

NEW ISSUE
BOOK-ENTRY-ONLY

PRELIMINARY OFFICIAL STATEMENT

\$7,575,000*
TOWN OF SELMER, TENNESSEE
General Obligation Refunding Bonds, Series 2020

OFFERED FOR SALE NOT SOONER THAN

Wednesday, May 20, 2020 at 10:15 A.M. E.D.T. / 9:15 A.M. C.D.T
Through the Facilities of *PARITY*[®]
and at the offices of
Cumberland Securities Company, Inc.
Knoxville, Tennessee



SINCE 1931

CUMBERLAND SECURITIES
INDEPENDENT FINANCIAL ADVISOR

_____ May 7, 2020

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED MAY 7, 2020

NEW ISSUE
BOOK-ENTRY-ONLY

Rating: S&P – “A+”
(See “MISCELLANEOUS-Rating” herein)

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Town, as hereafter defined, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading “LEGAL MATTERS – Tax Matters” herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See “LEGAL MATTERS -Tax Matters” herein.)

\$7,575,000* **TOWN OF SELMER, TENNESSEE** **General Obligation Refunding Bonds, Series 2020**

Dated: Date of delivery (Assume June 12, 2020).

Due: June 1, as shown below.

The \$7,575,000* General Obligation Refunding Bonds, Series 2020 (the “Bonds”) issued by the Town of Selmer (the “Town”) are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on December 1, 2020 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the “Registration Agent”). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the corporate limits of the Town. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the Town are irrevocably pledged. See section entitled “SECURITIES OFFERED – Security”.

The Bonds maturing June 1, 2028 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2027.

<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2021	\$ 485,000				2029	\$ 525,000			
2022	485,000				2030	535,000			
2023	485,000				2031	490,000			
2024	485,000				2032	500,000			
2025	485,000				2033	515,000			
2026	495,000				2034	525,000			
2027	510,000				2035	545,000			
2028	510,000								

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire PRELIMINARY OFFICIAL STATEMENT to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Glankler Brown PLLC, Memphis, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the Town by Terry Abernathy, counsel to the Town. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about June __, 2020.

Cumberland Securities Company, Inc.
Municipal Advisor

May __, 2020

*Preliminary, subject to change.

This Preliminary Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Preliminary Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Preliminary Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Preliminary Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Preliminary Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate, and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Bond Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer, the Municipal Advisor or the Underwriter to give any information or to make any representations other than those contained in this Preliminary Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer, the Municipal Advisor or the Underwriter. Except where otherwise indicated, all information contained in this Preliminary Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

** These CUSIP numbers have been assigned by S&P CUSIP Service Bureau, a division of the McCraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The Town is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

TOWN OF SELMER, TENNESSEE

OFFICIALS

John Smith	<i>Mayor</i>
Ann E. Henderson	<i>Town Recorder</i>
Terry Abernathy	<i>Town Attorney</i>

BOARD OF ALDERMEN

John Austin
John Finlayson
J.T. Hawkins
Troy Moore
Johnny Norris

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Glankler Brown PLLC
Memphis, Tennessee

MUNICIPAL ADVISOR

Cumberland Securities Company, Inc.

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SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Preliminary Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Preliminary Official Statement*.

The Issuer	Town of Selmer, Tennessee (the “Town” or “Issuer”). See APPENDIX B contained herein.
Securities Offered.....	\$7,575,000* General Obligation Refunding Bonds, Series 2020 (the “Bonds”) of the Town, dated the date of issuance (assume June 12, 2020). The Bonds mature each June 1 beginning June 1, 2021 through June 1, 2035, inclusive. See the section entitled “SECURITIES OFFERED” herein for additional information.
Security	The Bonds are payable from unlimited <i>ad valorem</i> taxes to be levied on all taxable property within the corporate limits of the Town. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the Town are irrevocably pledged. Debt service on the portion of the Bonds allocable to the water and sewer system of the Issuer is additionally payable from, but not secured by, certain net revenues of the water and sewer system of the Issuer, including all improvements, extensions and additional thereto, subject to the payment of reasonable and necessary costs of operating, maintaining, repairing and insuring the water and sewer system of the Issuer and to prior pledges of such net revenues in favor of the Issuer’s outstanding water and sewer system obligations, if any.
Purpose	The Bonds are being issued for the purpose of (i) refunding all or a portion of the Town’s Outstanding Bonds, as described herein and (ii) paying costs of issuance of the Bonds. See the section entitled “SECURITIES OFFERED - Authority and Purpose” contained herein.
Optional Redemption	The Bonds maturing June 1, 2028 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2027. See the section entitled “SECURITIES OFFERED – Optional Redemption”.
Tax Matters.....	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Town, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading “LEGAL MATTERS – Tax Matters” herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See “LEGAL MATTERS -Tax Matters” herein.)
Bank Qualification.....	The Bonds will be treated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
Rating.....	S&P: “A+”. See the section entitled “MISCELLANEOUS - Rating” for more information.
Municipal Advisor.....	Cumberland Securities Company, Inc. See the section entitled “MISCELLANEOUS-Municipal Advisor; Related parties; Other” herein.
Underwriter.....	_____.
Bond Counsel	Glankler Brown PLLC, Memphis, Tennessee.

Book-Entry OnlyThe Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION - Book-Entry-Only System”

Registration Agent.....Regions Bank, Nashville, Tennessee.

General.....The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See “SECURITIES OFFERED” herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of The Depository Trust Company, New York, New York.

DisclosureIn accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the Town will provide the Municipal Securities Rulemaking Board (the “MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State Information Depository (“SID”), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled “MISCELLANEOUS-Continuing Disclosure.”

Other Information.....The information in this *Preliminary Official Statement* is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof except for the omissions of certain pricing information allowed to be omitted pursuant to such Rule 15c2-12. For more information concerning the Town or this *Preliminary Official Statement*, contact John Smith, Mayor, 144 N. Second Street, Selmer, Tennessee 38375, (731) 645-3241; or the Town’s Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. Additional information regarding BiDCOMP™/PARITY® may be obtained from PARITY®, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: 800-850-7422.

GENERAL FUND BALANCES

Summary of Changes In Fund Balances (In Thousands)
(Fiscal Years Ending June 30)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Beginning Fund Balance	\$1,842,419	\$2,298,419	\$4,703,904	\$2,858,637	\$2,813,062
Revenues	5,190,362	4,440,997	4,384,545	3,939,313	4,439,678
Expenditures	5,170,293	4,725,399	6,330,760	4,163,014	4,889,712
Other Financing Sources:					
Transfers In	121,654	118,896	115,238	110,016	98,068
Transfers Out	(20,000)	(30,000)	(20,450)	-	-
Sale of Capital Assets	-	-	6,160	68,110	13,987
Bond Issue Costs	-	-	-	-	(50,551)
Debt Proceeds	240,000	2,587,532	-	-	1,849,123
Net Changes in Fund Balances	361,723	2,392,026	(1,845,267)	(45,575)	1,460,593
Adjustments	94,277	13,459	-	-	-
Ending Fund Balance	<u>\$2,298,419</u>	<u>\$4,703,904</u>	<u>\$2,858,637</u>	<u>\$2,813,062</u>	<u>\$4,273,655</u>

Source: Comprehensive Annual Financial Reports of the Town of Selmer, Tennessee.

SUMMARY NOTICE OF SALE

\$7,575,000*

TOWN OF SELMER, TENNESSEE General Obligation Refunding Bonds, Series 2020

NOTICE IS HEREBY GIVEN that the Mayor of Town of Selmer, Tennessee (the “Town”) will receive electronic or written bids until **10:15 a.m. E.D.T. / 9:15 a.m. C.D.T. on Wednesday May 20, 2020** for the purchase of all, but not less than all, of the Town's \$7,575,000* General Obligation Refunding Bonds, Series 2020 (the “Bonds”). Electronic bids must be submitted through **PARITY®** as described in the “Detailed Notice of Sale”. In case of written bids, bids will be received by the Town’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the Town reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the **PARITY®** System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the **PARITY®** System.

Electronic bids must be submitted through **PARITY®** via the BiDComp Competitive Bidding Service as described in the Detailed Notice of Sale, and no other provider of electronic bidding services will be accepted. For the purposes of the bidding process, both written and electronic, the time maintained by **PARITY®** shall constitute the official time with respect to all bids. To the extent any instructions or directions set forth in **PARITY®** conflict with the terms of the Detailed Notice of Sale and this Summary Notice of Sale, the Detailed Notice of Sale and this Summary Notice of Sale shall prevail.

The Bonds will be issued in book-entry-only form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume June 12, 2020). The Bonds will mature on June 1 in the years 2021 through 2035, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing December 1, 2020, and will be subject to optional redemption prior to maturity on or after June 1, 2027. Bidders must bid not less than ninety-nine percent (99.00%) of par or more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the Town by Glankler Brown PLLC, Bond Counsel, Memphis, Tennessee. No rate or rates bid for the Bonds shall exceed five percent (5.00%) per annum. Unless bids are rejected, the Bonds will be awarded by the Mayor of the Town on the sale date to the bidder whose bid results in the lowest true interest rate on the Bonds.

In the event that the competitive sale requirements of applicable Treasury Regulations are not met, the Town may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the “10% Test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “Hold-the-Offering-Price Rule), in each case applied on a maturity-by-maturity basis. The successful bidder shall advise the Town if any maturity of the Bonds satisfies the 10% Test as of the date and time of the award. Bids will not be subject to cancellation in the event that the Town determines to apply the Hold-the-Offering-Price Rule to any maturity of the Bonds.

Additional information, including the PRELIMINARY OFFICIAL STATEMENT in near final form and the Detailed Notice of Sale, may be obtained through www.prospectushub.com or from the Town’s Municipal Advisor, Cumberland Securities Company, Inc. (865) 988-2663. Further information regarding **PARITY®** may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

/s/ John Smith
Mayor

DETAILED NOTICE OF SALE
\$7,575,000*
TOWN OF SELMER, TENNESSEE
General Obligation Refunding Bonds, Series 2020

NOTICE IS HEREBY GIVEN that the Mayor of Town of Selmer, Tennessee (the “Town”) will receive electronic or written bids until **10:15 a.m. E.D.T. / 9:15 a.m. C.D.T. on Wednesday, May 20, 2020** for the purchase of all, but not less than all, of the Town’s \$7,575,000* General Obligation Refunding Bonds, Series 2020 (the “Bonds”). Electronic bids must be submitted through *PARITY*[®] as described in the “Detailed Notice of Sale.” In case of written bids, bids will be received by the Town’s Municipal Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the Town reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth herein, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the *PARITY*[®] System not later than 9:30 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours’ notice via Bloomberg News Service and/or the *PARITY*[®] System.

Description of the Bonds. The Bonds will be issued in fully registered book-entry-only form (except as otherwise described herein) without coupons, be dated the date of issuance (assume June 12, 2020), bear interest payable each June 1 and December 1, commencing December 1, 2020, be issued, or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable, and will mature and be payable as follows:

YEAR	AMOUNT*	YEAR	AMOUNT*
(June 1)		(June 1)	
2021	\$ 485,000	2029	\$ 525,000
2022	485,000	2030	535,000
2023	485,000	2031	490,000
2024	485,000	2032	500,000
2025	485,000	2033	515,000
2026	495,000	2034	525,000
2027	510,000	2035	545,000
2028	510,000		

Bank Qualification. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended.

Registration and Depository Participation. The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry-only system maintained by DTC (the “Book-Entry-Only System”). One fully-registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC. The Book-Entry-Only system will evidence beneficial ownership interests of the Bonds in the principal amount of \$5,000 for the Bonds and any integral multiple of \$5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates

with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity or upon earlier redemption to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by Participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The Town will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the winning bidder certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use the Book-Entry-Only system is not required.

In the event that the Book-Entry-Only system for the Bonds is discontinued and a successor securities depository is not appointed by the Town, Bond Certificates in fully registered form will be delivered to, and registered in the names of, the DTC Participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of \$5,000 for the Bonds or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein) at its principal corporate trust office, and the Town and the Registration Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Resolution authorizing the Bonds.

Security Pledged. The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Town. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged. Debt service on the portion of the Bonds allocable to the water and sewer system of the Issuer is additionally payable from, but not secured by, certain net revenues of the water and sewer system of the Issuer, including all improvements, extensions and additional thereto, subject to the payment of reasonable and necessary costs of operating, maintaining, repairing and insuring the water and sewer system of the Issuer and to prior pledges of such net revenues in favor of the Issuer's outstanding water and sewer system obligations, if any.

Municipal Bond Insurance. The Town has provided information to prospective bond insurance companies in order to qualify the Bonds under their respective optional bidding programs. If the successful bidder or bidders for the Bonds desires to purchase a municipal bond insurance policy insuring payment of all or a portion of the debt service payable on the Bonds, the successful bidder or bidders does so at its own risk and expense and the obligation of the successful bidder to pay for such series Bonds shall not be conditioned on the issuance of a municipal bond insurance policy. The Town will cooperate with the successful bidder(s) in obtaining such insurance, but the Town will not enter into any additional agreements with a bond insurer. Without limiting the generality of the foregoing, the successful bidder(s) will be responsible for all costs, expenses and charges associated with the issuance of such insurance, including but not limited to the premium for the insurance policy, and excluding only the fees of Moody's that will be paid by the Town.

Purpose. The Bonds are being issued for the purpose of (i) refunding all or a portion of the Town's Outstanding Bonds, as described herein and (ii) paying costs of issuance of the Bonds.

Optional Redemption. The Bonds maturing on June 1, 2028 and thereafter are subject to optional redemption prior to maturity at the option of the Town on or after June 1, 2027 at any time at the redemption price of par plus accrued interest as provided herein.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds ("Term Bonds") bearing a single interest

rate. If the successful bidder for the Bonds designates certain consecutive serial maturities of such Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the Town at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the proposal of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date. Term Bonds to be redeemed within a single maturity shall be selected in the manner provided above for optional redemption of Bonds within a single maturity.

Bidding Instructions. The Town will receive electronic or written bids for the purchase of all, but not less than all, of the Bonds. Bidders for the Bonds are requested to name the interest rate or rates the Bonds are to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point, but no rate specified shall be in excess of five percent (5.00%) per annum. There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds but a single rate shall apply to each single maturity of the Bonds. Bidders must bid not less than ninety-nine percent (99.00%) of par or no more than one hundred and twenty-five percent (125%) of par.

Electronic bids must be submitted through **PARITY**[®] via BiDCOMP Competitive Bidding System and no other provider of electronic bidding services will be accepted. Subscription to the i-Deal LLC Dalcomp Division's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid. The Town will not confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. For the purposes of the bidding process, the time as maintained by **PARITY**[®] shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **PARITY**[®] conflict with the terms of the Detailed Notice of Sale, this Notice shall prevail. An electronic bid made through the facilities of **PARITY**[®] shall be deemed an offer to purchase in response to the Detailed Notice of Sale and shall be binding upon the bidder as if made by a signed, written bid delivered to the Town. The Town shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by **PARITY**[®]. The use of **PARITY**[®] facilities are at the sole risk of the prospective bidders.

For further information regarding **PARITY**[®], potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, NY 10018, Telephone: 212-849-5000.

In the event of a system malfunction in the electronic bidding process only, bidders may submit bids prior to the established date and time by FACSIMILE transmission sent to the Town's Municipal Advisor, Cumberland Securities Company, Inc. at 865-988-1863. Any facsimile submission is made at the sole risk of the prospective bidder. The Town and the Municipal Advisor shall not be responsible for confirming receipt of any facsimile bid or for any malfunction relating to the transmission and receipt of such bids.

Separate written bids should be submitted by facsimile to the Town's Municipal Advisor at 865-988-1863. Written bids must be submitted on the Bid Forms included with the PRELIMINARY OFFICIAL STATEMENT.

The Town reserves the right to reject all bids for the Bonds and to waive any informalities in the bids accepted. Acceptance or rejection of "Bids for Bonds" for the Bonds will not obligate the Town to accept or reject "Bids for Bonds".

