CITY OF SELMA, TEXAS

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
OCTOBER 31, 2013

Selma

CITY OF SELMA, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED OCTOBER 31, 2013

CITY OFFICIALS

MAYOR	TOM DALY
CITY COUNCIL	KEVIN HADAS KEN HARRIS CHARLES EADS PHILL SWINNEY JOSE SILVA
CITY ADMINISTRATOR	KENNETH E ROBERTS
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, 2013

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Selma

January 17, 2014

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, 2013.

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,

Kenneth E. Roberts, CPM
City Administrator

Selma

SHAREHOLDERS:
Nancy L. Vaughan, CPA
Deborah F. Fraser, CPA

Armstrong, Vaughan & Associates, P.C.
Certified Public Accountants

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, 2013, 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.

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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, 2013, 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 a 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, 2013, 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.

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 funding progress 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.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

January 17, 2014

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, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

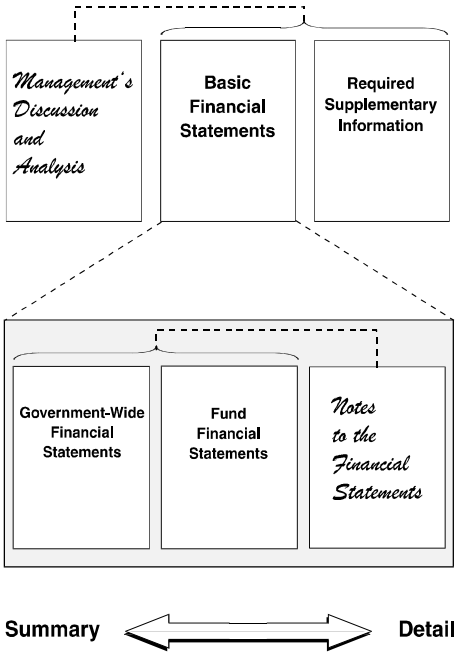
- The City's total combined net position was $31.4 million at October 31, 2013.
- During the year, the City's governmental expenses were $2.6 million less than the $10.6 million generated in taxes and other revenues for governmental activities.
- The total cost of the City's governmental programs increased 8.3%. No new programs were added this year.
- The general fund reported a fund balance this year of $6.5 million.

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	
Type of Statements	Government-wide	Governmental Funds	Proprietary Funds
Scope	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
Required financial statements	• 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
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and	Accrual accounting and economic resources focus
Type of asset/liabilitiy information	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
Type of inflow/outflow information	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 foods 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 $31.4 million at October 31, 2013. (See Table A-1).

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

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent
	2013	2012	2013	2012	2013	2012	Change
ASSETS							
Current Assets:							
Cash and Investments	$ 15,522	$ 11,118	$ 2,236	$ 1,142	$ 17,758	$ 12,260	44.84%
Other Current Assets	921	558	630	1,044	1,551	1,603	-3.23%
Total Current Assets:	16,443	11,676	2,866	2,186	19,309	13,863	39.29%
Noncurrent Assets:							
Other Assets	-	82	-	33	-	115	-100.00%
Capital Assets (Net)	18,355	18,376	10,256	10,477	28,611	28,853	-0.84%
Total Noncurrent Assets	18,355	18,458	10,256	10,511	28,611	28,969	-1.23%
Total Assets	34,798	30,135	13,122	12,697	47,920	42,832	11.88%
LIABILITIES							
Current Liabilities:							
Current Liabilities	1,739	1,515	2,732	1,867	4,471	3,382	32.18%
Long-Term Liabilities	8,624	6,835	3,175	3,345	11,799	10,180	15.91%
Total Liabilities	10,363	8,350	5,907	5,212	16,270	13,562	19.96%
DEFERRED INFLOWS							
Future Tax Levy Collections	240	150	-	-	240	150	60.00%
NET POSITION							
Net Investment in Capital Assets	11,759	10,920	6,911	6,967	18,670	17,887	4.37%
Restricted	8,849	7,299	-	-	8,849	7,299	21.24%
Unrestricted	3,587	3,416	304	517	3,891	3,933	-1.06%
Total Net Position	$ 24,195	$ 21,635	$ 7,215	$ 7,485	$ 31,410	$ 29,119	7.87%

The $4.0 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
	2013	2012	2013	2012	2013	2012	Change
Program Revenues:							
Charges for Services	$ 1,860	$ 1,788	$ 3,204	$ 3,003	$ 5,064	$ 4,791	5.7%
Operating Grants & Contributions	22	2	-	-	22	2	1000.0%
Capital Grants & Contributions	-	27	-	-	-	27	-100.0%
General Revenues							
Property Taxes	1,684	1,617	-	-	1,684	1,617	4.1%
Franchise Taxes	455	432	-	-	455	432	5.3%
Sales Taxes	6,036	5,615	-	-	6,036	5,615	7.5%
Occupancy Taxes	271	206	-	-	271	206	31.6%
Impact Fees	-	-	277	227	277	227	22.0%
Investment Earnings	9	8	1	1	10	9	11.1%
Other	441	168	7	4	448	172	160.5%
Total Revenues	10,778	9,863	3,489	3,235	14,267	13,098	8.9%
General Government	2,088	1,978	-	-	2,088	1,978	5.6%
Police Department	3,064	2,825	-	-	3,064	2,825	8.5%
Fire Department	1,652	1,682	-	-	1,652	1,682	-1.8%
Building Inspections	407	384	-	-	407	384	6.0%
Infrastructure	967	863	-	-	967	863	12.1%
Others	85	79	-	-	85	79	7.6%
Water/Sewer	-	-	3,047	2,898	3,047	2,898	5.1%
Interest on Long-Term Debt	502	279	160	135	662	414	59.9%
Total Expenses	8,765	8,090	3,207	3,033	11,972	11,123	7.6%
Transfers In (Out)	550	550	(550)	(550)	-	-	0.0%
Increase (Decrease) in Net Position	$ 2,563	$ 2,323	$ (268)	$ (348)	$ 2,295	$ 1,975	16.2%

Governmental Activities

- Property tax rates remained the same, however increasing valuations led to a 4.1% increase in property tax revenues.
- The City's total revenues were $10.8 million. A significant portion, 78.0%, comes from taxes and 17.3% 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 $8.8 million.
- However, the amount that our taxpayers paid for these activities through taxes was $8.4 million.
- Some of the cost was paid by those who directly benefited from the programs, $1.9 million.

Business-Type Activities (Water Sewer)

Revenues of the City's business-type activities were $3.5 million (a 7.7% increase) and expenses were $3.2 million (a 5.7% increase). The increase in the expenses was primarily due to increased water purchase costs.

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

	Total Cost of Services		Percent	Net Cost of Services		Percent
	2013	2012	Change	2013	2012	Change
General Government	$ 2,088	$ 1,978	5.6%	$ 1,873	$ 1,772	5.7%
Police Department	3,064	2,825	8.5%	1,977	1,670	18.3%
Fire Department	1,652	1,682	-1.8%	1,652	1,682	-1.8%
Building Inspection	407	384	6.1%	(172)	(45)	280.7%
Infrastructure	967	863	12.0%	967	836	15.7%
Other	85	79	8.1%	85	79	8.1%
Debt Service – Interest & Fiscal	502	279	80.1%	502	279	80.1%
Water/Sewer	3,207	3,033	5.7%	3	30	-90.8%

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 $10.8 million, a 9.0% increase over the prior year. Expenditures increased 12.4% to $9.4 million.

Budgetary Highlights

One amendment was made to the budget this year to account for the purchase of an armored vehicle. Expenditures were under budget in total by $684 thousand and $1.8 million in the general fund and municipal development district, respectively. Ending resources available were $1.6 million and $1.8 million more than the budgeted amounts in the general fund and municipal development district, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of October 31, 2013, the City had invested $32.5 million and $12.2 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 an armored vehicle. (See Table A-4.)

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

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent
	2013	2012	2013	2012	2013	2012	Change
Land	$ 569	$ 569	$ 18	$ 18	$ 587	$ 587	0.0%
Water Rights	-	-	2,559	2,559	2,559	2,559	0.0%
Buildings	8,087	8,044	404	404	8,491	8,448	0.5%
Water and Sewer Plant	-	-	8,743	8,743	8,743	8,743	0.0%
Vehicles and Equipment	4,762	4,392	431	411	5,193	4,803	8.1%
Infrastructure	18,153	17,393	-	-	18,153	17,393	4.4%
Construction in Progress	947	760	71	-	1,018	760	33.9%
Totals at Historical Cost	32,518	31,158	12,226	12,135	44,744	43,293	3.4%
Accumulated Depreciation	(14,164)	(12,782)	(1,970)	(1,658)	(16,134)	(14,441)	11.7%
Net Capital Assets	$ 18,354	$ 18,376	$ 10,256	$ 10,477	$ 28,610	$ 28,852	-0.8%

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

Long Term Debt

As of October 31, 2013, the City had $12.4 million in bonds outstanding as shown in Table A-5. A bond was refunded this year and another bond was issued for improvements to the Harrison House. 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
	2013	2012	2013	2012	2013	2012	Change
Bonds Payable	$ 9,030	$ 7,280	$ 3,345	$ 3,510	$ 12,375	$ 10,790	14.69%
Tax Notes	-	95	-	-	-	95	-100.00%
Capital Leases	30	81	-	-	30	81	-62.96%
Total Debt	$ 9,060	$ 7,456	$ 3,345	$ 3,510	$ 12,405	$ 10,966	100.00%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's 2013 property tax rate was lowered to $0.2342 per $100 of valuation compared to last year's rate of $0.2793. The 2013 property tax rate represents the Notice and Hearing Limit which is the lower of the rollback rate and the effective tax rate. The total taxable assessed value of property in Selma in 2013 was $678,077,069, which reflects an increase of $54,426,598 from last year's taxable value of $623,650,471. Property tax revenue from new properties added to the tax roll should increase by $59,576.

