

TOWN OF SELMER, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

TOWN OF SELMER, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

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**TOWN OF SELMER, TENNESSEE
ROSTER OF PUBLICLY ELECTED AND MANAGEMENT OFFICIALS
JUNE 30, 2013**

Elected Officials

| | |
|----------------|----------|
| David Robinson | Mayor |
| John Finlayson | Alderman |
| Paul Simpson | Alderman |
| Edward Smith | Alderman |
| John Smith | Alderman |
| Chris Tull | Alderman |

Management Officials

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

Counsel

| | |
|-----------------|-------------------|
| Terry Abernathy | Selmer, Tennessee |
|-----------------|-------------------|



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, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Sanitation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note IV.D., the Town has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended

June 30, 2013. The Town early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress on pages 4 through 8 and page 43 through 44 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

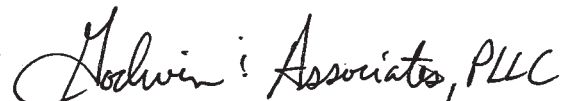
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and other supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 4, 2013, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



October 4, 2013

**TOWN OF SELMER, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013. 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 - 42.

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 43 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 45 - 48 of this report.

THE TOWN AS A WHOLE

For the year ended June 30, 2013, net position changed as follows:

TOWN OF SELMER'S NET POSITION

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Current and other assets | \$ 2,677,743 | \$ 2,843,464 | \$ 6,326,376 | \$ 5,628,488 | \$ 9,004,119 | \$ 8,471,952 |
| Capital assets | 2,673,587 | 2,304,882 | 25,692,354 | 25,007,842 | 28,365,941 | 27,312,724 |
| Total Assets | <u>5,351,330</u> | <u>5,148,346</u> | <u>32,018,730</u> | <u>30,636,330</u> | <u>37,370,060</u> | <u>35,784,676</u> |
| Long term liabilities | 1,334,695 | 1,436,735 | 12,215,209 | 11,454,006 | 13,549,904 | 12,890,741 |
| Other liabilities | 83,520 | 74,313 | 474,702 | 517,176 | 558,222 | 591,489 |
| Total liabilities | <u>1,418,215</u> | <u>1,511,048</u> | <u>12,689,911</u> | <u>11,971,182</u> | <u>14,108,126</u> | <u>13,482,230</u> |
| Total deferred inflows of resources | <u>723,678</u> | <u>705,015</u> | <u>-</u> | <u>-</u> | <u>723,678</u> | <u>705,015</u> |
| Net Position | | | | | | |
| Net investments in capital assets | 1,415,275 | 1,134,893 | 13,528,067 | 13,603,446 | 14,943,342 | 14,738,339 |
| Restricted | 109,349 | 221,825 | - | - | 109,349 | 221,825 |
| Unrestricted | 1,684,813 | 1,575,565 | 5,800,752 | 5,061,702 | 7,485,565 | 6,637,267 |
| Total Net Position | <u>\$ 3,209,437</u> | <u>\$ 2,932,283</u> | <u>\$ 19,328,819</u> | <u>\$ 18,665,148</u> | <u>\$ 22,538,256</u> | <u>\$ 21,597,431</u> |

During the current fiscal year, the Town's total net position increased by \$940,825 compared to the prior year increase of \$694,670.

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 \$656,767 compared to an increase in the prior year of \$423,877. The primary cause of this increase is due to an increase in gas sales.
- The Town's Water Systems Fund operated at an increase in net position of \$6,904 compared to an increase in the prior year of \$296,323. The primary reason for this decrease is due to large grant revenues in the prior year.

| | Governmental Activities | | Business-type Activities | | Totals | |
|--|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Fees, fines and charges for services | \$ 875,742 | \$ 939,889 | \$ 5,109,945 | \$ 4,697,653 | \$ 5,985,687 | \$ 5,637,542 |
| Operating grants and contributions | 232,075 | 233,834 | - | - | 232,075 | 233,834 |
| Capital grants and contributions | 304,045 | 81,800 | 32,536 | 193,058 | 336,581 | 274,858 |
| General Revenues: | | | | | | |
| Property taxes | 844,571 | 840,189 | - | - | 844,571 | 840,189 |
| Sales taxes | 1,760,784 | 1,757,403 | - | - | 1,760,784 | 1,757,403 |
| Public service taxes | 31,879 | 30,323 | - | - | 31,879 | 30,323 |
| Investment earnings | 13,291 | 18,398 | 28,942 | 40,970 | 42,233 | 59,368 |
| Insurance recoveries | 23,432 | - | 13,212 | 15,996 | 36,644 | 15,996 |
| Loss on asset impairment | - | - | - | - | - | - |
| Sale of seized property | - | 28,218 | - | - | - | 28,218 |
| Gain on sale of assets | 10,105 | 11,450 | 4,350 | - | 14,455 | 11,450 |
| Loss on disposal of assets | - | - | - | - | - | - |
| Miscellaneous | 29,417 | 58,885 | - | 3,812 | 29,417 | 62,697 |
| Transfers | 123,330 | 121,781 | - | - | 123,330 | 121,781 |
| Total Revenues | <u>4,248,671</u> | <u>4,122,170</u> | <u>5,188,985</u> | <u>4,951,489</u> | <u>9,437,656</u> | <u>9,073,659</u> |
| Expenses: | | | | | | |
| General government | 745,857 | 798,918 | - | - | 745,857 | 798,918 |
| Public safety | 1,568,874 | 1,556,081 | - | - | 1,568,874 | 1,556,081 |
| Public works | 1,220,887 | 1,325,576 | - | - | 1,220,887 | 1,325,576 |
| Health, welfare and recreation | 394,380 | 405,046 | - | - | 394,380 | 405,046 |
| Interest on long-term debt | 41,519 | 62,079 | - | - | 41,519 | 62,079 |
| Water and Sewer | - | - | 2,900,707 | 2,760,575 | 2,900,707 | 2,760,575 |
| Natural Gas | - | - | 1,501,277 | 1,348,933 | 1,501,277 | 1,348,933 |
| Transfers out | - | - | 123,330 | 121,781 | 123,330 | 121,781 |
| Total Expenses | <u>3,971,517</u> | <u>4,147,700</u> | <u>4,525,314</u> | <u>4,231,289</u> | <u>8,496,831</u> | <u>8,378,989</u> |
| Increase (decrease) in net position | <u>277,154</u> | <u>(25,530)</u> | <u>663,671</u> | <u>720,200</u> | <u>940,825</u> | <u>694,670</u> |
| Net position-beginning, as originally stated | 2,952,595 | 2,930,547 | 18,711,958 | 17,991,758 | 21,664,553 | 20,922,305 |
| Prior period adjustments | (20,312) | 47,578 | (46,810) | - | (67,122) | 47,578 |
| Net position-beginning, as restated | <u>2,932,283</u> | <u>2,978,125</u> | <u>18,665,148</u> | <u>17,991,758</u> | <u>21,597,431</u> | <u>20,969,883</u> |
| Net position-end of year | <u>\$ 3,209,437</u> | <u>\$ 2,952,595</u> | <u>\$ 19,328,819</u> | <u>\$ 18,711,958</u> | <u>\$ 22,538,256</u> | <u>\$ 21,664,553</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 \$1,802,219 which is 3.2% increase from last year's total of \$1,746,077.

The following schedule presents a summary of general and, special revenue funds' revenues and expenditures for the fiscal year ended June 30, 2013, and the amount and percentage of increases and decreases in relation to the prior year.

| Revenues | June 30, 2013 | Percent of Total | Increase (Decrease) from June 30, 2012 |
|-----------------------|---------------------|------------------|--|
| Taxes | \$ 2,260,534 | 54.96% | \$ 24,221 |
| Intergovernmental | 908,671 | 22.09% | 223,061 |
| Licenses and permits | 3,215 | 0.08% | (301) |
| Charges for services | 520,611 | 12.66% | 10,448 |
| Fines and forfeitures | 351,916 | 8.56% | (74,294) |
| Other revenues | 68,446 | 1.66% | (11,609) |
| Total Revenues | <u>\$ 4,113,393</u> | <u>100.00%</u> | <u>\$ 171,526</u> |

The increase in intergovernmental revenues was due to grant revenues for a new fire truck. The decrease in fines and forfeitures was due to decrease in camera generated traffic citations.

| Expenditures | June 30, 2013 | Percent of Total | Increase (Decrease) from June 30, 2012 |
|---------------------------------|----------------------|-----------------------------|---|
| General government | \$ 689,779 | 16.02% | \$ (49,764) |
| Public Safety | 1,418,219 | 32.93% | 20,757 |
| Public Works | 1,127,242 | 26.17% | (103,348) |
| Health, welfare, and recreation | 317,775 | 7.38% | (11,041) |
| Capital outlay | 498,095 | 11.57% | 393,988 |
| Debt Service | 255,576 | 5.93% | 5,534 |
| Total Expenditures | \$ 4,306,686 | 100.00% | \$ 256,126 |

Public works expenditures decreased due to street repair costs in the amount of \$161,057 in the prior year. The increased capital outlay expenditures were primarily due to the purchase of a new fire truck.

General Fund Budgetary Highlights

Over the course of the year, the Town did revise the budget one time.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2013, the Town had invested \$28,365,941 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 \$801,084, or 2.9% above the prior year. Additional information on capital assets is in Note III.A.