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the Mayor to the bidder whose bid complies with this notice and results in the lowest true interest rate on the Bonds to be calculated as that

rate that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds exclusive of accrued interest. For purposes of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year. In the event that two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the Mayor shall determine in his sole discretion which of the bidders shall be awarded the Bonds.

After receipt of the bids, the Town reserves the right to make adjustments and/or revisions to the Bonds, as described below.

Adjustment and/or Revision. While it is the Town's intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds or if the refundings fail to save the Town the funds necessary to complete the refundings. Accordingly, the Mayor reserves the right, in his sole discretion, to adjust down the original par amount of the Bonds by up to twenty-five percent (25%). The principal factor to be considered in making any adjustments is the amount of premium bid for particular maturities. Among other factors the Mayor may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the size of individual maturities or sinking fund installments and/or other preferences of the Town. Additionally, the Mayor reserves the right to change the dated date of the Bonds. The maximum adjustment will only occur if the bidder bids the maximum price.

In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid for the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be tentatively notified by not later than 5:00 p.m. (Eastern Daylight Time), on the sale date of the exact revisions and/or adjustments required, if any.

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the Town's Municipal Advisor (wire transfer or certified check) the amount of up to two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A certified check or wire transfer must be received by the Town's Municipal Advisor no later than the close of business on the day following the competitive sale. Good Faith wire instructions will be sent to the winning bidder after the bidding closes.

The good faith deposit shall be applied (without interest) to the purchase price of the Bonds. If the successful bidder should fail to accept or pay for the Bonds when tendered for delivery and payment, the good faith deposit will be retained by the Town as liquidated damages.

In the event of the failure of the Town to deliver the Bonds to the purchaser in accordance with the terms of this Notice within forty-five (45) days after the date of the sale, the good-faith deposit will be promptly returned to the purchaser unless the purchaser directs otherwise.

Establishment of Issue Price

Undertakings of the Successful Bidder. The successful bidder shall make a bona fide public offering of the Bonds and shall, within 30 minutes after being notified of the award of the Bonds, advise the Town in writing (via facsimile transmission or electronic mail) of the initial public offering prices of the Bonds (the

“Initial Reoffering Prices”). The successful bidder must, by facsimile transmission or delivery received by the Town within 24 hours after award, furnish the following information to the Town to complete the Official Statement in final form, as described below:

- A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all the Bonds are sold at the prices or yields at which the successful bidder advised the Town that the Bonds were initially offered to the public).
- B. The identity of the other underwriters if the successful bidder is part of a group or syndicate.
- C. Any other material information that the Town determines is necessary to complete the Detailed Statement in final form.

After the award of the Bonds, the Town will prepare copies of the final Official Statement and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request; provided, however, that the Town will not include in the final Official Statement a “NRO” (“not reoffered”) designation with respect to any maturity of the Bonds. The successful bidder will be responsible to the Town in all aspects for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering.

The Town expects the successful bidder to deliver copies of such Official Statement in final form (the “Final Official Statement”) to persons to whom such bidder initially sells the Bonds and the Municipal Securities Rulemaking Board (“MSRB”) via the MSRB’s Electronic Municipal Market Access System (“EMMA”). The successful bidder will be required to acknowledge receipt of the Final Official Statement, to certify that it has made delivery of the Final Official Statement to the MSRB, to acknowledge that the Town expects the successful bidder to deliver copies of such Final Official Statement to persons to whom such bidder initially sells the Bonds and to certify that the Bonds will only be offered pursuant to the Final Official Statement and only in states where the offer is legal.

Issue Price Certificate

- a. The successful bidder shall assist the Town in establishing the issue price of the Bonds and shall execute and deliver to the Town, on or prior to the date of issuance and delivery of the Bonds (the “Closing Date”), an “issue price” or similar certificate setting forth the reasonably expected initial offering prices to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A or Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Town and Glankler Brown PLLC (“Bond Counsel”). All actions to be taken by the Town under this Detailed Notice of Bond Sale to establish the issue price of the Bonds may be taken on behalf of the Town by the Financial Advisor and any notice or report to be provided to the Town may be provided to the Financial Advisor.
- b. The Town intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Requirements”) because:
 1. the Town shall disseminate this Detailed Notice of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
 2. all bidders shall have an equal opportunity to bid;
 3. the Town may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds;

4. the Town anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Detailed Notice of Bond Sale; and
 5. Any bid submitted pursuant to this Detailed Notice of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.
- c. In the event that the Competitive Sale Requirements are not satisfied, the Town shall so advise the successful bidder. The Town may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the “10% Test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The successful bidder shall advise the Town if any maturity of the Bonds satisfies the 10% Test as of the date and time of the award of the Bonds. The Town shall promptly advise the successful bidder, at or before the time of award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of Bonds shall be subject to the 10% Test or shall be subject to the Hold-the-Offering-Price Rule. Bids will not be subject to cancellation in the event that the Town determines to apply the Hold-the-Offering-Price Rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.
- d. By submitting a bid, the successful bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the successful bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the sale date and ending on the earlier of the following:
1. the close of the fifth (5th) business day after the sale date; or
 2. the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public.

The successful bidder shall promptly advise the Town when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

- e. If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Bonds, the successful bidder agrees to promptly report to the Town the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% Test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.
- f. The Town acknowledges that, in making the representation set forth above, the successful bidder will rely on (i) the agreement of each underwriter to comply with the Hold-the-Offering-Price Rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling

group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the Hold-the-Offering-Price Rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the Hold-the-Offering-Price Rule, as set forth in the retail distribution agreement and the related pricing wires. The Town further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the Hold-the-Offering-Price Rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the Hold-the-Offering-Price Rule as applicable to the Bonds.

- g. By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the successful bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.
- h. Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Detailed Notice of Bond Sale. Further, for purposes of this Detailed Notice of Bond Sale:
 - 1. “public” means any person other than an underwriter or a related party;
 - 2. “underwriter” means (A) any person that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public);
 - 3. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their

capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

4. “sale date” means the date that the Bonds are awarded by the Town to the successful bidder.

Issue Price Certificate. The winning bidder will be required to provide the Town, at closing, with an issue price certificate consistent with the foregoing. A form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit A if the Hold-the-Offering-Price Rule does not apply, and a form of the issue price certificate is attached to the Detailed Notice of Sale as Exhibit B if such Rule does apply.

Legal Opinion. The approving opinion of Glankler Brown PLLC, Memphis, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the Town. As set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that interest on the Bonds will be excluded from gross income for federal income tax purposes; is not an item of tax preference for purposes of the federal law alternative minimum tax. As set forth in the *Preliminary Official Statement*, the owners of the Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds. Reference is hereby made to the *Preliminary Official Statement* and the form of the opinion contained in Appendix A.

Continuing Disclosure. At the time the Bonds are delivered, the Town will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the Town by not later than twelve months after each of the Town's fiscal years (the “Annual Report”), and to provide notice of the occurrence of certain enumerated events. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the operation of the Electronic Municipal Market Access system (the “EMMA”) and any State Information Depository established in the State of Tennessee (the “SID”). If the Town is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The notices of material events will be filed by the Town either with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of events will be summarized in the Town's *Official Statement* to be prepared and distributed in connection with the sale of the Bonds.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days notice will be given to the successful bidder. Delivery will be made in book-entry-only form through the facilities of The Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds.

CUSIP Numbers. CUSIP numbers will be assigned to the Bonds at the expense of the Town. The Town will assume no obligation for assignment of such numbers or the correctness of such numbers and neither failure to record such numbers on Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and make payment for the Bonds.

Official Statements; Other. The Town has deemed the PRELIMINARY OFFICIAL STATEMENT to be final as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission (the “SEC”) except for the omission of certain pricing and other information. The Town will furnish the

successful bidder at the expense of the Town a reasonable number of copies of the *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder to the persons to whom such bidder and members of its bidding group initially sell the Bonds within seven (7) business days. Acceptance of the bid will constitute a contract between the Town and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, the Detailed Notice of Sale and the Official Bid Form, may be obtained from the Town's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: 865-988-2663. Further information regarding **PARITY**[®] may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

/s/ John Smith, Mayor

EXHIBIT A

**TOWN OF SELMER, TENNESSEE
\$ _____ GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020**

**ISSUE PRICE CERTIFICATE
(for Competitive Sales, to be modified if Hold the Offering Price Rule applies)**

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”) of the Town of Selmer, Tennessee (the “Issuer”).

1. ***Reasonably Expected Initial Offering Price.***

- (a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.
- (b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.
- (c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.***

- (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 20, 2020.
- (d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including

specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Glankler Brown PLLC in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____

[NAME OF UNDERWRITER]

By: _____

Name: _____

Title: _____

EXHIBIT B

TOWN OF SELMER, TENNESSEE \$ _____ GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020

ISSUE PRICE CERTIFICATE (if Hold-the-Offering-Price Rule applies)

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”) [and the other members of the underwriting syndicate (together, the “Underwriting Group”)], hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) of the Town of Selmer, Tennessee (the “Issuer”).

1. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***
 - (a) [SHORT NAME OF UNDERWRITER] [The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.
 - (b) As set forth in the [Notice of Sale and bid award], [SHORT NAME OF UNDERWRITER][the members of the Underwriting Group] agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.
2. ***Defined Terms.***
 - (a) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”
 - (b) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which [SHORT NAME OF UNDERWRITER][the Underwriting Group] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.
 - (c) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

- (d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 20, 2020.
- (f) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Glankler Brown PLLC connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____

[NAME OF UNDERWRITER]

By: _____

BID FORM

Honorable John Smith, Mayor
 144 N. Second Street
 Selmer, Tennessee 38375

May 20, 2020

Dear Mr. Smith:

For your legally issued, properly executed \$7,575,000* General Obligation Refunding Bonds, Series 2020 (the "Bonds") of Town of Selmer, Tennessee, in all respects as more fully outlined in your Notice of Sale, which by reference are made a part hereof, we will pay you a sum of _____ (\$_____).

The Bonds shall be dated the date of issuance (assume June 12, 2020) and shall be callable in accordance with the Detailed Notice of Sale. The Bonds shall mature on June 1 and bear interest at the following rates:

<u>Maturity</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Rate</u>	<u>Maturity</u> <u>(June 1)</u>	<u>Amount*</u>	<u>Rate</u>
2021	\$ 485,000	—	2029	\$ 525,000	—
2022	485,000	—	2030	535,000	—
2023	485,000	—	2031	490,000	—
2024	485,000	—	2032	500,000	—
2025	485,000	—	2033	515,000	—
2026	495,000	—	2034	525,000	—
2027	510,000	—	2035	545,000	—
2028	510,000	—			

We have elected the option to designate two or more consecutive serial maturities as term bond maturities as indicated:

- Term Bond 1: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.
- Term Bond 2: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.
- Term Bond 3: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.
- Term Bond 4: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.
- Term Bond 5: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.
- Term Bond 6: Maturities from June 1, 20_____ through June 1, 20_____ @ _____%.

It is our understanding that the Bonds are offered for sale as "qualified tax-exempt obligations" subject to the final approving opinion of Glankler Brown PLLC, Bond Counsel, Memphis, Tennessee, whose opinion together with the executed Bonds, will be furnished by the Town without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for up to 2% of the Bonds on which we have bid by the close of business on the date following the competitive public sale as outlined in the *Detailed Notice of Sale*. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Bonds on which we have bid.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds. [If the bidder cannot confirm an established industry reputation for underwriting new issuances of municipal bonds, the preceding sentence should be crossed out.]

Accepted for and on behalf of the
 Town of Selmer, Tennessee, this
 20th day of May, 2020.

Respectfully submitted,

 John Smith, Mayor

Total interest cost from
 June 12, 2020 to final maturity \$ _____
 Less: Premium /plus discount, if any \$ _____
 Net Interest Cost \$ _____
 True Interest Rate %

The computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.

\$7,575,000*
TOWN OF SELMER, TENNESSEE
General Obligation Refunding Bonds, Series 2020

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This PRELIMINARY OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by Town of Selmer, Tennessee (the “Town”) of \$7,575,000* General Obligation Refunding Bonds, Series 2020 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Sections 9-21-101 *et. seq.*, *Tennessee Code Annotated*, and other applicable provisions of law and pursuant to a resolution duly adopted by the Board of Mayor and Alderman of the Town on March 10, 2020 (the “Resolutions”).

The Bonds are being issued for the purpose of (i) refunding all or a portion of the Town’s Outstanding Bonds, as described herein and (ii) paying costs of issuance of the Bonds.

REFUNDING PLAN

The Town is proposing to issue the Bonds to refinance the Town’s outstanding (i) General Obligation Refunding Bonds, Series 2013, dated August 1, 2013, (the “Series 2013 Bonds”) maturing June 1, 2021 and thereafter and (i) General Obligation Bonds, Series 2015, dated October 22, 2015, (the “Series 2015 Bonds”) maturing June 1, 2021 and thereafter (collectively, the “Refunded Bonds”). The Refunded Bonds will be called for redemption within 30 days of the closing.

As required by Title 9, Chapter 21, Part 9 of *Tennessee Code Annotated* as supplemented and revised, a plan of refunding (the “Plan”) for the Outstanding Debt was submitted to the Director of the Office of Local Finance for review, and a report was received thereon.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from their date of issuance and delivery (assume June 12, 2020). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing December 1, 2020. The Bonds are issuable in book-entry-only form in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

*Preliminary, subject to change.

The Bonds shall be signed by the Mayor and shall be attested by the Town Clerk. No Bond shall be valid until it has been authorized by the manual signature of an authorized officer or employee of the Registration Agent and the date of the authentication noted thereon.

SECURITY

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the corporate limits of the Town. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the Town are irrevocably pledged.

Debt service on the portion of the Bonds allocable to the water and sewer system of the Issuer is additionally payable from, but not secured by, certain net revenues of the water and sewer system of the Issuer, including all improvements, extensions and additional thereto, subject to the payment of reasonable and necessary costs of operating, maintaining, repairing and insuring the water and sewer system of the Issuer and to prior pledges of such net revenues in favor of the Issuer's outstanding water and sewer system obligations, if any.

The Town, through its governing body, shall annually levy and collect a tax on all taxable property within the Town, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the Town and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes may be reduced to the extent of direct appropriations from the General Fund of the Town to the payment of debt service on the Bonds.

The Bonds are not obligations of the State of Tennessee (the "State") or any political subdivision thereof other than the Town.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Under the Internal Revenue Code of 1986, as amended (the "Code"), in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations," as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the Town as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

OPTIONAL REDEMPTION OF THE BONDS

The Bonds maturing June 1, 2028 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2027 at a redemption price of par plus accrued interest.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Board of Mayor and Aldermen, in its discretion. If less than all the

principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

MANDATORY REDEMPTION

The bidders have the option of creating term bonds pursuant to the Detailed Notice of Sale. If term bonds are created, then the following provisions will apply. Subject to the credit hereinafter provided, the Town shall redeem Bonds maturing June 1, 20__, and June 1, 20__ on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed within a maturity shall be selected in the manner described above relating to optional redemption.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
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*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the Town may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the Town on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The Town shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) described above are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the Town not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date (“Conditional Redemption”). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the Town nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the Town pursuant to written instructions from an authorized representative of the Town (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the Town to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

PAYMENT OF BONDS

The Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the Registration Agent to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Registration Agent.

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the Town will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as follows. However, if the winning bidder certifies to the Town that it intends to hold the Bonds for its own account and has no present intent to reoffer the Bonds, then the use of the Book-Entry-Only System is not required.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular Record Date”) by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book entry system maintained by DTC (the “Book-Entry-Only System”). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

DTC and its Participants. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates

the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry-only transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry-only system for the Bonds is discontinued.

Payments of Principal and Interest. Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the

nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE MUNICIPAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Bonds. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Municipal Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the Town determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the Town will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to Beneficial Owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the Town believes to be reliable, but the Town, the Bond Counsel, the Registration Agent and the Municipal Advisor do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

None of the Town, the Bond Counsel, the Registration Agent or the Municipal Advisor will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled “SECURITIES OFFERED – Redemption.”

