

**TOWN OF SELMER,
TENNESSEE**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

TOWN OF SELMER, TENNESSEE
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015

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**TOWN OF SELMER, TENNESSEE
ROSTER OF PUBLICLY ELECTED AND MANAGEMENT OFFICIALS
JUNE 30, 2015**

Elected Officials

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

Management Officials

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

Counsel

Terry Abernathy	Selmer, Tennessee
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Selmer, Tennessee (the Town), as of and for the year ended June 30, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Sanitation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note IV.E., the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement 27*. The City also adopted the provisions of Governmental Standards Accounting Board (GASB) Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement 68*. 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 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

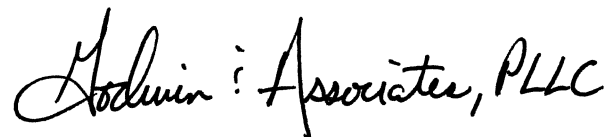
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



April 22, 2016

**TOWN OF SELMER, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015. 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 - 45.

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 46 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 49 - 52 of this report.

THE TOWN AS A WHOLE

For the year ended June 30, 2015, net position changed as follows:

TOWN OF SELMER'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 3,821,384	\$ 2,894,689	\$ 7,691,612	\$ 6,694,857	\$ 11,512,996	\$ 9,589,546
Capital assets	4,257,410	3,521,467	24,869,482	25,451,372	29,126,892	28,972,839
Total Assets	<u>8,078,794</u>	<u>6,416,156</u>	<u>32,561,094</u>	<u>32,146,229</u>	<u>40,639,888</u>	<u>38,562,385</u>
Total deferred outflows of resources	<u>244,143</u>	<u>-</u>	<u>165,843</u>	<u>-</u>	<u>409,986</u>	<u>-</u>
Long term liabilities	1,261,202	1,175,000	10,980,456	11,536,406	12,241,658	12,711,406
Other liabilities	176,097	586,521	434,988	597,271	611,085	1,183,792
Total liabilities	<u>1,437,299</u>	<u>1,761,521</u>	<u>11,415,444</u>	<u>12,133,677</u>	<u>12,852,743</u>	<u>13,895,198</u>
Total deferred inflows of resources	<u>1,223,382</u>	<u>724,690</u>	<u>345,306</u>	<u>-</u>	<u>1,568,688</u>	<u>724,690</u>
Net Position						
Net investments in capital assets	3,077,334	2,422,850	13,940,375	13,964,857	17,017,709	16,387,707
Restricted	141,340	170,321	-	-	141,340	170,321
Unrestricted	2,443,582	1,845,742	7,025,812	6,047,695	9,469,394	7,893,437
Total Net Position	<u>\$ 5,662,256</u>	<u>\$ 4,438,913</u>	<u>\$ 20,966,187</u>	<u>\$ 20,012,552</u>	<u>\$ 26,628,443</u>	<u>\$ 24,451,465</u>

During the current fiscal year, the Town's total net position increased by \$2,246,367 (exclusive of prior period adjustments) compared to the prior year increase of \$1,904,249.

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 \$587,431 compared to an increase in the prior year of \$444,432.
- The Town's Water Systems Fund operated at an increase in net position of \$428,555 compared to an increase in the prior year of \$230,341. The primary reason for this increase is due to grant revenues in the current year.

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Fees, fines and charges for services	\$ 973,834	\$ 955,641	\$ 5,384,883	\$ 5,400,786	\$ 6,358,717	\$ 6,356,427
Operating grants and contributions	659,716	384,149	-	-	659,716	384,149
Capital grants and contributions	1,089,409	1,169,528	295,000	353,021	1,384,409	1,522,549
General Revenues:						
Property taxes	859,282	854,813	-	-	859,282	854,813
Sales taxes	2,108,491	1,844,131	-	-	2,108,491	1,844,131
Public service taxes	37,411	34,559	-	-	37,411	34,559
Investment earnings	10,561	11,630	16,771	18,945	27,332	30,575
Insurance recoveries	-	-	19,399	7,014	19,399	7,014
Gain on sale of assets	-	9,911	6,300	850	6,300	10,761
Loss on disposal of assets	-	-	-	-	-	-
Miscellaneous	61,198	51,284	-	-	61,198	51,284
Transfers	121,654	126,072	-	-	121,654	126,072
Total Revenues	5,921,556	5,441,718	5,722,353	5,780,616	11,643,909	11,222,334
Expenses:						
General government	891,702	824,424	-	-	891,702	824,424
Public safety	2,084,921	1,737,170	-	-	2,084,921	1,737,170
Public works	1,282,170	1,219,394	-	-	1,282,170	1,219,394
Health, welfare and recreation	391,188	392,665	-	-	391,188	392,665
Interest on long-term debt	41,194	38,589	-	-	41,194	38,589
Water and Sewer	-	-	2,847,647	3,048,989	2,847,647	3,048,989
Natural Gas	-	-	1,737,066	1,930,782	1,737,066	1,930,782
Transfers out	-	-	121,654	126,072	121,654	126,072
Total Expenses	4,691,175	4,212,242	4,706,367	5,105,843	9,397,542	9,318,085
Increase (decrease) in net position	1,230,381	1,229,476	1,015,986	674,773	2,246,367	1,904,249
Net position-beginning, as originally stated	4,438,913	3,209,437	20,012,552	19,328,819	24,451,465	22,538,256
Restatement - GASB 68 implementation	(90,409)	-	(62,351)	-	(152,760)	-
Prior period adjustments	83,371	-	-	8,960	83,371	8,960
Net position-beginning, as restated	4,431,875	3,209,437	19,950,201	19,337,779	24,382,076	22,547,216
Net position-end of year	\$ 5,662,256	\$ 4,438,913	\$ 20,966,187	\$ 20,012,552	\$ 26,628,443	\$ 24,451,465

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of \$2,439,759 which is 21.2% increase from last year's total of \$2,012,740.

The following schedule presents a summary of general and, special revenue funds' revenues and expenditures for the fiscal year ended June 30, 2015, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	June 30, 2015	Percent of Total	Increase (Decrease) from June 30, 2014
Taxes	\$ 2,588,712	44.58%	\$ 248,874
Intergovernmental	2,172,725	37.41%	235,643
Licenses and permits	4,127	0.07%	1,099
Charges for services	519,484	8.95%	(4,274)
Fines and forfeitures	450,223	7.75%	21,368
Other revenues	72,259	1.24%	7,806
Total Revenues	\$ 5,807,530	100.00%	\$ 510,516

The increase in intergovernmental revenues was due to LESO equipment grants.

Expenditures	June 30, 2015	Percent of Total	Increase (Decrease) from June 30, 2014
General government	\$ 852,904	14.35%	\$ 84,163
Public Safety	1,910,064	32.13%	354,550
Public Works	1,243,319	20.91%	106,037
Health, welfare, and recreation	322,435	5.42%	7,129
Capital outlay	1,301,840	21.90%	50,277
Debt Service	314,974	5.30%	23,404
Total Expenditures	\$ 5,945,536	100.00%	\$ 625,560

The increased public safety expenditures was primarily due to the LESO small items of equipment.

General Fund Budgetary Highlights

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2015, the Town had invested \$29,126,892 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 \$154,053, or 0.5% above the prior year. Additional information on capital assets is in Note III.A.

Debt

At year-end, the Town had \$12,241,658 in outstanding long-term liabilities compared to \$12,711,406 last year. Of the total outstanding debt 10% belongs to the Governmental funds and 90% 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, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,166,767	\$ 6,657,200	\$ 8,823,967
Receivables:			
Property taxes	809,715	-	809,715
Accounts receivable	52,003	356,176	408,179
Grant receivable	78,941	113,562	192,503
Due from other governments	247,750	-	247,750
Inventories	-	310,341	310,341
Prepaid items	29,589	18,676	48,265
Internal balances	38,740	(38,740)	-
Net pension assets	397,879	274,397	672,276
Capital assets (net of accumulated depreciation):			
Nondepreciable	606,046	500,274	1,106,320
Depreciable	3,651,364	24,369,208	28,020,572
TOTAL ASSETS	8,078,794	32,561,094	40,639,888
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	244,143	165,843	409,986
LIABILITIES			
Accounts payable	128,647	207,803	336,450
Accrued expenses	47,450	88,465	135,915
Unearned revenues	-	-	-
Customer deposits	-	138,720	138,720
Debt:			
Due within one year	260,493	546,638	807,131
Due in more than one year (net of unamortized premiums)	1,000,709	10,433,818	11,434,527
TOTAL LIABILITIES	1,437,299	11,415,444	12,852,743
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - property taxes	722,685	-	722,685
Pensions	500,697	345,306	846,003
	1,223,382	345,306	1,568,688
NET POSITION			
Net investment in capital assets	3,077,334	13,940,375	17,017,709
Restricted for:			
State Street Aid Fund	22,919	-	22,919
Drug Fund	89,873	-	89,873
Sanitation	28,548	-	28,548
Unrestricted	2,443,582	7,025,812	9,469,394
TOTAL NET POSITION	\$ 5,662,256	\$ 20,966,187	\$ 26,628,443

