

**TOWN OF SELMER,
TENNESSEE
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017**

TOWN OF SELMER, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

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**TOWN OF SELMER, TENNESSEE
ROSTER OF PUBLICLY ELECTED AND MANAGEMENT OFFICIALS
JUNE 30, 2017**

Elected Officials

John Smith	Mayor
John Austin	Alderman
John Finlayson	Alderman
J. T. Hawkins	Alderman
Johnny Norris	Alderman

Management Officials

Anji Deaton	CMFO
Ann Henderson	City Recorder
Anthony Carr	Fire Chief
Neal Burks	Police Chief
Richard Ashe	Public Works Director
Raymond Ouellette	Street and Sanitation 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, 2017, 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, 2017, 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.

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 changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS, schedule of contributions based on participation in the public employee pension plan of TCRS, and notes to required supplementary information on pages 4 through 8 and page 45 through 47 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 Town'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 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, the AWWA WLCC Free Water Audit Software: Reporting Worksheet, and AWWA Free Water Audit Software: System Attributes and Performance Indicators – "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 February 19, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Godwin & Associates, PLLC". The signature is written in a cursive, flowing style.

February 19, 2018

**TOWN OF SELMER, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017. 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 - 44.

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 45 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 48 - 51 of this report.

THE TOWN AS A WHOLE

For the year ended June 30, 2017, net position changed as follows:

TOWN OF SELMER'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 4,411,381	\$ 6,301,638	\$ 7,644,118	\$ 8,216,493	\$ 12,055,499	\$ 14,518,131
Capital assets	4,461,127	4,461,599	24,775,271	24,283,065	29,236,398	28,744,664
Total Assets	<u>8,872,508</u>	<u>10,763,237</u>	<u>32,419,389</u>	<u>32,499,558</u>	<u>41,291,897</u>	<u>43,262,795</u>
Total deferred outflows of resources	<u>397,060</u>	<u>459,606</u>	<u>274,095</u>	<u>319,665</u>	<u>671,155</u>	<u>779,271</u>
Long term liabilities	3,634,075	3,675,295	9,859,199	10,423,099	13,493,274	14,098,394
Other liabilities	250,413	247,026	439,936	416,271	690,349	663,297
Total liabilities	<u>3,884,488</u>	<u>3,922,321</u>	<u>10,299,135</u>	<u>10,839,370</u>	<u>14,183,623</u>	<u>14,761,691</u>
Total deferred inflows of resources	<u>927,007</u>	<u>1,226,455</u>	<u>117,736</u>	<u>335,555</u>	<u>1,044,743</u>	<u>1,562,010</u>
Net Position						
Net investments in capital assets	903,906	859,461	14,973,139	13,912,004	15,877,045	14,771,465
Restricted	495,255	417,185	198,273	211,101	693,528	628,286
Unrestricted	3,058,912	4,797,421	7,105,201	7,521,193	10,164,113	12,318,614
Total Net Position	<u>\$ 4,458,073</u>	<u>\$ 6,074,067</u>	<u>\$ 22,276,613</u>	<u>\$ 21,644,298</u>	<u>\$ 26,734,686</u>	<u>\$ 27,718,365</u>

During the current fiscal year, the Town's total net position decreased by \$983,679 compared to the prior year increase of \$1,041,765.

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 \$305,948 compared to an increase in the prior year of \$462,843.
- The Town's Water and Sewer Fund operated at an increase in net position of \$326,367 compared to an increase in the prior year of \$215,268.

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Fees, fines and charges for services	\$ 1,019,692	\$ 1,000,835	\$ 4,974,023	\$ 4,931,524	\$ 5,993,715	\$ 5,932,359
Operating grants and contributions	441,368	561,565	-	-	441,368	561,565
Capital grants and contributions	402,794	259,834	-	82,534	402,794	342,368
General Revenues:						
Property taxes	870,181	826,714	-	-	870,181	826,714
Sales taxes	2,095,774	2,216,219	-	-	2,095,774	2,216,219
Public service taxes	38,974	40,764	-	-	38,974	40,764
Investment earnings	21,663	11,413	19,580	17,802	41,243	29,215
Rent	59,232	-	-	-	59,232	-
Insurance recoveries	31,849	31,328	46,616	14,290	78,465	45,618
Gain (loss) on sale of assets	(2,165)	-	-	-	(2,165)	-
Negative pension expense	-	4,318	-	-	-	4,318
Accretion on debt premiums	-	13,459	11,292	11,292	11,292	24,751
Miscellaneous	23,656	15,150	-	-	23,656	15,150
Transfers	115,238	118,896	-	-	115,238	118,896
Total Revenues	<u>5,118,256</u>	<u>5,100,495</u>	<u>5,051,511</u>	<u>5,057,442</u>	<u>10,169,767</u>	<u>10,157,937</u>
Expenses:						
General government	796,504	863,603	-	-	796,504	863,603
Public safety	2,116,150	2,152,416	-	-	2,116,150	2,152,416
Public works	3,218,282	1,135,926	-	-	3,218,282	1,135,926
Health, welfare and recreation	501,593	413,621	-	-	501,593	413,621
Bond issued costs	-	87,468	-	-	-	87,468
Interest on long-term debt	101,721	83,807	-	-	101,721	83,807
Water and Sewer	-	-	2,937,289	2,897,891	2,937,289	2,897,891
Natural Gas	-	-	1,366,669	1,362,544	1,366,669	1,362,544
Transfers out	-	-	115,238	118,896	115,238	118,896
Total Expenses	<u>6,734,250</u>	<u>4,736,841</u>	<u>4,419,196</u>	<u>4,379,331</u>	<u>11,153,446</u>	<u>9,116,172</u>
Increase (decrease) in net position	<u>(1,615,994)</u>	<u>363,654</u>	<u>632,315</u>	<u>678,111</u>	<u>(983,679)</u>	<u>1,041,765</u>
Net position-beginning, as originally stated	6,074,067	5,662,256	21,644,298	20,966,187	27,718,365	26,628,443
Prior period adjustments	-	48,157	-	-	-	48,157
Net position-beginning, as restated	<u>6,074,067</u>	<u>5,710,413</u>	<u>21,644,298</u>	<u>20,966,187</u>	<u>27,718,365</u>	<u>26,676,600</u>
Net position-end of year	<u>\$ 4,458,073</u>	<u>\$ 6,074,067</u>	<u>\$ 22,276,613</u>	<u>\$ 21,644,298</u>	<u>\$ 26,734,686</u>	<u>\$ 27,718,365</u>

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 \$3,052,624 which is 37% decrease from last year's total of \$4,809,668. The decrease is primarily due to street light and paving projects.

The following schedule presents a summary of general and, special revenue funds' revenues and expenditures for the fiscal year ended June 30, 2017, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	June 30, 2017	Percent of Total	Increase (Decrease) from June 30, 2016
Taxes	\$ 2,561,009	50.96%	\$ (75,651)
Intergovernmental	1,304,335	25.95%	(16,077)
Licenses and permits	3,965	0.08%	(1,547)
Charges for services	581,467	11.57%	53,513
Fines and forfeitures	434,260	8.64%	(33,109)
Other revenues	140,650	2.80%	79,759
Total Revenues	\$ 5,025,686	100.00%	\$ 6,888

Expenditures	June 30, 2017	Percent of Total	Increase (Decrease) from June 30, 2016
General government	\$ 749,701	10.48%	\$ (90,348)
Public Safety	1,762,782	24.64%	(149,983)
Public Works	3,125,497	43.69%	2,024,106
Health, welfare, and recreation	391,434	5.47%	50,128
Capital outlay	733,499	10.25%	(100,885)
Debt Service	391,215	5.47%	52,334
Total Expenditures	\$ 7,154,128	100.00%	\$ 1,785,352

The increased public works expenditures are primarily due to street light and paving projects.

General Fund Budgetary Highlights

The Town had no budget amendments in the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2017, the Town had invested \$29,236,398 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 \$491,734, or 1.3% below the prior year. Additional information on capital assets is in Note III.A.

Debt

At year-end, the Town had \$13,493,274 in outstanding long-term liabilities compared to \$14,098,393 last year. Of the total outstanding debt 27% belongs to the Governmental funds, 0.2% belongs to the Gas Fund, and 72.8% 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, 2017

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 2,932,957	\$ 6,758,041	\$ 9,690,998
Receivables:			
Property taxes	814,065	-	814,065
Accounts receivable	52,003	426,725	478,728
Grant receivable	-	-	-
Due from other governments	237,662	-	237,662
Inventories	-	284,365	284,365
Prepaid items	29,589	20,551	50,140
Internal balances	43,837	(43,837)	-
Net pension assets	301,268	198,273	499,541
Capital assets (net of accumulated depreciation):			
Nondepreciable	241,892	306,019	547,911
Depreciable	4,219,235	24,469,252	28,688,487
TOTAL ASSETS	8,872,508	32,419,389	41,291,897
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	397,060	274,095	671,155
LIABILITIES			
Accounts payable	217,138	243,717	460,855
Accrued expenses	23,118	65,569	88,687
Unearned revenues	10,157	-	10,157
Customer deposits	-	130,650	130,650
Debt:			
Due within one year	278,596	568,429	847,025
Due in more than one year (net of unamortized premiums)	3,355,479	9,290,770	12,646,249
TOTAL LIABILITIES	3,884,488	10,299,135	14,183,623
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - property taxes	740,898	-	740,898
Pensions	186,109	117,736	303,845
	927,007	117,736	1,044,743
NET POSITION			
Net investment in capital assets	903,906	14,973,139	15,877,045
Restricted for:			
State Street Aid Fund	127,764	-	127,764
Drug Fund	12,081	-	12,081
Sanitation	54,142	-	54,142
Restricted for other purposes	301,268	198,273	499,541
Unrestricted	3,058,912	7,105,201	10,164,113
TOTAL NET POSITION	\$ 4,458,073	\$ 22,276,613	\$ 26,734,686

