses:**  MG/yr

**Real Losses (Current Annual Real Losses or CARL)**

Real Losses = Water Losses - Apparent Losses:  MG/yr

**WATER LOSSES:**  MG/yr

**NON-REVENUE WATER**

NON-REVENUE WATER:  MG/yr

\* Water Losses + Unbilled Metered + Unbilled Unmetered

**SYSTEM DATA**

Length of mains:   miles

Number of active AND inactive service connections:   conn /mile main

Service connection density:   conn /mile main

Are customer meters typically located at the curbstop or property line?  (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line:   ft

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure:   psi

**COST DATA**

Total annual cost of operating water system:   \$/Year

Customer retail unit cost (applied to Apparent Losses):   \$/1000 gallons (US)

Variable production cost (applied to Real Losses):   \$/Milion gallo (Use Customer Retail Unit Cost to value real losses)

**WATER AUDIT DATA VALIDITY SCORE:**

\*\*\* YOUR SCORE IS: 83 out of 100 \*\*\*

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

**PRIORITY AREAS FOR ATTENTION:**

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Systematic data handling errors

TOWN OF SELMER, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2014

<b>Federal Grantor/Pass- Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass- Through Grantor's Number</b>	<b>Expenditures</b>
<b><u>FEDERAL AWARDS</u></b>			
<b>Department of Housing and Urban Development/ Community Development Block Grants 2012 CDBG Disaster Recovery Grant</b>	14.228	contract 34818	\$ 626,968
<b>Department of Homeland Security FEMA - Assistance to Firefighters</b>	97.044	EMW-2012-FO-04780	35,630
<b>Department of Agriculture Water and Waste Disposal Systems for Rural Communities - Downtonw Water System Rehab</b>	10.760	#29	<u>206,719</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>869,317</u>
<b><u>STATE FINANCIAL ASSISTANCE</u></b>			
<b>Department of Transportation Highway Maintenance</b>	n/a	n/a	101,694
<b>Department of Agriculture Agricultural Growth Initiative</b>	n/a	n/a	1,500
<b>Department of Environment and Conservation Local Park and Recreational Fund Grant</b>	n/a	35465	<u>112,712</u>
<b>TOTAL STATE AWARDS</b>			<u>215,906</u>
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<u>\$ 1,085,223</u>

**Basis of Presentation**

Note 1: The accompany schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the Town under programs of the federal and state governments for the year ended June 30, 2014. The schedule is presented using the modified accrual basis of accounting.

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





**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 Mayor and Board of Aldermen  
Town of Selmer, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Selmer, Tennessee (the Town), as of and for the year ended June 30, 2014, and the relate notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 19, 2014.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2008-01 and 2006-12, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2006-15 and 2013-01 to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 determination of financial statement amounts. 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 one instance of

noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-01.

### **Town's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

### **PRIOR YEAR DISPOSITIONS**

2009-01 Ticket Reconciliations – corrected.

*Johnson & Associates, PLLC*

September 19, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

To the Mayor and Board of Aldermen  
Town of Selmer, Tennessee

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Selmer, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2014. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Town's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Helwin : Associates, PLLC*

September 19, 2014

**TOWN OF SELMER, TENNESSEE  
SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2014**

There are no items that are required to be reported in this section.

**TOWN OF SELMER, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

**SECTION I – Summary of Auditor’s Results**

- (a) Type of report issued on the financial statements:  
Unqualified
- (b) The audit of the financial statements did disclose weaknesses in internal control two of which were considered material weakness and two of which were considered significant deficiencies.
- (c) The audit of the financial statements disclosed no instances of noncompliance which were material to the financial statements.
- (d) The audit did not disclose any significant deficiencies or material weaknesses in internal control over major programs.
- (e) Type of report issued on compliance for major programs:  
Unqualified
- (f) The audit did not disclose any findings required to be reported under Circular A-133, Section 510(a).
- (g) Major programs:  
CFDA 14.228 – Community Development Block Grants/State's Program
- (h) Dollar threshold used to distinguish between Type A and Type B programs:  
\$300,000
- (i) The auditee did not qualify as a low-risk auditee.