Debt

At year-end, the Town had \$13,549,904 in outstanding long-term debt compared to \$12,890,741 last year. Of the total outstanding debt 10% belongs to the Governmental funds, 2% to the Gas Fund and 88% 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, 2013

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,464,730 | \$ 5,644,828 | \$ 7,109,558 |
| Receivables: | | | |
| Property taxes | 795,572 | - | 795,572 |
| Accounts receivable | 60,211 | 418,626 | 478,837 |
| Grant receivable | 45,793 | - | 45,793 |
| Due from other governments | 225,951 | - | 225,951 |
| Inventories | - | 305,402 | 305,402 |
| Prepaid items | 26,155 | 16,851 | 43,006 |
| Internal balances | 59,331 | (59,331) | - |
| Capital assets (net of accumulated depreciation): | | | |
| Nondepreciable | 322,606 | 1,456,240 | 1,778,846 |
| Depreciable | 2,350,981 | 24,236,114 | 26,587,095 |
| TOTAL ASSETS | 5,351,330 | 32,018,730 | 37,370,060 |
| LIABILITIES | | | |
| Accounts payable | 38,714 | 255,193 | 293,907 |
| Accrued expenses | 36,409 | 70,699 | 107,108 |
| Unearned revenues | 8,397 | - | 8,397 |
| Customer deposits | - | 148,810 | 148,810 |
| Debt: | | | |
| Due within one year | 230,637 | 483,905 | 714,542 |
| Due in more than one year (net of unamortized premiums) | 1,104,058 | 11,731,304 | 12,835,362 |
| TOTAL LIABILITIES | 1,418,215 | 12,689,911 | 14,108,126 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenues - property taxes | 723,678 | - | 723,678 |
| | <u>723,678</u> | <u>-</u> | <u>723,678</u> |
| NET POSITION | | | |
| Net investment in capital assets | 1,415,275 | 13,528,067 | 14,943,342 |
| Restricted for: | | | |
| State Street Aid Fund | 32,296 | - | 32,296 |
| Drug Fund | 77,053 | - | 77,053 |
| Unrestricted | 1,684,813 | 5,800,752 | 7,485,565 |
| TOTAL NET POSITION | \$ 3,209,437 | \$ 19,328,819 | \$ 22,538,256 |

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

TOWN OF SELMER, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

| Program Activities | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Position | |
|---|---------------------|--|--|---|----------------|
| | Expenses | Fees, Fines and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total |
| Governmental activities | | | | | |
| General Government | \$ 745,857 | \$ 36,026 | \$ 2,306 | \$ 8,208 | \$ (699,317) |
| Public Safety | 1,568,874 | 364,968 | 8,400 | 295,090 | (900,416) |
| Public Works | 1,220,887 | 440,294 | 221,369 | - | (559,224) |
| Health, Welfare and Recreation | 394,380 | 34,454 | - | 747 | (359,179) |
| Interest on long-term debt | 41,519 | - | - | - | (41,519) |
| Total governmental activities | 3,971,517 | 875,742 | 232,075 | 304,045 | (2,559,655) |
| Business-type activities | | | | | |
| Water and Sewer | 2,900,707 | 2,920,938 | - | 32,536 | 52,767 |
| Natural Gas | 1,501,277 | 2,189,007 | - | - | 687,730 |
| Total business-type activities | 4,401,984 | 5,109,945 | - | 32,536 | 740,497 |
| Total Government | \$ 8,373,501 | \$ 5,985,687 | \$ 232,075 | \$ 336,581 | 740,497 |
| | | | | | |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| Property | | | | 844,571 | 844,571 |
| Sales | | | | 1,760,784 | 1,760,784 |
| Public service taxes | | | | 31,879 | 31,879 |
| Investment earnings | | | | 13,291 | 28,942 |
| Insurance recoveries | | | | 23,432 | 13,212 |
| Sale of capital assets | | | | 10,105 | 4,350 |
| Miscellaneous | | | | 29,417 | - |
| Transfers | | | | 123,330 | (123,330) |
| Total general revenues and transfers | | | | 2,836,809 | 2,759,983 |
| Change in net position | | | | 277,154 | 940,825 |
| Net position at beginning of year, as originally stated | | | | 2,952,595 | 21,664,553 |
| Prior period adjustment | | | | (20,312) | (67,122) |
| Net position at beginning of year, as restated | | | | 2,932,283 | 21,597,431 |
| Net position at end of year | | | | \$ 3,209,437 | \$ 22,538,256 |

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

**TOWN OF SELMER, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

| | General | Sanitation | Other Nonmajor Governmental Funds | Total |
|--|---------------------|-------------------|---|---------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,293,057 | \$ 60,050 | \$ 111,623 | \$ 1,464,730 |
| Notes receivable | - | - | - | - |
| Taxes receivable | 795,572 | - | - | 795,572 |
| Grant receivables | 45,793 | - | - | 45,793 |
| Accounts receivable | 60,211 | - | - | 60,211 |
| Due from other funds | 35,559 | 40,898 | - | 76,457 |
| Receivables from other governments | 201,699 | - | 24,252 | 225,951 |
| Prepaid expenses | 26,155 | - | - | 26,155 |
| Total assets | <u>\$ 2,458,046</u> | <u>\$ 100,948</u> | <u>\$ 135,875</u> | <u>\$ 2,694,869</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 23,323 | \$ 14,388 | \$ 1,003 | \$ 38,714 |
| Accrued expenses | 32,841 | - | - | 32,841 |
| Due to other funds | - | - | 17,126 | 17,126 |
| Unearned revenue - other | - | - | 8,397 | 8,397 |
| Total liabilities | <u>56,164</u> | <u>14,388</u> | <u>26,526</u> | <u>97,078</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenues - property taxes | <u>795,572</u> | <u>-</u> | <u>-</u> | <u>795,572</u> |
| FUND BALANCES | | | | |
| Nonspendable | | | | |
| Prepaid items | 26,155 | - | - | 26,155 |
| Restricted | | | | |
| State street aid | - | - | 32,296 | 32,296 |
| Drug | - | - | 77,053 | 77,053 |
| Committed | | | | |
| Sanitation | - | 86,560 | - | 86,560 |
| Unassigned | | | | |
| General fund | 1,580,155 | - | - | 1,580,155 |
| Total fund balances | <u>1,606,310</u> | <u>86,560</u> | <u>109,349</u> | <u>1,802,219</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 2,458,046</u> | <u>\$ 100,948</u> | <u>\$ 135,875</u> | <u>\$ 2,694,869</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, 2013

| | |
|--|----------------------------|
| Total fund balance - total governmental funds | \$ 1,802,219 |
| 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. | 2,673,587 |
| Compensated absences are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. | (76,383) |
| Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. | |
| Due within one year | \$ 230,637 |
| Due in more than one year | 997,989 |
| | (1,228,626) |
| Bond premiums are not reported in the governmental funds but are recorded for government-wide purposes. | (29,686) |
| Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes. | (3,568) |
| Some property tax will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues in the governmental funds. | <u>71,894</u> |
| Net position of governmental activities | <u><u>\$ 3,209,437</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, 2013

| | General | Sanitation | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|------------------|---|--------------------------------|
| Revenues | | | | |
| Taxes | \$ 2,260,534 | \$ - | \$ - | \$ 2,260,534 |
| Intergovernmental revenues | 795,865 | - | 112,806 | 908,671 |
| Licenses and permits | 3,215 | - | - | 3,215 |
| Charges for services | 80,317 | 440,294 | - | 520,611 |
| Fines, forfeits, and penalties | 300,354 | - | 51,562 | 351,916 |
| Other revenues | 67,346 | - | 1,100 | 68,446 |
| Total Revenues | 3,507,631 | 440,294 | 165,468 | 4,113,393 |
| Expenditures | | | | |
| Current | | | | |
| General government | 689,779 | - | - | 689,779 |
| Public safety | 1,366,843 | - | 51,376 | 1,418,219 |
| Public works | 548,093 | 450,146 | 129,003 | 1,127,242 |
| Health, welfare, and recreation | 317,775 | - | - | 317,775 |
| Capital outlay | 498,095 | - | - | 498,095 |
| Debt service | 237,423 | - | 18,153 | 255,576 |
| Total Expenditures | 3,658,008 | 450,146 | 198,532 | 4,306,686 |
| Excess (deficiency) of revenues over (under) expenditures | (150,377) | (9,852) | (33,064) | (193,293) |
| Other financing sources (uses) | | | | |
| Transfers in | 123,330 | - | 17,000 | 140,330 |
| Transfers out | (17,000) | - | - | (17,000) |
| Sale of capital assets | 10,105 | - | - | 10,105 |
| Proceeds from notes payable | 116,000 | - | - | 116,000 |
| Total other financing sources (uses) | 232,435 | - | 17,000 | 249,435 |
| Net change in fund balances | 82,058 | (9,852) | (16,064) | 56,142 |
| FUND BALANCES - beginning of year | 1,524,252 | 96,412 | 125,413 | 1,746,077 |
| FUND BALANCES - end of year | \$ 1,606,310 | \$ 86,560 | \$ 109,349 | \$ 1,802,219 |

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, 2013

| | |
|--|--------------------------|
| Net change in fund balances - total governmental funds | \$ 56,142 |
| 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. | 498,095 |
| 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. | (382,222) |
| Principal paid on debt | 212,801 |
| Debt proceeds are recorded on the governmental funds as revenue, but the government-wide statement of activities does not report debt proceeds as revenue. | (116,000) |
| Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in the government funds | 6,495 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | <u>1,843</u> |
| Change in net position of governmental activities | <u><u>\$ 277,154</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, 2013

| Revenues | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|------------------|---|
| | Original | Final | | |
| Taxes | | | | |
| Property taxes - current | \$ 700,000 | \$ 762,813 | \$ 762,813 | \$ - |
| Property taxes - delinquent | 20,000 | 29,778 | 29,778 | - |
| Local option sales taxes | 1,200,000 | 1,202,077 | 1,202,078 | 1 |
| Local wholesale beer taxes | 170,000 | 184,027 | 184,027 | - |
| Business taxes | 9,000 | 26,984 | 26,985 | 1 |
| Cable TV franchise taxes | 28,500 | 31,880 | 31,879 | (1) |
| Hotel/Motel taxes | 20,000 | 10,973 | 22,974 | 12,001 |
| Total taxes | 2,147,500 | 2,248,532 | 2,260,534 | 12,002 |
| Intergovernmental | | | | |
| State of Tennessee | | | | |
| - TVA replacement tax | 45,000 | 50,136 | 50,137 | 1 |
| - Sales tax allocation | 300,000 | 303,404 | 302,377 | (1,027) |
| - Income tax allocation | 15,000 | 15,703 | 15,703 | - |
| - Beer tax allocation | 1,000 | 1,146 | 2,173 | 1,027 |
| - Mixed drink tax allocation | 2,000 | 2,334 | 2,334 | - |
| - Petroleum tax | 10,000 | 9,012 | 9,009 | (3) |
| - Telecommunication tax | 250 | 357 | 358 | 1 |
| - Corporate excise tax | 9,000 | 1,775 | 1,775 | - |
| State law enforcement | 9,600 | 14,060 | 8,400 | (5,660) |
| Governors highway safety grant | - | - | 4,485 | 4,485 |
| High visibility grant | - | - | 1,176 | 1,176 |
| Grants for Fire Dept | 228,000 | 291,610 | 289,429 | (2,181) |
| State grant | - | 747 | 747 | - |
| State LPRF grant | 119,000 | - | - | - |
| State highway maintenance grant | 85,000 | 69,134 | 99,554 | 30,420 |
| TVA energy rebate | - | - | 8,208 | 8,208 |
| Total intergovernmental revenues | 823,850 | 759,418 | 795,865 | 36,447 |
| Licenses and permits | | | | |
| Beer permits | 1,650 | 1,100 | 1,100 | - |
| Building permits | 1,200 | 2,100 | 2,115 | 15 |
| Total licenses and permits | 2,850 | 3,200 | 3,215 | 15 |
| Charges for services | | | | |
| Special fire protection | 10,250 | 10,870 | 13,052 | 2,182 |
| Swimming pool charges | 5,000 | 6,229 | 6,470 | 241 |
| Recreation programs | 35,000 | 27,009 | 27,984 | 975 |
| Community center fees | 35,000 | 32,811 | 32,811 | - |
| Total charges for services | 85,250 | 76,919 | 80,317 | 3,398 |
| Fines, forfeits, and penalties | | | | |
| City court fines | 150,000 | 201,911 | 190,931 | (10,980) |
| Fines, fees and penalties - auto cameras | 90,000 | 71,439 | 71,440 | 1 |
| Court fines from County | 30,000 | 33,751 | 37,983 | 4,232 |
| Total fines, forfeits, and penalties | 270,000 | 307,101 | 300,354 | (6,747) |