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

**TOWN OF SELMER, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		Total
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities							
General Government	\$ 796,504	\$ 38,090	\$ 4,250	\$ -	\$ (754,164)	\$ -	\$ (754,164)
Public Safety	2,116,150	445,235	213,048	335,071	(1,122,796)	-	(1,122,796)
Public Works	3,218,282	480,313	224,070	-	(2,513,899)	-	(2,513,899)
Health, Welfare and Recreation	501,593	56,054	-	67,723	(377,816)	-	(377,816)
Interest on long-term debt	101,721	-	-	-	(101,721)	-	(101,721)
Total governmental activities	6,734,250	1,019,692	441,368	402,794	(4,870,396)	-	(4,870,396)
Business-type activities							
Water and Sewer	2,937,289	3,291,002	-	-	-	353,713	353,713
Natural Gas	1,366,669	1,683,021	-	-	-	316,352	316,352
Total business-type activities	4,303,958	4,974,023	-	-	-	670,065	670,065
Total Government	\$ 11,038,208	\$ 5,993,715	\$ 441,368	\$ 402,794	(4,870,396)	670,065	
General Revenues:							
Taxes:							
Property					870,181	-	870,181
Sales					2,095,774	-	2,095,774
Public service taxes					38,974	-	38,974
Investment earnings					21,663	19,580	41,243
Rent					59,232	-	59,232
Insurance recoveries					31,849	46,616	78,465
Gain (loss) on sale of capital assets					(2,165)	-	(2,165)
Accretion on debt premiums					-	11,292	11,292
Miscellaneous					23,656	-	23,656
Transfers					115,238	(115,238)	-
Total general revenues and transfers					3,254,402	(37,750)	3,216,652
Change in net position					(1,615,994)	632,315	(983,679)
Net position at beginning of year					6,074,067	21,644,298	27,718,365
Net position at end of year					\$ 4,458,073	\$ 22,276,613	\$ 26,734,686

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

**TOWN OF SELMER, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General	Sanitation	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 2,741,840	\$ 29,817	\$ 161,300	\$ 2,932,957
Taxes receivable	814,065	-	-	814,065
Grant receivables	-	-	-	-
Accounts receivable	52,003	-	-	52,003
Due from other funds	32,142	43,837	-	75,979
Receivables from other governments	215,511	-	22,151	237,662
Prepaid expenses	29,589	-	-	29,589
Total assets	<u>\$ 3,885,150</u>	<u>\$ 73,654</u>	<u>\$ 183,451</u>	<u>\$ 4,142,255</u>
LIABILITIES				
Accounts payable	\$ 196,742	\$ 19,089	\$ 1,307	\$ 217,138
Accrued expenses	15,706	423	-	16,129
Due to other funds	-	-	32,142	32,142
Unearned revenues - other	-	-	10,157	10,157
Total liabilities	<u>212,448</u>	<u>19,512</u>	<u>43,606</u>	<u>275,566</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	<u>814,065</u>	<u>-</u>	<u>-</u>	<u>814,065</u>
FUND BALANCES				
Nonspendable				
Prepaid items	29,589	-	-	29,589
Restricted				
State street aid	-	-	127,764	127,764
Drug	-	-	12,081	12,081
Sanitation	-	54,142	-	54,142
Unassigned				
General fund	2,829,048	-	-	2,829,048
Total fund balances	<u>2,858,637</u>	<u>54,142</u>	<u>139,845</u>	<u>3,052,624</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,885,150</u>	<u>\$ 73,654</u>	<u>\$ 183,451</u>	<u>\$ 4,142,255</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, 2017

Total fund balance - total governmental funds	\$ 3,052,624
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.	4,461,127
Net pension asset is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.	301,268
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.	210,951
Compensated absences are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(76,854)
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	\$ 278,596
Due in more than one year	3,257,781
	(3,536,377)
Bond premiums are not reported in the governmental funds but are recorded for government-wide purposes.	(20,844)
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.	(6,989)
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.	73,167
Net position of governmental activities	<u><u>\$ 4,458,073</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, 2017

	General	Sanitation	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,561,009	\$ -	\$ -	\$ 2,561,009
Intergovernmental revenues	1,182,661	-	121,674	1,304,335
Licenses and permits	3,965	-	-	3,965
Charges for services	101,154	480,313	-	581,467
Fines, forfeits, and penalties	395,232	-	39,028	434,260
Other revenues	140,524	-	126	140,650
Total Revenues	4,384,545	480,313	160,828	5,025,686
Expenditures				
Current				
General government	749,701	-	-	749,701
Public safety	1,733,536	-	29,246	1,762,782
Public works	2,640,248	418,693	66,556	3,125,497
Health, welfare, and recreation	391,434	-	-	391,434
Capital outlay	460,349	252,700	20,450	733,499
Debt service	355,492	35,723	-	391,215
Total Expenditures	6,330,760	707,116	116,252	7,154,128
Excess (deficiency) of revenues over (under) expenditures	(1,946,215)	(226,803)	44,576	(2,128,442)
Other financing sources (uses)				
Transfers in	115,238	-	20,450	135,688
Transfers out	(20,450)	-	-	(20,450)
Sale of capital assets	6,160	-	-	6,160
Proceeds from new debt	-	250,000	-	250,000
Total other financing sources (uses)	100,948	250,000	20,450	371,398
Net change in fund balances	(1,845,267)	23,197	65,026	(1,757,044)
FUND BALANCES - beginning of year	4,703,904	30,945	74,819	4,809,668
FUND BALANCES - end of year	\$ 2,858,637	\$ 54,142	\$ 139,845	\$ 3,052,624

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, 2017

Net change in fund balances - total governmental funds	\$ (1,757,044)
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.	733,499
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.	(725,646)
Net effect of sale of capital assets	(8,325)
Principal paid on debt	289,005
Debt proceeds are recorded on the governmental funds as revenue, but the government-wide statement of activities does not report debt proceeds as revenue.	(250,000)
Effect of GASB 68 on retirement expense	120,317
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	2,703
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(20,503)</u>
Change in net position of governmental activities	<u><u>\$ (1,615,994)</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, 2017**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
Revenues	Original	Final	Actual	
Taxes				
Property taxes - current	\$ 764,750	\$ 764,750	\$ 780,441	\$ 15,691
Property taxes - delinquent	20,000	20,000	60,638	40,638
Local option sales taxes	1,300,000	1,300,000	1,262,414	(37,586)
Local wholesale beer taxes	183,000	183,000	201,448	18,448
Local wholesale liquor taxes	74,750	74,750	97,036	22,286
Business taxes	25,000	25,000	103,882	78,882
Cable TV franchise taxes	28,000	28,000	38,974	10,974
Hotel/Motel taxes	20,000	20,000	16,176	(3,824)
Total taxes	2,415,500	2,415,500	2,561,009	145,509
Intergovernmental				
State of Tennessee				
- TVA replacement tax	45,000	45,000	49,605	4,605
- Sales tax allocation	325,000	325,000	364,333	39,333
- Income tax allocation	28,000	28,000	33,073	5,073
- Beer tax allocation	2,000	2,000	2,122	122
- Mixed drink tax allocation	2,000	2,000	3,175	1,175
- Petroleum tax	-	-	8,879	8,879
- Telecommunication tax	250	250	328	78
- Corporate excise tax	9,000	9,000	11,787	2,787
FEMA fire grant	-	-	15,000	15,000
Forestry grant	-	-	2,957	2,957
State law enforcement	9,000	9,000	7,800	(1,200)
High visibility grant	-	-	3,222	3,222
Fire Dept grants	28,250	28,250	6,250	(22,000)
LESO grant	-	-	512,890	512,890
State LPRF grant - Dixie park phase II	-	-	67,723	67,723
State highway maintenance grant	85,000	85,000	93,517	8,517
Total intergovernmental revenues	533,500	533,500	1,182,661	649,161
Licenses and permits				
Beer permits	1,600	1,600	2,833	1,233
Building permits	1,200	1,200	1,132	(68)
Total licenses and permits	2,800	2,800	3,965	1,165
Charges for services				
Special fire protection	9,350	9,350	10,975	1,625
Swimming pool charges	2,800	2,800	3,526	726
Recreation programs	47,000	47,000	52,528	5,528
Community center fees	32,000	32,000	34,125	2,125
Total charges for services	91,150	91,150	101,154	10,004
Fines, forfeits, and penalties				
City court fines	170,000	170,000	117,178	(52,822)
Fines, fees and penalties - auto cameras	145,450	145,450	252,296	106,846
Court fines from County	28,000	28,000	25,758	(2,242)
Total fines, forfeits, and penalties	343,450	343,450	395,232	51,782

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues (continued)				
Other revenues				
Civic Center - United Way	500	500	4,250	3,750
Rent - UTM Anticipated	15,000	15,000	59,232	44,232
Insurance recoveries	5,000	5,000	31,849	26,849
Sales of materials	4,000	4,000	821	(3,179)
Contributions	500	500	3,572	3,072
Penalties and interest	8,000	8,000	21,537	13,537
Miscellaneous	1,000	1,000	19,263	18,263
Total other revenues	34,000	34,000	140,524	106,524
Total revenues	3,420,400	3,420,400	4,384,545	964,145
Expenditures				
General government				
Legislative				
Mayor	47,000	47,000	47,403	(403)
Reimbursement for mayor	(28,000)	(28,000)	(28,000)	-
Board and committee members	9,000	9,000	8,534	466
Payroll taxes	4,284	4,284	4,423	(139)
Retirement	5,640	5,640	5,857	(217)
Election officials	6,500	6,500	-	6,500
Memberships and registration fees	3,500	3,500	2,321	1,179
Advertising	3,500	3,500	3,016	484
State planning office	7,500	7,500	6,250	1,250
Travel	1,500	1,500	1,434	66
Mayor expense	10,000	10,000	8,470	1,530
Prizes and awards	2,200	2,200	311	1,889
Salaries	6,000	6,000	6,051	(51)
Payroll taxes	459	459	477	(18)
Total legislative	79,083	79,083	66,547	12,536
General government buildings				
Utility services	2,100	2,100	1,533	567
Electricity	5,500	5,500	5,267	233
Repairs and maintenance	5,000	5,000	1,299	3,701
Household and janitorial	1,500	1,500	368	1,132
Total general government buildings	14,100	14,100	8,467	5,633