Revenue generated by new construction and building permits increased from last year's revenue of $334,817 to $431,969 in 2013. Sales tax collections (net of tax incentives to attract businesses) increased this year from $4,472,520 in 2012 to $4,853,151. (This excludes the sales tax to support the Municipal Development District). Anticipated revenue in these areas is expected to increase slightly during the next fiscal year based on new commercial and residential development that is currently underway or scheduled to occur during the 2013 – 2014 fiscal year.

These factors were considered when adopting the general fund budget for fiscal year 2013 – 2014. This year's general fund budget will reflect an increase of $573,022 in funds available for appropriation. Expenditures within city departments will increase slightly in accordance with this year's forecasted income. With an anticipated increase in property tax revenue, the city will continue providing citizens with the same level of services. City staff will continue to monitor economic conditions and recommend adjustments to the budget that may be warranted.

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.

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, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 15,521,716	$ 2,235,635	$ 17,757,351
Receivables (Net of Allowance for Uncollectibles):			
Property Taxes	34,405	-	34,405
Nonproperty Taxes	1,071,513	-	1,071,513
Lot Maintenance	1,042	-	1,042
Water Sewer Customers	-	411,635	411,635
Prepaid Expenses	32,305	772	33,077
Internal Balances	(218,030)	218,030	-
Capital Assets:			
Land	569,439	18,343	587,782
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	4,762,454	430,786	5,193,240
Infrastructure	18,153,255	-	18,153,255
Construction in Progress	946,927	70,886	1,017,813
Accumulated Depreciation	(14,163,974)	(1,969,967)	(16,133,941)
TOTAL ASSETS	$ 34,798,339	$ 13,122,290	$ 47,920,629

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
OCTOBER 31, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 300,993	$ 273,064	$ 574,057
Accrued Expenses	378,457	26,974	405,431
Accrued Compensated Absences	318,829	7,043	325,872
Accrued Interest Payable	65,866	31,359	97,225
Unavailable Revenue	-	2,218,145	2,218,145
Customer Deposits	-	5,000	5,000
Noncurrent Liabilities:			
Due within One Year	674,861	170,000	844,861
Due in more than One Year	8,624,184	3,175,000	11,799,184
TOTAL LIABILITIES	10,363,190	5,906,585	16,269,775
DEFERRED INFLOWS OF RESOURCES			
Property Tax Levy for Future Period	239,593	-	239,593
TOTAL DEFERRED INFLOWS	239,593	-	239,593
NET POSITION			
Net Investment in Capital Assets	11,759,003	6,911,218	18,670,221
Restricted Net Position:			
Debt Service	1,514,868	-	1,514,868
Municipal Development District	4,957,654	-	4,957,654
Police Department	55,852	-	55,852
Hotel/Motel	597,036	-	597,036
Building Security and Technology	295,055	-	295,055
Street Repairs	1,350,571	-	1,350,571
Other	77,470	-	77,470
Unrestricted	3,588,047	304,487	3,892,534
TOTAL NET POSITION	$ 24,195,556	$ 7,215,705	$ 31,411,261

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2013

		Program Revenues		
Functions and Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Administration	$ 2,088,390	$ 215,248	$ -	$ -
Police Protection	3,064,241	1,065,608	21,890	-
Fire Protection	1,652,306	-	-	-
Building Inspections	407,359	579,423	-	-
Infrastructure	966,528	-	-	-
Other	85,391	-	-	-
Interest on Long-Term Debt	502,356	-	-	-
Total Governmental Activities	8,766,571	1,860,279	21,890	-
Business-Type Activities				
Water & Sewer Utility	3,207,201	3,204,456	-	-
Total Business-Type Activities	3,207,201	3,204,456	-	-
Total Government	$ 11,973,772	$ 5,064,735	$ 21,890	$ -
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				
Net Position at End of Year				

The accompanying notes are an integral part of these statements.

Net (Expense) Revenue		
Governmental Activities	Business-Type Activities	Total
$ (1,873,142)	$ -	$ (1,873,142)
(1,976,743)	-	(1,976,743)
(1,652,306)	-	(1,652,306)
172,064	-	172,064
(966,528)	-	(966,528)
(85,391)	-	(85,391)
(502,356)	-	(502,356)
(6,884,402)	-	(6,884,402)
-	(2,745)	(2,745)
-	(2,745)	(2,745)
(6,884,402)	(2,745)	(6,887,147)
1,684,088	-	1,684,088
454,559	-	454,559
6,035,698	-	6,035,698
271,094	-	271,094
9,167	670	9,837
-	276,569	276,569
441,306	6,672	447,978
8,895,912	283,911	9,179,823
550,000	(550,000)	-
2,561,510	(268,834)	2,292,676
21,634,046	7,484,539	29,118,585
$ 24,195,556	$ 7,215,705	$ 31,411,261

CITY OF SELMA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
OCTOBER 31, 2013

	Major Funds				
	General Fund	Debt Service Fund	Municipal Development District	Capital Projects	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 7,786,194	$ 331,659	$ 4,935,709	$ 2,468,155	$ 15,521,717
Receivables (Net of Uncollectibles):					
Property Taxes	13,328	21,078	-	-	34,406
Lot Maintenance	1,042	-	-	-	1,042
Sales and Franchise Tax	869,585	-	201,928	-	1,071,513
Prepaid Items	32,305	-	-	-	32,305
Due from Other Funds	8,655	1,343,088	-	-	1,351,743
TOTAL ASSETS	$ 8,711,109	$ 1,695,825	$ 5,137,637	$ 2,468,155	$ 18,012,726
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 124,987	$ -	$ 176,006	$ -	$ 300,993
Accrued Expenditures	378,457	-	-	-	378,457
Unavailable Revenue	12,277	18,780	-	-	31,057
Due to Other Funds	1,561,118	-	3,977	4,678	1,569,773
TOTAL LIABILITIES	2,076,839	18,780	179,983	4,678	2,280,280
Deferred Inflows:					
Future Property Tax Levy	124,502	115,091	-	-	239,593
TOTAL DEFERRED INFLOWS	124,502	115,091	-	-	239,593
Fund Balances:					
Nonspendable:					
Prepaid Items	32,305	-	-	-	32,305
Restricted for:					
Debt Service	-	1,561,954	-	-	1,561,954
Police Department	55,852	-	-	-	55,852
Hotel/Motel	597,036	-	-	-	597,036
Building Security and Technology	295,055	-	-	-	295,055
Municipal Development District	-	-	4,957,654	-	4,957,654
Street Repairs	1,350,571	-	-	-	1,350,571
Harrison House Improvements	-	-	-	2,463,477	2,463,477
Other Balances	77,470	-	-	-	77,470
Assigned for:					
Fire Department	31,478	-	-	-	31,478
Parks	13,262	-	-	-	13,262
Police Department	68,943	-	-	-	68,943
Unassigned	3,987,796	-	-	-	3,987,796
TOTAL FUND BALANCES	6,509,768	1,561,954	4,957,654	2,463,477	15,492,853
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 8,711,109	$ 1,695,825	$ 5,137,637	$ 2,468,155	$ 18,012,726

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, 2013

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	$ 15,492,853
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.	18,355,388
Other long-term assets are not available to pay for current-period expenditures and therefore, are not reported in the governmental funds	31,055
Accrued vacation leave payable is not due and payable in the current period and, therefore, not reported in the governmental funds.	(318,829)
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.	(9,299,045)
Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the governmental funds.	(65,866)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	$ 24,195,556

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, 2013

	Major Funds			Nonmajor	
	General Fund	Debt Service Fund	Municipal Development District Fund	Capital Projects	Total Governmental Funds
REVENUES					
Ad Valorem Taxes	$ 495,757	$ 1,186,924	$ -	$ -	$ 1,682,681
Sales and Mixed Beverage Tax	4,696,704	-	1,351,218	-	6,047,922
Franchise Taxes	454,559	-	-	-	454,559
Occupancy Tax	271,094	-	-	-	271,094
Charges for Services	764,697	-	-	-	764,697
Fines and Forfeits	1,062,673	-	-	-	1,062,673
Miscellaneous	482,502	134	1,797	2,618	487,051
TOTAL REVENUES	8,227,986	1,187,058	1,353,015	2,618	10,770,677
EXPENDITURES					
Current:					
General Administration	2,330,380	-	-	-	2,330,380
Police Protection	2,645,407	-	-	-	2,645,407
Fire Protection	1,518,755	-	-	-	1,518,755
Building Inspections	396,569	-	-	-	396,569
Infrastructure	202,582	-	-	-	202,582
Other	44,069	-	-	-	44,069
Capital Outlay	475,681	-	548,133	39,141	1,062,955
Debt Service:					
Principal	50,878	780,000	-	-	830,878
Interest and Fiscal Charges	4,981	323,212	-	70,487	398,680
TOTAL EXPENDITURES	7,669,302	1,103,212	548,133	109,628	9,430,275
Excess (Deficiency) of Revenues Over (Under) Expenditures	558,684	83,846	804,882	(107,010)	1,340,402
OTHER FINANCING SOURCES (USES):					
Proceeds from Bond Issuances	-	2,210,000	-	2,435,000	4,645,000
Premiums from Bond Issuances	-	122,348	-	135,487	257,835
Payment to Refunding Escrow Agent	-	(2,258,290)	-	-	(2,258,290)
Transfers In (Out)	460,712	89,288	-	-	550,000
TOTAL OTHER FINANCING SOURCES (USES)	460,712	163,346	-	2,570,487	3,194,545
Net Change in Fund Balance	1,019,396	247,192	804,882	2,463,477	4,534,947
FUND BALANCES - NOVEMBER 1	5,490,372	1,314,762	4,152,772	-	10,957,906
FUND BALANCES - OCTOBER 31	$ 6,509,768	$ 1,561,954	$ 4,957,654	$ 2,463,477	$ 15,492,853

