

CITY OF SELMA, TEXAS
ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
OCTOBER 31, 2011



CITY OF SELMA, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED OCTOBER 31, 2011

CITY OFFICIALS

MAYOR

TOM DALY

CITY COUNCIL

MELBA L GREGORY
KEN HARRIS
CHARLES EADS
PHILL SWINNEY
WILLIAM H WEEPER

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, 2011

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March 01, 2012

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, 2011.

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



The accompanying notes are an integral part of these statements.

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Selma, Texas, as of and for the year ended October 31, 2011, which collectively comprise the City's basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Selma, Texas', management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include the financial data for the Retama Development Corporation, one of the City's legally separate component units (See Note A1). Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the aggregate discretely presented component units would have included the Retama Development Corporation, whose financial statements were audited by other auditors who issued an unqualified opinion with a going concern in their report dated June 13, 2011. These financial statements may be obtained by contacting City Hall.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component unit of the City of Selma, Texas, as of October 31, 2011, or the changes in financial position thereof for the year then ended.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund of the City of Selma, Texas, as of October 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 42 through 48 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Selma, Texas' financial statements as a whole. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Armstrong, Vaughan & Associates, P.C." The signature is written in a cursive, flowing style.

Armstrong, Vaughan & Associates, P.C.

March 01, 2012

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of City of Selma’s annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended October 31, 2011. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

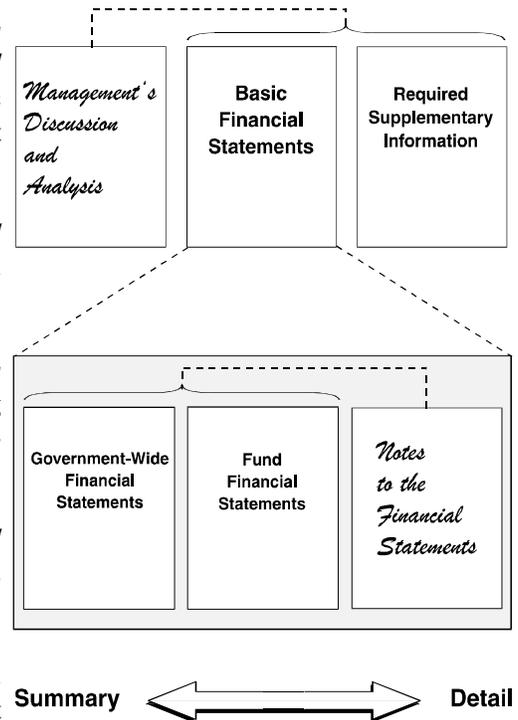
- The City’s total combined net assets were \$27,142,722 at October 31, 2011.
- During the year, the City’s expenses were \$2,111,783 less than the \$9,841,467 generated in taxes and other revenues for governmental activities.
- The total cost of the City’s programs decreased 3.7%. No new programs were added this year.
- The general fund reported a fund balance this year of \$4,105,439.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

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

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets 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 assets and how they have changed. Net assets—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 assets 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. Property taxes, franchise fees and charges for services finance most of these activities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets. The City's combined net assets were \$27,142,722 at October 31, 2011. (See Table A-1).

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

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change
	2011	2010	2011	2010	2011	2010	
ASSETS							
<i>Current Assets:</i>							
Cash and Investments	\$ 9,052	\$ 7,239	\$ 1,646	\$ 952	\$ 10,698	\$ 8,191	30.60%
Other Current Assets	963	1,042	548	1,107	1,511	2,149	-29.71%
Total Current Assets:	10,015	8,281	2,194	2,060	12,209	10,341	18.06%
<i>Noncurrent Assets:</i>							
Bond Issue Costs	90	48	35	37	125	85	46.41%
Capital Assets (Net)	18,690	19,112	10,793	11,121	29,483	30,233	-2.48%
Total Noncurrent Assets	18,779	19,160	10,828	11,158	29,608	30,318	-2.34%
Total Assets	\$ 28,794	\$ 27,441	\$ 13,022	\$ 13,218	\$ 41,816	\$ 40,659	2.85%
LIABILITIES							
<i>Current Liabilities:</i>							
Current Liabilities	\$ 2,027	\$ 2,269	\$ 1,680	\$ 2,066	\$ 3,708	\$ 4,335	-14.46%
Long-Term Liabilities	7,456	7,973	3,510	3,665	10,966	11,638	-5.78%
Total Liabilities	9,483	10,242	5,190	5,731	14,673	15,973	-8.14%
NET ASSETS							
Invested in Capital							
Assets, Net of Debt	10,752	10,717	7,128	7,306	17,880	18,023	-0.80%
Restricted	5,552	4,024	354	-	5,906	4,024	46.77%
Unrestricted	3,007	2,458	350	181	3,357	2,639	27.22%
Total Net Assets	19,311	17,199	7,832	7,487	27,143	24,686	9.95%
TOTAL LIABILITIES & NET ASSETS	\$ 28,794	\$ 27,441	\$ 13,022	\$ 13,218	\$ 41,816	\$ 40,659	2.85%

The \$3,708,002 of unrestricted net assets represents resources available to fund the programs of the City next year.

CHANGES IN NET ASSETS

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

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change
	2011	2010	2011	2010	2011	2010	
Program Revenues:							
Charges for Services	\$ 1,693	\$ 1,551	\$ 2,916	\$ 2,823	\$ 4,609	\$ 4,374	5.4%
Operating Grants & Contributions	9	18	-	-	9	18	-49.6%
Capital Grants & Contributions	92	-	-	-	92	-	100.0%
General Revenues							
Property Taxes	1,661	1,494	-	-	1,661	1,494	11.2%
Franchise Taxes	409	392	-	-	409	392	4.3%
Sales Taxes	5,411	5,354	-	-	5,411	5,354	1.1%
Occupancy Taxes	180	188	-	-	180	188	-4.4%
Impact Fees	-	-	169	221	169	221	-23.6%
Investment Earnings	23	38	2	5	26	42	-39.0%
Other	64	46	1	(550)	65	(504)	-112.8%
Total Revenues	9,542	9,081	3,088	2,498	12,630	11,579	9.1%
General Government	1,703	2,136	-	-	1,703	2,136	-20.3%
Police Department	2,764	2,461	-	-	2,764	2,461	12.3%
Fire Department	1,599	1,690	-	-	1,599	1,690	-5.3%
Building Inspections	304	304	-	-	304	304	0.3%
Infrastructure	863	842	-	-	863	842	2.4%
Others	186	238	-	-	186	238	-22.2%
Water/Sewer	-	-	2,302	2,219	2,302	2,219	3.8%
Interest on Long-Term Debt	311	360	141	143	452	503	-10.2%
Total Expenses	7,730	8,031	2,443	2,361	10,173	10,392	-2.1%
Transfers In (Out)	300	188	(300)	(188)	-	-	0.0%
Increase (Decrease) in Net Assets	\$ 2,112	\$ 1,238	\$ 345	\$ (51)	\$ 2,457	\$ 1,187	107.0%

Governmental Activities

- Property tax rates increased slightly, resulting in an increase in tax revenues of \$167,067.
- The City's total revenues were \$9,841,467. A significant portion, 77.8%, comes from taxes and 17.2% 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 \$7,729,684.
- However, the amount that our taxpayers paid for these activities through taxes was only \$7,660,998.
- Some of the cost was paid by those who directly benefited from the programs, \$1,692,818.

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

	Total Cost of Services			Percent Change	Net Cost of Services		Percent Change
	2011	2010			2011	2010	
General Government	\$ 1,703	\$ 2,198	-22.5%	\$ 1,499	\$ 2,018	-25.7%	
Police Department	2,764	2,461	12.3%	1,626	1,396	16.4%	
Fire Department	1,599	1,690	-5.3%	1,592	1,681	-5.3%	
Building Inspection	304	304	0.3%	(48)	(12)	301.4%	
Infrastructure	863	842	2.4%	771	842	-8.5%	
Other	186	177	5.1%	186	177	5.1%	
Debt Service – Interest & Fiscal	311	360	-13.7%	311	360	-13.7%	
Water/Sewer	2,443	2,361	3.5%	(473)	(462)	2.4%	

Business-Type Activities (Water Sewer)

Revenues of the City’s business-type activities were \$2,916,335 (a 3.3% increase) and expenses were \$2,443,198 (a 3.5% increase).

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 \$9,508,149, a 4.2% increase over the prior year.

General Fund Budgetary Highlights

The City amended the budget during the year to account for a new capital lease signed during the year. Revenues fell short of the budget primarily because of lower than expected sales tax and garbage revenues. Expenditures were under budget in total. Ending resources available were \$990,193 more than the budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of October 31, 2011, the City had invested \$30,220,715 and \$12,135,851 in a broad range of capital assets, including land, equipment, buildings, infrastructure and vehicles for governmental and business-type activities, respectively. (See Table A-4.)

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

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change
	2011	2010	2011	2010	2011	2010	
Land	\$ 569	\$ 569	\$ 18	\$ 18	\$ 587	\$ 587	0.1%
Water Rights	-	-	2,559	2,559	2,559	2,559	0.0%
Buildings	8,044	8,333	404	404	8,448	8,737	-3.3%
Water and Sewer Plant	-	-	8,743	8,729	8,743	8,729	0.2%
Vehicles and Equipment	4,140	3,933	411	435	4,551	4,368	4.2%
Infrastructure	17,393	16,809	-	-	17,393	16,809	3.5%
Construction in Progress	74	22	-	13	74	35	111.4%
Totals at Historical Cost	<u>30,220</u>	<u>29,666</u>	<u>12,136</u>	<u>12,158</u>	<u>42,356</u>	<u>41,824</u>	<u>1.3%</u>
Accumulated Depreciation	<u>(11,531)</u>	<u>(10,555)</u>	<u>(1,343)</u>	<u>(1,038)</u>	<u>(12,874)</u>	<u>(11,592)</u>	<u>11.1%</u>
Net Capital Assets	<u>\$ 18,689</u>	<u>\$ 19,111</u>	<u>\$ 10,793</u>	<u>\$ 11,120</u>	<u>\$ 29,482</u>	<u>\$ 30,232</u>	<u>-2.5%</u>

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, 2011, the City had \$11,935,000 in bonds outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total Primary Government		Percent Change
	2011	2010	2011	2010	2011	2010	
Bonds Payable	\$ 7,740	\$ 8,120	\$ 3,665	\$ 3,815	\$ 11,405	\$ 11,935	-4.44%
Tax Notes	190	280	-	-	190	280	-32.14%
Capital Leases	162	164	-	-	162	164	-1.22%
Total Debt	<u>\$ 8,092</u>	<u>\$ 8,564</u>	<u>\$ 3,665</u>	<u>\$ 3,815</u>	<u>\$ 11,757</u>	<u>\$ 12,379</u>	<u>100.00%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The city's property tax rate remained unchanged at 0.2793 per \$100 of valuation. The taxable value for 2011 is \$621,848,761, which reflects an increase of \$32,795,814 from last year's taxable value of \$589,052,947. Property tax revenue should increase by \$91,598.