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures (continued)				
General government (continued)				
Financial administration				
Salaries	53,926	53,926	54,287	(361)
Salaries - permanent employees	20,800	20,800	29,790	(8,990)
OASI	5,717	5,717	6,364	(647)
Hospital and health	368,000	368,000	270,533	97,467
Retirement	8,967	8,967	9,374	(407)
Workers compensation	95,400	95,400	82,530	12,870
Unemployment	3,500	3,500	3,510	(10)
Refunds	300	300	-	300
Postage and box rental	2,500	2,500	401	2,099
Telephone	7,500	7,500	9,325	(1,825)
Professional services	2,000	2,000	2,200	(200)
Legal	10,000	10,000	10,588	(588)
Audit	16,500	16,500	15,750	750
Data processing services	15,500	15,500	12,241	3,259
Other professional	1,500	1,500	96	1,404
Miscellaneous	750	750	642	108
Office supplies	3,000	3,000	3,356	(356)
Property tax roll	2,300	2,300	2,202	98
Computer supplies	1,500	1,500	665	835
Fax and copier	3,000	3,000	2,981	19
Insurance - vehicles	130,000	130,000	110,676	19,324
Surety bonds	1,000	1,000	500	500
Office supplies	90	90	-	90
Awards for services	2,000	2,000	2,100	(100)
Total financial administration	755,750	755,750	630,111	125,639
Civic center				
Advertising	2,000	2,000	1,837	163
Utility service	9,000	9,000	8,019	981
Electricity	35,000	35,000	27,027	7,973
Repair and maintenance	1,500	1,500	139	1,361
Repair and maintenance-other	4,000	4,000	2,282	1,718
Household and janitorial	5,000	5,000	5,172	(172)
Surety bonds	300	300	100	200
Capital outlay	12,000	12,000	-	12,000
Total civic center	68,800	68,800	44,576	24,224
Debt service				
Principal	259,669	259,669	259,632	37
Interest	96,893	96,893	95,860	1,033
Total debt service	356,562	356,562	355,492	1,070
Total general government	1,274,295	1,274,295	1,105,193	169,102

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures (continued)				
Public safety				
Police department				
Salaries	184,686	184,686	186,785	(2,099)
Payroll taxes	45,884	45,884	49,709	(3,825)
Retirement	71,255	71,255	70,348	907
Employee education	17,000	17,000	18,660	(1,660)
Refunds	300	300	-	300
Vehicle tow-in service	500	500	913	(413)
Telephone	2,800	2,800	2,827	(27)
Professional service	58,000	58,000	58,676	(676)
Data processing	700	700	-	700
Repair and maintenance	1,000	1,000	1,167	(167)
Repair and maintenance - vehicles	48,000	48,000	49,949	(1,949)
Repair and maintenance - radios	3,000	3,000	3,021	(21)
Travel	400	400	321	79
Ambulance and clinic	1,200	1,200	547	653
City court cost	13,000	13,000	9,556	3,444
Miscellaneous	800	800	261	539
Office supplies	6,000	6,000	5,733	267
Operating supplies	9,000	9,000	15,316	(6,316)
Uniforms	10,000	10,000	10,444	(444)
Gas, oil and diesel	37,000	37,000	27,157	9,843
Building and office	500	500	790	(290)
Small items of equipment	-	-	202,291	(202,291)
Overtime	31,000	31,000	32,226	(1,226)
Salaries	33,637	33,637	32,434	1,203
Hourly wages	382,000	382,000	359,471	22,529
Overtime	150	150	33	117
Hourly wages	29,232	29,232	27,100	2,132
Capital outlay	51,000	51,000	329,811	(278,811)
Total police department	1,038,044	1,038,044	1,495,546	(457,502)
Fire department				
Salaries	224,350	224,350	220,134	4,216
Overtime	15,000	15,000	16,456	(1,456)
Payroll taxes	17,163	17,163	21,513	(4,350)
Retirement	19,902	19,902	20,696	(794)
Training	25,000	25,000	24,943	57
Volunteer firemen	35,000	35,000	40,836	(5,836)
Fire code enforcement	3,000	3,000	2,993	7
Subscriptions	300	300	293	7
Public relations	3,300	3,300	3,340	(40)
Utilities	24,000	24,000	26,674	(2,674)
Telephone	5,000	5,000	5,868	(868)
Repair and maintenance	10,000	10,000	9,992	8
Repair and maintenance - vehicles	20,000	20,000	20,132	(132)
Repair and maintenance - building	6,000	6,000	6,199	(199)
Repair and maintenance - radios	4,000	4,000	4,092	(92)
Travel	9,000	9,000	8,875	125
Medical, physicals, etc...	3,500	3,500	3,861	(361)
Miscellaneous	1,000	1,000	994	6
Office supplies and materials	1,550	1,550	1,677	(127)
Additional items of equipment	47,600	47,600	49,295	(1,695)
Operating supplies	2,000	2,000	2,356	(356)
Uniforms	6,000	6,000	6,098	(98)
Gas, oil and diesel	20,000	20,000	15,477	4,523
Capital outlay	32,000	32,000	-	32,000
Total fire department	534,665	534,665	512,794	21,871

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures (continued)				
Public safety (continued)				
Building inspector				
Salaries	43,967	43,967	43,255	712
Payroll taxes	3,363	3,363	3,411	(48)
Retirement	5,276	5,276	5,427	(151)
Education and training	250	250	720	(470)
Telephone	450	450	704	(254)
Repair and maintenance - vehicle	350	350	243	107
Repair and maintenance - grounds	800	800	-	800
Operating supplies	350	350	67	283
Gas, oil and diesel	2,100	2,100	1,180	920
Total building inspector	56,906	56,906	55,007	1,899
Total public safety	1,629,615	1,629,615	2,063,347	(433,732)
Public works				
Streets and highways				
Salaries	37,980	37,980	38,184	(204)
Overtime	5,000	5,000	2,296	2,704
Hourly wages	282,406	282,406	279,845	2,561
Payroll taxes	24,510	24,510	24,261	249
Retirement	38,446	38,446	38,096	350
Utilities	2,000	2,000	1,303	697
Electricity	2,000	2,000	2,550	(550)
Telephone	2,000	2,000	2,737	(737)
Repair and maintenance	500	500	482	18
Repair and maintenance - vehicles	18,000	18,000	21,424	(3,424)
Repair and maintenance - other equipment	1,500	1,500	2,423	(923)
Repair and maintenance - machinery	5,000	5,000	3,994	1,006
Repair and maintenance - radios	300	300	284	16
Repair and maintenance - streets	35,000	35,000	23,895	11,105
Street light/paving	2,015,000	2,015,000	2,065,220	(50,220)
Other contractual services	77,000	77,000	79,567	(2,567)
Clinic, hospital	300	300	314	(14)
Office supplies	2,000	2,000	1,780	220
Operating supplies	12,000	12,000	18,612	(6,612)
Uniforms	6,700	6,700	7,239	(539)
Gas, oil and diesel	31,000	31,000	22,172	8,828
Consumable tools	300	300	8	292
Sign parts and supplies	3,000	3,000	3,382	(382)
Capital outlay	-	-	2,200	(2,200)
Total streets and highways	2,601,942	2,601,942	2,642,268	(40,326)
Animal shelter				
Operating supplies	1,200	1,200	180	1,020
Total public works	2,603,142	2,603,142	2,642,448	(39,306)
Health, welfare, and recreation				
Grants and appropriations				
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	3,500	-
Grant/donation - Imagination library	1,000	1,000	1,000	-
Grant/donation - additional	500	500	-	500
Total grants and appropriations	16,200	16,200	11,500	4,700

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Health, welfare, and recreation (continued)				
Swimming pools				
Hourly wages	8,000	8,000	7,859	141
Payroll taxes	612	612	704	(92)
Publications and subscriptions	125	125	-	125
Utilities	8,000	8,000	3,177	4,823
Telephone	1,500	1,500	1,344	156
Repairs and maintenance	900	900	3,488	(2,588)
Chemicals	2,400	2,400	1,319	1,081
Other operating supplies	700	700	683	17
Total swimming pools	22,237	22,237	18,574	3,663
Parks and recreation				
Salaries	46,625	46,625	41,595	5,030
Overtime	-	-	2,000	(2,000)
Hourly wages	108,800	108,800	116,123	(7,323)
Payroll taxes	11,054	11,054	12,209	(1,155)
Retirement	15,815	15,815	15,318	497
Refunds	1,500	1,500	2,265	(765)
Utility	12,000	12,000	19,607	(7,607)
Telephone	3,300	3,300	4,565	(1,265)
Data processing	500	500	-	500
Repair and maintenance	16,000	16,000	18,198	(2,198)
Repair and maintenance-other	1,700	1,700	4,582	(2,882)
Office supplies	3,900	3,900	3,399	501
Uniforms	650	650	991	(341)
Other operating supplies	65,000	65,000	64,812	188
Gas, oil and diesel	6,000	6,000	3,246	2,754
Other insurance	3,000	3,000	2,450	550
Capital outlay	323,579	323,579	128,338	195,241
Total parks and recreation	619,423	619,423	439,698	179,725
Libraries				
Grants and donations	13,500	13,500	-	13,500
Economic Development				
Grants or donations	50,000	50,000	50,000	-
Total economic development	50,000	50,000	50,000	-
Total health, welfare, and recreation	721,360	721,360	519,772	201,588
Total expenditures	6,228,412	6,228,412	6,330,760	(102,348)
Excess (deficiency) of revenues over (under) expenditures	(2,808,012)	(2,808,012)	(1,946,215)	861,797
Other financing sources (uses)				
Transfers in	131,000	131,000	115,238	(15,762)
Transfers out	(35,450)	(35,450)	(20,450)	15,000
Sale of capital assets	-	-	6,160	6,160
Total other financing sources (uses)	95,550	95,550	100,948	5,398
Net change in fund balance	(2,712,462)	(2,712,462)	(1,845,267)	867,195
Fund balance, beginning of year	4,703,904	4,703,904	4,703,904	-
Fund balance, end of year	\$ 1,991,442	\$ 1,991,442	\$ 2,858,637	\$ 867,195