**SECTION II – Financial Statement Findings**

**UTILITY DIVISION AND GOVERNMENTAL FUNDS**

**2008-01 GENERAL LEDGER MATERIALLY MISSTATED BEFORE AUDIT ADJUSTMENTS**

The Town had materially misstated the financial statements of the General Fund, Police Drug Fund, Sanitation Fund and the Water Fund. Adjustments were required to correct the financial statements.

**Recommendation:** We recommend the Town make the necessary adjustments to reconcile its accounts prior to year end.

## **GOVERNMENTAL FUNDS**

### **2006-12 INADEQUATE SEGREGATION OF DUTIES**

Because the town recorder is in a position to handle assets such as cash, as well as to post the books of record, there is inadequate segregation of duties.

**Recommendation:** Devise controls so that, as much as is possible, no one has access to both books and assets.

### **2006-15 BANK DEPOSITS**

Deposits are not being made in a timely manner. It took several days for the community center to turn money into city hall.

**Recommendation:** Deposits should comply with State requirements which stipulate that all funds should be deposited on the same day, if possible, but always within three banking days of receipt.

### **2013-01 INADEQUATE SUPPORT FOR PARKS AND RECREATIONAL DEPARTMENT REVENUES**

The Town did not have adequate support for the revenues collected from swimming pool admissions.

**Recommendation:** There should be a daily cash reconciliation of swimming pool collections that should be signed off by employees collecting the money and a pre-numbered cash receipt issued upon turning the money in.

### **2014-01 EXPENDITURES EXCEEDED BUDGET**

Expenditures exceeded budgeted appropriations in the Sanitation and State Street Aid Funds. The Town should not expend unappropriated funds. However, if circumstances suggest that expenditures are expected to exceed appropriations, the budget should be amended.

**Recommendation:** Closely monitor expenses and adequately budget for expenditures to avoid overruns.

## **SECTION III – Federal Award Findings and Questioned Costs**

NONE

**TOWN OF SELMER, TENNESSEE  
CORRECTIVE ACTION PLAN  
JUNE 30, 2014**

**2008-01 GENERAL LEDGER MATERIALLY MISSTATED BEFORE AUDIT ADJUSTMENTS**

Corrective action planned: We will do everything that we can to correctly record future figures within the general ledger and to further seek advice from our auditors concerning grant recording and all questionable entries that we encounter.

Anticipated completion date: We are doing this now.

**2006-12 INADEQUATE SEGREGATION OF DUTIES**

Corrective action planned: As our Town and funds grow we hope to someday hire an additional person for collecting in an effort to totally separate the necessity for one person to do both. As with most small towns this has not been feasible in past years. However, the history of the present recorder has strived to always maintain the clearest possible paper trail on all cash received and disbursements within the office because this has been a priority. A conscience effort by the city recorder was made earlier on establishing numbered cash receipting requiring both parties to sign off when turning in cash, as well as mandatory receipting on all funds to include mailing back all tax receipts when paid by mail as well as immediate receipting when paid. These safe guards were put into place in the beginning years to better protect the integrity of the office. Having said all this to simply point out that in the case of Selmer this has been a number one priority.

Anticipated completion date: Hopefully, we will be in a position to carry out plans for an additional employee very soon.

**2006-15 BANK DEPOSITS**

Corrective action planned: The office will make an effort at once to make timely deposits. One plan to alleviate this age old problem is to have a clear understanding that it is a must to turn in all cash for deposit prior to an excused absence. Although not prior addressed absence of the employee has most often delayed this process.

Anticipated completion date: We will take immediate action.

**2013-01 INADEQUATE SUPPORT FOR PARKS AND RECREATIONAL DEPARTMENT REVENUES**

Corrective action planned: We plan to require immediately that all cash to include separate swimming pool collections be presented with collating reference numbers as with the other recreational funds therefore causing the use of numbered receipts in pool collections.

Anticipated completion date: We are assured by the recreational manager that a daily cash reconciliation of swimming pool collections signed off by the employee collecting the money will be done.

**2014-01 EXPENDITURES EXCEEDED BUDGET**

Corrective action planned: We plan to amend our budget in a more timely manner. In the past, we have waited attempting to get an accurate figure. We do not plan to wait and hope to greatly improve estimating expenditures for future budgets based on realistic past history as well as monitoring future expenditures more closely.

Anticipated completion date: We will take immediate action.