Revenue generated by new construction and building permits declined from last year's revenue of \$361,369 to \$350,456 in 2010. Sales tax collections (net of tax incentives to attract business) increased this year from \$3,334,455 in 2010 to \$4,250,579 in 2011. (This excludes the sales tax to support the Municipal Development District). Anticipated revenue in these areas is expected to increase slightly during this fiscal year.

These factors were considered when adopting the general fund budget for fiscal year 2011 – 2012. This year's general fund budget will reflect an increase of \$341,655 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.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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



CITY OF SELMA, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED OCTOBER 31, 2011

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 ASSETS
OCTOBER 31, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 9,052,025	\$ 1,645,864	\$ 10,697,889
Receivables (Net of Allowance for Uncollectibles):			
Property Taxes	48,405	-	48,405
Nonproperty Taxes	1,026,102	-	1,026,102
Lot Maintenance	13,822	-	13,822
Water Sewer Customers	-	383,333	383,333
Prepaid Expenses	38,381	649	39,030
Internal Balances	(164,047)	164,047	-
Bond Issue Costs, net of amortization	89,500	35,239	124,739
Capital Assets:			
Land	569,439	18,343	587,782
Water Rights	-	2,558,666	2,558,666
Buildings & Improvements	8,043,930	404,337	8,448,267
Water Sewer Plant	-	8,743,167	8,743,167
Vehicles & Equipment	4,140,182	411,338	4,551,520
Infrastructure	17,393,245	-	17,393,245
Construction in Progress	73,919	-	73,919
Accumulated Depreciation	<u>(11,530,752)</u>	<u>(1,342,930)</u>	<u>(12,873,682)</u>
 TOTAL ASSETS	 <u><u>\$ 28,794,151</u></u>	 <u><u>\$ 13,022,053</u></u>	 <u><u>\$ 41,816,204</u></u>

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF NET ASSETS (CONTINUED)
OCTOBER 31, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES AND NET ASSETS			
<i>Current Liabilities:</i>			
Accounts Payable	\$ 166,083	\$ 236,215	\$ 402,298
Accrued Expenses	300,149	22,461	322,610
Accrued Vacation Payable	257,166	3,621	260,787
Accrued Interest Payable	74,169	34,359	108,528
Deferred Revenue	593,363	1,226,149	1,819,512
Customer Deposits	-	2,500	2,500
<i>Noncurrent Liabilities:</i>			
Due within One Year	636,508	155,000	791,508
Due in more than One Year	7,455,739	3,510,000	10,965,739
TOTAL LIABILITIES	<u>9,483,177</u>	<u>5,190,305</u>	<u>14,673,482</u>
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	10,751,720	7,127,921	17,879,641
Restricted Net Assets:			
Debt Service	868,449	-	868,449
Municipal Development District	3,574,226	-	3,574,226
Police and Municipal Court	294,730	-	294,730
Street Repairs	235,030	-	235,030
Hotel/Motel	566,818	-	566,818
Other	12,857	-	12,857
Unrestricted	3,007,144	703,827	3,710,971
TOTAL NET ASSETS	<u>19,310,974</u>	<u>7,831,748</u>	<u>27,142,722</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,794,151</u>	<u>\$ 13,022,053</u>	<u>\$ 41,816,204</u>

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2011

<u>Functions and Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Administration	\$ 1,703,177	\$ 204,615	\$ -	\$ -
Police Protection	2,763,879	1,136,200	2,001	-
Fire Protection	1,599,372	-	7,215	-
Building Inspections	304,338	352,003	-	-
Infrastructure	862,542	-	-	91,536
Other	185,637	-	-	-
Interest on Long-Term Debt	310,739	-	-	-
Total Governmental Activities	<u>7,729,684</u>	<u>1,692,818</u>	<u>9,216</u>	<u>91,536</u>
Business-Type Activities				
Water & Sewer Utility	2,443,198	2,916,335	-	-
Total Business-Type Activities	<u>2,443,198</u>	<u>2,916,335</u>	<u>-</u>	<u>-</u>
Total Government	<u>\$ 10,172,882</u>	<u>\$ 4,609,153</u>	<u>\$ 9,216</u>	<u>\$ 91,536</u>
General Revenues:				
Taxes				
General Property Taxes				
Franchise Taxes				
Sales Taxes				
Occupancy Tax				
Interest and Investment Earnings				
Impact Fees				
Miscellaneous				
Gain on Disposal of Capital Assets				
Total General Revenues				
Transfers				
Change in Net Assets				
Net Assets at Beginning of Year				
Net Assets at End of Year				

The accompanying notes are an integral part of these statements.

Net (Expense) Revenue

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,498,562)	\$ -	\$ (1,498,562)
(1,625,678)	-	(1,625,678)
(1,592,157)	-	(1,592,157)
47,665	-	47,665
(771,006)	-	(771,006)
(185,637)	-	(185,637)
(310,739)	-	(310,739)
<u>(5,936,114)</u>	<u>-</u>	<u>(5,936,114)</u>
-	473,137	473,137
-	473,137	473,137
<u>(5,936,114)</u>	<u>473,137</u>	<u>(5,462,977)</u>
1,661,448	-	1,661,448
408,727	-	408,727
5,411,118	-	5,411,118
179,705	-	179,705
23,475	2,381	25,856
-	168,589	168,589
42,719	887	43,606
20,705	-	20,705
<u>7,747,897</u>	<u>171,857</u>	<u>7,919,754</u>
<u>300,000</u>	<u>(300,000)</u>	<u>-</u>
2,111,783	344,994	2,456,777
<u>17,199,191</u>	<u>7,486,754</u>	<u>24,685,945</u>
<u>\$ 19,310,974</u>	<u>\$ 7,831,748</u>	<u>\$ 27,142,722</u>

CITY OF SELMA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
OCTOBER 31, 2011

	Major Funds			Nonmajor	Total Governmental Funds
	General Fund	Debt Service Fund	Municipal Development District Fund	Capital Projects	
ASSETS					
Cash and Cash Equivalents	\$ 5,291,207	\$ 331,312	\$ 3,429,505	\$ -	\$ 9,052,024
Receivables (Net of Uncollectibles):					
Property Taxes	17,307	31,098	-	-	48,405
Lot Maintenance	13,822	-	-	-	13,822
Sales and Franchise Tax	847,874	-	178,229	-	1,026,103
Prepaid Items	38,381	-	-	-	38,381
Due from Other Funds	-	979,906	-	316,681	1,296,587
TOTAL ASSETS	<u>\$ 6,208,591</u>	<u>\$ 1,342,316</u>	<u>\$ 3,607,734</u>	<u>\$ 316,681</u>	<u>\$ 11,475,322</u>
LIABILITIES AND FUND BALANCES					
<i>Liabilities:</i>					
Accounts Payable	\$ 132,575	\$ -	\$ 33,508	\$ -	\$ 166,083
Accrued Expenses	300,149	-	-	-	300,149
Deferred Revenue	209,794	427,827	-	-	637,621
Due to Other Funds	1,460,634	-	-	-	1,460,634
TOTAL LIABILITIES	<u>2,103,152</u>	<u>427,827</u>	<u>33,508</u>	<u>-</u>	<u>2,564,487</u>
<i>Fund Balances:</i>					
Nonspendable:					
Prepaid Items	38,381	-	-	-	38,381
Restricted for:					
Debt Service	-	914,489	-	-	914,489
Police Department	68,550	-	-	-	68,550
Hotel/Motel	566,818	-	-	-	566,818
Building Security and Technology	226,180	-	-	-	226,180
Stage Stop	12,851	-	-	-	12,851
Municipal Development District	-	-	3,574,226	-	3,574,226
Street Repairs	235,030	-	-	-	235,030
Other Balances	6	-	-	-	6
Capital Projects	-	-	-	154,004	154,004
Assigned for Capital Projects	-	-	-	162,677	162,677
Unassigned	2,957,623	-	-	-	2,957,623
TOTAL FUND BALANCES	<u>4,105,439</u>	<u>914,489</u>	<u>3,574,226</u>	<u>316,681</u>	<u>8,910,835</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,208,591</u>	<u>\$ 1,342,316</u>	<u>\$ 3,607,734</u>	<u>\$ 316,681</u>	<u>\$ 11,475,322</u>

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
OCTOBER 31, 2011

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 8,910,835
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	18,689,963
Other long-term assets are not available to pay for current-period expenditures and therefore, are not reported in the governmental funds	44,258
Accrued vacation leave payable is not due and payable in the current period and, therefore, not reported in the governmental funds.	(257,166)
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.	(8,092,247)
Deferred charges, consisting of debt issue costs, are amortized over the life of the bond in the government activities, but were recognized in full in the governmental funds.	89,500
Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the governmental funds.	<u>(74,169)</u>
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 19,310,974</u></u>

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED OCTOBER 31, 2011

	Major Funds			Nonmajor	Total Governmental Funds
	General Fund	Debt Service Fund	Municipal Development District Fund	Capital Projects	
REVENUES					
Ad Valorem Taxes	\$ 428,505	\$ 1,221,517	\$ -	\$ -	\$ 1,650,022
Sales and Mixed Beverage Tax	4,250,579	-	1,170,227	-	5,420,806
Franchise Taxes	408,727	-	-	-	408,727
Occupancy Tax	179,705	-	-	-	179,705
Charges for Services	529,607	-	-	-	529,607
Fines and Forfeits	1,077,081	-	-	-	1,077,081
Miscellaneous	238,182	595	3,424	-	242,201
TOTAL REVENUES	7,112,386	1,222,112	1,173,651	-	9,508,149
EXPENDITURES					
Current:					
General Administration	1,928,158	-	-	-	1,928,158
Police Protection	2,306,109	-	-	-	2,306,109
Fire Protection	1,463,822	-	-	-	1,463,822
Building Inspections	288,862	-	-	-	288,862
Infrastructure	145,744	-	-	-	145,744
Other	32,345	-	-	-	32,345
Capital Outlay	676,429	-	114,387	-	790,816
Debt Service:					
Principal	118,113	2,130,000	-	-	2,248,113
Interest and Fiscal Charges	5,344	366,270	-	-	371,614
TOTAL EXPENDITURES	6,964,926	2,496,270	114,387	-	9,575,583
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	147,460	(1,274,158)	1,059,264	-	(67,434)
OTHER FINANCING SOURCES (USES):					
Proceeds from Capital Lease	115,742	-	-	-	115,742
Proceeds from Refunding Bonds	-	1,660,000	-	-	1,660,000
Transfers In (Out)	300,000	-	-	-	300,000
TOTAL OTHER FINANCING SOURCES (USES)	415,742	1,660,000	-	-	2,075,742
Net Change in Fund Balance	563,202	385,842	1,059,264	-	2,008,308
FUND BALANCES - NOVEMBER 1	3,542,237	528,647	2,514,962	316,681	6,902,527
FUND BALANCES - OCTOBER 31	\$ 4,105,439	\$ 914,489	\$ 3,574,226	\$ 316,681	\$ 8,910,835

