

TOWN OF SELMER, TENNESSEE
ANNUAL FINANCIAL REPORT
JUNE 30, 2016

TOWN OF SELMER, TENNESSEE
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016

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**TOWN OF SELMER, TENNESSEE
ROSTER OF PUBLICLY ELECTED AND MANAGEMENT OFFICIALS
JUNE 30, 2016**

Elected Officials

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

Management Officials

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

Counsel

Terry Abernathy	Selmer, Tennessee
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Selmer, Tennessee (the Town), as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Sanitation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note IV.D., the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an amendment of GASB Statement No. 67, No. 68, and No 73*. 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 changes in net pension liability (asset) and related ratios based on participation in

the public employee pension plan of TCRS, schedule of contributions based on participation in the public employee pension plan of TCRS, and notes to required supplementary information on pages 4 through 8 and page 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 Town's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



December 8, 2016

**TOWN OF SELMER, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016. 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, 2016, net position changed as follows:

TOWN OF SELMER'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 6,301,638	\$ 3,821,384	\$ 8,216,493	\$ 7,691,612	\$ 14,518,131	\$ 11,512,996
Capital assets	4,461,599	4,257,410	24,283,065	24,869,482	28,744,664	29,126,892
Total Assets	<u>10,763,237</u>	<u>8,078,794</u>	<u>32,499,558</u>	<u>32,561,094</u>	<u>43,262,795</u>	<u>40,639,888</u>
Total deferred outflows of resources	<u>459,606</u>	<u>244,143</u>	<u>319,665</u>	<u>165,843</u>	<u>779,271</u>	<u>409,986</u>
Long term liabilities	3,675,295	1,261,202	10,423,099	10,980,456	14,098,394	12,241,658
Other liabilities	247,026	176,097	416,271	434,988	663,297	611,085
Total liabilities	<u>3,922,321</u>	<u>1,437,299</u>	<u>10,839,370</u>	<u>11,415,444</u>	<u>14,761,691</u>	<u>12,852,743</u>
Total deferred inflows of resources	<u>1,226,455</u>	<u>1,223,382</u>	<u>335,555</u>	<u>345,306</u>	<u>1,562,010</u>	<u>1,568,688</u>
Net Position						
Net investments in capital assets	859,461	3,077,334	13,912,004	13,940,375	14,771,465	17,017,709
Restricted	417,185	141,340	211,101	-	628,286	141,340
Unrestricted	4,797,421	2,443,582	7,521,193	7,025,812	12,318,614	9,469,394
Total Net Position	<u>\$ 6,074,067</u>	<u>\$ 5,662,256</u>	<u>\$ 21,644,298</u>	<u>\$ 20,966,187</u>	<u>\$ 27,718,365</u>	<u>\$ 26,628,443</u>

During the current fiscal year, the Town's total net position increased by \$1,041,765 (exclusive of prior period adjustments) compared to the prior year increase of \$2,246,367.

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 \$462,843 compared to an increase in the prior year of \$587,431.
- The Town's Water Systems Fund operated at an increase in net position of \$215,268 compared to an increase in the prior year of \$428,555. The primary reason for this decrease is due to grant revenues in the prior year.

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Fees, fines and charges for services	\$ 1,000,835	\$ 973,834	\$ 4,931,524	\$ 5,384,883	\$ 5,932,359	\$ 6,358,717
Operating grants and contributions	561,565	659,716	-	-	561,565	659,716
Capital grants and contributions	259,834	1,089,409	82,534	295,000	342,368	1,384,409
General Revenues:						
Property taxes	826,714	859,282	-	-	826,714	859,282
Sales taxes	2,216,219	2,108,491	-	-	2,216,219	2,108,491
Public service taxes	40,764	37,411	-	-	40,764	37,411
Investment earnings	11,413	10,561	17,802	16,771	29,215	27,332
Insurance recoveries	31,328	-	14,290	19,399	45,618	19,399
Gain on sale of assets	-	-	-	6,300	-	6,300
Negative pension expense	4,318	-	-	-	4,318	-
Accretion on debt premiums	13,459	-	11,292	-	24,751	-
Miscellaneous	15,150	61,198	-	-	15,150	61,198
Transfers	118,896	121,654	-	-	118,896	121,654
Total Revenues	5,100,495	5,921,556	5,057,442	5,722,353	10,157,937	11,643,909
Expenses:						
General government	863,603	891,702	-	-	863,603	891,702
Public safety	2,152,416	2,084,921	-	-	2,152,416	2,084,921
Public works	1,135,926	1,282,170	-	-	1,135,926	1,282,170
Health, welfare and recreation	413,621	391,188	-	-	413,621	391,188
Bond issued costs	87,468	-	-	-	87,468	-
Interest on long-term debt	83,807	41,194	-	-	83,807	41,194
Water and Sewer	-	-	2,897,891	2,847,647	2,897,891	2,847,647
Natural Gas	-	-	1,362,544	1,737,066	1,362,544	1,737,066
Transfers out	-	-	118,896	121,654	118,896	121,654
Total Expenses	4,736,841	4,691,175	4,379,331	4,706,367	9,116,172	9,397,542
Increase (decrease) in net position	363,654	1,230,381	678,111	1,015,986	1,041,765	2,246,367
Net position-beginning, as originally stated	5,662,256	4,438,913	20,966,187	20,012,552	26,628,443	24,451,465
Restatement - GASB 68 implementation	-	(90,409)	-	(62,351)	-	(152,760)
Prior period adjustments	48,157	83,371	-	-	48,157	83,371
Net position-beginning, as restated	5,710,413	4,431,875	20,966,187	19,950,201	26,676,600	24,382,076
Net position-end of year	\$ 6,074,067	\$ 5,662,256	\$ 21,644,298	\$ 20,966,187	\$ 27,718,365	\$ 26,628,443

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 \$4,809,668 which is 97% increase from last year's total of \$2,439,759. The increase is primarily due to proceeds from a bond obligation.

The following schedule presents a summary of general and, special revenue funds' revenues and expenditures for the fiscal year ended June 30, 2016, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	June 30, 2016	Percent of Total	Increase (Decrease)
			from June 30, 2015
Taxes	\$ 2,636,660	52.54%	\$ 47,948
Intergovernmental	1,320,412	26.31%	(852,313)
Licenses and permits	5,512	0.11%	1,385
Charges for services	527,954	10.52%	8,470
Fines and forfeitures	467,369	9.31%	17,146
Other revenues	60,891	1.21%	(11,368)
Total Revenues	\$ 5,018,798	100.00%	\$ (788,732)

The difference in intergovernmental revenues was primarily due to LESO equipment grants.

Expenditures	June 30, 2016	Percent of Total	Increase (Decrease) from June 30, 2015
General government	\$ 840,049	15.65%	\$ (12,855)
Public Safety	1,912,765	35.63%	2,701
Public Works	1,101,391	20.51%	(141,928)
Health, welfare, and recreation	341,306	6.36%	18,871
Capital outlay	834,384	15.54%	(467,456)
Debt Service	338,881	6.31%	23,907
Total Expenditures	\$ 5,368,776	100.00%	\$ (576,760)

The decreased capital outlay expenditure is primarily due to lower amounts of LESO capital 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, 2016, the Town had invested \$28,744,664 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 decrease (including additions and deductions) of \$382,228, or 1.3% below the prior year. Additional information on capital assets is in Note III.A.

Debt

At year-end, the Town had \$14,098,393 in outstanding long-term liabilities compared to \$12,241,658 last year. Of the total outstanding debt 26% belongs to the Governmental funds, 0.2% belongs to the Gas Fund, and 73.8% to the Water and Sewer Fund. Additional information on debt is in Note III.B.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

TOWN OF SELMER, TENNESSEE
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash equivalents	\$ 4,553,109	\$ 7,291,917	\$ 11,845,026
Receivables:			
Property taxes	834,326	-	834,326
Accounts receivable	52,003	374,261	426,264
Grant receivable	37,533	-	37,533
Due from other governments	337,953	-	337,953
Inventories	-	286,738	286,738
Prepaid items	29,589	17,376	46,965
Internal balances	39,030	(39,030)	-
Net pension assets	418,095	285,231	703,326
Capital assets (net of accumulated depreciation):			
Nondepreciable	722,457	637,375	1,359,832
Depreciable	3,739,142	23,645,690	27,384,832
TOTAL ASSETS	10,763,237	32,499,558	43,262,795
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	459,606	319,665	779,271
LIABILITIES			
Accounts payable	133,804	184,533	318,337
Accrued expenses	80,946	97,853	178,799
Unearned revenues	32,277	-	32,277
Customer deposits	-	133,885	133,885
Debt:			
Due within one year	269,647	557,520	827,167
Due in more than one year (net of unamortized premiums)	3,405,647	9,865,579	13,271,226
TOTAL LIABILITIES	3,922,321	10,839,370	14,761,691
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - property taxes	740,656	-	740,656
Pensions	485,799	335,555	821,354
	1,226,455	335,555	1,562,010
NET POSITION			
Net investment in capital assets	859,461	13,912,004	14,771,465
Restricted for:			
State Street Aid Fund	55,716	-	55,716
Drug Fund	19,103	-	19,103
Sanitation	30,945	-	30,945
Restricted for other purposes	418,095	285,231	703,326
Unrestricted	4,690,747	7,447,063	12,137,810
TOTAL NET POSITION	\$ 6,074,067	\$ 21,644,298	\$ 27,718,365