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, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Garbage pickup	\$ 476,977	\$ 476,977	\$ 477,785	\$ 808
Uncollectible accounts	(4,500)	(4,500)	(3,648)	852
Recovery of uncollectible accounts	1,200	1,200	848	(352)
Service charges and fees	3,500	3,500	5,328	1,828
Total revenues	<u>477,177</u>	<u>477,177</u>	<u>480,313</u>	<u>3,136</u>
Expenditures:				
Payroll	108,851	108,851	105,279	3,572
Payroll taxes	8,175	8,175	8,170	5
Employee insurance	30,000	30,000	21,802	8,198
Retirement	12,822	12,822	13,361	(539)
Utilities	4,000	4,000	3,852	148
Telephone	1,500	1,500	1,981	(481)
Data processing	15,600	15,600	15,600	-
Repairs and maintenance	19,400	19,400	20,700	(1,300)
Contractual services	145,000	145,000	165,093	(20,093)
Ambulance, clinic, etc...	100	100	-	100
Landfill services	44,000	44,000	48,994	(4,994)
Miscellaneous	400	400	-	400
Office supplies	1,000	200	-	200
Operating supplies	1,500	1,500	397	1,103
Uniforms	5,100	4,100	2,210	1,890
Gas and oil	25,000	21,000	11,254	9,746
Other operating supplies	900	900	-	900
Consumable tools	200	200	-	200
Capital outlay	-	-	252,700	(252,700)
Debt payments				
Principal	29,400	29,400	29,373	27
Interest	6,400	6,400	6,350	50
Total expenditures	<u>459,348</u>	<u>453,548</u>	<u>707,116</u>	<u>(253,568)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,829</u>	<u>23,629</u>	<u>(226,803)</u>	<u>(250,432)</u>
Other financing sources (uses)				
Transfers in	30,000	30,000	-	30,000
Proceeds from new debt	-	-	250,000	(250,000)
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>250,000</u>	<u>(220,000)</u>
Net change in fund balance	<u>47,829</u>	<u>53,629</u>	<u>23,197</u>	<u>(30,432)</u>
Fund Balance, beginning of year	<u>30,945</u>	<u>30,945</u>	<u>30,945</u>	<u>-</u>
Fund Balance, end of the year	<u>\$ 78,774</u>	<u>\$ 84,574</u>	<u>\$ 54,142</u>	<u>\$ (30,432)</u>

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

**TOWN OF SELMER, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Water and Sewer	Natural Gas	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,187,545	\$ 5,570,496	\$ 6,758,041
Accounts receivable, net of allowance	365,086	61,639	426,725
Inventory	120,594	163,771	284,365
Due from other funds	1,888	-	1,888
Prepaid expenses	12,587	7,964	20,551
TOTAL CURRENT ASSETS	<u>1,687,700</u>	<u>5,803,870</u>	<u>7,491,570</u>
NONCURRENT ASSETS			
Net pension assets	113,341	84,932	198,273
Capital assets, net	22,115,468	2,659,803	24,775,271
	<u>22,228,809</u>	<u>2,744,735</u>	<u>24,973,544</u>
TOTAL ASSETS	<u>23,916,509</u>	<u>8,548,605</u>	<u>32,465,114</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	163,436	110,659	274,095
	<u>163,436</u>	<u>110,659</u>	<u>274,095</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	43,928	199,789	243,717
Accrued expenses	39,159	2,494	41,653
Accrued interest	23,916	-	23,916
Customer deposits	96,660	33,990	130,650
Due to other funds	43,837	1,888	45,725
Current portion of long-term debt	568,429	-	568,429
TOTAL CURRENT LIABILITIES	<u>815,929</u>	<u>238,161</u>	<u>1,054,090</u>
NONCURRENT LIABILITIES			
Compensated absences	30,838	26,229	57,067
Notes payable (net of unamortized premium)	9,233,703	-	9,233,703
TOTAL NONCURRENT LIABILITIES	<u>9,264,541</u>	<u>26,229</u>	<u>9,290,770</u>
TOTAL LIABILITIES	<u>10,080,470</u>	<u>264,390</u>	<u>10,344,860</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	67,361	50,375	117,736
	<u>67,361</u>	<u>50,375</u>	<u>117,736</u>
NET POSITION			
Net investment in capital assets	12,313,336	2,659,803	14,973,139
Restricted for other purposes	113,341	84,932	198,273
Unrestricted	1,505,437	5,599,764	7,105,201
TOTAL NET POSITIONS	<u>\$ 13,932,114</u>	<u>\$ 8,344,499</u>	<u>\$ 22,276,613</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, 2017

	Water and Sewer	Natural Gas	Total
OPERATING REVENUES			
Utility sales and services	\$ 3,105,884	\$ 1,656,668	\$ 4,762,552
Recovery of uncollectible accounts	15,961	571	16,532
Uncollectible accounts	(38,276)	(2,083)	(40,359)
Service charges and fees	207,134	27,834	234,968
Other income	299	31	330
TOTAL OPERATING REVENUES	3,291,002	1,683,021	4,974,023
OPERATING EXPENSES			
Cost of natural gas sold	-	594,188	594,188
Personal services	835,849	542,025	1,377,874
Contractual services	825,686	89,158	914,844
Supplies	74,108	19,245	93,353
Insurance	73,383	22,359	95,742
Depreciation	802,115	99,694	901,809
TOTAL OPERATING EXPENSES	2,611,141	1,366,669	3,977,810
OPERATING INCOME	679,861	316,352	996,213
NONOPERATING REVENUES (EXPENSES)			
Interest income	2,226	17,354	19,580
Insurance recoveries	15,976	30,640	46,616
Accretion on debt premiums	11,292	-	11,292
Interest expense	(326,148)	-	(326,148)
NET NONOPERATING EXPENSES	(296,654)	47,994	(248,660)
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	383,207	364,346	747,553
Capital contributions	-	-	-
Transfers out	(56,840)	(58,398)	(115,238)
CHANGE IN NET POSITION	326,367	305,948	632,315
NET POSITION - BEGINNING OF YEAR	13,605,747	8,038,551	21,644,298
NET POSITION- END OF YEAR	\$ 13,932,114	\$ 8,344,499	\$ 22,276,613

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, 2017

	Water and Sewer	Natural Gas	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 3,231,182	\$ 1,687,142	\$ 4,918,324
Cash receipts from other funds for services	25,103	-	25,103
Cash payments to suppliers for goods and services	(1,115,506)	(556,524)	(1,672,030)
Cash payments to other funds for services	-	(20,296)	(20,296)
Cash payments for personnel services	(882,399)	(575,737)	(1,458,136)
CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,258,380</u>	<u>534,585</u>	<u>1,792,965</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(56,840)	(58,398)	(115,238)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of fixed assets	(247,008)	(1,147,006)	(1,394,014)
Insurance recoveries	15,976	30,640	46,616
Principal payments on long-term debt	(557,637)	-	(557,637)
Interest paid on long-term debt	(326,148)	-	(326,148)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,114,817)</u>	<u>(1,116,366)</u>	<u>(2,231,183)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	2,226	17,354	19,580
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	88,949	(622,825)	(533,876)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,098,596</u>	<u>6,193,321</u>	<u>7,291,917</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,187,545</u>	<u>\$ 5,570,496</u>	<u>\$ 6,758,041</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 679,861	\$ 316,352	\$ 996,213
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	802,115	99,694	901,809
GASB 68 adjustments related to pension	(99,849)	(72,400)	(172,249)
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(57,370)	4,906	(52,464)
(Increase) decrease in due from other funds	20,296	-	20,296
(Increase) decrease in inventory	(5,562)	7,935	2,373
(Increase) decrease in prepaids	(860)	(2,315)	(3,175)
(Increase) decrease in net pension liability (asset)	49,145	37,813	86,958
Increase (decrease) in accounts payable	(117,180)	176,364	59,184
Increase (decrease) in accrued liabilities	(18,727)	(13,558)	(32,285)
Increase (decrease) in due to other funds	4,807	(20,296)	(15,489)
Increase (decrease) in compensated absences	4,154	875	5,029
Increase (decrease) in customer deposits	(2,450)	(785)	(3,235)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,258,380</u>	<u>\$ 534,585</u>	<u>\$ 1,792,965</u>

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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 Town Council or the component unit provides services entirely to the Town. These component units' funds are blended into those of the Town's by appropriate activity type to compose the primary government presentation. Currently, the Town 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 Town 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, 2017

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 Town 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, 2017

Major and Nonmajor Funds

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

Fund	Brief Description
<i>Major:</i> General	See above for description.
<u>Special Revenue Fund:</u> Sanitation Fund	Accounts for the solid waste revenue and expenditures related to disposal services.
<u>Proprietary Funds:</u> 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.
<i>Nonmajor:</i> <u>Special Revenue Funds:</u> 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, 2017

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, 2017

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 - \$5,000; and Gas - \$5,000.

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.

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 Town has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the proprietary Statement of Net Position. These items are for pension changes in experience, changes in pension proportionate share of contributions, as well as employer contributions made to the pension plan after the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent 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 Town has items that qualify for reporting in this category. Accordingly, the items, are reported in the government-wide Statement of Net Position and the proprietary Statement of Net Position. These items are from the following sources: current and delinquent property taxes, pension changes in experience, and changes in pension investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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 considered 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, be 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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 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 Town 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.

Pensions

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the Town's net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

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 Town presently levies a two and three-quarters percent sales tax on taxable sales within the Town. The sales tax is collected by the Tennessee Department of Revenue and 0.875 percent is remitted to the Town 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 Town in July and August has been accrued and is included under the caption "Due from other governments."

**TOWN OF SELMER, TENNESSEE
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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 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

Fund	Required By
Police Drug Fund	State Law

**TOWN OF SELMER, TENNESSEE
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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.

C. REVENUE RESTRICTIONS

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

Revenue Source	Legal Restrictions of Use
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, 2017.

E. BUDGET APPROPRIATIONS

The Town's General and Sanitation Funds had expenditures which exceeded appropriations for the year ended June 30, 2017.

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".