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, 2013

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 4,534,947
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. This is the amount by which depreciation exceeded capital outlay.		(19,600)
Proceeds from capital asset dispositions produce current financial resources in the fund statements, while the net gain (loss) is recognized in the Statement of Activities. This is the net book value of capital assets disposed.		(1,000)
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		1,407
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:		
Proceeds from Bonds Issued	(4,645,000)	
Premiums Received on Bond Issuances	(257,835)	
Payment to Escrow Agent for Refunding	2,258,290	
Principal Repayments	830,878	(1,813,667)
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	(31,916)	
Amortization of Debt Related Balances	(111,735)	
Accrued Interest	3,074	(140,577)
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		$ 2,561,510

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUND
OCTOBER 31, 2013

	Water & Sewer
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 2,235,635
Accounts Receivables - Customers (Net of Allowance for Uncollectibles)	411,635
Prepaid Expenses	772
Due from Other Funds	218,030
Total Current Assets	2,866,072
Capital Assets:	
Land	18,343
Water Rights	2,558,666
Building and Improvements	404,337
Water Sewer Plant	8,743,167
Equipment	430,786
Construction in Progress	70,886
Accumulated Depreciation	(1,969,967)
Total Capital Assets, Net	10,256,218
TOTAL ASSETS	13,122,290
LIABILITIES	
Current Liabilities:	
Accounts Payable	273,064
Accrued Expenses	26,974
Accrued Vacation Payable	7,043
Accrued Interest	31,359
Unavailable Revenue	2,218,145
Customer Deposits	5,000
Current Portion of Bonds Payable	170,000
Total Current Liabilities	2,731,585
Noncurrent Liabilities:	
Bonds Payable	3,175,000
Total Noncurrent Liabilities:	3,175,000
TOTAL LIABILITIES	5,906,585
NET POSITION	
Net Investment in Capital Assets	6,911,218
Unrestricted	304,487
TOTAL NET POSITION	$ 7,215,705

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED OCTOBER 31, 2013

	Water & Sewer
OPERATING REVENUE	
Water Service	$ 1,103,940
Sewer Service	692,068
Stormwater Fees	271,044
Garbage Billing	1,008,390
Connection and Extension Fees	76,257
Other Fees	52,757
TOTAL OPERATING REVENUE	3,204,456
OPERATING EXPENSES	
Administration Costs:	
Personnel	317,326
Contractual Services	2,173,016
Water and Sewer Operations:	
Supplies and Materials	157,735
Repairs and Maintenance	73,914
Other	13,530
Depreciation	311,615
TOTAL OPERATING EXPENSES	3,047,136
OPERATING INCOME (LOSS)	157,320
NONOPERATING INCOME (EXPENSE)	
Impact Fees	276,569
Miscellaneous	6,672
Interest Income	670
Interest Expense	(160,065)
TOTAL NONOPERATING INCOME (EXPENSE)	123,846
NET INCOME (LOSS) BEFORE TRANSFERS	281,166
Transfers In (Out)	(550,000)
NET INCOME (LOSS)	(268,834)
NET POSITION, BEGINNING OF YEAR	7,484,539
NET POSITION, END OF YEAR	$ 7,215,705

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, 2013

	Water & Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 4,067,769
Cash Paid to Suppliers	(2,351,394)
Cash Paid to Employees	(313,030)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	1,403,345
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Miscellaneous Income	6,672
Impact Fees	276,569
Deposits Collected (Refunded)	(1,030)
Transfers From (to) Primary Government	(208,884)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	73,327
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(90,334)
Principal Payments on Long-term Debt	(165,000)
Interest Paid for Financing Activities	(128,531)
NET CASH USED FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(383,865)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income Received	670
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	670
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,093,477
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,142,158
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,235,635

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, 2013

	Water & Sewer
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	$ 157,320
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	311,615
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable (net)	72,851
(Increase) Decrease in Prepaid Expenses	(104)
Increase (Decrease) in Accounts Payable	66,905
Increase (Decrease) in Accrued Expenses	3,023
Increase (Decrease) in Employee Compensated Absences	1,273
Increase (Decrease) in Unavailable Revenue	790,462
Total Adjustments	1,246,025
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 1,403,345

The accompanying notes are an integral part of these statements.

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. Proprietary type funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements 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, 2012 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.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. ACCOUNTS RECEIVABLE (Continued)

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.

8. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Allowances have been established by management based on best available information for a variety of receivables as of October 31, 2013.

	General Fund		Debt Service Fund		Water/Sewer Fund	
	2013	2012	2013	2012	2013	2012
Property taxes	$ 1,655	$ 1,655	$ 602	$ 602	$ -	$ -
Lot Maintenance	20,303	20,303	-	-	-	-
Water/Sewer Accounts	-	-	-	-	39,124	36,559

9. 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.

10. PREPAID ITEMS

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

11. 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.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. CAPITAL ASSETS (Continued)

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	18 to 50 years
Utility System in Service	15 to 40 years
Machinery and Equipment	3 to 10 years

12. 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, 2013 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.

13. UNAVAILABLE REVENUE

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 revenues not expected to be available for the current period are reflected as unavailable revenue. Property tax collections for future levies are recorded as deferred inflows of resources.

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.

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.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. LONG-TERM OBLIGATIONS (Continued)

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. 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.

16. 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.

17. 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.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. 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.

19. 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.

20. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

For the year ended October 31, 2013, the City implemented the following statements of financial accounting standards issued by the Governmental Accounting Standards Board:

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities

These statements established standards for reporting deferred inflow and outflows of resources and net position in a financial statement. Property taxes collected in advance of the tax levy year are now reported as deferred inflows of resources for the City. In addition, bond issue costs are expensed as incurred. Neither of these changes had a material effect on fund balance/net position.

NOTE B -- CASH AND INVESTMENTS

1. Cash and Cash Equivalents

At October 31, 2013, 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.

NOTE B -- CASH AND CASH INVESTMENTS (Continued)

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, 2013 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, 2013 were $4,916,201 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.

b. 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.

NOTE B -- CASH AND CASH INVESTMENTS (Continued)

c. 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.

b. 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.

c. 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.

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 2013, the assessed tax rate for the City was $0.2793 per $100 on a taxable assessed valuation of $652,102,795. The rate is broken out as $0.0982 per $100 for general operations and $0.1811 per $100 for debt retirement. Total tax levy for fiscal year 2013 after all exemptions and freeze adjustments was $1,819,794.

NOTE D -- INTERFUND TRANSACTIONS

As of October 31, 2013, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due From	Due To	Reason
General Fund			
Proprietary Fund	$ -	$ 218,030	reimbursement
Debt Service	-	1,343,089	pooled tax collections
Municipal Development	3,976		reimbursement
Capital Projects	4,678		reimbursement
Debt Service			
General Fund	1,343,089	-	pooled tax collections
Municipal Development			
General Fund	-	3,976	reimbursement
Capital Projects			
General Fund	-	4,678	reimbursement
Proprietary Fund			
General Fund	218,030	-	reimbursement
	$ 1,569,773	$ 1,569,773	

NOTE D -- INTERFUND TRANSACTIONS (Cont.)

The following transfers occurred during the year ended October 31, 2013:

	Transfer In	Transfer Out	Reason
General Fund			
Proprietary Fund	$ 550,000	$ -	Transfer in lieu of taxes
Debt Service	-	89,288	In support of debt
Debt Service			
General Fund	89,288	-	In support of debt
Proprietary Fund			
General Fund	-	550,000	Transfer in lieu of taxes
	$ 639,288	$ 639,288	

NOTE E -- CAPITAL ASSETS

Capital asset activity for the year ended October 31, 2013, was as follows:

Governmental Activities	Balances at 11/1/12	Additions	Deductions/ Transfers	Balances at 10/31/13
Land	$ 569,439	$ -	$ -	$ 569,439
Buildings	8,043,930	43,357	-	8,087,287
Infrastructure	17,393,245	-	760,010	18,153,255
Construction in Progress	760,010	946,927	(760,010)	946,927
Vehicles and Equipment	4,391,737	420,858	(50,141)	4,762,454
	31,158,361	1,411,142	(50,141)	32,519,362
Less Accumulated Depreciation				
Buildings	1,476,513	275,896	-	1,752,409
Infrastructure	8,200,662	701,029	-	8,901,691
Vehicles and Equipment	3,105,198	453,817	(49,141)	3,509,874
	12,782,373	1,430,742	(49,141)	14,163,974
Governmental Capital Assets, Net	$ 18,375,988	$ (19,600)	$ (1,000)	$ 18,355,388

Depreciation Expense was charged to the governmental functions as follows:

General Government	$ 172,959
Police Department	369,763
Fire Department	117,846
Infrastructure	763,513
Building Inspection	6,661
Total Depreciation Expense	$ 1,430,742

NOTE E -- CAPITAL ASSETS (Cont.)

Business-Type Activities	Balances at 11/1/12	Additions	Deductions/ Transfers	Balances at 10/31/13
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	-	70,886	-	70,886
Vehicles and Equipment	411,338	19,448	-	430,786
	12,135,851	90,334	-	12,226,185
Less Accumulated Depreciation				
Buildings	62,470	13,943	-	76,413
Water Sewer Utility Plant	1,254,016	254,067	-	1,508,083
Vehicles and Equipment	341,866	43,605	-	385,471
	1,658,352	311,615	-	1,969,967
Business-Type Capital Assets, Net	$ 10,477,499	$ (221,281)	$ -	$ 10,256,218

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, 2013, management has accrued $183,050 in estimated sales tax refunds due to Costco Corporation.