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be applied by the Town as follows:

- (a) all accrued interest shall be deposited into the Bond Fund of the Town and used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds;
- (b) an amount, which, together with other legally available funds of the Issuer and earnings on said proceeds and funds, will be sufficient to pay principal, accrued interest and redemption premium, as appropriate, on the Refunded Bonds shall be immediately applied for such purpose; and
- (c) the Town shall pay, or cause to be paid, all costs of issuance of the Bonds, including, but not limited to, necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premiums, bond rating fees, Bond Registrar fees, administrative and clerical costs, and other necessary miscellaneous expenses incurred in connection with the authorization, issuance and sale and delivery of the Bonds;

DISCHARGE AND SATISFACTION OF BONDS

If the Town shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

1. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (“an Agent”; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof,

proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or

3. By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the Town shall also pay or cause to be paid all other sums payable hereunder by the Town with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the Town to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the Town shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise described below, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Town as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Town, as received by the Registration Agent. For the purposes described above, Defeasance Obligations shall direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the Town, including, but not limited to, the right to require the Town to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the Town to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

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LEGAL MATTERS

LITIGATION

There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the Town to sell or issue the Bonds.

TAX MATTERS

Federal

General. Glankler Brown PLLC, Memphis, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the Town and assuming compliance by the Town with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the "Code"),
- is not a preference item for a bondholder under the federal alternative minimum tax.

The Code imposes requirements on the Bonds that the Town must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the Town does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The Town has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Original Issue Discount. A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on these Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount

Qualified Tax-Exempt Obligations. Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the Town as to the Bonds, Bond Counsel has determined that the Bonds, upon issuance, will be "qualified tax-exempt obligations" within the meaning of the Code.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the

owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the Town will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the Town since the date of the

Official Statement, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and Town Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the Town concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Glankler Brown PLLC, Memphis, Tennessee, Bond Counsel. Bond Counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled “LEGAL MATTERS - Tax Matters.” The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled “MISCELLANEOUS – “Competitive Public Sale”, “Additional Information” and “Continuing Disclosure.”

(The remainder of this page left blank intentionally.)

MISCELLANEOUS

RATING

S&P Global Ratings (“S&P”) has given the Bonds the rating of “A+”.

There is no assurance that such rating will continue for any given period of time or that the rating may not be suspended, lowered or withdrawn entirely by S&P, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for, and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The rating reflects only the views of S&P and any explanation of the significance of such rating should be obtained from S&P.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on May 20, 2020. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated May 7, 2020.

The successful bidder for the Bonds was an account led by _____, _____, _____ (the “Underwriters”) who contracted with the Town, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$ _____ (consisting of the par amount of the Bonds, less an underwriter’s discount of \$ _____ and less an original issue discount of \$ _____) or ____% of par.

MUNICIPAL ADVISOR; RELATED PARTIES; OTHER

Municipal Advisor. Cumberland Securities Company, Inc. has served as Municipal Advisor (the “Municipal Advisor”) to the Town for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged by the Town to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the Town, including without limitation any of the Town’s financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the Town, any of its affiliates or contractors and any outside parties has not been independently verified by the Municipal Advisor,

and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to its accuracy or completeness or otherwise. The Municipal Advisor is not a public accounting firm and has not been engaged by the Town to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

Regions Bank. Regions Bank (the “Bank”) is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the Town in other normal commercial banking capacities, it will be compensated separately for such services.

Official Statement. Certain information relative to the location, economy and finances of the Issuer is found in the PRELIMINARY OFFICIAL STATEMENT, in final form and the OFFICIAL STATEMENT, in final form. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the PRELIMINARY OFFICIAL STATEMENT, in final form, and the OFFICIAL STATEMENT, in final form on behalf of the Town and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Glankler Brown PLLC has represented the Bank on legal matters unrelated to the Town and may do so again in the future.

Other. Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company’s role as serving as the Town’s Dissemination Agent. If the Town chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. including Dissemination Agent and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

ADDITIONAL DEBT

The Town has not authorized any additional debt. However, the Town has ongoing capital needs that may or may not require the issuance of additional debt. The Town may also authorize the issuance of additional refundings of outstanding debt as savings opportunities arise.

DEBT LIMITATIONS

Pursuant to Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the Town uses the statutory authority granted therein to issue bonds. (see “DEBT STRUCTURE - Indebtedness and Debt Ratios” for additional information.)

DEBT RECORD

There is no record of a default on principal and interest payments by the Town from information available. Additionally, no agreements or legal proceedings of the Town relating to securities have been declared invalid or unenforceable.

CONTINUING DISCLOSURE

The Town will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information relating to the Town by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2020 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the Town. The issuer will provide notice in a timely manner to the MSRB of a failure by the Town to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the Town with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. While it is believed that all appropriate filings were made with respect to the ratings of the Town’s outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by Rule 15c2-12. The Town does not deem any of the forgoing omissions to be material, and therefore, in the judgment of the Town, for the past five years, the Town has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

Content of Annual Report. The Town’s Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the Town for the fiscal year, prepared in accordance with generally accepted accounting principles, provided, however, if the Town’s audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available.

The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled “SUPPLEMENTAL INFORMATION STATEMENT.”

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-6;
2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-7 and B-8;
3. Information about the Bonded Debt Service Requirements – General Obligation Debt Service Fund as of the end of such fiscal year as show on page B-9;
4. Information about the Bonded Debt Service Requirements – Revenue Supported Debt – Water and Sewer Debt Service Fund as of the end of such fiscal year as show on page B-10;
5. The fund balances and retained earnings for the fiscal year as shown on page B-11;
6. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-12;
7. The estimated assessed value of property in the Town for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-18;
7. Property tax rates and tax collections of the Town for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-18; and
8. The ten largest taxpayers as shown on page B-19.

Any or all of the items above may be incorporated by reference from other documents, including Official Statements in final form for debt issues of the Town or related public entities, which have been submitted to each of the Repositories or the U.S. Securities and Exchange Commission. If the document incorporated by reference is a final Official Statement, in final form, it will be available from the Municipal Securities Rulemaking Board. The Town shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The Town will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the Town shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the Town shall determine the materiality of such event as soon as possible after learning of its occurrence.

3. The following are the Listed Events:
- a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults, if material;
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
 - g. Modifications to rights of Bondholders, if material;
 - h. Bond calls, if material, and tender offers;
 - i. Defeasances;
 - j. Release, substitution, or sale of property securing repayment of the securities, if material;
 - k. Rating changes;
 - l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
 - m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - o. Incurrence of a financial obligation (which includes a debt obligation, or a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Town, any of which affect security holders, if material; and

- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of the Town, any of which reflect financial difficulties.

Termination of Reporting Obligation. The Town's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the Town may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the Town shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Town. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default. In the event of a failure of the Town to comply with any provision of the Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Town to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the Town to comply with the Disclosure Certificate shall be an action to compel performance.

BONDHOLDER RISK - COVID-19

The world-wide outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread to several counties and cities in the State of Tennessee, including the Issuer and is considered by the World Health Organization to be a Public Health Emergency of International Concern. The spread of COVID-19 has led to quarantine and other “social distancing” measures in affected regions. While effects of COVID-19 on the Issuer may be temporary, the virus has affected travel, commerce and financial markets across the world. Additionally, U.S. and global stock markets have recently experienced significant volatility and overall declines that have attributed to COVID-19 concerns.

The Issuer is unable to predict: (i) the extent or duration of the COVID-19 outbreak or any other epidemic or pandemic; (ii) the extent or duration of existing and additional quarantines, travel restrictions or other measures relating to COVID-19 or any other epidemic or pandemic; or (iii) whether and to what extent the COVID-19 outbreak or any other epidemic or pandemic may disrupt the local or global economy, manufacturing or the supply chain or whether any such disruption may adversely affect the operations of the Issuer. Given the evolving nature of the spread of the virus and the behavior of governments, businesses and individuals in response thereto, the Issuer cannot accurately predict the magnitude of the impact of COVID-19 on the Issuer and its financial condition. The Issuer is proactively taking steps to mitigate the spread of COVID-19 and to preserve effective staffing for all essential Issuer operations.

The Issuer relies in part on the collection of tax revenues generated from commercial activity, such as sales taxes and business taxes. As long as quarantine and other "social distancing" measures remain in place, the Issuer expects that these tax revenues will be adversely impacted.

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in this Official Statement in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement

between the Town and the purchasers of any of the Bonds. Any statements or information printed in this PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The Town has deemed this PRELIMINARY OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12 except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12.

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CERTIFICATION OF THE TOWN

On behalf of the Town, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ _____
Mayor

ATTEST:

/s/ _____
Town Clerk

APPENDIX A

LEGAL OPINION

[LETTERHEAD OF GLANKLER BROWN, PLLC]

(Date of Closing)

Board of Mayor and Aldermen
Town of Selmer, Tennessee
144 North Second Street
Selmer, TN 38375

**Re: \$7,575,000* General Obligation Refunding Bonds, Series 2020 of the
Town of Selmer, Tennessee**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Town of Selmer, Tennessee (the "Town"), of \$7,575,000* aggregate principal amount of its General Obligation Refunding Bonds, Series 2020 dated as of the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material published and distributed in connection with the sale of the Bonds or any other information concerning the financial condition of the Town which may have been provided to the purchasers of the Bonds, and we express no opinion relating thereto.

Based on our examination, we are of the opinion, under existing law, as of the date hereof, as follows:

1. The Bonds have been authorized and issued in accordance with the Constitution and statutes of the State of Tennessee and constitute the valid and binding general obligations of the Town for the payment of which the Town has irrevocably pledged its full faith and credit. The Bonds are payable as to both principal and interest from ad valorem taxes to be levied, as necessary, upon all taxable property within the Town without limitation as to rate or amount. Debt service on the portion of the Bonds allocable to the water and sewer system of the Town is

*Subject to adjustment

additionally payable from, but not secured by, certain net revenues of the water and sewer system of the Town, including all improvements, extensions and additions thereto, subject to the payment of reasonable and necessary costs of operating, maintaining, repairing and insuring the water and sewer system of the Town and to prior pledges of such net revenues in favor of the Town's outstanding water and sewer system obligations, if any.

2. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in clause (a) above is subject to the condition that the Town comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Town has covenanted to comply with all such requirements. Except as set forth in this Paragraph 2 and in Paragraph 4 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

3. The Bonds and the income therefrom are exempt from all present state, county and municipal taxation in the State of Tennessee, except (a) Tennessee excise taxes on all or a portion of the interest on any Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

4. The Bonds will be treated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

To the extent constitutionally applicable, the rights of the holders of the Bonds and the enforceability thereof are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereinafter enacted. Also, the enforcement of bondholder rights may be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

The Town of Selmer (the “Town”) is located in McNairy County (the “County”) in the southwestern part of Tennessee on the Mississippi-Tennessee state line. Selmer is the County seat and is 90 miles east of Memphis, 40 miles south of Jackson and 15 miles from Corinth, Mississippi. The County is bordered by Hardeman County to the west, Chester County to the north, Hardin County to the east and the Mississippi state line to the south. According to the 2010 Census, the County has a population of about 26,075 and Selmer has a population of 4,396.

GENERAL

McNairy County, which includes 569 square miles, is predominately agricultural with farms comprising approximately 41 percent of its land area. The principal crops grown in the county include cotton, corn, oats, hay and apples. Livestock sales and milk production make significant contributions to farm incomes.

TRANSPORTATION

Rail service is provided by the West Tennessee Railway. The principal highways in the County are US Highways 45 and 64 and State Highways 22, 57 and 142. Interstate 40 is located 40 miles away in Madison County. The nearest navigable waterway is located 20 miles away at the TomBigBee port on the Tennessee River. The community air service is provided by the Robert Sibley Field Airport, located in Selmer, has an asphalt runway 5,000 feet in length. The nearest commercial airport, the McKellar-Sipes Regional Airport, is located in Jackson, 48 miles away.

EDUCATION

The *McNairy County School System* includes eight schools, of which there are five elementary school, one middle school and two high schools with one adult education facility. The fall 2018 enrollment was 4,040 with 312 teachers.

Source: Tennessee Department of Education.

University of Tennessee at Martin Selmer Campus. The campus at Selmer offers a full two-year rotation plan of general education courses. The University of Tennessee at Martin was founded in 1900 as Hall-Moody Institute. Fall semester 2018 had 7,038 students enrolled for at UT Martin. There are 4 satellite campuses in addition to the main campus in Weakley County: Jackson (Madison County), Parsons (Decatur County), Ripley (Lauderdale County) and Selmer (McNairy County). More than \$70 million in capital improvement and renovation projects have been completed at UT Martin.

Source: University of Tennessee at Martin and TN Higher Education Commission.

The *Tennessee College of Applied Technology at Crump.* The Tennessee College of Applied Technology at Crump (the “TCAT-C”) is located nearby in Hardin County is part of a statewide system of 26 vocational-technical schools. The TCAT-C meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution’s primary purpose is to meet the occupational and technical training needs of the citizens including

employees of existing and prospective businesses and industries in the region. The TCAT-C serves the southwest region of the state including Hardin, McNairy and Decatur Counties. The TCAT-C began operations in 1965 and is located on an 18-acre tract of land on Highway 64 in Hardin County. Fall 2017 enrollment was 773 students.

Source: Tennessee Technology Center at Crump and TN Higher Education Commission.

HEALTHCARE

The County's only hospital, McNairy Regional Hospital, closed in May of 2016 due to the steady decline in admissions. However, the two hospitals in nearby Jackson, TN (about 40 miles away) serve as the region's center for healthcare.

Jackson-Madison Co. General Hospital. Jackson-Madison Co. General Hospital (the "General Hospital") is the flagship of West Tennessee Healthcare. The facility is a 642-bed tertiary care center that is the only tertiary care hospital between Memphis and Nashville. The hospital serves a 17-county area of rural West Tennessee. Approximately 400,000 persons reside within the service area. General Hospital offers the West Tennessee Heart and Vascular Center, Kirkland Cancer Center, West Tennessee Women's Center, West Tennessee Rehabilitation Center, West Tennessee Neuroscience and Spine Center, and Emergency Services. General Hospital offers the only open-heart surgery program in rural West Tennessee. Jackson-Madison County General Hospital is fully accredited by The Joint Commission.

West Tennessee Healthcare North Hospital (the "North Hospital"). Formerly Regional Jackson Hospital, the North Hospital is a 166-bed satellite facility of Jackson-Madison County General Hospital located in Lexington. Critical and special care is available at 662-bed Jackson-Madison County General Hospital located Jackson. In 2018 West Tennessee Healthcare purchased the hospital from Tennova Healthcare, along with two other Tennova hospitals in Dyersburg and Martin, for \$67 million.

West Tennessee Healthcare is a not-for-profit organization. Totally self-supporting, without need for local tax support, all revenues generated provide for overhead costs including employee expense, debt service, purchase of technology, renovation, expansion, creation of new services, and, most importantly, maintaining the low-cost structure. West Tennessee Healthcare operates seven hospitals. Approximately 7,000 employees make up West Tennessee Healthcare, the majority of whom staff Jackson-Madison County General Hospital.

Source: Jackson-Madison Co. General Hospital and West Tennessee Healthcare.

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MANUFACTURING AND COMMERCE

The following is a list of the major employers located in the County:

<u>Company</u>	<u>Product</u>	<u>Employees</u>
Monogram Refrigeration Inc.	Air Conditioning & Heating Equipment	385
McNairy County Schools*	Education	384
Spectrum Lubricants Corp.	Lubricating Oils & Greases	172
United Stainless	Stainless Steel Pipe	145
Ripley Industries	Metal Strainers-Automotive	130
General Electric	Switchgears	125
Jones' Exhaust System	Exhaust Systems	85
SMC Recycling	Scrap Metal Processing	78
Connector Castings	Connectors	70
Sparks Custom Fabrication	Fabricated Metal Products	70
Yachad LLC	Art Supplies	45
Owl Creek Lumber	Wood Shipping Products	35

* Teachers, administrators and staff only

Source: McNairy Regional Alliance, and West Tennessee Industrial Association - 2018.

EMPLOYMENT INFORMATION

The unemployment rate for the County as of February 2020 was 6.1%, representing 8,153 persons employed in a total labor force of 8,686 persons. The chart on the following page shows employment trends from 2014 through year to date 2018.