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, 2013

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenues (continued) | | | | |
| Other revenues | | | | |
| Civic Center - United Way | 2,500 | 2,306 | 2,306 | - |
| Rent - Development 1 | 12,500 | 15,947 | 15,947 | - |
| Interest - Sawmill/Spectrum | 16,000 | 11,968 | 87 | (11,881) |
| Insurance recoveries | 5,000 | 26,932 | 23,432 | (3,500) |
| Sales of materials | 6,000 | 12,180 | 914 | (11,266) |
| Contributions | 500 | - | - | - |
| Penalties and interest | 15,000 | 13,096 | 13,099 | 3 |
| Miscellaneous | 1,000 | 23,408 | 11,561 | (11,847) |
| Total other revenues | 58,500 | 105,837 | 67,346 | (38,491) |
| Total revenues | 3,387,950 | 3,501,007 | 3,507,631 | 6,624 |
| Expenditures | | | | |
| General government | | | | |
| Legislative | | | | |
| Mayor | 47,000 | 47,000 | 47,000 | - |
| Reimbursement for mayor | (28,000) | (28,000) | (28,000) | - |
| Board and committee members | 9,000 | 9,000 | 9,000 | - |
| Payroll taxes | 4,300 | 4,284 | 4,123 | 161 |
| Retirement | 7,950 | 7,811 | 8,120 | (309) |
| Memberships and registration fees | 3,300 | 3,300 | 3,183 | 117 |
| Advertising | 2,500 | 2,500 | 1,271 | 1,229 |
| State planning office | 7,500 | 7,390 | 7,390 | - |
| Travel | 2,000 | 2,000 | 1,423 | 577 |
| Mayor expense | 8,000 | 8,000 | 5,225 | 2,775 |
| Prizes and awards | 200 | 200 | 200 | - |
| Salaries | 6,500 | 6,000 | 6,000 | - |
| Payroll taxes | 425 | 459 | 459 | - |
| Judicial settlement | - | 37,500 | 37,500 | - |
| Total legislative | 70,675 | 107,444 | 102,894 | 4,550 |
| General government buildings | | | | |
| Utility services | 2,500 | 2,500 | 1,295 | 1,205 |
| Electricity | 5,500 | 5,500 | 4,762 | 738 |
| Repairs and maintenance | 6,000 | 10,400 | 2,936 | 7,464 |
| Houshold and janitorial | 1,000 | 2,500 | 2,176 | 324 |
| Total general government buildings | 15,000 | 20,900 | 11,169 | 9,731 |

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, 2013

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---------------------------------------|------------------|------------------|----------------|---|
| | Original | Final | | |
| Expenditures (continued) | | | | |
| General government (continued) | | | | |
| Financial administration | | | | |
| Salaries | 50,000 | 49,888 | 49,888 | - |
| Salaries - permanent employees | 30,500 | 30,364 | 30,364 | - |
| OASI | 6,100 | 6,139 | 6,025 | 114 |
| Hospital and health | 285,000 | 239,000 | 208,773 | 30,227 |
| Retirement | 13,500 | 13,338 | 13,586 | (248) |
| Workers compensation | 89,935 | 95,393 | 95,393 | - |
| Unemployment | 4,500 | 6,000 | 6,515 | (515) |
| Refunds | 300 | 300 | 268 | 32 |
| Postage and box rental | 2,500 | 2,500 | 694 | 1,806 |
| Telephone | 4,500 | 7,500 | 7,212 | 288 |
| Professional services | 1,200 | 500 | - | 500 |
| Legal | 10,000 | 10,000 | 8,404 | 1,596 |
| Audit | 12,000 | 12,000 | 12,000 | - |
| Data processing services | 13,400 | 18,000 | 10,125 | 7,875 |
| Other professional | 1,500 | 1,500 | 32 | 1,468 |
| Miscellaneous | 750 | 750 | 2,658 | (1,908) |
| Office supplies | 3,000 | 3,000 | 1,754 | 1,246 |
| Property tax roll | 1,000 | 2,045 | 2,043 | 2 |
| Computer supplies | 1,500 | 1,500 | - | 1,500 |
| Fax and copier | 3,000 | 3,000 | 2,836 | 164 |
| Insurance - vehicles | 98,301 | 92,000 | 72,687 | 19,313 |
| Surety bonds | 1,000 | 500 | 300 | 200 |
| Office supplies | 100 | 100 | - | 100 |
| Awards for services | 2,100 | 2,100 | 1,800 | 300 |
| Total financial administration | 635,686 | 597,417 | 533,357 | 64,060 |
| Civic center | | | | |
| Advertising | 500 | 1,000 | 650 | 350 |
| Utility service | 12,000 | 10,000 | 9,034 | 966 |
| Electricity | 35,000 | 35,000 | 28,213 | 6,787 |
| Repair and maintenance | 2,000 | 2,000 | 434 | 1,566 |
| Repair and maintenance-other | 3,000 | 3,000 | 1,903 | 1,097 |
| Household and janitorial | 5,000 | 2,500 | 2,025 | 475 |
| Surety bonds | 300 | 300 | 100 | 200 |
| Capital outlay | - | 21,200 | 25,450 | (4,250) |
| Total civic center | 57,800 | 75,000 | 67,809 | 7,191 |
| Debt service | | | | |
| Principal | 184,900 | 193,816 | 195,731 | (1,915) |
| Interest | 40,640 | 41,462 | 41,692 | (230) |
| Total debt service | 225,540 | 235,278 | 237,423 | (2,145) |
| Total general government | 1,004,701 | 1,036,039 | 952,652 | 83,387 |

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, 2013

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|------------------|------------------|---|
| | Original | Final | | |
| Expenditures (continued) | | | | |
| Public safety | | | | |
| Police department | | | | |
| Salaries | 175,000 | 174,711 | 175,226 | (515) |
| Payroll taxes | 53,000 | 48,000 | 47,786 | 214 |
| Retirement | 110,000 | 104,432 | 90,435 | 13,997 |
| Employee education | 15,000 | 17,000 | 17,191 | (191) |
| Vehicle tow-in service | 500 | 500 | 145 | 355 |
| Telephone | 6,000 | 6,000 | 2,625 | 3,375 |
| Professional service | 50,000 | 50,000 | 50,000 | - |
| Data processing | - | 1,500 | 185 | 1,315 |
| Repair and maintenance | 1,000 | 1,000 | 70 | 930 |
| Repair and maintenance - vehicles | 20,000 | 23,000 | 21,470 | 1,530 |
| Repair and maintenance - radios | 3,500 | 3,500 | 2,483 | 1,017 |
| Travel | 1,000 | 1,000 | 364 | 636 |
| Ambulance and clinic | 1,500 | 1,500 | 406 | 1,094 |
| City court cost | 12,000 | 18,000 | 15,091 | 2,909 |
| Miscellaneous | 1,250 | 4,000 | 4,067 | (67) |
| Office supplies | 6,500 | 12,500 | 11,515 | 985 |
| Operating supplies | 8,000 | 9,000 | 7,156 | 1,844 |
| Uniforms | 12,000 | 12,000 | 8,820 | 3,180 |
| Gas, oil and diesel | 45,000 | 40,000 | 41,491 | (1,491) |
| Building and office | 725 | 725 | 720 | 5 |
| Capital outlay | 116,000 | 120,205 | 122,948 | (2,743) |
| Overtime | 55,000 | 25,000 | 21,457 | 3,543 |
| Salaries | 31,500 | 31,084 | 31,084 | - |
| Hourly wages | 410,000 | 373,131 | 383,632 | (10,501) |
| Overtime | 500 | 500 | - | 500 |
| Hourly wages | 27,500 | 27,262 | 21,854 | 5,408 |
| Total police department | 1,162,475 | 1,105,550 | 1,078,221 | 27,329 |
| Fire department | | | | |
| Salaries | 156,000 | 156,529 | 156,528 | 1 |
| Overtime | 7,500 | 7,500 | 7,432 | 68 |
| Payroll taxes | 13,500 | 12,548 | 13,224 | (676) |
| Retirement | 28,000 | 27,282 | 27,507 | (225) |
| Training | 10,000 | 10,000 | 15,680 | (5,680) |
| Grant paid employees | 38,000 | 38,000 | 12,648 | 25,352 |
| Volunteer firemen | 18,000 | 18,000 | 18,152 | (152) |
| Fire code enforcement | 3,500 | 3,500 | 3,512 | (12) |
| Subscriptions | 200 | 200 | 197 | 3 |
| Public relations | 1,600 | 1,600 | 1,602 | (2) |
| Advertising | - | - | 32 | (32) |
| Utilities | 24,500 | 24,500 | 23,910 | 590 |
| Telephone | 3,800 | 4,900 | 4,703 | 197 |
| Other professional | - | - | 1,000 | (1,000) |
| Repair and maintenance | 7,000 | 7,000 | 7,136 | (136) |
| Repair and maintenance - vehicles | 12,000 | 12,000 | 11,745 | 255 |
| Repair and maintenance - building | 4,000 | 4,000 | 4,077 | (77) |
| Repair and maintenance - radios | 1,800 | 1,800 | 1,772 | 28 |
| Travel | - | - | 5,593 | (5,593) |
| Medical, physicals, etc... | - | - | 3,600 | (3,600) |
| Office supplies and materials | 1,500 | 3,000 | 1,426 | 1,574 |
| Additional items of equipment | - | - | 2,394 | (2,394) |
| Operating supplies | 1,500 | 1,800 | 10,709 | (8,909) |
| Uniforms | 3,000 | 3,000 | 2,667 | 333 |
| Gas, oil and diesel | 18,000 | 20,000 | 20,944 | (944) |
| Grants and donations | 9,000 | 65,000 | - | 65,000 |
| Capital outlay | 207,000 | 237,500 | 309,958 | (72,458) |
| Total fire department | 569,400 | 659,659 | 668,148 | (8,489) |