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

**TOWN OF SELMER, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

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	\$ 863,603	\$ 34,938	\$ 6,850	\$ 31,444	\$ (790,371)	\$ -	\$ (790,371)
Public Safety	2,152,416	482,840	332,016	61,613	(1,275,947)	-	(1,275,947)
Public Works	1,135,926	437,855	222,699	-	(475,372)	-	(475,372)
Health, Welfare and Recreation	413,621	45,202	-	166,777	(201,642)	-	(201,642)
Bond issue costs	87,468	-	-	-	(87,468)	-	(87,468)
Interest on long-term debt	83,807	-	-	-	(83,807)	-	(83,807)
Total governmental activities	4,736,841	1,000,835	561,565	259,834	(2,914,607)	-	(2,914,607)
Business-type activities							
Water and Sewer	2,897,891	3,065,707	-	82,534	-	250,350	250,350
Natural Gas	1,362,544	1,865,817	-	-	-	503,273	503,273
Total business-type activities	4,260,435	4,931,524	-	82,534	-	753,623	753,623
Total Government	\$ 8,997,276	\$ 5,932,359	\$ 561,565	\$ 342,368	(2,914,607)	753,623	
General Revenues:							
Taxes:							
Property					826,714	-	826,714
Sales					2,216,219	-	2,216,219
Public service taxes					40,764	-	40,764
Investment earnings					11,413	17,802	29,215
Negative pension expense					4,318	-	4,318
Insurance recoveries					31,328	14,290	45,618
Accretion on debt premiums					13,459	11,292	24,751
Miscellaneous					15,150	-	15,150
Transfers					118,896	(118,896)	-
					3,278,261	(75,512)	3,202,749
					363,654	678,111	1,041,765
Net position at beginning of year, as originally stated					5,662,256	20,966,187	26,628,443
Prior period adjustment					48,157	-	48,157
Net position at beginning of year, as restated					5,710,413	20,966,187	26,676,600
Net position at end of year					\$ 6,074,067	\$ 21,644,298	\$ 27,718,365

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

**TOWN OF SELMER, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General</u>	<u>Sanitation</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 4,392,028	\$ 14,429	\$ 146,652	\$ 4,553,109
Taxes receivable	834,326	-	-	834,326
Grant receivables	37,533	-	-	37,533
Accounts receivable	52,003	-	-	52,003
Due from other funds	35,210	39,030	-	74,240
Receivables from other governments	315,447	-	22,506	337,953
Prepaid expenses	29,589	-	-	29,589
	<u>5,696,136</u>	<u>53,459</u>	<u>169,158</u>	<u>5,918,753</u>
LIABILITIES				
Accounts payable	\$ 60,297	\$ 19,138	\$ 54,369	\$ 133,804
Accrued expenses	70,092	3,376	-	73,468
Due to other funds	-	-	35,210	35,210
Unearned revenues - other	27,517	-	4,760	32,277
Total liabilities	<u>157,906</u>	<u>22,514</u>	<u>94,339</u>	<u>274,759</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	<u>834,326</u>	<u>-</u>	<u>-</u>	<u>834,326</u>
FUND BALANCES				
Nonspendable				
Prepaid items	29,589	-	-	29,589
Restricted				
State street aid	-	-	55,716	55,716
Drug	-	-	19,103	19,103
Sanitation	-	30,945	-	30,945
Assigned				
Street project	2,125,000	-	-	2,125,000
Unassigned				
General fund	<u>2,549,315</u>	<u>-</u>	<u>-</u>	<u>2,549,315</u>
Total fund balances	<u>4,703,904</u>	<u>30,945</u>	<u>74,819</u>	<u>4,809,668</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,696,136</u>	<u>\$ 53,459</u>	<u>\$ 169,158</u>	<u>\$ 5,918,753</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, 2016

Total fund balance - total governmental funds	\$	4,809,668
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		4,461,599
Net pension asset is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.		418,095
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.		(26,193)
Compensated absences are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		(73,156)
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	\$	269,647
Due in more than one year		3,305,735
		(3,575,382)
Bond premiums are not reported in the governmental funds but are recorded for government-wide purposes.		(26,756)
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.		(7,478)
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.		93,670
Net position of governmental activities	\$	<u><u>6,074,067</u></u>

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

TOWN OF SELMER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General	Sanitation	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,636,660	\$ -	\$ -	\$ 2,636,660
Intergovernmental revenues	1,199,323	-	121,089	1,320,412
Licenses and permits	5,512	-	-	5,512
Charges for services	90,099	437,855	-	527,954
Fines, forfeits, and penalties	448,635	-	18,734	467,369
Other revenues	60,768	-	123	60,891
Total Revenues	<u>4,440,997</u>	<u>437,855</u>	<u>139,946</u>	<u>5,018,798</u>
Expenditures				
Current				
General government	840,049	-	-	840,049
Public safety	1,823,146	-	89,619	1,912,765
Public works	559,674	443,417	98,300	1,101,391
Health, welfare, and recreation	341,306	-	-	341,306
Capital outlay	834,384	-	-	834,384
Debt service	326,840	12,041	-	338,881
Total Expenditures	<u>4,725,399</u>	<u>455,458</u>	<u>187,919</u>	<u>5,368,776</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(284,402)</u>	<u>(17,603)</u>	<u>(47,973)</u>	<u>(349,978)</u>
Other financing sources (uses)				
Transfers in	118,896	20,000	10,000	148,896
Transfers out	(30,000)	-	-	(30,000)
Premium on bonds	13,459	-	-	13,459
Bond issue costs	(87,468)	-	-	(87,468)
Proceeds from bond issue	2,675,000	-	-	2,675,000
Total other financing sources (uses)	<u>2,689,887</u>	<u>20,000</u>	<u>10,000</u>	<u>2,719,887</u>
Net change in fund balances	2,405,485	2,397	(37,973)	2,369,909
FUND BALANCES - beginning of year	<u>2,298,419</u>	<u>28,548</u>	<u>112,792</u>	<u>2,439,759</u>
FUND BALANCES - end of year	<u>\$ 4,703,904</u>	<u>\$ 30,945</u>	<u>\$ 74,819</u>	<u>\$ 4,809,668</u>

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, 2016

Net change in fund balances - total governmental funds	\$ 2,369,909
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.	834,384
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.	(630,196)
Principal paid on debt	260,486
Debt proceeds are recorded on the governmental funds as revenue, but the government-wide statement of activities does not report debt proceeds as revenue.	(2,675,000)
Effect of GASB 68 on retirement expense; reported on governmental funds but not on government-wide for 2015-2016 year	246,259
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	12,788
Revenues recognized on the governmental funds in the current year but recognized on the statement of activities	(48,157)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(6,819)
Change in net position of governmental activities	<u>\$ 363,654</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, 2016**

Revenues	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes				
Property taxes - current	\$ 720,000	\$ 720,000	\$ 754,726	\$ 34,726
Property taxes - delinquent	20,000	20,000	27,214	7,214
Local option sales taxes	1,200,000	1,220,000	1,481,626	261,626
Local wholesale beer taxes	170,000	170,000	208,240	38,240
Local wholesale liquor taxes	-	-	4,013	4,013
Business taxes	25,000	25,000	97,725	72,725
Cable TV franchise taxes	28,500	28,500	40,764	12,264
Hotel/Motel taxes	20,000	20,000	22,352	2,352
Total taxes	2,183,500	2,203,500	2,636,660	433,160
Intergovernmental				
State of Tennessee				
- TVA replacement tax	45,000	45,000	51,593	6,593
- Sales tax allocation	300,000	300,000	353,350	53,350
- Income tax allocation	17,000	17,000	34,506	17,506
- Beer tax allocation	1,000	1,000	2,146	1,146
- Mixed drink tax allocation	2,000	2,000	1,527	(473)
- Petroleum tax	-	-	8,946	8,946
- Telecommunication tax	250	250	387	137
- Corporate excise tax	9,000	9,000	10,347	1,347
State law enforcement	9,600	9,600	9,000	(600)
High visibility grant	-	-	5,000	5,000
TVA energy grant	-	-	20,118	20,118
FEMA tornado relief	-	-	48,157	48,157
Fire Dept grants	35,950	35,950	5,254	(30,696)
LESO grant	-	-	374,375	374,375
CDBG disaster recovery grant	5,000	21,682	11,326	(10,356)
THDA grant	-	-	2,250	2,250
State LPRF grant - Dixie park phase II	215,000	215,000	166,777	(48,223)
Walking trail grant	-	-	100	100
State highway maintenance grant	85,000	85,000	92,664	7,664
Other grants	-	20,118	1,500	(18,618)
Total intergovernmental revenues	724,800	761,600	1,199,323	437,723
Licenses and permits				
Beer permits	1,600	1,600	4,208	2,608
Building permits	1,200	1,200	1,304	104
Total licenses and permits	2,800	2,800	5,512	2,712
Charges for services				
Special fire protection	9,350	9,350	15,471	6,121
Swimming pool charges	3,000	3,000	5,476	2,476
Splash pad	-	-	5,167	5,167
Recreation programs	30,000	30,000	34,559	4,559
Community center fees	30,000	30,000	29,426	(574)
Total charges for services	72,350	72,350	90,099	17,749
Fines, forfeits, and penalties				
City court fines	165,000	187,919	223,679	35,760
Fines, fees and penalties - auto cameras	100,000	153,586	205,359	51,773
Court fines from County	30,000	30,000	19,597	(10,403)
Total fines, forfeits, and penalties	295,000	371,505	448,635	77,130