NOTE G -- LONG-TERM DEBT

Capital Leases:

	Lease Payments			
Capital Item	Amount	Frequency	Maturity	Interest Rate
Police Equipment	31,991	Annual	4/14/2014	7.13%

The assets from this capital lease were capitalized for $170,486 and as of October 31, 2013 had accumulated depreciation of $85,243. The remaining capital lease obligation is as follows:

Year Ending	Capital Leases		
October 31,	Principal	Interest	Total
2014	$ 29,861	$ 2,130	$ 31,991
Total	$ 29,861	$ 2,130	$ 31,991

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

In November 2012, the City issued Certificates of Obligation Series 2012 in the amount of $2,435,000 for improvements to the Harrison House and related park facilities. The bonds mature serially through 2024. All but $860,000 of these bonds are funded through property tax levies. The remaining $860,000 is to be funded through hotel occupancy taxes.

In November 2012, the City also issues General Obligation Bonds Series 2012 to advance refund Certificates of Obligation Series 2003. The proceeds of the debt were held in an escrow account until February 1, 2013, at which time the 2003 Series was completely refunded. The refunding saved the City a total of $307,768 with a present value of $298,943.

At October 31, 2013, the City's long-term debt consisted of the following:

	Interest Rates	Original Issue	Outstanding
Governmental Activities			
General Obligation, Series 2010	0.9-3.25%	$ 1,660,000	$ 1,330,000
General Obligation, Series 2012	2-3%	2,210,000	2,150,000
Certificate of Obligation, Series 2012	2-3%	2,435,000	2,285,000
Certificate of Obligation, Series 2008	3.75%	4,000,000	3,265,000
Capital Lease - Police Equipment	7.13%	115,742	29,861
			$ 9,059,861
Business-Type Activities			
Certificate of Obligation, Series 2008	3.75%	$ 4,100,000	$ 3,345,000
			$ 12,404,861

Changes in the City's long-term debt during the fiscal year ending October 31, 2013, follows:

	Balance Outstanding 11/1/12	Current Additions	Current Retirements	Balance Outstanding 10/31/13	Due Within One Year
Governmental Activities:					
Certificates of Obligation:					
Series 2003	$ 2,380,000	$ -	$ (2,380,000)	$ -	$ -
Series 2008	3,425,000	-	(160,000)	3,265,000	165,000
Series 2012	-	2,435,000	(150,000)	2,285,000	135,000
General Obligation					
Series 2010	1,475,000	-	(145,000)	1,330,000	150,000
Series 2012	-	2,210,000	(60,000)	2,150,000	195,000
Tax Notes 2008	95,000	-	(95,000)	-	-
Premiums	-	257,835	(18,651)	239,184	-
Capital Leases	80,739	-	(50,878)	29,861	29,861
Compensated Absences	286,913	31,916	-	318,829	318,829
Totals	$ 7,742,652	$ 4,934,751	$ (3,059,529)	$ 9,617,874	$ 993,690
Business-Type Activities:					
Series 2008	$ 3,510,000	$ -	$ (165,000)	$ 3,345,000	$ 170,000
Compensated Absences	5,770	1,273	-	7,043	7,043
Totals	$ 3,515,770	$ 1,273	$ (165,000)	$ 3,352,043	$ 177,043

NOTE G -- LONG-TERM DEBT (Continued)

The annual requirements to amortize all bonded debt outstanding as of October 31, 2013, including interest payments, are as follows:

Year Ending	Governmental Activities			Business-Type Activities		
October 31,	Principal	Interest	Total	Principal	Interest	Total
2014	$ 645,000	$ 256,759	$ 901,759	$ 170,000	$ 122,250	$ 292,250
2015	655,000	241,281	896,281	175,000	115,781	290,781
2016	675,000	224,979	899,979	185,000	109,031	294,031
2017	695,000	207,668	902,668	190,000	102,000	292,000
2018	720,000	189,300	909,300	195,000	94,781	289,781
2019-2023	3,550,000	647,899	4,197,899	1,105,000	355,406	1,460,406
2024-2028	1,855,000	210,675	2,065,675	1,325,000	127,969	1,452,969
2029-2030	235,000	10,650	245,650	-	-	-
Total	$ 9,030,000	$ 1,989,211	$ 11,019,211	$ 3,345,000	$ 1,027,218	$ 4,372,218

NOTE H -- PENSION PLAN

Plan Description

The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS. TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2012	Plan Year 2013
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

NOTE H -- PENSION PLAN (Continued)

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/ (asset) are as follows:

Fiscal Year	Annual Pension Cost	Percentage of APC Contribution	Net Pension Obligation
2011	$ 492,043	100%	$ -
2012	486,498	100%	-
2013	524,281	100%	-

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Actuarial Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	26.9 years; closed period	25.9 years; closed period	24.9 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return	7.00%	7.00%	7.00%
Projected Salary Increases	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
Inflation Rate	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

NOTE H -- PENSION PLAN (continued)

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

CALENDAR YEAR	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	FUNDING RATIO (1)/(2)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	ANNUAL COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
2012	$ 8,187,305	$ 9,937,749	82.4%	$ 1,750,444	$ 3,792,014	46.2%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

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.

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, 2013, 2012 and 2011 were $7,488, $6,697, and $7,800, respectively, which equaled the required contributions each year.

NOTE K -- 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, 2013, the City had the following estimated commitments related to these contracts:

	Total Contract Amount	Expended to Date	Estimated Remaining
Engineering for Improvements	$ 1,648,683	$ 699,134	$ 949,549
Construction of Improvements	339,602	318,680	20,922
Total	$ 1,988,285	$ 1,017,814	$ 970,471

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, 2013, the City has paid the TIRZ $1,186,478 and have committed to an additional amount not to exceed $16,651,740.

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, 2013, were $131,937.

Selma

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 Funding Progress – Defined Benefit

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, 2013
WITH COMPARATIVE ACTUAL TOTALS FOR 2012

	Budgeted			Variance With Final Budget-	
	Original	Final	**2013 Actual**	Positive (Negative)	2012 Actual
REVENUES					
Taxes:					
Ad Valorem	$ 580,950	$ 580,950	**$ 495,757**	$ (85,193)	$ 399,813
City Sales Tax	3,846,650	3,846,650	**3,817,939**	(28,711)	3,512,476
City Sales Tax - Streets	798,330	798,330	**808,858**	10,528	745,420
Mixed Beverage	55,000	55,000	**57,683**	2,683	55,346
Retama Gate Fees	10,000	10,000	**12,224**	2,224	10,195
Franchise Fees	789,000	789,000	**454,559**	(334,441)	432,303
Occupancy Tax	170,000	170,000	**271,094**	101,094	205,522
Total Taxes	6,249,930	6,249,930	**5,918,114**	(331,816)	5,361,075
Charges For Services:					
Licenses and Permits	403,500	403,500	**620,515**	217,015	475,287
Lot Maintenance	8,000	8,000	**-**	(8,000)	27
Garbage Fees	125,000	125,000	**144,182**	19,182	133,205
Total Charges for Services	536,500	536,500	**764,697**	228,197	608,519
Fines and Forfeitures	1,147,340	1,147,340	**1,062,673**	(84,667)	1,149,410
Other Sources:					
Interest	20,000	20,000	**4,621**	(15,379)	5,535
Police Special & Seizure	1,200	1,200	**17,826**	16,626	5,331
Contributions	-	-	**-**	-	27,401
Miscellaneous	64,000	64,000	**460,055**	396,055	193,117
Total Other Sources	85,200	85,200	**482,502**	397,302	231,384
TOTAL REVENUES	8,018,970	8,018,970	**8,227,986**	209,016	7,350,388
EXPENDITURES					
General Administration:					
Salaries	884,884	884,884	**887,606**	(2,722)	837,724
Contractual Services	1,407,980	1,407,980	**890,762**	517,218	680,526
Supplies & Services	163,106	163,106	**503,923**	(340,817)	202,942
Capital Outlay	21,500	21,500	**21,962**	(462)	16,332
Miscellaneous	26,500	26,500	**48,089**	(21,589)	43,729
Total General Administration	$ 2,503,970	$ 2,503,970	**$ 2,352,342**	$ 151,628	$ 1,781,253

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, 2013
WITH COMPARATIVE ACTUAL TOTALS FOR 2012

	Budget Amounts			Variance With Final Budget-	
	Original	Final	**2013 Actual**	Positive (Negative)	2012 Actual
EXPENDITURES (CONTINUED)					
Fire Protection:					
Salaries	$ 1,573,712	$ 1,573,712	**$ 1,423,100**	$ 150,612	$ 1,422,648
Contractual Services	12,800	12,800	**1,647**	11,153	35,737
Supplies & Services	70,000	70,000	**68,229**	1,771	62,234
Capital Outlay	17,200	17,200	**15,937**	1,263	15,872
Miscellaneous	30,800	30,800	**25,779**	5,021	24,421
Total Fire Protection	1,704,512	1,704,512	**1,534,692**	169,820	1,560,912
Police Protection:					
Salaries	2,319,906	2,319,906	**2,273,509**	46,397	2,115,888
Contractual Services	93,000	93,000	**95,413**	(2,413)	96,370
Supplies & Services	241,200	241,200	**205,066**	36,134	194,888
Capital Outlay	169,800	342,742	**378,893**	(36,151)	33,561
Miscellaneous	81,500	81,500	**71,419**	10,081	71,244
Total Police Protection	2,905,406	3,078,348	**3,024,300**	54,048	2,511,951
Building Inspections:					
Salaries	293,555	293,555	**286,717**	6,838	274,087
Contractual Services	60,000	60,000	**101,253**	(41,253)	90,887
Supplies & Services	3,500	3,500	**4,607**	(1,107)	2,685
Capital Outlay	1,500	1,500	**2,923**	(1,423)	1,721
Miscellaneous	5,150	5,150	**3,992**	1,158	2,609
Total Building Inspections	363,705	363,705	**399,492**	(35,787)	371,989
Infrastructure:					
Salaries	146,748	146,748	**139,759**	6,989	111,094
Contractual Services	3,500	3,500	**2,820**	680	2,612
Supplies & Services	40,600	40,600	**60,003**	(19,403)	46,098
Capital Outlay	-	-	**-**	-	-
Total Infrastructure	$ 190,848	$ 190,848	**$ 202,582**	$ (11,734)	$ 159,804