McNairy County Unemployment

	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
National	6.2%	5.3%	4.9%	4.4%	3.6%
Tennessee	6.6%	5.6%	4.7%	3.8%	3.5%
McNairy County	10.6%	8.5%	7.0%	5.7%	5.4%
Index vs. National	171	160	143	130	150
Index vs. State	161	152	149	150	154

Source: U.S. Department of Commerce, Bureau of Economic Analysis

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ECONOMIC DATA

Per Capita Personal Income

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
National	\$44,826	\$47,025	\$48,940	\$49,831	\$51,640
Tennessee	\$39,549	\$40,977	\$42,810	\$43,932	\$45,517
McNairy County	\$28,648	\$29,329	\$30,157	\$31,271	\$31,901
Index vs. National	64	62	62	63	62
Index vs. State	72	72	70	71	70

Source: Bureau of Economic Analysis.

Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>McNairy County</u>
Median Value Owner Occupied Housing	\$204,900	\$158,600	\$93,600
% High School Graduates or Higher Persons 25 Years Old and Older	87.7%	87.0%	81.0%
% Persons with Income Below Poverty Level	11.8%	15.3%	17.4%
Median Household Income	\$60,293	\$50,972	\$36,055

Source: U.S. Census Bureau State & County QuickFacts - 2018.

RECREATION

Big Hill State Park. Big Hill State Park is located in nearby McNairy County about 18 miles south of Selmer. The park encompasses 4,500 acres of magnificent timberland and hardwood bottom land. The flood plain adjacent to both the Tuscumbia River and Cypress Creek contains small oxbow lakes and swamp areas which are desirable habitat for waterfowl, wildlife and fishing. The Observation Tower, 70 feet tall, is a refurbished fire tower that offers a panoramic view of Travis McNatt Lake and Dismal Swamp Civil War Earthworks. The park takes its name from a 35-acre pond created by a barren area used for dirt to help construct a railroad levee across the Cypress and Tuscumbia Bottoms for the Memphis to Charleston Railroad in 1853. Over the years, a great stand of cypress trees has grown in and around the 35-acre pond.

Source: Tennessee State Parks.

Buford Pusser Home and Museum. Buford Pusser led a violent but successful campaign against local crime figures. His unusual methods of law enforcement earned him notoriety. The

man became the target of many assassination attempts, one of which took the life of his wife and left him scarred. The man eventually became the subject of three major motion pictures telling about his intriguing life and tragic death. The Buford Pusser Home and Museum, located in Adamsville in McNairy County, is the real home, furnishings, and memorabilia of the late Buford Pusser. Near the Museum is the Buford Pusser Park and playground.

McNairy County Historical Museum. The historic Ritz Theater Building provides the perfect showplace to display items of the county's history. The Museum has a unique layout with a large center gallery that displays various aspects of life in the early McNairy County. There are seven side rooms that offer a different way of viewing the history of the county. There is the School Room, the Civil War Room, the Church Room, the Healing Arts Room, and the Business and Agriculture Rooms.

RECENT DEVELOPMENTS

Monogram Refrigeration. Monogram, a subsidiary of GE Appliances, a Haier company, invested \$9.3 million to add two new production lines in 2018 to create 210 jobs to its Selmer facility. The expansion doubled Monogram's headcount at its Selmer plant. Monogram, a leading U.S. manufacturer of household appliances, has operated in McNairy County since 1986 and is among the county's largest employers.

Quality Iron & Steel. Quality Iron & Steel invested \$2.8 million and created 32 jobs in McNairy County. Quality Iron & Steel will fabricate structural steel for commercial and industrial use, producing beams, columns, stairs, bridges and railings, and operations began in 2019.

Source: The Jackson Sun Fact Book and The Commercial Appeal.

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TOWN OF SELMER, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	As of June 30, 2019 AMOUNT (1) OUTSTANDING
\$ 55,000	Capital Outlay Notes, Series 2012	2024	Fixed	\$ 22,917
360,000	Capital Outlay Notes, Series 2014A	June 2026	Fixed	225,000
2,675,000	(2) General Obligation Bonds, Series 2015	June 2030	Fixed	2,570,000
162,118	(2) Capital Outlay Notes, Series 2016	2022	Fixed	162,118
2,565,000	(4) General Obligation Bonds, Series 2019	June 2045	Fixed	2,565,000
112,000	(2) Water and Sewer Revenue and Tax Bonds, Series 2001	2052	Fixed	100,036
1,824,000	(2) Rural Development Loan, Series 2010	2050	Fixed	1,613,360
1,500,000	(2) Capital Outlay Notes, Series 2012	June 2024	Fixed	675,000
6,750,000	(2) General Obligation Refunding Bonds, Series 2013	June 2035	Fixed	5,210,000
<u>\$ 16,003,118</u>	TOTAL BONDED DEBT			<u>\$ 13,143,431</u>
\$ 7,575,000	(5) General Obligation Refunding Bonds, Series 2020	June 2035	Fixed	\$ 7,575,000
(9,425,000)	Less: Refunded or Prepaid Debt			(7,370,000)
(12,866,000)	Less: Revenue Supported Debt			(8,628,396)
<u>\$ 10,712,118</u>	NET BONDED DEBT			<u>\$ 4,720,035</u>

NOTES:

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the Financial Statements in the Official Statement included herein.
- (2) Self supporting debt.
- (3) The Town budgets to account for interest rate and/or basis risk.
- (4) \$890,000 of the General Obligation Bonds, Series 2019 are supported by Water and Sewer revenues.

TOWN OF SELMER, TENNESSEE
INDEBTEDNESS AND DEBT RATIOS

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the CAFR, and the table should be read in conjunction with those statements. The table does not include future funding plans whether disclosed or not in this document.

	For the Fiscal Year Ended June 30					After Issuance
	2015	2016	2017	2018	2019	
INDEBTEDNESS						
TAX SUPPORTED						
G.O. Bonds and Notes (1)	\$ 3,835,867	\$ 3,575,382	\$ 3,305,750	\$ 3,061,000	\$ 4,655,035	\$ 4,720,035
Revenue Supported	10,770,811	10,224,059	9,666,422	9,097,876	8,488,396	8,628,396
TOTAL TAX SUPPORTED	\$ 14,606,678	\$ 13,799,441	\$ 12,972,172	\$ 12,158,876	\$ 13,143,431	\$ 13,348,431
TOTAL DEBT						
Less: Revenue Supported Debt	(10,770,811)	(10,224,059)	(9,666,422)	(9,097,876)	(8,488,396)	(8,628,396)
Less: D.S. Fund	-	-	-	-	-	-
NET DIRECT DEBT	\$ 3,835,867	\$ 3,575,382	\$ 3,305,750	\$ 3,061,000	\$ 4,655,035	\$ 4,720,035
PROPERTY TAX BASE						
Estimated Actual Value	\$ 316,835,262	\$ 325,043,060	\$ 331,988,009	\$ 331,639,196	\$ 324,139,429	\$ 336,736,249
Estimated Appraised Value	\$ 316,835,262	\$ 309,993,566	\$ 331,988,009	\$ 331,639,196	\$ 316,651,808	\$ 325,657,626
Estimated Assessed Value	\$ 102,429,905	\$ 99,837,169	\$ 106,786,702	\$ 106,178,113	\$ 101,423,002	\$ 104,062,630

(1) Does not include all short-term notes or capitalized leases.

DEBT RATIOS	For the Fiscal Year Ended June 30					After Issuance 2020
	2015	2016	2017	2018	2019	
TOTAL DEBT to Estimated Actual Value	4.61%	4.25%	3.91%	3.67%	4.05%	3.96%
TOTAL DEBT to Appraised Value	4.61%	4.45%	3.91%	3.67%	4.15%	4.10%
TOTAL DEBT to Assessed Value	14.26%	13.82%	12.15%	11.45%	12.96%	12.83%
NET DIRECT DEBT to Estimated Actual Value	1.21%	1.10%	1.00%	0.92%	1.44%	1.40%
NET DIRECT DEBT to Appraised Value	1.21%	1.15%	1.00%	0.92%	1.47%	1.45%
NET DIRECT DEBT to Assessed Value	3.74%	3.58%	3.10%	2.88%	4.59%	4.54%
PER CAPITA RATIOS						
POPULATION (1)	4,513	4,465	4,439	4,400	4,400	4,400
PER CAPITA PERSONAL INCOME (2)	\$30,157	\$31,271	\$31,901	\$31,901	\$31,901	\$31,901
Estimated Actual Value to POPULATION	70,205	72,798	74,789	75,373	73,668	76,531
Assessed Value to POPULATION	22,697	22,360	24,056	24,131	23,051	23,651
TOTAL DEBT to POPULATION	3,237	3,091	2,922	2,763	2,987	3,034
NET DIRECT DEBT to POPULATION	850	801	745	696	1,058	1,073
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	10.73%	9.88%	9.16%	8.66%	9.36%	9.51%
NET DIRECT DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	2.82%	2.56%	2.33%	2.18%	3.32%	3.36%

(1) Computations are based upon estimates extracted from Tennessee Association of Business publications, the County and Bureau of Census Information.

(2) PER CAPITA PERSONAL INCOME is based upon data available from the U.S. Department of Commerce.

TOWN OF SELMER, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - General Obligation

F.Y. Ended 6/30	As of June 30, 2019			General Obligation Refunding			% 2020			Less: Refunded Debt			Total Bonded Debt			% All Principal Repaid
	Existing Debt - Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Principal Repaid	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	
2020	\$ 249,584	\$ 133,662	\$ 383,246	\$ -	\$ -	\$ -	0.00%	-	-	\$ -	-	\$ 249,584	\$ 133,662	\$ 383,246	5.29%	
2021	261,443	125,712	387,155	160,000	43,828	203,828	-	(65,699)	(210,699)	(145,000)	(65,699)	276,443	103,841	380,284		
2022	320,842	118,292	439,134	165,000	42,190	207,190	-	(62,799)	(212,799)	(150,000)	(62,799)	335,842	97,683	433,525		
2023	236,584	111,452	348,036	170,000	40,210	210,210	-	(59,799)	(214,799)	(155,000)	(59,799)	251,584	91,864	343,448		
2024	247,582	105,450	353,032	170,000	38,085	208,085	-	(56,699)	(216,699)	(160,000)	(56,699)	257,582	86,836	344,418		
2025	244,000	98,717	342,717	165,000	35,875	200,875	33.27%	(53,099)	(213,099)	(160,000)	(53,099)	249,000	81,494	330,494	34.32%	
2026	250,000	92,104	342,104	170,000	33,648	203,648	-	(49,499)	(214,499)	(165,000)	(49,499)	255,000	76,253	331,253		
2027	230,000	85,686	315,686	180,000	31,098	211,098	-	(45,374)	(220,374)	(175,000)	(45,374)	235,000	71,410	306,410		
2028	230,000	79,936	309,936	180,000	28,218	208,218	-	(40,999)	(215,999)	(175,000)	(40,999)	235,000	67,155	302,155		
2029	235,000	74,011	309,011	185,000	25,068	210,068	-	(36,449)	(216,449)	(180,000)	(36,449)	240,000	62,630	302,630		
2030	250,000	67,956	317,956	190,000	21,738	211,738	69.54%	(31,769)	(221,769)	(190,000)	(31,769)	250,000	57,925	307,925	60.06%	
2031	205,000	59,981	264,981	145,000	18,128	163,128	-	(25,594)	(170,594)	(145,000)	(25,594)	205,000	52,515	257,515		
2032	215,000	53,469	268,469	150,000	15,010	165,010	-	(20,881)	(170,881)	(150,000)	(20,881)	215,000	47,598	262,598		
2033	220,000	46,644	266,644	150,000	11,635	161,635	-	(15,000)	(160,000)	(150,000)	(15,000)	215,000	42,273	257,273		
2034	225,000	39,656	264,656	155,000	8,035	163,035	-	(10,969)	(170,969)	(160,000)	(10,969)	220,000	36,723	256,723		
2035	230,000	32,306	262,306	160,000	4,160	164,160	100.00%	(5,569)	(170,569)	(165,000)	(5,569)	225,000	30,898	255,898	82.95%	
2036	70,000	24,788	94,788	-	-	-	-	-	-	-	-	70,000	24,788	94,788		
2037	70,000	22,688	92,688	-	-	-	-	-	-	-	-	70,000	22,688	92,688		
2038	75,000	20,588	95,588	-	-	-	-	-	-	-	-	75,000	20,588	95,588		
2039	80,000	18,338	98,338	-	-	-	-	-	-	-	-	80,000	18,338	98,338		
2040	80,000	15,938	95,938	-	-	-	100.00%	-	-	-	-	80,000	15,938	95,938	90.89%	
2041	80,000	13,438	93,438	-	-	-	-	-	-	-	-	80,000	13,438	93,438		
2042	85,000	10,938	95,938	-	-	-	-	-	-	-	-	85,000	10,938	95,938		
2043	85,000	8,281	93,281	-	-	-	-	-	-	-	-	85,000	8,281	93,281		
2044	85,000	5,625	90,625	-	-	-	-	-	-	-	-	85,000	5,625	90,625		
2045	95,000	2,969	97,969	-	-	-	100.00%	-	-	-	-	95,000	2,969	97,969	100.00%	
	<u>\$ 4,655,035</u>	<u>\$ 1,468,624</u>	<u>\$ 6,123,659</u>	<u>\$ 2,495,000</u>	<u>\$ 396,923</u>	<u>\$ 2,891,923</u>		<u>\$ (2,430,000)</u>	<u>\$ (581,201)</u>	<u>\$ (3,011,201)</u>		<u>\$ 4,720,035</u>	<u>\$ 1,284,346</u>	<u>\$ 6,004,381</u>		

NOTES:

(1) The above figures may not include all short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) Estimated Interest Rates. Estimated Average Coupon of 2.05%.

TOWN OF SELMER, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Revenue Supported Debt - Water and Sewer

F. Y. Ended	Existing Debt - As of 6-30-2019			General Obligation Refunding Bonds, Series 2020			Less: Refunded or Prepaid Debt			Total Bonded Debt Service Requirements (1)			% Principal Repaid All Debt
	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	
2020	\$ 575,320	\$ 290,203	\$ 865,523	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 575,320	\$ 290,203	\$ 865,523	6.67%
2021	586,306	273,714	860,020	325,000	91,430	416,430	(275,000)	(187,006)	(462,006)	636,306	178,138	814,444	
2022	587,319	256,052	843,371	320,000	88,110	408,110	(270,000)	(178,756)	(448,756)	637,319	165,405	802,724	
2023	593,361	238,410	831,771	315,000	84,270	399,270	(270,000)	(170,656)	(440,656)	638,361	152,023	790,384	
2024	614,431	219,965	834,396	315,000	80,333	395,333	(280,000)	(161,881)	(441,881)	649,431	138,416	787,847	
2025	490,531	200,765	691,296	320,000	76,238	396,238	(290,000)	(152,781)	(442,781)	520,531	124,221	644,752	42.39%
2026	341,663	183,807	525,470	325,000	71,918	396,918	(300,000)	(143,356)	(443,356)	366,663	112,368	479,031	
2027	352,825	172,145	524,970	330,000	67,043	397,043	(310,000)	(132,856)	(442,856)	372,825	106,331	479,156	
2028	364,020	159,326	523,346	330,000	61,763	391,763	(320,000)	(121,231)	(441,231)	374,020	99,857	473,877	
2029	380,249	146,097	526,346	340,000	55,988	395,988	(335,000)	(109,231)	(444,231)	385,249	92,853	478,102	
2030	391,511	131,435	522,946	345,000	49,868	394,868	(345,000)	(95,831)	(440,831)	391,511	85,471	476,982	
2031	402,811	115,903	518,714	345,000	43,313	388,313	(355,000)	(81,600)	(436,600)	392,811	77,616	470,427	
2032	419,143	99,483	518,626	350,000	35,895	385,895	(370,000)	(66,513)	(436,513)	399,143	68,866	468,009	
2033	440,515	82,387	522,902	365,000	28,020	393,020	(390,000)	(50,788)	(440,788)	415,515	59,620	475,135	
2034	456,926	64,400	521,326	370,000	19,260	389,260	(405,000)	(34,213)	(439,213)	421,926	49,448	471,374	
2035	478,374	45,740	524,114	385,000	10,010	395,010	(425,000)	(17,000)	(442,000)	438,374	38,750	477,124	88.26%
2036	54,864	27,250	82,114	-	-	-	-	-	-	54,864	27,250	82,114	
2037	56,395	25,819	82,214	-	-	-	-	-	-	56,395	25,819	82,214	
2038	57,968	24,146	82,114	-	-	-	-	-	-	57,968	24,146	82,114	
2039	59,587	22,527	82,114	-	-	-	-	-	-	59,587	22,527	82,114	
2040	61,250	20,864	82,114	-	-	-	-	-	-	61,250	20,864	82,114	91.62%
2041	62,959	19,155	82,114	-	-	-	-	-	-	62,959	19,155	82,114	
2042	64,716	17,398	82,114	-	-	-	-	-	-	64,716	17,398	82,114	
2043	66,521	15,593	82,114	-	-	-	-	-	-	66,521	15,593	82,114	
2044	68,379	13,735	82,114	-	-	-	-	-	-	68,379	13,735	82,114	
2045	70,287	11,827	82,114	-	-	-	-	-	-	70,287	11,827	82,114	95.48%
2046	72,247	9,867	82,114	-	-	-	-	-	-	72,247	9,867	82,114	
2047	74,265	7,849	82,114	-	-	-	-	-	-	74,265	7,849	82,114	
2048	76,337	5,777	82,114	-	-	-	-	-	-	76,337	5,777	82,114	
2049	78,467	3,647	82,114	-	-	-	-	-	-	78,467	3,647	82,114	
2050	79,970	1,435	81,405	-	-	-	-	-	-	79,970	1,435	81,405	99.90%
2051	4,434	192	4,626	-	-	-	-	-	-	4,434	192	4,626	
2052	8,488,396	2,906,977	11,395,373	5,080,000	863,435	5,943,435	(4,940,000)	(1,703,700)	(6,643,700)	8,628,396	2,066,732	10,695,128	100.00%

NOTES:

- (1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.
- (2) Estimated Interest Rates. Estimated Average Coupon of 2.05%.