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues (continued)				
Other revenues				
Civic Center - United Way	500	500	3,000	2,500
Rent - UTM Anticipated	15,000	15,000	-	(15,000)
Insurance recoveries	5,000	24,400	31,328	6,928
Sales of materials	4,000	4,000	5,000	1,000
Contributions	500	500	430	(70)
Penalties and interest	8,000	8,000	11,290	3,290
Miscellaneous	13,000	13,000	9,720	(3,280)
Total other revenues	<u>46,000</u>	<u>65,400</u>	<u>60,768</u>	<u>(4,632)</u>
Total revenues	<u>3,324,450</u>	<u>3,477,155</u>	<u>4,440,997</u>	<u>963,842</u>
Expenditures				
General government				
Legislative				
Mayor	47,000	47,000	48,136	(1,136)
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	5,259	1,741
Memberships and registration fees	3,500	3,500	2,416	1,084
Advertising	2,500	2,500	2,956	(456)
State planning office	7,500	7,500	7,250	250
Travel	4,000	4,000	-	4,000
Mayor expense	10,000	10,000	8,703	1,297
Prizes and awards	2,200	2,200	466	1,734
Salaries	6,000	6,000	6,000	-
Payroll taxes	459	459	459	-
Total legislative	<u>83,518</u>	<u>83,518</u>	<u>75,004</u>	<u>8,514</u>
General government buildings				
Utility services	2,500	2,500	1,248	1,252
Electricity	5,500	5,500	4,434	1,066
Repairs and maintenance	5,000	5,000	4,369	631
Household and janitorial	1,500	1,500	895	605
Total general government buildings	<u>14,500</u>	<u>14,500</u>	<u>10,946</u>	<u>3,554</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 (continued)
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
General government (continued)				
Financial administration				
Salaries	52,886	52,886	53,686	(800)
Salaries - permanent employees	32,395	32,395	27,286	5,109
OASI	6,524	6,524	6,016	508
Hospital and health	335,000	335,000	331,834	3,166
Retirement	14,651	14,651	13,774	877
Workers compensation	95,400	95,400	83,642	11,758
Unemployment	3,500	3,500	3,810	(310)
Refunds	300	300	-	300
Postage and box rental	2,500	2,500	658	1,842
Telephone	7,500	7,500	7,785	(285)
Professional services	1,000	1,000	1,032	(32)
Legal	10,000	10,000	7,819	2,181
Audit	16,500	16,500	22,000	(5,500)
Data processing services	15,000	15,000	14,821	179
Other professional	1,500	1,500	-	1,500
Miscellaneous	750	750	4,200	(3,450)
Office supplies	3,000	3,000	1,976	1,024
Property tax roll	2,300	2,300	-	2,300
Computer supplies	1,500	1,500	192	1,308
Fax and copier	3,000	3,000	2,642	358
Insurance - vehicles	125,000	125,000	113,398	11,602
Surety bonds	1,000	1,000	733	267
Office supplies	100	100	-	100
Awards for services	2,100	2,100	2,100	-
Total financial administration	733,406	733,406	699,404	34,002
Civic center				
Advertising	1,000	1,000	1,847	(847)
Utility service	10,000	10,000	7,324	2,676
Electricity	35,000	35,000	26,580	8,420
Repair and maintenance	1,500	1,500	6,147	(4,647)
Repair and maintenance-other	4,000	4,000	5,835	(1,835)
Household and janitorial	5,000	5,000	6,862	(1,862)
Surety bonds	300	300	100	200
Capital outlay	19,000	19,000	-	19,000
Total civic center	75,800	75,800	54,695	21,105
Debt service				
Principal	251,053	251,053	250,486	567
Interest	33,750	77,150	76,354	796
Total debt service	284,803	328,203	326,840	1,363
Total general government	1,192,027	1,235,427	1,166,889	68,538

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Public safety				
Police department				
Salaries	185,380	185,380	186,173	(793)
Payroll taxes	49,212	49,212	46,742	2,470
Retirement	102,800	102,800	94,190	8,610
Employee education	17,000	17,000	17,992	(992)
Refunds	400	400	-	400
Vehicle tow-in service	500	500	140	360
Telephone	5,000	5,000	2,483	2,517
Professional service	58,000	58,000	58,676	(676)
Data processing	750	750	300	450
Repair and maintenance	1,000	1,000	692	308
Repair and maintenance - vehicles	19,000	37,000	49,017	(12,017)
Repair and maintenance - radios	3,500	3,500	2,117	1,383
Travel	800	800	-	800
Ambulance and clinic	1,500	1,500	593	907
City court cost	12,000	12,000	15,626	(3,626)
Miscellaneous	1,250	1,250	1,529	(279)
Office supplies	7,000	7,000	5,557	1,443
Operating supplies	9,000	17,000	15,562	1,438
Uniforms	10,000	15,000	15,106	(106)
Gas, oil and diesel	42,000	42,000	18,564	23,436
Building and office	725	725	-	725
Small items of equipment	-	-	323,015	(323,015)
Overtime	35,000	35,000	25,238	9,762
Salaries	32,995	32,995	33,847	(852)
Hourly wages	382,000	382,000	361,760	20,240
Overtime	500	500	-	500
Hourly wages	28,725	28,725	22,738	5,987
Capital outlay	-	-	51,359	(51,359)
Total police department	1,006,037	1,037,037	1,349,016	(311,979)
Fire department				
Salaries	204,000	204,000	187,917	16,083
Overtime	9,000	19,739	19,044	695
Payroll taxes	16,191	16,191	17,082	(891)
Retirement	32,728	32,728	35,228	(2,500)
Training	24,000	24,000	21,494	2,506
Grant paid employees	12,000	12,000	10,105	1,895
Volunteer firemen	25,000	34,000	29,306	4,694
Fire code enforcement	3,000	3,000	2,932	68
Subscriptions	275	275	388	(113)
Public relations	3,300	3,300	3,299	1
Utilities	25,000	25,000	25,858	(858)
Telephone	5,000	5,000	5,036	(36)
Repair and maintenance	9,000	9,000	8,999	1
Repair and maintenance - vehicles	15,000	21,336	21,326	10
Repair and maintenance - building	4,500	5,500	5,465	35
Repair and maintenance - radios	2,000	4,293	4,286	7
Travel	8,000	8,000	7,854	146
Medical, physicals, etc...	3,500	3,500	2,564	936
Miscellaneous	1,000	1,000	1,029	(29)
Office supplies and materials	1,800	1,800	1,802	(2)
Additional items of equipment	9,350	21,700	36,764	(15,064)
Operating supplies	2,000	2,000	1,918	82
Uniforms	5,750	5,750	5,751	(1)
Gas, oil and diesel	20,000	20,000	10,545	9,455
Capital outlay	40,000	40,000	8,000	32,000
Total fire department	481,394	523,112	473,992	49,120