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, 2013
WITH COMPARATIVE ACTUAL TOTALS FOR 2012

	Budget Amounts			Variance With Final Budget-	
	Original	Final	**2013 Actual**	Positive (Negative)	2012 Actual
EXPENDITURES (CONTINUED)					
Other:					
Mayor & Council	$ 47,200	$ 47,200	**$ 40,949**	$ 6,251	$ 40,652
General Capital Improvements	410,000	410,000	**-**	410,000	-
Parks and Historical Committee	55,000	55,000	**59,087**	(4,087)	-
Total Other	512,200	512,200	**100,036**	412,164	40,652
Debt Service:					
Capital Lease Principal	-	-	**50,878**	(50,878)	81,508
Interest and Fiscal Charges	-	-	**4,981**	(4,981)	7,386
Total Debt Service	-	-	**55,859**	(55,859)	88,894
TOTAL EXPENDITURES	8,180,641	8,353,583	**7,669,303**	684,280	6,515,455
Excess (Deficiency) of Revenues Over (Under) Expenditures	(161,671)	(334,613)	**558,683**	893,296	834,933
OTHER SOURCES (USES) OF FUNDS:					
Transfer In (Out)	(248,330)	(248,330)	**460,713**	709,043	550,000
TOTAL OTHER SOURCES (USES) OF FUNDS	(248,330)	(248,330)	**460,713**	709,043	550,000
Net Change in Fund Balance	(410,001)	(582,943)	**1,019,396**	1,602,339	1,384,933
FUND BALANCE - NOVEMBER 1	5,490,372	5,490,372	**5,490,372**	-	4,105,439
FUND BALANCE - OCTOBER 31	$ 5,080,371	$ 4,907,429	**$ 6,509,768**	$ 1,602,339	$ 5,490,372

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, 2013
WITH COMPARATIVE ACTUAL TOTALS FOR 2012

	Budget Amounts			Variance With Final Budget -	
	Original	Final	**2013 Actual**	Positive (Negative)	2012 Actual
REVENUES					
Sales Tax	$ 1,325,000	$ 1,325,000	**$ 1,351,218**	$ 26,218	$ 1,301,498
Interest Income	3,500	3,500	**1,797**	(1,703)	1,888
TOTAL REVENUES	1,328,500	1,328,500	**1,353,015**	24,515	1,303,386
EXPENDITURES					
Municipal Development:					
Contractual Services	30,000	30,000	**-**	30,000	-
Capital Outlay	2,298,500	2,298,500	**548,133**	1,750,367	724,840
TOTAL EXPENDITURES	2,328,500	2,328,500	**548,133**	1,780,367	724,840
Net Change in Fund Balance	(1,000,000)	(1,000,000)	**804,882**	1,804,882	578,546
FUND BALANCE - NOVEMBER 1	4,152,772	4,152,772	**4,152,772**	-	3,574,226
FUND BALANCE - OCTOBER 31	$ 3,152,772	$ 3,152,772	**$ 4,957,654**	$ 1,804,882	$ 4,152,772

CITY OF SELMA, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
OCTOBER 31, 2013

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
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS – DEFINED BENEFIT PENSION PLAN
LAST TEN CALENDAR YEARS

CALENDAR YEAR	ACTUARIAL VALUE OF ASSETS **	ACTUARIAL ACCRUED LIABILITY* (AAL)	FUNDING RATIO (1)/(2)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	ANNUAL COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
2003	$ 1,888,815	$ 2,188,103	86.3%	$ 299,288	$ 1,465,310	20.4%
2004	2,269,382	2,611,332	86.9%	341,950	1,721,577	19.9%
2005	2,675,122	3,144,541	85.1%	469,419	2,074,858	22.6%
2006	3,164,091	3,786,571	83.6%	622,480	2,637,879	23.6%
2007	3,676,680	5,367,457	68.5%	1,690,777	3,160,381	53.5%
2008	3,879,591	5,896,700	65.8%	2,017,109	3,402,468	59.3%
2009	4,668,886	6,825,514	68.4%	2,156,628	3,562,506	60.5%
2010	6,156,335	8,124,031	75.8%	1,967,696	3,416,722	57.6%
2011	7,175,608	9,003,692	79.7%	1,828,084	3,604,165	50.7%
2012	8,187,305	9,937,749	82.4%	1,750,444	3,792,014	46.2%

* As of December 31 of the preceding year, the date of the actuarial valuation.
** Assets are stated at cost as of December 31 of the preceding year.

Selma

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, 2013 AND 2012

	2013	2012
ASSETS		
Cash and Cash Equivalents	**$ 7,786,194**	$ 6,801,475
Delinquent Taxes Receivable (Net of Allowance for Uncollectibles)	**13,328**	11,805
Lot Maintenance Receivable (Net of Allowance for Uncollectibles)	**1,042**	2,869
Sales and Franchise Taxes Receivable	**869,585**	841,242
Due from Other Funds	**8,655**	-
Prepaid Items	**32,305**	41,779
TOTAL ASSETS	**$ 8,711,109**	$ 7,699,170
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE		
LIABILITIES		
Accounts Payable	**$ 124,987**	$ 159,469
Accrued Expenditures	**378,457**	344,971
Due to Other Funds	**1,561,118**	1,639,754
Unavailable Revenue	**12,277**	11,805
TOTAL LIABILITIES	**2,076,839**	2,155,999
DEFERRED INFLOWS OF RESOURCES		
Future Property Tax Levy	**124,502**	52,799
TOTAL DEFERRED INFLOWS	**124,502**	52,799
FUND BALANCES		
Nonspendable:		
Prepaid Items	**32,305**	41,779
Restricted for:		
Police Department	**55,852**	45,889
Hotel/Motel	**597,036**	695,850
Building Security and Technology	**295,055**	265,998
Street Repairs	**1,350,571**	805,361
Other Balances	**77,470**	59,042
Assigned for:		
Fire Department	**31,478**	31,478
Parks	**13,262**	12,851
Police Department	**68,943**	54,609
Unassigned	**3,987,796**	3,477,515
TOTAL FUND BALANCES	**6,509,768**	5,490,372
TOTAL LIABILITIES AND FUND BALANCES	**$ 8,711,109**	$ 7,699,170

CITY OF SELMA, TEXAS
COMPARATIVE BALANCE SHEETS
MUNICIPAL DEVELOPMENT DISTRICT FUND
OCTOBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and Cash Equivalents	**$ 4,935,709**	$ 3,984,991
Sales Taxes Receivable	**201,928**	202,080
TOTAL ASSETS	**$ 5,137,637**	$ 4,187,071
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts Payable	**$ 176,006**	$ 34,299
Due to Other Funds	**3,977**	-
Total Liabilities	**179,983**	34,299
Fund Balance:		
Restricted for Municipal Development	**4,957,654**	4,152,772
TOTAL LIABILITIES AND FUND BALANCE	**$ 5,137,637**	$ 4,187,071

CITY OF SELMA, TEXAS
COMPARATIVE BALANCE SHEETS
DEBT SERVICE FUND
OCTOBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and Cash Equivalents	**$ 331,659**	$ 331,525
Delinquent Taxes Receivable (Net of allowance for uncollectibles)	**21,078**	17,846
Due from Other Funds	**1,343,088**	1,080,608
TOTAL ASSETS	**$ 1,695,825**	$ 1,429,979
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE		
Liabilities:		
Unavailable Revenue	**$ 18,780**	$ 17,846
Total Liabilities	**18,780**	17,846
Deferred Inflows of Resources:		
Future Property Tax Levy	**115,091**	97,371
Total Deferred Inflows	**115,091**	97,371
Fund Balance:		
Restricted for Debt Service	**1,561,954**	1,314,762
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	**$ 1,695,825**	$ 1,429,979

CITY OF SELMA, TEXAS
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
DEBT SEVICE FUND
FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

	2013	2012
REVENUES		
Ad Valorem Taxes	**$ 1,186,924**	$ 1,231,691
Interest Income	**134**	213
TOTAL REVENUES	**1,187,058**	1,231,904
EXPENDITURES		
Bond Principal	**780,000**	555,000
Bond Interest and Agent Fees	**323,212**	276,631
TOTAL EXPENDITURES	**1,103,212**	831,631
Excess (Deficiency) of Revenues Over (Under) Expenditures	**83,846**	400,273
OTHER SOURCES (USES) OF FUNDS:		
Proceeds from Bond Issuances	**2,210,000**	-
Premiums from Bond Issuances	**122,348**	-
Payment to Refunding Escrow Agent	**(2,258,290)**	-
Transfers In (Out)	**89,288**	-
TOTAL OTHER SOURCES (USES) OF FUNDS	**163,346**	-
Net Change in Fund Balance	**247,192**	400,273
FUND BALANCE - NOVEMBER 1	**1,314,762**	914,489
FUND BALANCE - OCTOBER 31	**$ 1,561,954**	$ 1,314,762