FINANCIAL INFORMATION

BASIS OF ACCOUNTING AND PRESENTATION

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The modified accrual basis of accounting is used to account for all governmental funds of the Town. Revenues for such funds are recognized when they become measurable and available as net current assets. Expenditures, other than interest or long-term debt, are recognized when incurred and measurable.

All proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred except for prepaid expenses, such as insurance, which are fully expended at the time of payment.

FUND BALANCES AND RETAINED EARNINGS

The following table depicts audited fund balances and retained earnings for the last several fiscal years ending June 30.

	<u>For the Fiscal Year Ended June 30</u>				
<u>Fund Type</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<i>Governmental Funds:</i>					
General	\$2,298,419	\$4,703,904	\$2,858,637	\$2,813,062	\$4,273,655
Sanitation	28,548	30,945	54,142	70,654	139,553
Other Governmental	<u>112,792</u>	<u>74,819</u>	<u>139,845</u>	<u>255,958</u>	<u>347,691</u>
Total	<u>\$2,439,759</u>	<u>\$4,809,668</u>	<u>\$3,052,624</u>	<u>\$3,139,674</u>	<u>\$4,760,899</u>
<i>Proprietary Funds:</i>					
Water & Sewer	\$13,390,479	\$13,605,747	\$13,932,114	\$14,501,248	\$14,896,816
Natural Gas	<u>7,575,708</u>	<u>8,038,551</u>	<u>8,344,499</u>	<u>8,350,667</u>	<u>8,447,920</u>
Total	<u>\$20,966,187</u>	<u>\$21,644,298</u>	<u>\$22,276,613</u>	<u>\$22,851,915</u>	<u>\$23,344,736</u>

Source: Comprehensive Annual Financial Report and Auditor's Report, Town of Selmer, Tennessee

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TOWN OF SELMER, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - General Fund
For the Fiscal Year Ended June 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues:					
Local Taxes	\$ 2,588,712	\$ 2,636,660	\$ 2,561,009	\$ 2,476,011	\$ 2,499,046
Intergovernmental revenue	2,057,318	1,199,323	1,182,661	914,793	1,283,180
Licenses and Permits	4,127	5,512	3,965	6,333	4,476
Charges for current services	73,607	90,099	101,154	99,112	95,337
Fines, forfeitures & penalties	394,878	448,635	395,232	366,295	418,235
Miscellaneous revenue	71,720	60,768	140,524	76,769	139,404
Total Revenues	<u>\$ 5,190,362</u>	<u>\$ 4,440,997</u>	<u>\$ 4,384,545</u>	<u>\$ 3,939,313</u>	<u>\$ 4,439,678</u>
Expenditures:					
General Government	\$ 852,904	\$ 840,049	\$ 749,701	\$ 864,000	\$ 882,388
Public Safety	1,864,527	1,823,146	1,733,536	1,630,264	1,818,359
Public Works	645,654	559,674	2,640,248	578,126	753,626
Health, Welfare & Recreation	322,435	341,306	391,434	562,517	639,673
Capital Outlay	1,181,840	834,384	460,349	204,716	477,244
Debt Service	302,933	326,840	355,492	323,391	318,422
Total Expenditures	<u>\$ 5,170,293</u>	<u>\$ 4,725,399</u>	<u>\$ 6,330,760</u>	<u>\$ 4,163,014</u>	<u>\$ 4,889,712</u>
Excess (deficiency) of Revenues Over (Under) Expenditures	\$20,069	(\$284,402)	(\$1,946,215)	(\$223,701)	(\$450,034)
Other Sources & Uses:					
Operating Transfers - In	\$ 121,654	\$ 118,896	\$ 115,238	\$ 110,016	\$ 98,068
Operating Transfers - Out	(20,000)	(30,000)	(20,450)	-	-
Bond Issue Costs	-	-	-	-	(50,551)
Sale of Capital Assets	-	-	6,160	68,110	13,987
Debt Proceeds	240,000	2,587,532	-	-	1,849,123
Total Sources & Uses	<u>\$ 341,654</u>	<u>\$ 2,676,428</u>	<u>\$ 100,948</u>	<u>\$ 178,126</u>	<u>\$ 1,910,627</u>
Net Changes in Fund Balances	\$361,723	\$2,392,026	(\$1,845,267)	(\$45,575)	\$1,460,593
Fund Balance July 1	1,842,419	2,298,419	4,703,904	2,858,637	2,813,062
Prior period adjustment	94,277	13,459	-	-	-
Fund Balance June 30	<u><u>\$ 2,298,419</u></u>	<u><u>\$ 4,703,904</u></u>	<u><u>\$ 2,858,637</u></u>	<u><u>\$ 2,813,062</u></u>	<u><u>\$ 4,273,655</u></u>

Source: Comprehensive Annual Financial Reports of the Town of Selmer, Tennessee.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle Town operating funds is controlled by State statute and local policies. Generally, such policies limit investment instruments to direct U.S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. The Town is not authorized to invest in reverse repurchase agreements or derivative products. No investment may be made for a period greater than two years without written permission of the State Director of Local Finance.

As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the Town. For reporting purposes, all investments are stated at cost, which approximates market value.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

State Taxation of Property; Classifications of Taxable Property; Assessment Rates

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

- (a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
- (b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
- (c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and

- (d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

- (a) Public Utility Property, to be assessed at 55% of its value;
- (b) Industrial and Commercial Property, to be assessed at 30% of its value; and
- (c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of \$7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

County Taxation of Property

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated*, the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its value upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

Assessment of Property

County Assessments; County Board of Equalization. The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January 1 for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

State Assessments of Public Utility Property; State Board of Equalization. The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an on-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

Valuation for Property Tax Purposes

County Valuation of Property. The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State Board of Equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

State Valuation of Public Utility Property. The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole (*i.e.*, the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

Certified Tax Rate

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the "*Certified Tax Rate*") which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year.

The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

Tax Freeze for the Elderly Homeowners

The Tennessee Constitution was amended by the voters in November 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer's property tax bill is \$500 for the year in which he becomes eligible, his property taxes will remain at \$500 even if property tax rates or appraisals increase so long as he continues to meet the program's ownership and income requirements.

Tax Collection and Tax Lien

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

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Assessed Valuations. According to the Tax Aggregate Report, property in the Town reflected a ratio of appraised value to true market value of 0.9671%. The following table shows pertinent data for tax year 2019¹.

<u>Class</u>	<u>Estimated Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Actual Value</u>
Public Utilities	\$ 9,547,216	55%	\$ 21,872,202
Commercial and Industrial	39,710,880	40%	102,654,535
Personal Tangible Property	20,843,659	30%	71,744,708
Residential and Farm	<u>33,960,875</u>	25%	<u>140,464,804</u>
Total	<u>\$104,062,630</u>		<u>\$336,736,249</u>

² The tax year coincides with the calendar year, therefore tax year 2019 is actually fiscal year 2019-2020.

Source: The 2019 Tax Aggregate Report of Tennessee.

The estimated assessed value of property in the Town for the fiscal year ending June 30, 2020 (tax year 2019) is \$104,062,630 compared to \$101,423,002 for the fiscal year ending June 30, 2019 (tax year 2018). The estimated actual value of all taxable property for tax year 2019 is \$336,736,249 compared to \$324,139,429 for tax year 2018.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the Town for tax years 2015 through 2019 as well as the aggregate uncollected balances for each fiscal year ending June 30.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance	
Tax Year ²	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct	As of June 30, 2019 Amount	Pct
2015	\$ 99,837,169	\$0.806	\$722,685	\$675,401	93.5%	\$ 7,417	1.0%
2016	106,786,702	0.768	820,158	782,188	95.4%	6,323	0.8%
2017	106,178,113	0.768	815,491	769,584	94.4%	9,015	1.1%
2018	101,423,002	0.768	704,256	611,271	86.8%	92,985	13.2%
2019	104,062,630	0.8180	773,200	IN PROCESS			

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Largest Taxpayers. For the fiscal year ending June 30, 2019 (tax year 2018), the largest taxpayers in the Town were as follows:

<u>Taxpayer</u>	<u>Business Type</u>	<u>Taxes Levied</u>
1. Pickwick Electric	Public Utility	\$ 55,748
2. United Stainless	Manufacturing	34,954
3. General Electric	Manufacturing	26,327
4. Monogram	Manufacturing	16,971
5. McNairy Co Long Term Facility	Manufacturing	9,830
6. Spectrum	Manufacturing	4,650
7. AT&T Mobility	Public Utility	4,119
8. Bell South Telecommunications	Public Utility	3,572
9. Wal-Mart	Retail	1,986
10. McNairy Hospital Corp	Hospital	<u>1,188</u>
TOTAL		<u>\$159,345</u>

Source: The Town.

PENSION PLANS

Employees of the Town are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Town participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

For additional information of the funding status, trend information and actuarial status of the Town's retirement programs, please refer to the appropriate Notes to Financial Statements located in the General Purpose Financial Statements of the Town located herein.

APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

OF

TOWN OF SELMER, TENNESSEE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2019

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of the Town of Selmer for the fiscal year ended June 30, 2019 which is available upon request from the Town.

**TOWN OF SELMER,
TENNESSEE
ANNUAL FINANCIAL REPORT
JUNE 30, 2019**

TOWN OF SELMER, TENNESSEE
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019

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**TOWN OF SELMER, TENNESSEE
ROSTER OF PUBLICLY ELECTED AND MANAGEMENT OFFICIALS
JUNE 30, 2019**

Elected Officials

John Smith	Mayor
John Finlayson	Vice-Mayor
Johnny Norris	Treasurer
John Austin	Alderman
J. T. Hawkins	Alderman
Troy Moore	Alderman

Management Officials

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

Counsel

Terry Abernathy	Selmer, Tennessee
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Selmer, Tennessee (the Town), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Sanitation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS, schedule of contributions based on participation in the public employee pension plan of TCRS, and notes to required supplementary information on pages 4 through 8 and page 45 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management

about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2020, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

March 16, 2020

**TOWN OF SELMER, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Our discussion and analysis of the Town of Selmer, Tennessee, will offer readers of the Town's financial statements a narrative overview and review of the financial activities of the Town for the fiscal year ended June 30, 2019. Readers are encouraged to consider the information presented here in conjunction with the Town's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 9 and 10) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the Town as a whole begins on page 9. The following is one of the most important questions asked about the Town's finances, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Town's assets, liabilities, deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows of future fiscal periods.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- Governmental activities – Most of the Town's basic services are reported here, including the general government; public safety; public works; health, welfare, and recreation; industrial development; capital projects; and debt service. Property taxes, local sales taxes, and state shared revenue finance most of these activities.
- Business-type activities – The Town charges a fee to customers to help cover all or most of the cost of certain services it provides. The Town's gas, water, and sewer operations are reported here.

Reporting the Town's Most Significant Funds

The fund financial statements begin on page 11 and provide detailed information about the most significant funds (not the Town as a whole). Some funds are required to be established by State law. The Town's two kinds of funds – governmental and proprietary – use different accounting approaches.

- *Governmental Funds* – Most of the Town's basic services are reported in governmental funds, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- *Proprietary Funds* – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 - 44.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found starting on page 45 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 48 - 51 of this report.

THE TOWN AS A WHOLE

For the year ended June 30, 2019, net position changed as follows:

TOWN OF SELMER'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 6,617,820	\$ 4,540,256	\$ 8,638,048	\$ 7,957,339	\$ 15,255,868	\$ 12,497,595
Capital assets	3,622,402	3,903,802	23,671,926	24,330,080	27,294,328	28,233,882
Total Assets	<u>10,240,222</u>	<u>8,444,058</u>	<u>32,309,974</u>	<u>32,287,419</u>	<u>42,550,196</u>	<u>40,731,477</u>
Total deferred outflows of resources	<u>293,148</u>	<u>330,725</u>	<u>227,472</u>	<u>224,819</u>	<u>520,620</u>	<u>555,544</u>
Long term liabilities	4,968,413	3,401,790	8,693,066	9,277,505	13,661,479	12,679,295
Other liabilities	103,045	108,528	270,216	286,138	373,261	394,666
Total liabilities	<u>5,071,458</u>	<u>3,510,318</u>	<u>8,963,282</u>	<u>9,563,643</u>	<u>14,034,740</u>	<u>13,073,961</u>
Total deferred inflows of resources	<u>1,100,215</u>	<u>861,287</u>	<u>229,428</u>	<u>96,680</u>	<u>1,329,643</u>	<u>957,967</u>
Net Position						
Net investments in capital assets	328,989	631,089	15,032,325	15,107,786	15,361,314	15,738,875
Restricted	3,019,218	790,609	567,358	316,111	3,586,576	1,106,720
Unrestricted	1,013,490	2,981,480	7,745,053	7,428,018	8,758,543	10,409,498
Total Net Position	<u>\$ 4,361,697</u>	<u>\$ 4,403,178</u>	<u>\$ 23,344,736</u>	<u>\$ 22,851,915</u>	<u>\$ 27,706,433</u>	<u>\$ 27,255,093</u>

During the current fiscal year, the Town's total net position increased by \$451,340 compared to the prior year decrease of \$466,999.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

Business-type Activities

The changes in business-type activities net position are described below:

- The Town's Gas Fund had an increase in net position of \$97,253 compared to an increase in the prior year of \$6,168.
- The Town's Water and Sewer Fund operated at an increase in net position of \$395,568 compared to an increase in the prior year of \$569,134.