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

**TOWN OF SELMER, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		Total
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities							
General Government	\$ 891,702	\$ 32,102	\$ 500	\$ 237,343	\$ (621,757)	\$ -	\$ (621,757)
Public Safety	2,084,921	459,709	427,341	803,682	(394,189)	-	(394,189)
Public Works	1,282,170	445,877	231,875	-	(604,418)	-	(604,418)
Health, Welfare and Recreation	391,188	36,146	-	48,384	(306,658)	-	(306,658)
Interest on long-term debt	41,194	-	-	-	(41,194)	-	(41,194)
Total governmental activities	4,691,175	973,834	659,716	1,089,409	(1,968,216)	-	(1,968,216)
Business-type activities							
Water and Sewer	2,847,647	3,032,252	-	295,000	-	479,605	479,605
Natural Gas	1,737,066	2,352,631	-	-	-	615,565	615,565
Total business-type activities	4,584,713	5,384,883	-	295,000	-	1,095,170	1,095,170
Total Government	<u>\$ 9,275,888</u>	<u>\$ 6,358,717</u>	<u>\$ 659,716</u>	<u>\$ 1,384,409</u>	<u>(1,968,216)</u>	<u>1,095,170</u>	
General Revenues:							
Taxes:							
Property					859,282	-	859,282
Sales					2,108,491	-	2,108,491
Public service taxes					37,411	-	37,411
Investment earnings					10,561	16,771	27,332
Insurance recoveries					-	19,399	19,399
Sale of capital assets					-	6,300	6,300
Miscellaneous					61,198	-	61,198
Transfers					<u>121,654</u>	<u>(121,654)</u>	<u>-</u>
Total general revenues and transfers					3,198,597	(79,184)	3,119,413
Change in net position					<u>1,230,381</u>	<u>1,015,986</u>	<u>2,246,367</u>
Net position at beginning of year, as originally stated					4,438,913	20,012,552	24,451,465
Restatement - GASB 68 implementation					(90,409)	(62,351)	(152,760)
Prior period adjustment					<u>83,371</u>	<u>-</u>	<u>83,371</u>
Net position at beginning of year, as restated					<u>4,431,875</u>	<u>19,950,201</u>	<u>24,382,076</u>
Net position at end of year					<u>\$ 5,662,256</u>	<u>\$ 20,966,187</u>	<u>\$ 26,628,443</u>

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

**TOWN OF SELMER, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General	Sanitation	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 2,034,018	\$ 10,729	\$ 122,020	\$ 2,166,767
Taxes receivable	809,715	-	-	809,715
Grant receivables	78,941	-	-	78,941
Accounts receivable	52,003	-	-	52,003
Due from other funds	30,921	38,740	-	69,661
Receivables from other governments	224,980	-	22,770	247,750
Prepaid expenses	29,589	-	-	29,589
	<u>\$ 3,260,167</u>	<u>\$ 49,469</u>	<u>\$ 144,790</u>	<u>\$ 3,454,426</u>
LIABILITIES				
Accounts payable	\$ 110,025	\$ 17,545	\$ 1,077	\$ 128,647
Accrued expenses	42,008	3,376	-	45,384
Due to other funds	-	-	30,921	30,921
Total liabilities	<u>152,033</u>	<u>20,921</u>	<u>31,998</u>	<u>204,952</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	<u>809,715</u>	<u>-</u>	<u>-</u>	<u>809,715</u>
FUND BALANCES				
Nonspendable				
Prepaid items	29,589	-	-	29,589
Restricted				
State street aid	-	-	22,919	22,919
Drug	-	-	89,873	89,873
Sanitation	-	28,548	-	28,548
Unassigned				
General fund	2,268,830	-	-	2,268,830
Total fund balances	<u>2,298,419</u>	<u>28,548</u>	<u>112,792</u>	<u>2,439,759</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,260,167</u>	<u>\$ 49,469</u>	<u>\$ 144,790</u>	<u>\$ 3,454,426</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, 2015

Total fund balance - total governmental funds	\$ 2,439,759
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	4,257,410
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Net pension asset is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.	397,879
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.	(256,554)
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Compensated absences are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(81,126)
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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	\$ 260,493
Due in more than one year	900,374
	(1,160,867)

Bond premiums are not reported in the governmental funds but are recorded for government-wide purposes.	(19,209)
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Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.	(2,066)
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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.	87,030
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Net position of governmental activities	<u><u>\$ 5,662,256</u></u>
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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, 2015

	General	Sanitation	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,588,712	\$ -	\$ -	\$ 2,588,712
Intergovernmental revenues	2,057,318	-	115,407	2,172,725
Licenses and permits	4,127	-	-	4,127
Charges for services	73,607	445,877	-	519,484
Fines, forfeits, and penalties	394,878	-	55,345	450,223
Other revenues	71,720	-	539	72,259
Total Revenues	5,190,362	445,877	171,291	5,807,530
Expenditures				
Current				
General government	852,904	-	-	852,904
Public safety	1,864,527	-	45,537	1,910,064
Public works	645,654	468,945	128,720	1,243,319
Health, welfare, and recreation	322,435	-	-	322,435
Capital outlay	1,181,840	120,000	-	1,301,840
Debt service	302,933	12,041	-	314,974
Total Expenditures	5,170,293	600,986	174,257	5,945,536
Excess (deficiency) of revenues over (under) expenditures	20,069	(155,109)	(2,966)	(138,006)
Other financing sources (uses)				
Transfers in	121,654	-	20,000	141,654
Transfers out	(20,000)	-	-	(20,000)
Proceeds from notes payable	240,000	120,000	-	360,000
Total other financing sources (uses)	341,654	120,000	20,000	481,654
Net change in fund balances	361,723	(35,109)	17,034	343,648
FUND BALANCES - beginning of year, as originally stated	1,842,419	63,657	106,664	2,012,740
Prior period adjustment	94,277	-	(10,906)	83,371
FUND BALANCES - beginning of year, as restated	1,936,696	63,657	95,758	2,096,111
FUND BALANCES - end of year	\$ 2,298,419	\$ 28,548	\$ 112,792	\$ 2,439,759

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, 2015

Net change in fund balances - total governmental funds	\$ 343,648
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.	1,301,840
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.	(565,898)
Principal paid on debt	273,303
Debt proceeds are recorded on the governmental funds as revenue, but the government-wide statement of activities does not report debt proceeds as revenue.	(360,000)
Effect of GASB 68 on retirement expense; reported on governmental funds but not on government-wide for 2014-2015 year	244,143
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	973
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(7,628)
Change in net position of governmental activities	<u>\$ 1,230,381</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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
Revenues	Original	Final	Actual	
Taxes				
Property taxes - current	\$ 720,000	\$ 720,000	\$ 780,492	\$ 60,492
Property taxes - delinquent	20,000	20,000	35,462	15,462
Local option sales taxes	1,200,000	1,200,000	1,388,903	188,903
Local wholesale beer taxes	170,000	170,000	212,905	42,905
Business taxes	25,000	25,000	104,032	79,032
Cable TV franchise taxes	28,500	28,500	37,411	8,911
Hotel/Motel taxes	20,000	20,000	29,507	9,507
Total taxes	2,183,500	2,183,500	2,588,712	405,212
Intergovernmental				
State of Tennessee				
- TVA replacement tax	45,000	45,000	50,956	5,956
- Sales tax allocation	300,000	300,000	329,034	29,034
- Income tax allocation	15,000	15,000	34,506	19,506
- Beer tax allocation	1,000	1,000	2,102	1,102
- Mixed drink tax allocation	2,000	2,000	1,687	(313)
- Petroleum tax	10,000	10,000	8,972	(1,028)
- Telecommunication tax	250	250	421	171
- Corporate excise tax	9,000	9,000	5,394	(3,606)
State law enforcement	9,600	9,600	10,200	600
Governors highway safety grant	-	-	4,985	4,985
High visibility grant	-	-	4,883	4,883
Fire Dept grants	59,263	128,821	5,500	(123,321)
Fire Dept Safer grant	-	-	24,113	24,113
FEMA grant	-	-	60,138	60,138
LESO grant	-	-	1,121,204	1,121,204
Federal Roadscapes grant	-	-	20,200	20,200
CDBG disaster recovery grant	224,000	224,000	217,143	(6,857)
State LPRF grant	279,488	279,488	41,784	(237,704)
State LPRF grant - Dixie park phase II	-	-	1,500	1,500
Walking trail grant	-	-	5,100	5,100
State highway maintenance grant	85,000	85,000	107,496	22,496
Total intergovernmental revenues	1,039,601	1,109,159	2,057,318	948,159
Licenses and permits				
Beer permits	1,650	1,650	1,550	(100)
Building permits	1,200	1,200	2,577	1,377
Total licenses and permits	2,850	2,850	4,127	1,277
Charges for services				
Special fire protection	10,250	10,250	9,486	(764)
Swimming pool charges	3,000	3,000	2,465	(535)
Recreation programs	35,000	35,000	33,681	(1,319)
Community center fees	35,000	35,000	27,975	(7,025)
Total charges for services	83,250	83,250	73,607	(9,643)
Fines, forfeits, and penalties				
City court fines	165,000	165,000	222,178	57,178
Fines, fees and penalties - auto cameras	90,000	90,000	144,969	54,969
Court fines from County	30,000	30,000	27,731	(2,269)
Total fines, forfeits, and penalties	285,000	285,000	394,878	109,878

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (continued)				
Other revenues				
Civic Center - United Way	2,500	2,500	500	(2,000)
Rent - Development 1	15,000	15,000	26,795	11,795
Insurance recoveries	5,000	5,000	3,903	(1,097)
Sales of materials	6,000	6,000	1,450	(4,550)
Contributions	500	500	4,714	4,214
Penalties and interest	8,000	8,000	10,410	2,410
Miscellaneous	1,000	16,000	23,948	7,948
Total other revenues	38,000	53,000	71,720	18,720
Total revenues	3,632,201	3,716,759	5,190,362	1,473,603
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	4,284	4,284	4,284	-
Retirement	8,075	8,075	8,075	-
Election officials	7,000	7,000	-	7,000
Memberships and registration fees	3,300	3,300	2,588	712
Advertising	2,500	2,500	1,627	873
State planning office	7,500	7,500	7,250	250
Travel	4,000	4,000	567	3,433
Mayor expense	8,000	8,000	7,581	419
Prizes and awards	200	200	299	(99)
Salaries	6,000	6,000	6,000	-
Payroll taxes	459	459	459	-
Total legislative	79,318	79,318	66,730	12,588
General government buildings				
Utility services	2,500	2,500	1,307	1,193
Electricity	5,500	5,500	4,714	786
Repairs and maintenance	6,000	6,000	1,884	4,116
Houshold and janitorial	1,000	1,000	1,437	(437)
Total general government buildings	15,000	15,000	9,342	5,658