CITY OF SELMA, TEXAS
COMPARATIVE BALANCE SHEETS
CAPITAL PROJECTS FUND
OCTOBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and Cash Equivalents	**$ 2,468,155**	$ -
Due from Other Funds	**-**	-
TOTAL ASSETS	**$ 2,468,155**	$ -
LIABILITIES AND FUND BALANCE		
Liabilities:		
Due to Other Funds	**$ 4,678**	-
Total Liabilities	**4,678**	-
Fund Balance:		
Restricted for Harrison House Improvements	**2,463,477**	-
Total Fund Balance	**2,463,477**	-
TOTAL LIABILITIES AND FUND BALANCE	**$ 2,468,155**	$ -

CITY OF SELMA, TEXAS
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – CAPITAL PROJECTS FUND
FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

	2013	2012
REVENUES		
Miscellaneous Income	**$ 2,618**	$ -
TOTAL REVENUES	**2,618**	-
EXPENDITURES		
Capital Outlay	**39,141**	316,681
Bond Issue Costs	**70,487**	-
TOTAL EXPENDITURES	**109,628**	316,681
Excess (Deficiency) of Revenues over (Under) Expenditures	**(107,010)**	(316,681)
OTHER FINANCING SOURCES		
Proceeds from Bond Issuance	**2,435,000**	-
Premiums Received from Bond Issuance	**135,487**	-
TOTAL OTHER FINANCING SOURCES	**2,570,487**	-
Net Change in Fund Balance	**2,463,477**	(316,681)
FUND BALANCE - NOVEMBER 1	**-**	316,681
FUND BALANCE - OCTOBER 31	**$ 2,463,477**	$ -

CITY OF SELMA, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
PROPRIETARY WATER SEWER FUND
OCTOBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Current Assets:		
Cash and Cash Equivalents	**$ 2,235,635**	$ 1,142,158
Accounts Receivables - Customers (Net of Allowance for Uncollectibles)	**411,635**	484,486
Prepaid Expenses	**772**	668
Due from Other Funds	**218,030**	559,146
Total Current Assets	**2,866,072**	2,186,458
Other Assets	**-**	33,081
Capital Assets:		
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	**430,786**	411,338
Construction in Progress	**70,886**	-
Accumulated Depreciation	**(1,969,967)**	(1,658,352)
Total Capital Assets, Net	**10,256,218**	10,477,499
TOTAL ASSETS	**$ 13,122,290**	$ 12,697,038
LIABILITIES		
Current Liabilities:		
Accounts Payable	**273,064**	206,159
Accrued Expenses	**26,974**	23,951
Vacation Payable	**7,043**	5,770
Accrued Interest	**31,359**	32,906
Unavailable Revenue	**2,218,145**	1,427,683
Customer Deposits	**5,000**	6,030
Current Portion of Bonds Payable	**170,000**	165,000
Total Current Liabilities	**2,731,585**	1,867,499
Noncurrent Liabilities:		
Bonds Payable	**3,175,000**	3,345,000
TOTAL LIABILITIES	**5,906,585**	5,212,499
NET POSITION		
Net Investment in Capital Assets	**6,911,218**	6,967,499
Unrestricted	**304,487**	517,040
TOTAL NET POSITION	**$ 7,215,705**	$ 7,484,539

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, 2013 AND 2012

	2013	2012
OPERATING REVENUE		
Water Service	**$ 1,103,940**	$ 1,028,559
Sewer Service	**692,068**	646,870
Stormwater Fees	**271,044**	254,851
Garbage Billing	**1,008,390**	943,775
Connection and Extension Fees	**76,257**	73,068
Other Fees	**52,757**	55,982
TOTAL OPERATING REVENUE	**3,204,456**	3,003,105
OPERATING EXPENSES		
Administration Costs:		
Personnel	**317,326**	242,423
Contractual Services	**2,173,016**	2,074,526
Water and Sewer Operations:		
Supplies and Materials	**157,735**	141,568
Repairs and Maintenance	**73,914**	45,820
Other	**13,530**	77,911
Depreciation	**311,615**	315,422
TOTAL OPERATING EXPENSES	**3,047,136**	2,897,670
OPERATING INCOME (LOSS)	**157,320**	105,435
NONOPERATING INCOME (EXPENSE)		
Impact Fees	**276,569**	227,484
Miscellaneous	**6,672**	4,183
Interest Income	**670**	925
Interest Expense	**(160,065)**	(135,236)
TOTAL NONOPERATING INCOME (EXPENSE)	**123,846**	97,356
NET INCOME (LOSS) BEFORE TRANSFERS	**281,166**	202,791
Transfers In (Out)	**(550,000)**	(550,000)
NET INCOME (LOSS)	**(268,834)**	(347,209)
NET POSITION, BEGINNING OF YEAR	**7,484,539**	7,831,748
NET POSITION, END OF YEAR	**$ 7,215,705**	$ 7,484,539

CITY OF SELMA, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
PROPRIETARY WATER SEWER FUND
FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	**$ 4,067,769**	$ 3,096,768
Cash Paid to Suppliers	**(2,351,394)**	(2,361,692)
Cash Paid to Employees	**(313,030)**	(240,274)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	**1,403,345**	494,802
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Miscellaneous Income	**6,672**	4,183
Impact Fees	**276,569**	227,484
Deposits Collected (Refunded)	**(1,030)**	3,530
Transfers From (to) Primary Government	**(208,884)**	(945,099)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**73,327**	(709,902)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	**(90,334)**	-
Principal Payments on Long-term Debt	**(165,000)**	(155,000)
Interest Paid for Financing Activities	**(128,531)**	(134,531)
NET CASH USED FROM CAPITAL AND RELATED FINANCING ACTIVITIES	**(383,865)**	(289,531)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income Received	**670**	925
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**670**	925
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,093,477**	(503,706)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**1,142,158**	1,645,864
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 2,235,635**	$ 1,142,158

CITY OF SELMA, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
PROPRIETARY WATER SEWER FUND (CONTINUED)
FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

	2013	2012
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	**$ 157,320**	$ 105,435
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	**311,615**	315,422
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable (net)	**72,851**	(101,153)
(Increase) Decrease in Prepaid Expenses	**(104)**	(19)
Increase (Decrease) in Accounts Payable	**66,905**	(30,056)
Increase (Decrease) in Accrued Expenses	**3,023**	1,490
Increase (Decrease) in Employee Compensated Absences	**1,273**	2,149
Increase (Decrease) in Unavailable Revenue	**790,462**	201,534
Total Adjustments	**1,246,025**	389,367
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ 1,403,345**	$ 494,802

Selma

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			
	2004	**2005**	**2006**	**2007**
Governmental Activities				
Net Investment in Capital Assets	$ 3,802,431	$ 4,066,514	$ 4,437,794	$ 8,510,467
Restricted	386,638	1,251,423	2,241,491	2,310,442
Unrestricted	2,515,618	2,423,531	2,677,130	2,275,286
Total Governmental Activities Net Position	$ 6,704,687	$ 7,741,468	$ 9,356,415	$ 13,096,195
Business-Type Activities				
Net Investment in Capital Assets	$ 3,902,524	$ 5,179,897	$ 5,865,274	$ 6,516,755
Restricted	29,627	-	-	-
Unrestricted	847,588	415,921	194,796	953,620
Total Business-Type Activities Net Position	$ 4,779,739	$ 5,595,818	$ 6,060,070	$ 7,470,375
Primary Government				
Net Investment in Capital Assets	$ 7,704,955	$ 9,246,411	$ 10,303,068	$ 15,027,222
Restricted	416,265	1,251,423	2,241,491	2,310,442
Unrestricted	3,363,206	2,839,452	2,838,027	3,195,007
Total Primary Government Net Position	$ 11,484,426	$ 13,337,286	$ 15,416,485	$ 20,566,570

TABLE 1

Fiscal Year					
2008	**2009**	**2010**	**2011**	**2012**	**2013**
$ 10,134,473	$ 11,179,097	$ 10,717,460	$ 10,751,720	$ 10,920,249	$ 11,759,003
2,122,118	3,035,099	4,023,811	5,552,110	7,298,863	8,848,506
2,819,582	1,746,761	2,457,920	3,007,144	3,414,934	3,588,047
$ 15,076,173	$ 15,960,957	$ 17,199,191	$ 19,310,974	$ 21,634,046	$ 24,195,556
$ 6,688,096	$ 7,808,894	$ 7,305,739	$ 7,127,921	$ 6,967,499	$ 6,911,218
-	-	-	-	-	-
723,268	(270,916)	181,015	703,827	517,040	304,487
$ 7,411,364	$ 7,537,978	$ 7,486,754	$ 7,831,748	$ 7,484,539	$ 7,215,705
$ 16,822,569	$ 18,987,991	$ 18,023,199	$ 17,879,641	$ 17,887,748	$ 18,670,221
2,122,118	3,035,099	4,023,811	5,552,110	7,298,863	8,848,506
3,542,850	1,475,845	2,638,935	3,710,971	3,931,974	3,892,534
$ 22,487,537	$ 23,498,935	$ 24,685,945	$ 27,142,722	$ 29,118,585	$ 31,411,261