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Fees, fines and charges for services	\$ 1,054,640	\$ 1,009,309	\$ 5,142,440	\$ 4,951,756	\$ 6,197,080	\$ 5,961,065
Operating grants and contributions	672,613	425,369	-	-	672,613	425,369
Capital grants and contributions	252,930	212,128	-	267,503	252,930	479,631
General Revenues:						
Property taxes	828,847	861,852	-	-	828,847	861,852
Sales taxes	2,155,238	2,061,249	-	-	2,155,238	2,061,249
Public service taxes	38,277	38,208	-	-	38,277	38,208
Investment earnings	16,650	13,365	52,947	41,404	69,597	54,769
Rent	23,335	32,964	-	-	23,335	32,964
Insurance recoveries	47,384	5,623	19,768	-	67,152	5,623
Contributions	6,344	-	-	-	6,344	-
Gain (loss) on sale of assets	17,113	(1,233)	-	-	17,113	(1,233)
Accretion on debt premiums	-	-	11,876	11,292	11,876	11,292
Miscellaneous	41,988	21,522	-	-	41,988	21,522
Transfers	98,068	110,016	-	-	98,068	110,016
Total Revenues	<u>5,253,427</u>	<u>4,790,372</u>	<u>5,227,031</u>	<u>5,271,955</u>	<u>10,480,458</u>	<u>10,062,327</u>
Expenses:						
General government	920,125	957,624	-	-	920,125	957,624
Public safety	2,216,527	2,025,256	-	-	2,216,527	2,025,256
Public works	1,285,848	1,151,146	-	-	1,285,848	1,151,146
Health, welfare and recreation	721,669	668,722	-	-	721,669	668,722
Bond issued costs	50,551	-	-	-	50,551	-
Interest on long-term debt	100,188	95,927	-	-	100,188	95,927
Water and Sewer	-	-	2,933,412	2,943,476	2,933,412	2,943,476
Natural Gas	-	-	1,702,730	1,643,161	1,702,730	1,643,161
Transfers out	-	-	98,068	110,016	98,068	110,016
Total Expenses	<u>5,294,908</u>	<u>4,898,675</u>	<u>4,734,210</u>	<u>4,696,653</u>	<u>10,029,118</u>	<u>9,595,328</u>
Increase (decrease) in net position	(41,481)	(108,303)	492,821	575,302	451,340	466,999
Net position-beginning, as originally stated	4,403,178	4,458,073	22,851,915	22,276,613	27,255,093	26,734,686
Prior period adjustments	-	53,408	-	-	-	53,408
Net position-beginning, as restated	4,403,178	4,511,481	22,851,915	22,276,613	27,255,093	26,788,094
Net position-end of year	<u>\$ 4,361,697</u>	<u>\$ 4,403,178</u>	<u>\$ 23,344,736</u>	<u>\$ 22,851,915</u>	<u>\$ 27,706,433</u>	<u>\$ 27,255,093</u>

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of \$4,760,899 which is 52% increase from last year's total of \$3,139,674. The increase is primarily due increased intergovernmental revenues in the current year and decreased expenditures in the current year.

The following schedule presents a summary of general and, special revenue funds' revenues and expenditures for the fiscal year ended June 30, 2019, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	June 30, 2019	Percent of Total	Increase (Decrease) from June 30, 2018
Taxes	\$ 2,499,046	48.71%	\$ 23,035
Intergovernmental	1,436,769	28.01%	374,560
Licenses and permits	4,476	0.09%	(1,857)
Charges for services	600,669	11.71%	16,139
Fines and forfeitures	449,495	8.76%	31,049
Other revenues	139,702	2.72%	62,728
Total Revenues	\$ 5,130,157	100.00%	\$ 505,654

Expenditures	June 30, 2019	Percent of Total	Increase (Decrease) from June 30, 2018
General government	\$ 882,388	16.27%	\$ 18,388
Public Safety	1,859,991	34.30%	194,533
Public Works	1,194,327	22.02%	148,175
Health, welfare, and recreation	639,673	11.79%	77,156
Capital outlay	477,244	8.80%	272,528
Debt Service	369,795	6.82%	(5,266)
Total Expenditures	\$ 5,423,418	100.00%	\$ 705,514

General Fund Budgetary Highlights

The Town had various one budget amendment during in the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2019 the Town had invested \$27,294,328 net of accumulated depreciation in a broad range of capital assets, including police and fire equipment; buildings; parks facilities; water and sewer lines; natural gas lines; and equipment. This amount represents a net decrease (including additions and deductions) of \$939,554, or 3% below the prior year. Additional information on capital assets is in Note III.A.

Debt

At year-end, the Town had \$13,661,479 in outstanding long-term liabilities compared to \$12,679,295 last year. Of the total outstanding debt 36.4% belongs to the Governmental funds, 0.2% belongs to the Gas Fund, and 63.4% to the Water and Sewer Fund. Additional information on debt is in Note III.B.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

TOWN OF SELMER, TENNESSEE
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash equivalents	\$ 4,465,183	\$ 7,448,615	\$ 11,913,798
Receivables:			
Property taxes	897,675	-	897,675
Accounts receivable	48,741	377,550	426,291
Due from other governments	278,447	-	278,447
Inventories	-	263,409	263,409
Prepaid items	29,589	22,327	51,916
Internal balances	41,211	(41,211)	-
Net pension assets	856,974	567,358	1,424,332
Capital assets (net of accumulated depreciation):			
Nondepreciable	241,892	394,992	636,884
Depreciable	3,380,510	23,276,934	26,657,444
TOTAL ASSETS	10,240,222	32,309,974	42,550,196
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	293,148	227,472	520,620
LIABILITIES			
Accounts payable	78,752	66,112	144,864
Accrued expenses	22,879	81,139	104,018
Unearned revenues	1,414	-	1,414
Customer deposits	-	122,965	122,965
Debt:			
Due within one year	271,198	575,320	846,518
Due in more than one year (net of unamortized premiums)	4,697,215	8,117,746	12,814,961
TOTAL LIABILITIES	5,071,458	8,963,282	14,034,740
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - property taxes	773,151	-	773,151
Pensions	327,064	229,428	556,492
	1,100,215	229,428	1,329,643
NET POSITION			
Net investment in capital assets	328,989	15,032,325	15,361,314
Restricted for:			
State Street Aid Fund	322,737	-	322,737
Drug Fund	24,954	-	24,954
Sanitation	139,553	-	139,553
Restricted for other purposes	856,974	567,358	1,424,332
Restructed for future construction	1,675,000	-	1,675,000
Unrestricted	1,013,490	7,745,053	8,758,543
TOTAL NET POSITION	\$ 4,361,697	\$ 23,344,736	\$ 27,706,433

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

**TOWN OF SELMER, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		Total
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities							
General Government	\$ 920,125	\$ 34,180	\$ 234,155	\$ -	\$ (651,790)	\$ -	\$ (651,790)
Public Safety	2,216,527	462,935	177,414	212,259	(1,363,919)	-	(1,363,919)
Public Works	1,285,848	505,332	259,244	-	(521,272)	-	(521,272)
Health, Welfare and Recreation	721,669	52,193	1,800	40,671	(627,005)	-	(627,005)
Interest on long-term debt	100,188	-	-	-	(100,188)	-	(100,188)
Total governmental activities	5,244,357	1,054,640	672,613	252,930	(3,264,174)	-	(3,264,174)
Business-type activities							
Water and Sewer	2,933,412	3,355,541	-	-	-	422,129	422,129
Natural Gas	1,702,730	1,786,899	-	-	-	84,169	84,169
Total business-type activities	4,636,142	5,142,440	-	-	-	506,298	506,298
Total Government	\$ 9,880,499	\$ 6,197,080	\$ 672,613	\$ 252,930	(3,264,174)	506,298	
General Revenues:							
Taxes:							
Property					828,847	-	828,847
Sales					2,155,238	-	2,155,238
Public service taxes					38,277	-	38,277
Investment earnings					16,650	52,947	69,597
Rent					23,335	-	23,335
Insurance recoveries					47,384	19,768	67,152
Contributions					6,344	-	6,344
Gain (loss) on sale of capital assets					17,113	-	17,113
Accretion on debt premiums					-	11,876	11,876
Bond issue costs					(50,551)	-	(50,551)
Miscellaneous					41,988	-	41,988
Transfers					98,068	(98,068)	-
Total general revenues and transfers					3,222,693	(13,477)	3,209,216
Change in net position					(41,481)	492,821	451,340
Net position at beginning of year -					4,403,178	22,851,915	27,255,093
Net position at end of year					\$ 4,361,697	\$ 23,344,736	\$ 27,706,433

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

**TOWN OF SELMER, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General	Sanitation	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 4,017,675	\$ 98,972	\$ 348,536	\$ 4,465,183
Taxes receivable	897,675	-	-	897,675
Accounts receivable	48,741	-	-	48,741
Due from other funds	20,831	41,211	-	62,042
Receivables from other governments	250,994	-	27,453	278,447
Prepaid expenses	29,589	-	-	29,589
	<u>\$ 5,265,505</u>	<u>\$ 140,183</u>	<u>\$ 375,989</u>	<u>\$ 5,781,677</u>
LIABILITIES				
Accounts payable	\$ 72,699	\$ -	\$ 6,053	\$ 78,752
Accrued expenses	7,658	630	-	8,288
Due to other funds	-	-	20,831	20,831
Deferred revenues	13,818	-	-	13,818
Unearned revenues - other	-	-	1,414	1,414
Total liabilities	<u>94,175</u>	<u>630</u>	<u>28,298</u>	<u>123,103</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	897,675	-	-	897,675
FUND BALANCES				
Nonspendable				
Prepaid items	29,589	-	-	29,589
Restricted				
State street aid	-	-	322,737	322,737
Drug	-	-	24,954	24,954
Sanitation	-	139,553	-	139,553
Unassigned				
General fund	4,244,066	-	-	4,244,066
Total fund balances	<u>4,273,655</u>	<u>139,553</u>	<u>347,691</u>	<u>4,760,899</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,265,505</u>	<u>\$ 140,183</u>	<u>\$ 375,989</u>	<u>\$ 5,781,677</u>

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

TOWN OF SELMER, TENNESSEE
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balance - total governmental funds		\$	4,760,899
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.			3,622,402
Net pension asset is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.			856,974
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.			(33,916)
Compensated absences are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.			(129,077)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.			
Due within one year	\$		271,198
Due in more than one year			4,525,734
			(4,796,932)
Bond premiums are not reported in the governmental funds but are recorded for government-wide purposes.			(42,404)
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.			(14,591)
Deferred grant revenue is recognized at the fund level but not for government-wide purposes			13,818
Some property tax will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues in the governmental funds.			124,524
			<hr style="width: 100%;"/>
Net position of governmental activities		\$	<u><u>4,361,697</u></u>

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

TOWN OF SELMER, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Sanitation</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 2,499,046	\$ -	\$ -	\$ 2,499,046
Intergovernmental revenues	1,283,180	-	153,589	1,436,769
Licenses and permits	4,476	-	-	4,476
Charges for services	95,337	505,332	-	600,669
Fines, forfeits, and penalties	418,235	-	31,260	449,495
Other revenues	139,404	-	298	139,702
Total Revenues	<u>4,439,678</u>	<u>505,332</u>	<u>185,147</u>	<u>5,130,157</u>
Expenditures				
Current				
General government	882,388	-	-	882,388
Public safety	1,818,359	-	41,632	1,859,991
Public works	753,626	385,060	55,641	1,194,327
Health, welfare, and recreation	639,673	-	-	639,673
Capital outlay	477,244	-	-	477,244
Debt service	318,422	51,373	-	369,795
Total Expenditures	<u>4,889,712</u>	<u>436,433</u>	<u>97,273</u>	<u>5,423,418</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(450,034)</u>	<u>68,899</u>	<u>87,874</u>	<u>(293,261)</u>
Other financing sources (uses)				
Transfers in	98,068	-	-	98,068
Bond issue costs	(50,551)	-	-	(50,551)
Proceeds from bonds	32,226	-	-	32,226
Proceeds from notes	1,816,897	-	-	1,816,897
Sale of capital assets	13,987	-	3,859	17,846
Total other financing sources (uses)	<u>1,910,627</u>	<u>-</u>	<u>3,859</u>	<u>1,914,486</u>
Net change in fund balances	1,460,593	68,899	91,733	1,621,225
FUND BALANCES - beginning of year	<u>2,813,062</u>	<u>70,654</u>	<u>255,958</u>	<u>3,139,674</u>
FUND BALANCES - end of year	<u>\$ 4,273,655</u>	<u>\$ 139,553</u>	<u>\$ 347,691</u>	<u>\$ 4,760,899</u>

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

TOWN OF SELMER, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds	\$ 1,621,225
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount recorded in the current period.	
	477,244
Depreciation expense on capital assets is reported in the government-wide statement of activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	
	(757,911)
Net effect of sale of capital assets	(733)
Principal paid on debt	277,747
Debt proceeds are recorded on the governmental funds as revenue, but the government-wide statement of activities does not report debt proceeds as revenue.	
	(1,816,897)
Bond amortization expense reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in the government funds	
	(27,473)
Effect of GASB 68 on retirement expense	185,367
Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in the government funds	
	(8,140)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	<u>8,090</u>
Change in net position of governmental activities	<u>\$ (41,481)</u>

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

**TOWN OF SELMER, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019**

Revenues	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes				
Property taxes - current	\$ 730,000	\$ 730,000	\$ 691,976	\$ (38,024)
Property taxes - delinquent	20,000	20,000	42,536	22,536
Local option sales taxes	1,300,000	1,300,000	1,326,305	26,305
Local wholesale beer taxes	183,000	183,000	188,927	5,927
Local wholesale liquor taxes	70,000	70,000	82,002	12,002
Business taxes	90,000	90,000	102,810	12,810
Cable TV franchise taxes	30,000	30,000	38,277	8,277
Hotel/Motel taxes	20,000	20,000	26,213	6,213
Total taxes	2,443,000	2,443,000	2,499,046	56,046
Intergovernmental				
State of Tennessee				
- TVA replacement tax	46,000	46,000	52,063	6,063
- Sales tax allocation	325,000	360,100	387,286	27,186
- Income tax allocation	29,500	29,500	22,290	(7,210)
- Beer tax allocation	2,000	2,000	2,035	35
- Mixed drink tax allocation	2,000	2,000	3,271	1,271
- Petroleum tax	8,000	8,000	8,739	739
- Telecommunication tax	250	2,750	3,901	1,151
- Corporate excise tax	10,000	10,000	10,198	198
State law enforcement	9,000	9,000	9,600	600
CDBG Disaster/Agricultural Growth	-	1,000	1,800	800
Housing grant	-	170,538	230,155	59,617
Farmers market grant	50,000	50,000	40,671	(9,329)
TDOT sidewalk grant	417,000	417,000	-	(417,000)
Fire Dept grants	-	14,000	6,500	(7,500)
LESO grant	200,000	300,000	332,538	32,538
State LPRF grant	-	-	48,000	48,000
State highway maintenance grant	85,000	85,000	96,916	11,916
FBI OT Reimbursement	18,000	54,000	27,217	(26,783)
Total intergovernmental revenues	1,201,750	1,560,888	1,283,180	(277,708)
Licenses and permits				
Beer permits	1,800	1,800	2,050	250
Building permits	1,200	2,400	2,426	26
Total licenses and permits	3,000	4,200	4,476	276
Charges for services				
Special fire protection	9,350	12,350	13,440	1,090
Swimming pool charges	2,800	2,800	4,917	2,117
Recreation programs	40,000	40,000	47,276	7,276
Community center fees	30,000	30,000	29,704	(296)
Total charges for services	82,150	85,150	95,337	10,187
Fines, forfeits, and penalties				
City court fines	150,000	150,000	148,141	(1,859)
Fines, fees and penalties - auto cameras	90,000	225,013	239,376	14,363
Court fines from County	28,000	30,000	30,718	718
Total fines, forfeits, and penalties	268,000	405,013	418,235	13,222

