

CITY OF SELMA, TEXAS
ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
OCTOBER 31, 2015



CITY OF SELMA, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED OCTOBER 31, 2015

CITY OFFICIALS

MAYOR

TOM DALY

CITY COUNCIL

KEVIN HADAS
KEN HARRIS
HARRY GREENE
JIM PARMA
KEN POLASEK

CITY ADMINISTRATOR

JOHNNY CASIAS

CITY ATTORNEY

MARC SCHNALL, LANGLEY & BANACK, INC.

AUDITOR

ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.

CITY OF SELMA, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED OCTOBER 31, 2015

TABLE OF CONTENTS

	PAGE
TITLE PAGE	i
CITY OFFICIALS	ii
TABLE OF CONTENTS	iii
INTRODUCTORY SECTION	
TRANSMITTAL LETTER	v
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	12
STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES	15
BALANCE SHEET - GOVERNMENTAL FUNDS	17
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	18
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS.....	19
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	20
STATEMENT OF NET POSITION – PROPRIETARY FUND	21
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND.....	23
STATEMENT OF CASH FLOWS – PROPRIETARY FUND.....	24
NOTES TO BASIC FINANCIAL STATEMENTS.....	26
REQUIRED SUPPLEMENTARY INFORMATION	47
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	48
BUDGET AND ACTUAL - GENERAL FUND	48
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	51
BUDGET AND ACTUAL – MUNICIPAL DEVELOPMENT DISTRICT.....	51
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL.....	52
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS.....	53

CITY OF SELMA, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED OCTOBER 31, 2015

TABLE OF CONTENTS (CONT.)

FINANCIAL SECTION (CONT.)

SUPPLEMENTARY INFORMATION	55
COMPARATIVE BALANCE SHEETS - GENERAL FUND	56
COMPARATIVE BALANCE SHEETS - MUNICIPAL DEVELOPMENT DISTRICT FUND	57
COMPARATIVE BALANCE SHEETS - DEBT SERVICE FUND.....	58
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - DEBT SERVICE FUND.....	59
COMPARATIVE BALANCE SHEETS - CAPITAL PROJECTS FUND.....	60
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUND.....	61
COMPARATIVE STATEMENTS OF NET POSITION - PROPRIETARY FUND.....	62
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND.....	64
COMPARATIVE STATEMENTS OF CASH FLOWS - PROPRIETARY FUND.....	65

STATISTICAL SECTION

NET POSITION BY COMPONENT.....	68
CHANGE IN NET POSITION	70
FUND BALANCES, GOVERNMENTAL FUNDS.....	74
CHANGES IN FUND BALANCE	76
TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS.....	78
ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY	79
DIRECT AND OVERLAPPING PROPERTY TAX RATES	80
PRINCIPAL PROPERTY TAX PAYERS.....	81
PROPERTY TAX LEVIES AND COLLECTIONS.....	82
RATIOS OF OUTSTANDING DEBT BY TYPE.....	83
LEGAL DEBT MARGIN	84
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT.....	85
DEMOGRAPHIC AND ECONOMIC STATISTICS.....	86
PRINCIPAL EMPLOYERS.....	87





February 5, 2016

The Honorable Tom Daly
And Members of the City Council

Dear Mayor/Council Members:

I am pleased to present the Annual Financial Report (Audit) of the City of Selma, Texas, for the fiscal year that ended October 31, 2015.

The presentation meets the requirements of State Statutes that an annual audit of the books of account, financial records and transactions of all City Departments be performed by independent certified public accountants selected by the City Council. Copies will be on file in the office of the City Administrator.

Sincerely,

A handwritten signature in black ink, appearing to read "Johnny Casias", is written over a faint, circular stamp or watermark.

Johnny Casias
City Administrator





INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Selma, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Selma, Texas, as of and for the year ended October 31, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of City of Selma, Texas' primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

City of Selma, Texas' 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. 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 the 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 accounting 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 adverse audit opinion on the reporting entity and unmodified audit opinions on the governmental activities, business-type activities, and major funds of the primary government.

Basis for Adverse Opinion on the Reporting Entity

The financial statements referred to above include only the primary government of City of Selma, Texas, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise City of Selma, Texas' legal entity and the Municipal Development Corporation, a legally separate component unit of the City of Selma, Texas. The financial statements do not include the financial data for Retama Development Corporation, one of the City of Selma, Texas' legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of City of Selma, Texas' primary government.

Adverse Opinion on the Reporting Entity

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Reporting Entity paragraph, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of City of Selma, Texas, as of October 31, 2015, the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. The City of Selma, Texas has not issued separate reporting entity financial statements, however separate financial statements are available for the Retama Development Corporation.

Unmodified Opinions on the Governmental Activities, Business-Type Activities, and each Major Fund

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, and each major fund for the primary government of City of Selma, Texas, as of October 31, 2015, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A21 to the financial statements, in November 2014, the City adopted a new accounting guidance from the Governmental Accounting Standards Board Statement No. 68 related to accounting for pensions. This resulted in a restatement of the prior year balances. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and schedule of changes - net pension liability and related ratios as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Selma, Texas' primary government basic financial statements. The transmittal letter, statistical section and individual fund comparative statements are presented for purposes of additional analysis and are not a required part of the primary government's basic financial statements.

The individual fund comparative statements 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 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. Because of the significance of the matter described in the Basis for Adverse Opinion on the Reporting Entity paragraph, it is inappropriate to and we do not express an opinion on such supplementary information.

The transmittal letter and statistical section 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 it.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

February 05, 2016

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of City of Selma’s annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended October 31, 2015. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

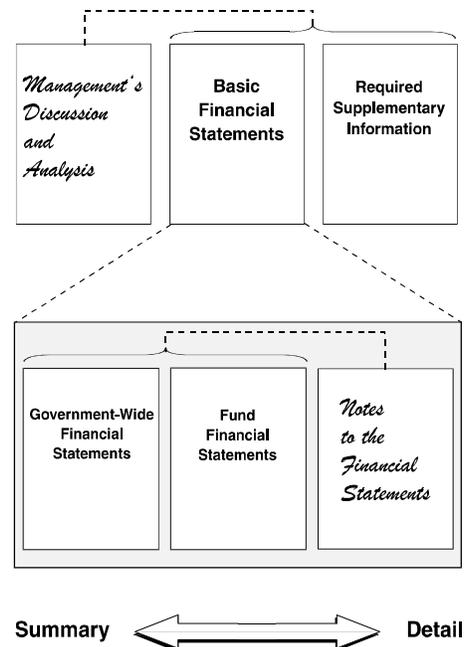
- The City’s total combined net position was \$35.1 million at October 31, 2015. The general fund reported a fund balance this year of \$8.4 million.
- During the year, the City’s governmental expenses were \$2.9 million less than the \$12.2 million generated in taxes and other revenues for governmental activities.
- The total cost of the City’s governmental programs increased 8.6%. No new programs were added this year.
- The City issued an \$8.95 million general obligation bond to fund for roadway improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government services* were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.

Figure A-1, Required Components of the City’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements			
Fund Statements			
<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the city that are not proprietary or fiduciary	Activities the City operates similar to private businesses: water/sewer
<i>Required financial statements</i>	• Statement of Net Position	• Balance Sheet	• Statement of Net Position
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balance	• Statement of revenues, expenses & changes in net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as public safety, public works and general administration. Sales taxes, property taxes, franchise fees and charges for services finance most of these activities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position. The City's combined net position was \$35.1 million at October 31, 2015. (See Table A-1).

Table A-1
City of Selma Net Position
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change
	2015	2014*	2015	2014*	2015	2014*	
ASSETS							
<i>Current Assets:</i>							
Cash and Investments	\$ 23,618	\$ 14,722	\$ 3,071	\$ 2,362	\$ 26,689	\$ 17,084	56.22%
Other Current Assets	1,666	1,701	485	681	2,151	2,382	-9.70%
Total Current Assets:	25,284	16,423	3,556	3,043	28,840	19,466	48.15%
<i>Noncurrent Assets:</i>							
Capital Assets (Net)	23,015	21,087	10,081	10,059	33,096	31,146	6.26%
Total Noncurrent Assets	23,015	21,087	10,081	10,059	33,096	31,146	6.26%
Total Assets	48,299	37,510	13,637	13,102	61,936	50,612	22.37%
Deferred Outflows of Resources							
Deferred Pension Related Outflows	987	-	55	-	1,042	-	100.00%
Total Deferred Outflows of Resources	987	-	55	-	1,042	-	100.00%
LIABILITIES							
<i>Current Liabilities:</i>							
Current Liabilities	4,715	2,740	4,016	3,230	8,731	5,970	46.25%
Long-Term Liabilities	16,317	9,419	2,815	3,076	19,132	12,495	53.12%
Total Liabilities	21,032	12,159	6,831	6,306	27,863	18,465	50.90%
DEFERRED INFLOWS							
Future Tax Levy Collections	67	94	-	-	67	94	-28.72%
Total Deferred Inflows of Resources	67	94	-	-	67	94	-28.72%
NET POSITION							
Net Investment in Capital Assets	16,146	13,862	7,081	6,884	23,227	20,746	11.96%
Restricted	9,107	8,632	-	-	9,107	8,632	5.50%
Unrestricted	2,934	2,763	(220)	(88)	2,714	2,676	1.44%
Total Net Position	\$ 28,187	\$ 25,257	\$ 6,861	\$ 6,796	\$ 35,048	\$ 32,054	9.34%

*Note: Comparative Information was restated for adoption of GASB Statement No. 68. See Note A21 for more details.

The \$3.0 million of unrestricted net position represents resources available to fund the programs of the City next year.

CHANGES IN NET POSITION

Table A-2
Changes in City of Selma Net Position
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change
	2015	2014*	2015	2014*	2015	2014*	
Program Revenues:							
Charges for Services	\$ 2,013	\$ 1,543	\$ 3,936	\$ 3,639	\$ 5,949	\$ 5,182	14.8%
Operating Grants & Contributions	1	40	-	-	1	40	-97.5%
General Revenues							
Property Taxes	1,724	1,598	-	-	1,724	1,598	7.9%
Franchise Taxes	717	640	-	-	717	640	12.0%
Sales Taxes	7,443	6,742	-	-	7,443	6,742	10.4%
Occupancy Taxes	221	222	-	-	221	222	-0.5%
Impact Fees	-	-	396	159	396	159	149.1%
Investment Earnings	25	2	-	-	25	2	1150.0%
Other	77	32	14	3	91	35	160.0%
Total Revenues	<u>12,221</u>	<u>10,819</u>	<u>4,346</u>	<u>3,801</u>	<u>16,567</u>	<u>14,620</u>	<u>13.3%</u>
General Government	2,142	1,931	-	-	2,142	1,931	10.9%
Police Department	3,434	3,175	-	-	3,434	3,175	8.2%
Fire Department	1,961	1,941	-	-	1,961	1,941	1.0%
Building Inspections	517	442	-	-	517	442	17.0%
Infrastructure	1,064	978	-	-	1,064	978	8.8%
Others	69	226	-	-	69	226	-69.5%
Water/Sewer	-	-	3,664	3,474	3,664	3,474	5.5%
Interest on Long-Term Debt	517	236	114	121	631	357	76.8%
Total Expenses	<u>9,704</u>	<u>8,929</u>	<u>3,778</u>	<u>3,595</u>	<u>13,482</u>	<u>12,524</u>	<u>7.6%</u>
Transfers In (Out)	<u>413</u>	<u>550</u>	<u>(413)</u>	<u>(550)</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>
Increase (Decrease) in Net Position	<u>\$ 2,930</u>	<u>\$ 2,440</u>	<u>\$ 155</u>	<u>\$ (344)</u>	<u>\$ 3,085</u>	<u>\$ 2,096</u>	<u>47.2%</u>

Note: Comparative information for 2014 has not been restated for the effect of the adoption of GASB Statement No. 68 as the information is not available.

Governmental Activities

- Property tax rates decreased from 0.23420 to 0.22230, however, higher property values resulted in an increase of 7.9% in property tax revenues.
- The City's total revenues were \$12.2 million. A significant portion, 82.7%, comes from taxes and 16.5% relates to charges for services.

Table A-3 presents the cost of each of the City's largest functions, as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$9.7 million.
- However, the amount that our taxpayers paid for these activities through taxes was \$10.1 million.
- Some of the cost was paid by those who directly benefited from the programs, \$2.0 million.

Business-Type Activities (Water Sewer)

Revenues of the City's business-type activities were \$4.3 million (a 14.34% increase) and expenses were \$3.7 million (a 5.0% increase).

Table A-3
 Net Cost of Selected City Functions
(in thousands of dollars)

	Total Cost of Services			Percent Change	Net Cost of Services		Percent Change
	2015	2014			2015	2014	
General Government	\$ 2,142	\$ 1,931	10.9%	\$ 1,894	\$ 1,701	11.4%	
Police Department	3,434	3,175	8.2%	2,459	2,228	10.4%	
Fire Department	1,961	1,941	1.0%	1,961	1,941	1.0%	
Building Inspection	517	442	17.0%	(274)	35	-872.9%	
Infrastructure	1,064	978	8.8%	1,064	978	8.8%	
Other	69	226	-69.4%	69	226	-69.4%	
Debt Service – Interest & Fiscal	517	236	119.1%	517	236	119.1%	
Water/Sewer	3,778	3,595	5.1%	(158)	(44)	256.8%	

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City’s most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

Revenues from governmental fund types totaled \$12.2 million, a 12.96% increase over the prior year. Expenditures increased 0.8% to \$12.4 million.

Budgetary Highlights

One amendment was made to the budget this year to account for the tickets revenue. Expenditures were under budget in total by \$498 thousand and \$317 thousand in the general fund and municipal development district, respectively. Ending resources available were \$1.9 million more and \$525 thousand less than the budgeted amounts in the general fund and municipal development district, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of October 31, 2015, the City had invested \$39.5 million and \$12.6 million in a broad range of capital assets, including land, equipment, buildings, infrastructure and vehicles for governmental and business-type activities, respectively. Significant additions during the year include several infrastructure projects, police cars and updated software. (See Table A-4.)