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, 2011

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 2,008,308

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. (281,717)

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. (140,774)

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 11,425

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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Proceeds from Capital Lease	(115,742)	
Proceeds from Refunding Bonds	(1,660,000)	
Principal Repayments	2,248,113	
Deferred Charges on Issuance Costs	41,697	514,068

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	(13,361)	
Accrued Interest	13,834	473

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 2,111,783

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF NET ASSETS – PROPRIETARY FUND
OCTOBER 31, 2011

	<u>Water & Sewer</u>
ASSETS	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 1,645,864
Accounts Receivables - Customers (Net of Allowance for Uncollectibles)	383,333
Prepaid Expenses	649
Due from Other Funds	164,047
<i>Total Current Assets</i>	<u>2,193,893</u>
 Bond Issue Costs, net of amortization	 35,239
 <i>Capital Assets:</i>	
Land	18,343
Water Rights	2,558,666
Building and Improvements	404,337
Water Sewer Plant	8,743,167
Equipment	411,338
Accumulated Depreciation	(1,342,930)
<i>Total Capital Assets, Net</i>	<u>10,792,921</u>
 TOTAL ASSETS	 \$ 13,022,053

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
STATEMENT OF NET ASSETS – PROPRIETARY FUND (CONTINUED)
OCTOBER 31, 2011

	<u>Water & Sewer</u>
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 236,215
Accrued Expenses	22,461
Accrued Vacation Payable	3,621
Accrued Interest	34,359
Deferred Revenue	1,226,149
Customer Deposits	2,500
Current Portion of Bonds Payable	155,000
<i>Total Current Liabilities</i>	1,680,305
 <i>Noncurrent Liabilities:</i>	
Bonds Payable	3,510,000
<i>Total Noncurrent Liabilities:</i>	3,510,000
TOTAL LIABILITIES	5,190,305
 NET ASSETS	
Investment in Capital Assets, Net of Related Debt	7,127,921
Unrestricted	703,827
<i>Total Net Assets</i>	7,831,748
 TOTAL LIABILITIES AND NET ASSETS	 \$ 13,022,053

The accompanying notes are an integral part of these statements.



CITY OF SELMA, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
FOR THE YEAR ENDED OCTOBER 31, 2011

	<u>Water & Sewer</u>
OPERATING REVENUE	
Water Service	\$ 1,042,880
Sewer Service	593,973
Stormwater Fees	244,328
Garbage Billing	856,869
Connection and Extension Fees	53,609
Other Fees	124,676
TOTAL OPERATING REVENUE	2,916,335
OPERATING EXPENSES	
Administration Costs:	
Salaries	191,996
Contractual Services	1,518,146
Water and Sewer Operations:	
Supplies and Materials	157,962
Repairs and Maintenance	82,766
Other	22,029
Depreciation	329,297
TOTAL OPERATING EXPENSES	2,302,196
OPERATING INCOME (LOSS)	614,139
NONOPERATING INCOME (EXPENSE)	
Impact Fees	168,589
Miscellaneous	887
Interest Income	2,381
Interest Expense	(141,002)
TOTAL NONOPERATING INCOME (EXPENSE)	30,855
NET INCOME (LOSS) BEFORE TRANSFERS	644,994
Transfers In (Out)	(300,000)
NET INCOME (LOSS)	344,994
NET ASSETS, BEGINNING OF YEAR	7,486,754
NET ASSETS, END OF YEAR	\$ 7,831,748

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, 2011

	<u>Water & Sewer</u>
CASH FLOWS FROM	
OPERATING ACTIVITIES	
Cash Received from Customers	\$ 3,196,909
Cash Paid to Suppliers	(1,721,422)
Cash Paid to Employees	(193,685)
NET CASH FLOWS PROVIDED (USED)	
BY OPERATING ACTIVITIES	<u>1,281,802</u>
CASH FLOWS FROM NONCAPITAL	
FINANCING ACTIVITIES	
Miscellaneous Income	887
Impact Fees	168,589
Deposits Collected (Refunded)	1,500
Transfers From (to) Primary Government	(469,856)
NET CASH PROVIDED (USED) BY	
INVESTING ACTIVITIES	<u>(298,880)</u>
CASH FLOWS FROM CAPITAL AND RELATED	
FINANCING ACTIVITIES	
Acquisition of Capital Assets	(1,480)
Principal Payments on Long-term Debt	(150,000)
Interest Paid for Financing Activities	(140,252)
NET CASH USED FROM CAPITAL AND	
RELATED FINANCING ACTIVITIES	<u>(291,732)</u>
CASH FLOWS FROM	
INVESTING ACTIVITIES	
Interest Income Received	2,381
NET CASH PROVIDED (USED) BY	
INVESTING ACTIVITIES	<u>2,381</u>
NET INCREASE (DECREASE) IN CASH	
AND CASH EQUIVALENTS	693,571
CASH AND CASH EQUIVALENTS,	
BEGINNING OF YEAR	<u>952,293</u>
CASH AND CASH EQUIVALENTS,	
END OF YEAR	<u>\$ 1,645,864</u>

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, 2011

	<u>Water & Sewer</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 614,139
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	329,297
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable (net)	(24,686)
(Increase) Decrease in Prepaid Expenses	(207)
Increase (Decrease) in Accounts Payable	47,065
Increase (Decrease) in Accrued Expenses	(212)
Increase (Decrease) in Employee Compensated Absences	(1,689)
Increase (Decrease) in Deferred Revenue	318,095
Total Adjustments	667,663
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,281,802

The accompanying notes are an integral part of these statements.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
OCTOBER 31, 2011

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 and the audit opinion has been qualified accordingly. Copies of the individual audit of Retama Development Corporation for the year ended December 31, 2010 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.

Joint Venture

Cibolo Valley Local Government Corporation (CVLGC) is a public, nonprofit corporation organized July 28, 2011 to aid, assist, and act on behalf of the cities of Cibolo, Converse, Schertz, Seguin and Selma in acquiring, constructing, maintaining, and operating a water utility system. The participating governments have an ongoing financial responsibility to fund the operation of the corporation through either purchase of services or by subsidizing the operations. Operations have not commenced as of October 31, 2011.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2011

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 assets 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, and Municipal Development District Fund meet the criteria of a **major governmental fund**. These funds are reflected in single 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 deferred revenue.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2011

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.

The City has one nonmajor governmental fund as of October 31, 2011: Capital Projects Fund.

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

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

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

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

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2011

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 January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectibles.

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

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2011

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 deferred 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, 2011.

	General Fund		Debt Service Fund		Water/Sewer Fund	
	2011	2010	2011	2010	2011	2010
Property taxes	\$ 1,655	\$ 1,655	\$ 602	\$ 602	\$ -	\$ -
Lot Maintenance	20,303	20,303	-	-	-	-
Water/Sewer Accounts	-	-	-	-	29,841	17,006

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. PROPERTY AND EQUIPMENT

Property and equipment, 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. Property and equipment are defined as assets with a cost of \$5,000 or more with a useful life greater than 1 year. Infrastructure assets include City-owned streets, sidewalks, curbs and bridges. Property and equipment is recorded at historical costs if purchased or constructed. Donated property and equipment are recorded at estimated fair market value at the date of donation.

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

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2011

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

11. PROPERTY AND EQUIPMENT (Continued)

Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20 to 50 years
Improvements Other than Buildings	20 to 40 years
Utility System in service	10 to 50 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, 2011 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. DEFERRED/UNEARNED 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 deferred revenue.

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

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 assets. On new bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2011

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 only be used for a specific purpose by a resolution of City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints through the same formal action.

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 may delegate the authority to make assignments to another individual at the City, but they have not chosen to do so.

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 ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2011

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. RECLASSIFICATIONS

Certain reclassifications have been made to the prior periods presented in order to conform to current presentations. These reclassifications had no effect on change in fund balance or net assets.

NOTE B -- CASH AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash and Cash Equivalents

At October 31, 2011, the carrying amount of the primary government's (the City) cash on hand was \$700, the carrying amount of the deposits in bank was \$10,696,205 and the bank balance was \$10,476,670. Of the bank balance, \$250,000 was covered by Federal Deposit Insurance Corporation's coverage and the City's depository had pledged securities having a face value of \$10,414,061 and market value of \$10,749,807 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.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2011

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, 2011 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, 2011 were \$3,302,577 and \$984, 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.

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.

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2011

NOTE B -- CASH AND CASH INVESTMENTS (Continued)

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

Taxes were levied on and payable as of January 1. 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.

For fiscal year 2011, the assessed tax rate for the City was \$0.2793 per \$100 on an assessed valuation of \$609,482,269. The rate is broken out as \$0.079 per \$100 for general operations and \$0.2003 per \$100 for debt retirement. Total tax levy for fiscal year 2011 was \$1,697,373.

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2011

NOTE D -- DUE TO/FROM OTHER FUNDS

As of October 31, 2011, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due From	Due To	Reason
General Fund			
Proprietary Fund	\$ -	\$ 164,047	expense reimbursement
Capital Projects	-	316,681	expense reimbursement
Debt Service	-	979,906	tax collections
Capital Projects			
General Fund	316,681	-	expense reimbursement
Debt Service			
General Fund	979,906	-	tax collections
Proprietary Fund			
General Fund	164,047	-	expense reimbursement
	<u>\$ 1,460,634</u>	<u>\$ 1,460,634</u>	

NOTE E -- CAPITAL ASSETS

Capital asset activity for the year ended October 31, 2011, was as follows:

	Balances at 11/1/10	Additions	Deductions/ Transfers	Balances at 10/31/11
Governmental Activities				
Land	\$ 569,439	\$ -	\$ -	\$ 569,439
Buildings	8,333,058	74,246	(363,374)	8,043,930
Infrastructure	16,809,264	298,015	285,966	17,393,245
Construction in Progress	22,123	337,762	(285,966)	73,919
Vehicles and Equipment	3,933,335	314,908	(108,061)	4,140,182
	<u>29,667,219</u>	<u>1,024,931</u>	<u>(471,435)</u>	<u>30,220,715</u>
<i>Less Accumulated Depreciation</i>				
Buildings	1,159,696	285,621	(234,664)	1,210,653
Infrastructure	6,886,771	642,522	-	7,529,293
Vehicles and Equipment	2,508,298	378,505	(95,997)	2,790,806
	<u>10,554,765</u>	<u>1,306,648</u>	<u>(330,661)</u>	<u>11,530,752</u>
Governmental Capital Assets, Net	<u>\$ 19,112,454</u>	<u>\$ (281,717)</u>	<u>\$ (140,774)</u>	<u>\$ 18,689,963</u>

Depreciation Expense was charged to the governmental functions as follows:

General Government	\$ 171,139
Police Department	298,388
Fire Department	114,141
Infrastructure	716,320
Building Inspection	6,660
Total Depreciation Expense	<u>\$ 1,306,648</u>

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2011

NOTE E -- CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	Balances at 11/1/10	Additions	Deductions/ Transfers	Balances at 10/31/11
Land	\$ 18,343	\$ -	\$ -	\$ 18,343
Buildings	404,337	-	-	404,337
Water Rights	2,558,666	-	-	2,558,666
Water Sewer Utility Plant	8,729,037	-	14,130	8,743,167
Construction in Progress	12,650	1,480	(14,130)	-
Vehicles and Equipment	435,241	-	(23,903)	411,338
	<u>12,158,274</u>	<u>1,480</u>	<u>(23,903)</u>	<u>12,135,851</u>
<i>Less Accumulated Depreciation</i>				
Buildings	34,586	13,943	-	48,529
Water Sewer Utility Plant	745,958	253,989	(23,903)	976,044
Vehicles and Equipment	256,992	61,365	-	318,357
	<u>1,037,536</u>	<u>329,297</u>	<u>(23,903)</u>	<u>1,342,930</u>
Business-Type Capital Assets, Net	<u>\$ 11,120,738</u>	<u>\$ (327,817)</u>	<u>\$ -</u>	<u>\$ 10,792,921</u>

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

NOTE F -- SALES TAX REFUND PAYABLE

The City has entered into a Sales Tax Refund Agreement with Costco Corporation pursuant to the provisions of Chapter 380.001 to provide economic development grants to promote local economic development and to stimulate business and commercial activity in the City. The agreement calls for a refund of half of the City's 1% sales tax proceeds from retail sales at the Costco Corporation over a ten year period: calendar year 2008 through 2017. As of October 31, 2011, management has accrued \$153,311 in estimated sales tax refunds due to Costco Corporation.