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

	Fiscal Year			
	2004	**2005**	**2006**	**2007**
Expenses				
Governmental Activities:				
General Administration	$ 788,358	$ 965,559	$ 1,460,105	$ 1,542,357
Police Protection	1,411,776	1,325,476	1,663,803	1,908,527
Fire Protection	842,290	1,118,779	1,293,680	1,290,079
Building Inspections	769,833	127,956	156,215	258,293
Infrastructure	-	599,266	457,764	687,560
Other	-	119,955	36,105	96,967
Interest on Long-Term Debt	296,607	308,132	283,892	253,495
Total Governmental Activities Expenses	4,108,864	4,565,123	5,351,564	6,037,278
Business-Type Activities:				
Water & Sewer Utility	1,245,288	1,350,354	1,723,399	2,044,149
Total Business-Type Activities	1,245,288	1,350,354	1,723,399	2,044,149
Total Primary Government Expenses	5,354,152	$ 5,915,477	$ 7,074,963	$ 8,081,427
Program Revenues				
Governmental Activities:				
Charges for Service:				
General Administration	$ 328,150	$ 185,757	$ 232,719	$ 238,984
Police Protection	506,999	644,432	693,346	745,438
Fire Protection	-	17,226	16,796	17,149
Building Inspections	132,147	338,383	700,623	682,081
Operating Grants and Contributions	-	112,500	69,491	11,624
Capital Grants and Contributions	-	-	-	2,085,939
Total Governmental Activities Program Revenues	967,296	1,298,298	1,712,975	3,781,215
Business-Type Activities:				
Charges for Service:				
Water and Sewer	1,378,025	1,593,104	1,860,247	2,082,845
Capital Grants and Contributions	-	-	-	743,494
Total Business-Type Activities Program Revenues	1,378,025	1,593,104	1,860,247	2,826,339
Total Primary Government Program Revenues	$ 2,345,321	$ 2,891,402	$ 3,573,222	$ 6,607,554

TABLE 2

Fiscal Year					
2008	**2009**	**2010**	**2011**	**2012**	**2013**
$ 1,589,055	$ 1,755,954	$ 2,136,036	$ 1,703,177	$ 1,978,268	$ 2,088,390
2,215,267	2,367,788	2,460,824	2,763,879	2,824,576	3,064,241
1,584,012	1,739,245	1,689,653	1,599,372	1,681,700	1,652,306
321,691	439,140	303,537	304,338	383,619	407,359
814,377	842,063	842,418	862,542	863,111	966,528
433,207	91,775	238,472	185,637	79,401	85,391
333,509	399,731	360,130	310,739	278,809	502,356
7,291,118	7,635,696	8,031,070	7,729,684	8,089,484	8,766,571
2,356,038	2,236,768	2,361,424	2,443,198	3,032,906	3,207,201
2,356,038	2,236,768	2,361,424	2,443,198	3,032,906	3,207,201
$ 9,647,156	$ 9,872,464	$ 10,392,494	$ 10,172,882	$ 11,122,390	$ 11,973,772
$ 639,064	$ 190,470	$ 180,054	$ 204,615	$ 206,118	$ 215,248
1,124,544	1,289,326	1,055,167	1,136,200	1,152,566	1,065,608
18,303	-	-	-	-	-
146,626	328,330	315,413	352,003	429,191	579,423
11,375	32,902	18,297	9,216	2,175	21,890
47,000	61,035	-	91,536	27,401	-
1,986,912	1,902,063	1,568,931	1,793,570	1,817,451	1,882,169
2,352,470	2,241,045	2,823,265	2,916,335	3,003,105	3,204,456
-	-	-	-	-	-
2,352,470	2,241,045	2,823,265	2,916,335	3,003,105	3,204,456
$ 4,339,382	$ 4,143,108	$ 4,392,196	$ 4,709,905	$ 4,820,556	$ 5,086,625

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

	Fiscal Year			
	2004	2005	2006	2007
Net (Expenses) Revenue				
Governmental Activities	$ (3,141,568)	$ (3,266,825)	$ (3,638,589)	$ (2,256,063)
Business-Type Activities	132,737	242,750	136,848	782,190
Total Primary Government Net Expenses	$ (3,008,831)	$ (3,024,075)	$ (3,501,741)	$ (1,473,873)
Governmental Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property Taxes	$ 1,040,329	$ 960,384	$ 1,065,971	$ 1,149,420
Franchise Taxes	245,224	237,124	252,125	278,652
Sales Taxes	2,287,056	2,882,033	3,729,076	4,254,687
Occupancy Taxes	-	-	-	62,615
Interest and Investment Earnings	39,768	95,975	197,889	243,710
Police Seizure	-	-	-	-
Miscellaneous	155,562	12,789	8,475	6,759
Gain on Capital Asset Disposal	-	-	-	-
Transfers	-	-	-	-
Total Governmental Activities	3,767,939	4,188,305	5,253,536	5,995,843
Business-Type Activities:				
Interest and Investment Earnings	16,912	21,509	22,471	68,378
Impact Fees	-	194,503	232,440	474,474
Miscellaneous	-	57,860	72,493	85,263
Loss on Capital Asset Disposal	-	-	-	-
Transfers	-	-	-	-
Total Business-Type Activities	16,912	273,872	327,404	628,115
Total Primary Government	$ 3,784,851	$ 4,462,177	$ 5,580,940	$ 6,623,958
Changes In Net Position				
Government Activities	$ 626,371	$ 921,480	$ 1,614,947	$ 3,739,780
Business-Type Activities	149,649	516,622	464,252	1,410,305
Total Primary Government	$ 776,020	$ 1,438,102	$ 2,079,199	$ 5,150,085

TABLE 2 (CONTINUED)

Fiscal Year					
2008	**2009**	**2010**	**2011**	**2012**	**2013**
$ (5,304,206)	$ (5,733,633)	$ (6,462,139)	$ (5,936,114)	$ (6,272,033)	$ (6,884,402)
(3,568)	4,277	461,841	473,137	(29,801)	(2,745)
$ (5,307,774)	$ (5,729,356)	$ (6,000,298)	$ (5,462,977)	$ (6,301,834)	$ (6,887,147)
$ 1,246,717	$ 1,317,848	$ 1,494,381	$ 1,661,448	$ 1,616,897	$ 1,684,088
360,354	349,893	391,696	408,727	432,303	454,559
4,915,997	4,691,619	5,354,210	5,411,118	5,614,740	6,035,698
161,626	133,822	187,949	179,705	205,522	271,094
124,777	89,525	37,856	23,475	7,635	9,167
16,867	-	-	-	-	-
143,493	35,709	38,120	42,719	168,008	441,306
-	-	8,076	20,705	-	-
314,354	-	188,085	300,000	550,000	550,000
7,284,185	6,618,416	7,700,373	8,047,897	8,595,105	9,445,912
37,663	6,013	4,535	2,381	925	670
190,577	114,995	220,540	168,589	227,484	276,569
30,671	1,329	1,454	887	4,183	6,672
-	-	(551,509)	-	-	-
(314,354)	-	(188,085)	(300,000)	(550,000)	(550,000)
(55,443)	122,337	(513,065)	(128,143)	(317,408)	(266,089)
$ 7,228,742	$ 6,740,753	$ 7,187,308	$ 7,919,754	$ 8,277,697	$ 9,179,823
$ 1,979,979	$ 884,783	$ 1,238,234	$ 2,111,783	$ 2,323,072	$ 2,561,510
(59,011)	126,614	(51,224)	344,994	(347,209)	(268,834)
$ 1,920,968	$ 1,011,397	$ 1,187,010	$ 2,456,777	$ 1,975,863	$ 2,292,676

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

	Fiscal Year			
	2004	**2005**	**2006**	**2007**
General Fund				
Nonspendable	$ -	$ 12,716	$ 3,132	$ 33,251
Restricted	386,638	767,611	965,587	542,945
Assigned	-	-	-	-
Unassigned	2,297,148	2,599,128	3,054,876	2,418,604
Total General Fund	$ 2,683,786	$ 3,379,455	$ 4,023,595	$ 2,994,800
All Other Governmental Funds				
Municipal Development Fund	$ 1,088,400	$ 414,310	$ 1,213,425	$ 1,480,240
Capital Projects Fund	-	-	-	-
Debt Service Funds	(158,690)	18,170	(105,006)	320,603
Total All Other Governmental Funds	$ 929,710	$ 432,480	$ 1,108,419	$ 1,800,843

TABLE 3

Fiscal Year					
2008	**2009**	**2010**	**2011**	**2012**	**2013**
$ 22,637	$ 38,338	$ 34,673	$ 38,381	$ 41,779	$ 32,305
549,273	755,160	960,139	1,109,435	1,872,140	2,375,984
-	-	-	-	98,938	113,683
2,949,467	2,271,808	2,547,425	2,957,623	3,477,515	3,987,796
$ 3,521,377	$ 3,065,306	$ 3,542,237	$ 4,105,439	$ 5,490,372	$ 6,509,768
$ 1,460,059	$ 1,576,716	$ 2,514,962	$ 3,574,226	$ 4,152,772	$ 4,957,654
3,581,497	300,942	316,681	316,681	-	2,463,477
48,515	229,886	528,647	914,489	1,314,762	1,561,954
$ 5,090,071	$ 2,107,544	$ 3,360,290	$ 4,805,396	$ 5,467,534	$ 8,983,085

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

	Fiscal Year			
	2004	**2005**	**2006**	**2007**
REVENUES				
Property Taxes	$ 919,739	$ 944,730	$ 1,086,970	$ 1,150,935
Sales & Mixed Beverage Taxes	2,337,215	2,882,033	3,729,075	4,254,687
Franchise Tax	190,922	222,855	238,057	265,729
Occupancy Tax	-	-	-	62,615
Charges for Services	383,657	483,506	875,511	880,679
Fines and Forfeits	506,999	640,140	723,554	761,971
Miscellaneous	148,562	286,133	313,419	347,951
TOTAL REVENUES	4,487,094	5,459,397	6,966,586	7,724,567
EXPENDITURES				
Current:				
General Administration	1,852,835	1,628,555	1,650,908	2,845,979
Police Protection	1,309,573	1,330,316	1,674,423	1,976,284
Fire Protection	664,397	836,896	1,116,991	1,343,338
Building Inspections	87,624	101,536	141,491	247,008
Infrastructure	100,488	58,182	88,151	145,812
Other	145,621	119,955	189,055	477,404
Capital Outlay	1,209,085	178,725	91,100	102,595
Debt Service:				
Principal	290,000	425,000	430,000	685,000
Interest and Fiscal Charges	296,607	307,336	289,388	262,518
TOTAL EXPENDITURES	5,956,230	4,986,501	5,671,507	8,085,938
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,469,136)	472,896	1,295,079	(361,371)
OTHER FINANCING SOURCES (USES)				
Proceeds from Bond Issue/Capital Lease	450,000	-	-	-
Premiums from Bond Issuances	-	-	-	-
Payments to Refunding Agents	-	-	-	-
Transfers In (Out)	(2,136,117)	(274,457)	25,000	25,000
TOTAL OTHER FINANCING SOURCES (USES)	(1,686,117)	(274,457)	25,000	25,000
Net Change in Fund Balance	$(3,155,253)	$ 198,439	$ 1,320,079	$ (336,371)
Debt Service as a percentage of noncapital expenditures	12.36%	15.23%	12.89%	11.87%