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Public safety (continued)				
Building inspector				
Salaries	43,122	43,122	44,376	(1,254)
Payroll taxes	3,299	3,299	3,375	(76)
Retirement	7,408	7,408	7,682	(274)
Education and training	250	250	548	(298)
Telephone	450	450	545	(95)
Repair and maintenance - vehicle	400	400	562	(162)
Repair and maintenance - grounds	2,000	2,000	-	2,000
Operating supplies	400	400	306	94
Gas, oil and diesel	2,200	2,200	2,103	97
Total building inspector	59,529	59,529	59,497	32
Total public safety	1,546,960	1,619,678	1,882,505	(262,827)
Public works				
Streets and highways				
Salaries	45,946	45,946	50,974	(5,028)
Overtime	5,000	9,000	9,680	(680)
Hourly wages	232,885	232,885	238,957	(6,072)
Payroll taxes	21,713	21,713	21,242	471
Retirement	48,762	48,762	48,489	273
Utilities	2,000	2,000	1,452	548
Electricity	2,000	2,000	2,197	(197)
Telephone	2,000	2,000	2,002	(2)
Repair and maintenance	500	500	305	195
Repair and maintenance - vehicles	18,000	18,000	16,969	1,031
Repair and maintenance - other equipment	1,500	4,500	4,540	(40)
Repair and maintenance - machinery	5,000	5,000	3,919	1,081
Repair and maintenance - radios	600	600	-	600
Repair and maintenance - streets	35,000	35,000	35,161	(161)
Other contractual services	78,000	78,000	77,633	367
Clinic, hospital	300	300	442	(142)
Office supplies	2,000	4,000	3,984	16
Operating supplies	10,000	14,000	15,322	(1,322)
Uniforms	6,700	6,700	6,724	(24)
Gas, oil and diesel	35,000	35,000	18,589	16,411
Consumable tools	300	300	28	272
Sign parts and supplies	3,700	3,700	1,065	2,635
Capital outlay	586,906	1,015,658	428,750	586,908
Total streets and highways	1,143,812	1,585,564	988,424	597,140
Animal shelter				
Operating supplies	4,000	4,000	-	4,000
Total public works	1,147,812	1,589,564	988,424	601,140
Health, welfare, and recreation				
Grants and appropriations				
Grant/donation - Senior Citizens	6,000	6,000	4,500	1,500
Grant/donation - McNairy County Developmental	2,200	2,200	2,200	-
Grant/donation - Carl Perkins Center	1,000	1,000	-	1,000
Grant/donation - Fall Festival	1,000	1,000	1,000	-
Grant/donation - Rockabilly Festival	1,000	1,000	1,000	-
Grant/donation - McNairy Arts	3,500	3,500	3,500	-
Grant/donation - Books From Birth	1,000	1,000	-	1,000
Grant/donation - additional	500	500	400	100
Total grants and appropriations	16,200	16,200	12,600	3,600

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Health, welfare, and recreation (continued)				
Swimming pools				
Hourly wages	8,000	8,000	6,994	1,006
Payroll taxes	612	612	472	140
Publications and subscriptions	125	125	-	125
Utilities	4,300	4,300	2,622	1,678
Telephone	1,500	1,500	1,198	302
Repairs and maintenance	1,000	1,000	195	805
Chemicals	2,500	2,500	2,006	494
Other operating supplies	600	600	632	(32)
Total swimming pools	18,637	18,637	14,119	4,518
Parks and recreation				
Salaries	45,667	45,667	47,908	(2,241)
Overtime	700	700	195	505
Hourly wages	85,000	85,000	81,334	3,666
Payroll taxes	9,993	9,993	9,536	457
Retirement	17,249	17,249	17,471	(222)
Refunds	1,800	1,800	1,903	(103)
Utility	12,000	12,000	10,984	1,016
Telephone	3,300	3,300	4,020	(720)
Data processing	600	600	-	600
Repair and maintenance	16,000	16,000	16,794	(794)
Repair and maintenance-other	1,800	1,800	1,732	68
Office supplies	4,000	4,000	3,545	455
Uniforms	600	600	317	283
Other operating supplies	40,000	40,000	46,734	(6,734)
Gas, oil and diesel	5,800	5,800	2,658	3,142
Other insurance	1,800	1,800	2,706	(906)
Capital outlay	236,000	236,000	346,275	(110,275)
Total parks and recreation	482,309	482,309	594,112	(111,803)
Libraries				
Grants and donations	13,500	13,500	14,500	(1,000)
Economic Development				
Grants or donations	50,000	50,000	50,000	-
Grants or donations - Home Grant Project	-	2,250	2,250	-
Total economic development	50,000	52,250	52,250	-
Total health, welfare, and recreation	580,646	582,896	687,581	(104,685)
Total expenditures	4,467,445	5,027,565	4,725,399	302,166
Excess (deficiency) of revenues over (under) expenditures	(1,142,995)	(1,550,410)	(284,402)	1,266,008
Other financing sources (uses)				
Transfers in	122,000	122,000	118,896	(3,104)
Transfers out	(15,000)	(35,000)	(30,000)	5,000
Premium on bond issue	-	-	13,459	13,459
Bond issue costs	-	-	(87,468)	(87,468)
Proceeds from bonds	-	2,600,991	2,675,000	74,009
Total other financing sources (uses)	107,000	2,687,991	2,689,887	1,896
Net change in fund balance	(1,035,995)	1,137,581	2,405,485	1,267,904
Fund balance, beginning of year	2,298,419	2,298,419	2,298,419	-
Fund balance, end of year	\$ 1,262,424	\$ 3,436,000	\$ 4,703,904	\$ 1,267,904

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, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Garbage pickup	\$ 431,400	\$ 431,400	\$ 436,213	\$ 4,813
Uncollectible accounts	-	-	(4,101)	(4,101)
Recovery of uncollectible accounts	1,200	1,200	566	(634)
Service charges and fees	3,500	3,500	5,177	1,677
Total revenues	<u>436,100</u>	<u>436,100</u>	<u>437,855</u>	<u>1,755</u>
Expenditures:				
Payroll	128,265	123,265	119,061	4,204
Payroll taxes	9,812	9,812	8,836	976
Employee insurance	30,000	30,000	26,869	3,131
Retirement	22,036	22,036	21,350	686
Utilities	4,000	4,000	3,465	535
Telephone	1,500	1,500	1,828	(328)
Data processing	15,600	15,600	15,600	-
Repairs and maintenance	17,700	17,200	24,356	(7,156)
Contractual services	145,000	145,000	162,003	(17,003)
Ambulance, clinic, etc...	100	100	-	100
Landfill services	45,000	45,000	41,218	3,782
Miscellaneous	200	200	-	200
Office supplies	1,200	200	-	200
Operating supplies	1,500	1,500	986	514
Uniforms	5,100	4,100	2,548	1,552
Gas and oil	27,000	21,000	15,151	5,849
Other operating supplies	1,000	1,000	-	1,000
Consumable tools	200	200	146	54
Capital outlay	120,000	120,000	-	120,000
Debt payments				
Principal	10,000	10,000	10,000	-
Interest	2,041	2,041	2,041	-
Total expenditures	<u>587,254</u>	<u>573,754</u>	<u>455,458</u>	<u>118,296</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(151,154)</u>	<u>(137,654)</u>	<u>(17,603)</u>	<u>120,051</u>
Other financing sources (uses)				
Transfers in	-	20,000	20,000	-
Transfers out	(20,000)	(20,000)	-	20,000
Total other financing sources (uses)	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
Net change in fund balance	(171,154)	(137,654)	2,397	140,051
Fund Balance, beginning of year	<u>28,548</u>	<u>28,548</u>	<u>28,548</u>	<u>-</u>
Fund Balance, end of the year	<u>\$ (142,606)</u>	<u>\$ (109,106)</u>	<u>\$ 30,945</u>	<u>\$ 140,051</u>

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

TOWN OF SELMER, TENNESSEE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Water and Sewer</u>	<u>Natural Gas</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,098,596	\$ 6,193,321	\$ 7,291,917
Accounts receivable, net of allowance	307,716	66,545	374,261
Inventory	115,032	171,706	286,738
Due from other funds	22,184	-	22,184
Prepaid expenses	11,727	5,649	17,376
TOTAL CURRENT ASSETS	<u>1,555,255</u>	<u>6,437,221</u>	<u>7,992,476</u>
NONCURRENT ASSETS			
Net pension assets	162,486	122,745	285,231
Capital assets, net	22,670,575	1,612,490	24,283,065
	<u>22,833,061</u>	<u>1,735,235</u>	<u>24,568,296</u>
TOTAL ASSETS	<u>24,388,316</u>	<u>8,172,456</u>	<u>32,560,772</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	190,656	129,009	319,665
	<u>190,656</u>	<u>129,009</u>	<u>319,665</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	161,108	23,425	184,533
Accrued expenses	57,886	16,051	73,937
Accrued interest	23,916	-	23,916
Customer deposits	99,110	34,775	133,885
Due to other funds	39,030	22,184	61,214
Current portion of long-term debt	557,520	-	557,520
TOTAL CURRENT LIABILITIES	<u>938,570</u>	<u>96,435</u>	<u>1,035,005</u>
NONCURRENT LIABILITIES			
Compensated absences	26,684	25,354	52,038
Notes payable (net of unamortized premium)	9,813,541	-	9,813,541
TOTAL NONCURRENT LIABILITIES	<u>9,840,225</u>	<u>25,354</u>	<u>9,865,579</u>
TOTAL LIABILITIES	<u>10,778,795</u>	<u>121,789</u>	<u>10,900,584</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	194,430	141,125	335,555
	<u>194,430</u>	<u>141,125</u>	<u>335,555</u>
NET POSITION			
Net investment in capital assets	12,299,514	1,612,490	13,912,004
Restricted for other purposes	162,486	122,745	285,231
Unrestricted	1,143,747	6,303,316	7,447,063
TOTAL NET POSITIONS	<u>\$ 13,605,747</u>	<u>\$ 8,038,551</u>	<u>\$ 21,644,298</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, 2016**