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, 2013

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|------------------|---|
| | Original | Final | | |
| Expenditures (continued) | | | | |
| Public safety (continued) | | | | |
| Building inspector | | | | |
| Salaries | 40,500 | 40,687 | 40,687 | - |
| Payroll taxes | 3,300 | 3,113 | 3,112 | 1 |
| Retirement | 6,750 | 6,762 | 6,888 | (126) |
| Education and training | 500 | 500 | 616 | (116) |
| Telephone | 350 | 350 | 299 | 51 |
| Repair and maintenance - vehicle | 750 | 750 | 11 | 739 |
| Repair and maintenance - grounds | 2,500 | 1,500 | - | 1,500 |
| Operating supplies | 500 | 500 | - | 500 |
| Gas, oil and diesel | 3,300 | 3,000 | 1,767 | 1,233 |
| Total building inspector | 58,450 | 57,162 | 53,380 | 3,782 |
| Total public safety | 1,790,325 | 1,822,371 | 1,799,749 | 22,622 |
| Public works | | | | |
| Streets and highways | | | | |
| Salaries | 43,500 | 43,348 | 43,348 | - |
| Overtime | 5,000 | 5,000 | 3,302 | 1,698 |
| Hourly wages | 260,000 | 228,717 | 211,386 | 17,331 |
| Payroll taxes | 25,000 | 21,195 | 18,951 | 2,244 |
| Retirement | 51,000 | 46,062 | 42,108 | 3,954 |
| Utilities | 2,500 | 2,500 | 1,915 | 585 |
| Electricity | 2,000 | 2,000 | 1,708 | 292 |
| Telephone | 2,000 | 2,000 | 1,773 | 227 |
| Repair and maintenance | 500 | 500 | 126 | 374 |
| Repair and maintenance - vehicles | 20,000 | 31,000 | 29,487 | 1,513 |
| Repair and maintenance - other equipment | 5,000 | 6,000 | 3,715 | 2,285 |
| Repair and maintenance - machinery | - | - | 5,652 | (5,652) |
| Repair and maintenance - buildings | 1,500 | 3,800 | - | 3,800 |
| Repair and maintenance - radios | 1,800 | 1,800 | 549 | 1,251 |
| Repair and maintenance - streets | 35,000 | 39,000 | 42,546 | (3,546) |
| Operations and maintenance | 1,000 | 1,000 | 44 | 956 |
| Other contractual services | 78,000 | 78,000 | 83,308 | (5,308) |
| Clinic, hospital | 300 | 600 | 597 | 3 |
| Miscellaneous | 150 | 200 | 554 | (354) |
| Office supplies | 2,000 | 2,000 | 1,742 | 258 |
| Operating supplies | 10,000 | 14,000 | 14,749 | (749) |
| Uniforms | 6,000 | 6,000 | 5,805 | 195 |
| Gas, oil and diesel | 40,000 | 30,000 | 32,284 | (2,284) |
| Consumable tools | 400 | 500 | 416 | 84 |
| Sign parts and supplies | 6,000 | 6,000 | 2,028 | 3,972 |
| Capital outlay | 30,000 | 22,900 | 17,436 | 5,464 |
| Total streets and highways | 628,650 | 594,122 | 565,529 | 28,593 |
| Animal shelter | | | | |
| Operating supplies | 1,000 | 500 | - | 500 |
| Total public works | 629,650 | 594,622 | 565,529 | 29,093 |
| Health, welfare, and recreation | | | | |
| Grants and appropriations | | | | |
| Grant/donation - senior citizens | 4,000 | 4,000 | 4,000 | - |
| 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 | 7,500 | 7,500 | - |
| Grant/donation - books from birth | 1,000 | 1,000 | 1,000 | - |
| Total grants and appropriations | 13,700 | 17,700 | 17,700 | - |

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, 2013

| | 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 | 6,346 | 1,654 |
| Payroll taxes | 250 | 350 | 485 | (135) |
| Publications and subscriptions | 125 | 500 | 372 | 128 |
| Utilities | 4,500 | 4,500 | 3,504 | 996 |
| Telephone | 1,000 | 1,500 | 1,251 | 249 |
| Repairs and maintenance | 1,000 | 1,000 | 94 | 906 |
| Chemicals | 2,500 | 2,500 | 1,756 | 744 |
| Other operating supplies | 800 | 3,200 | 9 | 3,191 |
| Total swimming pools | 18,175 | 21,550 | 13,817 | 7,733 |
| Parks and recreation | | | | |
| Salaries | 43,300 | 42,898 | 42,898 | - |
| Overtime | 1,200 | 1,200 | 332 | 868 |
| Hourly wages | 60,200 | 55,526 | 62,041 | (6,515) |
| Payroll taxes | 8,000 | 8,000 | 7,866 | 134 |
| Retirement | 14,700 | 13,758 | 13,712 | 46 |
| Refunds | 500 | 600 | 693 | (93) |
| Utility | 12,000 | 12,000 | 10,043 | 1,957 |
| Telephone | 3,000 | 3,000 | 2,602 | 398 |
| Data processing | - | 150 | - | 150 |
| Repair and maintenance | 16,000 | 16,000 | 16,229 | (229) |
| Repair and maintenance-other | 2,500 | 2,500 | 2,250 | 250 |
| Office supplies | 6,500 | 8,000 | 8,338 | (338) |
| Uniforms | 500 | 750 | 691 | 59 |
| Other operating supplies | 40,000 | 45,000 | 45,436 | (436) |
| Gas, oil and diesel | 7,000 | 7,000 | 6,181 | 819 |
| Other insurance | 3,350 | 3,350 | 3,446 | (96) |
| Capital outlay | 148,000 | 30,000 | 22,303 | 7,697 |
| Total parks and recreation | 366,750 | 249,732 | 245,061 | 4,671 |
| 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 | 462,125 | 352,482 | 340,078 | 12,404 |
| Total expenditures | 3,886,801 | 3,805,514 | 3,658,008 | 147,506 |
| Excess (deficiency) of revenues over (under) expenditures | (498,851) | (304,507) | (150,377) | 154,130 |
| Other financing sources (uses) | | | | |
| Transfers in | 121,000 | 123,330 | 123,330 | - |
| Transfers out | - | - | (17,000) | (17,000) |
| Sale of assets | - | - | 10,105 | 10,105 |
| Proceeds from capital outlay note | 116,000 | 116,000 | 116,000 | - |
| Total other financing sources (uses) | 237,000 | 239,330 | 232,435 | (6,895) |
| Net change in fund balance | (261,851) | (65,177) | 82,058 | 147,235 |
| Fund balance, beginning of year | 1,524,252 | 1,524,252 | 1,524,252 | - |
| Fund balance, end of year | \$ 1,262,401 | \$ 1,459,075 | \$ 1,606,310 | \$ 147,235 |

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, 2013

| | Original | Final | Actual | Variance with Final Budget Positive (Negative) |
|--|------------|------------|------------|---|
| Revenues: | | | | |
| Garbage pickup | \$ 428,500 | \$ 428,500 | \$ 438,949 | \$ 10,449 |
| Uncollectible accounts | (4,500) | (4,500) | (3,509) | 991 |
| Recovery of uncollectible accounts | 1,200 | 1,200 | 172 | (1,028) |
| Service charges and fees | 3,500 | 4,400 | 4,682 | 282 |
| Total revenues | 428,700 | 429,600 | 440,294 | 10,694 |
| Expenditures: | | | | |
| Payroll | 118,000 | 118,968 | 114,509 | 4,459 |
| Payroll taxes | 9,500 | 9,101 | 8,534 | 567 |
| Employee insurance | 35,000 | 29,461 | 26,376 | 3,085 |
| Retirement | 20,000 | 19,778 | 19,399 | 379 |
| Utilities | 4,000 | 4,000 | 3,311 | 689 |
| Telephone | 1,500 | 2,000 | 1,704 | 296 |
| Data processing | 15,600 | 15,600 | 15,600 | - |
| Repairs and maintenance | 19,600 | 23,250 | 23,075 | 175 |
| Contractual services | 145,000 | 145,000 | 154,738 | (9,738) |
| Ambulance, clinic, etc... | 100 | 100 | - | 100 |
| Landfill services | 45,000 | 50,000 | 50,103 | (103) |
| Miscellaneous | 200 | 200 | - | 200 |
| Office supplies | 1,200 | 1,200 | 22 | 1,178 |
| Operating supplies | 1,500 | 2,200 | 2,284 | (84) |
| Uniforms | 4,000 | 3,500 | 2,539 | 961 |
| Gas and oil | 28,000 | 28,000 | 27,952 | 48 |
| Other operating supplies | 1,000 | 500 | - | 500 |
| Consumable tools | 200 | 200 | - | 200 |
| Capital outlay | 22,500 | 20,000 | - | 20,000 |
| Total expenditures | 471,900 | 473,058 | 450,146 | 22,912 |
| Excess (deficiency) of revenues over (under) expenditures | (43,200) | (43,458) | (9,852) | 33,606 |
| Other financing sources (uses) | | | | |
| Transfers out | - | - | - | - |
| Net change in fund balance | (43,200) | (43,458) | (9,852) | 33,606 |
| Fund Balance, beginning of year | 96,412 | 96,412 | 96,412 | - |
| Fund Balance, end of the year | \$ 53,212 | \$ 52,954 | \$ 86,560 | \$ 33,606 |

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

TOWN OF SELMER, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013

| | Water and Sewer | Natural Gas | Total |
|--|----------------------------|------------------------|----------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 642,460 | \$ 5,002,368 | \$ 5,644,828 |
| Accounts receivable, net of allowance | 336,219 | 82,407 | 418,626 |
| Inventory | 176,434 | 128,968 | 305,402 |
| Due from other funds | 4,296 | - | 4,296 |
| Prepaid expenses | 10,062 | 6,789 | 16,851 |
| TOTAL CURRENT ASSETS | <u>1,169,471</u> | <u>5,220,532</u> | <u>6,390,003</u> |
| NONCURRENT ASSETS | | | |
| Capital assets, net | <u>23,924,767</u> | <u>1,767,587</u> | <u>25,692,354</u> |
| TOTAL ASSETS | <u>25,094,238</u> | <u>6,988,119</u> | <u>32,082,357</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | 190,493 | 64,700 | 255,193 |
| Accrued expenses | 36,706 | 8,628 | 45,334 |
| Accrued interest | 25,365 | - | 25,365 |
| Customer deposits | 109,755 | 39,055 | 148,810 |
| Due to other funds | 51,802 | 11,825 | 63,627 |
| Current portion of long-term debt | 398,405 | 85,500 | 483,905 |
| TOTAL CURRENT LIABILITIES | <u>812,526</u> | <u>209,708</u> | <u>1,022,234</u> |
| NONCURRENT LIABILITIES | | | |
| Compensated absences | 28,254 | 22,668 | 50,922 |
| Notes payable (net of unamortized premium) | 11,494,982 | 185,400 | 11,680,382 |
| TOTAL NONCURRENT LIABILITIES | <u>11,523,236</u> | <u>208,068</u> | <u>11,731,304</u> |
| TOTAL LIABILITIES | <u>12,335,762</u> | <u>417,776</u> | <u>12,753,538</u> |
| NET POSITION | | | |
| Net investment in capital assets | 12,031,380 | 1,496,687 | 13,528,067 |
| Unrestricted | <u>727,096</u> | <u>5,073,656</u> | <u>5,800,752</u> |
| TOTAL NET POSITIONS | <u>\$ 12,758,476</u> | <u>\$ 6,570,343</u> | <u>\$ 19,328,819</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, 2013