NOTE G -- LONG-TERM DEBT

Capital Leases: -

<u>Capital Item</u>	<u>Lease Payments</u>		<u>Maturity</u>	<u>Interest Rate</u>
	<u>Amount</u>	<u>Frequency</u>		
Tractor	23,868	Annual	10/15/2013	3.75%
6 Police Vehicles	16,900	Quarterly	4/1/2012	3.85%
Police Equipment	31,991	Annual	4/14/2014	7.13%

The assets from these capital leases were capitalized for \$353,518 and as of October 31, 2011 had accumulated depreciation of \$67,207. The remaining capital lease obligation is as follows:

Year Ending October 31,	<u>Capital Leases</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 81,508	\$ 8,150	\$ 89,658
2013	50,878	4,981	55,859
2014	29,861	2,130	31,991
Total	<u>\$ 162,247</u>	<u>\$ 15,261</u>	<u>\$ 177,508</u>

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2011

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

General Obligation bonds are direct obligations of the City for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within the City. The City has provided for and maintained the Debt Service Fund as required under the General Obligations Ordinance.

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2001 - for the purpose of paying contractual obligations of the City for making permanent public improvements and for construction of a new city hall and fire station.

Combination Tax and Subordinated Lien Revenue Certificates of Obligation, Series 2003 - for making permanent improvements and other public purposes and for upgrades to the city's utility systems.

Tax Notes 2008 - to purchase a new fire truck.

Combination Tax and Subordinated Lien Revenue Certificates of Obligation, Series 2008 - for the construction of an elevated water tower and high service pump station in the amount of \$4,100,000 and the construction of a new police station for \$4,000,000.

General Obligation Refunding Bonds, Series 2010 - to refund the outstanding amount of the Certificates of Obligation Series 2001 bonds. This refunding resulted in an economic gain of \$136,128.

At October 31, 2011, the City's long-term debt consisted of the following:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Outstanding</u>
<u>Governmental Activities</u>			
<i>General Obligation and Refunding Bonds:</i>			
General Obligation, Series 2010	0.9-3.25%	\$ 1,660,000	\$ 1,615,000
Certificate of Obligation, Series 2003	4.0-5.0%	3,500,000	2,545,000
Certificate of Obligation, Series 2008	3.75%	4,000,000	3,580,000
Tax Notes 2008	3.34%	450,000	190,000
Capital Lease - Tractor	3.75%	107,006	45,179
Capital Lease - Police Equipment	7.13%	115,742	83,751
Capital Lease - Police Vehicles	3.85%	130,770	33,317
			<u>\$ 8,092,247</u>
<u>Business-Type Activities</u>			
<i>General Obligation and Refunding Bonds:</i>			
Certificate of Obligation, Series 2008	3.75%	\$ 4,100,000	<u>\$ 3,665,000</u>
			<u>3,665,000</u>
			<u><u>\$ 11,757,247</u></u>

CITY OF SELMA, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
OCTOBER 31, 2011

NOTE G -- LONG-TERM DEBT (Continued)

Changes in the City's long-term debt during the fiscal year ending October 31, 2011, follow:

	Balance Outstanding 11/1/10	Current Additions	Current Retirements	Balance Outstanding 10/31/11	Due Within One Year
<i>Governmental Activities:</i>					
Series 2001	\$ 1,695,000	\$ -	\$ (1,695,000)	\$ -	\$ -
Series 2003	2,700,000	-	(155,000)	2,545,000	165,000
Series 2008	3,725,000	-	(145,000)	3,580,000	155,000
Series 2010	-	1,660,000	(45,000)	1,615,000	140,000
Tax Notes 2008	280,000	-	(90,000)	190,000	95,000
Capital Leases	164,618	115,742	(118,113)	162,247	81,508
Compensated Absences	243,805	13,361	-	257,166	257,166
Totals	<u>\$ 8,808,423</u>	<u>\$ 1,789,103</u>	<u>\$ (2,248,113)</u>	<u>\$ 8,349,413</u>	<u>\$ 893,674</u>
<i>Business-Type Activities:</i>					
Series 2008	\$ 3,815,000	\$ -	\$ (150,000)	\$ 3,665,000	\$ 155,000
Compensated Absences	5,310	-	(1,689)	3,621	3,621
Totals	<u>\$ 3,820,310</u>	<u>\$ -</u>	<u>\$ (151,689)</u>	<u>\$ 3,668,621</u>	<u>\$ 158,621</u>

The annual requirements to amortize all bonded debt outstanding as of October 31, 2011, including interest payments, are as follows:

Year Ending October 31,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 555,000	\$ 279,881	\$ 834,881	\$ 155,000	\$ 134,531	\$ 289,531
2013	570,000	261,601	831,601	165,000	128,531	293,531
2014	495,000	244,889	739,889	170,000	122,250	292,250
2015	510,000	228,711	738,711	175,000	115,781	290,781
2016	530,000	211,312	741,312	185,000	109,031	294,031
2017-2021	2,990,000	745,034	3,735,034	1,020,000	435,000	1,455,000
2022-2026	1,730,000	243,964	1,973,964	1,235,000	223,969	1,458,969
2027-2028	550,000	20,813	570,813	560,000	21,188	581,188
Total	<u>\$ 7,930,000</u>	<u>\$ 2,236,205</u>	<u>\$ 10,166,205</u>	<u>\$ 3,665,000</u>	<u>\$ 1,290,281</u>	<u>\$ 4,955,281</u>

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2011

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 by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677.

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 2010	Plan Year 2011
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

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
2009	\$ 439,568	100%	\$ -
2010	454,439	100%	-
2011	492,043	100%	-

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2011

NOTE H -- PENSION PLAN (continued)

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Actuarial Valuation Date	12/31/2008	12/31/2009	12/31/2010 - prior to restructuring	12/31/2010 - Restructured
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	29 years; closed period	28.1 years; closed period	26.9 years; closed period	26.9 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	10-year Smoothed	10-year Smoothed	10-year Smoothed
Investment Rate of Return	7.50%	7.50%	7.50%	7.00%
Projected Salary Increases	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service	Varies by Age and Service
Inflation Rate	3.00%	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.10%	2.10%	2.10%	2.10%

Funded Status and Funding Progress In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR). The funded status as of December 31, 2010, 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
2010 - Original	\$ 5,178,358	\$ 7,210,369	71.8%	\$ 2,032,011	\$ 3,416,722	59.5%
2010 - New	\$ 6,156,335	\$ 8,124,031	75.8%	\$ 1,967,696	\$ 3,416,722	57.6%

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.

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2011

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, 2011, 2010 and 2009 were \$7,800, \$4,140, and \$4,285, respectively, which equaled the required contributions each year.

NOTE J -- INTERFUND TRANSFERS

The following transfers occurred between funds during the year ending October 31, 2011:

	Transfer In	Transfer Out	Reason
General Fund			
Proprietary Fund	\$ 300,000	\$ -	Transfer in lieu of taxes
Proprietary Fund			
General Fund	-	300,000	Transfer in lieu of taxes
	<u>\$ 300,000</u>	<u>\$ 300,000</u>	

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.

Subsequent Event

In January 2012, the City agreed to be a member city in the Cibolo Valley Local Governmental Corporation (CVLGC). CVLGC is organized to find and develop water sources for its member entities. The City has agreed to an initial contribution of \$250,000 and would be liable for a share of CVLGC’s future debts should the Corporation proceed in developing these water sources.

CITY OF SELMA, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 OCTOBER 31, 2011

NOTE K -- SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (Continued)

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. The City has paid the TIRZ \$560,993 and have committed to an additional amount not to exceed \$17,277,225.

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 year ended October 31, 2011, were \$132,712.

Contractual Commitments

The City has entered into commitments for various projects and the balances of those commitments as of October 31, 2011 are as follows:

	Total Contract Amount	Expended to Date	Estimated Remaining
Engineering Projects	\$ 149,756	\$ 73,919	\$ 75,837
Total	\$ 149,756	\$ 73,919	\$ 75,837



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, 2011
WITH COMPARATIVE ACTUAL TOTALS FOR 2010

	Budgeted		2011 Actual	Variance With Final Budget- Positive (Negative)	2010 Actual
	Original	Final			
REVENUES					
<i>Taxes:</i>					
Ad Valorem	\$ 425,950	\$ 425,950	\$ 428,505	\$ 2,555	\$ 355,925
City Sales Tax	3,625,000	3,625,000	3,453,180	(171,820)	3,334,455
City Sales Tax - Streets	700,000	700,000	728,147	28,147	677,136
Mixed Beverage	51,000	51,000	59,564	8,564	53,260
Retama Gate Fees	10,000	10,000	9,688	(312)	7,670
Franchise Fees	363,100	363,100	408,727	45,627	391,696
Occupancy Tax	154,000	154,000	179,705	25,705	187,949
<i>Total Taxes</i>	5,329,050	5,329,050	5,267,516	(61,534)	5,008,091
<i>Charges For Services:</i>					
Licenses and Permits	329,400	329,400	395,964	66,564	350,460
Lot Maintenance	12,000	12,000	8,400	(3,600)	1,348
Garbage Fees	300,000	300,000	125,243	(174,757)	123,376
<i>Total Charges for Services</i>	641,400	641,400	529,607	(111,793)	475,184
Fines and Forfeitures	1,147,130	1,147,130	1,077,081	(70,049)	1,043,901
<i>Other Sources:</i>					
Interest	34,500	34,500	19,455	(15,045)	28,591
Police Special & Seizure	22,000	22,000	20,120	(1,880)	20,645
Fire Department Special	8,000	8,000	7,215	(785)	8,918
Contributions	-	-	91,536	91,536	-
Miscellaneous	61,000	61,000	99,856	38,856	76,731
<i>Total Other Sources</i>	125,500	125,500	238,182	112,682	134,885
TOTAL REVENUES	7,243,080	7,243,080	7,112,386	(130,694)	6,662,061
EXPENDITURES					
<i>General Administration:</i>					
Salaries	721,936	721,936	726,222	(4,286)	688,931
Contractual Services	1,292,625	1,292,625	983,231	309,394	1,035,481
Supplies & Services	181,766	195,757	194,274	1,483	144,783
Capital Outlay	24,500	24,500	25,004	(504)	14,042
Miscellaneous	25,500	43,500	24,431	19,069	62,708
<i>Total General Administration</i>	\$ 2,246,327	\$ 2,278,318	\$ 1,953,162	\$ 325,156	\$ 1,945,945