	<u>Water and Sewer</u>	<u>Natural Gas</u>	<u>Total</u>
OPERATING REVENUES			
Utility sales and services	\$ 2,917,502	\$ 1,831,740	\$ 4,749,242
Recovery of uncollectible accounts	9,048	9,283	18,331
Uncollectible accounts	(30,917)	(4,957)	(35,874)
Service charges and fees	167,765	29,741	197,506
Other income	2,309	10	2,319
TOTAL OPERATING REVENUES	<u>3,065,707</u>	<u>1,865,817</u>	<u>4,931,524</u>
OPERATING EXPENSES			
Cost of natural gas sold	-	550,441	550,441
Personal services	820,940	546,181	1,367,121
Contractual services	805,262	107,769	913,031
Supplies	80,318	20,653	100,971
Insurance	75,501	32,731	108,232
Depreciation	777,038	104,769	881,807
TOTAL OPERATING EXPENSES	<u>2,559,059</u>	<u>1,362,544</u>	<u>3,921,603</u>
OPERATING INCOME	<u>506,648</u>	<u>503,273</u>	<u>1,009,921</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	1,832	15,970	17,802
Insurance recoveries	9,590	4,700	14,290
Accretion on debt premiums	11,292	-	11,292
Interest expense	(338,832)	-	(338,832)
NET NONOPERATING EXPENSES	<u>(316,118)</u>	<u>20,670</u>	<u>(295,448)</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>190,530</u>	<u>523,943</u>	<u>714,473</u>
Capital contributions	82,534	-	82,534
Transfers out	(57,796)	(61,100)	(118,896)
CHANGE IN NET POSITION	<u>215,268</u>	<u>462,843</u>	<u>678,111</u>
NET POSITION - BEGINNING OF YEAR	<u>13,390,479</u>	<u>7,575,708</u>	<u>20,966,187</u>
NET POSITION- END OF YEAR	<u>\$ 13,605,747</u>	<u>\$ 8,038,551</u>	<u>\$ 21,644,298</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, 2016**

	<u>Water and Sewer</u>	<u>Natural Gas</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 3,042,170	\$ 1,866,434	\$ 4,908,604
Cash receipts from other funds for services	-	23,448	23,448
Cash payments to suppliers for goods and services	(940,646)	(721,008)	(1,661,654)
Cash payments to other funds for services	(23,158)	-	(23,158)
Cash payments for personnel services	<u>(925,379)</u>	<u>(615,460)</u>	<u>(1,540,839)</u>
CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,152,987</u>	<u>553,414</u>	<u>1,706,401</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	<u>(57,796)</u>	<u>(61,100)</u>	<u>(118,896)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of fixed assets	(268,353)	(27,037)	(295,390)
Insurance recoveries	9,590	4,700	14,290
Contributions from grants	196,096	-	196,096
Principal payments on long-term debt	(546,754)	-	(546,754)
Interest paid on long-term debt	<u>(338,832)</u>	<u>-</u>	<u>(338,832)</u>
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(948,253)</u>	<u>(22,337)</u>	<u>(970,590)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	<u>1,832</u>	<u>15,970</u>	<u>17,802</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	148,770	485,947	634,717
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>949,826</u>	<u>5,707,374</u>	<u>6,657,200</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,098,596</u>	<u>\$ 6,193,321</u>	<u>\$ 7,291,917</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 506,648	\$ 503,273	\$ 1,009,921
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	777,038	104,769	881,807
GASB 68 adjustments related to pension	(99,320)	(64,253)	(163,573)
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(20,232)	2,147	(18,085)
(Increase) decrease in due from other funds	(21,384)	2,064	(19,320)
(Increase) decrease in inventory	17,439	6,164	23,603
(Increase) decrease in prepaids	(461)	1,761	1,300
(Increase) decrease in net pension liability (asset)	(4,703)	(6,131)	(10,834)
Increase (decrease) in accounts payable	(2,698)	(20,572)	(23,270)
Increase (decrease) in accrued liabilities	6,155	21,384	27,539
Increase (decrease) in due to other funds	(1,774)	(1,530)	(3,304)
Increase (decrease) in compensated absences	(416)	1,105	689
Increase (decrease) in customer deposits	<u>(3,305)</u>	<u>3,233</u>	<u>(72)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,152,987</u>	<u>\$ 553,414</u>	<u>\$ 1,706,401</u>

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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE I. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

Blended Component Units

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

Discretely Presented Component Units

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

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

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

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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

Fund Financial Statements:

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

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

Governmental Funds

General Fund

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

Special Revenue Funds

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

Proprietary Fund

Enterprise Funds

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

**TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016

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, 2016

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

Cash and Cash Equivalents

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

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, sales taxes, and grants. Business-type activities report utilities as their major receivables. Utility receivables are shown net of any allowance for uncollectible accounts. The allowance amounts are as follows: Water and Sewer - \$5,000; and Gas - \$5,000.

Interfund Receivables and Payables

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

Inventories and Prepaid Expenses

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

Capital Assets

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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the proprietary Statement of Net Position. These items are for pension changes in experience, changes in pension proportionate share of contributions, as well as employer contributions made to the pension plan after the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has items that qualify for reporting in this category. Accordingly, the items, are reported in the government-wide Statement of Net Position and the proprietary Statement of Net Position. These items are from the following sources: current and delinquent property taxes, pension changes in experience, and changes in pension investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated absences

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

Long-term Debt

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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

Net Position Flow Assumption

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

Net position is displayed in three components:

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

Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the finance director to assign fund balance. The council may also

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assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

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

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

Pensions

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

F. REVENUES, EXPENDITURES AND EXPENSES

Program Revenues

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

Sales Tax

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

**TOWN OF SELMER, TENNESSEE
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Property Tax

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

Operating Revenues and Expenses

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

Expenditures/ Expenses

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

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

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

Proprietary Fund – By Operating and Nonoperating

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

Interfund Transfers

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

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

A. FUND ACCOUNTING REQUIREMENTS

Fund	Required By
Police Drug Fund	State Law

**TOWN OF SELMER, TENNESSEE
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B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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

C. REVENUE RESTRICTIONS

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

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

D. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Tennessee Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town had no deficit fund balances at June 30, 2016.

E. BUDGET APPROPRIATIONS

The Town's Drug Fund had expenditures which exceeded appropriations for the year ended June 30, 2016.

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

A. ASSETS

Cash and Investments

The Town maintains checking and collection accounts with local banks.

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

Deposits

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

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

Change in Capital Assets

Depreciation was charged to various functions and activities as follows:

Governmental activities	
General government	\$ 59,285
Public safety	376,751
Public works	104,374
Health, welfare and recreation	89,786
Total governmental activities	<u>630,196</u>
Business-type activities	
Water and sewer	777,038
Natural gas	104,769
Total business-type	<u>\$ 881,807</u>

During the fiscal year ended June 30, 2016, the following changes in capital assets occurred:

	Balance 7/1/15	Increases	Decreases	Balance 6/30/16
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 241,892	\$ -	\$ -	\$ 241,892
Construction in progress	364,154	333,554	217,143	480,565
Subtotal	<u>606,046</u>	<u>333,554</u>	<u>217,143</u>	<u>722,457</u>
Capital assets being depreciated				
Buildings and improvements	4,351,849	657,220	-	5,009,069
Infrastructure	139,622	-	-	139,622
Other fixed assets	4,975,626	60,754	46,500	4,989,880
Subtotal	<u>9,467,097</u>	<u>717,974</u>	<u>46,500</u>	<u>10,138,571</u>
Less accumulated depreciation for:				
Buildings and improvements	3,049,603	177,501	-	3,227,104
Infrastructure	96,274	10,545	-	106,819
Other fixed assets	2,669,856	442,150	46,500	3,065,506
Subtotal	<u>\$ 5,815,733</u>	<u>\$ 630,196</u>	<u>\$ 46,500</u>	<u>6,399,429</u>
Total capital assets, being depreciated, net				<u>3,739,142</u>
Governmental activities capital assets, net				<u>\$ 4,461,599</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 182,425	\$ -	\$ -	\$ 182,425
Construction in Progress	317,849	137,101	-	454,950
Subtotal	<u>500,274</u>	<u>137,101</u>	<u>-</u>	<u>637,375</u>
Capital assets being depreciated				
Equipment	1,447,631	9,829	-	1,457,460
Intangibles	939,889	-	-	939,889
Infrastructure	39,088,925	148,460	-	39,237,385
Subtotal	<u>41,476,445</u>	<u>158,289</u>	<u>-</u>	<u>41,634,734</u>
Less accumulated depreciation for:				
Equipment	1,031,751	54,514	-	1,086,265
Intangibles	666,522	14,881	-	681,403
Infrastructure	15,408,964	812,412	-	16,221,376
Total accumulated depreciation	<u>\$ 17,107,237</u>	<u>\$ 881,807</u>	<u>\$ -</u>	<u>17,989,044</u>
Total capital assets, being depreciated, net				<u>23,645,690</u>
Business-type activities capital assets, net				<u>\$ 24,283,065</u>

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B. LIABILITIES

Pension Plan Obligations

General Information about the Pension Plan

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

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

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

Employees covered by benefit terms. At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	47
Inactive employees entitled to but not yet receiving benefits	56
Active employees	<u>75</u>
	<u>178</u>