| | Water and Sewer | Natural Gas | Total |
|---|-----------------------------|----------------------------|-----------------------------|
| OPERATING REVENUES | | | |
| Utility sales and services | \$ 2,781,790 | \$ 2,161,201 | \$ 4,942,991 |
| Recovery of uncollectible accounts | 9,381 | 553 | 9,934 |
| Uncollectible accounts | (27,313) | (4,599) | (31,912) |
| Service charges and fees | 148,882 | 30,236 | 179,118 |
| Other income | 8,198 | 1,616 | 9,814 |
| TOTAL OPERATING REVENUES | <u>2,920,938</u> | <u>2,189,007</u> | <u>5,109,945</u> |
| OPERATING EXPENSES | | | |
| Cost of natural gas sold | - | 682,905 | 682,905 |
| Personal services | 793,211 | 574,837 | 1,368,048 |
| Contractual services | 846,530 | 87,279 | 933,809 |
| Supplies | 63,805 | 20,535 | 84,340 |
| Insurance | 65,861 | 30,248 | 96,109 |
| Depreciation | 674,542 | 103,745 | 778,287 |
| TOTAL OPERATING EXPENSES | <u>2,443,949</u> | <u>1,499,549</u> | <u>3,943,498</u> |
| OPERATING INCOME | <u>476,989</u> | <u>689,458</u> | <u>1,166,447</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 3,443 | 25,499 | 28,942 |
| Insurance recoveries | 13,212 | - | 13,212 |
| Debt issue costs | (37,189) | - | (37,189) |
| Accretion on debt premiums | 6,782 | - | 6,782 |
| Gain on sale of capital assets | 3,050 | 1,300 | 4,350 |
| Interest expense | (426,351) | (1,728) | (428,079) |
| NET NONOPERATING EXPENSES | <u>(437,053)</u> | <u>25,071</u> | <u>(411,982)</u> |
| NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | <u>39,936</u> | <u>714,529</u> | <u>754,465</u> |
| Capital contributions | 32,536 | - | 32,536 |
| Transfers out | (65,568) | (57,762) | (123,330) |
| CHANGE IN NET POSITION | <u>6,904</u> | <u>656,767</u> | <u>663,671</u> |
| NET POSITION - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED | 12,796,070 | 5,915,888 | 18,711,958 |
| PRIOR PERIOD ADJUSTMENT | <u>(44,498)</u> | <u>(2,312)</u> | <u>(46,810)</u> |
| NET POSITION - BEGINNING OF YEAR, AS RESTATED | <u>12,751,572</u> | <u>5,913,576</u> | <u>18,665,148</u> |
| NET POSITION- END OF YEAR | <u><u>\$ 12,758,476</u></u> | <u><u>\$ 6,570,343</u></u> | <u><u>\$ 19,328,819</u></u> |

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, 2013

| | Water and Sewer | Natural Gas | Total |
|--|---------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers | \$ 2,921,676 | \$ 2,160,011 | \$ 5,081,687 |
| Cash receipts from other funds for services | - | 96,487 | 96,487 |
| Cash payments to suppliers for goods and services | (961,785) | (680,048) | (1,641,833) |
| Cash payments to other funds for services | (78,461) | - | (78,461) |
| Cash payments for personnel services | (793,211) | (574,837) | (1,368,048) |
| CASH PROVIDED BY OPERATING ACTIVITIES | <u>1,088,219</u> | <u>1,001,613</u> | <u>2,089,832</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers to other funds | (65,568) | (57,762) | (123,330) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of fixed assets | (1,433,130) | (29,669) | (1,462,799) |
| Gain on sale of capital assets | 3,050 | 1,300 | 4,350 |
| Insurance recoveries | 13,212 | - | 13,212 |
| Contributions from grants | 32,536 | - | 32,536 |
| Note proceeds | 1,500,000 | - | 1,500,000 |
| Debt premiums | 35,640 | - | 35,640 |
| Debt issue costs | (37,189) | - | (37,189) |
| Principal payments on long-term debt | (687,867) | (81,100) | (768,967) |
| Interest paid on long-term debt | (422,293) | (1,728) | (424,021) |
| NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(996,041)</u> | <u>(111,197)</u> | <u>(1,107,238)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest earned | 3,443 | 25,499 | 28,942 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 30,053 | 858,153 | 888,206 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 612,407 | 4,144,215 | 4,756,622 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 642,460</u> | <u>\$ 5,002,368</u> | <u>\$ 5,644,828</u> |
| RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Operating income | \$ 476,989 | \$ 689,458 | \$ 1,166,447 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | | |
| Depreciation | 674,542 | 103,745 | 778,287 |
| Changes in Assets and Liabilities: | | | |
| (Increase) decrease in accounts receivable | 4,513 | (27,541) | (23,028) |
| (Increase) decrease in due from other funds | (4,296) | 84,662 | 80,366 |
| (Increase) decrease in inventory | (18,950) | 98,026 | 79,076 |
| (Increase) decrease in prepaids | (6,672) | (3,051) | (9,723) |
| Increase (decrease) in accounts payable | 54,262 | 43,453 | 97,715 |
| Increase (decrease) in accrued liabilities | (14,229) | 2,491 | (11,738) |
| Increase (decrease) in due to other funds | (74,165) | 11,825 | (62,340) |
| Increase (decrease) in customer deposits | (3,775) | (1,455) | (5,230) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 1,088,219</u> | <u>\$ 1,001,613</u> | <u>\$ 2,089,832</u> |

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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE I. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

Blended Component Units

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

Discretely Presented Component Units

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

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

Fund Financial Statements:

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

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

Governmental Funds

General Fund

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

Special Revenue Funds

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

Proprietary Fund

Enterprise Funds

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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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. |
| <i>Special Revenue Fund:</i> | |
| Sanitation Fund | Accounts for the solid waste revenue and expenditures related to disposal services. |
| <i>Proprietary Funds:</i> | |
| 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> | |
| <i>Special Revenue Funds:</i> | |
| 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, 2013

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, 2013

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

Cash and Cash Equivalents

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

Receivables

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

Interfund Receivables and Payables

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

Inventories and Prepaid Expenses

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

Capital Assets

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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for this reporting category as of June 30, 2013.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of deferred inflows of resources. It involves the recording of unavailable revenue, which is reported in the government-wide Statement of Net Position and the governmental balance sheet. The governmental funds report unavailable revenues from one source: property taxes.

Compensated absences

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

Long-term Debt

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

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

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

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered applied. It is the government's policy to 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 assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be

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

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

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

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

F. REVENUES, EXPENDITURES AND EXPENSES

Program Revenues

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

Sales Tax

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

Property Tax

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

Operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. It also includes all revenue and

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

Expenditures/ Expenses

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

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

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

Proprietary Fund – By Operating and Nonoperating

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

Interfund Transfers

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

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

A. FUND ACCOUNTING REQUIREMENTS

| | |
|------------------|--------------------|
| Fund | Required By |
| Police Drug Fund | State Law |

B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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

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C. REVENUE RESTRICTIONS

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

Revenue Source
Gasoline Excise Tax
Grants

Legal Restrictions of Use
Street purposes
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, 2013.

E. BUDGET APPROPRIATIONS

The Town had no funds in which expenditures exceeded appropriations for the year ended June 30, 2013.

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

A. ASSETS

Cash and Investments

The Town maintains checking and collection accounts with local banks.

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

Deposits

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

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

Change in Capital Assets

Depreciation was charged to various functions and activities as follows:

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| | |
|---------------------------------|-------------------|
| Governmental activities | |
| General government | \$ 61,317 |
| Public safety | 150,655 |
| Public works | 93,645 |
| Health, welfare and recreation | 76,605 |
| Total governmental activities | <u>382,222</u> |
| Business-type activities | |
| Water and sewer | 674,542 |
| Natural gas | 103,745 |
| Total business-type | <u>\$ 778,287</u> |

During the fiscal year ended June 30, 2013, the following changes in capital assets occurred:

| | Balance 7/1/12 | Adjustments | Increases | Decreases | Balance 6/30/13 |
|--|----------------------|--------------------|-------------------|-------------------|----------------------|
| Governmental activities: | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 241,892 | \$ - | \$ - | \$ - | \$ 241,892 |
| Construction in progress | 38,255 | - | 42,459 | - | 80,714 |
| Subtotal | <u>280,147</u> | <u>-</u> | <u>42,459</u> | <u>-</u> | <u>322,606</u> |
| Capital assets being depreciated | | | | | |
| Buildings and improvements | 4,157,497 | - | 36,321 | - | 4,193,818 |
| Infrastructure | 139,622 | - | - | - | 139,622 |
| Other fixed assets | 2,701,977 | - | 419,314 | 143,792 | 2,977,499 |
| Subtotal | <u>6,999,096</u> | <u>-</u> | <u>455,635</u> | <u>143,792</u> | <u>7,310,939</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | 2,472,419 | - | 187,479 | - | 2,659,898 |
| Infrastructure | 62,627 | - | 12,404 | - | 75,031 |
| Other fixed assets | 2,187,182 | (700) | 182,339 | 143,792 | 2,225,029 |
| Subtotal | <u>\$ 4,722,228</u> | <u>\$ (700)</u> | <u>\$ 382,222</u> | <u>\$ 143,792</u> | <u>4,959,958</u> |
| Total capital assets, being depreciated, net | | | | | <u>2,350,981</u> |
| Governmental activities capital assets, net | | | | | <u>\$ 2,673,587</u> |
| Business-type activities: | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 182,425 | \$ - | \$ - | \$ - | \$ 182,425 |
| Construction in Progress | 2,095,417 | (2,236,242) | 1,414,640 | - | 1,273,815 |
| Subtotal | <u>2,277,842</u> | <u>(2,236,242)</u> | <u>1,414,640</u> | <u>-</u> | <u>1,456,240</u> |
| Capital assets being depreciated | | | | | |
| Equipment | 1,136,589 | - | 28,534 | 74,805 | 1,090,318 |
| Intangibles | 939,889 | - | - | - | 939,889 |
| Infrastructure | 35,396,344 | 2,236,242 | 20,450 | - | 37,653,036 |
| Subtotal | <u>37,472,822</u> | <u>2,236,242</u> | <u>48,984</u> | <u>74,805</u> | <u>39,683,243</u> |
| Less accumulated depreciation for: | | | | | |
| Equipment | 1,046,907 | - | 36,293 | 73,980 | 1,009,220 |
| Intangibles | 629,216 | - | 14,881 | - | 644,097 |
| Infrastructure | 13,066,699 | - | 727,113 | - | 13,793,812 |
| Total accumulated depreciation | <u>\$ 14,742,822</u> | <u>\$ -</u> | <u>\$ 778,287</u> | <u>\$ 73,980</u> | <u>15,447,129</u> |
| Total capital assets, being depreciated, net | | | | | <u>24,236,114</u> |
| Business-type activities capital assets, net | | | | | <u>\$ 25,692,354</u> |

B. LIABILITIES

Pension Plan Obligations

Plan Description

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

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

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

Funding Policy

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

The Town is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 16.62% of annual covered payroll. The contribution requirements of plan members are set by State statute. The contribution requirement for the Town is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013, the Town's annual pension cost of \$374,853 to TCRS was equal to the Town's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected 3.5 percent annual increase in the Social Security wage base and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a ten-year period. The Town's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was 5 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

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Trend Information

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------------------|---------------------------------|-------------------------------------|------------------------------|
| 6/30/2013 | \$ 374,853 | 100.00% | \$ - |
| 6/30/2012 | \$ 379,552 | 100.00% | \$ - |
| 6/30/2011 | \$ 369,308 | 100.00% | \$ - |

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 91.39% percent funded. The actuarial accrued liability for benefits was \$8.73 million, and the actuarial value of assets was \$7.98 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.75 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.11 million, and the ratio of the UAAL to the covered payroll was 35.66% percent.