Table A-4
City's Capital Assets
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change
	2015	2014	2015	2014	2015	2014	
Land	\$ 586	\$ 569	\$ 18	\$ 18	\$ 604	\$ 587	2.9%
Water Rights	-	-	2,559	2,559	2,559	2,559	0.0%
Buildings	8,087	8,087	404	404	8,491	8,491	0.0%
Water and Sewer Plant	-	-	8,743	8,743	8,743	8,743	0.0%
Vehicles and Equipment	5,267	5,042	542	460	5,809	5,502	5.6%
Infrastructure	22,149	19,949	-	-	22,149	19,949	11.0%
Construction in Progress	3,504	2,923	366	141	3,870	3,064	26.3%
Totals at Historical Cost	<u>39,593</u>	<u>36,570</u>	<u>12,632</u>	<u>12,325</u>	<u>52,225</u>	<u>48,895</u>	<u>6.8%</u>
Accumulated Depreciation	<u>(16,578)</u>	<u>(15,484)</u>	<u>(2,550)</u>	<u>(2,267)</u>	<u>(19,128)</u>	<u>(17,751)</u>	<u>7.8%</u>
Net Capital Assets	<u>\$ 23,015</u>	<u>\$ 21,086</u>	<u>\$ 10,081</u>	<u>\$ 10,058</u>	<u>\$ 33,096</u>	<u>\$ 31,144</u>	<u>6.3%</u>

More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long Term Debt

During the year, the City issued an additional \$8.95 million in long term debt. As of October 31, 2015, the City had \$19.8 million in bonds outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-5
City's Long Term Debt
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change
	2015	2014	2015	2014	2015	2014	
Bonds Payable	\$ 16,725	\$ 8,385	\$ 3,000	\$ 3,175	\$ 19,725	\$ 11,560	70.63%
Capital Leases	60	179	-	-	60	179	-66.33%
Total Debt	<u>\$ 16,785</u>	<u>\$ 8,564</u>	<u>\$ 3,000</u>	<u>\$ 3,175</u>	<u>\$ 19,785</u>	<u>\$ 11,739</u>	<u>68.54%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The proposed budget for Fiscal Year 2015-2016 was filed with the municipal clerk on August 5, 2015, and the Notice of Public Hearing was published in the Northeast Herald on August 19, 2015. The Guadalupe County Appraisal District lists the City's tax roll for FY 2015-2016 at \$883,525,893. Last fiscal year, the Guadalupe County Appraisal District listed the City's tax roll at \$782,255,255. After careful analysis, it is our recommendation that we adopt the Effective Tax Rate of \$0.2065 per \$100 of valuation for FY 2015-2016. This represents a \$0.0158 decrease from last year's tax rate of \$0.2223 per \$100 of valuation. The tax components for the proposed FY 2015-2016 tax rate would be as follows: \$0.1025 for Maintenance & Operations (General Fund) and \$0.1040 for Interest & Sinking (Debt Service).

Collectively, the funds that make up the Fiscal Year 2015-2016 Annual Operating Budget (which begins on November 1st) will increase by 7.2% or \$1,288,784 over the previous fiscal year. The following is a list of all city funds represented in the Fiscal Year 2015-2016 budget: General Fund, Municipal Development District Fund, Utility Fund, and the Debt Service Fund. Combined, these funds equate to a total operating budget for Fiscal Year 2015-2016 of \$19,112,598.

Expected General Fund Revenues for Fiscal Year 2015-2016 are \$10,488,486, an increase of 8.5% or \$822,866 over the previous fiscal year. The majority of this increase is primarily due to increasing sales tax collections, increasing franchise fee collections, an influx of new properties added to the City's tax rolls, and projected new residential and commercial development next fiscal year. It is estimated that \$40,707,462 worth of new improvements and property will be added to the City's tax rolls this year.

Overall, the City of Selma is in a sound financial position heading into next fiscal year. In July 2015, Standard & Poor's Credit Rating Agency raised the City's long-term rating to 'AA' from 'AA-'. According to Standard & Poor's this upgrade was due primarily to the City's further strengthened wealth and income levels, strong economy, strong management, adequate budgetary performance, very strong budgetary flexibility, very strong liquidity, weak debt & contingent liability profile, and strong institutional framework. We will continue to monitor economic conditions throughout the current and next fiscal year and recommend adjustments to the budget that may be warranted.

ECONOMIC DEVELOPMENT OUTLOOK

From January 2015 through August 2015, exactly 2/3rds of the way into the current fiscal year, Selma's local economy grew as sales tax collections were 12.36% above this same period last year. Some businesses that were added during the current fiscal year included Pasha Mediterranean Restaurant, Sleep Number Beds, Brident Dental, Bracken Café, and Thanks for Vaping. New retail businesses are expected in the Forum Pointe Shopping Center next fiscal year. Also, Rooms-to-Go Furniture is constructing their newest location that will open next fiscal year.

The industrial sector in Selma continues to prove promising particular in the new Titan Industrial Park, located on 188 acres off of Lookout Road. Earlier this year, the San Antonio Business Journal named the Titan Industrial Park the *Best Industrial Development in 2015!* O'Reilly Auto Parts is currently under construction with their new regional warehouse/distribution center that will encompass 388,000 square feet, employ 250 people, and will have the capacity to service the greater San Antonio area! Selma is also proud to officially announce that Ben E. Keith Company will be relocating from its existing location in San Antonio to a new, state-of-the-art South-Central Texas Regional Headquarters here in the City. This new 325,000 to 330,000sqft center will serve as regional headquarters and a distribution center. Ranked #139 on Forbes Largest Private Companies list, Ben E. Keith Co. is expected to bring more than 850 new jobs to Selma upon completion with an average payroll and benefits that is 20% more than the local average. Lastly, VIRC Snacks will soon break ground on their 25,000 square foot facility to be located next to City Hall across from Margie's Lane.

In addition to commercial development, there continues to be a steady increase in residential building permits as Centex / Pulte continue to build new homes in their established subdivisions, Retama West and Kensington Ranch II. Creekside Gardens Subdivision located on Lookout Road across from Selma Park Estates Subdivision is also currently building and selling homes. Creekside Ridge Subdivision near the cul-de-sac on Retama Parkway is scheduled to begin construction next year and when completed, will add approximately 94 new homes.

The multi-family housing in Selma is also on the uptick with the current construction of Liberty Pass, an affordable Veteran's housing development to be located near the intersection of Lookout Road and Jordan Road. This development will provide 104 apartment style homes to include job placement services and onsite workforce training for wounded warriors. Also, an assisted living facility near the intersection of Lookout Road and Retama Parkway is scheduled to break ground next fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Selma citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Administrator by phone at 651-6661.



CITY OF SELMA, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED OCTOBER 31, 2015

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – wide financial statements
- Fund financial statements:
 - Governmental funds
 - Proprietary fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF SELMA, TEXAS
STATEMENT OF NET POSITION
OCTOBER 31, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 23,618,006	\$ 3,071,390	\$ 26,689,396
Receivables (Net of Allowance for Uncollectibles):			
Property Taxes	29,132	-	29,132
Nonproperty Taxes	1,476,344	-	1,476,344
Lot Maintenance	823	-	823
Water Sewer Customers	-	568,982	568,982
Prepaid Expenses	74,087	1,372	75,459
Internal Balances	85,680	(85,680)	-
Capital Assets:			
Land	585,737	18,343	604,080
Water Rights	-	2,558,666	2,558,666
Buildings & Improvements	8,087,287	404,337	8,491,624
Water Sewer Plant	-	8,743,167	8,743,167
Vehicles & Equipment	5,266,749	541,415	5,808,164
Infrastructure	22,149,003	-	22,149,003
Construction in Progress	3,504,123	365,529	3,869,652
Accumulated Depreciation	(16,577,969)	(2,550,155)	(19,128,124)
TOTAL ASSETS	48,299,002	13,637,366	61,936,368
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Related Outflows	987,632	54,968	1,042,600
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 987,632	\$ 54,968	\$ 1,042,600

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
OCTOBER 31, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 522,821	\$ 326,503	\$ 849,324
Accrued Expenses	427,686	13,627	441,313
Accrued Compensated Absences	407,488	14,972	422,460
Accrued Interest Payable	125,695	28,129	153,824
Unearned Revenue	-	3,220,144	3,220,144
Customer Deposits	-	8,500	8,500
<i>Noncurrent Liabilities:</i>			
Due within One Year	905,715	185,000	1,090,715
Due in more than One Year	16,317,324	2,815,000	19,132,324
Net Pension Liability	2,325,971	129,454	2,455,425
TOTAL LIABILITIES	21,032,700	6,741,329	27,774,029
DEFERRED INFLOWS OF RESOURCES			
Property Tax Levy for Future Period	67,224	-	67,224
TOTAL DEFERRED INFLOWS	67,224	-	67,224
NET POSITION			
Net Investment in Capital Assets	16,145,975	7,081,303	23,227,278
Restricted Net Position:			
Debt Service	1,532,680	-	1,532,680
Municipal Development District	4,199,772	-	4,199,772
Police Department	59,125	-	59,125
Hotel/Motel	696,857	-	696,857
Building Security and Technology	307,667	-	307,667
Street Repairs	2,209,343	-	2,209,343
Other	101,645	-	101,645
Unrestricted	2,933,646	(130,298)	2,803,348
TOTAL NET POSITION	\$ 28,186,710	\$ 6,951,005	\$ 35,137,715

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2015

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Administration	\$ 2,142,251	\$ 247,964	\$ -	\$ -
Police Protection	3,434,449	973,872	1,426	-
Fire Protection	1,960,907	-	-	-
Building Inspections	517,314	791,455	-	-
Infrastructure	1,063,967	-	-	-
Other	69,096	-	-	-
Interest on Long-Term Debt	517,112	-	-	-
Total Governmental Activities	<u>9,705,096</u>	<u>2,013,291</u>	<u>1,426</u>	<u>-</u>
Business-Type Activities				
Water & Sewer Utility	<u>3,777,806</u>	<u>3,935,510</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>3,777,806</u>	<u>3,935,510</u>	<u>-</u>	<u>-</u>
Total Government	<u><u>\$ 13,482,902</u></u>	<u><u>\$ 5,948,801</u></u>	<u><u>\$ 1,426</u></u>	<u><u>\$ -</u></u>
General Revenues:				
Taxes				
General Property Taxes				
Franchise Taxes				
Sales Taxes				
Occupancy Tax				
Interest and Investment Earnings				
Impact Fees				
Miscellaneous				
Total General Revenues				
Transfers				
Change in Net Position				
Net Position at Beginning of Year				
Prior Period Adjustment				
Net Position at End of Year				

The accompanying notes are an integral part of these statements.

Net (Expense) Revenue

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,894,287)	\$ -	\$ (1,894,287)
(2,459,151)	-	(2,459,151)
(1,960,907)	-	(1,960,907)
274,141	-	274,141
(1,063,967)	-	(1,063,967)
(69,096)	-	(69,096)
(517,112)	-	(517,112)
<u>(7,690,379)</u>	<u>-</u>	<u>(7,690,379)</u>
-	157,704	157,704
<u>-</u>	<u>157,704</u>	<u>157,704</u>
<u>(7,690,379)</u>	<u>157,704</u>	<u>(7,532,675)</u>
1,724,654	-	1,724,654
716,759	-	716,759
7,443,287	-	7,443,287
220,827	-	220,827
24,789	46	24,835
-	396,144	396,144
77,255	13,944	91,199
<u>10,207,571</u>	<u>410,134</u>	<u>10,617,705</u>
<u>412,500</u>	<u>(412,500)</u>	<u>-</u>
2,929,692	155,338	3,085,030
26,635,497	6,872,387	33,507,884
<u>(1,378,477)</u>	<u>(76,720)</u>	<u>(1,455,197)</u>
<u>\$ 28,186,712</u>	<u>\$ 6,951,005</u>	<u>\$ 35,137,717</u>

CITY OF SELMA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
OCTOBER 31, 2015

	Major Funds				Total Governmental Funds
	General Fund	Debt Service Fund	Municipal Development District	Capital Projects	
ASSETS					
Cash and Cash Equivalents	\$ 9,030,108	\$ 284,761	\$ 4,351,222	\$ 9,951,915	\$ 23,618,006
Receivables (Net of Uncollectibles):					
Property Taxes	13,907	15,225	-	-	29,132
Sales and Franchise Tax	1,226,779	-	249,565	-	1,476,344
Lot Maintenance	823	-	-	-	823
Prepaid Items	74,087	-	-	-	74,087
Due From Other Funds	-	1,358,389	-	-	1,358,389
TOTAL ASSETS	<u>\$ 10,345,704</u>	<u>\$ 1,658,375</u>	<u>\$ 4,600,787</u>	<u>\$ 9,951,915</u>	<u>\$ 26,556,781</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
<i>Liabilities:</i>					
Accounts Payable	\$ 116,135	\$ -	\$ 401,015	\$ 5,671	\$ 522,821
Accrued Expenditures	427,686	-	-	-	427,686
Due To Other Funds	1,272,709	-	-	-	1,272,709
TOTAL LIABILITIES	<u>1,816,530</u>	<u>-</u>	<u>401,015</u>	<u>5,671</u>	<u>2,223,216</u>
<i>Deferred Inflow of Resources:</i>					
Unavailable Revenue	13,647	14,907	-	-	28,554
Future Property Tax Levy	33,368	33,856	-	-	67,224
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>47,015</u>	<u>48,763</u>	<u>-</u>	<u>-</u>	<u>95,778</u>
<i>Fund Balances:</i>					
Nonspendable:					
Prepaid Items	74,087	-	-	-	74,087
Restricted for:					
Debt Service	-	1,609,612	-	-	1,609,612
Police Department	59,125	-	-	-	59,125
Hotel/Motel	696,857	-	-	-	696,857
Building Security and Technology	307,667	-	-	-	307,667
Municipal Development District	-	-	4,199,772	-	4,199,772
Street Repairs	2,209,343	-	-	-	2,209,343
Lookout Road Improvements	-	-	-	9,000,000	9,000,000
Harrison House Improvements	-	-	-	946,244	946,244
Other Balances	101,645	-	-	-	101,645
Assigned for:					
Fire Department	31,478	-	-	-	31,478
Parks	13,262	-	-	-	13,262
Police Department	119,631	-	-	-	119,631
Unassigned	4,869,064	-	-	-	4,869,064
TOTAL FUND BALANCES	<u>8,482,159</u>	<u>1,609,612</u>	<u>4,199,772</u>	<u>9,946,244</u>	<u>24,237,787</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 10,345,704</u>	<u>\$ 1,658,375</u>	<u>\$ 4,600,787</u>	<u>\$ 9,951,915</u>	<u>\$ 26,556,781</u>

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
OCTOBER 31, 2015

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 24,237,787
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		23,014,930
Other long-term assets are not available to pay for current-period expenditures and therefore, are not reported in the governmental funds.		28,556
Accrued vacation leave payable is not due and payable in the current period and, therefore, not reported in the governmental funds.		(407,488)
Long-term liabilities, including bonds and capital leases payable, are not due and payable in the current period and, therefore, not reported in the governmental funds.		
Bonds Payable	(16,725,000)	
Capital Lease	(60,270)	
Premium	<u>(437,769)</u>	
		(17,223,039)
Net Pension Liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in governmental funds.		
Net Pension Liability	(2,325,971)	
Pension Related Deferred Outflows	<u>987,632</u>	
		(1,338,339)
Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the governmental funds.		<u>(125,695)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>\$ 28,186,712</u></u>