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

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may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Selmer makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contribution for Selmer was \$409,986 based on a rate of 17.18 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, 2015, 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, 2015 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, 2015 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

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target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

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

Changes in the Net Pension Liability (Asset)

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	Increase (Decrease)		
	Total Pension Liability	Plan Fidiciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/14	\$ 9,528,200	\$ 10,200,476	\$ (672,276)
Changes for the year:			
Service cost	169,386	-	169,386
Interest	714,016	-	714,016
Differences between expected and actual experience	(193,275)	-	(193,275)
Contributions - employer	-	409,986	(409,986)
Contributions - employee	-	-	-
Net investment income	-	314,958	(314,958)
Benefit payments, including refunds of employee contributions	(354,733)	(354,733)	-
Administrative expense	-	(3,767)	3,767
Net changes	<u>335,394</u>	<u>366,444</u>	<u>(31,050)</u>
Balance at 6/30/15	\$ 9,863,594	\$ 10,566,920	\$ (703,326)

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	Current	1% Increase
	(6.50%)	Discount Rate (7.50%)	(8.50%)
Selmer's net pension liability (asset)	\$ 628,132	\$ (703,326)	\$ (1,813,197)

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

Negative Pension expense. For the year ended June 30, 2016, Selmer recognized negative pension expense of \$7,319.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, 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	\$ -	\$ 346,467
Net difference between projected and actual earnings on pension plan investments	361,606	474,887
Contributions subsequent to the measurement date of June 30, 2014	<u>417,665</u>	<u>n/a</u>
Total	<u>\$ 779,271</u>	<u>\$ 821,354</u>

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

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

Year Ended June 30:

2017	\$ (127,522)
2018	(127,522)
2019	(127,522)
2020	30,773
2021	(59,629)
Thereafter	(48,318)

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, 2016, Selmer did not report a payable to the pension plan for the year ended June 30, 2016.

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 \$417,227 in interest costs. Most of the governmental long-term debts have, in prior years, been liquidated by the general fund.

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

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

Governmental Activities

As of June 30, 2016, 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	\$ 525,000
General Obligation Bonds Series 2015, dated 10/22/15, Interest 2.25% - 3.375%, due semi-annually through 2035	2,675,000

Capital Outlay Notes

Capital Outlay Note, dated 07/29/13, 3.24%, due in monthly installments of \$2,168 thru July 2017	27,652
Capital Outlay Note, dated 04/13/12, 3.25%, due in annual installments through 04/13/24	36,667
Capital Outlay Note, dated 07/03/12, 2.95%, due in monthly installments through 07/03/2016	2,563
Capital Outlay Note, dated 07/15/14, 2.98%, due in annual installments through 06/01/2026	308,500

Other liabilities

Unamortized premium on debt	26,756
Compensated absences	<u>73,156</u>

Total General Long-Term Liabilities **\$ 3,675,294**

Business-Type Activities

General Obligation Bonds

Water and Sewer Bonds, Series 2013, interest 1.00% - 4.25%, payable semi-annually through August 2035	\$ 5,990,000
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Revenue and Tax Bonds

Water, Sewer, and Gas Revenue & Tax Bonds, Series 2001 2.75%, payable monthly through June 2052	105,446
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NOTES TO BASIC FINANCIAL STATEMENTS
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Water, Sewer, and Gas Revenue & Tax Bonds, Series 2010 2.75%, payable monthly through June 2050	1,708,613
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General Obligation Bonds

General Obligation Refunding Bonds Series 2011, dated 02/10/11, 3.4%, due semi-annually through 2025	1,375,000
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Notes Payable

General Obligation Capital Outlay Note, Series 2012, dated 12/18/12, 2.0%, due semi-annually through 2024	1,045,000
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Other liabilities

Unamortized premium on debt	147,002
Compensated absences	52,038

Total Business-Type Activities	<u>\$ 10,423,099</u>
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Change in Long-term liabilities

	Beginning Balance	Additions	Retirements	Ending Balance	Due within one year
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$ 700,000	\$ 2,675,000	\$ 175,000	\$ 3,200,000	\$ 210,000
Capital Outlay Notes	460,867	-	85,485	375,382	59,647
Compensated absences	81,126	-	7,970	73,156	-
Unamortized debt premiums	19,209	13,459	5,912	26,756	-
Total governmental activities	1,261,202	2,688,459	274,367	3,675,294	269,647
<u>Business Type Activities</u>					
General Obligation Bonds	7,765,000	-	400,000	7,365,000	405,000
Revenue and Tax Bonds	1,845,811	-	31,752	1,814,059	32,520
Notes Payable	1,160,000	-	115,000	1,045,000	120,000
Compensated absences	51,349	1,689	-	52,038	-
Unamortized debt premiums	158,296	-	11,294	147,002	-
Total business type activities	10,980,456	1,689	558,046	10,423,099	557,520
Total government	\$ 12,241,658	\$ 2,690,148	\$ 832,413	\$ 14,098,393	\$ 827,167

General Government

The Town obtained debt funding through General Obligation Bonds in the amount of \$2,675,000 for various projects. The bonds have an interest rate of 2.25% - 3.375% and are payable in semi-annual payments through June of 2035.

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, 2016, are as follows:

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Notes Payable

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2017	\$ 59,647	\$ 10,911	\$ 120,000	\$ 20,900	\$ 211,458
2018	34,734	9,438	125,000	18,500	187,672
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>\$ 375,382</u>	<u>\$ 58,612</u>	<u>\$ 1,045,000</u>	<u>\$ 96,500</u>	<u>\$ 1,575,494</u>

General Obligation Bonds

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2017	\$ 210,000	\$ 86,961	\$ 405,000	\$ 255,768	\$ 957,729
2018	210,000	80,924	410,000	246,168	947,092
2019	210,000	74,886	415,000	236,468	936,354
2020	140,000	68,848	420,000	226,669	855,517
2021	145,000	65,698	425,000	215,568	851,266
2022-2026	790,000	281,890	2,035,000	869,158	3,976,048
2027-2031	865,000	180,182	1,665,000	540,752	3,250,934
2032-2035	630,000	53,424	1,590,000	168,512	2,441,936
	<u>\$ 3,200,000</u>	<u>\$ 892,813</u>	<u>\$ 7,365,000</u>	<u>\$ 2,759,063</u>	<u>\$ 14,216,876</u>

Revenue and Tax Bonds

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2017	\$ 32,520	\$ 49,594
2018	33,429	48,685
2019	34,361	47,753
2020	35,320	46,794
2021	36,306	45,808
2022-2026	197,305	213,265
2027-2031	226,416	184,254
2032-2036	259,822	150,748
2037-2041	298,159	112,511
2042-2046	342,150	68,420
2047-2051	313,775	18,900
2052	4,496	65
	<u>\$ 1,814,059</u>	<u>\$ 986,797</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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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

B. INTERFUND TRANSACTIONS AND BALANCES

	General	Sanitation	Water	Total
DUE FROM:				
Drug	\$ 35,210	\$ -	\$ -	\$ 35,210
Gas	-	-	22,184	22,184
Water and Sewer	-	39,030	-	39,030
	<u>\$ 35,210</u>	<u>\$ 39,030</u>	<u>\$ 22,184</u>	<u>\$ 96,424</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 \$61,100 and the Water and Sewer Fund made one to the General Fund in the amount of \$57,796 for in-lieu-of tax payments. The General Fund made transfers in the amount of \$10,000 to the State Street Aid Fund and \$20,000 to the Sanitation Fund to aid in costs.

C. COMMITMENTS AND CONTINGENCIES

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

The Town has a paving project for the upcoming year with estimated costs of \$2,000,000. This project will be funded with loan funds that were received in FY2016.

D. IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In March 2016, the GASB issued Statement 82, *Pension Issues – an amendment of GASB Statement 67, Financial Reporting for Pension Plans, GASB Statement 68, Accounting and Financial Reporting for Pensions, and GASB Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, effective for fiscal years beginning after June 15, 2016. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classifications of payments made by the employer to satisfy employee (plan member) contribution requirements.

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Presentation of Payroll-Related Measures in Required Supplementary Information

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is payroll of employees that are provided with pension through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends 67 and 68 to instead require the presentation of covered payroll, defined as payroll on which contributions to a pension plan are based, and ratios that use that measure.

Selection of Assumptions

This Statement clarifies that a deviation, as the term is used in Actuarial Standards Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

Classification of Employer-Paid Member Contributions

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The Town has opted to early implement this Statement.

E. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made on the Statement of Net Position to the Governmental Activities Net Position to reflect grant revenue that should have been recorded in the prior year for government-wide purposes.