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

Long-Term Obligations

The Town's long-term debt is segregated between amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. During the year, the Town paid \$470,854 in interest costs. Most of the governmental long-term debts have, in prior years, been liquidated by the general fund.

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

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

Governmental Activities

As of June 30, 2013, 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

\$ 1,070,000

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Capital Outlay Notes

Capital Outlay Note, dated 07/28/10, 3.35%, due in annual installments of \$18,152 thru 07/28/13 17,564

Capital Outlay Note, dated 04/13/12, 3.25%, due in annual installments through 04/13/24 50,417

Capital Outlay Note, dated 07/03/12, 2.95%, due in monthly installments through 07/03/2016 90,645

Other liabilities

Unamortized premium on debt 29,686

Compensated absences 76,383

Total General Long-Term Liabilities \$ 1,334,695

Business-Type Activities

Revenue and Tax Bonds

Water, Sewer, and Gas Revenue & Tax Bonds, Series 2007 4.13%, payable monthly through August 2047 \$ 3,691,444

Water, Sewer, and Gas Revenue & Tax Bonds, Series 2003 4.25%, payable monthly through June 2043 2,869,360

Water, Sewer, and Gas Revenue & Tax Bonds, Series 2001 2.75%, payable monthly through June 2052 110,444

Water, Sewer, and Gas Revenue & Tax Bonds, Series 2010 2.75%, payable monthly through June 2050 1,796,426

General Obligation Bonds

General Obligation Refunding Bonds Series 2011, dated 02/10/11, 3.4%, due semi-annually through 2025 1,815,000

Notes Payable

General Obligation Capital Outlay Note, Series 2012, dated 12/18/12, 2.0%, due semi-annually through 2024 1,390,000

Capital Outlay Note, dated 12/2/08, 4.15%, maturity date 6/24/10 139,439

Gas Note Payable, Tennessee Municipal League 270,900

Other liabilities

Unamortized premium on debt 81,274

Compensated absences 50,922

Total Business-Type Activities \$ 12,215,209

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Change in Long-term liabilities

| | Beginning Balance | Additions | Retirements | Ending Balance | Due within one year |
|-------------------------------------|----------------------|--------------|-------------|-------------------|------------------------|
| Governmental Type Activities | | | | | |
| General Obligation Bonds | \$ 1,220,000 | \$ - | \$ 150,000 | \$ 1,070,000 | \$ 180,000 |
| Capital Outlay Notes | 105,427 | 116,000 | 62,801 | 158,626 | 50,637 |
| Compensated absences | 76,383 | - | - | 76,383 | - |
| Unamortized debt premiums | 34,925 | - | 5,239 | 29,686 | - |
| Total governmental activities | 1,436,735 | 116,000 | 218,040 | 1,334,695 | 230,637 |
| Business Type Activities | | | | | |
| General Obligation Bonds | 2,255,000 | - | 440,000 | 1,815,000 | 140,000 |
| Revenue and Tax Bonds | 8,592,016 | - | 124,342 | 8,467,674 | 129,217 |
| Notes Payable | 504,964 | 1,500,000 | 204,625 | 1,800,339 | 214,688 |
| Compensated absences | 49,610 | 1,312 | - | 50,922 | - |
| Unamortized debt premiums | 52,416 | 35,640 | 6,782 | 81,274 | - |
| Total business type activities | 11,454,006 | 1,536,952 | 775,749 | 12,215,209 | 483,905 |
| Total government | \$ 12,890,741 | \$ 1,652,952 | \$ 993,789 | \$ 13,549,904 | \$ 714,542 |

General Government

The Town obtained debt funding through a capital outlay note in the amount of \$116,000 to fund police cars. The capital outlay note has an interest rate of 2.95% and is payable in 48 monthly installments.

Water System

The Water System obtained capital outlay notes in the amount of \$1,500,000. These notes have an interest rate of 2.00% and are payable in semi-annual payments for 12 years.

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, 2013, are as follows:

| <u>Notes Payable</u> Year Ending June 30, | Governmental Activities | | Business-type Activities | | Total |
|---|-------------------------|------------------|--------------------------|-------------------|---------------------|
| | Principal | Interest | Principal | Interest | |
| 2014 | \$ 50,637 | \$ 4,517 | \$ 214,688 | \$ 43,124 | \$ 312,966 |
| 2015 | 33,926 | 2,927 | 219,988 | 37,128 | 293,969 |
| 2016 | 34,803 | 1,901 | 225,613 | 30,938 | 293,255 |
| 2017 | 7,175 | 1,198 | 136,065 | 24,540 | 168,978 |
| 2018 | 4,583 | 1,043 | 141,745 | 21,460 | 168,831 |
| 2019 | 4,583 | 894 | 142,453 | 18,252 | 166,182 |
| 2020 | 4,583 | 745 | 148,192 | 15,014 | 168,534 |
| 2021 | 4,584 | 596 | 148,961 | 11,644 | 165,785 |
| 2022 | 4,584 | 447 | 142,634 | 8,375 | 156,040 |
| 2023 | 4,584 | 298 | 140,000 | 5,600 | 150,482 |
| 2024 | 4,584 | 149 | 140,000 | 2,800 | 147,533 |
| | <u>\$ 158,626</u> | <u>\$ 14,715</u> | <u>\$ 1,800,339</u> | <u>\$ 218,875</u> | <u>\$ 2,192,555</u> |

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General Obligation Bonds

| Year Ending June 30, | Governmental Activities | | Business-type Activities | | Total |
|-------------------------|-------------------------|-------------------|--------------------------|-------------------|---------------------|
| | Principal | Interest | Principal | Interest | |
| 2014 | \$ 180,000 | \$ 32,100 | \$ 140,000 | \$ 59,950 | \$ 412,050 |
| 2015 | 190,000 | 26,700 | 150,000 | 55,750 | 422,450 |
| 2016 | 175,000 | 21,000 | 150,000 | 51,250 | 397,250 |
| 2017 | 175,000 | 15,750 | 150,000 | 46,750 | 387,500 |
| 2018 | 175,000 | 10,500 | 150,000 | 42,250 | 377,750 |
| 2019 | 175,000 | 5,250 | 150,000 | 37,750 | 368,000 |
| 2020 | - | - | 150,000 | 33,250 | 183,250 |
| 2021 | - | - | 150,000 | 28,562 | 178,562 |
| 2022 | - | - | 150,000 | 23,688 | 173,688 |
| 2023 | - | - | 150,000 | 18,438 | 168,438 |
| 2024 | - | - | 160,000 | 13,000 | 173,000 |
| 2025 | - | - | 165,000 | 6,600 | 171,600 |
| | <u>\$ 1,070,000</u> | <u>\$ 111,300</u> | <u>\$ 1,815,000</u> | <u>\$ 417,238</u> | <u>\$ 3,413,538</u> |

Revenue and Tax Bonds

| Year Ending June 30, | Business-type Activities | |
|-------------------------|--------------------------|---------------------|
| | Principal | Interest |
| 2014 | \$ 129,217 | \$ 324,501 |
| 2015 | 134,289 | 319,429 |
| 2016 | 139,567 | 314,151 |
| 2017 | 145,055 | 308,663 |
| 2018-2022 | 815,686 | 1,452,906 |
| 2023-2027 | 990,258 | 1,278,333 |
| 2028-2032 | 1,203,200 | 1,065,420 |
| 2033-2037 | 1,463,108 | 805,582 |
| 2038-2042 | 1,780,526 | 524,064 |
| 2043-2047 | 1,404,418 | 208,856 |
| 2048-2052 | 262,350 | 11,182 |
| | <u>\$ 8,467,674</u> | <u>\$ 6,613,087</u> |

NOTE IV – OTHER NOTES

A. INSURANCE

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

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B. INTERFUND TRANSACTIONS AND BALANCES

| | General | Solid Waste | Water | Total |
|------------------|------------------|------------------|-----------------|------------------|
| DUE FROM: | | | | |
| General | \$ - | \$ - | \$ - | \$ - |
| Drug | 17,126 | - | - | 17,126 |
| Gas | 7,529 | - | 4,296 | 11,825 |
| Water and Sewer | 10,904 | 40,898 | - | 51,802 |
| | <u>\$ 35,559</u> | <u>\$ 40,898</u> | <u>\$ 4,296</u> | <u>\$ 80,753</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 \$57,762 and the Water and Sewer Fund made one to the General Fund in the amount of \$65,568 for in-lieu-of tax payments. The General Fund made a transfer in the amount of \$17,000 to the State Street Aid 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.

The Town is in the process of developing a park. Future costs of this project are estimated to be \$107,000, all of which will be funded by grant proceeds.

The Utility Department is converting to AMR meters. The project had a total estimated cost of \$1,500,000 and was funded with loan proceeds. The remaining costs are approximately \$300,000 which will be funded with remaining available loan funds.

D. ACCOUNTING CHANGES

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. The District early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organization for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limited fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66, decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modified guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

E. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was made on both the Water and Natural Gas Funds. Due to implementation of GASB Statement No. 65, prior period adjustments were made to remove bond issue costs that had previously been recorded as assets and amortized annually over the lives of corresponding debt issues.

A similar prior period adjustment was made to governmental activities on the government-wide statements. Bond issue costs had been reported on the government-wide statements for general long-term debt in previous years.

F. RECLASSIFICATION OR PREVIOUSLY REPORTED ITEMS

Due to the implementation of GASB Statement No. 63, some amounts reported in the management's discussion and analysis have been reclassified from prior year classifications. Amounts previously reported as liabilities have been reported as deferred inflows of resources.