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
General government (continued)				
Financial administration				
Salaries	51,867	51,867	51,867	-
Salaries - permanent employees	31,706	31,706	31,706	-
OASI	6,394	6,394	6,269	125
Hospital and health	305,000	305,000	348,174	(43,174)
Retirement	14,358	14,358	14,358	-
Workers compensation	35,400	35,400	92,708	(57,308)
Unemployment	3,000	3,000	4,944	(1,944)
Refunds	300	300	-	300
Postage and box rental	2,500	2,500	541	1,959
Telephone	7,500	7,500	7,827	(327)
Professional services	1,000	1,000	-	1,000
Legal	10,000	10,000	8,958	1,042
Audit	12,000	12,000	16,412	(4,412)
Data processing services	13,400	13,400	14,256	(856)
Other professional	1,500	1,500	-	1,500
Miscellaneous	750	750	334	416
Office supplies	3,000	3,000	1,819	1,181
Property tax roll	2,050	2,050	2,109	(59)
Computer supplies	1,500	1,500	398	1,102
Fax and copier	3,000	3,000	3,089	(89)
Cash short	-	-	101	(101)
Insurance - vehicles	100,000	100,000	118,717	(18,717)
Surety bonds	1,000	1,000	400	600
Office supplies	100	100	75	25
Awards for services	2,100	2,100	2,100	-
Total financial administration	609,425	609,425	727,162	(117,737)
Civic center				
Advertising	500	500	1,914	(1,414)
Utility service	12,000	12,000	9,810	2,190
Electricity	35,000	35,000	26,149	8,851
Repair and maintenance	2,000	2,000	847	1,153
Repair and maintenance-other	3,000	3,000	6,623	(3,623)
Household and janitorial	5,000	5,000	4,127	873
Surety bonds	300	300	200	100
Capital outlay	19,000	19,000	-	19,000
Total civic center	76,800	76,800	49,670	27,130
Debt service				
Principal	264,668	264,668	263,303	1,365
Interest	40,072	40,072	39,630	442
Total debt service	304,740	304,740	302,933	1,807
Total general government	1,085,283	1,085,283	1,155,837	(70,554)

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Public safety				
Police department				
Salaries	181,755	181,755	183,733	(1,978)
Payroll taxes	46,103	46,103	48,405	(2,302)
Retirement	93,835	93,835	98,433	(4,598)
Employee education	16,000	16,000	16,464	(464)
Refunds	-	-	392	(392)
Vehicle tow-in service	500	500	175	325
Telephone	4,000	4,000	4,330	(330)
Professional service	50,000	50,000	50,000	-
Data processing	750	750	624	126
Repair and maintenance	1,000	1,000	800	200
Repair and maintenance - vehicles	20,000	20,000	18,923	1,077
Repair and maintenance - radios	3,500	3,500	3,695	(195)
Travel	1,000	1,000	377	623
Ambulance and clinic	1,500	1,500	1,746	(246)
City court cost	12,000	12,000	14,885	(2,885)
Miscellaneous	1,250	1,250	1,555	(305)
Office supplies	9,000	9,000	7,522	1,478
Operating supplies	8,000	8,000	10,416	(2,416)
Uniforms	12,000	12,000	10,498	1,502
Gas, oil and diesel	45,000	45,000	27,838	17,162
Cash short	-	-	764	(764)
Building and office	725	725	720	5
Small items of equipment	-	-	417,141	(417,141)
Capital outlay	60,000	102,500	769,928	(667,428)
Overtime	40,000	40,000	30,845	9,155
Salaries	32,366	32,366	32,367	(1)
Hourly wages	382,000	382,000	370,691	11,309
Overtime	500	500	-	500
Hourly wages	28,228	28,228	22,269	5,959
Total police department	1,051,012	1,093,512	2,145,536	(1,052,024)
Fire department				
Salaries	186,400	186,400	186,272	128
Overtime	8,000	10,000	9,973	27
Payroll taxes	14,100	14,100	15,584	(1,484)
Retirement	31,700	31,700	32,794	(1,094)
Training	23,688	23,688	23,376	312
Grant paid employees	12,000	12,000	11,250	750
Volunteer firemen	27,125	27,125	25,039	2,086
Fire code enforcement	3,500	3,500	3,213	287
Subscriptions	250	250	275	(25)
Public relations	3,300	3,600	3,590	10
Utilities	25,000	25,000	27,352	(2,352)
Telephone	5,000	5,000	3,515	1,485
Repair and maintenance	9,000	9,000	9,160	(160)
Repair and maintenance - vehicles	14,000	14,000	13,605	395
Repair and maintenance - building	4,500	5,500	5,388	112
Repair and maintenance - radios	2,000	2,000	1,840	160
Travel	11,000	11,000	9,212	1,788
Medical, physicals, etc...	500	2,100	2,080	20
Miscellaneous	1,000	1,000	2,776	(1,776)
Office supplies and materials	1,800	2,000	1,972	28
Additional items of equipment	9,350	14,105	14,068	37
Operating supplies	1,800	2,000	4,349	(2,349)
Uniforms	5,750	5,750	5,705	45
Gas, oil and diesel	20,000	20,000	19,993	7
Capital outlay	67,000	102,894	86,110	16,784
Total fire department	487,763	533,712	518,491	15,221

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Public safety (continued)				
Building inspector				
Salaries	42,295	42,295	42,763	(468)
Payroll taxes	3,236	3,236	3,257	(21)
Retirement	7,267	7,267	7,450	(183)
Education and training	500	500	-	500
Telephone	350	350	532	(182)
Repair and maintenance - vehicle	750	750	119	631
Repair and maintenance - grounds	2,500	2,500	-	2,500
Operating supplies	500	500	226	274
Gas, oil and diesel	3,300	3,300	2,191	1,109
Total building inspector	60,698	60,698	56,538	4,160
Total public safety	1,599,473	1,687,922	2,720,565	(1,032,643)
Public works				
Streets and highways				
Salaries	45,063	45,063	45,063	-
Overtime	5,000	5,000	7,216	(2,216)
Hourly wages	225,320	225,320	222,865	2,455
Payroll taxes	20,685	20,685	19,944	741
Retirement	42,879	42,879	46,694	(3,815)
Utilities	2,000	2,000	1,754	246
Electricity	2,000	2,000	2,083	(83)
Telephone	2,000	2,000	1,644	356
Repair and maintenance	500	500	88	412
Repair and maintenance - vehicles	18,000	18,000	22,392	(4,392)
Repair and maintenance - other equipment	1,500	1,500	2,335	(835)
Repair and maintenance - machinery	5,000	5,000	5,278	(278)
Repair and maintenance - radios	600	600	384	216
Repair and maintenance - streets	35,000	35,000	131,379	(96,379)
Operations and maintenance	500	500	-	500
Other contractual services	78,000	78,000	85,715	(7,715)
Clinic, hospital	300	300	410	(110)
Miscellaneous	150	150	-	150
Office supplies	2,000	2,000	2,379	(379)
Operating supplies	9,000	9,000	10,823	(1,823)
Uniforms	6,700	6,700	7,049	(349)
Gas, oil and diesel	35,000	35,000	26,227	8,773
Consumable tools	400	400	446	(46)
Sign parts and supplies	4,000	4,000	3,486	514
Capital outlay	100,000	100,000	-	100,000
Total streets and highways	641,597	641,597	645,654	(4,057)
Animal shelter				
Operating supplies	5,000	5,000	-	5,000
Total public works	646,597	646,597	645,654	943
Health, welfare, and recreation				
Grants and appropriations				
Grant/donation - senior citizens	6,000	6,000	6,000	-
Grant/donation - McNairy County developmental	2,200	2,200	2,200	-
Grant/donation - Carl Perkins center	1,000	1,000	1,000	-
Grant/donation - fall festival	1,000	1,000	1,000	-
Grant/donation - rockabilly festival	1,000	1,000	1,000	-
Grant/donation - McNairy Arts	3,500	3,500	3,900	(400)
Grant/donation - books from birth	1,000	1,000	1,000	-
Total grants and appropriations	15,700	15,700	16,100	(400)

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, 2015

	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	5,104	2,896
Payroll taxes	612	612	391	221
Publications and subscriptions	125	125	18	107
Utilities	4,500	4,500	3,055	1,445
Telephone	1,500	1,500	1,181	319
Repairs and maintenance	1,000	1,000	2,349	(1,349)
Chemicals	2,500	2,500	1,919	581
Other operating supplies	800	800	1,190	(390)
Total swimming pools	19,037	19,037	15,207	3,830
Parks and recreation				
Salaries	44,728	44,728	45,272	(544)
Overtime	1,200	1,200	3,889	(2,689)
Hourly wages	59,000	59,000	67,660	(8,660)
Payroll taxes	7,934	7,934	8,784	(850)
Retirement	11,300	11,300	14,651	(3,351)
Refunds	500	500	2,391	(1,891)
Utility	12,000	12,000	9,757	2,243
Telephone	3,000	3,000	3,470	(470)
Data processing	750	750	-	750
Repair and maintenance	16,000	16,000	21,359	(5,359)
Repair and maintenance-other	2,500	2,500	1,059	1,441
Office supplies	5,000	5,000	2,696	2,304
Uniforms	500	500	586	(86)
Other operating supplies	35,000	35,000	40,633	(5,633)
Gas, oil and diesel	7,000	7,000	3,183	3,817
Cash short	-	-	100	(100)
Other insurance	2,000	2,000	2,138	(138)
Capital outlay	510,080	510,080	325,802	184,278
Total parks and recreation	718,492	718,492	553,430	165,062
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	816,729	816,729	648,237	168,492
Total expenditures	4,148,082	4,236,531	5,170,293	(933,762)
Excess (deficiency) of revenues over (under) expenditures	(515,881)	(519,772)	20,069	539,841
Other financing sources (uses)				
Transfers in	137,000	137,000	121,654	(15,346)
Transfers out	-	(20,000)	(20,000)	-
Sale of assets	-	-	-	-
Proceeds from capital outlay note	240,000	240,000	240,000	-
Total other financing sources (uses)	377,000	357,000	341,654	(15,346)
Net change in fund balance	(138,881)	(162,772)	361,723	524,495
Fund balance, beginning of year - as originally stated	1,842,419	1,842,419	1,842,419	-
Prior period adjustment			94,277	94,277
Fund balance, beginning of year - as restated	1,842,419	1,842,419	1,936,696	94,277
Fund balance, end of year	\$ 1,703,538	\$ 1,679,647	\$ 2,298,419	\$ 618,772