TOWN OF SELMER, TENNESSEE
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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:

Governmental activities	
General government	\$ 59,285
Public safety	418,403
Public works	127,473
Health, welfare and recreation	120,485
Total governmental activities	<u>725,646</u>
Business-type activities	
Water and sewer	802,115
Natural gas	99,694
Total business-type	<u>\$ 901,809</u>

During the fiscal year ended June 30, 2017, the following changes in capital assets occurred:

	Balance 7/1/16	Increases	Decreases	Balance 6/30/17
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 241,892	\$ -	\$ -	\$ 241,892
Construction in progress	480,565	121,738	602,303	-
Subtotal	<u>722,457</u>	<u>121,738</u>	<u>602,303</u>	<u>241,892</u>
Capital assets being depreciated				
Buildings and improvements	5,009,069	-	-	5,009,069
Infrastructure	139,622	602,303	-	741,925
Other fixed assets	4,989,880	611,761	13,100	5,588,541
Subtotal	<u>10,138,571</u>	<u>1,214,064</u>	<u>13,100</u>	<u>11,339,535</u>
Less accumulated depreciation for:				
Buildings and improvements	3,227,104	238,834	-	3,465,938
Infrastructure	106,819	38,161	-	144,980
Other fixed assets	3,065,506	448,651	4,775	3,509,382
Subtotal	<u>\$ 6,399,429</u>	<u>\$ 725,646</u>	<u>\$ 4,775</u>	<u>7,120,300</u>
Total capital assets, being depreciated, net				<u>4,219,235</u>
Governmental activities capital assets, net				<u>\$ 4,461,127</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 182,425	\$ -	\$ -	\$ 182,425
Construction in Progress	454,950	1,118,241	1,449,597	123,594
Subtotal	<u>637,375</u>	<u>1,118,241</u>	<u>1,449,597</u>	<u>306,019</u>
Capital assets being depreciated				
Equipment	1,457,460	130,533	-	1,587,993
Intangibles	939,889	-	-	939,889
Infrastructure	39,237,385	1,594,838	-	40,832,223
Subtotal	<u>41,634,734</u>	<u>1,725,371</u>	<u>-</u>	<u>43,360,105</u>
Less accumulated depreciation for:				
Equipment	1,086,264	49,785	-	1,136,049
Intangibles	688,740	14,881	-	703,621
Infrastructure	16,214,040	837,143	-	17,051,183
Total accumulated depreciation	<u>\$ 17,989,044</u>	<u>\$ 901,809</u>	<u>\$ -</u>	<u>18,890,853</u>
Total capital assets, being depreciated, net				<u>24,469,252</u>
Business-type activities capital assets, net				<u>\$ 24,775,271</u>

**TOWN OF SELMER, TENNESSEE
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JUNE 30, 2017**

B. LIABILITIES**Pension Plan Obligations****General Information about the Pension Plan**

Plan description. Employees of Selmer are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs. 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, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	46
Inactive employees entitled to but not yet receiving benefits	62
Active employees	<u>73</u>
	<u>181</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and

TOWN OF SELMER, TENNESSEE
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may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Selmer makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, the Actuarially Determined Contribution for Selmer was \$305,882 based on a rate of 11.66 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Selmer's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Selmer's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.35 percent.
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
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target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Selmer will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
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	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/15	\$ 9,863,594	\$ 10,566,920	\$ (703,326)
Changes for the year:			
Service cost	177,309	-	177,309
Interest	739,296	-	739,296
Differences between expected and actual experience	(19,841)	-	(19,841)
Contributions - employer	-	417,666	(417,666)
Contributions - employee	-	-	-
Net investment income	-	280,874	(280,874)
Benefit payments, including refunds of employee contributions	(367,251)	(367,251)	-
Administrative expense	-	(5,561)	5,561
Net changes	529,513	325,728	203,785
Balance at 6/30/16	\$ 10,393,107	\$ 10,892,648	\$ (499,541)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net position liability (asset) of Selmer calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Selmer's net pension liability (asset)	\$ 872,829	\$ (499,541)	\$ (1,644,972)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows Of Resources Related to Pensions

Pension expense. For the year ended June 30, 2017, Selmer recognized pension expense of \$100,274.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2017, Selmer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF SELMER, TENNESSEE
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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (303,845)
Net difference between projected and actual earnings on pension plan investments	365,274	-
Contributions subsequent to the measurement date of June 30, 2016	<u>305,882</u>	<u>n/a</u>
Total	<u>\$ 671,156</u>	<u>\$ (303,845)</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2015," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2017	\$ (27,691)
2018	(27,691)
2019	130,604
2020	40,202
2021	(26,993)
Thereafter	(26,993)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2017, Selmer did not report a payable to the pension plan for the year ended June 30, 2017.

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 \$428,358 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.

TOWN OF SELMER, TENNESSEE
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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, 2017, 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	\$ 350,000
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General Obligation Bonds Series 2015, dated 10/22/15, Interest 2.25% - 3.375%, due semi-annually through 2035	2,640,000
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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	2,167
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Capital Outlay Note, dated 04/13/12, 3.25%, due in annual installments through 04/13/24	32,083
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Capital Outlay Note, dated 07/15/14, 2.98%, due in annual installments through 06/01/2026	281,500
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Capital Leases

Bancorp South, dated 11/22/16, 2.39%, due in monthly Installments of \$3,249 thru December of 2021 with a balloon payment of \$75,000 due at maturity	230,627
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Other liabilities

Unamortized premium on debt	20,844
Compensated absences	76,854

Total General Long-Term Liabilities	<u>\$ 3,634,075</u>
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Business-Type Activities

General Obligation Bonds

Water and Sewer Bonds, Series 2013, interest 1.00% - 4.25%, payable semi-annually through August 2035	\$ 5,735,000
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Revenue and Tax Bonds

Water, Sewer, and Gas Revenue & Tax Bonds, Series 2001 2.75%, payable monthly through June 2052	103,692
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TOWN OF SELMER, TENNESSEE
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Water, Sewer, and Gas Revenue & Tax Bonds, Series 2010
2.75%, payable monthly through June 2050 1,677,730

General Obligation Bonds

General Obligation Refunding Bonds Series 2011, dated 02/10/11,
3.4%, due semi-annually through 2025 1,225,000

Notes Payable

General Obligation Capital Outlay Note, Series 2012, dated 12/18/12,
2.0%, due semi-annually through 2024 925,000

Other liabilities

Unamortized premium on debt 135,710
Compensated absences 57,067

Total Business-Type Activities **\$ 9,859,199**

Change in Long-term liabilities

	Beginning Balance	Additions	Retirements	Ending Balance	Due within one year
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$ 3,200,000	\$ -	\$ 210,000	\$ 2,990,000	\$ 210,000
Capital Outlay Notes	375,382	-	59,632	315,750	34,750
Capital Leases	-	250,000	19,373	230,627	33,846
Compensated absences	73,156	3,698	-	76,854	-
Unamortized debt premiums	26,756	-	5,912	20,844	-
Total governmental activities	<u>3,675,294</u>	<u>253,698</u>	<u>294,917</u>	<u>3,634,075</u>	<u>278,596</u>
<u>Business Type Activities</u>					
General Obligation Bonds	7,365,000	-	405,000	6,960,000	410,000
Revenue and Tax Bonds	1,814,059	-	32,637	1,781,422	33,429
Notes Payable	1,045,000	-	120,000	925,000	125,000
Compensated absences	52,038	5,029	-	57,067	-
Unamortized debt premiums	147,002	-	11,292	135,710	-
Total business type activities	<u>10,423,099</u>	<u>5,029</u>	<u>568,929</u>	<u>9,859,199</u>	<u>568,429</u>
Total government	<u>\$ 14,098,393</u>	<u>\$ 258,727</u>	<u>\$ 863,846</u>	<u>\$ 13,493,274</u>	<u>\$ 847,025</u>

General Government

The Town obtained debt funding through a capital lease in the amount of \$250,000 to purchase a garbage truck. The capital lease has an interest rate of 2.39% and is payable in monthly payments through December of 2021 with a balloon payment of \$75,000 due at that time.

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, 2017, are as follows:

TOWN OF SELMER, TENNESSEE
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Notes Payable

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 34,750	\$ 9,438	\$ 125,000	\$ 18,500	\$ 187,688
2019	33,083	8,448	125,000	16,000	182,531
2020	34,083	7,450	130,000	13,500	185,033
2021	35,084	6,422	130,000	10,900	182,406
2022	35,584	5,364	135,000	8,300	184,248
2023	36,584	4,291	140,000	5,600	186,475
2024	37,582	3,189	140,000	2,800	183,571
2025	34,000	2,056	-	-	36,056
2026	35,000	1,043	-	-	36,043
	<u>\$ 315,750</u>	<u>\$ 47,701</u>	<u>\$ 925,000</u>	<u>\$ 75,600</u>	<u>\$ 1,364,051</u>

General Obligation Bonds

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 210,000	\$ 80,924	\$ 410,000	\$ 246,168	\$ 947,092
2019	210,000	74,886	415,000	236,468	936,354
2020	140,000	68,848	420,000	226,669	855,517
2021	145,000	65,698	425,000	215,568	851,266
2022	150,000	62,798	420,000	202,444	835,242
2023-2027	815,000	264,466	1,925,000	799,570	3,804,036
2028-2032	840,000	155,690	1,725,000	474,408	3,195,098
2033-2035	480,000	32,542	1,220,000	102,000	1,834,542
	<u>\$ 2,990,000</u>	<u>\$ 805,852</u>	<u>\$ 6,960,000</u>	<u>\$ 2,503,295</u>	<u>\$ 13,259,147</u>

Revenue and Tax Bonds

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2018	\$ 33,429	\$ 48,685
2019	34,361	47,753
2020	35,320	46,794
2021	36,306	45,808
2022	37,319	44,795
2023-2027	202,811	207,759
2028-2032	232,734	177,936
2033-2037	267,074	143,596
2038 - 2042	306,480	104,090
2043-2047	351,699	58,871
2048-2052	243,889	11,116
	<u>\$ 1,781,422</u>	<u>\$ 937,203</u>

Capital Leases

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2018	\$ 33,846	\$ 5,142
2019	34,663	4,325
2020	35,501	3,487
2021	36,359	2,629
2022	90,258	987
2023-2027	-	-
2028-2032	-	-
2033-2037	-	-
2038 - 2042	-	-
2043-2047	-	-
2048-2052	-	-
	<u>\$ 230,627</u>	<u>\$ 16,570</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.