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

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

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

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

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

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

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, 2016**

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2016 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	2 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

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

**TOWN OF SELMER, TENNESSEE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>SPECIAL REVENUE</u>		<u>Total Other Nonmajor Governmental Funds</u>
	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 33,725	\$ 112,927	\$ 146,652
Receivables from other governments	21,991	515	22,506
Total Assets	<u>\$ 55,716</u>	<u>\$ 113,442</u>	<u>\$ 169,158</u>
LIABILITIES			
Accounts payable	\$ -	\$ 54,369	\$ 54,369
Due from other funds	-	35,210	35,210
Unearned revenues - other	-	4,760	4,760
Total liabilities	<u>-</u>	<u>94,339</u>	<u>94,339</u>
FUND BALANCES			
Restricted			
State street aid	55,716	-	55,716
Drug	-	19,103	19,103
Total fund balances	<u>55,716</u>	<u>19,103</u>	<u>74,819</u>
Total liabilities and fund balances	<u>\$ 55,716</u>	<u>\$ 113,442</u>	<u>\$ 169,158</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, 2016**

	<u>SPECIAL REVENUE</u>		<u>Total Other Nonmajor Governmental Funds</u>
	<u>State Street Aid Fund</u>	<u>Drug Fund</u>	
Revenues:			
Intergovernmental revenues	\$ 121,089	\$ -	\$ 121,089
Fines and forfeitures	-	18,734	18,734
Interest income	8	115	123
Total revenues	<u>121,097</u>	<u>18,849</u>	<u>139,946</u>
Expenditures:			
Public works	98,300	-	98,300
Public safety	-	89,619	89,619
Total expenditures	<u>98,300</u>	<u>89,619</u>	<u>187,919</u>
Excess (deficiency) of revenues over expenditures	<u>22,797</u>	<u>(70,770)</u>	<u>(47,973)</u>
Other financing sources (uses):			
Transfers in	10,000	-	10,000
Total other financing sources (uses)	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net change in fund balances	32,797	(70,770)	(37,973)
Fund Balance, beginning of the year	<u>22,919</u>	<u>89,873</u>	<u>112,792</u>
Fund Balance, end of the year	<u>\$ 55,716</u>	<u>\$ 19,103</u>	<u>\$ 74,819</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State gas tax - 1989	\$ 13,000	\$ 13,000	\$ 13,236	\$ 236
State gas tax - 3 cent	24,000	24,000	24,565	565
State gas and motor fuel tax	80,000	80,000	83,288	3,288
Interest income	30	30	8	(22)
Total revenues	<u>117,030</u>	<u>117,030</u>	<u>121,097</u>	<u>4,067</u>
Expenditures				
Street maintenance	2,500	2,500	-	2,500
Street lighting	129,000	129,000	98,288	30,712
Miscellaneous	-	-	12	(12)
Total expenditures	<u>131,500</u>	<u>131,500</u>	<u>98,300</u>	<u>33,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,470)</u>	<u>(14,470)</u>	<u>22,797</u>	<u>37,267</u>
Other financing sources (uses):				
Transfer in	<u>15,000</u>	<u>15,000</u>	<u>10,000</u>	<u>(5,000)</u>
Net change in fund balances	530	530	32,797	32,267
Fund Balance, beginning of the year	<u>22,919</u>	<u>22,919</u>	<u>22,919</u>	<u>-</u>
Fund Balance, end of the year	<u>\$ 23,449</u>	<u>\$ 23,449</u>	<u>\$ 55,716</u>	<u>\$ 32,267</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, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	22,000	22,000	18,734	(3,266)
Seizures	19,000	19,000	-	(19,000)
Interest income	200	200	115	(85)
Total revenues	<u>41,200</u>	<u>41,200</u>	<u>18,849</u>	<u>(22,351)</u>
Expenditures:				
Employee education	15,000	15,000	-	15,000
Vehicle tow-in	1,500	1,500	1,710	(210)
Utilities	5,000	5,000	4,321	679
Telephone	5,500	5,500	6,230	(730)
Repairs and maintenance	2,700	2,700	896	1,804
Miscellaneous	400	400	433	(33)
Meals and entertainment	-	-	200	(200)
Office supplies	2,000	2,000	1,752	248
Operating supplies	1,500	1,500	880	620
Educational supplies	3,500	3,500	3,214	286
Gas, oil, & diesel	17,000	17,000	6,693	10,307
Drug control	12,000	12,000	9,882	2,118
	-	-	53,408	(53,408)
Total expenditures	<u>66,100</u>	<u>66,100</u>	<u>89,619</u>	<u>(23,519)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(24,900)</u>	<u>(24,900)</u>	<u>(70,770)</u>	<u>(45,870)</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	(24,900)	(24,900)	(70,770)	(45,870)
Fund Balance, beginning of the year	<u>89,873</u>	<u>89,873</u>	<u>89,873</u>	<u>-</u>
Fund Balance, end of the year	<u>\$ 64,973</u>	<u>\$ 64,973</u>	<u>\$ 19,103</u>	<u>\$ (45,870)</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, 2016**

<u>Tax Levy for Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Beginning Outstanding Taxes</u>	<u>Additions and Adjustments</u>	<u>Collections</u>	<u>Ending Outstanding Taxes</u>	<u>Delinquent Taxes Filed in Chancery Court</u>
2016	0.806	\$ 740,656	\$ -	\$ 740,656	\$ -	\$ 740,656	\$ -
2015	0.806	722,685	722,685	82,061	757,462	47,284	-
2014	0.806	825,580	45,489	(15,544)	18,239	11,706	11,706
2013	0.806	811,556	12,100	-	4,134	7,966	12,100
2012	0.806	797,532	8,661	-	1,144	7,517	8,661
2011	0.806	771,160	9,672	-	416	9,256	9,672
2010	0.806	781,240	2,947	-	390	2,557	2,947
2009	0.88	751,336	1,485	-	20	1,465	1,485
2008	0.88	682,683	1,654	-	199	1,455	1,654
2007	0.88	696,681	3,319	-	236	3,083	3,319
2006	0.88	649,017	944	-	312	632	944
2005	0.88	724,246	759	-	10	749	759
			<u>\$ 809,715</u>	<u>\$ 807,173</u>	<u>\$ 782,562</u>	<u>\$ 834,326</u>	<u>\$ 53,247</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, 2016

Year Ending June 30,	Series 2015		Series 2011		Capital Outlay Notes								Totals	
	General Obligation Bonds		Refunding Bonds		Series 2014		Series 2012		Bancorp South 2013		Bancorp South 2012		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2017	\$ 35,000	\$ 71,211	\$ 175,000	\$ 15,750	\$ 27,000	\$ 9,193	\$ 4,583	\$ 1,192	\$ 25,501	\$ 520	\$ 2,563	\$ 6	\$ 269,647	\$ 97,872
2018	35,000	70,424	175,000	10,500	28,000	8,389	4,583	1,043	2,151	6	-	-	244,734	90,362
2019	35,000	69,636	175,000	5,250	28,500	7,554	4,583	894	-	-	-	-	243,083	83,334
2020	140,000	68,848	-	-	29,500	6,705	4,583	745	-	-	-	-	174,083	76,298
2021	145,000	65,698	-	-	30,500	5,826	4,584	596	-	-	-	-	180,084	72,120
2022	150,000	62,798	-	-	31,000	4,917	4,584	447	-	-	-	-	185,584	68,162
2023	155,000	59,798	-	-	32,000	3,993	4,584	298	-	-	-	-	191,584	64,089
2024	160,000	56,698	-	-	33,000	3,040	4,583	149	-	-	-	-	197,583	59,887
2025	160,000	53,098	-	-	34,000	2,056	-	-	-	-	-	-	194,000	55,154
2026	165,000	49,498	-	-	35,000	1,043	-	-	-	-	-	-	200,000	50,541
2027	175,000	45,374	-	-	-	-	-	-	-	-	-	-	175,000	45,374
2028	175,000	40,998	-	-	-	-	-	-	-	-	-	-	175,000	40,998
2029	180,000	36,448	-	-	-	-	-	-	-	-	-	-	180,000	36,448
2030	190,000	31,768	-	-	-	-	-	-	-	-	-	-	190,000	31,768
2031	145,000	25,594	-	-	-	-	-	-	-	-	-	-	145,000	25,594
2032	150,000	20,882	-	-	-	-	-	-	-	-	-	-	150,000	20,882
2033	155,000	16,006	-	-	-	-	-	-	-	-	-	-	155,000	16,006
2034	160,000	10,968	-	-	-	-	-	-	-	-	-	-	160,000	10,968
2035	165,000	5,568	-	-	-	-	-	-	-	-	-	-	165,000	5,568
	<u>\$ 2,675,000</u>	<u>\$ 861,313</u>	<u>\$ 525,000</u>	<u>\$ 31,500</u>	<u>\$ 308,500</u>	<u>\$ 52,716</u>	<u>\$ 36,667</u>	<u>\$ 5,364</u>	<u>\$ 27,652</u>	<u>\$ 526</u>	<u>\$ 2,563</u>	<u>\$ 6</u>	<u>\$ 3,575,382</u>	<u>\$ 951,425</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, 2016