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED OCTOBER 31, 2015

	Major Funds			Nonmajor	Total Governmental Funds
	General Fund	Debt Service Fund	Municipal Development District Fund	Capital Projects	
REVENUES					
Ad Valorem Taxes	\$ 930,148	\$ 792,170	\$ -	\$ -	\$ 1,722,318
Sales and Mixed Beverage Tax	5,897,847	-	1,558,944	-	7,456,791
Franchise Taxes	716,759	-	-	-	716,759
Occupancy Tax	220,827	-	-	-	220,827
Charges for Services	1,009,248	-	-	-	1,009,248
Fines and Forfeits	973,517	-	-	-	973,517
Miscellaneous	96,565	23,870	-	62	120,497
TOTAL REVENUES	9,844,911	816,040	1,558,944	62	12,219,957
EXPENDITURES					
Current:					
General Administration	2,117,435	-	-	-	2,117,435
Police Protection	3,040,472	-	-	-	3,040,472
Fire Protection	1,906,377	-	-	-	1,906,377
Building Inspections	501,487	-	-	-	501,487
Infrastructure	244,695	-	-	-	244,695
Other	63,564	-	-	-	63,564
Capital Outlay	580,991	-	2,084,583	613,216	3,278,790
Debt Service:					
Principal	118,901	655,000	-	-	773,901
Interest and Fiscal Charges	2,466	242,080	-	230,887	475,433
TOTAL EXPENDITURES	8,576,388	897,080	2,084,583	844,103	12,402,154
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,268,523	(81,040)	(525,639)	(844,041)	(182,197)
OTHER FINANCING SOURCES (USES):					
Bond Proceeds	-	-	-	8,995,000	8,995,000
Premium	-	-	-	235,887	235,887
Transfers In (Out)	302,962	109,538	-	-	412,500
TOTAL OTHER FINANCING SOURCES (USES)	302,962	109,538	-	9,230,887	9,643,387
Net Change in Fund Balance	1,571,485	28,498	(525,639)	8,386,846	9,461,190
FUND BALANCES - NOVEMBER 1	6,910,674	1,581,114	4,725,411	1,559,398	14,776,597
FUND BALANCES - OCTOBER 31	\$ 8,482,159	\$ 1,609,612	\$ 4,199,772	\$ 9,946,244	\$ 24,237,787

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 9,461,190

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	3,413,725	
Depreciation Expense	<u>(1,485,673)</u>	1,928,052

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes Not Available for Current Period		2,336
---	--	-------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to government funds, which the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Bond Proceeds	(8,995,000)	
Bond Premium	(235,887)	
Principal Repayments	<u>773,901</u>	(8,456,986)

Governmental funds report required contributions to employee pensions as expenditures. However, in the Statement of Activities the cost of the pension is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the actuarially determined pension expense.

	<u>40,138</u>	40,138
--	---------------	--------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated Absences	(893)	
Amortization of Debt Related Balances	18,652	
Accrued Interest	<u>(62,797)</u>	<u>(45,038)</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 2,929,692

CITY OF SELMA, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUND
OCTOBER 31, 2015

	<u>Water & Sewer</u>
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 3,071,390
Accounts Receivables - Customers (Net of Allowance for Uncollectibles)	568,982
Prepaid Expenses	1,372
<i>Total Current Assets</i>	3,641,744
 <i>Capital Assets:</i>	
Land	18,343
Water Rights	2,558,666
Building and Improvements	404,337
Water Sewer Plant	8,743,167
Equipment	541,415
Construction in Progress	365,529
Accumulated Depreciation	(2,550,155)
<i>Total Capital Assets, Net</i>	10,081,302
TOTAL ASSETS	13,723,046
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Related Outflows	54,968
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 54,968

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUND (CONTINUED)
OCTOBER 31, 2015

LIABILITIES

Current Liabilities:

Accounts Payable	\$	326,503
Accrued Expenses		13,627
Accrued Vacation Payable		14,972
Accrued Interest		28,129
Unearned Revenue		3,220,144
Customer Deposits		8,500
Current Portion of Bonds Payable		185,000
Due From Other Funds		85,680
<i>Total Current Liabilities</i>		3,882,555

Noncurrent Liabilities:

Bonds Payable		2,815,000
Net Pension Liability		129,454
<i>Total Noncurrent Liabilities:</i>		2,944,454
TOTAL LIABILITIES		6,827,009

NET POSITION

Net Investment in Capital Assets		7,081,303
Unrestricted		(130,298)
TOTAL NET POSITION	\$	6,951,005

CITY OF SELMA, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED OCTOBER 31, 2015

	<u>Water & Sewer</u>
OPERATING REVENUE	
Water Service	\$ 1,246,928
Sewer Service	938,467
Stormwater Fees	313,547
Garbage Billing	1,253,782
Connection and Extension Fees	123,389
Other Fees	59,397
TOTAL OPERATING REVENUE	3,935,510
OPERATING EXPENSES	
Administration Costs:	
Personnel	382,646
Contractual Services	2,698,484
Water and Sewer Operations:	
Supplies and Materials	142,916
Repairs and Maintenance	116,166
Other	40,417
Depreciation	283,269
TOTAL OPERATING EXPENSES	3,663,898
OPERATING INCOME (LOSS)	271,612
NONOPERATING INCOME (EXPENSE)	
Impact Fees	396,144
Miscellaneous	13,944
Interest Income	46
Interest Expense	(113,908)
TOTAL NONOPERATING INCOME (EXPENSE)	296,226
NET INCOME (LOSS) BEFORE TRANSFERS	567,838
Transfers In (Out)	(412,500)
NET INCOME (LOSS)	155,338
NET POSITION, BEGINNING OF YEAR	6,872,387
Prior Period Adjustment	(76,720)
NET POSITION, END OF YEAR	\$ 6,951,005

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
FOR THE YEAR ENDED OCTOBER 31, 2015

	Water & Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 4,474,592
Cash Paid to Suppliers	(3,059,520)
Cash Paid to Employees	(378,704)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	1,036,368
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Miscellaneous Income	13,944
Impact Fees	396,144
Deposits Collected (Refunded)	4,000
Transfers From (to) Primary Government	(145,221)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	268,867
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(305,552)
Principal Payments on Long-term Debt	(175,000)
Interest Paid for Financing Activities	(115,781)
NET CASH USED FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(596,333)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income Received	46
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	46
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 708,948
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 2,362,442
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,071,390

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF CASH FLOWS – PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED OCTOBER 31, 2015

	<u>Water & Sewer</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 271,612
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	283,269
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable (net)	(71,114)
(Increase) Decrease in Prepaid Expenses	(334)
Increase (Decrease) in Accounts Payable	(61,203)
Increase (Decrease) in Accrued Expenses	4,336
Increase (Decrease) in Employee Compensated Absences	1,840
Increase (Decrease) in Unavailable Revenue	610,196
Increase (Decrease) in Deferred Pension Outflows	(54,968)
Increase (Decrease) in Net Pension Liability	52,734
Total Adjustments	764,756
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,036,368

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
OCTOBER 31, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

1. REPORTING ENTITY

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14, "The Financial Reporting Entity" and GASB Statement 39 "Determining Whether Certain Organizations are Component Units". The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The City has two component units, the Retama Development Corporation and the Municipal Development District.

Component Units

The Retama Development Corporation (the "Corporation") is a local, nonprofit government corporation, without powers of taxation, created pursuant to Article 15281, Texas Revised Civil Statutes, as amended. The Corporation was created to act on behalf of the City of Selma to finance, acquire and operate a Class I horse racetrack. The City of Selma is not obligated for any of the debts of Retama Development Corporation. The City of Selma appoints the directors of the Corporation. When the bonds issued by the Corporation are paid, the Retama Development Corporation will own the horse racetrack. The City has elected not to present a discrete presentation of those financial statements in the City's annual financial report. Copies of the individual audit of Retama Development Corporation for the year ended December 31, 2014 can be obtained from City Hall.

The Selma Municipal Development District, an entity legally separate from the City, was created pursuant to Section 377.021, et. Seq. of the Texas Local Government Code. The District was created November 6, 2001, to plan, acquire, establish, develop, construct or renovate one or more development projects beneficial to the District. The District is governed by the Mayor and Council. For financial reporting purposes, the District is reported as if it were part of the City's operations because its purpose is to enhance the City's development project.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The city has no fiduciary funds. The statement of activities reflects the degree to which the direct expenses of a given function or segment is 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds and proprietary funds. The General Fund, Debt Service Fund, Capital Projects Fund and Municipal Development District Fund meet the criteria of a **major governmental fund**. These funds are reflected in individual columns in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary and fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types, which have been accrued, are revenue from the investments, intergovernmental revenue and charges for services. Property taxes are recognized in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and impact fees assessed toward future development of utility infrastructure.

Governmental fund level financial statements are reported using 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as unavailable revenue.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONT.)

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general government, public safety, public facilities, municipal court and capital acquisition.

Debt Service Fund is used to account for all funds collected and disbursed in the retirement of governmental debt.

Municipal Development District (MDD) Fund. On November 6, 2001, the citizens of the City of Selma voted to authorize the creation of the Selma Municipal Development District. This vote authorized the imposition of a sales and use tax at the rate of one-half percent for the purposes of financing development projects within the district (District includes portions of the City of Selma in Bexar County). The Selma Municipal Development District is a political subdivision of the State of Texas and the Board of Directors is composed of the Mayor and the five Aldermen of the City of Selma. Collection of taxes began in April 2002.

Capital Projects Fund is used to account for all funds restricted (such as bond proceeds), committed or assigned for the purchase, construction, renovation or improvement of City capital assets.

The City has no nonmajor governmental funds.

Proprietary fund level financial statements are used to account for activities similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Fund is the Water Fund (used to account for the provision of water and sewer services to residents).

The **Proprietary Fund** is accounted for using the accrual basis of accounting as follows:

- a. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
- b. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

4. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies, and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) – (d); or, (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

The City's investment policy authorizes investments in obligations of the U.S. Government, federal agency and instrumentality obligations, certificates of deposit, money market mutual funds and local government investment pools. Investments are stated at fair value, except for money market investments and deposits in local government investment pools, which are stated at share price which approximates fair value.

Investments are stated at fair value (plus accrued interest) except for money market investments and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost. Likewise, certificates of deposit are stated at amortized cost (see Note B).

5. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Proprietary Fund (Water and Sewer Fund) considers all highly liquid investments including cash in banks, cash on hand, money market accounts, deposits in local government investment pools, and temporary investments that have a maturity of three months or less when purchased to be cash equivalents.

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to the levy date of September 30. They become due October 1 and are past due after the following January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectibles.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

6. ACCOUNTS RECEIVABLE (CONT.)

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unavailable revenue in the fund statements. Receivables are shown net of an allowance for uncollectible.

7. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Allowances have been established by management based on best available information for a variety of receivables as of October 31, 2015.

	General Fund		Debt Service Fund		Water/Sewer Fund	
	2015	2014	2015	2014	2015	2014
Property taxes	\$ 1,655	\$ 1,655	\$ 602	\$ 602	\$ -	\$ -
Lot Maintenance	15,634	18,875	-	-	-	-
Water/Sewer Accounts	-	-	-	-	56,456	49,227

8. INTERFUND BALANCES AND TRANSACTIONS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements. Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

9. PREPAID ITEMS

Expenditures made in advance of the receipt of goods or services are recorded on the balance sheet as prepaid items.

10. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets are defined as assets with a cost of \$5,000 or more with a useful life greater than 1 year. Infrastructure assets include City-owned streets, sidewalks, curbs and bridges. Property and equipment is recorded at historical costs if purchased or constructed. Donated property and equipment are recorded at estimated fair market value at the date of donation.

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

10. CAPITAL ASSETS (CONT.)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	15 to 30 years
Improvements Other than Buildings	7 to 50 years
Utility System in Service	15 to 40 years
Machinery and Equipment	3 to 10 years

11. COMPENSATED ABSENCES

Vested or accumulated vacation and sick leave and compensatory time that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No expenditure is reported for these amounts. Amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. Vested or accumulated vacation and sick leave of the Proprietary Fund is recorded as an expense and liability of those funds as the benefits accrue to employees. Accumulated vacation and sick pay and compensatory time at October 31, 2015 have been recorded in accrued liabilities of the Proprietary Fund and government-wide statements. Compensated absences are reported in the governmental funds only if they have matured (i.e., unused reimbursable leave outstanding following an employee's resignation or retirement). The General Fund is the governmental fund that has typically been used in prior years to liquidate the liability for compensated absences.

12. UNEARNED REVENUE

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unearned revenue.

13. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period, while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue not expected to be available for the current period are reflected as unavailable revenue on the Balance Sheet. Unavailable revenue arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unavailable revenue.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

14. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts are amortized over the life of the discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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.

15. PENSIONS

The net pension liability, deferred inflows, and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS), and additions to and deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

16. FUND BALANCES

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed - Represents 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: City Council Ordinance prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned - Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council has delegated the authority to make assignments to the City Administrator.

Unassigned - Represents the residual balance that may be spent on any other purpose of the City.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second and assigned third.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

17. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

18. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise, which for the City, are charges for water and sewer services. Operating expenses are those necessary costs incurred to provide the service for the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

19. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

20. BUDGET

An operating budget is adopted each fiscal year for all City funds except the Capital Projects Fund which is adopted by project. The operating budgets are adopted on the GAAP basis of accounting. Additional budgetary information is provided in the required supplementary information section of this report.

21. ADOPTION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT

For the year ending October 31, 2015, the City implemented GASB Statement No. 68 related to accounting for pensions. The new standard requires the City's net pension liability and related deferred inflows and outflows of resources to be recognized on the City's government-wide statements. This change required a prior period adjustment to restate prior years in accordance with the change in accounting principle. The prior period adjustment recorded represents the net pension liability at October 31, 2014.

22. SUBSEQUENT EVENTS

In January 2015, the City approved an interlocal water supply contract by and among the Schertz/Seguin Local Government Corporation, the City of Selma, the City of Schertz and the City of Seguin for an additional two-hundred fifty (250) acre-feet of water rights. The value of the contract has not been determined as of the date of the report.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2015

NOTE B -- CASH AND CASH INVESTMENTS

1. Cash and Cash Equivalents

At October 31, 2015, the carrying amount and bank balances (including certificates of deposit) were covered by Federal Deposit Insurance Corporation's coverage and securities pledged by the City's depository as collateral for the City's deposits. The City's cash was fully collateralized.

2. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

3. Analysis of Specific Deposit and Investment Risks

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City has adhered to the requirements of the Act.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The City's investments at October 31, 2015 were in short-term certificates of deposit and Texpool, a AAAM rated, public funds external investment pool. The certificates of deposit are 90 days or less in length and are included in cash and cash equivalents. Texpool is also included in cash and cash equivalents. The balances of certificates of deposit and Texpool as of October 31, 2015 were \$13,514,676 and \$983, respectively.

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2015

NOTE B -- CASH AND CASH INVESTMENTS (CONT.)

b. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to a concentration of credit risk.

c. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

4. Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2015

NOTE B -- CASH AND CASH INVESTMENTS (CONT.)

5. Public Funds Investment Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

NOTE C -- PROPERTY TAXES

Property Taxes were levied and payable on each October 1 based on assessed valuation of the preceding January 1. Taxes levied on October 1 of each year fund the operations of the City for the following fiscal year. The City has contracted with Guadalupe County to bill and collect property taxes. Actual tax bills are mailed October 1. Current year taxes become delinquent February 1. Current year delinquent taxes not paid by July 1 are turned over to attorneys for collection action.

Because the City’s property tax levy date (October 1) is prior to the year in which it is intended to fund (the fiscal year starting the following November 1), some collections are received prior to the period in which they are intended to fund. These collections are not available to be used by the City until that future period and are recorded as deferred inflows of resources.

For fiscal year 2015, the assessed tax rate for the City was \$0.2223 per \$100 on a taxable assessed valuation of \$771,554,214. The rate is broken out as \$0.125 per \$100 for general operations and \$0.0973 per \$100 for debt retirement. Total tax levy for fiscal year 2015 after all exemptions and freeze adjustments was \$1,796,246.

NOTE D -- INTERFUND TRANSACTIONS

As of October 31, 2015, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due From</u>	<u>Due To</u>	<u>Reason</u>
<u>General Fund</u>			
Proprietary Fund	\$ 89,563	\$ 3,883	reimbursement
Debt Service	-	1,358,389	pooled tax collections
<u>Debt Service</u>			
General Fund	1,358,389	-	pooled tax collections
<u>Proprietary Fund</u>			
General Fund	3,883	89,563	reimbursement
	<u>\$ 1,451,835</u>	<u>\$ 1,451,835</u>	

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2015

NOTE D -- INTERFUND TRANSACTIONS (CONT.)

The following transfers occurred during the year ended October 31, 2015:

	Transfer In	Transfer Out	Reason
General Fund			
Proprietary Fund	\$ 412,500	\$ -	Transfer in lieu of taxes
Debt Service	-	109,538	In support of debt
Debt Service			
Proprietary Fund	109,538	-	In support of debt
Proprietary Fund			
General Fund	-	412,500	Transfer in lieu of taxes
	<u>\$ 522,038</u>	<u>\$ 522,038</u>	

NOTE E -- CAPITAL ASSETS

Capital asset activity for the year ended October 31, 2015, was as follows:

Governmental Activities	Balances at 11/1/14	Additions	Deductions/ Transfers	Balances at 10/31/15
Land	\$ 569,439	\$ 16,298	\$ -	\$ 585,737
Buildings	8,087,287	-	-	8,087,287
Infrastructure	19,949,150	22,955	2,176,898	22,149,003
Construction in Progress	2,922,888	2,758,133	(2,176,898)	3,504,123
Vehicles and Equipment	5,042,121	616,339	(391,711)	5,266,749
	<u>36,570,885</u>	<u>3,413,725</u>	<u>(391,711)</u>	<u>39,592,899</u>
<i>Less Accumulated Depreciation</i>				
Buildings	(2,030,946)	(278,538)	-	(2,309,484)
Infrastructure	(9,615,617)	(780,655)	-	(10,396,272)
Vehicles and Equipment	(3,837,444)	(426,480)	391,711	(3,872,213)
	<u>(15,484,007)</u>	<u>(1,485,673)</u>	<u>391,711</u>	<u>(16,577,969)</u>
Governmental Capital Assets, Net	<u>\$ 21,086,878</u>	<u>\$ 1,928,052</u>	<u>\$ -</u>	<u>\$ 23,014,930</u>

Depreciation Expense was charged to the governmental functions as follows:

General Government	\$ 177,625
Police Department	415,027
Fire Department	69,497
Infrastructure	816,864
Building Inspection	6,660
Total Depreciation Expense	<u>\$ 1,485,673</u>

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2015

NOTE E -- CAPITAL ASSETS (CONT.)

Business-Type Activities	Balances at 11/1/14	Additions	Deductions/ Transfers	Balances at 10/31/15
Land	\$ 18,343	\$ -	\$ -	\$ 18,343
Buildings	404,337	-	-	404,337
Water Rights	2,558,666	-	-	2,558,666
Water Sewer Utility Plant	8,743,167	-	-	8,743,167
Construction in Progress	141,370	224,159	-	365,529
Vehicles and Equipment	460,022	81,393	-	541,415
	<u>12,325,905</u>	<u>305,552</u>	<u>-</u>	<u>12,631,457</u>
<i>Less Accumulated Depreciation</i>				
Buildings	(90,356)	(13,943)	-	(104,299)
Water Sewer Utility Plant	(1,762,151)	(254,068)	-	(2,016,219)
Vehicles and Equipment	(414,379)	(15,258)	-	(429,637)
	<u>(2,266,886)</u>	<u>(283,269)</u>	<u>-</u>	<u>(2,550,155)</u>
Business-Type Capital Assets, Net	<u>\$ 10,059,019</u>	<u>\$ 22,283</u>	<u>\$ -</u>	<u>\$ 10,081,302</u>

Land, Construction in Progress and Water Rights are not depreciated.

NOTE F -- SALES TAX REFUND PAYABLE

The City has entered into a Sales Tax Refund Agreement with Costco Corporation pursuant to the provisions of Chapter 380.001 to provide economic development grants to promote local economic development and to stimulate business and commercial activity in the City. The agreement calls for a refund of half of the City's 1% sales tax proceeds from retail sales at the Costco Corporation over a ten year period: calendar year 2008 through 2017. As of October 31, 2015, management has accrued \$198,196 in estimated sales tax refunds due to Costco Corporation.

NOTE G -- LONG-TERM DEBT

Capital Leases:

<u>Capital Item</u>	<u>Lease Payments</u>		<u>Maturity</u>	<u>Interest Rate</u>
	<u>Amount</u>	<u>Frequency</u>		
Police Vehicle	\$ 30,342	Quarterly	5/8/2016	7.13%

The assets from this capital lease were capitalized for \$237,813 and as of October 31, 2015 had accumulated depreciation of \$47,523. The remaining capital lease obligation is as follows:

<u>Year Ending October 31,</u>	<u>Capital Leases</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 60,270	\$ 414	\$ 60,684

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2015

NOTE G -- LONG-TERM DEBT (CONT.)

In July 2015, the City issued General Obligation Bonds Series 2015 in the amount of \$8,995,000 for the renovation, improvement, and construction of City streets. The bonds mature serially through 2035. The payment of related principal and interest is to be made from an annual ad valorem tax levied against all taxable property within the City.

At October 31, 2015, the City's long-term debt consisted of the following:

	Interest Rates	Original Issue	Outstanding
<u>Governmental Activities</u>			
General Obligation, Series 2010	0.9-3.25%	\$ 1,660,000	\$ 1,025,000
General Obligation, Series 2012	2-3%	2,210,000	1,760,000
Certificate of Obligation, Series 2012	2-3%	2,435,000	2,015,000
Certificate of Obligation, Series 2008	3.75%	4,000,000	2,930,000
Capital Lease - Police Equipment	7.13%	115,742	60,270
General Obligation, Series 2015	2-3.5%	8,995,000	8,995,000
			<u>\$ 16,785,270</u>
<u>Business-Type Activities</u>			
Certificate of Obligation, Series 2008	3.75%	\$ 4,100,000	\$ 3,000,000
			<u>\$ 19,785,270</u>

Changes in the City's long-term debt during the fiscal year ending October 31, 2015, follows:

	Balance Outstanding 11/1/14	Current Additions	Current Retirements	Balance Outstanding 10/31/15	Due Within One Year
<i>Governmental Activities:</i>					
<i>Certificates of Obligation:</i>					
Series 2008	\$ 3,100,000	\$ -	\$ (170,000)	\$ 2,930,000	\$ 180,000
Series 2012	2,150,000	-	(135,000)	2,015,000	140,000
<i>General Obligation</i>					
Series 2010	1,180,000	-	(155,000)	1,025,000	155,000
Series 2012	1,955,000	-	(195,000)	1,760,000	200,000
Series 2015	-	8,995,000	-	8,995,000	140,000
Premiums	220,533	235,887	(18,651)	437,769	30,445
Capital Leases	179,171	-	(118,901)	60,270	60,270
Totals	<u>\$ 8,784,704</u>	<u>\$ 9,230,887</u>	<u>\$ (792,552)</u>	<u>\$ 17,223,039</u>	<u>\$ 905,715</u>
<i>Business-Type Activities:</i>					
Series 2008	\$ 3,175,000	\$ -	\$ (175,000)	\$ 3,000,000	\$ 185,000

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2015

NOTE G -- LONG-TERM DEBT (CONT.)

The annual requirements to amortize all bonded debt outstanding as of October 31, 2015, including interest payments, are as follows:

Year Ending October 31,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 815,000	\$ 497,749	\$ 1,312,749	\$ 185,000	\$ 109,031	\$ 294,031
2017	885,000	456,656	1,341,656	190,000	102,000	292,000
2018	930,000	434,488	1,364,488	195,000	94,781	289,781
2019	980,000	410,901	1,390,901	205,000	87,281	292,281
2020	1,030,000	385,969	1,415,969	210,000	79,500	289,500
2021-2025	4,900,000	1,523,309	6,423,309	1,190,000	269,438	1,459,438
2026-2030	4,030,000	852,239	4,882,239	825,000	47,156	872,156
2031-2035	3,155,000	320,675	3,475,675	-	-	-
Total	<u>\$ 16,725,000</u>	<u>\$ 4,881,986</u>	<u>\$ 21,606,986</u>	<u>\$ 3,000,000</u>	<u>\$ 789,187</u>	<u>\$ 3,789,187</u>

NOTE H -- PENSION PLAN

Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the state of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.46% and 14.83% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended October 31, 2015 were \$726,484, and were equal to the required contributions.

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2015

NOTE H -- PENSION PLAN (CONT.)

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

	2013	2014
Inactive Employees or Beneficiaries Currently Receiving Benefits	10	12
Inactive Employees Entitled to but Not Yet Receiving Benefits	27	28
Active employees	83	84
	120	124

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.00% per year
Overall Payroll Growth	3.5% to 12% per year
Investment Rate of Return*	7.00%

* Presented net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used with slight adjustments.

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2015

NOTE H -- PENSION PLAN (CONT.)

Actuarial Assumptions (CONT.)

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using 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. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding the expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
	<u>100.00%</u>	

The discount rate used to measure the Total Pension Liability was 7%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2015

NOTE H -- PENSION PLAN (CONT.)

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2014:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2013	\$ 11,978,410	\$ 10,004,241	\$ 1,974,169
Changes for the year:			
Service Cost	783,967	-	783,967
Interest	857,644	-	857,644
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	398,622	-	398,622
Changes of Assumptions	-	-	-
Contributions - Employer	-	653,214	(653,214)
Contributions - Employee	-	339,712	(339,712)
Net Investment Income	-	572,517	(572,517)
Benefit Payments, Including Refunds of Employee Contributions	(236,662)	(236,662)	-
Administrative Expense	-	(5,975)	5,975
Other Changes	-	(491)	491
Net Changes	1,803,571	1,322,315	481,256
Balance at December 31, 2014	\$ 13,781,981	\$ 11,326,556	\$ 2,455,425

Discount Rate Sensitivity Analysis

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	Discount Rate 6%	Discount Rate 7%	Discount Rate 8%
Net Pension Liability	\$ 4,980,551	\$ 2,455,425	\$ 446,253

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2015

NOTE H -- PENSION PLAN (CONT.)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended October 31, 2015, the City recognized pension expense of \$693,585. Also as of October 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 345,155	\$ -
Changes in Actuarial Assumptions	-	-
Differences Between Projected and Actual Investment Earnings	102,224	-
Contributions Subsequent to the Measurement Date	595,220	-
	\$ 1,042,599	\$ -

Deferred outflows of resources in the amount of \$595,221 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the year ending October 31, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year ended December 31,		
2015	\$	79,023
2016		79,023
2017		79,023
2018		79,023
2019		53,467
Thereafter		77,820
	\$	447,379

NOTE I -- OTHER POST EMPLOYMENT BENEFITS

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The city elected by ordinance to provide group-term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB.

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2015

NOTE I -- OTHER POST EMPLOYMENT BENEFITS (CONT.)

The city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The city's contributions to the TMRS SDBF for the fiscal years ending October 31, 2015, 2014 and 2013 were \$9,472, \$8,264, and \$7,488, respectively, which equaled the required contributions each year.

NOTE J -- SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Litigation

The City is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

Commitments

The City has entered into various contracts for engineering and construction of improvements and repairs to City assets. As of October 31, 2015, the City had the following estimated commitments related to these contracts:

	Total Contract Amount	Expended to Date	Estimated Remaining
Construction of Improvements	\$ 1,877,501	\$ 1,560,666	\$ 316,835
Total	\$ 1,877,501	\$ 1,560,666	\$ 316,835

Tax Increment Financing (the "Zone")

The City is a principal in the Increment Reinvestment Zone #1, pursuant to Chapter 311 of the Texas Tax Code. Under the terms of the Zone agreement, the City of Selma, San Antonio River Authority and Bexar County are partially funding infrastructure improvements through tax increment financing to Retama Partners, Ltd.

At the time the Zone was created, the property tax base was "frozen" and increment taxes resulting from the increases to the property tax base are being used to finance Zone improvement costs. Project costs to date are \$14,087,497. The total projected cost is \$33,695,326. Project costs of the developer will be funded up to 51% of the tax increment generated by the City of Selma. The Zone has a statutory termination date of September 30, 2025. As of October 31, 2015, the City has paid the TIRZ \$1,755,665 and have committed to an additional amount not to exceed \$16,082,553.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2015

NOTE J -- SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (CONT.)

Risk Management

The City has identified possible risk of losses arising from events such as the following:

1. Torts.
2. Theft of, damage to, or destruction of assets.
3. Errors and omissions.
4. Job-related illnesses or injuries to employees.
5. Acts of God.