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, 2011
 WITH COMPARATIVE ACTUAL TOTALS FOR 2010

	Budget Amounts		2011 Actual	Variance With	2010 Actual
	Original	Final		Final Budget- Positive (Negative)	
EXPENDITURES (CONTINUED)					
<i>Fire Protection:</i>					
Salaries	\$ 1,323,108	\$ 1,323,108	\$ 1,367,977	\$ (44,869)	\$ 1,310,540
Contractual Services	9,300	9,300	7,568	1,732	8,449
Supplies & Services	72,500	72,500	63,511	8,989	68,699
Capital Outlay	21,200	21,200	18,549	2,651	21,215
Miscellaneous	30,800	30,800	24,766	6,034	21,448
<i>Total Fire Protection</i>	<u>1,456,908</u>	<u>1,456,908</u>	<u>1,482,371</u>	<u>(25,463)</u>	<u>1,430,351</u>
<i>Police Protection:</i>					
Salaries	2,068,164	2,068,164	1,994,048	74,116	1,886,432
Contractual Services	108,000	108,000	75,178	32,822	73,409
Supplies & Services	190,700	190,700	181,311	9,389	241,137
Capital Outlay	129,600	245,342	161,849	83,493	175,757
Miscellaneous	56,500	56,500	55,572	928	58,515
<i>Total Police Protection</i>	<u>2,552,964</u>	<u>2,668,706</u>	<u>2,467,958</u>	<u>200,748</u>	<u>2,435,250</u>
<i>Building Inspections:</i>					
Salaries	262,691	262,691	257,791	4,900	279,605
Contractual Services	20,000	20,000	25,600	(5,600)	25,378
Supplies & Services	3,950	3,950	2,829	1,121	3,095
Capital Outlay	500	500	1,568	(1,068)	1,604
Miscellaneous	4,150	4,150	2,642	1,508	2,630
<i>Total Building Inspections</i>	<u>291,291</u>	<u>291,291</u>	<u>290,430</u>	<u>861</u>	<u>312,312</u>
<i>Infrastructure:</i>					
Salaries	122,490	122,490	112,333	10,157	107,867
Contractual Services	3,700	3,700	4,313	(613)	8,038
Supplies & Services	38,200	38,200	29,098	9,102	39,303
Capital Outlay	55,000	55,000	92,463	(37,463)	-
<i>Total Infrastructure</i>	<u>\$ 219,390</u>	<u>\$ 219,390</u>	<u>\$ 238,207</u>	<u>\$ (18,817)</u>	<u>\$ 155,208</u>

CITY OF SELMA, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
 FOR THE YEAR ENDED OCTOBER 31, 2011
 WITH COMPARATIVE ACTUAL TOTALS FOR 2010

	Budget Amounts		2011 Actual	Variance With	2010 Actual
	Original	Final		Final Budget- Positive (Negative)	
EXPENDITURES (CONTINUED)					
<i>Other:</i>					
Mayor & Council	\$ 41,200	\$ 41,200	\$ 32,345	\$ 8,855	\$ 30,922
General Capital Improvements	350,000	350,000	284,253	65,747	208,627
Parks and Historical Committee	35,000	80,000	92,743	(12,743)	-
<i>Total Other</i>	<u>426,200</u>	<u>471,200</u>	<u>409,341</u>	<u>61,859</u>	<u>239,549</u>
<i>Debt Service:</i>					
Capital Lease Principal	-	-	118,113	(118,113)	53,303
Interest and Fiscal Charges	-	-	5,344	(5,344)	3,982
<i>Total Debt Service</i>	<u>-</u>	<u>-</u>	<u>123,457</u>	<u>(123,457)</u>	<u>57,285</u>
TOTAL EXPENDITURES	<u>7,193,080</u>	<u>7,385,813</u>	<u>6,964,926</u>	<u>420,887</u>	<u>6,575,900</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>50,000</u>	<u>(142,733)</u>	<u>147,460</u>	<u>290,193</u>	<u>86,161</u>
OTHER SOURCES (USES) OF FUNDS:					
Proceeds From Capital Lease	-	115,742	115,742	-	130,770
Transfer In (Out)	(400,000)	(400,000)	300,000	700,000	260,000
TOTAL OTHER SOURCES (USES) OF FUNDS	<u>(400,000)</u>	<u>(284,258)</u>	<u>415,742</u>	<u>700,000</u>	<u>390,770</u>
Net Change in Fund Balance	(350,000)	(426,991)	563,202	990,193	476,931
FUND BALANCE - NOVEMBER 1	<u>3,542,237</u>	<u>3,542,237</u>	<u>3,542,237</u>	<u>-</u>	<u>3,065,306</u>
FUND BALANCE - OCTOBER 31	<u>\$ 3,192,237</u>	<u>\$ 3,115,246</u>	<u>\$ 4,105,439</u>	<u>\$ 990,193</u>	<u>\$ 3,542,237</u>

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, 2011
 WITH COMPARATIVE ACTUAL TOTALS FOR 2010

	<u>Budget Amounts</u>		2011 Actual	Variance With	2010 Actual
	<u>Original</u>	<u>Final</u>		Final Budget - (Negative) Positive	
REVENUES					
City Sales Taxes	\$ 1,250,000	\$ 1,250,000	\$ 1,170,227	\$ (79,773)	\$ 1,289,359
Interest Income	6,000	6,000	3,424	(2,576)	7,647
TOTAL REVENUES	<u>1,256,000</u>	<u>1,256,000</u>	<u>1,173,651</u>	<u>(82,349)</u>	<u>1,297,006</u>
EXPENDITURES					
Municipal Development:					
Contractual Services	30,000	30,000	-	30,000	8,115
Capital Outlay	1,226,000	1,226,000	114,387	1,111,613	278,730
TOTAL EXPENDITURES	<u>1,256,000</u>	<u>1,256,000</u>	<u>114,387</u>	<u>1,141,613</u>	<u>286,845</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>1,059,264</u>	<u>1,059,264</u>	<u>1,010,161</u>
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	-	-	-	-	(71,915)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,915)</u>
Net Change in Fund Balance	-	-	1,059,264	1,059,264	938,246
FUND BALANCE - NOVEMBER 1	<u>2,514,962</u>	<u>2,514,962</u>	<u>2,514,962</u>	<u>-</u>	<u>1,576,716</u>
FUND BALANCE - OCTOBER 31	<u>\$ 2,514,962</u>	<u>\$ 2,514,962</u>	<u>\$ 3,574,226</u>	<u>\$ 2,118,528</u>	<u>\$ 2,514,962</u>

CITY OF SELMA, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
OCTOBER 31, 2011

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.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.

CITY OF SELMA, TEXAS
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF FUNDING PROGRESS – DEFINED BENEFIT PENSION PLAN
 LAST EIGHT 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 - Original	5,178,358	7,210,369	71.8%	2,032,011	3,416,722	59.5%
2010 - New	6,156,335	8,124,031	75.8%	1,967,696	3,416,722	57.6%

* 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.



OTHER SUPPLEMENTARY INFORMATION

Other 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, 2011 AND 2010

	2011	2010
ASSETS		
Cash and Cash Equivalents	\$ 5,291,207	\$ 4,531,473
Delinquent Taxes Receivable (Net of Allowance for Uncollectibles)	17,307	13,352
Lot Maintenance Receivable (Net of Allowance for Uncollectibles)	13,822	18,234
Sales and Franchise Taxes Receivable	847,874	774,092
Prepaid Items	38,381	34,673
TOTAL ASSETS	\$ 6,208,591	\$ 5,371,824
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 132,575	\$ 720,147
Accrued Expenses	300,149	232,650
Due to Other Funds	1,460,634	748,165
Deferred Revenue	209,794	128,625
TOTAL LIABILITIES	2,103,152	1,829,587
 FUND BALANCES		
Nonspendable:		
Prepaid Items	38,381	34,673
Restricted for:		
Police Department	68,550	56,797
Hotel/Motel	566,818	422,974
Building Security and Technology	226,180	191,318
Stage Stop	12,851	12,851
Street Repairs	235,030	276,193
Other Reserved Balances	6	6
Unassigned	2,957,623	2,547,425
TOTAL FUND BALANCES	4,105,439	3,542,237
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,208,591	\$ 5,371,824

CITY OF SELMA, TEXAS
 COMPARATIVE BALANCE SHEETS
 MUNICIPAL DEVELOPMENT DISTRICT FUND
 OCTOBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Cash and Cash Equivalents	\$ 3,429,505	\$ 2,376,731
Sales Taxes Receivable	178,229	175,871
TOTAL ASSETS	\$ 3,607,734	\$ 2,552,602
 LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 33,508	\$ 37,640
 <i>Fund Balance:</i>		
Restricted for Municipal Development	3,574,226	2,514,962
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 3,607,734	 \$ 2,552,602

CITY OF SELMA, TEXAS
 COMPARATIVE BALANCE SHEETS
 DEBT SERVICE FUND
 OCTOBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Cash and Cash Equivalents	\$ 331,312	\$ 330,717
Delinquent Taxes Receivable (Net of allowance for uncollectibles)	31,098	20,063
Due from Other Funds	979,906	437,294
TOTAL ASSETS	\$ 1,342,316	\$ 788,074
 LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Deferred Revenues - Taxes	\$ 427,827	\$ 259,427
<i>Total Liabilities</i>	427,827	259,427
 <i>Fund Balance:</i>		
Restricted for Debt Service	914,489	528,647
 TOTAL LIABILITIES AND FUND BALANCE	\$ 1,342,316	\$ 788,074

CITY OF SELMA, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 DEBT SERVICE FUND
 FOR THE YEARS ENDED OCTOBER 31, 2011 AND 2010