**TOWN OF SELMER, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2013**

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|---|--|--|--------------------------|---------------------------------------|---|
| July 1, 2011 | \$ 7,979 | \$ 8,731 | \$ 752 | 91.39% | \$ 2,108 | 35.66% |
| July 1, 2009 | \$ 6,469 | \$ 6,852 | \$ 383 | 94.41% | \$ 2,195 | 17.43% |
| July 1, 2007 | \$ 5,949 | \$ 6,427 | \$ 478 | 92.56% | \$ 2,035 | 23.49% |

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

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

TOWN OF SELMER, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Schedule of Funding Progress

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

**TOWN OF SELMER, TENNESSEE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2013**

| | SPECIAL REVENUE | | Total Other Nonmajor Governmental Funds |
|-------------------------------------|----------------------------------|-------------------|--|
| | State Street Aid Fund | Drug Fund | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 11,254 | \$ 100,369 | \$ 111,623 |
| Receivables from other governments | 21,042 | 3,210 | 24,252 |
| Total Assets | <u>\$ 32,296</u> | <u>\$ 103,579</u> | <u>\$ 135,875</u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ 1,003 | \$ 1,003 |
| Due from other funds | - | 17,126 | 17,126 |
| Unearned revenue-other | - | 8,397 | 8,397 |
| Total liabilities | <u>-</u> | <u>26,526</u> | <u>26,526</u> |
| FUND BALANCES | | | |
| Restricted | | | |
| State street aid | 32,296 | - | 32,296 |
| Drug | - | 77,053 | 77,053 |
| Total fund balances | <u>32,296</u> | <u>77,053</u> | <u>109,349</u> |
| Total liabilities and fund balances | <u>\$ 32,296</u> | <u>\$ 103,579</u> | <u>\$ 135,875</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, 2013

| | SPECIAL REVENUE | | Total Other Nonmajor Governmental Funds |
|--|--------------------------------------|----------------------|--|
| | State Street Aid Fund | Drug Fund | |
| Revenues: | | | |
| Intergovernmental revenues | \$ 112,806 | \$ - | \$ 112,806 |
| Fines and forfeitures | - | 23,691 | 23,691 |
| Seizures | - | 27,871 | 27,871 |
| Miscellaneous | - | 995 | 995 |
| Interest income | 9 | 96 | 105 |
| Total revenues | <u>112,815</u> | <u>52,653</u> | <u>165,468</u> |
| Expenditures: | | | |
| Public works | 129,003 | - | 129,003 |
| Public safety | - | 51,376 | 51,376 |
| Debt service: | | | |
| Principal | - | 17,070 | 17,070 |
| Interest | - | 1,083 | 1,083 |
| Total expenditures | <u>129,003</u> | <u>69,529</u> | <u>198,532</u> |
| Excess (deficiency) of revenues over expenditures | <u>(16,188)</u> | <u>(16,876)</u> | <u>(33,064)</u> |
| Other financing sources (uses): | | | |
| Transfers in | 17,000 | - | 17,000 |
| Total other financing sources (uses) | <u>17,000</u> | <u>-</u> | <u>17,000</u> |
| Net change in fund balances | 812 | (16,876) | (16,064) |
| Fund Balance, beginning of the year | <u>31,484</u> | <u>93,929</u> | <u>125,413</u> |
| Fund Balance, end of the year | <u>\$ 32,296</u> | <u>\$ 77,053</u> | <u>\$ 109,349</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, 2013

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| State gas tax - 1989 | \$ 120,000 | \$ 112,757 | \$ 12,477 | \$ (100,280) |
| State gas tax - 3 cent | - | - | 23,157 | 23,157 |
| State gas and motor fuel tax | - | - | 77,172 | 77,172 |
| Interest income | - | - | 9 | 9 |
| Total revenues | <u>120,000</u> | <u>112,757</u> | <u>112,815</u> | <u>58</u> |
| Expenditures | | | | |
| Street maintenance | 2,500 | 2,500 | - | 2,500 |
| Street lighting | 125,000 | 140,000 | 128,581 | 11,419 |
| Miscellaneous | - | - | 422 | (422) |
| Total expenditures | <u>127,500</u> | <u>142,500</u> | <u>129,003</u> | <u>13,497</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(7,500)</u> | <u>(29,743)</u> | <u>(16,188)</u> | <u>13,555</u> |
| Other financing sources (uses): | | | | |
| Transfer in | <u>-</u> | <u>17,000</u> | <u>17,000</u> | <u>-</u> |
| Net change in fund balances | <u>(7,500)</u> | <u>(12,743)</u> | <u>812</u> | <u>13,555</u> |
| Fund Balance, beginning of the year | <u>31,484</u> | <u>31,484</u> | <u>31,484</u> | <u>-</u> |
| Fund Balance, end of the year | <u>\$ 23,984</u> | <u>\$ 18,741</u> | <u>\$ 32,296</u> | <u>\$ 13,555</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, 2013

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Unauthorized substance abuse tax | \$ 1,500 | \$ 5,500 | \$ - | \$ (5,500) |
| Fines and forfeitures | 22,000 | 33,000 | 23,691 | (9,309) |
| Seizures | 19,000 | 27,870 | 27,871 | 1 |
| Interest income | 200 | 150 | 96 | (54) |
| Donations | 500 | - | - | - |
| Miscellaneous | - | 995 | 995 | - |
| Total revenues | <u>43,200</u> | <u>67,515</u> | <u>52,653</u> | <u>(14,862)</u> |
| Expenditures: | | | | |
| Employee education | 500 | 500 | 278 | 222 |
| Vehicle tow-in | 1,500 | 1,500 | 1,415 | 85 |
| Utilities | 5,000 | 5,000 | 4,386 | 614 |
| Telephone | 5,500 | 6,000 | 6,024 | (24) |
| Repairs and maintenance | 4,000 | 4,000 | 592 | 3,408 |
| Miscellaneous | 1,200 | 1,200 | 785 | 415 |
| Office supplies | 2,000 | 2,200 | 1,271 | 929 |
| Operating supplies | 3,000 | 2,500 | 920 | 1,580 |
| Educational supplies | 3,500 | 3,900 | 4,440 | (540) |
| Gas, oil, & diesel | 17,000 | 17,000 | 12,663 | 4,337 |
| Drug control | 11,000 | 18,000 | 18,602 | (602) |
| Debt service: | | | | |
| Principal | 18,200 | 18,200 | 17,070 | 1,130 |
| Interest | - | - | 1,083 | (1,083) |
| Total expenditures | <u>72,400</u> | <u>80,000</u> | <u>69,529</u> | <u>10,471</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(29,200)</u> | <u>(12,485)</u> | <u>(16,876)</u> | <u>(4,391)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (29,200) | (12,485) | (16,876) | (4,391) |
| Fund Balance, beginning of the year | <u>93,929</u> | <u>93,929</u> | <u>93,929</u> | <u>-</u> |
| Fund Balance, end of the year | <u>\$ 64,729</u> | <u>\$ 81,444</u> | <u>\$ 77,053</u> | <u>\$ (4,391)</u> |

The accompanying notes are an 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, 2013

| Federal Grantor/Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Accrued Revenue at July 1, 2012 | Adjustment | Receipts | Expenditures | Accrued Revenue at June 30, 2013 |
|--|---------------------------|-------------------------------------|---------------------------------------|-----------------|-------------------|-------------------|--|
| FEDERAL AWARDS | | | | | | | |
| Department of Housing and Urban Development/ State Department of Community Development CDBG Communications System Upgrade Upgrade - Public Safety Grant | 14.228 | GG-10-33200-00 | \$ - | \$ - | \$ 1,757 | \$ 1,757 | \$ - |
| Department of Military FEMA - President Disaster Declaration | 97.036 | FEMA-1909-DR-TN | 32,323 | - | 3,668 | 3,668 | 32,323 |
| Department of Homeland Security FEMA - SAFER grant | 97.044 | EMW-2010-FF-00595 | - | - | 25,610 | 25,610 | - |
| FEMA - Assistance to Firefighters | 97.044 | EMW-2011-FV-04102 | - | - | 215,000 | 215,000 | - |
| FEMA - Assistance to Firefighters | 97.044 | EMW-2012-FO-04780 | - | - | 44,061 | 44,061 | - |
| Total for Department of Homeland Security | | | - | - | 284,671 | 284,671 | - |
| Department of Transportation Governor's Highway Safety Office - Radar Units | 20.600 | Z-13-GHS274 | - | - | 4,485 | 4,485 | - |
| Governor's Highway Safety Office - High Visibility Total for Department of Transportation | 20.600 | Z-12-GHS256 | - | - | 1,176 | 1,176 | - |
| | | | - | - | 5,661 | 5,661 | - |
| Department of Agriculture USDA Rural Development - Water and Waste Disposal System | 10.760 | 00-31 | - | - | 22,502 | 22,502 | - |
| TOTAL FEDERAL AWARDS | | | 32,323 | - | 318,259 | 318,259 | 32,323 |
| STATE FINANCIAL ASSISTANCE | | | | | | | |
| Tennessee Department of Transportation Water Relocation - Graham Creed Bridge | n/a | BR-STP-224(14) | - | 6,366 | 2 6,366 | - | - |
| Highway Maintenance | n/a | n/a | - | - | 99,554 | 99,554 | - |
| Total for Department of Transportation | | | - | 6,366 | 105,920 | 99,554 | - |
| Department of Agriculture Agricultural Growth Initiative | n/a | DG-1235548 | - | - | 747 | 747 | - |
| Department of Military FEMA - President Disaster Declaration | n/a | FEMA-1909-DR-TN | 13,470 | - | - | - | 13,470 |
| Tennessee Department of Agriculture Forestry Division - Volunteer Fire Program | n/a | n/a | - | - | 3,000 | 3,000 | - |
| State Law Enforcement Grant | n/a | n/a | - | - | 8,400 | 8,400 | - |
| TOTAL STATE AWARDS | | | 13,470 | 6,366 | 118,067 | 111,701 | 13,470 |
| TOTAL FEDERAL AND STATE AWARDS | | | \$ 45,793 | \$ 6,366 | \$ 436,326 | \$ 429,960 | \$ 45,793 |

Memo: "Accrued" is due from grantor.
"Deferred" is unexpended revenue.

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the accrual basis of accounting.

Note 2: Adjustments

An adjustment was made to the schedule to represent grant funds that should have been recorded as receivable on 6/30/2012.