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

TOWN OF SELMER, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues (continued)				
Other revenues				
Civic Center - United Way	2,000	2,000	4,000	2,000
Rent - UTM Anticipated	-	-	23,335	23,335
Insurance recoveries	5,000	43,000	47,384	4,384
Contributions	500	8,000	6,344	(1,656)
Penalties and interest	8,000	14,000	16,352	2,352
Miscellaneous	13,100	35,100	41,989	6,889
Total other revenues	<u>28,600</u>	<u>102,100</u>	<u>139,404</u>	<u>37,304</u>
Total revenues	<u>3,976,500</u>	<u>4,600,351</u>	<u>4,439,678</u>	<u>(160,673)</u>
Expenditures				
General government				
Legislative				
Mayor	47,000	47,000	47,030	(30)
Reimbursement for mayor	(28,000)	(28,000)	(28,000)	-
Board and committee members	9,000	9,000	9,000	-
Payroll taxes	4,284	4,284	4,284	-
Retirement	5,640	5,640	5,640	-
Election officials	6,500	6,500	-	6,500
Memberships and registration fees	4,000	4,000	2,808	1,192
Advertising	3,500	3,500	1,188	2,312
State planning office	7,500	7,500	6,250	1,250
Travel	2,000	2,000	-	2,000
Mayor expense	12,000	12,000	6,405	5,595
Prizes and awards	2,200	2,200	2,728	(528)
Salaries	6,000	6,000	6,000	-
Payroll taxes	459	459	459	-
Total legislative	<u>82,083</u>	<u>82,083</u>	<u>63,792</u>	<u>18,291</u>
General government buildings				
Utility services	2,100	2,100	1,658	442
Electricity	5,500	5,500	6,861	(1,361)
Repairs and maintenance	5,000	10,000	10,389	(389)
Household and janitorial	1,400	1,400	2,424	(1,024)
Total general government buildings	<u>14,000</u>	<u>19,000</u>	<u>21,332</u>	<u>(2,332)</u>

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

TOWN OF SELMER, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Expenditures (continued)				
General government (continued)				
Financial administration				
Salaries	57,108	57,108	57,108	-
Salaries - permanent employees	41,382	41,382	41,382	-
OASI	7,037	7,037	6,922	115
Hospital and health	370,000	370,000	359,829	10,171
Retirement	17,039	17,039	14,999	2,040
Workers compensation	106,000	106,000	90,436	15,564
Unemployment	3,500	3,500	3,032	468
Refunds	300	300	-	300
Postage and box rental	2,500	2,500	551	1,949
Telephone	7,500	7,500	8,017	(517)
Professional services	2,000	2,000	3,050	(1,050)
Legal	10,000	10,000	6,658	3,342
Audit	16,500	16,500	15,750	750
Data processing services	15,500	15,500	11,000	4,500
Other professional	1,500	1,500	250	1,250
Miscellaneous	750	750	-	750
Office supplies	3,000	3,000	1,294	1,706
Property tax roll	2,300	2,300	2,191	109
Computer supplies	1,500	1,500	182	1,318
Fax and copier	3,000	3,000	2,752	248
Insurance - vehicles	130,000	130,000	117,599	12,401
Surety bonds	1,000	1,000	500	500
Office supplies	50	50	-	50
Awards for services	1,500	1,500	2,100	(600)
Total financial administration	800,966	800,966	745,602	55,364
Civic center				
Advertising	2,000	2,000	1,408	592
Utility service	9,000	9,000	7,877	1,123
Electricity	33,000	33,000	31,270	1,730
Repair and maintenance	1,500	1,500	382	1,118
Repair and maintenance-other	4,000	4,000	5,063	(1,063)
Household and janitorial	5,000	5,000	5,562	(562)
Surety bonds	300	300	100	200
Capital outlay	10,000	10,000	8,500	1,500
Total civic center	64,800	64,800	60,162	4,638
Debt service				
Principal	233,083	233,083	232,703	380
Interest	83,953	83,953	85,719	(1,766)
Total debt service	317,036	317,036	318,422	(1,386)
Total general government	1,278,885	1,283,885	1,209,310	74,575

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

TOWN OF SELMER, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Expenditures (continued)				
Public safety				
Police department				
Salaries	156,422	174,422	181,697	(7,275)
Payroll taxes	61,300	61,300	54,900	6,400
Retirement	88,420	88,420	77,103	11,317
Employee education	17,000	17,000	11,567	5,433
Refunds	300	300	-	300
Vehicle tow-in service	500	500	290	210
Telephone	2,800	2,800	3,985	(1,185)
Professional service	58,676	58,676	58,676	-
Data processing	500	500	-	500
Repair and maintenance	1,000	1,000	261	739
Repair and maintenance - vehicles	20,000	25,000	38,647	(13,647)
Repair and maintenance - radios	3,000	3,000	1,298	1,702
Travel	400	400	74	326
Ambulance and clinic	900	900	1,009	(109)
City court cost	12,000	12,000	10,903	1,097
Miscellaneous	700	700	25	675
Office supplies	6,000	6,000	11,388	(5,388)
Operating supplies	10,000	15,000	16,084	(1,084)
Uniforms	10,000	10,000	10,356	(356)
Gas, oil and diesel	34,000	34,000	35,691	(1,691)
Building and office	1,200	1,200	634	566
Small items of equipment	200,000	300,000	120,280	179,720
Overtime	58,000	76,000	61,032	14,968
Salaries	36,415	36,415	33,232	3,183
Hourly wages	520,093	520,093	423,516	96,577
Overtime	150	150	-	150
Hourly wages	30,985	30,985	28,732	2,253
Capital outlay	25,000	166,897	368,451	(201,554)
Total police department	1,355,761	1,643,658	1,549,831	93,827
Fire department				
Salaries	243,415	243,415	269,650	(26,235)
Overtime	12,000	30,000	32,597	(2,597)
Payroll taxes	19,539	19,539	24,449	(4,910)
Retirement	18,756	18,756	21,557	(2,801)
Training	24,500	24,500	24,459	41
Volunteer firemen	30,000	30,000	20,631	9,369
Fire code enforcement	3,000	3,000	2,753	247
Subscriptions	400	400	409	(9)
Public relations	3,500	3,500	3,461	39
Utilities	25,000	25,000	30,104	(5,104)
Telephone	5,500	5,500	6,501	(1,001)
Repair and maintenance	11,000	11,000	10,595	405
Repair and maintenance - vehicles	16,000	32,000	32,763	(763)
Repair and maintenance - building	5,000	5,000	3,369	1,631
Repair and maintenance - radios	3,200	21,303	20,860	443
Travel	9,000	9,000	7,319	1,681
Medical, physicals, etc...	3,000	3,000	2,427	573
Miscellaneous	1,000	1,000	945	55
Office supplies and materials	1,500	1,500	1,257	243
Additional items of equipment	25,000	35,585	33,378	2,207
Operating supplies	2,000	2,000	1,697	303
Uniforms	6,100	6,100	5,717	383
Gas, oil and diesel	20,000	20,000	20,055	(55)
Capital outlay	-	7,500	7,500	-
Total fire department	488,410	558,598	584,453	(25,855)

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

TOWN OF SELMER, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Public safety (continued)				
Building inspector				
Salaries	46,950	46,950	46,949	1
Payroll taxes	3,592	3,592	3,592	-
Retirement	5,634	5,634	5,634	-
Education and training	350	1,150	1,116	34
Telephone	500	500	667	(167)
Repair and maintenance - vehicle	275	275	527	(252)
Repair and maintenance - grounds	200	200	-	200
Operating supplies	250	250	-	250
Gas, oil and diesel	1,500	1,500	1,541	(41)
Vehicles - capital outlay	20,000	20,000	20,000	-
Total building inspector	79,251	80,051	80,026	25
Total public safety	1,923,422	2,282,307	2,214,310	67,997
Public works				
Streets and highways				
Salaries	41,915	41,915	41,915	-
Overtime	5,000	5,000	1,471	3,529
Hourly wages	285,900	285,900	269,350	16,550
Payroll taxes	25,080	25,080	23,284	1,796
Retirement	39,340	39,340	34,543	4,797
Utilities	1,800	1,800	1,473	327
Electricity	2,250	2,250	2,716	(466)
Telephone	2,250	2,250	2,400	(150)
Repair and maintenance	450	450	243	207
Repair and maintenance - vehicles	18,000	18,000	18,251	(251)
Repair and maintenance - other equipment	5,000	5,000	1,769	3,231
Repair and maintenance - machinery	4,600	4,600	4,570	30
Repair and maintenance - radios	100	100	188	(88)
Repair and maintenance - streets	30,000	180,000	196,796	(16,796)
Street light/paving	450,000	450,000	327	449,673
Other contractual services	79,000	79,000	89,530	(10,530)
Clinic, hospital	300	300	812	(512)
Office supplies	1,700	1,700	2,235	(535)
Operating supplies	15,000	15,000	9,973	5,027
Uniforms	6,700	6,700	6,169	531
Gas, oil and diesel	20,000	20,000	22,668	(2,668)
Consumable tools	125	125	117	8
Sign parts and supplies	4,000	4,000	4,882	(882)
Capital outlay	-	12,000	12,000	-
Total streets and highways	1,038,510	1,200,510	747,682	452,828
Sanitation				
Telephone	-	-	198	(198)
Repair and maintenance - motor	-	-	242	(242)
Other contractual services	-	-	13,246	(13,246)
Landfill services	-	-	3,938	(3,938)
Operating supplies	-	-	20	(20)
Total sanitation	-	-	17,644	(17,644)
Abused dogs				
Operating supplies	500	500	300	200
Total public works	1,039,010	1,201,010	765,626	435,384
Health, welfare, and recreation				
Grants and appropriations				
Grant/donation - Senior Citizens	6,000	6,000	6,000	-
Grant/donation - Carl Perkins Center	1,000	1,000	1,000	-
Grant/donation - Jesus Cares	3,000	3,000	3,000	-
Grant/donation - Rockabilly Festival	1,000	1,000	2,000	(1,000)
Grant/donation - Vwrap and RSVP	1,250	1,250	1,250	-
Grant/donation - McNairy Arts	3,500	3,500	3,500	-
Grant/donation - Imagination library	1,000	1,000	1,000	-
Grant/donation - other	500	500	-	500
Total grants and appropriations	17,250	17,250	17,750	(500)

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

TOWN OF SELMER, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Health, welfare, and recreation (continued)				
Swimming pools				
Hourly wages	8,000	8,000	7,925	75
Payroll taxes	612	612	606	6
Publicity, subscriptions	-	-	340	(340)
Utilities	4,000	4,000	5,305	(1,305)
Telephone	1,500	1,500	1,324	176
Repairs and maintenance	900	900	2,524	(1,624)
Chemicals	2,400	2,400	1,635	765
Other operating supplies	800	800	863	(63)
Total swimming pools	18,212	18,212	20,522	(2,310)
Parks and recreation				
Salaries	49,722	49,722	49,725	(3)
Overtime	500	500	199	301
Hourly wages	124,425	124,425	133,688	(9,263)
Payroll taxes	13,322	13,322	13,698	(376)
Retirement	16,900	16,900	16,158	742
Refunds	1,500	1,500	1,563	(63)
Utility	15,000	15,000	19,861	(4,861)
Telephone	4,000	4,000	4,410	(410)
Data processing	300	300	-	300
Repair and maintenance	16,000	21,000	22,696	(1,696)
Repair and maintenance-other	2,000	3,000	3,686	(686)
Office supplies	3,800	3,800	2,934	866
Uniforms	700	700	193	507
Other operating supplies	52,000	52,000	54,996	(2,996)
Gas, oil and diesel	5,000	5,000	7,722	(2,722)
Other insurance	3,000	3,000	3,717	(717)
Capital outlay	-	55,000	60,793	(5,793)
Total parks and recreation	308,169	369,169	396,039	(26,870)
Libraries				
Grants and donations	14,500	14,500	13,500	1,000
Economic Development				
Home grant expenses	-	170,538	227,655	(57,117)
Grants or donations	25,000	25,000	25,000	-
Total economic development	25,000	195,538	252,655	(57,117)
Total health, welfare, and recreation	383,131	614,669	700,466	(85,797)
Total expenditures	4,624,448	5,381,871	4,889,712	492,159
Excess (deficiency) of revenues over (under) expenditures	(647,948)	(781,520)	(450,034)	331,486
Other financing sources (uses)				
Transfers in	112,340	112,340	98,068	(14,272)
Transfers out	(20,000)	(20,000)	-	20,000
Bond issue costs	-	(50,551)	(50,551)	-
Proceeds from bond	-	32,226	32,226	-
Proceeds from note	-	141,897	1,816,897	1,675,000
Sale of capital assets	4,000	14,000	13,987	(13)
Total other financing sources (uses)	96,340	229,912	1,910,627	1,680,715
Net change in fund balance	(551,608)	(551,608)	1,460,593	2,012,201
Fund balance, beginning of year	2,813,062	2,813,062	2,813,062	-
Fund balance, end of year	\$ 2,261,454	\$ 2,261,454	\$ 4,273,655	\$ 2,012,201

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

TOWN OF SELMER, TENNESSEE
SANITATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Garbage pickup	\$ 493,730	\$ 493,730	\$ 503,649	\$ 9,919
Uncollectible accounts	(4,500)	(4,500)	(5,442)	(942)
Recovery of uncollectible accounts	1,200	1,200	567	(633)
Service charges and fees	3,800	3,800	6,558	2,758
Total revenues	<u>494,230</u>	<u>494,230</u>	<u>505,332</u>	<u>11,102</u>
Expenditures:				
Payroll	114,380	114,380	100,955	13,425
Payroll taxes	8,597	8,597	7,627	970
Employee insurance	30,000	30,000	20,134	9,866
Retirement	13,485	13,485	12,426	1,059
Refunds or deposit return	300	300	-	300
Utilities	4,000	4,000	4,565	(565)
Telephone	1,800	1,800	2,087	(287)
Data processing	15,600	15,600	15,600	-
Repairs and maintenance	20,100	20,100	16,652	3,448
Contractual services	150,000	150,000	147,398	2,602
Ambulance, clinic, etc...	75	75	-	75
Landfill services	46,000	46,000	41,659	4,341
Miscellaneous	50	50	-	50
Office supplies	500	500	109	391
Operating supplies	1,300	1,300	-	1,300
Uniforms	4,000	4,000	1,860	2,140
Gas and oil	15,000	15,000	13,988	1,012
Other operating supplies	800	800	-	800
Consumable tools	200	200	-	200
Debt payments				
Principal	44,663	44,663	45,044	(381)
Interest	6,710	6,710	6,329	381
Total expenditures	<u>477,560</u>	<u>477,560</u>	<u>436,433</u>	<u>41,127</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,670</u>	<u>16,670</u>	<u>68,899</u>	<u>52,229</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	16,670	16,670	68,899	52,229
Fund Balance, beginning of year	<u>70,654</u>	<u>70,654</u>	<u>70,654</u>	<u>-</u>
Fund Balance, end of the year	<u>\$ 87,324</u>	<u>\$ 87,324</u>	<u>\$ 139,553</u>	<u>\$ 52,229</u>

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

**TOWN OF SELMER, TENNESSEE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2019**

	<u>Water and Sewer</u>	<u>Natural Gas</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,926,891	\$ 5,521,724	\$ 7,448,615
Accounts receivable, net of allowance	310,427	67,123	377,550
Inventory	121,998	141,411	263,409
Prepaid expenses	13,932	8,395	22,327
TOTAL CURRENT ASSETS	<u>2,373,248</u>	<u>5,738,653</u>	<u>8,111,901</u>
NONCURRENT ASSETS			
Net pension assets	319,611	247,747	567,358
Capital assets, net	21,079,769	2,592,157	23,671,926
	<u>21,399,380</u>	<u>2,839,904</u>	<u>24,239,284</u>
TOTAL ASSETS	<u>23,772,628</u>	<u>8,578,557</u>	<u>32,351,185</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	144,011	83,461	227,472
	<u>144,011</u>	<u>83,461</u>	<u>227,472</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	25,093	41,019	66,112
Accrued expenses	54,522	2,701	57,223
Accrued interest	23,916	-	23,916
Customer deposits	91,460	31,505	122,965
Due to other funds	22,421	18,790	41,211
Current portion of long-term debt	575,320	-	575,320
TOTAL CURRENT LIABILITIES	<u>792,732</u>	<u>94,015</u>	<u>886,747</u>
NONCURRENT LIABILITIES			
Compensated absences	23,531	29,934	53,465
Notes payable (net of unamortized premium)	8,064,281	-	8,064,281
TOTAL NONCURRENT LIABILITIES	<u>8,087,812</u>	<u>29,934</u>	<u>8,117,746</u>
TOTAL LIABILITIES	<u>8,880,544</u>	<u>123,949</u>	<u>9,004,493</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	139,279	90,149	229,428
	<u>139,279</u>	<u>90,149</u>	<u>229,428</u>
NET POSITION			
Net investment in capital assets	12,440,168	2,592,157	15,032,325
Restricted for other purposes	319,611	247,747	567,358
Unrestricted	2,137,037	5,608,016	7,745,053
TOTAL NET POSITIONS	<u>\$ 14,896,816</u>	<u>\$ 8,447,920</u>	<u>\$ 23,344,736</u>