The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Liability by the City is generally limited to the contributed amounts. Annual contributions for the coverage period beginning October 1, 2015, were \$198,259.



REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Budgetary Comparison Schedule – Municipal Development District
- Schedule of Changes - Net Pension Liability and Related Ratios

CITY OF SELMA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED OCTOBER 31, 2015
WITH COMPARATIVE ACTUAL TOTALS FOR 2014

	Budgeted		2015 Actual	Variance With	2014 Actual
	Original	Final		Final Budget- Positive (Negative)	
REVENUES					
<i>Taxes:</i>					
Ad Valorem	\$ 935,950	\$ 935,950	\$ 930,148	\$ (5,802)	\$ 769,088
City Sales Tax	4,516,614	4,516,614	4,791,556	274,942	4,315,746
City Sales Tax - Streets	932,026	932,026	1,006,909	74,883	911,467
Mixed Beverage	70,000	70,000	85,879	15,879	77,297
Retama Gate Fees	12,000	12,000	13,503	1,503	16,964
Franchise Fees	544,000	544,000	716,759	172,759	639,748
Occupancy Tax	190,000	190,000	220,827	30,827	221,909
<i>Total Taxes</i>	<u>7,200,590</u>	<u>7,200,590</u>	<u>7,765,581</u>	<u>564,991</u>	<u>6,952,219</u>
<i>Charges For Services:</i>					
Licenses and Permits	444,500	444,500	832,881	388,381	446,580
Garbage Fees	155,000	155,000	176,367	21,367	162,160
<i>Total Charges for Services</i>	<u>599,500</u>	<u>599,500</u>	<u>1,009,248</u>	<u>409,748</u>	<u>608,740</u>
Fines and Forfeitures	<u>1,038,530</u>	<u>1,038,530</u>	<u>973,517</u>	<u>(65,013)</u>	<u>913,688</u>
<i>Other Sources:</i>					
Interest	7,500	7,500	858	(6,642)	1,264
Police Special & Seizure	1,500	1,500	1,782	282	33,493
Miscellaneous	68,000	68,000	93,925	25,925	60,153
<i>Total Other Sources</i>	<u>77,000</u>	<u>77,000</u>	<u>96,565</u>	<u>19,565</u>	<u>94,910</u>
TOTAL REVENUES	<u>8,915,620</u>	<u>8,915,620</u>	<u>9,844,911</u>	<u>929,291</u>	<u>8,569,557</u>
EXPENDITURES					
<i>General Administration:</i>					
Salaries	959,309	959,309	963,980	(4,671)	927,437
Contractual Services	1,527,651	1,542,651	857,810	684,841	1,438,502
Supplies & Services	175,070	175,070	225,185	(50,115)	148,701
Capital Outlay	29,500	29,500	38,898	(9,398)	32,177
Miscellaneous	54,500	54,500	70,460	(15,960)	67,616
<i>Total General Administration</i>	<u>\$ 2,746,030</u>	<u>\$ 2,761,030</u>	<u>\$ 2,156,333</u>	<u>\$ 604,697</u>	<u>\$ 2,614,433</u>

CITY OF SELMA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED OCTOBER 31, 2015
WITH COMPARATIVE ACTUAL TOTALS FOR 2014

	Budget Amounts		2015 Actual	Variance With Final Budget- Positive (Negative)	2014 Actual
	Original	Final			
EXPENDITURES (CONTINUED)					
<i>Fire Protection:</i>					
Salaries	\$ 1,750,475	\$ 1,750,475	\$ 1,785,211	\$ (34,736)	\$ 1,677,979
Contractual Services	15,800	15,800	9,713	6,087	18,081
Supplies & Services	78,500	78,500	79,817	(1,317)	74,770
Capital Outlay	21,000	21,000	497,714	(476,714)	19,939
Miscellaneous	31,200	31,200	31,636	(436)	22,188
<i>Total Fire Protection</i>	1,896,975	1,896,975	2,404,091	(507,116)	1,812,957
<i>Police Protection:</i>					
Salaries	2,650,327	2,650,327	2,724,358	(74,031)	2,347,811
Contractual Services	93,000	93,000	116,694	(23,694)	82,057
Supplies & Services	306,200	306,200	159,648	146,552	351,692
Capital Outlay	92,000	92,000	29,642	62,358	301,363
Miscellaneous	87,500	87,500	39,772	47,728	51,450
<i>Total Police Protection</i>	3,229,027	3,229,027	3,070,114	158,913	3,134,373
<i>Building Inspections:</i>					
Salaries	451,727	451,727	435,857	15,870	394,912
Contractual Services	50,000	35,000	53,699	(18,699)	19,294
Supplies & Services	8,000	8,000	7,438	562	5,422
Capital Outlay	6,000	6,000	14,737	(8,737)	5,444
Miscellaneous	7,440	7,440	4,493	2,947	3,360
<i>Total Building Inspections</i>	523,167	508,167	516,224	(8,057)	428,432
<i>Infrastructure:</i>					
Salaries	206,029	206,029	196,906	9,123	178,507
Contractual Services	6,500	6,500	4,849	1,651	1,263
Supplies & Services	53,000	53,000	42,940	10,060	39,475
<i>Total Infrastructure</i>	\$ 265,529	\$ 265,529	\$ 244,695	\$ 20,834	\$ 219,245

CITY OF SELMA, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED OCTOBER 31, 2015
WITH COMPARATIVE ACTUAL TOTALS FOR 2014

	Budget Amounts		2015 Actual	Variance With Final Budget- Positive (Negative)	2014 Actual
	Original	Final			
EXPENDITURES (CONTINUED)					
<i>Other:</i>					
Mayor & Council	\$ 48,700	\$ 48,700	\$ 47,908	\$ 792	\$ 48,650
General Capital Improvements	350,000	350,000	-	350,000	518,199
Parks and Historical Committee	15,000	15,000	15,656	(656)	-
<i>Total Other</i>	413,700	413,700	63,564	350,136	566,849
<i>Debt Service:</i>					
Capital Lease Principal	-	-	118,901	(118,901)	88,503
Interest and Fiscal Charges	-	-	2,466	(2,466)	4,172
<i>Total Debt Service</i>	-	-	121,367	(121,367)	92,675
TOTAL EXPENDITURES	9,074,428	9,074,428	8,576,388	498,040	8,868,964
Excess (Deficiency) of Revenues Over (Under) Expenditures	(158,808)	(158,808)	1,268,523	1,427,331	(299,407)
OTHER SOURCES (USES) OF FUNDS:					
Proceeds from Capital Lease Financing	-	-	-	-	237,813
Transfer In (Out)	(191,192)	(191,192)	302,962	494,154	462,500
TOTAL OTHER SOURCES (USES) OF FUNDS	(191,192)	(191,192)	302,962	494,154	700,313
Net Change in Fund Balance	(350,000)	(350,000)	1,571,485	1,921,485	400,906
FUND BALANCE - NOVEMBER 1	6,910,674	6,910,674	6,910,674	-	6,509,768
FUND BALANCE - OCTOBER 31	\$ 6,560,674	\$ 6,560,674	\$ 8,482,159	\$ 1,921,485	\$ 6,910,674

CITY OF SELMA, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – MUNICIPAL DEVELOPMENT DISTRICT
 FOR THE YEAR ENDED OCTOBER 31, 2015
 WITH COMPARATIVE ACTUAL TOTALS FOR 2014

	<u>Budget Amounts</u>		2015 Actual	Variance With Final Budget -	2014 Actual
	<u>Original</u>	<u>Final</u>		Positive (Negative)	
REVENUES					
Sales Tax	\$ 2,400,000	\$ 2,400,000	\$ 1,558,944	\$ (841,056)	\$ 1,437,587
Interest Income	1,800	1,800	-	(1,800)	-
TOTAL REVENUES	<u>2,401,800</u>	<u>2,401,800</u>	<u>1,558,944</u>	<u>(842,856)</u>	<u>1,437,587</u>
EXPENDITURES					
Municipal Development:					
Contractual Services	30,000	30,000	-	30,000	-
Capital Outlay	<u>2,371,800</u>	<u>2,371,800</u>	<u>2,084,583</u>	<u>287,217</u>	<u>1,669,830</u>
TOTAL EXPENDITURES	<u>2,401,800</u>	<u>2,401,800</u>	<u>2,084,583</u>	<u>317,217</u>	<u>1,669,830</u>
Net Change in Fund Balance	-	-	(525,639)	(525,639)	(232,243)
FUND BALANCE - NOVEMBER 1	<u>4,725,411</u>	<u>4,725,411</u>	<u>4,725,411</u>	-	<u>4,957,654</u>
FUND BALANCE - OCTOBER 31	<u><u>\$ 4,725,411</u></u>	<u><u>\$ 4,725,411</u></u>	<u><u>\$ 4,199,772</u></u>	<u><u>\$ (525,639)</u></u>	<u><u>\$ 4,725,411</u></u>



CITY OF SELMA, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
OCTOBER 31, 2015

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund, Municipal Development District and Debt Service Fund.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The City does not use encumbrances.

CITY OF SELMA, TEXAS
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
LAST CALENDAR YEAR

Total Pension Liability	
	2014
Service Cost	\$ 783,967
Interest (on the Total Pension Liability)	857,644
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	398,622
Change of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(236,662)
Net Change in Total Pension Liability	1,803,571
Total Pension Liability - Beginning	11,978,410
Total Pension Liability - Ending	\$ 13,781,981
Plan Fiduciary Net Position	
	2014
Contributions - Employer	\$ 653,214
Contributions - Employee	339,712
Net Investment Income	572,517
Benefit Payments, Including Refunds of Employee Contributions	(236,662)
Administrative Expense	(5,975)
Other	(491)
Net Change in Plan Fiduciary Net Position	1,322,315
Plan Fiduciary Net Postion - Beginning	10,004,241
Net Pension Liability - Ending	\$ 11,326,556
Net Pension Liability - Ending	\$ 2,455,425
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.18%
Covered Employee Payroll	\$ 4,853,031
Net Pension Liability as a Percentage of Covered Employee Payroll	50.60%

CITY OF SELMA, TEXAS
NOTES TO SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
OCTOBER 31, 2015

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (13) months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% Including Inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.

Schedule of Contributions:

	2014
Actuarially Determined Contribution	\$ 726,484
Contributions in Relation to the Actuarially Determined Contribution	726,484
Contribution Deficiency (Excess)	\$ -
Covered Employee Payroll	\$ 5,024,897
Contributions as a Percentage of Covered Employee Payroll	14.46%



SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Comparative Balance Sheets – General Fund
- Comparative Balance Sheets – Municipal Development District Fund
- Comparative Statements – Debt Service Fund
- Comparative Statements – Capital Projects Fund
- Comparative Statements – Proprietary Fund

CITY OF SELMA, TEXAS
COMPARATIVE BALANCE SHEETS
GENERAL FUND
OCTOBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and Cash Equivalents	\$ 9,030,108	\$ 7,404,066
Delinquent Taxes Receivable (Net of Allowance for Uncollectibles)	13,907	12,172
Lot Maintenance Receivable (Net of Allowance for Uncollectibles)	823	994
Sales and Franchise Taxes Receivable	1,226,779	1,112,739
Due from Other Funds	-	96
Prepaid Items	74,087	512,745
TOTAL ASSETS	\$ 10,345,704	\$ 9,042,812
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
<i>LIABILITIES</i>		
Accounts Payable	\$ 116,135	\$ 228,427
Accrued Expenditures	427,686	408,662
Due to Other Funds	1,272,709	1,430,450
<i>TOTAL LIABILITIES</i>	1,816,530	2,067,539
 <i>DEFERRED INFLOWS OF RESOURCES</i>		
Unavailable Revenue	13,647	11,915
Future Property Tax Levy	33,368	52,684
<i>TOTAL DEFERRED INFLOWS OF RESOURCES</i>	47,015	64,599
 <i>FUND BALANCES</i>		
Nonspendable:		
Prepaid Items	74,087	512,745
Restricted for:		
Police Department	59,125	54,309
Hotel/Motel	696,857	597,036
Building Security and Technology	307,667	295,055
Street Repairs	2,209,343	1,350,571
Other Balances	101,645	77,470
Assigned for:		
Fire Department	31,478	31,478
Parks	13,262	13,262
Police Department	119,631	94,628
Unassigned	4,869,064	3,884,120
<i>TOTAL FUND BALANCES</i>	8,482,159	6,910,674
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,345,704	\$ 9,042,812

CITY OF SELMA, TEXAS
 COMPARATIVE BALANCE SHEETS
 MUNICIPAL DEVELOPMENT DISTRICT FUND
 OCTOBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and Cash Equivalents	\$ 4,351,222	\$ 4,968,597
Sales Taxes Receivable	<u>249,565</u>	<u>229,353</u>
TOTAL ASSETS	<u>\$ 4,600,787</u>	<u>\$ 5,197,950</u>
 LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 401,015	\$ 472,539
Due to Other Funds	<u>-</u>	<u>-</u>
<i>Total Liabilities</i>	<u>401,015</u>	<u>472,539</u>
 <i>Fund Balance:</i>		
Restricted for Municipal Development	<u>4,199,772</u>	<u>4,725,411</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,600,787</u>	<u>\$ 5,197,950</u>

CITY OF SELMA, TEXAS
 COMPARATIVE BALANCE SHEETS
 DEBT SERVICE FUND
 OCTOBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and Cash Equivalents	\$ 284,761	\$ 372,966
Delinquent Taxes Receivable (Net of allowance for uncollectibles)	15,225	14,610
Due from Other Funds	1,358,389	1,248,851
TOTAL ASSETS	\$ 1,658,375	\$ 1,636,427
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
<i>Liabilities:</i>	\$ -	\$ -
<i>Total Liabilities</i>	-	-
 <i>Deferred Inflows of Resources:</i>		
Unavailable Revenue	14,907	14,304
Future Property Tax Levy	33,856	41,009
<i>Total Deferred Inflows of Resources</i>	48,763	55,313
 <i>Fund Balance:</i>		
Restricted for Debt Service	1,609,612	1,581,114
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 1,658,375	\$ 1,636,427

CITY OF SELMA, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 DEBT SERVICE FUND
 FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