TABLE 4

Fiscal Year					
2008	**2009**	**2010**	**2011**	**2012**	**2013**
$ 1,249,556	$ 1,316,181	$ 1,500,577	$ 1,650,022	$ 1,631,504	$ 1,682,681
4,915,997	4,691,619	5,354,210	5,411,118	5,624,935	6,047,922
347,450	349,893	391,696	408,727	432,303	454,559
161,626	133,822	187,949	179,705	205,522	271,094
731,998	502,695	482,854	539,295	608,519	764,697
1,144,616	1,276,118	1,043,901	1,077,081	1,149,410	1,062,673
344,815	275,982	159,769	242,201	233,485	487,051
8,896,058	8,546,310	9,120,956	9,508,149	9,885,678	10,770,677
2,919,311	1,793,401	1,940,018	1,928,158	1,764,921	2,330,380
2,282,983	2,263,322	2,259,493	2,306,109	2,478,389	2,645,407
1,807,628	1,410,098	1,409,136	1,463,822	1,545,040	1,518,755
299,761	428,146	310,708	288,862	370,268	396,569
249,859	173,142	155,208	145,744	159,804	202,582
720,654	32,786	30,922	32,345	40,653	44,069
913,908	5,121,062	699,975	790,816	1,109,007	1,062,955
325,000	484,855	538,303	2,248,113	636,508	830,878
350,503	385,102	366,371	371,614	284,017	398,680
9,869,607	12,091,914	7,710,134	9,575,583	8,388,607	9,430,275
(973,549)	(3,545,604)	1,410,822	(67,434)	1,497,071	1,340,402
4,450,000	107,006	130,770	1,775,742	-	4,645,000
-	-	-	-	-	257,835
-	-	-	-	-	(2,258,290)
339,354	-	188,085	300,000	550,000	550,000
4,789,354	107,006	318,855	2,075,742	550,000	3,194,545
$ 3,815,805	$(3,438,598)	$ 1,729,677	$ 2,008,308	$ 2,047,071	$ 4,534,947
7.54%	12.48%	12.91%	29.82%	12.65%	14.69%

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

TABLE 5

Fiscal Year	Property	Sales & Beverage	Franchise	Occupancy	Total
2004	$ 919,739	$ 2,337,215	$ 190,922	$ -	$ 3,447,876
2005	944,730	2,882,033	222,855	-	4,049,618
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

CITY OF SELMA, TEXAS
ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY
LAST NINE 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
2005	$ 171,258,713	$ 172,785,006	$ 73,463,644	$ 270,580,075	0.399900
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

Source: Guadalupe, Bexar and Comal 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

		Overlapping School Districts			Overlapping Counties		
Fiscal Period	City Direct Rate	Schertz Cibolo UC ISD	Comal ISD	Judson ISD	Guadalupe County	Bexar County	Comal County
2004	0.34900	1.78000	1.83000	1.77600	0.41310	0.32095	0.33375
2005	0.39990	1.74000	1.82000	1.77600	0.41310	0.31847	0.33375
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

	Other Overlapping		
Fiscal Period	Alamo Community College	San Antonio River Authority	Hospital District
2004	0.10750	0.01643	0.24390
2005	0.10750	0.01643	0.24390
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

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 SEVEN YEARS AGO

TABLE 8

	2013			2006		
Taxpayer	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	$ 25,009,594	1	3.84%	$ 17,566,720	2	5.17%
Kimco Forum at Olympia	23,178,024	2	3.55%	34,451,118	1	10.15%
Nine Lookout Hollow LP	19,500,000	3	2.99%			
Rose-Forum Associates	18,015,569	4	2.76%			
RCP San Antonio LP	16,960,123	5	2.60%			
Sanfilippo John B & Son Inc.	12,797,689	6	1.96%			
Costco Wholesale	13,261,196	7	2.03%			
TNT Crane & Rigging Inc.	9,199,075	8	1.41%			
Gillman Properties of Texas	6,737,475	9	1.03%			
Furniture Row USA LLC	6,115,000	10	0.94%			
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%
	$150,773,745		23.12%	$ 85,565,324		25.15%

Source: Bexar, Comal and Guadalupe County Appraisal Districts

Note: Information for nine 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 Ocotber 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	$ 924,812	$ 901,606	97.5%	$ 21,256	$ 922,862	99.8%
2005	975,793	954,968	97.9%	20,825	975,793	100.0%
2006	1,061,268	1,042,784	98.3%	18,484	1,061,268	100.0%
2007	1,104,981	1,087,746	98.4%	16,171	1,103,917	99.9%
2008	1,245,657	1,227,414	98.5%	14,758	1,212,656	97.4%
2009	1,441,779	1,417,975	98.3%	16,254	1,401,721	97.2%
2010	1,560,007	1,522,127	97.6%	5,687	1,516,440	97.2%
2011	1,698,239	1,674,239	98.6%	18,199	1,656,040	97.5%
2012	1,735,555	1,730,755	99.7%	(1,456)	1,732,211	99.8%
2013	1,819,794	1,814,370	99.7%	-	1,814,370	99.7%

Source: Guadalupe County Tax Office

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

TABLE 10

	Governmental Activities			Business-Type Activities				
Fiscal Year	General Obligation Bonds	Tax Notes	Certificates of Obligation	Certificates of Obligation	Total Primary Government	Actual Taxable Value of Property	Percentage of Taxable Value of Property	Per Capita*
2004	$ 565,000	$ 435,000	$ 5,765,000	$ -	$ 6,765,000	$ 264,989,110	2.55%	3,054
2005	455,000	325,000	6,340,000	-	7,120,000	270,580,075	2.63%	3,115
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

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		$ 652,102,795
Debt Limit - 10% of Taxable Value [1]		$ 65,210,280
Amount of Debt Applicable to Debt Limit:		
Total Bonded Debt	$ 12,375,000	
Less Funds Available in Debt Service Fund	1,561,954	
Total Amount of Debt Applicable to Debt Limit		10,813,046
Legal Debt Margin		$ 54,397,234

	Fiscal Year		
	2010	2011	2012
Debt Limit	$ 57,198,360	$ 60,948,227	$ 62,365,047
Total Net Debt Applicable to Unit	(11,686,353)	(10,680,511)	(9,570,238)
Legal Debt Margin	$ 45,512,007	$ 50,267,716	$ 52,794,809

	Fiscal Year		
	2007	2008	2009
Debt Limit	$ 38,440,597	$ 45,944,294	$ 55,037,333
Total Net Debt Applicable to Unit	(4,904,397)	(9,301,485)	(12,615,114)
Legal Debt Margin	$ 33,536,200	$ 36,642,809	$ 42,422,219

	Fiscal Year		
	2004	2005	2006
Debt Limit	$ 26,498,911	$ 29,851,452	$ 32,363,875
Total Net Debt Applicable to Unit	(6,923,690)	(6,358,170)	(6,015,006)
Legal Debt Margin	$ 19,575,221	$ 23,493,282	$ 26,348,869

CITY OF SELMA, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
OCTOBER 31, 2013

TABLE 12

Governmental Unit	Estimated Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Alamo CCD	$ 541,565,000	0.52%	$ 2,816,138
Bexar County	1,493,430,000	0.52%	7,765,836
Bexar County University Health	733,350,000	0.52%	3,813,420
Comal County	68,850,000	0.06%	41,310
Comal ISD	506,983,268	0.06%	304,190
Guadalupe County	15,915,000	2.14%	340,581
Judson ISD	389,745,357	8.21%	31,998,094
San Antonio River Authority	34,265,000	8.21%	2,813,157
Schertz-Cibolo-Universal City ISD	265,550,515	5.96%	15,826,811
Subtotal, Overlapping Debt			65,719,536
City of Selma - Direct Debt			12,375,000
Total Direct and Overlapping Debt			$ 78,094,536

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
2004	2,215	$ 20,958	33.30	5.6%
2005	2,286	20,407	32.30	4.9%
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%

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 THREE YEARS AGO

TABLE 14

	2013			2010		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lackland Air Force Base	37,097	1	3.61%	28,100	2	3.11%
Fort Sam Houston	32,000	2	3.12%	30,793	1	3.41%
HEB Food Stores	20,000	3	1.95%	14,588	4	1.62%
USAA	17,000	4	1.66%	14,852	3	1.65%
Northside ISD	12,751	5	1.24%	12,597	5	1.40%
City of San Antonio	11,731	6	1.14%	9,000	8	1.00%
Randolph Air Force Base	11,068	7	1.08%	10,700	6	1.19%
Northeast ISD	10,522	8	1.03%	10,223	7	1.13%
Methodist Healthcare	8,000	9	0.78%	7,013	10	0.78%
San Antonio ISD	7,374	10	0.72%	7,581	9	0.84%
Total	167,543		16.33%	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 nine years ago was not available. 2010 information was used instead.

Selma