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, 2015

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Garbage pickup	\$ 435,500	\$ 435,500	\$ 444,719	\$ 9,219
Uncollectible accounts	(4,500)	(4,500)	(3,737)	763
Recovery of uncollectible accounts	1,200	1,200	532	(668)
Service charges and fees	3,500	3,500	4,363	863
Total revenues	<u>435,700</u>	<u>435,700</u>	<u>445,877</u>	<u>10,177</u>
Expenditures:				
Payroll	124,678	124,678	125,385	(707)
Payroll taxes	9,383	9,383	9,231	152
Employee insurance	35,000	35,000	24,510	10,490
Retirement	21,071	21,071	21,541	(470)
Utilities	4,000	4,000	3,711	289
Telephone	1,500	1,500	1,828	(328)
Data processing	15,600	15,600	15,600	-
Repairs and maintenance	17,700	17,700	35,157	(17,457)
Contractual services	145,000	145,000	157,646	(12,646)
Ambulance, clinic, etc...	100	100	-	100
Landfill services	45,000	45,000	49,125	(4,125)
Miscellaneous	500	500	-	500
Office supplies	1,200	1,200	859	341
Operating supplies	1,500	1,500	1,534	(34)
Uniforms	5,100	5,100	2,418	2,682
Gas and oil	27,000	27,000	20,400	6,600
Other operating supplies	1,000	1,000	-	1,000
Consumable tools	200	200	-	200
Capital outlay	120,000	120,000	120,000	-
Debt payments				
Principal	12,041	12,041	10,000	2,041
Interest	-	-	2,041	(2,041)
Total expenditures	<u>587,573</u>	<u>587,573</u>	<u>600,986</u>	<u>(13,413)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(151,873)</u>	<u>(151,873)</u>	<u>(155,109)</u>	<u>(3,236)</u>
Other financing sources (uses)				
Proceeds from capital outlay note	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>
Net change in fund balance	<u>(31,873)</u>	<u>(31,873)</u>	<u>(35,109)</u>	<u>(3,236)</u>
Fund Balance, beginning of year	<u>63,657</u>	<u>63,657</u>	<u>63,657</u>	<u>-</u>
Fund Balance, end of the year	<u>\$ 31,784</u>	<u>\$ 31,784</u>	<u>\$ 28,548</u>	<u>\$ (3,236)</u>

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

**TOWN OF SELMER, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Water and Sewer	Natural Gas	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 949,826	\$ 5,707,374	\$ 6,657,200
Accounts receivable, net of allowance	287,484	68,692	356,176
Grant receivable	113,562	-	113,562
Inventory	132,471	177,870	310,341
Due from other funds	800	2,064	2,864
Prepaid expenses	11,266	7,410	18,676
TOTAL CURRENT ASSETS	<u>1,495,409</u>	<u>5,963,410</u>	<u>7,458,819</u>
NONCURRENT ASSETS			
Net pension assets	157,783	116,614	274,397
Capital assets, net	23,179,260	1,690,222	24,869,482
	<u>23,337,043</u>	<u>1,806,836</u>	<u>25,143,879</u>
TOTAL ASSETS	<u>24,832,452</u>	<u>7,770,246</u>	<u>32,602,698</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	95,463	70,380	165,843
	<u>95,463</u>	<u>70,380</u>	<u>165,843</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	163,806	43,997	207,803
Accrued expenses	51,731	12,818	64,549
Accrued interest	23,916	-	23,916
Customer deposits	102,415	36,305	138,720
Due to other funds	40,804	800	41,604
Current portion of long-term debt	546,638	-	546,638
TOTAL CURRENT LIABILITIES	<u>929,310</u>	<u>93,920</u>	<u>1,023,230</u>
NONCURRENT LIABILITIES			
Compensated absences	27,100	24,249	51,349
Notes payable (net of unamortized premium)	10,382,469	-	10,382,469
TOTAL NONCURRENT LIABILITIES	<u>10,409,569</u>	<u>24,249</u>	<u>10,433,818</u>
TOTAL LIABILITIES	<u>11,338,879</u>	<u>118,169</u>	<u>11,457,048</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	198,557	146,749	345,306
	<u>198,557</u>	<u>146,749</u>	<u>345,306</u>
NET POSITION			
Net investment in capital assets	12,250,153	1,690,222	13,940,375
Unrestricted	1,140,326	5,885,486	7,025,812
TOTAL NET POSITIONS	<u>\$ 13,390,479</u>	<u>\$ 7,575,708</u>	<u>\$ 20,966,187</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, 2015

	Water and Sewer	Natural Gas	Total
OPERATING REVENUES			
Utility sales and services	\$ 2,895,198	\$ 2,328,208	\$ 5,223,406
Recovery of uncollectible accounts	9,924	986	10,910
Uncollectible accounts	(37,084)	(6,515)	(43,599)
Service charges and fees	164,214	29,944	194,158
Other income	-	8	8
TOTAL OPERATING REVENUES	<u>3,032,252</u>	<u>2,352,631</u>	<u>5,384,883</u>
OPERATING EXPENSES			
Cost of natural gas sold	-	909,874	909,874
Personal services	771,046	568,913	1,339,959
Contractual services	830,781	106,905	937,686
Supplies	74,901	19,398	94,299
Insurance	69,601	29,478	99,079
Depreciation	765,841	102,498	868,339
TOTAL OPERATING EXPENSES	<u>2,512,170</u>	<u>1,737,066</u>	<u>4,249,236</u>
OPERATING INCOME	<u>520,082</u>	<u>615,565</u>	<u>1,135,647</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	1,899	14,872	16,771
Insurance recoveries	9,029	10,370	19,399
Accretion on debt premiums	11,292	-	11,292
Gain on sale of capital assets	800	5,500	6,300
Interest expense	(346,769)	-	(346,769)
NET NONOPERATING EXPENSES	<u>(323,749)</u>	<u>30,742</u>	<u>(293,007)</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>196,333</u>	<u>646,307</u>	<u>842,640</u>
Capital contributions	295,000	-	295,000
Transfers out	(62,778)	(58,876)	(121,654)
CHANGE IN NET POSITION	<u>428,555</u>	<u>587,431</u>	<u>1,015,986</u>
NET POSITION - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	12,997,777	7,014,775	20,012,552
RESTATEMENT - GASB 68 implementation	<u>(35,853)</u>	<u>(26,498)</u>	<u>(62,351)</u>
NET POSITION - BEGINNING OF YEAR, AS RESTATED	<u>12,961,924</u>	<u>6,988,277</u>	<u>19,950,201</u>
NET POSITION- END OF YEAR	<u><u>\$ 13,390,479</u></u>	<u><u>\$ 7,575,708</u></u>	<u><u>\$ 20,966,187</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, 2015**

	Water and Sewer	Natural Gas	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 3,113,578	\$ 2,366,768	\$ 5,480,346
Cash receipts from other funds for services	2,640	-	2,640
Cash payments to suppliers for goods and services	(1,098,889)	(1,056,734)	(2,155,623)
Cash payments to other funds for services	-	(3,471)	(3,471)
Cash payments for personnel services	(861,133)	(634,653)	(1,495,786)
CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,156,196</u>	<u>671,910</u>	<u>1,828,106</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(62,778)	(58,876)	(121,654)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of fixed assets	(251,232)	(35,217)	(286,449)
Gain on sale of capital assets	800	5,500	6,300
Insurance recoveries	9,029	10,370	19,399
Contributions from grants	295,000	-	295,000
Principal payments on long-term debt	(546,116)	-	(546,116)
Interest paid on long-term debt	(346,769)	-	(346,769)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(839,288)</u>	<u>(19,347)</u>	<u>(858,635)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	1,899	14,872	16,771
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	256,029	608,559	864,588
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	693,797	5,098,815	5,792,612
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 949,826</u>	<u>\$ 5,707,374</u>	<u>\$ 6,657,200</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 520,082	\$ 615,565	\$ 1,135,647
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	765,841	102,498	868,339
Effect of GASB 68 implementation	(90,542)	(66,743)	(157,285)
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivable	55,926	15,967	71,893
(Increase) decrease in due from other funds	1,407	(2,064)	(657)
(Increase) decrease in grant receivables	28,900	-	28,900
(Increase) decrease in inventory	17,228	26,250	43,478
(Increase) decrease in prepaids	(807)	(403)	(1,210)
Increase (decrease) in accounts payable	(149,098)	(19,653)	(168,751)
Increase (decrease) in accrued liabilities	9,071	2,727	11,798
Increase (decrease) in due to other funds	1,233	(1,407)	(174)
Increase (decrease) in compensated absences	455	1,003	1,458
Increase (decrease) in customer deposits	(3,500)	(1,830)	(5,330)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,156,196</u>	<u>\$ 671,910</u>	<u>\$ 1,828,106</u>

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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for this reporting category as of June 30, 2014.

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

Compensated absences

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

Long-term Debt

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

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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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.

Pensions

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

F. REVENUES, EXPENDITURES AND EXPENSES

Program Revenues

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

Sales Tax

The 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

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attaches by statute to property on March 1 for unpaid taxes from the prior year's levy. Taxes uncollected for one year past the due date are submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

Operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from the daily operations are defined as non-operating.