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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

	General	Sanitation	Water	Total
DUE FROM:				
Drug	\$ 32,142	\$ -	\$ -	\$ 32,142
Gas	-	-	1,888	1,888
Water and Sewer	-	43,837	-	43,837
	<u>\$ 32,142</u>	<u>\$ 43,837</u>	<u>\$ 1,888</u>	<u>\$ 77,867</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 \$58,398 and the Water and Sewer Fund made one to the General Fund in the amount of \$56,840 for in-lieu-of tax payments. The General Fund made transfers in the amount of \$20,450 to the Drug Fund to aid in costs.

C. COMMITMENTS AND CONTINGENCIES

The Town is a defendant in a lawsuit brought against it. The Town cannot predict the outcome of this case and it is possible a loss could be incurred. The amount of such a possible loss cannot be determined.

D. INVESTIGATIVE REPORT ISSUED BY THE OFFICE OF THE COMPTROLLER OF THE TREASURY

The Office of the Comptroller of the Treasury issued an Investigative Report on the Town of Selmer dated August 16, 2017. This investigative report involved allegations of improper transactions between the fire chief of the Town of Selmer, Tennessee and a Kentucky-based fire equipment supplier which resulted in three investigative findings. The first finding alleged the Fire Chief falsified two invoices for equipment purchases which included an invoice billed to McNairy County for \$20,000. The second finding stated bids were altered and equipment was purchased by the Town that did not meet bid specifications. The last finding stated the Town's fire chief improperly disposed of Town Assets. This report has been forwarded to Governor Bill Haslam, the State Attorney General, and the District Attorney General.

TOWN OF SELMER
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC
EMPLOYEE PENSION PLAN OF TCRS
FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total pension liability			
Service Cost	\$ 172,869	\$ 169,386	\$ 177,309
Interest	693,733	714,016	739,296
Changes in benefit terms	-	-	-
Differences between actual and expected experience	(248,291)	(193,275)	(19,841)
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(334,029)	(354,733)	(367,251)
Net change in total pension liability	<u>284,282</u>	<u>335,394</u>	<u>529,513</u>
Total pension liability - beginning	<u>9,243,918</u>	<u>9,528,200</u>	<u>9,863,594</u>
Total pension liability - ending (a)	<u><u>\$ 9,528,200</u></u>	<u><u>\$ 9,863,594</u></u>	<u><u>\$ 10,393,107</u></u>
 Plan fiduciary net position			
Contributions - employer	\$ 379,922	\$ 409,986	\$ 417,666
Contributions - employee	-	-	-
Net investment income	1,446,425	314,958	280,874
Benefit payments, including refunds of employee contributions	(334,029)	(354,733)	(367,251)
Administrative expense	(3,078)	(3,767)	(5,561)
Net change in plan fiduciary net position	<u>1,489,240</u>	<u>366,444</u>	<u>325,728</u>
Plan fiduciary net position - beginning	<u>8,711,236</u>	<u>10,200,476</u>	<u>10,566,920</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 10,200,476</u></u>	<u><u>\$ 10,566,920</u></u>	<u><u>\$ 10,892,648</u></u>
 Net pension liability (asset) - ending (a) - (b)	<u><u>\$ (672,276)</u></u>	<u><u>\$ (703,326)</u></u>	<u><u>\$ (499,541)</u></u>
 Plan fiduciary net position as a percentage of total pension liability	107.06%	107.13%	104.81%
 Covered payroll	\$ 2,285,934	\$ 2,386,414	\$ 2,431,112
 Net pension liability (asset) as a percentage of covered payroll	29.41%	29.47%	20.55%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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

TOWN OF SELMER
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN
OF TCRS
FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 379,922	\$ 409,986	\$ 419,559	\$ 305,882
Contributions in relation to the actuarially determined contribution	<u>379,922</u>	<u>409,986</u>	<u>419,559</u>	<u>305,882</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,285,934	\$ 2,386,414	\$ 2,442,139	\$ 2,623,570
Contributions as a percentage to covered payroll	16.62%	17.18%	17.18%	11.66%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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

**TOWN OF SELMER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2017 were calculated based on the July 1, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

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

**TOWN OF SELMER, TENNESSEE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2017**

	SPECIAL REVENUE		Total Other Nonmajor Governmental Funds
	State Street Aid Fund	Drug Fund	
ASSETS			
Cash and cash equivalents	\$ 106,613	\$ 54,687	\$ 161,300
Receivables from other governments	21,151	1,000	22,151
Total Assets	<u>\$ 127,764</u>	<u>\$ 55,687</u>	<u>\$ 183,451</u>
 LIABILITIES			
Accounts payable	\$ -	\$ 1,307	\$ 1,307
Due from other funds	-	32,142	32,142
Unearned revenues - other	-	10,157	10,157
Total liabilities	<u>-</u>	<u>43,606</u>	<u>43,606</u>
 FUND BALANCES			
Restricted			
State street aid	127,764	-	127,764
Drug	-	12,081	12,081
Total fund balances	<u>127,764</u>	<u>12,081</u>	<u>139,845</u>
Total liabilities and fund balances	<u>\$ 127,764</u>	<u>\$ 55,687</u>	<u>\$ 183,451</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, 2017

	SPECIAL REVENUE		Total
	State Street Aid Fund	Drug Fund	Other Nonmajor Governmental Funds
Revenues:			
Intergovernmental revenues	\$ 121,674	\$ -	\$ 121,674
Fines and forfeitures	-	39,028	39,028
Interest income	70	56	126
Total revenues	<u>121,744</u>	<u>39,084</u>	<u>160,828</u>
Expenditures:			
Public works	49,696	-	49,696
Public safety	-	66,556	66,556
Total expenditures	<u>49,696</u>	<u>66,556</u>	<u>116,252</u>
Excess (deficiency) of revenues over expenditures	<u>72,048</u>	<u>(27,472)</u>	<u>44,576</u>
Other financing sources (uses):			
Transfers in	-	20,450	20,450
Total other financing sources (uses)	<u>-</u>	<u>20,450</u>	<u>20,450</u>
Net change in fund balances	72,048	(7,022)	65,026
Fund Balance, beginning of the year	<u>55,716</u>	<u>19,103</u>	<u>74,819</u>
Fund Balance, end of the year	<u>\$ 127,764</u>	<u>\$ 12,081</u>	<u>\$ 139,845</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, 2017**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
State gas tax - 1989	\$ 13,000	\$ 13,000	\$ 13,482	\$ 482
State gas tax - 3 cent	24,000	24,000	25,024	1,024
State gas and motor fuel tax	80,000	80,000	83,168	3,168
Interest income	30	30	70	40
Total revenues	<u>117,030</u>	<u>117,030</u>	<u>121,744</u>	<u>4,714</u>
Expenditures				
Street maintenance	2,500	2,500	-	2,500
Street lighting	50,000	50,000	49,696	304
Total expenditures	<u>52,500</u>	<u>52,500</u>	<u>49,696</u>	<u>2,804</u>
Excess (deficiency) of revenues over (under) expenditures	<u>64,530</u>	<u>64,530</u>	<u>72,048</u>	<u>7,518</u>
Other financing sources (uses):				
Transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	64,530	64,530	72,048	7,518
Fund Balance, beginning of the year	<u>55,716</u>	<u>55,716</u>	<u>55,716</u>	<u>-</u>
Fund Balance, end of the year	<u>\$ 120,246</u>	<u>\$ 120,246</u>	<u>\$ 127,764</u>	<u>\$ 7,518</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, 2017**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Fines and forfeitures	\$ 22,000	\$ 22,000	\$ 29,253	\$ 7,253
Seizures	18,000	18,000	9,775	(8,225)
Interest income	200	200	56	(144)
Total revenues	<u>40,200</u>	<u>40,200</u>	<u>39,084</u>	<u>(1,116)</u>
Expenditures:				
Employee education	1,400	1,400	-	1,400
Vehicle tow-in	1,500	1,500	2,120	(620)
Utilities	5,000	5,000	5,412	(412)
Telephone	5,500	5,500	6,780	(1,280)
Repairs and maintenance	2,300	2,300	981	1,319
Miscellaneous	300	300	2,703	(2,403)
Office supplies	1,800	1,800	1,816	(16)
Operating supplies	1,500	1,500	1,270	230
Educational supplies	3,500	3,500	3,128	372
Gas, oil, & diesel	17,000	17,000	8,161	8,839
Drug control	12,000	12,000	13,735	(1,735)
Capital outlay	20,450	20,450	20,450	-
Total expenditures	<u>72,250</u>	<u>72,250</u>	<u>66,556</u>	<u>5,694</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(32,050)</u>	<u>(32,050)</u>	<u>(27,472)</u>	<u>4,578</u>
Other financing sources (uses):				
Transfer in	20,450	20,450	20,450	-
Total other financing sources (uses)	<u>20,450</u>	<u>20,450</u>	<u>20,450</u>	<u>-</u>
Net change in fund balances	(11,600)	(11,600)	(7,022)	4,578
Fund Balance, beginning of the year	<u>19,103</u>	<u>19,103</u>	<u>19,103</u>	<u>-</u>
Fund Balance, end of the year	<u>\$ 7,503</u>	<u>\$ 7,503</u>	<u>\$ 12,081</u>	<u>\$ 4,578</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, 2017**