	2011	2010
REVENUES		
Ad Valorem Taxes	\$ 1,221,517	\$ 1,144,652
Interest Income	595	1,498
TOTAL REVENUES	1,222,112	1,146,150
EXPENDITURES		
Bond Principal	2,130,000	485,000
Bond Interest and Agent Fees	366,270	362,389
TOTAL EXPENDITURES	2,496,270	847,389
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,274,158)	298,761
OTHER SOURCES (USES) OF FUNDS:		
Proceeds from Refunding Debt	1,660,000	-
TOTAL OTHER SOURCES (USES) OF FUNDS	1,660,000	-
Net Change in Fund Balance	385,842	298,761
FUND BALANCE - NOVEMBER 1	528,647	229,886
FUND BALANCE - OCTOBER 31	\$ 914,489	\$ 528,647

CITY OF SELMA, TEXAS
 COMPARATIVE BALANCE SHEETS
 CAPITAL PROJECTS FUND
 OCTOBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Cash and Cash Equivalents	\$ -	\$ -
Due from Other Funds	316,681	316,681
TOTAL ASSETS	\$ 316,681	\$ 316,681
LIABILITIES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ -	\$ -
<i>Total Liabilities</i>	-	-
<i>Fund Balance:</i>		
Restricted for Capital Projects	154,004	154,004
Assigned for Capital Projects	162,677	162,677
<i>Total Liabilities</i>	316,681	316,681
TOTAL LIABILITIES AND FUND BALANCE	\$ 316,681	\$ 316,681

CITY OF SELMA, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – CAPITAL PROJECTS FUND
 FOR THE YEARS ENDED OCTOBER 31, 2011 AND 2010

	2011	2010
REVENUES		
Interest Income	\$ -	\$ 120
Miscellaneous Income	-	15,619
TOTAL REVENUES	-	15,739
EXPENDITURES		
Capital Outlay	-	-
TOTAL EXPENDITURES	-	-
Net Change in Fund Balance	-	15,739
FUND BALANCE - NOVEMBER 1	316,681	300,942
FUND BALANCE - OCTOBER 31	\$ 316,681	\$ 316,681

CITY OF SELMA, TEXAS
 COMPARATIVE STATEMENTS OF NET ASSETS
 PROPRIETARY WATER SEWER FUND
 OCTOBER 31, 2011 AND 2010

	2011	2010
ASSETS		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 1,645,864	\$ 952,293
Accounts Receivables - Customers (Net of Allowance for Uncollectibles)	383,333	358,647
Prepaid Expenses	649	442
Due from Other Funds	164,047	748,165
<i>Total Current Assets</i>	2,193,893	2,059,547
 Bond Issue Costs, net of amortization	 35,239	 37,397
 <i>Capital Assets:</i>		
Land	18,343	18,343
Water Rights	2,558,666	2,558,666
Building and Improvements	404,337	404,337
Water Sewer Plant	8,743,167	8,729,037
Equipment	411,338	435,241
Construction in Progress	-	12,650
Accumulated Depreciation	(1,342,930)	(1,037,536)
<i>Total Capital Assets, Net</i>	10,792,921	11,120,738
 TOTAL ASSETS	\$ 13,022,053	\$ 13,217,682

CITY OF SELMA, TEXAS
 COMPARATIVE STATEMENTS OF NET ASSETS
 PROPRIETARY WATER SEWER FUND (CONTINUED)
 OCTOBER 31, 2011 AND 2010

	2011	2010
LIABILITIES		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 236,215	\$ 189,150
Accrued Expenses	22,461	22,673
Vacation Payable	3,621	5,310
Accrued Interest	34,359	35,766
Deferred Revenue	1,226,149	908,054
Due to Other Funds	-	753,975
Customer Deposits	2,500	1,000
Current Portion of Bonds Payable	155,000	150,000
<i>Total Current Liabilities</i>	1,680,305	2,065,928
 <i>Noncurrent Liabilities:</i>		
Bonds Payable	3,510,000	3,665,000
<i>Total Noncurrent Liabilities:</i>	3,510,000	3,665,000
TOTAL LIABILITIES	5,190,305	5,730,928
 NET ASSETS		
Investment in Capital Assets, Net of Related Debt	7,127,921	7,305,739
Unrestricted	703,827	181,015
<i>Total Net Assets</i>	7,831,748	7,486,754
 TOTAL LIABILITIES AND NET ASSETS	\$ 13,022,053	\$ 13,217,682



CITY OF SELMA, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS – PROPRIETARY FUND WATER SEWER FUND
 FOR THE YEARS ENDED OCTOBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUE		
Water Service	\$ 1,042,880	\$ 1,094,453
Sewer Service	593,973	516,734
Stormwater Fees	244,328	210,908
Garbage Billing	856,869	906,300
Connection and Extension Fees	53,609	44,173
Other Fees	124,676	50,696
TOTAL OPERATING REVENUE	<u>2,916,335</u>	<u>2,823,264</u>
OPERATING EXPENSES		
Administration Costs:		
Salaries	191,996	234,186
Contractual Services	1,518,146	1,517,220
Water and Sewer Operations:		
Supplies and Materials	157,962	124,532
Repairs and Maintenance	82,766	32,624
Other	22,029	11,028
Depreciation	329,297	299,004
TOTAL OPERATING EXPENSES	<u>2,302,196</u>	<u>2,218,594</u>
OPERATING INCOME (LOSS)	<u>614,139</u>	<u>604,670</u>
NONOPERATING INCOME (EXPENSE)		
Impact Fees	168,589	220,540
Miscellaneous	887	1,455
Interest Income	2,381	4,535
Loss on Disposal of Capital Asset	-	(551,509)
Interest Expense	(141,002)	(142,830)
TOTAL NONOPERATING INCOME (EXPENSE)	<u>30,855</u>	<u>(467,809)</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>644,994</u>	<u>136,861</u>
Transfers In (Out)	<u>(300,000)</u>	<u>(188,085)</u>
NET INCOME (LOSS)	<u>344,994</u>	<u>(51,224)</u>
NET ASSETS, BEGINNING OF YEAR	<u>7,486,754</u>	<u>7,537,978</u>
NET ASSETS, END OF YEAR	<u>\$ 7,831,748</u>	<u>\$ 7,486,754</u>

CITY OF SELMA, TEXAS
 COMPARATIVE STATEMENTS OF CASH FLOWS
 PROPRIETARY WATER SEWER FUND
 FOR THE YEARS ENDED OCTOBER 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 3,196,909	\$ 2,713,837
Cash Paid to Suppliers	(1,721,422)	(1,779,823)
Cash Paid to Employees	(193,685)	(227,807)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	1,281,802	706,207
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Miscellaneous Income	887	1,455
Impact Fees	168,589	220,540
Deposits Collected (Refunded)	1,500	(2,000)
Transfers From (to) Primary Government	(469,856)	(353,172)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(298,880)	(133,177)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(1,480)	(202,358)
Principal Payments on Long-term Debt	(150,000)	(145,000)
Interest Paid for Financing Activities	(140,252)	(142,030)
NET CASH USED FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(291,732)	(489,388)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income Received	2,381	4,535
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	2,381	4,535
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	693,571	88,177
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	952,293	864,116
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,645,864	\$ 952,293

CITY OF SELMA, TEXAS
 COMPARATIVE STATEMENTS OF CASH FLOWS
 PROPRIETARY WATER SEWER FUND (CONTINUED)
 FOR THE YEARS ENDED OCTOBER 31, 2011 AND 2010

	2011	2010
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 614,139	\$ 604,670
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	329,297	299,004
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable (net)	(24,686)	(103,178)
(Increase) Decrease in Prepaid Expenses	(207)	190
Increase (Decrease) in Accounts Payable	47,065	(95,376)
Increase (Decrease) in Accrued Expenses	(212)	768
Increase (Decrease) in Employee Compensated Absences	(1,689)	69
Increase (Decrease) in Deferred Revenue	318,095	60
Total Adjustments	667,663	101,537
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,281,802	\$ 706,207



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 ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS

	Fiscal Year			
	2004	2005	2006	2007
<i>Governmental Activities</i>				
Invested in Capital Assets, Net of Related Debt	\$ 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	<u>2,515,618</u>	<u>2,423,531</u>	<u>2,677,130</u>	<u>2,275,286</u>
<i>Total Governmental Activities Net Assets</i>	<u><u>\$ 6,704,687</u></u>	<u><u>\$ 7,741,468</u></u>	<u><u>\$ 9,356,415</u></u>	<u><u>\$ 13,096,195</u></u>
<i>Business-Type Activities</i>				
Invested in Capital Assets, Net of Related Debt	\$ 3,902,524	\$ 5,179,897	\$ 5,865,274	\$ 6,516,755
Restricted	29,627	-	-	-
Unrestricted	<u>847,588</u>	<u>415,921</u>	<u>194,796</u>	<u>953,620</u>
<i>Total Business-Type Activities Net Assets</i>	<u><u>\$ 4,779,739</u></u>	<u><u>\$ 5,595,818</u></u>	<u><u>\$ 6,060,070</u></u>	<u><u>\$ 7,470,375</u></u>
<i>Primary Government</i>				
Invested in Capital Assets, Net of Related Debt	\$ 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	<u>3,363,206</u>	<u>2,839,452</u>	<u>2,838,027</u>	<u>3,195,007</u>
<i>Total Primary Government Net Assets</i>	<u><u>\$ 11,484,426</u></u>	<u><u>\$ 13,337,286</u></u>	<u><u>\$ 15,416,485</u></u>	<u><u>\$ 20,566,570</u></u>

TABLE 1

Fiscal Year			
2008	2009	2010	2011
\$ 10,134,473	\$ 11,179,097	\$ 10,717,460	\$ 10,751,720
2,122,118	3,035,099	4,023,811	5,552,110
<u>2,819,582</u>	<u>1,746,761</u>	<u>2,457,920</u>	<u>3,007,144</u>
<u><u>\$ 15,076,173</u></u>	<u><u>\$ 15,960,957</u></u>	<u><u>\$ 17,199,191</u></u>	<u><u>\$ 19,310,974</u></u>
\$ 6,688,096	\$ 7,808,894	\$ 7,305,739	\$ 7,127,921
-	-	-	-
<u>723,268</u>	<u>(270,916)</u>	<u>181,015</u>	<u>703,827</u>
<u><u>\$ 7,411,364</u></u>	<u><u>\$ 7,537,978</u></u>	<u><u>\$ 7,486,754</u></u>	<u><u>\$ 7,831,748</u></u>
\$ 16,822,569	\$ 18,987,991	\$ 18,023,199	\$ 17,879,641
2,122,118	3,035,099	4,023,811	5,552,110
<u>3,542,850</u>	<u>1,475,845</u>	<u>2,638,935</u>	<u>3,710,971</u>
<u><u>\$ 22,487,537</u></u>	<u><u>\$ 23,498,935</u></u>	<u><u>\$ 24,685,945</u></u>	<u><u>\$ 27,142,722</u></u>