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

TOWN OF SELMER, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| <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> |
|------------------------------|---------------------|---------------------|--|--|--------------------|---|---|
| 2013 | 0.806 | \$ 723,678 | \$ - | \$ 723,678 | \$ - | \$ 723,678 | \$ - |
| 2012 | 0.806 | 797,532 | 705,015 | 93,610 | 758,635 | 39,990 | - |
| 2011 | 0.806 | 771,160 | 35,692 | 110 | 20,013 | 15,789 | 15,789 |
| 2010 | 0.806 | 781,240 | 7,892 | - | 3,218 | 4,674 | 4,674 |
| 2009 | 0.88 | 751,336 | 5,611 | - | 2,356 | 3,255 | 3,255 |
| 2008 | 0.88 | 682,683 | 4,234 | - | 2,180 | 2,054 | 2,054 |
| 2007 | 0.88 | 696,681 | 4,303 | - | 984 | 3,319 | 3,319 |
| 2006 | 0.88 | 649,017 | 1,417 | - | 193 | 1,224 | 1,224 |
| 2005 | 0.88 | 724,246 | 759 | - | - | 759 | 759 |
| 2004 | 0.88 | 754,547 | 440 | - | - | 440 | 440 |
| 2003 | 0.72 | 506,183 | 390 | - | - | 390 | 390 |
| 2002 | 0.72 | 511,341 | 364 | (364) | - | - | - |
| | | | <u>\$ 766,117</u> | <u>\$ 817,034</u> | <u>\$ 787,579</u> | <u>\$ 795,572</u> | <u>\$ 31,904</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, 2013

| Year Ending June 30, | Series 2011 Refunding Bonds | | Capital Outlay Notes | | | | Totals | |
|----------------------------|--------------------------------|-------------------|--------------------------|-----------------|--------------------------------|---------------|---------------------------------|-------------------|
| | Principal | Interest | Series 2012 Principal | Interest | Ford Motor Credit Principal | Interest | Bancorp South 2012 Principal | Interest |
| 2014 | \$ 180,000 | \$ 32,100 | \$ 4,583 | \$ 1,639 | \$ 17,564 | \$ 588 | \$ 28,490 | \$ 2,290 |
| 2015 | 190,000 | 26,700 | 4,583 | 1,490 | - | - | 29,343 | 1,437 |
| 2016 | 175,000 | 21,000 | 4,583 | 1,341 | - | - | 30,220 | 560 |
| 2017 | 175,000 | 15,750 | 4,583 | 1,192 | - | - | 2,592 | 6 |
| 2018 | 175,000 | 10,500 | 4,583 | 1,043 | - | - | - | - |
| 2019 | 175,000 | 5,250 | 4,583 | 894 | - | - | - | - |
| 2020 | - | - | 4,583 | 745 | - | - | - | - |
| 2021 | - | - | 4,584 | 596 | - | - | - | - |
| 2022 | - | - | 4,584 | 447 | - | - | - | - |
| 2023 | - | - | 4,584 | 298 | - | - | - | - |
| 2024 | - | - | 4,584 | 149 | - | - | - | - |
| | <u>\$ 1,070,000</u> | <u>\$ 111,300</u> | <u>\$ 50,417</u> | <u>\$ 9,834</u> | <u>\$ 17,564</u> | <u>\$ 588</u> | <u>\$ 90,645</u> | <u>\$ 4,293</u> |
| | | | | | | | <u>\$ 1,228,626</u> | <u>\$ 126,015</u> |

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

Capital Outlay Notes

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**TOWN OF SELMER, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
NATURAL GAS FUND
FOR THE YEAR ENDED JUNE 30, 2013**

| Year Ending June 30, | Capital Outlay Notes - TML | |
|-------------------------------------|-----------------------------------|------------------|
| | Principal | Interest |
| 2014 | \$ 85,500 | \$ 9,807 |
| 2015 | 90,200 | 6,711 |
| 2016 | 95,200 | 3,446 |
| | <u>\$ 270,900</u> | <u>\$ 19,964</u> |

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

**TOWN OF SELMER, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
FOR THE YEAR ENDED JUNE 30, 2013**

| Water/Sewer Quantity | Inside City | | Outside City | |
|--|--------------------|--------------|---------------------|--------------|
| | Water | Sewer | Water | Sewer |
| First 2,000 gallons (minimum) | 6.90 | 8.42 | 12.72 | 12.68 |
| Over 2,000 gallons (per 1,000 gallons) | 0.0246 | 0.301 | 0.0453 | 0.0449 |

| Natural Gas | Residential | | Commercial | |
|--------------------|--------------------|-------------------|--------------------|-------------------|
| | Residential | Commercial | Residential | Commercial |
| 1-700 MCF | 6.90 | 6.90 | 7.93 | 7.93 |
| Over 700 MCF | 1.158 | 1.158 | 1.328 | 1.328 |

| | | |
|-------------------|-------|--|
| Industrial | | |
| All usage per MCF | 1.158 | |

Number of customers at June 30, 2013:

| | |
|-------------|-------|
| Water | 7,517 |
| Sewer | 2,016 |
| Natural Gas | 1,716 |

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

TOWN OF SELMER, TENNESSEE
SCHEDULE OF OFFICIAL BONDS OF PRINCIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2013

| <u>Name</u> | <u>Title</u> | <u>Amount of Official Bond</u> | <u>Type of Official Bond</u> |
|----------------|----------------|------------------------------------|----------------------------------|
| David Robinson | Mayor | \$ 10,000 | public official bond |
| | | \$ 150,000 | employee dishonesty |
| | | \$1,000,000 per occurrence | errors or omissions |
| Ann Henderson | City Recorder | \$ 10,000 | public official bond |
| | | \$ 150,000 | employee dishonesty |
| | | \$1,000,000 per occurrence | errors or omissions |
| Anji Deaton | CMFOA designee | \$ 10,000 | public official bond |
| | | \$ 150,000 | employee dishonesty |
| | | \$1,000,000 per occurrence | errors or omissions |

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

TOWN OF SELMER
AWWA WLCC FREE WATER AUDIT SOFTWARE: REPORTING WORKSHEET - "unaudited"
JUNE 30, 2013

AWWA WLCC Free Water Audit Software: Reporting Worksheet

Water Audit Report for: Selmer Utility Division

Reporting Year: 2013 7/2012 - 6/2013

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

WATER SUPPLIED

<< Enter grading in column 'E'

| | | | |
|---|-----|---------|---------------------------------|
| Volume from own sources: | 5 | 780.605 | Million gallons (US)/yr (MG/Yr) |
| Master meter error adjustment (enter positive value): | 7 | 7.806 | under-registered MG/Yr |
| Water imported: | n/a | 0.000 | MG/Yr |
| Water exported: | 9 | 93.192 | MG/Yr |
| WATER SUPPLIED: | | 695.219 | MG/Yr |

AUTHORIZED CONSUMPTION

| | | | | | |
|---------------------|---|---------|-------|-------|--------|
| Billed metered: | 9 | 544.879 | MG/Yr | | |
| Billed unmetered: | 9 | 0.047 | MG/Yr | | |
| Unbilled metered: | 9 | 0.050 | MG/Yr | Pcnt: | Value: |
| Unbilled unmetered: | 9 | 16.450 | MG/Yr | 1.25% | 16.450 |

AUTHORIZED CONSUMPTION: 561.426 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

133.793 MG/Yr

Apparent Losses

| | | | | | |
|--|---|--------|-------|-------|--------|
| Unauthorized consumption: | 7 | 1.738 | MG/Yr | Pcnt: | Value: |
| Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed | | | | | |
| Customer metering inaccuracies: | 7 | 22.705 | MG/Yr | 4.00% | |
| Systematic data handling errors: | 7 | 1.362 | MG/Yr | | |

Apparent Losses: 25.805

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 107.988 MG/Yr

WATER LOSSES: 133.793 MG/Yr

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

NON-REVENUE WATER

NON-REVENUE WATER: 150.293 MG/Yr

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

| | | | |
|--|----|-------|-----------------|
| Length of mains: | 7 | 475.0 | miles |
| Number of active AND inactive service connections: | 7 | 7,520 | |
| Connection density: | | 16 | conn./mile main |
| Average length of customer service line: | 10 | 0.0 | ft |
| Average operating pressure: | 7 | 75.0 | psi |

COST DATA

| | | | |
|---|---|-------------|----------------------|
| Total annual cost of operating water system: | 9 | \$2,198,455 | \$/Year |
| Customer retail unit cost (applied to Apparent Losses): | 7 | \$5.11 | \$/1000 gallons (US) |
| Variable production cost (applied to Real Losses): | 9 | \$499.92 | \$/Million gallons |

PERFORMANCE INDICATORS

Financial Indicators

| | |
|---|-----------|
| Non-revenue water as percent by volume of Water Supplied: | 21.6% |
| Non-revenue water as percent by cost of operating system: | 8.8% |
| Annual cost of Apparent Losses: | \$131,866 |
| Annual cost of Real Losses: | \$53,985 |

Operational Efficiency Indicators

| | | |
|--|--------|----------------------------|
| Apparent Losses per service connection per day: | 9.40 | gallons/connection/day |
| Real Losses per service connection per day*: | N/A | gallons/connection/day |
| Real Losses per length of main per day*: | 622.86 | gallons/mile/day |
| Real Losses per service connection per day per psi pressure: | | gallons/connection/day/psi |
| Unavoidable Annual Real Losses (UARL): | 101.23 | million gallons/year |
| From Above, Real Losses = Current Annual Real Losses (CARL): | 107.99 | million gallons/year |
| Infrastructure Leakage Index (ILI) [CARL/UARL]: | 1.07 | |

* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 74 out of 100 ***

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

PRIORITY AREAS FOR ATTENTION:

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

- 1: Volume from own sources
- 2: Master meter error adjustment
- 3: Unauthorized consumption

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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

Mayor and Town Council
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, 2013, and the relate notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 4, 2013.

Internal Control Over Financial Reporting

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

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

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

UTILITY DIVISION AND GOVERNMENTAL FUNDS

2008-01 GENERAL LEDGER MATERIALLY MISSTATED BEFORE AUDIT ADJUSTMENTS

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

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

Management's Response: We will make every effort to make all necessary adjustments prior to closing accounting records at the end of the fiscal year.

GOVERNMENTAL FUNDS

2006-12 INADEQUATE SEGREGATION OF DUTIES

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

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

Management's Response: This is a difficult situation due to the lack of personnel within the administrative function; however, controls will be implemented to ensure that management is more closely involved in the day to day operation.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below as 2006-15, 2009-01, and 2013-01 to be significant deficiencies.

GOVERNMENTAL FUNDS

2006-15 BANK DEPOSITS

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

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

Management's Response: The Town will make every attempt to comply with State requirements in regard to deposits.

2009-01 TICKET RECONCILIATIONS

The parks and recreation department is not completing ticket reconciliations.

Recommendation: Ticket reconciliations should be completed the day of the event and should be signed by all ticket sellers.

Management's Response: We will prepare ticket reconciliations properly in the future.

2013-01 INADEQUATE SUPPORT FOR PARKS AND RECREATIONAL DEPARTMENT REVENUES

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

Recommendation: There should be a daily cash reconciliation of swimming pool collections that should be signed off by employees collecting the money and a pre-numbered cash receipt issued upon turning the money in. Pageant contestants should receive a pre-numbered cash receipt for their application fee. A log should also be maintained of all the pageant contestants.

Management's Response: The Town will address this issue and reconcile the inadequate support.

Compliance and Other Matters

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

Town's Response to Findings

The Town's response to the findings identified in our audit are 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.

PRIOR YEAR DISPOSITIONS

None

Hochman & Associates, PLLC

October 4, 2013