<u>Tax Levy for Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Beginning Outstanding Taxes</u>	<u>Additions and Adjustments</u>	<u>Collections</u>	<u>Ending Outstanding Taxes</u>	<u>Delinquent Taxes Filed in Chancery Court</u>
2017	0.806	\$ 740,898	\$ -	\$ 740,898	\$ -	\$ 740,898	\$ -
2016	0.806	820,158	740,656	79,557	782,188	38,025	-
2015	0.806	722,685	47,284	(2,351)	31,869	13,064	13,064
2014	0.806	825,580	11,706	-	6,586	5,120	5,120
2013	0.806	811,556	7,966	-	4,824	3,142	3,142
2012	0.806	797,532	7,517	-	4,374	3,143	3,143
2011	0.806	771,160	9,256	-	4,930	4,326	4,326
2010	0.806	781,240	2,557	-	1,164	1,393	1,393
2009	0.88	751,336	1,465	-	541	924	924
2008	0.88	682,683	1,455	-	533	922	922
2007	0.88	696,681	3,083	-	520	2,563	2,563
2006	0.88	649,017	632	-	87	545	545
2005	0.88	724,246	749	(749)	-	-	-
			<u>\$ 834,326</u>	<u>\$ 817,355</u>	<u>\$ 837,616</u>	<u>\$ 814,065</u>	<u>\$ 35,142</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, 2017

Year Ending June 30,	Series 2015 General Obligation Bonds		Series 2011 Refunding Bonds		Capital Outlay Notes								Capital Lease		Totals	
	Principal		Principal		Series 2014		Series 2012		Bancorp South 2013		Bancorp South 2016		Principal		Principal	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 35,000	\$ 70,424	\$ 175,000	\$ 10,500	\$ 28,000	\$ 8,389	\$ 4,583	\$ 1,043	\$ 2,167	\$ 6	\$ 33,846	\$ 5,142	\$ 278,596	\$ 95,504		
2019	35,000	69,636	175,000	5,250	28,500	7,554	4,583	894	-	-	34,663	4,325	277,746	87,659		
2020	140,000	68,848	-	-	29,500	6,705	4,583	745	-	-	35,501	3,487	209,584	79,785		
2021	145,000	65,698	-	-	30,500	5,826	4,584	596	-	-	36,359	2,629	216,443	74,749		
2022	150,000	62,798	-	-	31,000	4,917	4,584	447	-	-	90,258	987	275,842	69,149		
2023	155,000	59,798	-	-	32,000	3,993	4,584	298	-	-	-	-	191,584	64,089		
2024	160,000	56,698	-	-	33,000	3,040	4,582	149	-	-	-	-	197,582	59,887		
2025	160,000	53,098	-	-	34,000	2,056	-	-	-	-	-	-	194,000	55,154		
2026	165,000	49,498	-	-	35,000	1,043	-	-	-	-	-	-	200,000	50,541		
2027	175,000	45,374	-	-	-	-	-	-	-	-	-	-	175,000	45,374		
2028	175,000	40,998	-	-	-	-	-	-	-	-	-	-	175,000	40,998		
2029	180,000	36,448	-	-	-	-	-	-	-	-	-	-	180,000	36,448		
2030	190,000	31,768	-	-	-	-	-	-	-	-	-	-	190,000	31,768		
2031	145,000	25,594	-	-	-	-	-	-	-	-	-	-	145,000	25,594		
2032	150,000	20,882	-	-	-	-	-	-	-	-	-	-	150,000	20,882		
2033	155,000	16,006	-	-	-	-	-	-	-	-	-	-	155,000	16,006		
2034	160,000	10,968	-	-	-	-	-	-	-	-	-	-	160,000	10,968		
2035	165,000	5,568	-	-	-	-	-	-	-	-	-	-	165,000	5,568		
	<u>\$ 2,640,000</u>	<u>\$ 790,102</u>	<u>\$ 350,000</u>	<u>\$ 15,750</u>	<u>\$ 281,500</u>	<u>\$ 43,523</u>	<u>\$ 32,083</u>	<u>\$ 4,172</u>	<u>\$ 2,167</u>	<u>\$ 6</u>	<u>\$ 230,627</u>	<u>\$ 16,570</u>	<u>\$ 3,536,377</u>	<u>\$ 870,123</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, 2017**

Year	Tax and Revenue Bonds				General Obligation Bonds				Capital Outlay Notes			
Ending June 30,	Series 2010		Series 2001		Series 2011		Series 2013		Series 2012		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 31,643	\$ 45,845	\$ 1,786	\$ 2,840	\$ 150,000	\$ 42,250	\$ 260,000	\$ 203,918	\$ 125,000	\$ 18,500	\$ 568,429	\$ 313,353
2019	32,525	44,963	1,836	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	21,087	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	75,858	1,123	4,314	312	-	-	-	-	-	-	80,172	1,435
2051	-	-	4,434	192	-	-	-	-	-	-	4,434	192
2052	-	-	4,479	65	-	-	-	-	-	-	4,479	65
	<u>\$ 1,677,730</u>	<u>\$ 878,967</u>	<u>\$ 103,692</u>	<u>\$ 58,136</u>	<u>\$ 1,225,000</u>	<u>\$ 203,538</u>	<u>\$ 5,735,000</u>	<u>\$ 2,299,757</u>	<u>\$ 925,000</u>	<u>\$ 75,600</u>	<u>\$ 9,666,422</u>	<u>\$ 3,515,998</u>

**TOWN OF SELMER, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
FOR THE YEAR ENDED JUNE 30, 2017**

Water/Sewer Quantity	Inside City		Outside City	
	Water	Sewer	Water	Sewer
First 2,000 gallons (minimum)	6.90	13.58	12.72	20.41
Over 2,000 gallons (per 1,000 gallons)	0.02557	0.0358	0.0471	0.05738

Natural Gas	Inside City		Outside City	
	Residential	Commercial	Residential	Commercial
1-700 MCF	6.90	6.90	7.93	7.93
Over 700 MCF	0.08685	0.08685	0.100	0.100

Industrial	
All usage per MCF	0.08265

Garbage Rates	Inside City	Outside City
	Residential	Residential
	10.50	13.50

**Industry rates vary based on weight and frequency.

Number of customers at June 30, 2017:

Water	7,579
Sewer	2,024
Natural Gas	1,750
Garbage	2,115

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

TOWN OF SELMER, TENNESSEE
AWWA FREE WATER AUDIT SOFTWARE: REPORTING WORKSHEET - "UNAUDITED"
JUNE 30, 2017

Water Audit Report for: Selmer Utility Division (TN0000615)
Reporting Year: 2017 7/2016 - 6/2017

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 the input

All volumes to be entered as : MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade
----- Enter grading in column 'E' and 'J' ----->

WATER SUPPLIED

Volume from own sources:	<input type="text" value="5"/>	<input type="text" value="720.570"/>	MG/Yr	<input type="text" value="7"/>	<input type="text" value="0.50%"/>	<input type="radio"/>	<input type="radio"/>	MG/Yr
Water imported:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/Yr	<input type="text" value="7"/>	<input type="text" value="-1.00%"/>	<input type="radio"/>	<input type="radio"/>	MG/Yr
Water exported:	<input type="text" value="5"/>	<input type="text" value="82.520"/>	MG/Yr	<input type="text" value="7"/>	<input type="text" value=""/>	<input type="radio"/>	<input type="radio"/>	MG/Yr

WATER SUPPLIED: MG/Yr

Master Meter and Supply Error Adjustments
Pcnt: Value:
Enter negative % or value for under-registration
Enter positive % or value for over-registration

AUTHORIZED CONSUMPTION

Billed metered:	<input type="text" value="9"/>	<input type="text" value="561.203"/>	MG/Yr
Billed unmetered:	<input type="text" value="9"/>	<input type="text" value="0.245"/>	MG/Yr
Unbilled metered:	<input type="text" value="9"/>	<input type="text" value="0.046"/>	MG/Yr
Unbilled unmetered:	<input type="text" value="7"/>	<input type="text" value="13.230"/>	MG/Yr

Unbilled Unmetered volume entered is greater than recommended default value

AUTHORIZED CONSUMPTION: MG/Yr

Click here: for help using option buttons below

Pcnt: Value: ☐ ☒ ☐ 13.230 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) MG/Yr

Apparent Losses

Unauthorized consumption: MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: 5.669 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

Pcnt: Value: ☐ 0.25% ☒ ☐ 1.00% ☐ 0.25% 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: 475.0 miles

Number of active AND inactive service connections: 7,536

Service connection density: conn./mile main

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

Average length of customer service line: 75.0 psi

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

Average operating pressure: 75.0 psi

COST DATA

Total annual cost of operating water system:	<input type="text" value="9"/>	<input type="text" value="\$2,453,608"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="text" value="7"/>	<input type="text" value="\$7.00"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="text" value="9"/>	<input type="text" value="\$509.81"/>	\$/Million gallons

☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 69 out of 100 ***

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

TOWN OF SELMER, TENNESSEE
 AWWA FREE WATER AUDIT SOFTWARE: SYSTEM ATTRIBUTES AND PERFORMANCE INDICATORS - "UNAUDITED"
 JUNE 30, 2017

Water Audit Report for: Selmer Utility Division (TN0000615)

Reporting Year: 2017 7/2016 - 6/2017

*** YOUR WATER VALIDITY SCORE IS: 69 OUT OF 100 ***

System Attributes:

Apparent Losses:	8.656 MG/Yr
+ Real Losses:	50.251 MG/Yr
= Water Losses:	58.908 MG/Yr
Unavoidable Annual Real Losses (UARL):	101.29 MG/Yr
Annual cost of Apparent Losses:	\$ 60,594
Annual cost of Real Losses:	\$ 25,619 Valued at Variable Production Cost

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	11.4%
		Non-revenue water as percent by cost of operating system:	3.8% Real Losses valued at Variable Production Cost
Operational Efficiency:	{	Apparent Losses per service connection per day:	3.15 gallons/connection/day
		Real Losses per service connection per day:	N/A gallons/connection/day
		Real Losses per length of main per day*:	289.84 gallons/mile/day
		Real Losses per service connection per day per psi pressure	N/A gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 50.25 million gallons/year

Infrastructure Leakage Index (ILI) [CARL/UARL]: 0.50

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

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

TOWN OF SELMER, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>FEDERAL AWARDS</u>			
Department of Agriculture			
Fire Grant - Improve Rural Capability	10.664	Edison 49350	\$ 2,957
Department of Homeland Security			
FEMA - Staffing for Adequate Fire and Emergency Response	97.083	EMW-2013-FF00556	15,000
Department of Defense			
Law Enforcement Support Office	12.005	unknown	512,890
Department of Transportation			
Governor's Highway Safety Office - High Visibility	20.607	Z-17-THS924	<u>3,222</u>
TOTAL FEDERAL AWARDS			<u>534,069</u>
<u>STATE FINANCIAL ASSISTANCE</u>			
State Law Enforcement Supplement	n/a	n/a	7,800
Department of Environment and Conservation			
Local Park and Recreational Fund Grant	n/a	n/a	<u>67,723</u>
TOTAL STATE AWARDS			<u>75,523</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 609,592</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, 2017. 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, 2017, and the relate notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 19, 2018.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described below as items 2017 – 001 through 2017 – 006

to be a material weakness.