Expenditures/ Expenses

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

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

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

Proprietary Fund – By Operating and Nonoperating

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

Interfund Transfers

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

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

A. FUND ACCOUNTING REQUIREMENTS

Fund	Required By
Police Drug Fund	State Law

B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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

C. REVENUE RESTRICTIONS

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

Revenue Source	Legal Restrictions of Use
Gasoline Excise Tax	Street purposes
Grants	Grant program expenditures

D. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Tennessee Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town had no deficit fund balances at June 30, 2015.

E. BUDGET APPROPRIATIONS

The Town's General, Sanitation and State Street Aid funds had expenditures which exceeded appropriations for the year ended June 30, 2015.

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).

TOWN OF SELMER, TENNESSEE
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Change in Capital Assets

Depreciation was charged to various functions and activities as follows:

Governmental activities	
General government	\$ 61,874
Public safety	313,534
Public works	107,086
Health, welfare and recreation	83,404
Total governmental activities	<u>565,898</u>
Business-type activities	
Water and sewer	765,841
Natural gas	102,498
Total business-type	<u>\$ 868,339</u>

During the fiscal year ended June 30, 2015, the following changes in capital assets occurred:

	Balance 7/1/14	Increases	Decreases	Balance 6/30/15
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 241,892	\$ -	\$ -	\$ 241,892
Construction in progress	123,589	240,565	-	364,154
Subtotal	<u>365,481</u>	<u>240,565</u>	<u>-</u>	<u>606,046</u>
Capital assets being depreciated				
Buildings and improvements	4,264,232	87,617	-	4,351,849
Infrastructure	139,622	-	-	139,622
Other fixed assets	4,009,967	973,659	8,000	4,975,626
Subtotal	<u>8,413,821</u>	<u>1,061,276</u>	<u>8,000</u>	<u>9,467,097</u>
Less accumulated depreciation for:				
Buildings and improvements	2,849,293	200,310	-	3,049,603
Infrastructure	85,730	10,544	-	96,274
Other fixed assets	2,322,812	355,044	8,000	2,669,856
Subtotal	<u>\$ 5,257,835</u>	<u>\$ 565,898</u>	<u>\$ 8,000</u>	<u>5,815,733</u>
Total capital assets, being depreciated, net				<u>3,651,364</u>
Governmental activities capital assets, net				<u>\$ 4,257,410</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 182,425	\$ -	\$ -	\$ 182,425
Construction in Progress	435,401	201,606	319,158	317,849
Subtotal	<u>617,826</u>	<u>201,606</u>	<u>319,158</u>	<u>500,274</u>
Capital assets being depreciated				
Equipment	1,142,250	343,778	38,397	1,447,631
Intangibles	939,889	-	-	939,889
Infrastructure	39,028,701	60,224	-	39,088,925
Subtotal	<u>41,110,840</u>	<u>404,002</u>	<u>38,397</u>	<u>41,476,445</u>
Less accumulated depreciation for:				
Equipment	1,031,397	38,750	38,396	1,031,751
Intangibles	651,636	14,886	-	666,522
Infrastructure	14,594,261	814,703	-	15,408,964
Total accumulated depreciation	<u>\$ 16,277,294</u>	<u>\$ 868,339</u>	<u>\$ 38,396</u>	<u>17,107,237</u>
Total capital assets, being depreciated, net				<u>24,369,208</u>
Business-type activities capital assets, net				<u>\$ 24,869,482</u>

B. LIABILITIES

Pension Plan Obligations

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General Information about the Pension Plan

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

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

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

Employees covered by benefit terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	62
Active employees	<u>71</u>
	<u><u>177</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Selmer makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2014, the Actuarially

TOWN OF SELMER, TENNESSEE
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Determined Contribution for Selmer was \$379,922 based on a rate of 16.62 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Selmer's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Selmer's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

Changes in the Net Pension Liability

TOWN OF SELMER, TENNESSEE
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	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fidiciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/13	\$ 9,243,918	\$ 8,711,236	\$ 532,682
Changes for the year:			
Service cost	172,869	-	172,869
Interest	693,733	-	693,733
Differences between expected and actual experience	(248,291)	-	(248,291)
Contributions - employer	-	379,922	(379,922)
Contributions - employee	-	-	-
Net investment income	-	1,446,425	(1,446,425)
Benefit payments, including refunds of employee contributions	(334,029)	(334,029)	-
Administrative expense	-	(3,078)	3,078
Net changes	284,282	1,489,240	(1,204,958)
Balance at 6/30/14	\$ 9,528,200	\$ 10,200,476	\$ (672,276)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Selmer's net pension liability (asset)	\$ 624,215	\$ (672,276)	\$ (1,751,568)

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

Pension expense. For the year ended June 30, 2015, Selmer recognized pension income of \$20,967.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Selmer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 212,821
Net difference between projected and actual earnings on pension plan investments	-	633,182
Contributions subsequent to the measurement date of June 30, 2014	<u>409,986</u>	<u>n/a</u>
Total	<u>\$ 409,986</u>	<u>\$ 846,003</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:

2016	\$ (193,765)
2017	(193,765)
2018	(193,765)
2019	(193,765)
2020	(35,470)
Thereafter	(35,470)

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

Payable to the Pension Plan

At June 30, 2015, Selmer did not report a payable to the pension plan for the year ended June 30, 2015.

Long-Term Obligations

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

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

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

Governmental Activities

As of June 30, 2015, 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	\$ 700,000
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Capital Outlay Notes

Capital Outlay Note, dated 07/29/13, 3.24%, due in monthly installments of \$2,168 thru July 2017	52,313
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Capital Outlay Note, dated 04/13/12, 3.25%, due in annual installments through 04/13/24	41,250
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Capital Outlay Note, dated 07/03/12, 2.95%, due in monthly installments through 07/03/2016	32,804
--	--------

Capital Outlay Note, dated 07/15/14, 2.98%, due in annual installments through 06/01/2026	334,500
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Other liabilities

Unamortized premium on debt	19,209
Compensated absences	81,126

Total General Long-Term Liabilities	<u>\$ 1,261,202</u>
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Business-Type Activities

General Obligation Bonds

Water and Sewer Bonds, Series 2013, interest 1.00% - 4.25%, payable semi-annually through August 2035	\$ 6,240,000
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Revenue and Tax Bonds

Water, Sewer, and Gas Revenue & Tax Bonds, Series 2001 2.75%, payable monthly through June 2052	107,152
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Water, Sewer, and Gas Revenue & Tax Bonds, Series 2010 2.75%, payable monthly through June 2050	1,738,659
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TOWN OF SELMER, TENNESSEE
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General Obligation Bonds

General Obligation Refunding Bonds Series 2011, dated 02/10/11,
3.4%, due semi-annually through 2025 1,525,000

Notes Payable

General Obligation Capital Outlay Note, Series 2012, dated 12/18/12,
1.0%, due semi-annually through 2024 1,160,000

Other liabilities

Unamortized premium on debt 158,296
Compensated absences 51,349

Total Business-Type Activities **\$ 10,980,456**

Change in Long-term liabilities

	Beginning Balance	Additions	Retirements	Ending Balance	Due within one year
Governmental Type Activities					
General Obligation Bonds	\$ 890,000	\$ -	\$ 190,000	\$ 700,000	\$ 175,000
Capital Outlay Notes	184,170	360,000	83,303	460,867	85,493
Compensated absences	76,383	4,743	-	81,126	-
Unamortized debt premiums	24,447	-	5,238	19,209	-
Total governmental activities	1,175,000	364,743	278,541	1,261,202	260,493
Business Type Activities					
General Obligation Bonds	8,165,000	-	400,000	7,765,000	400,000
Revenue and Tax Bonds	1,876,927	-	31,116	1,845,811	31,638
Notes Payable	1,275,000	-	115,000	1,160,000	115,000
Compensated absences	49,891	1,458	-	51,349	-
Unamortized debt premiums	169,588	-	11,292	158,296	-
Total business type activities	11,536,406	1,458	557,408	10,980,456	546,638
Total government	<u>\$ 12,711,406</u>	<u>\$ 366,201</u>	<u>\$ 835,949</u>	<u>\$ 12,241,658</u>	<u>\$ 807,131</u>

General Government

The Town obtained debt funding through a capital outlay note in the amount of \$360,000 for various projects and the purchase of a sanitation truck. The capital outlay note has an interest rate of 2.98% and is payable in 12 annual installments.

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, 2015, are as follows:

TOWN OF SELMER, TENNESSEE
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Notes Payable

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$ 85,493	\$ 13,200	\$ 115,000	\$ 23,200	\$ 236,893
2017	59,668	10,911	120,000	20,900	211,479
2018	34,705	9,438	125,000	18,500	187,643
2019	33,083	8,448	125,000	16,000	182,531
2020	34,083	7,450	130,000	13,500	185,033
2021	35,084	6,422	130,000	10,900	182,406
2022	35,584	5,364	135,000	8,300	184,248
2023	36,584	4,291	140,000	5,600	186,475
2024	37,583	3,189	140,000	2,800	183,572
2025	34,000	2,056	-	-	36,056
2026	35,000	1,043	-	-	36,043
	<u>\$ 460,867</u>	<u>\$ 71,812</u>	<u>\$ 1,160,000</u>	<u>\$ 119,700</u>	<u>\$ 1,740,280</u>

General Obligation Bonds

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$ 175,000	\$ 21,000	\$ 400,000	\$ 265,268	\$ 861,268
2017	175,000	15,750	405,000	255,768	851,518
2018	175,000	10,500	410,000	246,168	841,668
2019	175,000	5,250	415,000	236,468	831,718
2020	-	-	420,000	226,669	646,669
2021-2025	-	-	2,160,000	941,370	3,101,370
2026-2030	-	-	1,610,000	602,508	2,212,508
2031-2035	-	-	1,945,000	250,112	2,195,112
	<u>\$ 700,000</u>	<u>\$ 52,500</u>	<u>\$ 7,765,000</u>	<u>\$ 3,024,331</u>	<u>\$ 11,541,831</u>

Revenue and Tax Bonds

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2016	\$ 31,638	\$ 50,476
2017	32,520	49,594
2018	33,429	48,685
2019	34,361	47,753
2020	35,320	46,794
2021-2025	191,948	218,622
2026-2030	220,268	190,302
2031-2035	252,769	157,801
2036-2040	290,064	120,606
2041-2045	332,862	77,708
2046-2050	381,686	28,575
2051-2052	8,946	257
	<u>\$ 1,845,811</u>	<u>\$ 1,037,173</u>

NOTE IV – OTHER NOTES

A. INSURANCE

The Town is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is carried for employees bonds and certain property destruction and employee health and accident claims.