CITY OF SELMA, TEXAS
CHANGE IN NET ASSETS
LAST EIGHT FISCAL YEARS

	Fiscal Year			
	2004	2005	2006	2007
Expenses				
<i>Governmental Activities:</i>				
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
<i>Total Governmental Activities Expenses</i>	<u>4,108,864</u>	<u>4,565,123</u>	<u>5,351,564</u>	<u>6,037,278</u>
<i>Business-Type Activities:</i>				
Water & Sewer Utility	1,245,288	1,350,354	1,723,399	2,044,149
<i>Total Business-Type Activities</i>	<u>1,245,288</u>	<u>1,350,354</u>	<u>1,723,399</u>	<u>2,044,149</u>
Total Primary Government Expenses	<u><u>5,354,152</u></u>	<u><u>\$ 5,915,477</u></u>	<u><u>\$ 7,074,963</u></u>	<u><u>\$ 8,081,427</u></u>
Program Revenues				
<i>Governmental Activities:</i>				
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
<i>Total Governmental Activities Program Revenues</i>	<u>967,296</u>	<u>1,298,298</u>	<u>1,712,975</u>	<u>3,781,215</u>
<i>Business-Type Activities:</i>				
Charges for Service:				
Water and Sewer	1,378,025	1,593,104	1,860,247	2,082,845
Capital Grants and Contributions	-	-	-	743,494
<i>Total Business-Type Activities Program Revenues</i>	<u>1,378,025</u>	<u>1,593,104</u>	<u>1,860,247</u>	<u>2,826,339</u>
Total Primary Government Program Revenues	<u><u>\$ 2,345,321</u></u>	<u><u>\$ 2,891,402</u></u>	<u><u>\$ 3,573,222</u></u>	<u><u>\$ 6,607,554</u></u>

TABLE 2

Fiscal Year			
2008	2009	2010	2011
\$ 1,589,055	\$ 1,755,954	\$ 2,136,036	\$ 1,703,177
2,215,267	2,367,788	2,460,824	2,763,879
1,584,012	1,739,245	1,689,653	1,599,372
321,691	439,140	303,537	304,338
814,377	842,063	842,418	862,542
433,207	91,775	238,472	185,637
333,509	399,731	360,130	310,739
<u>7,291,118</u>	<u>7,635,696</u>	<u>8,031,070</u>	<u>7,729,684</u>
<u>2,356,038</u>	<u>2,236,768</u>	<u>2,361,424</u>	<u>2,443,198</u>
<u>2,356,038</u>	<u>2,236,768</u>	<u>2,361,424</u>	<u>2,443,198</u>
<u><u>\$ 9,647,156</u></u>	<u><u>\$ 9,872,464</u></u>	<u><u>\$ 10,392,494</u></u>	<u><u>\$ 10,172,882</u></u>
\$ 639,064	\$ 190,470	\$ 180,054	\$ 204,615
1,124,544	1,289,326	1,055,167	1,136,200
18,303	-	-	-
146,626	328,330	315,413	352,003
11,375	32,902	18,297	9,216
47,000	61,035	-	91,536
<u>1,986,912</u>	<u>1,902,063</u>	<u>1,568,931</u>	<u>1,793,570</u>
2,352,470	2,241,045	2,823,265	2,916,335
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,352,470</u>	<u>2,241,045</u>	<u>2,823,265</u>	<u>2,916,335</u>
<u><u>\$ 4,339,382</u></u>	<u><u>\$ 4,143,108</u></u>	<u><u>\$ 4,392,196</u></u>	<u><u>\$ 4,709,905</u></u>

CITY OF SELMA, TEXAS
CHANGE IN NET ASSETS
LAST EIGHT 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	<u>\$ (3,008,831)</u>	<u>\$ (3,024,075)</u>	<u>\$ (3,501,741)</u>	<u>\$ (1,473,873)</u>
Governmental Revenues and Other Changes in Net Assets				
<i>Governmental Activities:</i>				
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	-	-	-	-
<i>Total Governmental Activities</i>	<u>3,767,939</u>	<u>4,188,305</u>	<u>5,253,536</u>	<u>5,995,843</u>
<i>Business-Type Activities:</i>				
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	-	-	-	-
<i>Total Business-Type Activities</i>	<u>16,912</u>	<u>273,872</u>	<u>327,404</u>	<u>628,115</u>
Total Primary Government	<u>\$ 3,784,851</u>	<u>\$ 4,462,177</u>	<u>\$ 5,580,940</u>	<u>\$ 6,623,958</u>
Changes In Net Assets				
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	<u>\$ 776,020</u>	<u>\$ 1,438,102</u>	<u>\$ 2,079,199</u>	<u>\$ 5,150,085</u>

TABLE 2 (CONTINUED)

Fiscal Year			
2008	2009	2010	2011
\$ (5,304,206)	\$ (5,733,633)	\$ (6,462,139)	\$ (5,936,114)
(3,568)	4,277	461,841	473,137
<u>\$ (5,307,774)</u>	<u>\$ (5,729,356)</u>	<u>\$ (6,000,298)</u>	<u>\$ (5,462,977)</u>
\$ 1,246,717	\$ 1,317,848	\$ 1,494,381	\$ 1,661,448
360,354	349,893	391,696	408,727
4,915,997	4,691,619	5,354,210	5,411,118
161,626	133,822	187,949	179,705
124,777	89,525	37,856	23,475
16,867	-	-	-
143,493	35,709	38,120	42,719
-	-	8,076	20,705
314,354	-	188,085	300,000
<u>7,284,185</u>	<u>6,618,416</u>	<u>7,700,373</u>	<u>8,047,897</u>
37,663	6,013	4,535	2,381
190,577	114,995	220,540	168,589
30,671	1,329	1,454	887
-	-	(551,509)	-
(314,354)	-	(188,085)	(300,000)
<u>(55,443)</u>	<u>122,337</u>	<u>(513,065)</u>	<u>(128,143)</u>
<u>\$ 7,228,742</u>	<u>\$ 6,740,753</u>	<u>\$ 7,187,308</u>	<u>\$ 7,919,754</u>
\$ 1,979,979	\$ 884,783	\$ 1,238,234	\$ 2,111,783
(59,011)	126,614	(51,224)	344,994
<u>\$ 1,920,968</u>	<u>\$ 1,011,397</u>	<u>\$ 1,187,010</u>	<u>\$ 2,456,777</u>

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

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ 12,716
Restricted	94,931	399,465	386,638	767,611
Unassigned	<u>2,038,966</u>	<u>2,405,304</u>	<u>2,297,148</u>	<u>2,599,128</u>
 Total General Fund	 <u><u>\$ 2,133,897</u></u>	 <u><u>\$ 2,804,769</u></u>	 <u><u>\$ 2,683,786</u></u>	 <u><u>\$ 3,379,455</u></u>
 All Other Governmental Funds				
Municipal Development Fund	\$ -	\$ 100,784	\$ 1,088,400	\$ 414,310
Capital Projects Fund	2,173,669	3,859,926	-	-
Debt Service Funds	<u>43,238</u>	<u>3,270</u>	<u>(158,690)</u>	<u>18,170</u>
 Total All Other Governmental Funds	 <u><u>\$ 2,216,907</u></u>	 <u><u>\$ 3,963,980</u></u>	 <u><u>\$ 929,710</u></u>	 <u><u>\$ 432,480</u></u>

TABLE 3

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 3,132	\$ 33,251	\$ 22,637	\$ 38,338	\$ 34,673	\$ 38,381
965,587	542,945	549,273	755,160	960,139	1,109,435
<u>3,054,876</u>	<u>2,418,604</u>	<u>2,949,467</u>	<u>2,271,808</u>	<u>2,547,425</u>	<u>2,957,623</u>
<u>\$ 4,023,595</u>	<u>\$ 2,994,800</u>	<u>\$ 3,521,377</u>	<u>\$ 3,065,306</u>	<u>\$ 3,542,237</u>	<u>\$ 4,105,439</u>
\$ 1,213,425	\$ 1,480,240	\$ 1,460,059	\$ 1,576,716	\$ 2,514,962	\$ 3,574,226
-	-	3,581,497	300,942	316,681	316,681
(105,006)	320,603	48,515	229,886	528,647	914,489
<u>\$ 1,108,419</u>	<u>\$ 1,800,843</u>	<u>\$ 5,090,071</u>	<u>\$ 2,107,544</u>	<u>\$ 3,360,290</u>	<u>\$ 4,805,396</u>

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

	Fiscal Year			
	2002	2003	2004	2005
REVENUES				
Property Taxes	\$ 646,668	\$ 1,343,963	\$ 919,739	\$ 944,730
Sales Taxes	1,059,946	1,330,585	2,298,652	2,841,188
Franchise Tax	308,530	178,435	190,922	222,855
Mixed Beverage Tax	42,388	36,565	38,563	40,845
Occupancy Tax	-	-	-	-
Retama Gate Fees	30,195	23,394	15,739	14,269
Licenses, Platting and Permits	433,062	482,405	280,036	381,791
Lot Maintenance and Garbage	108,715	118,930	87,882	87,446
Fines and Forfeits	365,573	500,115	506,999	640,140
Interest	102,488	70,093	53,562	97,619
Miscellaneous	56,580	111,316	95,000	188,514
TOTAL REVENUES	3,154,145	4,195,801	4,487,094	5,459,397
EXPENDITURES				
Current:				
General Administration	491,340	638,836	1,852,835	1,628,555
Police Protection	781,588	1,025,483	1,309,573	1,330,316
Fire Protection	347,817	406,637	664,397	836,896
Building Inspections	71,825	97,005	87,624	101,536
Infrastructure	-	-	100,488	58,182
Other	54,961	330,403	145,621	119,955
Capital Outlay	1,147,415	2,386,085	1,209,085	178,725
Debt Service:				
Principal	190,000	190,000	290,000	425,000
Interest and Fiscal Charges	147,728	155,900	296,607	307,336
TOTAL EXPENDITURES	3,232,674	5,230,349	5,956,230	4,986,501
Excess (Deficiency) of Revenues Over (Under) Expenditures	(78,529)	(1,034,548)	(1,469,136)	472,896
OTHER FINANCING SOURCES (USES)				
Proceeds from Bond Issue/Capital Lease	-	3,445,493	450,000	-
Transfers In (Out)	138,000	7,000	(2,136,117)	(274,457)
TOTAL OTHER FINANCING SOURCES (USES)	138,000	3,452,493	(1,686,117)	(274,457)
Net Change in Fund Balance	\$ 59,471	\$ 2,417,945	\$(3,155,253)	\$ 198,439
Debt Service as a percentage of noncapital expenditures	16.20%	12.16%	12.36%	15.23%