	2015	2014
REVENUES		
Ad Valorem Taxes	\$ 792,170	\$ 834,203
Interest Income	<u>23,870</u>	<u>16</u>
TOTAL REVENUES	<u>816,040</u>	<u>834,219</u>
 EXPENDITURES		
Bond Principal	655,000	645,000
Bond Interest and Agent Fees	<u>242,080</u>	<u>257,559</u>
TOTAL EXPENDITURES	<u>897,080</u>	<u>902,559</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>(81,040)</u>	 <u>(68,340)</u>
 OTHER SOURCES (USES) OF FUNDS:		
Transfers In (Out)	<u>109,538</u>	<u>87,500</u>
TOTAL OTHER SOURCES (USES) OF FUNDS	<u>109,538</u>	<u>87,500</u>
 Net Change in Fund Balance	 28,498	 19,160
 FUND BALANCE - NOVEMBER 1	 <u>1,581,114</u>	 <u>1,561,954</u>
 FUND BALANCE - OCTOBER 31	 <u><u>\$ 1,609,612</u></u>	 <u><u>\$ 1,581,114</u></u>

CITY OF SELMA, TEXAS
 COMPARATIVE BALANCE SHEETS
 CAPITAL PROJECTS FUND
 OCTOBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and Cash Equivalents	<u>\$ 9,951,915</u>	<u>\$ 1,976,286</u>
TOTAL ASSETS	<u><u>\$ 9,951,915</u></u>	<u><u>\$ 1,976,286</u></u>
LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 5,671	416,792
Due to Other Funds	<u>-</u>	<u>96</u>
<i>Total Liabilities</i>	<u><u>5,671</u></u>	<u><u>416,888</u></u>
<i>Fund Balance:</i>		
Restricted for Lookout Road Improvements	9,000,000	-
Restricted for Harrison House Improvements	<u>946,244</u>	<u>1,559,398</u>
<i>Total Fund Balance</i>	<u><u>9,946,244</u></u>	<u><u>1,559,398</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 9,951,915</u></u>	<u><u>\$ 1,976,286</u></u>

CITY OF SELMA, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – CAPITAL PROJECTS FUND
 FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

	2015	2014
REVENUES		
Miscellaneous Income	\$ 62	\$ 479
TOTAL REVENUES	62	479
 EXPENDITURES		
Capital Outlay	613,216	905,258
Bond Issue Costs	230,887	-
TOTAL EXPENDITURES	844,103	905,258
 Excess (Deficiency) of Revenues over (Under) Expenditures	 (844,041)	 (904,779)
 OTHER FINANCING SOURCES		
Proceeds from Bond Issuance	8,995,000	700
Premiums Received from Bond Issuance	235,887	-
TOTAL OTHER FINANCING SOURCES	9,230,887	700
 Net Change in Fund Balance	 8,386,846	 (904,079)
 FUND BALANCE - NOVEMBER 1	1,559,398	2,463,477
 FUND BALANCE - OCTOBER 31	\$ 9,946,244	\$ 1,559,398

CITY OF SELMA, TEXAS
 COMPARATIVE STATEMENTS OF NET POSITION
 PROPRIETARY WATER SEWER FUND
 OCTOBER 31, 2015 AND 2014

	2015	2014*
ASSETS		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 3,071,390	\$ 2,362,442
Accounts Receivables - Customers (Net of Allowance for Uncollectibles)	568,982	497,868
Prepaid Expenses	1,372	1,038
Due from Other Funds	-	181,599
<i>Total Current Assets</i>	3,641,744	3,042,947
 <i>Capital Assets:</i>		
Land	18,343	18,343
Water Rights	2,558,666	2,558,666
Building and Improvements	404,337	404,337
Water Sewer Plant	8,743,167	8,743,167
Equipment	541,415	460,022
Construction in Progress	365,529	141,370
Accumulated Depreciation	(2,550,155)	(2,266,886)
<i>Total Capital Assets, Net</i>	10,081,302	10,059,019
 TOTAL ASSETS	 13,723,046	 13,101,966
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Related Outflows	54,968	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 54,968	\$ -

*Note: Comparative information has not been restated for the effects of GASB Statement No. 68 as the information is not available to restate.

CITY OF SELMA, TEXAS
 COMPARATIVE STATEMENTS OF NET POSITION
 PROPRIETARY WATER SEWER FUND
 OCTOBER 31, 2015 AND 2014

LIABILITIES	<u>2015</u>	<u>2014*</u>
<i>Current Liabilities:</i>		
Accounts Payable	\$ 326,503	\$ 387,706
Accrued Expenses	13,627	9,291
Vacation Payable	14,972	13,132
Accrued Interest	28,129	30,002
Unearned Revenue	3,220,144	2,609,948
Customer Deposits	8,500	4,500
Current Portion of Bonds Payable	185,000	175,000
Due from Other Funds	85,680	-
<i>Total Current Liabilities</i>	<u>3,882,555</u>	<u>3,229,579</u>
<i>Noncurrent Liabilities:</i>		
Bonds Payable	2,815,000	3,000,000
Net Pension Liability	129,454	-
<i>Total Noncurrent Liabilities:</i>	<u>2,944,454</u>	<u>3,000,000</u>
TOTAL LIABILITIES	<u>6,827,009</u>	<u>6,229,579</u>
 NET POSITION		
Net Investment in Capital Assets	7,081,303	6,884,019
Unrestricted	(130,298)	(11,632)
TOTAL NET POSITION	<u>\$ 6,951,005</u>	<u>\$ 6,872,387</u>

CITY OF SELMA, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION – PROPRIETARY FUND WATER SEWER FUND
 FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

	2015	2014*
OPERATING REVENUE		
Water Service	\$ 1,246,928	\$ 1,254,682
Sewer Service	938,467	824,919
Stormwater Fees	313,547	296,767
Garbage Billing	1,253,782	1,145,536
Connection and Extension Fees	123,389	66,860
Other Fees	59,397	50,429
TOTAL OPERATING REVENUE	3,935,510	3,639,193
OPERATING EXPENSES		
Administration Costs:		
Personnel	382,646	337,508
Contractual Services	2,698,484	2,521,839
Water and Sewer Operations:		
Supplies and Materials	142,916	171,793
Repairs and Maintenance	116,166	95,159
Other	40,417	50,873
Depreciation	283,269	296,919
TOTAL OPERATING EXPENSES	3,663,898	3,474,091
OPERATING INCOME (LOSS)	271,612	165,102
NONOPERATING INCOME (EXPENSE)		
Impact Fees	396,144	158,942
Miscellaneous	13,944	3,432
Interest Income	46	99
Interest Expense	(113,908)	(120,893)
TOTAL NONOPERATING INCOME (EXPENSE)	296,226	41,580
NET INCOME (LOSS) BEFORE TRANSFERS	567,838	206,682
Transfers In (Out)	(412,500)	(550,000)
NET INCOME (LOSS)	155,338	(343,318)
NET POSITION, BEGINNING OF YEAR	6,872,387	7,215,705
Prior Period Adjustment	(76,720)	-
NET POSITION, END OF YEAR	\$ 6,951,005	\$ 6,872,387

*Note: Comparative information has not been restated for the effects of GASB Statement No. 68 as the information is not available to restate.

CITY OF SELMA, TEXAS
 COMPARATIVE STATEMENTS OF CASH FLOWS
 PROPRIETARY WATER SEWER FUND
 FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Cash Received from Customers	\$ 4,474,592	\$ 3,944,763
Cash Paid to Suppliers	(3,059,520)	(2,725,288)
Cash Paid to Employees	(378,704)	(349,102)
NET CASH FLOWS PROVIDED (USED)		
BY OPERATING ACTIVITIES	1,036,368	870,373
 CASH FLOWS FROM NONCAPITAL		
FINANCING ACTIVITIES		
Miscellaneous Income	13,944	3,432
Impact Fees	396,144	158,942
Deposits Collected (Refunded)	4,000	(500)
Transfers From (to) Primary Government	(145,221)	(513,569)
NET CASH PROVIDED (USED) BY NONCAPITAL		
FINANCING ACTIVITIES	268,867	(351,695)
 CASH FLOWS FROM CAPITAL AND RELATED		
FINANCING ACTIVITIES		
Acquisition of Capital Assets	(305,552)	(99,720)
Principal Payments on Long-term Debt	(175,000)	(170,000)
Interest Paid for Financing Activities	(115,781)	(122,250)
NET CASH USED FROM CAPITAL AND		
RELATED FINANCING ACTIVITIES	(596,333)	(391,970)
 CASH FLOWS FROM		
INVESTING ACTIVITIES		
Interest Income Received	46	99
NET CASH PROVIDED (USED) BY		
INVESTING ACTIVITIES	46	99
 NET INCREASE (DECREASE) IN CASH		
AND CASH EQUIVALENTS	708,948	126,807
 CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	2,362,442	2,235,635
CASH AND CASH EQUIVALENTS,		
END OF YEAR	\$ 3,071,390	\$ 2,362,442

CITY OF SELMA, TEXAS
 COMPARATIVE STATEMENTS OF CASH FLOWS
 PROPRIETARY WATER SEWER FUND (CONTINUED)
 FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

	2015	2014
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 271,612	\$ 165,102
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	283,269	296,919
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable (net)	(71,114)	(86,233)
(Increase) Decrease in Prepaid Expenses	(334)	(266)
Increase (Decrease) in Accounts Payable	(61,203)	114,642
Increase (Decrease) in Accrued Expenses	4,336	(17,683)
Increase (Decrease) in Employee Compensated Absences	1,840	6,089
Increase (Decrease) in Unavailable Revenue	610,196	391,803
Increase (Decrease) in Deferred Pension Outflows	(54,968)	-
Increase (Decrease) in Net Pension Liability	52,734	-
Total Adjustments	764,756	705,271
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,036,368	\$ 870,373

STATISTICAL SECTION

The following unaudited Statistical Tables reflect social and economic data, financial trends and fiscal capacity of the City.

This part of the City of Selma's comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Selma's overall financial health.

Contents

Financial Trends – Tables 1 through 5

These schedules contain trend information to help the reader understand how Selma's financial performance and well-being have changed over time.

Revenue Capacity – Tables 6 through 9

These schedules contain information to help the reader assess Selma's most significant local revenue source, the property tax.

Debt Capacity – Tables 10 through 12

These schedules present information to help the reader assess the affordability of Selma's current levels of outstanding debt and the City's ability to issue additional

Demographic and Economic Information – Tables 13 and 14

These schedules offer demographic and economic indicators to help the reader understand the environment within which Selma's financial activities take place.

CITY OF SELMA, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	Fiscal Year			
	2006*	2007*	2008*	2009*
<i>Governmental Activities</i>				
Net Investment in				
Capital Assets	\$ 4,437,794	\$ 8,510,467	\$ 10,134,473	\$ 11,179,097
Restricted	2,241,491	2,310,442	2,122,118	3,035,099
Unrestricted	2,677,130	2,275,286	2,819,582	1,746,761
<i>Total Governmental Activities</i>				
<i>Net Position</i>	<u>\$ 9,356,415</u>	<u>\$ 13,096,195</u>	<u>\$ 15,076,173</u>	<u>\$ 15,960,957</u>
 <i>Business-Type Activities</i>				
Net Investment in				
Capital Assets	\$ 5,865,274	\$ 6,516,755	\$ 6,688,096	\$ 7,808,894
Restricted	-	-	-	-
Unrestricted	194,796	953,620	723,268	(270,916)
<i>Total Business-Type Activities</i>				
<i>Net Position</i>	<u>\$ 6,060,070</u>	<u>\$ 7,470,375</u>	<u>\$ 7,411,364</u>	<u>\$ 7,537,978</u>
 <i>Primary Government</i>				
Net Investment in				
Capital Assets	\$ 10,303,068	\$ 15,027,222	\$ 16,822,569	\$ 18,987,991
Restricted	2,241,491	2,310,442	2,122,118	3,035,099
Unrestricted	2,838,027	3,195,007	3,542,850	1,475,845
<i>Total Primary Government</i>				
<i>Net Position</i>	<u>\$ 15,416,485</u>	<u>\$ 20,566,570</u>	<u>\$ 22,487,537</u>	<u>\$ 23,498,935</u>

*Note: Comparative information has not been restated for the effects of GASB Statement No. 68 for the years 2006 through 2014 as the information is unavailable.

TABLE 1

Fiscal Year					
2010*	2011*	2012*	2013*	2014*	2015
\$ 10,717,460	\$ 10,751,720	\$ 10,920,249	\$ 11,759,003	\$ 13,861,571	\$ 16,145,975
4,023,811	5,552,110	7,298,863	8,848,506	8,632,372	9,107,089
2,457,920	3,007,144	3,414,934	3,588,047	4,141,554	2,933,646
<u>\$ 17,199,191</u>	<u>\$ 19,310,974</u>	<u>\$ 21,634,046</u>	<u>\$ 24,195,556</u>	<u>\$ 26,635,497</u>	<u>\$ 28,186,710</u>
\$ 7,305,739	\$ 7,127,921	\$ 6,967,499	\$ 6,911,218	\$ 6,884,019	\$ 7,081,303
-	-	-	-	-	-
181,015	703,827	517,040	304,487	(11,632)	(130,298)
<u>\$ 7,486,754</u>	<u>\$ 7,831,748</u>	<u>\$ 7,484,539</u>	<u>\$ 7,215,705</u>	<u>\$ 6,872,387</u>	<u>\$ 6,951,005</u>
\$ 18,023,199	\$ 17,879,641	\$ 17,887,748	\$ 18,670,221	\$ 20,745,590	\$ 23,227,278
4,023,811	5,552,110	7,298,863	8,848,506	8,632,372	9,107,089
2,638,935	3,710,971	3,931,974	3,892,534	4,129,922	2,803,348
<u>\$ 24,685,945</u>	<u>\$ 27,142,722</u>	<u>\$ 29,118,585</u>	<u>\$ 31,411,261</u>	<u>\$ 33,507,884</u>	<u>\$ 35,137,715</u>

CITY OF SELMA, TEXAS
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS

	Fiscal Year			
	2006*	2007*	2008*	2009*
Expenses				
<i>Governmental Activities:</i>				
General Administration	\$ 1,460,105	\$ 1,542,357	\$ 1,589,055	\$ 1,755,954
Police Protection	1,663,803	1,908,527	2,215,267	2,367,788
Fire Protection	1,293,680	1,290,079	1,584,012	1,739,245
Building Inspections	156,215	258,293	321,691	439,140
Infrastructure	457,764	687,560	814,377	842,063
Other	36,105	96,967	433,207	91,775
Interest on Long-Term Debt	283,892	253,495	333,509	399,731
<i>Total Governmental Activities Expenses</i>	<u>5,351,564</u>	<u>6,037,278</u>	<u>7,291,118</u>	<u>7,635,696</u>
<i>Business-Type Activities:</i>				
Water & Sewer Utility	1,723,399	2,044,149	2,356,038	2,236,768
<i>Total Business-Type Activities</i>	<u>1,723,399</u>	<u>2,044,149</u>	<u>2,356,038</u>	<u>2,236,768</u>
Total Primary Government Expenses	<u><u>\$ 7,074,963</u></u>	<u><u>\$ 8,081,427</u></u>	<u><u>\$ 9,647,156</u></u>	<u><u>\$ 9,872,464</u></u>
Program Revenues				
<i>Governmental Activities:</i>				
Charges for Service:				
General Administration	\$ 232,719	\$ 238,984	\$ 639,064	\$ 190,470
Police Protection	693,346	745,438	1,124,544	1,289,326
Fire Protection	16,796	17,149	18,303	-
Building Inspections	700,623	682,081	146,626	328,330
Operating Grants and Contributions	69,491	11,624	11,375	32,902
Capital Grants and Contributions	-	2,085,939	47,000	61,035
<i>Total Governmental Activities Program Revenues</i>	<u>1,712,975</u>	<u>3,781,215</u>	<u>1,986,912</u>	<u>1,902,063</u>
<i>Business-Type Activities:</i>				
Charges for Service:				
Water and Sewer	1,860,247	2,082,845	2,352,470	2,241,045
Capital Grants and Contributions	-	743,494	-	-
<i>Total Business-Type Activities Program Revenues</i>	<u>1,860,247</u>	<u>2,826,339</u>	<u>2,352,470</u>	<u>2,241,045</u>
Total Primary Government Program Revenues	<u><u>\$ 3,573,222</u></u>	<u><u>\$ 6,607,554</u></u>	<u><u>\$ 4,339,382</u></u>	<u><u>\$ 4,143,108</u></u>

*Note: Comparative information has not been restated for the effects of GASB Statement No. 68 for the years 2006 through 2014 as the information is unavailable.