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

B. INTERFUND TRANSACTIONS AND BALANCES

	General	Solid Waste	Water	Gas	Total
DUE FROM:					
General	\$ -	\$ -	\$ -	\$ -	\$ -
Drug	30,921	-	-	-	30,921
Gas	-	-	800	-	800
Water and Sewer	-	38,740	-	2,064	40,804
	<u>\$ 30,921</u>	<u>\$ 38,740</u>	<u>\$ 800</u>	<u>\$ 2,064</u>	<u>\$ 72,525</u>

The outstanding balances between funds result from revenues that are collected by one fund for another fund. These balances are all expected to be repaid within one year. The Gas Fund made an operating transfer to the General Fund during the year in the amount of \$58,876 and the Water and Sewer Fund made one to the General Fund in the amount of \$62,778 for in-lieu-of tax payments. The General Fund made a transfer in the amount of \$20,000 to the State Street Aid Fund to aid in costs.

C. COMMITMENTS AND CONTINGENCIES

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

D. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was made on the State Street Aid Fund. We made an adjustment to net position to record prior year street lighting costs that were not recorded.

A prior period adjustment was made on the General Fund to recognize grant revenue that should have been recorded in prior years.

E. IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*, and Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal years

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

beginning after June 15, 2014. For governments to adopt Statement 68, the underlying pension plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulated and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations.

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

F. RESTATEMENTS

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement decreasing the beginning net position in the Statement of Activities has been recognized as follows:

Governmental-type activities	\$ 90,409
Business-type activities	
Water Fund	35,853
Gas Fund	<u>26,498</u>
Total	<u>\$ 152,760</u>

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

	<u>2014</u>
Total pension liability	
Service Cost	\$ 172,869
Interest	693,733
Changes in benefit terms	-
Differences between actual and expected experience	(248,291)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(334,029)
Net change in total pension liability	<u>284,282</u>
Total pension liability - beginning	<u>9,243,918</u>
Total pension liability - ending (a)	<u><u>\$ 9,528,200</u></u>

Plan fiduciary net position	
Contributions - employer	\$ 379,922
Contributions - employee	-
Net investment income	1,446,425
Benefit payments, including refunds of employee contributions	(334,029)
Administrative expense	(3,078)
Net change in plan fiduciary net position	<u>1,489,240</u>
Plan fiduciary net position - beginning	<u>8,711,236</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 10,200,476</u></u>

Net pension liability (asset) - ending (a) - (b)	<u><u>\$ (672,276)</u></u>
---	----------------------------

Plan fiduciary net position as a percentage of total pension liability	107.06%
---	---------

Covered-employee payroll	\$ 2,285,934
---------------------------------	--------------

Net pension liability (asset) as a percentage of covered-employee payroll	29.41%
--	--------

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

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

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

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 379,922	\$ 409,986
Contributions in relation to the actuarially determined contribution	<u>379,922</u>	<u>409,986</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee payroll	 \$ 2,285,934	 \$ 2,470,669
Contributions as a percentage to covered payroll	16.62%	16.59%

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

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

TOWN OF SELMER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

Notes to Schedule

Valuation date: Actuarially determined contribution rates for were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	1 year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

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

**TOWN OF SELMER, TENNESSEE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2015**

	SPECIAL REVENUE		Total
	State Street Aid Fund	Drug Fund	Other Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,877	\$ 120,143	\$ 122,020
Receivables from other governments	21,042	1,728	22,770
Total Assets	<u>\$ 22,919</u>	<u>\$ 121,871</u>	<u>\$ 144,790</u>
 LIABILITIES			
Accounts payable	\$ -	\$ 1,077	\$ 1,077
Due from other funds	-	30,921	30,921
Total liabilities	<u>-</u>	<u>31,998</u>	<u>31,998</u>
 FUND BALANCES			
Restricted			
State street aid	22,919	-	22,919
Drug	-	89,873	89,873
Total fund balances	<u>22,919</u>	<u>89,873</u>	<u>112,792</u>
Total liabilities and fund balances	<u>\$ 22,919</u>	<u>\$ 121,871</u>	<u>\$ 144,790</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, 2015

	SPECIAL REVENUE		Total Other Nonmajor Governmental Funds
	State Street Aid Fund	Drug Fund	
Revenues:			
Intergovernmental revenues	\$ 115,407	\$ -	\$ 115,407
Fines and forfeitures	-	31,143	31,143
Seizures	-	24,202	24,202
Interest income	31	120	151
Miscellaneous	-	388	388
Total revenues	<u>115,438</u>	<u>55,853</u>	<u>171,291</u>
Expenditures:			
Public works	128,720	-	128,720
Public safety	-	45,537	45,537
Total expenditures	<u>128,720</u>	<u>45,537</u>	<u>174,257</u>
Excess (deficiency) of revenues over expenditures	<u>(13,282)</u>	<u>10,316</u>	<u>(2,966)</u>
Other financing sources (uses):			
Transfers in	20,000	-	20,000
Total other financing sources (uses)	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net change in fund balances	<u>6,718</u>	<u>10,316</u>	<u>17,034</u>
Fund Balance, beginning of the year - as originally stated	27,107	79,557	106,664
Prior period adjustment	<u>(10,906)</u>	<u>-</u>	<u>(10,906)</u>
Fund Balance, beginning of the year - as restated	<u>16,201</u>	<u>79,557</u>	<u>95,758</u>
Fund Balance, end of the year	<u>\$ 22,919</u>	<u>\$ 89,873</u>	<u>\$ 112,792</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State gas tax - 1989	\$ 120,000	\$ 120,000	\$ 12,689	\$ (107,311)
State gas tax - 3 cent	-	-	23,551	23,551
State gas and motor fuel tax	-	-	79,167	79,167
Interest income	30	30	31	1
Total revenues	<u>120,030</u>	<u>120,030</u>	<u>115,438</u>	<u>(4,592)</u>
Expenditures				
Street maintenance	2,500	2,500	-	2,500
Street lighting	125,000	125,000	128,720	(3,720)
Miscellaneous	-	-	-	-
Total expenditures	<u>127,500</u>	<u>127,500</u>	<u>128,720</u>	<u>(1,220)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,470)</u>	<u>(7,470)</u>	<u>(13,282)</u>	<u>(5,812)</u>
Other financing sources (uses):				
Transfer in	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net change in fund balances	<u>(7,470)</u>	<u>12,530</u>	<u>6,718</u>	<u>(5,812)</u>
Fund Balance, beginning of the year - as originally stated	27,107	27,107	27,107	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(10,906)</u>	<u>(10,906)</u>
Fund Balance, beginning of the year - restated	<u>27,107</u>	<u>27,107</u>	<u>16,201</u>	<u>(10,906)</u>
Fund Balance, end of the year	<u>\$ 19,637</u>	<u>\$ 39,637</u>	<u>\$ 22,919</u>	<u>\$ (16,718)</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Unauthorized substance abuse tax	\$ 1,500	\$ 1,500	\$ -	\$ (1,500)
Fines and forfeitures	22,000	22,000	31,143	9,143
Seizures	19,000	19,000	24,202	5,202
Interest income	200	200	120	(80)
Donations	500	500	-	(500)
Miscellaneous	3,000	3,000	388	(2,612)
Total revenues	<u>46,200</u>	<u>46,200</u>	<u>55,853</u>	<u>9,653</u>
Expenditures:				
Employee education	250	250	1,659	(1,409)
Vehicle tow-in	1,500	1,500	1,746	(246)
Utilities	5,000	5,000	4,336	664
Telephone	5,500	5,500	5,761	(261)
Repairs and maintenance	2,700	2,700	1,988	712
Miscellaneous	400	400	718	(318)
Meals and entertainment	125	125	-	125
Office supplies	2,000	2,000	2,609	(609)
Operating supplies	1,500	1,500	520	980
Educational supplies	3,500	3,500	1,747	1,753
Gas, oil, & diesel	17,000	17,000	11,856	5,144
Drug control	12,000	12,000	12,597	(597)
Total expenditures	<u>51,475</u>	<u>51,475</u>	<u>45,537</u>	<u>5,938</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,275)</u>	<u>(5,275)</u>	<u>10,316</u>	<u>15,591</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(5,275)</u>	<u>(5,275)</u>	<u>10,316</u>	<u>15,591</u>
Fund Balance, beginning of the year	<u>79,557</u>	<u>79,557</u>	<u>79,557</u>	<u>-</u>
Fund Balance, end of the year	<u>\$ 74,282</u>	<u>\$ 74,282</u>	<u>\$ 89,873</u>	<u>\$ 15,591</u>

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

TOWN OF SELMER, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Tax Levy for Year	Tax Rate	Tax Levy	Beginning Outstanding Taxes	Additions and Adjustments	Collections	Ending Outstanding Taxes	Delinquent Taxes Filed in Chancery Court
2015	0.806	\$ 722,685	\$ -	\$ 722,685	\$ -	\$ 722,685	\$ -
2014	0.806	825,580	724,690	91,169	770,370	45,489	-
2013	0.806	811,556	44,141	2,270	34,311	12,100	12,100
2012	0.806	797,532	14,365	697	6,401	8,661	8,661
2011	0.806	771,160	10,371	-	699	9,672	9,672
2010	0.806	781,240	3,428	-	481	2,947	2,947
2009	0.88	751,336	2,271	-	786	1,485	1,485
2008	0.88	682,683	2,054	-	400	1,654	1,654
2007	0.88	696,681	3,319	-	-	3,319	3,319
2006	0.88	649,017	1,101	-	157	944	944
2005	0.88	724,246	759	-	-	759	759
2004	0.88	754,547	440	(440)	-	-	-
			<u>\$ 806,939</u>	<u>\$ 816,381</u>	<u>\$ 813,605</u>	<u>\$ 809,715</u>	<u>\$ 41,541</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, 2015