Year Ending June 30,	Tax and Revenue Bonds				General Obligation Bonds				Capital Outlay Notes		Totals	
	Series 2010		Series 2001		Series 2011		Series 2013		Series 2012		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
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	75,958	1,123	4,314	312	-	-	-	-	-	-	80,272	1,435
2051	-	-	4,434	192	-	-	-	-	-	-	4,434	192
2052	-	-	4,496	65	-	-	-	-	-	-	4,496	65
	<u>\$ 1,708,613</u>	<u>\$ 925,672</u>	<u>\$ 105,446</u>	<u>\$ 61,025</u>	<u>\$ 1,375,000</u>	<u>\$ 250,288</u>	<u>\$ 5,990,000</u>	<u>\$ 2,508,775</u>	<u>\$ 1,045,000</u>	<u>\$ 96,500</u>	<u>\$ 10,224,059</u>	<u>\$ 3,842,260</u>

**TOWN OF SELMER, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
FOR THE YEAR ENDED JUNE 30, 2016**

Water/Sewer <u>Quantity</u>	<u>Inside City</u>		<u>Outside City</u>	
	<u>Water</u>	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>
First 2,000 gallons (minimum)	6.90	13.58	12.72	20.41
Over 2,000 gallons (per 1,000 gallons)	0.0255	0.0357	0.0469	0.0572

Natural Gas	<u>Residential</u>		<u>Commercial</u>	
	<u>Residential</u>	<u>Commercial</u>	<u>Residential</u>	<u>Commercial</u>
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	7,536
Sewer	2,020
Natural Gas	1,739

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

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
 American Water Works Association
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? Click to access definition
 + Click to add a comment

Water Audit Report for: **Selmer Utility Division (TN0000615)**
 Reporting Year: **2016** / 7/2015 - 6/2016

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

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

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

Volume from own sources:	+ ? 9	766.133	MG/Yr		
Water imported:	+ ? n/a	0.000	MG/Yr		
Water exported:	+ ? 9	94.131	MG/Yr		
WATER SUPPLIED:		667.240	MG/Yr		

Master Meter and Supply Error Adjustments

	+ ? 7	0.50%	● ○		
	+ ? 7	-1.00%	● ○		
	+ ? 7	-1.00%	● ○		

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

AUTHORIZED CONSUMPTION

Billed metered:	+ ? 9	537.271	MG/Yr		
Billed unmetered:	+ ? 9	0.245	MG/Yr		
Unbilled metered:	+ ? 9	0.046	MG/Yr		
Unbilled unmetered:	+ ? 7	9.216	MG/Yr		
AUTHORIZED CONSUMPTION:		546.778	MG/Yr		

Unbilled Unmetered volume entered is greater than the recommended default value

Click here: ?
for help using option buttons below

Pcnt: Value: 9.216 MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: Value: 0.25% MG/Yr

3.00% MG/Yr

0.25% MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

		120.462	MG/Yr		
--	--	---------	-------	--	--

Apparent Losses

Unauthorized consumption:	+ ? 2	1.668	MG/Yr		
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed					
Customer metering inaccuracies:	+ ? 7	16.618	MG/Yr		
Systematic data handling errors:	+ ? 7	1.343	MG/Yr		
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed					
Apparent Losses:		19.629	MG/Yr		

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:	+ ?	100.832	MG/Yr		
WATER LOSSES:		120.462	MG/Yr		

Click here: ?
for help using option buttons below

Pcnt: Value: 9.216 MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: Value: 0.25% MG/Yr

3.00% MG/Yr

0.25% MG/Yr

NON-REVENUE WATER

		129.724	MG/Yr		
--	--	---------	-------	--	--

= Water Losses + Unbilled Metered + Unbilled Unmetered

Click here: ?
for help using option buttons below

Pcnt: Value: 9.216 MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: Value: 0.25% MG/Yr

3.00% MG/Yr

0.25% MG/Yr

SYSTEM DATA

Length of mains:	+ ? 7	475.0	miles		
Number of active AND inactive service connections:	+ ? 7	7,536			
Service connection density:	+ ?	16	conn./mile main		

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

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		
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COST DATA

Total annual cost of operating water system:	+ ? 9	\$2,294,964	\$/Year		
Customer retail unit cost (applied to Apparent Losses):	+ ? 7	\$5.12	\$/1000 gallons (US)		
Variable production cost (applied to Real Losses):	+ ? 9	\$564.64	\$/Million gallons	<input type="checkbox"/>	Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

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

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

PRIORITY AREAS FOR ATTENTION:

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

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

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

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Water Audit Report for: Selmer Utility Division (TN0000615)
 Reporting Year: 2016 7/2015 - 6/2016

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

System Attributes:

	Apparent Losses:	19.629	MG/Yr
+	Real Losses:	100.832	MG/Yr
=	Water Losses:	120.462	MG/Yr
	Unavoidable Annual Real Losses (UARL):	101.29	MG/Yr
	Annual cost of Apparent Losses:	\$ 100,502	
	Annual cost of Real Losses:	\$ 56,934	Valued at Variable Production Cost
			<small>Return to Reporting Worksheet to change this assumption</small>

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	19.4%
		Non-revenue water as percent by cost of operating system:	7.1% Real Losses valued at Variable Production Cost
Operational Efficiency:	{	Apparent Losses per service connection per day:	7.14 gallons/connection/day
		Real Losses per service connection per day:	N/A gallons/connection/day
		Real Losses per length of main per day*:	581.58 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):	100.83 million gallons/year
		Infrastructure Leakage Index (ILI) [CARL/UARL]:	1.00

* 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, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>FEDERAL AWARDS</u>			
Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities - Downtonw Water System Rehab	10.760	#29	\$ 82,533
Department of Defense			
Law Enforcment Support Office	12.005	unknown	374,375
Department of Housing and Urban Development/			
Community Development Block Grants 2012 CDBG Disaster Recovery Grant	14.228	contract 34818	11,326
Department of Housing and Urban Development			
Home Investment Partnership Program	14.239	HM-14-47-0100	2,250
Department of Transportation			
Governor's Highway Safety Office - High Visibility	20.607	Z-16-GHS312	<u>5,000</u>
TOTAL FEDERAL AWARDS			<u>475,484</u>
<u>STATE FINANCIAL ASSISTANCE</u>			
State Law Enforcement Supplement	n/a	n/a	9,000
Department of Environment and Conservation			
Local Park and Recreational Fund Grant	n/a	n/a	<u>166,777</u>
TOTAL STATE AWARDS			<u>175,777</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 651,261</u>

Basis of Presentation

Note 1: The accompany schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the Town under programs of the federal and state governments for the year ended June 30, 2016. 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, 2016, and the relate notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 8, 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 deficiencies below to be material weaknesses.

**2016 – 001 GENERAL LEDGER MATERIALLY MISSTATED BEFORE AUDIT ADJUSTMENTS
(original finding 2008-001)**

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.

Management's Response: The Town will do everything we can to correctly record figures within the general ledger and will seek advice concerning any questionable entries that are encountered.

2016 – 002 INADEQUATE SEGREGATION OF DUTIES (original finding 2006-012)

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

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

Management's Response: The Town has recently hired a new employee in City Hall. This should help with this issue in the future.

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

2016 – 003 BANK DEPOSITS (original finding 2006-15)

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

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

Management's Response: The deposits are now being made daily by the community center and delivered to City Hall. This issue has been resolved.

2016 – 004 INADEQUATE SUPPORT FOR PARKS AND RECREATIONAL DEPARTMENT REVENUES (original finding 2013-01)

The Town did not have adequate support for the revenues collected from swimming pool admissions and several other local fundraising events.

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. The Town should also issue pre-numbered tickets for events where there is a fee for admission. Then a ticket reconciliation should be completed for each of these events.

Management's Response: More specific attention will be focused on this matter. More accountability will be ensured as new policies and procedures will be put in place.

2016 – 005 CASH RECEIPTS (original finding 2015-005)

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.

Management's Response: Adjustments to the way the QS1 system is used should help with addressing the type of payment that is issued. More accountability will also be addressed.

2016 – 006 PURCHASE ORDERS (original finding 2015-007)

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.

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

2016 – 007 INADEQUATE SUPPORT FOR DISBURSEMENTS (original finding 2015-008)

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

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

2016-008 IMPROPERLY REPORTED PAY ON W-2'S (original finding 2015-009)

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.

Management's Response: This issued has been corrected.

Compliance and Other Matters

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

2016 – 009 EXPENDITURES EXCEEDED BUDGET

Expenditures exceeded budgeted appropriations in the Drug Fund. 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.

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

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.

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

December 8, 2016

TOWN OF SELMER, TENNESSEE

SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Financial Statement Findings

Finding Number	Finding Title	Status
2015-001	General Ledger Materially Misstated Before Audit Adjustments	Repeated
2015-002	Inadequate Segregation of Duties	Repeated
2015-003	Bank Deposits	Repeated
2015-004	Inadequate Support for Parks and Recreational Department Revenues	Repeated
2015-005	Cash Receipts	Repeated
2015-006	Shortage of Cash on Hand	Corrected
2015-007	Purchase Orders	Repeated
2015-008	Inadequate Support for Disbursements	Repeated
2015-009	Improperly Reported pay on W-2's	Repeated
2015-010	Expenditures Exceeded Budget	Repeated
2015-011	Noncompliance with Grant Requirements	Corrected