TABLE 4

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 1,086,970	\$ 1,150,935	\$ 1,249,556	\$ 1,316,181	\$ 1,500,577	\$ 1,650,022
3,683,921	4,214,670	4,873,823	4,645,534	5,300,950	5,351,554
238,057	265,729	347,450	349,893	391,696	408,727
45,154	40,017	42,174	46,085	53,260	59,564
-	62,615	161,626	133,822	187,949	179,705
14,068	12,923	12,905	10,201	7,670	9,688
753,674	732,368	530,052	361,369	350,460	395,964
107,769	135,388	189,041	131,125	124,724	133,643
723,554	761,971	1,144,616	1,276,118	1,043,901	1,077,081
197,889	243,712	227,511	89,525	37,856	23,474
115,530	104,239	117,304	186,457	121,913	218,727
<u>6,966,586</u>	<u>7,724,567</u>	<u>8,896,058</u>	<u>8,546,310</u>	<u>9,120,956</u>	<u>9,508,149</u>
1,650,908	2,845,979	2,919,311	1,793,401	1,940,018	1,928,158
1,674,423	1,976,284	2,282,983	2,263,322	2,259,493	2,306,109
1,116,991	1,343,338	1,807,628	1,410,098	1,409,136	1,463,822
141,491	247,008	299,761	428,146	310,708	288,862
88,151	145,812	249,859	173,142	155,208	145,744
189,055	477,404	720,654	32,786	30,922	32,345
91,100	102,595	913,908	5,121,062	699,975	790,816
430,000	685,000	325,000	484,855	538,303	2,248,113
<u>289,388</u>	<u>262,518</u>	<u>350,503</u>	<u>385,102</u>	<u>366,371</u>	<u>371,614</u>
<u>5,671,507</u>	<u>8,085,938</u>	<u>9,869,607</u>	<u>12,091,914</u>	<u>7,710,134</u>	<u>9,575,583</u>
<u>1,295,079</u>	<u>(361,371)</u>	<u>(973,549)</u>	<u>(3,545,604)</u>	<u>1,410,822</u>	<u>(67,434)</u>
-	-	4,450,000	107,006	130,770	1,775,742
<u>25,000</u>	<u>25,000</u>	<u>339,354</u>	<u>-</u>	<u>188,085</u>	<u>300,000</u>
<u>25,000</u>	<u>25,000</u>	<u>4,789,354</u>	<u>107,006</u>	<u>318,855</u>	<u>2,075,742</u>
<u>\$ 1,320,079</u>	<u>\$ (336,371)</u>	<u>\$ 3,815,805</u>	<u>\$(3,438,598)</u>	<u>\$ 1,729,677</u>	<u>\$ 2,008,308</u>
12.89%	11.87%	7.54%	12.48%	12.91%	29.82%

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

TABLE 5

Fiscal Year	Property	Sales & Use	Mixed Beverage	Franchise	Occupancy	Other	Total
2002	\$ 646,668	\$ 1,059,946	\$ 42,388	\$ 308,530	\$ -	\$ 30,195	\$ 2,087,727
2003	1,343,963	1,330,585	36,565	178,435	-	23,394	2,912,942
2004	919,739	2,298,652	38,563	190,922	-	15,739	3,463,615
2005	944,730	2,841,188	40,845	222,855	-	14,269	4,063,887
2006	1,086,970	3,683,921	45,154	238,057	-	14,068	5,068,170
2007	1,150,935	4,214,670	40,017	265,729	62,615	12,923	5,746,889
2008	1,249,556	4,873,823	42,174	347,450	161,626	12,905	6,687,534
2009	1,316,181	4,645,534	46,085	349,893	133,822	10,201	6,501,716
2010	1,500,577	5,300,950	53,260	391,696	187,949	7,670	7,442,102
2011	1,650,022	5,351,554	59,564	408,727	179,705	9,688	7,659,260

CITY OF SELMA, TEXAS
 ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY
 LAST SEVEN 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

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

Fiscal Period	City Direct Rate	Overlapping Taxing Entities							
		Overlapping School Districts			Overlapping Counties			Alamo Community College	San Antonio River Authority
		Schertz Cibolo UC ISD	Comal ISD	Judson ISD	Guadalupe County	Bexar County	Comal County		
2002	0.39000	1.71000	1.85000	1.77600	0.38230	0.32076	0.28865	0.10460	-
2003	0.37000	1.73000	1.80000	1.77600	0.39190	0.31757	0.28864	0.10710	0.01643
2004	0.34900	1.78000	1.83000	1.77600	0.41310	0.32095	0.33375	0.10750	0.01643
2005	0.39990	1.74000	1.82000	1.77600	0.41310	0.31847	0.33375	0.10750	0.01643
2006	0.39930	1.72000	1.80000	1.77600	0.40310	0.31847	0.26510	0.10705	0.01643
2007	0.28650	1.61000	1.64000	1.63600	0.40310	0.31415	0.31520	0.13710	0.01605
2008	0.26210	1.31500	1.31000	1.41000	0.38950	0.32687	0.31799	0.13455	0.01595
2009	0.24980	1.38500	1.31000	1.46500	0.38950	0.32687	0.30802	0.13586	0.01595
2010	0.26500	1.42000	1.31000	1.46300	0.38950	0.32687	0.31300	0.13586	0.01595
2011	0.27930	1.43500	1.37000	1.47480	0.39990	0.32687	0.33400	0.14162	0.01665

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 FIVE YEARS AGO

TABLE 8

Taxpayer	2011			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
SA Development Co., LP	\$ 27,911,542	1	4.58%	\$ 17,566,720	2	5.17%
Kimco Forum at Olympia	23,177,650	2	3.80%	34,451,118	1	10.15%
Rose-Forum Associates	17,862,768	3	2.93%			
Furniture Row USA LLC	6,750,000	4	1.11%			
Haverty Furniture Co., Inc.	6,130,086	5	1.01%	4,279,756	5	1.26%
Costco Wholesale	5,841,287	6	0.96%			
Koehler, James P.	5,580,000	7	0.92%			
Academy Sports	4,730,320	8	0.78%	2,155,150	8	0.63%
GVD Commerical Properties, Inc	4,700,000	9	0.77%			
Nareshwar LLC	4,630,650	10	0.76%			
Selma Amphitheatre, LLC				11,193,320	3	3.29%
Retama Partners Ltd.				4,780,000	4	1.40%
Dicker-Warmington Prop				3,612,500	6	1.06%
Lehmity Family Trust				3,356,800	7	0.98%
SWQ 35/Forum Ltd.				2,103,160	9	0.61%
Basset Forum Ltd.				2,066,800	10	0.60%
	<u>\$107,314,303</u>		<u>17.61%</u>	<u>\$ 85,565,324</u>		<u>25.15%</u>

Source: Guadalupe County Tax Office

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

TABLE 9

Fiscal Year Ended October 31,	Taxes Levied for the Fiscal Year	Collected within the		Collections In Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 628,356	\$ 612,277	97.4%	\$ 16,079	\$ 628,356	100.0%
2003	840,808	821,407	97.7%	18,784	840,191	99.9%
2004	924,812	901,606	97.5%	21,159	922,765	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%	16,006	1,103,752	99.9%
2008	1,245,657	1,227,414	98.5%	13,743	1,213,671	97.4%
2009	1,441,779	1,417,975	98.3%	14,353	1,403,622	97.4%
2010	1,560,007	1,522,127	97.6%	4,357	1,517,770	97.3%
2011	1,698,239	1,674,239	98.6%	-	1,674,239	98.6%

Source: Guadalupe County Tax Office

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

TABLE 10

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Actual Taxable Value of Property	Percentage of Taxable Value of Property	Per Capita*
	General Obligation Bonds	Tax Notes	Certificates of Obligation	Certificates of Obligation					
2002	\$ 755,000	\$ 110,000	\$ 2,420,000	\$ -	\$ 3,285,000	\$ 161,116,923	2.04%	1,483	
2003	660,000	90,000	5,845,000	-	6,595,000	227,245,400	2.90%	2,977	
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%	2,773	
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%	1,327	
2008	-	450,000	8,900,000	4,100,000	13,450,000	459,442,939	2.93%	2,205	
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	

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
 FOR THE FISCAL YEAR ENDED OCTOBER 31, 2011

TABLE 11

Taxable Assessed Value		<u>\$ 609,482,269</u>
Debt Limit - 10% of Taxable Value [1]		\$ 60,948,227
Amount of Debt Applicable to Debt Limit:		
Total Bonded Debt	\$ 11,595,000	
Less Funds Available in Debt Service Fund	<u>914,489</u>	
Total Amount of Debt Applicable to Debt Limit		<u>10,680,511</u>
Legal Debt Margin		<u>\$ 50,267,716</u>

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

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

	Fiscal Year	
	2004	2005
Debt Limit	\$ 26,498,911	\$ 29,851,452
Total Net Debt		
Applicable to Unit	<u>(6,923,690)</u>	<u>(6,358,170)</u>
Legal Debt Margin	<u>\$ 19,575,221</u>	<u>\$ 23,493,282</u>

CITY OF SELMA, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
OCTOBER 31, 2011

TABLE 12

Governmental Unit	Estimated Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
<i>Debt repaid with property taxes:</i>			
Alamo CCD	\$ 519,743,778	0.52%	\$ 2,702,668
Bexar County	511,188,144	0.52%	2,658,178
Comal County	36,929,140	0.06%	22,157
Guadalupe County	18,680,000	2.14%	399,752
Judson ISD	388,363,667	8.21%	31,884,657
Comal ISD	533,250,850	0.06%	319,951
Schertz-Cibolo-Universal City ISD	270,098,536	5.96%	16,097,873
San Antonio River Authority	38,235,000	0.51%	194,999
Bexar County Hospital	756,795,000	0.52%	3,935,334
Subtotal, Overlapping Debt			58,215,568
City of Selma - Direct Debt			11,595,000
Total Direct and Overlapping Debt			\$ 69,810,568

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 EIGHT FISCAL YEARS

TABLE 13

Year	Population	Per Capita Personal Income	Median Age	OLPH School Enrollment	Unemployment Rate
2004	2215	\$ 20,958	33.30	434	5.6%
2005	2286	20,407	32.30	451	4.9%
2006	3382	21,060	37.90	529	3.5%
2007	3736	18,518	33.68	551	3.9%
2008	4241	34,279	32.82	555	5.1%
2009	4632	33,387	32.60	551	6.6%
2010	5046	34,937	32.80	432	7.8%
2011	5540	30,873	32.30	533	6.9%

Sources: Population, Per Capita Personal Income and Median Age information are from the Census Bureau. School enrollment information was provided by Our Lady of Perpetual Help School. Unemployment rate was provided by the Texas Workforce Commission.

CITY OF SELMA, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND ONE YEAR AGO

TABLE 14

Employer	2011			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lackland Air Force Base	37,097	1	3.75%	28,100	2	3.11%
Fort Sam Houston	32,000	2	3.24%	30,793	1	3.41%
USAA	14,852	3	1.50%	14,852	3	1.65%
HEB Food Stores	14,588	4	1.48%	14,588	4	1.62%
Northside ISD	13,300	5	1.35%	12,597	5	1.40%
Randolph Air Force Base	11,068	6	1.12%	10,700	6	1.19%
Northeast ISD	10,522	7	1.06%	10,223	7	1.13%
City of San Antonio	9,145	8	0.92%	9,000	8	1.00%
San Antonio ISD	7,581	9	0.77%	7,581	9	0.84%
Methodist Healthcare	7,500	10	0.76%	7,013	10	0.78%
Total	157,653		15.95%	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.