Year Ending June 30,	Series 2011		Capital Outlay Notes										Totals	
	Refunding Bonds		Series 2014		Series 2012		Bancorp South 2013		Bancorp South 2012					
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2016	\$ 175,000	\$ 21,000	\$ 26,000	\$ 9,968	\$ 4,583	\$ 1,341	\$ 24,690	\$ 1,331	\$ 30,220	\$ 560	\$ 260,493	\$ 34,200		
2017	175,000	15,750	27,000	9,193	4,583	1,192	25,501	520	2,584	6	234,668	26,661		
2018	175,000	10,500	28,000	8,389	4,583	1,043	2,122	6	-	-	209,705	19,938		
2019	175,000	5,250	28,500	7,554	4,583	894	-	-	-	-	208,083	13,698		
2020	-	-	29,500	6,705	4,583	745	-	-	-	-	34,083	7,450		
2021	-	-	30,500	5,826	4,584	596	-	-	-	-	35,084	6,422		
2022	-	-	31,000	4,917	4,584	447	-	-	-	-	35,584	5,364		
2023	-	-	32,000	3,993	4,584	298	-	-	-	-	36,584	4,291		
2024	-	-	33,000	3,040	4,583	149	-	-	-	-	37,583	3,189		
2025	-	-	34,000	2,056	-	-	-	-	-	-	34,000	2,056		
2026	-	-	35,000	1,043	-	-	-	-	-	-	35,000	1,043		
	<u>\$ 700,000</u>	<u>\$ 52,500</u>	<u>\$ 334,500</u>	<u>\$ 62,684</u>	<u>\$ 41,250</u>	<u>\$ 6,705</u>	<u>\$ 52,313</u>	<u>\$ 1,857</u>	<u>\$ 32,804</u>	<u>\$ 566</u>	<u>\$ 1,160,867</u>	<u>\$ 124,312</u>		

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

TOWN OF SELMER, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
WATER/SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2015

Year	Tax and Revenue Bonds				General Obligation Bonds				Capital Outlay Notes			
Ending June 30,	Series 2010		Series 2001		Series 2011		Series 2013		Series 2012		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 29,948	\$ 47,540	\$ 1,690	\$ 2,936	\$ 150,000	\$ 51,250	\$ 250,000	\$ 214,018	\$ 115,000	\$ 23,200	\$ 546,638	\$ 338,944
2017	30,783	46,705	1,737	2,889	150,000	46,750	255,000	209,018	120,000	20,900	557,520	326,262
2018	31,643	45,845	1,786	2,840	150,000	42,250	260,000	203,918	125,000	18,500	568,429	313,353
2019	32,525	44,963	1,836	2,790	150,000	37,750	265,000	198,718	125,000	16,000	574,361	300,221
2020	33,433	44,055	1,887	2,739	150,000	33,250	270,000	193,419	130,000	13,500	585,320	286,963
2021	34,366	43,122	1,940	2,686	150,000	28,562	275,000	187,006	130,000	10,900	591,306	272,276
2022	35,325	42,163	1,994	2,632	150,000	23,688	270,000	178,756	135,000	8,300	592,319	255,539
2023	36,311	41,177	2,050	2,576	150,000	18,438	270,000	170,656	140,000	5,600	598,361	238,447
2024	37,324	40,164	2,107	2,519	160,000	13,000	280,000	161,882	140,000	2,800	619,431	220,365
2025	38,365	39,123	2,166	2,460	165,000	6,600	290,000	152,782	-	-	495,531	200,965
2026	39,437	38,051	2,226	2,400	-	-	300,000	143,356	-	-	341,663	183,807
2027	40,536	36,952	2,289	2,337	-	-	310,000	132,856	-	-	352,825	172,145
2028	41,668	35,820	2,352	2,274	-	-	320,000	121,232	-	-	364,020	159,326
2029	42,830	34,658	2,419	2,207	-	-	335,000	109,232	-	-	380,249	146,097
2030	44,026	33,462	2,485	2,141	-	-	345,000	95,832	-	-	391,511	131,435
2031	45,255	32,233	2,556	2,070	-	-	355,000	81,600	-	-	402,811	115,903
2032	46,517	30,971	2,626	2,000	-	-	370,000	66,512	-	-	419,143	99,483
2033	47,815	29,673	2,700	1,926	-	-	390,000	50,788	-	-	440,515	82,387
2034	49,150	28,338	2,776	1,850	-	-	405,000	34,212	-	-	456,926	64,400
2035	50,521	26,967	2,853	1,773	-	-	425,000	17,000	-	-	478,374	45,740
2036	51,931	25,557	2,933	1,693	-	-	-	-	-	-	54,864	27,250
2037	53,381	24,207	3,014	1,612	-	-	-	-	-	-	56,395	25,819
2038	54,869	22,619	3,099	1,527	-	-	-	-	-	-	57,968	24,146
2039	56,401	21,087	3,186	1,440	-	-	-	-	-	-	59,587	22,527
2040	57,976	19,512	3,274	1,352	-	-	-	-	-	-	61,250	20,864
2041	59,592	17,896	3,367	1,259	-	-	-	-	-	-	62,959	19,155
2042	61,256	16,232	3,460	1,166	-	-	-	-	-	-	64,716	17,398
2043	62,965	14,523	3,556	1,070	-	-	-	-	-	-	66,521	15,593
2044	64,722	12,766	3,657	969	-	-	-	-	-	-	68,379	13,735
2045	66,529	10,959	3,758	868	-	-	-	-	-	-	70,287	11,827
2046	68,384	9,104	3,863	763	-	-	-	-	-	-	72,247	9,867
2047	70,294	7,194	3,971	655	-	-	-	-	-	-	74,265	7,849
2048	72,254	5,234	4,083	543	-	-	-	-	-	-	76,337	5,777
2049	74,271	3,217	4,196	430	-	-	-	-	-	-	78,467	3,647
2050	76,056	1,123	4,314	312	-	-	-	-	-	-	80,370	1,435
2051	-	-	4,434	192	-	-	-	-	-	-	4,434	192
2052	-	-	4,512	65	-	-	-	-	-	-	4,512	65
	<u>\$ 1,738,659</u>	<u>\$ 973,212</u>	<u>\$ 107,152</u>	<u>\$ 63,961</u>	<u>\$ 1,525,000</u>	<u>\$ 301,538</u>	<u>\$ 6,240,000</u>	<u>\$ 2,722,793</u>	<u>\$ 1,160,000</u>	<u>\$ 119,700</u>	<u>\$ 10,770,811</u>	<u>\$ 4,181,204</u>

**TOWN OF SELMER, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
FOR THE YEAR ENDED JUNE 30, 2015**

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)	0.0254	0.0311	0.0468	0.0495

Natural Gas	Inside City		Outside City	
	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, 2015:

Water	7,474
Sewer	2,013
Natural Gas	1,739

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

CITY OF SELMER, TENNESSEE
AWWA WLCC FREE WATER AUDIT SOFTWARE: REPORTING WORKSHEET - UNAUDITED
JUNE 30, 2015

Water Audit Report for: **Selmer Utility Division (TN0000615)**
Reporting Year: **2015** **7/2014 - 6/2015**

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

WATER SUPPLIED	<----- Enter grading in column 'E' and 'J' ----->	Master Meter and Supply Error Adjustments
Volume from own sources:	9 785.928 MG/Yr	Pcnt: 7 0.50% Value: MG/Yr
Water imported:	n/a 0.000 MG/Yr	MG/Yr
Water exported:	9 112.428 MG/Yr	7 -1.00% MG/Yr
WATER SUPPLIED: 668.454 MG/Yr		Enter negative % or value for under-registration Enter positive % or value for over-registration

AUTHORIZED CONSUMPTION		
Billed metered:	9 487.880 MG/Yr	
Billed unmetered:	9 0.218 MG/Yr	
Unbilled metered:	9 0.033 MG/Yr	
Unbilled unmetered:	7 11.070 MG/Yr	Pcnt: 1.25% Value: 11.070 MG/Yr
Unbilled Unmetered volume entered is greater than the recommended default value		
AUTHORIZED CONSUMPTION:	499.201 MG/Yr	

WATER LOSSES (Water Supplied - Authorized Consumption)	169.253 MG/Yr	
Apparent Losses		
Unauthorized consumption:	10 1.671 MG/Yr	Pcnt: 0.25% Value: MG/Yr
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed		
Customer metering inaccuracies:	7 20.330 MG/Yr	4.00% MG/Yr
Systematic data handling errors:	5 1.220 MG/Yr	0.25% MG/Yr
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed		
Apparent Losses:	23.221 MG/Yr	

Real Losses (Current Annual Real Losses or CARL)		
Real Losses = Water Losses - Apparent Losses:	146.033 MG/Yr	
WATER LOSSES:	169.253 MG/Yr	

NON-REVENUE WATER		
NON-REVENUE WATER:	180.356 MG/Yr	
= Water Losses + Unbilled Metered + Unbilled Unmetered		

SYSTEM DATA		
Length of mains:	7 475.0 miles	
Number of active AND inactive service connections:	7 7,522	
Service connection density:	16 conn./mile main	
Are customer meters typically located at the curbstop or property line?	Yes	
Average length of customer service line has been set to zero and a data grading score of 10 has been applied		
Average operating pressure:	7 75.0 psi	

COST DATA		
Total annual cost of operating water system:	9 \$2,275.283 \$/Year	
Customer retail unit cost (applied to Apparent Losses):	7 \$5.10 \$/1000 gallons (US)	
Variable production cost (applied to Real Losses):	9 \$545.62 \$/Million gallons	