TABLE 2

Fiscal Year					
2010*	2011*	2012*	2013*	2014*	2015
\$ 2,136,036	\$ 1,703,177	\$ 1,978,268	\$ 2,088,390	\$ 1,931,429	\$ 2,142,251
2,460,824	2,763,879	2,824,576	3,064,241	3,175,085	3,434,449
1,689,653	1,599,372	1,681,700	1,652,306	1,940,768	1,960,907
303,537	304,338	383,619	407,359	441,712	517,314
842,418	862,542	863,111	966,528	978,074	1,063,967
238,472	185,637	79,401	85,391	227,074	69,096
360,130	310,739	278,809	502,356	235,239	517,112
<u>8,031,070</u>	<u>7,729,684</u>	<u>8,089,484</u>	<u>8,766,571</u>	<u>8,929,381</u>	<u>9,705,096</u>
<u>2,361,424</u>	<u>2,443,198</u>	<u>3,032,906</u>	<u>3,207,201</u>	<u>3,594,984</u>	<u>3,777,806</u>
<u>2,361,424</u>	<u>2,443,198</u>	<u>3,032,906</u>	<u>3,207,201</u>	<u>3,594,984</u>	<u>3,777,806</u>
<u>\$ 10,392,494</u>	<u>\$ 10,172,882</u>	<u>\$ 11,122,390</u>	<u>\$ 11,973,772</u>	<u>\$ 12,524,365</u>	<u>\$ 13,482,902</u>
\$ 180,054	\$ 204,615	\$ 206,118	\$ 215,248	\$ 230,100	\$ 247,964
1,055,167	1,136,200	1,152,566	1,065,608	906,740	973,872
-	-	-	-	-	-
315,413	352,003	429,191	579,423	406,529	791,455
18,297	9,216	2,175	21,890	40,442	1,426
-	91,536	27,401	-	-	-
<u>1,568,931</u>	<u>1,793,570</u>	<u>1,817,451</u>	<u>1,882,169</u>	<u>1,583,811</u>	<u>2,014,717</u>
2,823,265	2,916,335	3,003,105	3,204,456	3,639,193	3,935,510
-	-	-	-	-	-
<u>2,823,265</u>	<u>2,916,335</u>	<u>3,003,105</u>	<u>3,204,456</u>	<u>3,639,193</u>	<u>3,935,510</u>
<u>\$ 4,392,196</u>	<u>\$ 4,709,905</u>	<u>\$ 4,820,556</u>	<u>\$ 5,086,625</u>	<u>\$ 5,223,004</u>	<u>\$ 5,950,227</u>

CITY OF SELMA, TEXAS
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS (CONTINUED)

	Fiscal Year			
	2006*	2007*	2008*	2009*
Net (Expenses) Revenue				
Governmental Activities	\$ (3,638,589)	\$ (2,256,063)	\$ (5,304,206)	\$ (5,733,633)
Business-Type Activities	136,848	782,190	(3,568)	4,277
Total Primary Government				
Net Expenses	<u>\$ (3,501,741)</u>	<u>\$ (1,473,873)</u>	<u>\$ (5,307,774)</u>	<u>\$ (5,729,356)</u>
Governmental Revenues and Other Changes in Net Position				
<i>Governmental Activities:</i>				
Taxes:				
Property Taxes	\$ 1,065,971	\$ 1,149,420	\$ 1,246,717	\$ 1,317,848
Franchise Taxes	252,125	278,652	360,354	349,893
Sales Taxes	3,729,076	4,254,687	4,915,997	4,691,619
Occupancy Taxes	-	62,615	161,626	133,822
Interest and Investment Earnings	197,889	243,710	124,777	89,525
Police Seizure	-	-	16,867	-
Miscellaneous	8,475	6,759	143,493	35,709
Gain on Capital Asset Disposal	-	-	-	-
Transfers	-	-	314,354	-
<i>Total Governmental Activities</i>	<u>5,253,536</u>	<u>5,995,843</u>	<u>7,284,185</u>	<u>6,618,416</u>
<i>Business-Type Activities:</i>				
Interest and Investment Earnings	22,471	68,378	37,663	6,013
Impact Fees	232,440	474,474	190,577	114,995
Miscellaneous	72,493	85,263	30,671	1,329
Loss on Capital Asset Disposal	-	-	-	-
Transfers	-	-	(314,354)	-
<i>Total Business-Type Activities</i>	<u>327,404</u>	<u>628,115</u>	<u>(55,443)</u>	<u>122,337</u>
Total Primary Government	<u>\$ 5,580,940</u>	<u>\$ 6,623,958</u>	<u>\$ 7,228,742</u>	<u>\$ 6,740,753</u>
Changes In Net Position				
Government Activities	\$ 1,614,947	\$ 3,739,780	\$ 1,979,979	\$ 884,783
Business-Type Activities	464,252	1,410,305	(59,011)	126,614
Total Primary Government	<u>\$ 2,079,199</u>	<u>\$ 5,150,085</u>	<u>\$ 1,920,968</u>	<u>\$ 1,011,397</u>

*Note: Comparative information has not been restated for the effects of GASB Statement No. 68 for the years 2006 through 2014 as the information is unavailable.

TABLE 2 (CONTINUED)

Fiscal Year					
2010*	2011*	2012*	2013*	2014	2015
\$ (6,462,139)	\$ (5,936,114)	\$ (6,272,033)	\$ (6,884,402)	\$ (7,345,570)	\$ (7,690,379)
461,841	473,137	(29,801)	(2,745)	44,209	157,704
<u>\$ (6,000,298)</u>	<u>\$ (5,462,977)</u>	<u>\$ (6,301,834)</u>	<u>\$ (6,887,147)</u>	<u>\$ (7,301,361)</u>	<u>\$ (7,532,675)</u>
\$ 1,494,381	\$ 1,661,448	\$ 1,616,897	\$ 1,684,088	\$ 1,598,452	\$ 1,724,654
391,696	408,727	432,303	454,559	639,748	716,759
5,354,210	5,411,118	5,614,740	6,035,698	6,742,098	7,443,287
187,949	179,705	205,522	271,094	221,909	220,827
37,856	23,475	7,635	9,167	1,760	24,789
-	-	-	-	-	-
38,120	42,719	168,008	441,306	31,544	77,255
8,076	20,705	-	-	-	-
188,085	300,000	550,000	550,000	550,000	412,500
<u>7,700,373</u>	<u>8,047,897</u>	<u>8,595,105</u>	<u>9,445,912</u>	<u>9,785,511</u>	<u>10,620,071</u>
4,535	2,381	925	670	99	46
220,540	168,589	227,484	276,569	158,942	396,144
1,454	887	4,183	6,672	3,432	13,944
(551,509)	-	-	-	-	-
(188,085)	(300,000)	(550,000)	(550,000)	(550,000)	(412,500)
<u>(513,065)</u>	<u>(128,143)</u>	<u>(317,408)</u>	<u>(266,089)</u>	<u>(387,527)</u>	<u>(2,366)</u>
<u>\$ 7,187,308</u>	<u>\$ 7,919,754</u>	<u>\$ 8,277,697</u>	<u>\$ 9,179,823</u>	<u>\$ 9,397,984</u>	<u>\$ 10,617,705</u>
\$ 1,238,234	\$ 2,111,783	\$ 2,323,072	\$ 2,561,510	\$ 2,439,941	\$ 2,929,692
(51,224)	344,994	(347,209)	(268,834)	(343,318)	155,338
<u>\$ 1,187,010</u>	<u>\$ 2,456,777</u>	<u>\$ 1,975,863</u>	<u>\$ 2,292,676</u>	<u>\$ 2,096,623</u>	<u>\$ 3,085,030</u>

CITY OF SELMA, TEXAS
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund				
Nonspendable	\$ 3,132	\$ 33,251	\$ 22,637	\$ 38,338
Restricted	965,587	542,945	549,273	755,160
Assigned	-	-	-	-
Unassigned	<u>3,054,876</u>	<u>2,418,604</u>	<u>2,949,467</u>	<u>2,271,808</u>
Total General Fund	<u><u>\$ 4,023,595</u></u>	<u><u>\$ 2,994,800</u></u>	<u><u>\$ 3,521,377</u></u>	<u><u>\$ 3,065,306</u></u>
All Other Governmental Funds				
Municipal Development Fund	\$ 1,213,425	\$ 1,480,240	\$ 1,460,059	\$ 1,576,716
Capital Projects Fund	-	-	3,581,497	300,942
Debt Service Funds	<u>(105,006)</u>	<u>320,603</u>	<u>48,515</u>	<u>229,886</u>
Total All Other Governmental Funds	<u><u>\$ 1,108,419</u></u>	<u><u>\$ 1,800,843</u></u>	<u><u>\$ 5,090,071</u></u>	<u><u>\$ 2,107,544</u></u>

TABLE 3

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 34,673	\$ 38,381	\$ 41,779	\$ 32,305	\$ 512,745	\$ 74,087
960,139	1,109,435	1,872,140	2,375,984	2,374,441	3,374,637
-	-	98,938	113,683	139,368	164,371
<u>2,547,425</u>	<u>2,957,623</u>	<u>3,477,515</u>	<u>3,987,796</u>	<u>3,884,120</u>	<u>4,869,064</u>
<u><u>\$ 3,542,237</u></u>	<u><u>\$ 4,105,439</u></u>	<u><u>\$ 5,490,372</u></u>	<u><u>\$ 6,509,768</u></u>	<u><u>\$ 6,910,674</u></u>	<u><u>\$ 8,482,159</u></u>
\$ 2,514,962	\$ 3,574,226	\$ 4,152,772	\$ 4,957,654	\$ 4,725,411	\$ 4,199,772
316,681	316,681	-	2,463,477	1,559,398	9,946,244
<u>528,647</u>	<u>914,489</u>	<u>1,314,762</u>	<u>1,561,954</u>	<u>1,581,114</u>	<u>1,609,612</u>
<u><u>\$ 3,360,290</u></u>	<u><u>\$ 4,805,396</u></u>	<u><u>\$ 5,467,534</u></u>	<u><u>\$ 8,983,085</u></u>	<u><u>\$ 7,865,923</u></u>	<u><u>\$ 15,755,628</u></u>

CITY OF SELMA, TEXAS
CHANGES IN FUND BALANCE
LAST TEN FISCAL YEARS

	Fiscal Year			
	2006	2007	2008	2009
REVENUES				
Property Taxes	\$ 1,086,970	\$ 1,150,935	\$ 1,249,556	\$ 1,316,181
Sales & Mixed Beverage Taxes	3,729,075	4,254,687	4,915,997	4,691,619
Franchise Tax	238,057	265,729	347,450	349,893
Occupancy Tax	-	62,615	161,626	133,822
Charges for Services	875,511	880,679	731,998	502,695
Fines and Forfeits	723,554	761,971	1,144,616	1,276,118
Miscellaneous	313,419	347,951	344,815	275,982
TOTAL REVENUES	6,966,586	7,724,567	8,896,058	8,546,310
EXPENDITURES				
Current:				
General Administration	1,650,908	2,845,979	2,919,311	1,793,401
Police Protection	1,674,423	1,976,284	2,282,983	2,263,322
Fire Protection	1,116,991	1,343,338	1,807,628	1,410,098
Building Inspections	141,491	247,008	299,761	428,146
Infrastructure	88,151	145,812	249,859	173,142
Other	189,055	477,404	720,654	32,786
Capital Outlay	91,100	102,595	913,908	5,121,062
Debt Service:				
Principal	430,000	685,000	325,000	484,855
Interest and Fiscal Charges	289,388	262,518	350,503	385,102
TOTAL EXPENDITURES	5,671,507	8,085,938	9,869,607	12,091,914
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,295,079	(361,371)	(973,549)	(3,545,604)
OTHER FINANCING SOURCES (USES)				
Proceeds from Bond Issue/Capital Lease	-	-	4,450,000	107,006
Premiums from Bond Issuances	-	-	-	-
Proceeds from Capital Lease Financing	-	-	-	-
Payments to Refunding Agents	-	-	-	-
Transfers In (Out)	25,000	25,000	339,354	-
TOTAL OTHER FINANCING SOURCES (USES)	25,000	25,000	4,789,354	107,006
Net Change in Fund Balance	\$ 1,320,079	\$ (336,371)	\$ 3,815,805	\$(3,438,598)
Debt Service as a percentage of noncapital expenditures	12.89%	11.87%	7.54%	12.48%