2017 – 001 INADEQUATE SEGREGATION OF DUTIES (Original Finding 2006 – 012)

Condition: 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.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal controls are effective.

Cause: Lack of accounting staff.

Effect: The risk of errors or irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Management Response: We will continue to add processes to further segregate duties associated with our financial process.

2017 – 002 FINANCIAL STATEMENTS MATERIALLY MISSTATED BEFORE AUDIT ADJUSTMENTS (original finding 2008 – 001)

Condition: The Town had materially misstated the financial statements of the General Fund, State Street Aid Fund, Police Drug Fund, Water and Sewer Fund, and Natural Gas Fund. Adjustments were required to correct the financial statements.

Criteria: Generally accepted accounting principles require the Town to have adequate internal controls over the maintenance of accounting records and employ an individual who has necessary skills, knowledge and experience to oversee the accounting records.

Cause: Lack of knowledgeable accounting staff.

Effect: Material adjustments were required because the Town's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records.

Management's Response: We agree and are in the process of implementing changes for future years.

2017 – 003 INADEQUATE SUPPORT FOR PARKS AND RECREATIONAL DEPARTMENT REVENUES (original finding 2013 – 001)

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

Criteria: Generally accepted accounting principles require that revenues are properly classified, as appropriate, by fund, function, object, character and operating or nonoperating designations.

Cause: Oversight.

Effect: Lack of controls and possible misstatement of revenues.

Management's Response: We agree and are in the process of implementing changes for future years.

2017 – 004 CASH RECEIPTS (original finding 2015 – 005)

Condition: The Town was not indicating the type of payment collected (cash or check) on some of the cash receipts.

Criteria: The Tennessee Internal Control and Compliance Manual for Governmental Entities, Component 3 states "Each receipt should include a place to indicate the purpose, type of payment (i.e. cash, check, money order, credit card, etc.)."

Cause: Oversight

Effect: The Town was in violation of the requirements set forth in the Internal Control and Compliance Manual which resulted in making it impossible to test the type of payments received to what was actually deposited into the bank.

Management's Response: Adjustments to the way the QSI system is used should help with addressing the type of payment that is issued. More accountability will also be addressed.

2017 – 005 PURCHASE ORDERS (original finding 2015 – 007)

Condition: Purchase orders were not issued properly. Some purchase orders had no dates while some others were issued after the purchase was made.

Criteria: Minimum internal controls over purchasing. The lack of a formal purchase order system increases the risks of unauthorized purchases.

Cause: Client was unaware of the necessity.

Effect: Lack of controls over purchasing.

Management's Response: The Town's purchasing policy will be followed more accurately for all purchases.

2017 – 006 IMPROPER SUPPORT FOR DISBURSEMENTS (original finding 2015 – 008)

Condition: The Town did not have adequate support for all disbursements.

Criteria: Title 5, Chapter 19 of the *Internal Control and Compliance Manual for Tennessee Municipalities* states "all disbursements, regardless of the accounting procedures, must be supported by invoices, cash tickets, or other adequate supporting documentation. The documentation should be sufficient to determine that the expenditure was for a municipal purpose. (Statements are not adequate supporting documentation.) The supporting documents should be signed by the person receiving the goods or services to verify that the municipality received and accepted the goods/services for which it was charged. Expenditures for food, mileage, etc. generally will require additional notations to indicate the purpose, date and any other pertinent information regarding expenditures for such items."

Cause: Oversight.

Effect: The auditors were unable to determine if some of the disbursements were properly classified and did not have the ability to identify potential misuse of funds because of the lack of support for these disbursements.

Management's Response: The Town will work more diligently to follow correct procedures in the future.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below as findings 2017-007 through 2017-008.

2017 – 007 EXPENDITURES EXCEEDED BUDGET APPROPRIATIONS (original finding 2016 – 009)

Condition: The expenditures exceeded the budget appropriations on the General Fund.

Criteria: Tennessee Code Annotated (TCA) 6-56-203 states "no municipality may expend any monies regardless of their source (including moneys derived from bond and long-term note proceeds, federal, state or private grants or loans, or special assessments), except in accordance with a budget ordinance adopted under this section".

Cause: The Town failed to monitor spending and amend the budget for the overages.

Effect: The Town is in violation with TCA 6-56-203 by having expenditures exceeding budget appropriations.

Management's Response: The Town will monitor and amend the budget in a timely manner to avoid future overruns.

2017 – 008 LACK OF BIDS

Condition: The Town failed to obtain bids on vehicle.

Criteria: Tennessee Code Annotated (TCA) 6-56-203 states “no municipality may expend any monies regardless of their source (including moneys derived from bond and long-term note proceeds, federal, state or private grants or loans, or special assessments), except in accordance with a budget ordinance adopted under this section”.

Cause: The City failed to monitor spending and amend the budget for the overages.

Effect: The City is in violation with TCA 6-56-203 by having expenditures exceeding budget appropriations.

Management's Response: The Town will work more diligently to follow correct procedures in the future.

2017 - 009 LACK OF COMPLIANCE WITH STATE STATUTES REGARDING LEASE-PURCHASE AGREEMENT

Condition: The Town failed to follow State Statutes regarding lease-purchase agreements.

Criteria: Tennessee Code Annotated (TCA) 9-21-151 requires that within 45 days following the issuance of debt, a Town must provide to the State Comptroller's Office certain information, such as a description of the purchase for which debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance.

Cause: Oversight.

Management's Response: The Town will work more diligently to follow correct procedures in the future.

Town's Response to Findings

The Town's response to the finding identified in our audit is described above. 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.



February 19, 2018

TOWN OF SELMER, TENNESSEE

SCHEDULE OF DISPOSITION OF PRIOR YEAR AUDIT FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Financial Statement Findings

Finding Number	Finding Title	Status
2016-001	Financial Statements Materially Misstated Before Audit Adjustments	Repeated
2016-002	Inadequate Segregation of Duties	Repeated
2016-003	Bank Deposits	Corrected
2016-004	Inadequate Support for Parks and Recreational Department Revenues	Repeated
2016-005	Cash Receipts	Repeated
2016-006	Purchase Orders	Repeated
2016-007	Inadequate Support for Disbursements	Repeated
2016-008	Improperly Reported Pay on W-2's	Corrected
2016-009	Expenditures Exceeded Budget Appropriations	Repeated

Federal Award Findings and Questioned Costs

There were no findings.

**TOWN OF SELMER, TENNESSEE
CORRECTIVE ACTION PLAN
JUNE 30, 2017**

2017 – 001 INADEQUATE SEGREGATION OF DUTIES

Responsible party

Mayor John Smith, Anji Deaton, Ann Henderson

Corrective action planned

Efforts will be made to segregate access to both books and assets. Further training will take place.

Anticipated completion date

June 30, 2018

2017 – 002 FINANCIAL STATEMENTS MATERIALLY MISSTATED BEFORE AUDIT ADJUSTMENTS

Responsible party

Mayor John Smith, Anji Deaton, Ann Henderson

Corrective action planned

Efforts will be made to make necessary adjustments to reconcile accounts prior to year end.

Anticipated completion date

June 30, 2018

2017 – 003 INADEQUATE SUPPORT FOR PARKS AND RECREATIONAL DEPARTMENT REVENUES

Responsible party

Mayor John Smith, Anji Deaton, Ann Henderson, Sybil Dancer

Corrective action planned

More specific attention will be focused on this matter. More training will take place. More accountability will be ensured as new policies and procedures will be put into place.

Anticipated completion date

June 30, 2018

2017 – 004 CASH RECEIPTS

Responsible party

Mayor John Smith, Anji Deaton, Ann Henderson

Corrective action planned

Adjustments to the way the QSI system is used should help with addressing the type of payment that is issued. More accountability will also be addressed.

Anticipated completion date

June 30, 2018

**TOWN OF SELMER, TENNESSEE
CORRECTIVE ACTION PLAN
JUNE 30, 2017**

2017 – 005 PURCHASE ORDERS

Responsible party

Mayor John Smith, Anji Denton, Ann Henderson, and all department heads

Corrective action planned

The Town's purchasing policy will be followed more accurately for all purchases.

Anticipated completion date

June 30, 2018

2017 – 006 IMPROPER SUPPORT FOR DISBURSEMENTS

Responsible party

Mayor John Smith, Anji Denton, Ann Henderson

Corrective action planned

The Town will work more diligently to follow correct procedures in the future

Anticipated completion date

June 30, 2018

2017 – 007 EXPENDITURES EXCEEDED BUDGET APPROPRIATIONS

Responsible party

Mayor John Smith, Anji Denton, Ann Henderson

Corrective action planned

The Town will monitor and amend the budget in a more timely manner to avoid future overruns.

Anticipated completion date

June 30, 2018

2017 – 008 LACK OF BIDS

Responsible party

Mayor John Smith, Anji Denton, Ann Henderson, and all department directors

Corrective action planned

The Town will work more diligently to follow correct procedures in the future.

Anticipated completion date

June 30, 2018

**TOWN OF SELMER, TENNESSEE
CORRECTIVE ACTION PLAN
JUNE 30, 2017**

**2017 – 009 LACK OF COMPLIANCE WITH STATE STATUTES REGARDING LEASE-
PURCHASE AGREEMENTS**

Responsible party

Mayor John Smith, Anji Denton, Ann Henderson, and all department directors

Corrective action planned

The Town will work more diligently to follow correct procedures in the future.

Anticipated completion date

June 30, 2018