WATER AUDIT DATA VALIDITY SCORE:	*** YOUR SCORE IS: 83 out of 100 ***
---	---

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

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

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

Water Audit Report for: Selmser Utility Division (TN0000615)

Reporting Year: 2015 7/2014 - 6/2015

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 83 out of 100 ***

System Attributes:

Apparent Losses: 23.221 MG/Yr

+ Real Losses: 146.033 MG/Yr

= **Water Losses:** 169.253 MG/Yr

Unavoidable Annual Real Losses (UARL): 101.230 MG/Yr

Annual cost of Apparent Losses: \$ 118,425

Annual cost of Real Losses: \$ 79,678

Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial: {

Operational Efficiency: {

Non-revenue water as percent by volume of Water Supplied: 27.0%

Non-revenue water as percent by cost of operating system: 9.0% Real Losses valued at Variable Production Cost

Apparent Losses per service connection per day: 8.46 gallons/connection/day

Real Losses per service connection per day: N/A gallons/connection/day

Real Losses per length of main per day*: 842.29 gallons/mile/day

Real Losses per service connection per day per meter (head) pressure: N/A gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 146.030 million gallons/year

Infrastructure Leakage Index (ILI) [CARL/UARL]: 1.44

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

TOWN OF SELMER, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass- Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Expenditures
<u>FEDERAL AWARDS</u>			
Department of Housing and Urban Development/ Community Development Block Grants			
2012 CDBG Disaster Recovery Grant	14.228	contract 34818	\$ 325,396
Department of Defense Law Enforcement Support Office	12.005	unknown	1,121,204
Department of Homeland Security FEMA - Assistance to Firefighters	97.044	EMW-2013-FO-04382	60,138
FEMA - Staffing for Adequate Fire and Emergency Response	97.083	EMW-2013-FF00556	24,113
Total for Department of Homeland Security			84,251
Department of Transportation Governor's Highway Safety Office - High Visibility	20.607	Z-15-GHS312	4,985
Governor's Highway Safety Office	20.607	Z-14-GHS303	4,883
Total for CFDA #	20.607		9,868
Highway Planning and Construction - Roadscapes	20.205	STP-EN-5500(54)	20,200
Recreational Trails Program	20.219	#42494	41,784
Total for Department of Transportation			71,852
Department of Agriculture Water and Waste Disposal Systems for Rural Communities - Downtonw Water System Rehab	10.760	#29	186,747
TOTAL FEDERAL AWARDS			1,789,450
<u>STATE FINANCIAL ASSISTANCE</u>			
Department of Transportation Highway Maintenance	n/a	n/a	107,496
State Law Enforcement Supplement	n/a	n/a	10,200
Department of Environment and Conservation Local Park and Recreational Fund Grant	n/a	n/a	1,500
TOTAL STATE AWARDS			119,196
TOTAL FEDERAL AND STATE AWARDS			\$ 1,908,646

Basis of Presentation

Note 1: The accompany schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the Town under programs of the federal and state governments for the year ended June 30, 2015. The schedule is presented using the modified accrual basis of accounting.

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Selmer, Tennessee (the Town), as of and for the year ended June 30, 2015, and the relate notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated April 22, 2016.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-003 thru 2015-009 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-010 and 2015-011.

Town's Response to Findings

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

Purpose of this Report

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

PRIOR YEAR DISPOSITIONS

none

McLuvin & Associates, PLLC

April 22, 2016



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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Selmer, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2015. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

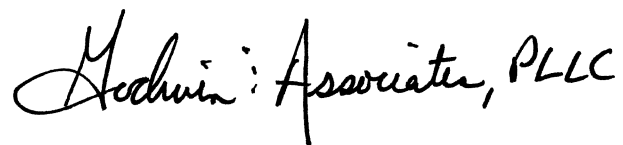
Report on Internal Control Over Compliance

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

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

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

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

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

April 22, 2016

**TOWN OF SELMER, TENNESSEE
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

Financial Statement Findings

Finding Number	Finding Title	Status
2014 - 001	General Ledger Materially Misstated Before Adjustments (original finding #2008-01)	Repeated
2014 - 002	Inadequate Segregation of Duties (original finding #2006-12)	Repeated
2014 - 003	Bank Deposits (original finding #2006-15)	Repeated
2014 - 004	Inadequate Support for Parks and Recreational Department Revenues (original finding #2013-01)	Repeated
2014 - 005	Expenditures Exceeded Budget (original finding #2014-01)	Repeated

Federal Award Findings and Questioned Costs

Finding Number	Finding Title	Status
SA 2014-001	Preparation of Schedule of Expenditures of Federal Awards	Corrected

**TOWN OF SELMER, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

SECTION I – Summary of Auditor’s Results

- (a) Type of report issued on the financial statements:
Unqualified
- (b) The audit of the financial statements did disclose weaknesses in internal control two of which were considered material weakness and seven of which were considered significant deficiencies.
- (c) The audit of the financial statements disclosed two instances of noncompliance which were material to the financial statements.
- (d) The audit did not disclose any significant deficiencies or material weaknesses in internal control over major programs.
- (e) Type of report issued on compliance for major programs:
Unqualified
- (f) The audit did not disclose any findings required to be reported under Circular A-133, Section 510(a).
- (g) Major programs:
CFDA 14.228 – Community Development Block Grants/State’s Program
CFDA 12.005 – Law Enforcement Support Office
- (h) Dollar threshold used to distinguish between Type A and Type B programs:
\$300,000
- (i) The auditee did not qualify as a low-risk auditee.

SECTION II – Financial Statement Findings

GOVERNMENTAL FUNDS

2015 – 001 GENERAL LEDGER MATERIALLY MISSTATED BEFORE AUDIT ADJUSTMENTS

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

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

2015 – 002 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.

2015 – 003 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.

2015 – 004 INADEQUATE SUPPORT FOR PARKS AND RECREATIONAL DEPARTMENT REVENUES

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

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

2015 – 005 CASH RECEIPTS

The Town did not prepare cash receipts for property taxes collected. The Town's police department and parks department were not always issuing cash receipts for collections. Also, the Town was not indicating the payor or type of payment collected (cash or check) on some of the cash receipts.

Recommendation: There should be a daily cash receipt issue for all collections. This cash receipt should include the payor, purpose, type of payment (i.e. cash, check, money order, credit card, etc.) and include a place for an employee's initials.

2015 – 006 SHORTAGE OF CASH ON HAND

There was shortages of cash on hand for a couple employees when we performed our surprise cash counts. The Town was not reconciling or reporting any cash shortages or overages during the year.

Recommendation: Daily reconciliations should be performed for all cash on hand. Any shortages or overages should be reported and recorded daily.

2015 – 007 PURCHASE ORDERS

Purchase orders were not issued properly. Some purchase orders were issued after the fact, some were incomplete and some disbursements did not have a purchase order.

Recommendation: We recommend that the Town follow its purchasing policy for all purchases.

2015 – 008 INADEQUATE SUPPORT FOR DISBURSEMENTS

The Town did not have adequate support for all disbursements. Credit card statements did not always have the proper receipts to support the statement.

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

Recommendation: The Town should follow the controls as listed in the Internal Control and Compliance Manual for Tennessee Municipalities.

2015-009 IMPROPERLY REPORTED PAY ON W-2'S

The Town reported pay to volunteer firefighters and to a part-time police department employee as contract labor when it should be reported as W-2 wages.

Recommendation: We recommend that all amounts paid for volunteer firefighters and other employee to be included on W-2's and have proper withholdings deducted as required by the IRS.

2015 – 010 EXPENDITURES EXCEEDED BUDGET

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

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

2015 – 011 NONCOMPLIANCE WITH GRANT REQUIREMENTS

The Town received grant reimbursements on March 26, 2015 for items that they have not received nor paid for as of the winter 2015.

Recommendation: The Town should follow the grant requirements for requesting reimbursements.

SECTION III – Federal Award Findings and Questioned Costs

NONE

**TOWN OF SELMER, TENNESSEE
CORRECTIVE ACTION PLAN
JUNE 30, 2015**

2015 – 001 GENERAL LEDGER MATERIALLY MISSTATED BEFORE AUDIT ADJUSTMENTS

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

Anticipated completion date: We are doing this now.

2015 – 002 INADEQUATE SEGREGATION OF DUTIES

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

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

2015 –003 BANK DEPOSITS

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

Anticipated completion date: We will take immediate action.

2015 – 004 INADEQUATE SUPPORT FOR PARKS AND RECREATIONAL DEPARTMENT REVENUES

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

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

2015 – 005 CASH RECEIPTS

Corrective action planned: There will be a daily cash receipt issued for all collections. It will include details about the collections and will include the type of payment received – cash or check, etc. The receipt will be initialed by the employee that received the payment.

Anticipated completion date: We will take immediate action.

2015 – 006 SHORTAGE OF CASH ON HAND

Corrective action planned: Daily reconciliations of cash will be performed. Any shortages or overages will be recorded daily.

Anticipated completion date: We will take immediate action.

2015 – 007 PURCHASE ORDERS

Corrective action planned: The Town's purchasing policy will be followed more accurately for all purchases.

Anticipated completion date: We will take immediate action.

2015 – 008 INADEQUATE SUPPORT FOR DISBURSEMENTS

Corrective action planned: The Town will work more diligently in making sure that all purchases made with the credit card will be support by receipts. The Internal Controls referenced will be reviewed by relevant personnel and followed.

Anticipated completion date: We will take immediate action.

2015 – 009 IMPROPERLY REPORTED PAY ON W-2'S

Corrective action planned: Volunteer firefighters will no longer be paid as contractors. They will be through the payroll system and will receive a W-2 for the wages paid to them.

Anticipated completion date: We will take immediate action.

2015 – 010 EXPENDITURES EXCEEDED BUDGET

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

Anticipated completion date: We will take immediate action.

2015 – 011 NONCOMPLIANCE WITH GRANT REQUIREMENTS

Corrective action planned: In the future, the Town will work to follow the grant requirements to requesting reimbursements.

Anticipated completion date: We will take immediate action.