TABLE 4

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 1,500,577	\$ 1,650,022	\$ 1,631,504	\$ 1,682,681	\$ 1,603,291	\$ 1,722,318
5,354,210	5,411,118	5,624,935	6,047,922	6,759,061	7,456,791
391,696	408,727	432,303	454,559	639,748	716,759
187,949	179,705	205,522	271,094	221,909	220,827
482,854	539,295	608,519	764,697	608,740	1,009,248
1,043,901	1,077,081	1,149,410	1,062,673	913,688	973,517
159,769	242,201	233,485	487,051	96,105	120,497
<u>9,120,956</u>	<u>9,508,149</u>	<u>9,885,678</u>	<u>10,770,677</u>	<u>10,842,542</u>	<u>12,219,957</u>
1,940,018	1,928,158	1,764,921	2,330,380	2,582,256	2,117,435
2,259,493	2,306,109	2,478,389	2,645,407	2,833,010	3,040,472
1,409,136	1,463,822	1,545,040	1,518,755	1,793,018	1,906,377
310,708	288,862	370,268	396,569	422,988	501,487
155,208	145,744	159,804	202,582	219,245	244,695
30,922	32,345	40,653	44,069	48,650	63,564
699,975	790,816	1,109,007	1,062,955	3,452,210	3,278,790
538,303	2,248,113	636,508	830,878	733,503	773,901
366,371	371,614	284,017	398,680	261,731	475,433
<u>7,710,134</u>	<u>9,575,583</u>	<u>8,388,607</u>	<u>9,430,275</u>	<u>12,346,611</u>	<u>12,402,154</u>
<u>1,410,822</u>	<u>(67,434)</u>	<u>1,497,071</u>	<u>1,340,402</u>	<u>(1,504,069)</u>	<u>(182,197)</u>
130,770	1,775,742	-	4,645,000	-	8,995,000
-	-	-	257,835	-	235,887
-	-	-	-	237,813	-
-	-	-	(2,258,290)	-	-
<u>188,085</u>	<u>300,000</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>412,500</u>
<u>318,855</u>	<u>2,075,742</u>	<u>550,000</u>	<u>3,194,545</u>	<u>787,813</u>	<u>9,643,387</u>
<u>\$ 1,729,677</u>	<u>\$ 2,008,308</u>	<u>\$ 2,047,071</u>	<u>\$ 4,534,947</u>	<u>\$ (716,256)</u>	<u>\$ 9,461,190</u>
12.91%	29.82%	12.65%	14.69%	11.19%	13.69%

CITY OF SELMA, TEXAS
TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

TABLE 5

Fiscal Year	Property	Sales & Beverage	Franchise	Occupancy	Total
2006	\$ 1,086,970	\$ 3,729,075	\$ 238,057	\$ -	\$ 5,054,102
2007	1,150,935	4,254,687	265,729	62,615	5,733,966
2008	1,249,556	4,915,997	347,450	161,626	6,674,629
2009	1,316,181	4,691,619	349,893	133,822	6,491,515
2010	1,500,577	5,354,210	391,696	187,949	7,434,432
2011	1,650,022	5,411,118	408,727	179,705	7,649,572
2012	1,631,504	5,614,740	432,303	205,522	7,884,069
2013	1,682,681	6,047,922	454,559	271,094	8,456,256
2014	1,603,291	6,759,061	639,748	221,909	9,224,009
2015	1,722,318	7,456,791	716,759	220,827	10,116,695

CITY OF SELMA, TEXAS
 ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

TABLE 6

Fiscal Year Ended October 31,	Residential Property	Commercial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value*	Total Direct Tax Rate
2006	\$ 175,150,116	\$ 168,545,497	\$ 61,974,894	\$ 281,720,719	0.399300
2007	137,942,298	408,405,880	161,942,210	384,405,968	0.286500
2008	172,280,278	462,779,914	175,617,253	459,442,939	0.262100
2009	215,833,465	565,132,804	230,592,937	550,373,332	0.249800
2010	234,120,599	571,178,467	233,315,470	571,983,596	0.265000
2011	258,222,133	559,206,601	207,946,465	609,482,269	0.279300
2012	267,337,243	569,990,952	213,677,724	623,650,471	0.279300
2013	286,217,470	576,087,818	210,202,493	652,102,795	0.279300
2014	317,057,184	563,390,917	188,944,559	691,503,542	0.234200
2015	354,898,659	620,777,003	199,067,428	776,608,234	0.222300

Source: Guadalupe and Bexar Appraisal Districts.

* Total Taxable Assessed Value and Total Estimated Actual Value of taxable property is the same.

CITY OF SELMA, TEXAS
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN FISCAL YEARS

TABLE 7

Fiscal Period	City Direct Rate	Overlapping School Districts			Overlapping Counties		
		Schertz Cibolo UC ISD	Comal ISD	Judson ISD	Guadalupe County	Bexar County	Comal County
2006	0.39930	1.72000	1.80000	1.77600	0.40310	0.31847	0.26510
2007	0.28650	1.61000	1.64000	1.63600	0.40310	0.31415	0.31520
2008	0.26210	1.31500	1.31000	1.41000	0.38950	0.32687	0.31799
2009	0.24980	1.38500	1.31000	1.46500	0.38950	0.32687	0.30802
2010	0.26500	1.42000	1.31000	1.46300	0.38950	0.32687	0.31300
2011	0.27930	1.43500	1.37000	1.47480	0.39990	0.32687	0.33400
2012	0.27930	1.43500	1.43000	1.43000	0.40060	0.32687	0.35042
2013	0.27930	1.46000	1.43000	1.42500	0.40360	0.32687	0.35042
2014	0.23420	1.00000	1.43000	1.42500	0.39990	0.32687	0.35042
2015	0.22230	1.49000	1.39000	1.42500	0.33610	0.28382	0.29282

Fiscal Period	Other Overlapping		
	Alamo Community College	San Antonio River Authority	Hospital District
2006	0.10705	0.01643	0.24390
2007	0.13710	0.01605	0.24390
2008	0.13455	0.01595	0.23740
2009	0.13586	0.01595	0.26100
2010	0.13586	0.01595	0.26620
2011	0.14162	0.01665	0.27624
2012	0.14162	0.01737	0.27624
2013	0.14915	0.01737	0.27624
2014	0.14915	0.01780	0.27624
2015	0.14915	0.01750	0.27624

Note: Overlapping governments are those that coincide, at least in part, within the geographic boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses on the City of Selma, Texas. This process recognizes that, when considering the City of Selma's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

Three counties and school districts are present in the City of Selma. To determine the total tax rate applicable to residents, the City rate would be added to the applicable school district, county, Alamo Community College District and the San Antonio River Authority.

CITY OF SELMA, TEXAS
 PRINCIPAL PROPERTY TAX PAYERS
 CURRENT AND NINE YEARS AGO

TABLE 8

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
SA Development Co., LP	\$ 29,254,848	1	3.77%	\$ 17,566,720	2	5.17%
Nine Lookout Hollow LP	25,000,000	2	3.22%	34,451,118	1	10.15%
Kimco Forum at Olympia	24,322,361	3	3.13%			
Rose-Forum Associates	22,600,224	4	2.91%			
Costco Wholesale	22,035,950	5	2.84%			
RCP San Antonio LP	18,185,800	6	2.34%			
TNT Crane & Rigging Inc.	16,744,230	7	2.16%			
Sanfilippo John B & Son Inc.	15,899,354	8	2.05%			
Gunn Chevrolet LTD	10,215,394	9	1.32%			
Greene Tweed & Company II, LP	8,220,399	10	1.06%			
Selma Amphitheatre, LLC				11,193,320	3	3.29%
Retama Partners Ltd.				4,780,000	4	1.40%
Haverty Furniture Co., Inc.				4,279,756	5	1.26%
Dicker-Warmington Prop				3,612,500	6	1.06%
Lehmity Family Trust				3,356,800	7	0.98%
Academy Sports				2,155,150	8	0.63%
SWQ 35/Forum Ltd.				2,103,160	9	0.61%
Basset Forum Ltd.				2,066,800	10	0.60%
	<u>\$ 192,478,560</u>		<u>24.78%</u>	<u>\$ 85,565,324</u>		<u>25.15%</u>

Source: Bexar and Guadalupe County Appraisal Districts

Note: Information for ten years ago was not available. Information for 2006 is presented instead.

CITY OF SELMA, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

TABLE 9

Fiscal Year Ended October 31,	Taxes Levied for the Fiscal Year	Collected within the		Collections In Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 1,061,268	\$1,042,784	98.3%	\$ 19,164	\$ 1,061,948	100.1%
2007	1,104,981	1,087,746	98.4%	17,915	1,105,661	100.1%
2008	1,245,657	1,227,414	98.5%	19,057	1,208,357	97.0%
2009	1,441,779	1,417,975	98.3%	25,707	1,392,268	96.6%
2010	1,560,007	1,522,127	97.6%	40,000	1,482,127	95.0%
2011	1,698,239	1,674,239	98.6%	26,244	1,647,995	97.0%
2012	1,735,555	1,730,755	99.7%	6,835	1,723,920	99.3%
2013	1,819,794	1,814,370	99.7%	7,530	1,806,841	99.3%
2014	1,692,511	1,683,183	99.4%	15,505	1,667,678	98.5%
2015	1,796,246	1,787,495	99.5%	-	1,787,495	99.5%

Source: Guadalupe County Tax Office

CITY OF SELMA, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

TABLE 10

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Actual Taxable Value of Property	Percentage of Taxable Value of Property	Per Capita*
	General Obligation Bonds	Tax Notes	Certificates of Obligation	Certificates of Obligation					
2006	\$ 350,000	\$ 210,000	\$ 5,350,000	\$ -	\$ 5,910,000	\$ 281,720,719	2.10%	1,747	
2007	-	95,000	5,130,000	-	5,225,000	384,405,968	1.36%	1,399	
2008	-	450,000	8,900,000	4,100,000	13,450,000	459,442,939	2.93%	3,171	
2009	-	365,000	8,520,000	3,960,000	12,845,000	550,373,332	2.33%	2,773	
2010	-	280,000	8,120,000	3,815,000	12,215,000	571,983,596	2.14%	2,421	
2011	1,615,000	190,000	6,125,000	3,665,000	11,595,000	609,482,269	1.90%	2,093	
2012	1,475,000	95,000	5,805,000	3,510,000	10,885,000	623,650,471	1.75%	1,913	
2013	3,480,000	-	5,550,000	3,345,000	12,375,000	652,102,795	1.90%	1,731	
2014	3,135,000	-	5,250,000	3,175,000	11,560,000	691,503,542	1.67%	1,521	
2015	11,780,000	-	4,945,000	3,000,000	19,725,000	776,608,234	2.54%	2,325	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

*Population data can be found on Table 13.

CITY OF SELMA, TEXAS
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS

TABLE 11

Taxable Assessed Value	<u>\$ 776,608,234</u>
Debt Limit - 10% of Taxable Value [1]	\$ 77,660,823
Amount of Debt Applicable to Debt Limit:	
Total Bonded Debt	\$ 19,725,000
Less Funds Available in Debt Service Fund	<u>1,609,612</u>
Total Amount of Debt Applicable to Debt Limit	<u>18,115,388</u>
Legal Debt Margin	<u>\$ 59,545,435</u>

	Fiscal Year		
	2012	2013	2014
Debt Limit	\$ 62,365,047	\$ 65,210,280	\$ 69,150,354
Total Net Debt			
Applicable to Unit	(9,570,238)	(10,813,046)	(9,978,886)
Legal Debt Margin	<u>\$ 52,794,809</u>	<u>\$ 54,397,234</u>	<u>\$ 59,171,468</u>

	Fiscal Year		
	2009	2010	2011
Debt Limit	\$ 55,037,333	\$ 57,198,360	\$ 60,948,227
Total Net Debt			
Applicable to Unit	(12,615,114)	(11,686,353)	(10,680,511)
Legal Debt Margin	<u>\$ 42,422,219</u>	<u>\$ 45,512,007</u>	<u>\$ 50,267,716</u>

	Fiscal Year		
	2006	2007	2008
Debt Limit	\$ 32,363,875	\$ 38,440,597	\$ 45,944,294
Total Net Debt			
Applicable to Unit	(6,015,006)	(4,904,397)	(9,301,485)
Legal Debt Margin	<u>\$ 26,348,869</u>	<u>\$ 33,536,200</u>	<u>\$ 36,642,809</u>

CITY OF SELMA, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
OCTOBER 31, 2015

TABLE 12

Governmental Unit	Estimated Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Alamo CCD	\$ 472,660,000	0.53%	\$ 2,505,098
Bexar County	1,557,970,000	0.53%	8,257,241
Bexar County University Health	695,560,000	0.53%	3,686,468
Comal County	61,570,000	0.06%	36,942
Comal ISD	466,918,639	0.06%	280,151
Guadalupe County	10,900,000	2.11%	229,990
Judson ISD	422,919,205	8.36%	35,356,046
Schertz-Cibolo-Universal City ISD	320,076,474	5.57%	17,828,260
Subtotal, Overlapping Debt			68,180,195
City of Selma - Direct Debt			<u>19,725,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 87,905,195</u></u>

Source: Municipal Advisory Council of Texas.

**Overlapping governments are those that coincide, at least in part, within the geographic boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses on the City of Selma, Texas. This process recognizes that, when considering the City of Selma's ability to issue and repay long-term debt, the entire burden borne by residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore, responsible for repaying the debt of each overlapping government.*

CITY OF SELMA, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

TABLE 13

Year	Population	Per Capita Personal Income	Median Age	Unemployment Rate
2006	3,382	\$ 21,060	37.90	3.5%
2007	3,736	18,518	33.68	3.9%
2008	4,241	34,279	32.82	5.1%
2009	4,632	33,387	32.60	6.6%
2010	5,046	34,937	32.80	7.8%
2011	5,540	30,873	32.30	6.9%
2012	5,689	29,112	32.30	5.7%
2013	7,148	29,752	32.30	5.8%
2014	7,602	29,840	32.30	4.5%
2015	8,483	29,752	30.80	3.7%

Sources: Population, Per Capita Personal Income and Median Age information are from the Census Bureau. Unemployment rate was provided by United States Bureau of Labor Statistics.

CITY OF SELMA, TEXAS
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND FIVE YEARS AGO

TABLE 14

Employer	2015			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lackland Air Force Base	37,097	1	3.64%	28,100	2	3.11%
Fort Sam Houston	32,000	2	3.14%	30,793	1	3.41%
HEB Food Stores	20,000	3	1.96%	14,588	4	1.62%
USAA	17,000	4	1.67%	14,852	3	1.65%
Northside ISD	12,751	5	1.25%	12,597	5	1.40%
Randolph Air Force Base	11,068	6	1.09%	10,700	6	1.19%
Northeast ISD	10,052	7	0.99%	10,223	7	1.13%
City of San Antonio	9,145	8	0.90%	9,000	8	1.00%
Methodist Healthcare	8,118	9	0.80%	7,013	10	0.78%
San Antonio ISD	7,000	10	0.69%	7,581	9	0.84%
Total	164,231		16.12%	145,447		16.13%

The City of Selma is adjoined by the City of San Antonio and no data is available for the employers in Selma. The above data is for San Antonio.

Source: San Antonio Economic Development Foundation

Information for ten years ago was not available. 2010 information was used instead.