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

TOWN OF SELMER, TENNESSEE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Water and Sewer	Natural Gas	Total
OPERATING REVENUES			
Utility sales and services	\$ 3,132,850	\$ 1,760,965	\$ 4,893,815
Recovery of uncollectible accounts	14,035	1,454	15,489
Uncollectible accounts	(41,851)	(6,244)	(48,095)
Service charges and fees	249,889	29,321	279,210
Other income	618	1,403	2,021
TOTAL OPERATING REVENUES	<u>3,355,541</u>	<u>1,786,899</u>	<u>5,142,440</u>
OPERATING EXPENSES			
Cost of natural gas sold	-	776,807	776,807
Personnel services	751,743	617,373	1,369,116
Contractual services	912,520	117,496	1,030,016
Supplies	65,468	21,059	86,527
Insurance	82,209	28,789	110,998
Depreciation	817,705	141,206	958,911
TOTAL OPERATING EXPENSES	<u>2,629,645</u>	<u>1,702,730</u>	<u>4,332,375</u>
OPERATING INCOME	<u>725,896</u>	<u>84,169</u>	<u>810,065</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	11,041	41,906	52,947
Insurance recoveries	-	19,768	19,768
Accretion on debt premiums	11,876	-	11,876
Interest expense	(303,767)	-	(303,767)
NET NONOPERATING EXPENSES	<u>(280,850)</u>	<u>61,674</u>	<u>(219,176)</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>445,046</u>	<u>145,843</u>	<u>590,889</u>
Transfers out	(49,478)	(48,590)	(98,068)
CHANGE IN NET POSITION	<u>395,568</u>	<u>97,253</u>	<u>492,821</u>
NET POSITION - BEGINNING OF YEAR	<u>14,501,248</u>	<u>8,350,667</u>	<u>22,851,915</u>
NET POSITION- END OF YEAR	<u>\$ 14,896,816</u>	<u>\$ 8,447,920</u>	<u>\$ 23,344,736</u>

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

**TOWN OF SELMER, TENNESSEE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2019**

	Water and Sewer	Natural Gas	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 3,386,616	\$ 1,779,215	\$ 5,165,831
Cash receipts from other funds for services	(26,467)	-	(26,467)
Cash payments to suppliers for goods and services	(1,052,759)	(984,191)	(2,036,950)
Cash payments to other funds for services	7,128	22,916	30,044
Cash payments for personnel services	(821,295)	(670,717)	(1,492,012)
CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,493,223</u>	<u>147,223</u>	<u>1,640,446</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(49,478)	(48,590)	(98,068)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of fixed assets	(215,170)	(85,588)	(300,758)
Capital contributions from local government	-	-	-
Insurance recoveries	-	19,768	19,768
Bond issue costs	38,662	-	38,662
Note proceeds	890,000	-	890,000
Principal payments on long-term debt	(1,499,480)	-	(1,499,480)
Interest paid on long-term debt	(303,767)	-	(303,767)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,089,755)</u>	<u>(65,820)</u>	<u>(1,155,575)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	11,041	41,906	52,947
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	365,031	74,719	439,750
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,561,860</u>	<u>5,447,005</u>	<u>7,008,865</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,926,891</u>	<u>\$ 5,521,724</u>	<u>\$ 7,448,615</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 725,896	\$ 84,169	\$ 810,065
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	817,705	141,206	958,911
GASB 68 adjustments related to pension	(65,680)	(55,470)	(121,150)
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivable	33,805	(6,164)	27,641
(Increase) decrease in due from other funds	7,128	4,126	11,254
(Increase) decrease in inventory	(7,210)	(13,358)	(20,568)
(Increase) decrease in prepaids	(272)	(90)	(362)
Increase (decrease) in accounts payable	(4,128)	(26,707)	(30,835)
Increase (decrease) in accrued liabilities	19,048	115	19,163
Increase (decrease) in due to other funds	(26,467)	18,790	(7,677)
Increase (decrease) in compensated absences	(3,872)	2,126	(1,746)
Increase (decrease) in customer deposits	(2,730)	(1,520)	(4,250)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,493,223</u>	<u>\$ 147,223</u>	<u>\$ 1,640,446</u>

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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE I. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

Blended Component Units

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

Discretely Presented Component Units

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

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

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

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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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

Fund Financial Statements:

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

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

Governmental Funds

General Fund

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

Special Revenue Funds

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

Proprietary Fund

Enterprise Funds

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

**TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Fund	Brief Description
Major:	
General	See above for description.
 <u>Special Revenue Fund:</u>	
Sanitation Fund	Accounts for the solid waste revenue and expenditures related to disposal services.
 <u>Proprietary Funds:</u>	
Water and Sewer Fund	Accounts for the activities associated with the water distribution system and for the activities associated with the sewage treatment plant, sewage pumping stations and collection systems.
Natural Gas Fund	Accounts for activities associated with the gas distribution system.
 Nonmajor:	
<u>Special Revenue Funds:</u>	
State Street Aid	Accounts for the state gas tax revenue and the expenditures legally restricted to street maintenance.
Drug Fund	Accounts for revenues and expenditures on drug fines and enforcement costs.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates timing transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met; including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when the cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

The City does not allocate indirect costs.

D. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds.

The Town adopts its budget in accordance with the State's legal requirement which is the level of classification detail at which expenditures may not legally exceed appropriations.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles.
- b. Unused appropriations for each of the annually budgeted funds lapse at the end of the year.
- c. Revisions to the budget may be made throughout the year in accordance with governing statutes and consistent with generally accepted accounting principles.

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

Cash and Cash Equivalents

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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Receivables

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

Interfund Receivables and Payables

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

Inventories and Prepaid Expenses

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

Capital Assets

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

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

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

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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Distribution plant	20-50
General plant	20-50
Treatment plant	20-50

Deferred Outflows/Inflows of Resources

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

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

Compensated absences

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

Long-term Debt

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

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

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

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered applied. It is the government's policy to considered restricted – net position to have been depleted before unrestricted – net position is applied.

Net position is displayed in three components:

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

Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

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

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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Pensions

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

F. REVENUES, EXPENDITURES AND EXPENSES

Program Revenues

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

Sales Tax

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

Property Tax

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

Operating Revenues and Expenses

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

**TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Expenditures/ Expenses

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

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

Governmental funds – by Character:	Current (further classified by function) Debt Service Capital Outlay
Proprietary Fund – By Operating and Nonoperating	

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

Interfund Transfers

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

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

A. FUND ACCOUNTING REQUIREMENTS

Fund	Required By
Police Drug Fund	State Law

B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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

C. REVENUE RESTRICTIONS

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

Revenue Source Gasoline Excise Tax Grants	Legal Restrictions of Use Street purposes Grant program expenditures
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**TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

D. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Tennessee Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town had no deficit fund balances at June 30, 2019.

E. BUDGET APPROPRIATIONS

The Town's State Street Aid Fund had expenditures exceeding appropriations.

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

A. ASSETS

Cash and Investments

The Town maintains checking and collection accounts with local banks.

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

Deposits

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

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

Change in Capital Assets

Depreciation was charged to various functions and activities as follows:

Governmental activities	
General government	\$ 59,285
Public safety	461,547
Public works	138,813
Health, welfare and recreation	98,266
Total governmental activities	<u>757,911</u>
Business-type activities	
Water and sewer	817,705
Natural gas	141,207
Total business-type	<u>\$ 958,912</u>

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

During the fiscal year ended June 30, 2019, the following changes in capital assets occurred:

	Balance 7/1/18	Additions/ Adjustments	Disposals/ Adjustments	Balance 6/30/19
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 241,892	\$ -	\$ -	\$ 241,892
Construction in progress	-	-	-	-
Subtotal	<u>241,892</u>	<u>-</u>	<u>-</u>	<u>241,892</u>
Capital assets being depreciated				
Buildings and improvements	5,009,069	-	-	5,009,069
Infrastructure	741,925	57,293	-	799,218
Other fixed assets	5,581,563	419,951	260,801	5,740,713
Subtotal	<u>11,332,557</u>	<u>477,244</u>	<u>260,801</u>	<u>11,549,000</u>
Less accumulated depreciation for:				
Buildings and improvements	3,465,938	-	-	3,465,938
Infrastructure	188,530	46,415	-	234,945
Other fixed assets	4,016,179	711,496	260,068	4,467,607
Subtotal	<u>\$ 7,670,647</u>	<u>\$ 757,911</u>	<u>\$ 260,068</u>	<u>8,168,490</u>
Total capital assets, being depreciated, net				<u>3,380,510</u>
Governmental activities capital assets, net				<u>\$ 3,622,402</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 182,425	\$ -	\$ -	\$ 182,425
Construction in Progress	134,312	78,255	-	212,567
Subtotal	<u>316,737</u>	<u>78,255</u>	<u>-</u>	<u>394,992</u>
Capital assets being depreciated				
Equipment	1,625,047	17,925	-	1,642,972
Intangibles	939,889	-	-	939,889
Infrastructure	41,299,906	204,578	-	41,504,484
Subtotal	<u>43,864,842</u>	<u>222,503</u>	<u>-</u>	<u>44,087,345</u>
Less accumulated depreciation for:				
Equipment	1,208,534	65,044	-	1,273,578
Intangibles	718,310	14,689	-	732,999
Infrastructure	17,924,655	879,179	-	18,803,834
Total accumulated depreciation	<u>\$ 19,851,499</u>	<u>\$ 958,912</u>	<u>\$ -</u>	<u>20,810,411</u>
Total capital assets, being depreciated, net				<u>23,276,934</u>
Business-type activities capital assets, net				<u>\$ 23,671,926</u>

B. LIABILITIES

Pension Plan Obligations

General Information about the Pension Plan

Plan description. Employees of Selmer are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average

**TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

Employees covered by benefit terms. At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	70
Active employees	75
	190

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Selmer makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2019, the Actuarially Determined Contribution for Selmer was \$304,439 based on a rate of 12 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Selmer's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Selmer's net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Actuarial assumptions. The total pension liability as of June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent.
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Selmer will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/17	\$ 11,242,368	\$ 12,022,477	\$ (780,109)
Changes for the year:			
Service cost	191,162	-	191,162
Interest	813,577	-	813,577
Differences between expected and actual experience	(367,301)	-	(367,301)
Changes in assumption	-	-	-
Contributions - employer	-	296,130	(296,130)
Contributions - employee	-	-	-
Net investment income	-	992,364	(992,364)
Benefit payments, including refunds of employee contributions	(423,569)	(423,569)	-
Administrative expense	-	(6,832)	6,832
Net changes	<u>213,869</u>	<u>858,093</u>	<u>(644,224)</u>
Balance at 6/30/18	<u>\$ 11,456,237</u>	<u>\$ 12,880,570</u>	<u>\$ (1,424,333)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net position liability (asset) of Selmer calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

**TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.250%)</u>	<u>1% Increase (8.250%)</u>
Selmer's net pension liability (asset)	\$ 70,882	\$ (1,424,333)	\$ (2,673,081)

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

Pension expense (negative pension expense). For the year ended June 30, 2019, Selmer recognized pension expense (negative pension expense) of (\$2,078).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2019, Selmer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 502,451
Net difference between projected and actual earnings on pension plan investments	-	54,039
Changes in Assumptions	216,178	
Contributions subsequent to the measurement date of June 30, 2018	<u>304,439</u>	<u>n/a</u>
Total	<u>\$ 520,617</u>	<u>\$ 556,490</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2018," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:

2020	\$ 11,410
2021	(78,992)
2022	(146,187)
2023	(63,090)
2024	(10,977)
Thereafter	(52,472)

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

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

Payable to the Pension Plan

At June 30, 2019, Selmer reported a payable of \$22,951 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

Long-Term Obligations

The Town's long-term debt is segregated between amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

General Obligation Bonds – The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and to refund other general obligation bonds. General obligation bonds are direct obligations and pledge the full faith, credit, and taxing authority of the government. General obligation bonds were issued for original terms of up to 19 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2019, will be retired from various funds as noted in the Schedule of Changes in Long-Term Debt by Individual Issue.

Direct Borrowing and Direct Placements – The Town issues other loans to provide funds for the acquisition and construction of major capital facilities. Loans are direct obligations and pledge the full faith, credit, and taxing authority of the government. The loans outstanding were issued for original terms of up to 10 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All loans included in long-term debt as of June 30, 2019, will be retired from various funds as noted in the Schedule of Changes in Long-Term Debt by Individual Issue.

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

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

**TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Governmental Activities

As of June 30, 2019, the governmental long-term liabilities of the Town consisted of the following:

General Long-Term Liabilities

General Obligation Bonds

General Obligation Bonds Series 2015, dated 10/22/15, Interest 2.25% - 3.375%, due semi-annually through 2035	\$2,570,000
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General Obligation Bonds Series 2019, dated 5/22/2019, Interest 2.50% - 4.00%, due semi-annually through 2045	1,675,000
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Capital Outlay Notes

Capital Outlay Note, dated 04/13/12, 3.25%, due in annual installments through 04/13/24	22,917
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Capital Outlay Note, dated 07/15/14, 2.98%, due in annual installments through 06/01/2026	225,000
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Capital Outlay Note, dated 11/30/2018, 3.59%, due in annual installments through 11/30/2024	141,897
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Direct Borrowing and Direct Placements

Bancorp South, dated 11/22/16, 2.39%, due in monthly Installments of \$3,249 thru December of 2021 with a balloon payment of \$75,000 due at maturity	162,118
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Other liabilities

Unamortized premium on debt	42,404
Compensated absences	129,077

Total General Long-Term Liabilities	<u>\$ 4,968,413</u>
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Business-Type Activities

General Obligation Bonds

General Obligation Refunding Water and Sewer Bonds, Series 2013, interest 1.00% - 4.25%, payable semi-annually through August 2035	\$ 5,210,000
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General Obligation Bonds Series 2019, dated 5/22/2019, Interest 4.00%, due semi-annually through 2025	890,000
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Capital Outlay Notes

General Obligation Capital Outlay Note, Series 2012, dated 12/18/12, 2.0%, due semi-annually through 2024	675,000
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Revenue and Tax Bonds

Water, Sewer, and Gas Revenue & Tax Bonds, Series 2001 2.75%, payable monthly through June 2052	100,036
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**TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

Water, Sewer, and Gas Revenue & Tax Bonds, Series 2010 2.75%, payable monthly through June 2050	1,613,360
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Other liabilities

Unamortized premium on debt	151,205
Compensated absences	53,465

Total Business-Type Activities **\$ 8,693,066**

Change in Long-term liabilities

	Beginning Balance	Additions	Retirements	Ending Balance	Due within one year
Governmental Type Activities					
General Obligation Bonds	\$ 2,780,000	\$ 1,675,000	\$ 210,000	\$ 4,245,000	\$ 180,000
Capital Outlay Notes	281,000	141,897	33,083	389,814	55,697
Direct Borrowing & Direct Placements	196,781	-	34,663	162,118	35,501
Compensated absences	129,077	-	-	129,077	-
Unamortized debt premiums	14,932	32,226	4,754	42,404	-
Total governmental activities	3,401,790	1,849,123	282,500	4,968,413	271,198
Business Type Activities					
General Obligation Bonds	6,550,000	890,000	1,340,000	6,100,000	410,000
Revenue and Tax Bonds	1,747,876	-	34,480	1,713,396	35,320
Capital Outlay Notes	800,000	-	125,000	675,000	130,000
Compensated absences	55,211	-	1,746	53,465	-
Unamortized debt premiums	124,418	64,710	37,923	151,205	-
Total business type activities	9,277,505	954,710	1,539,149	8,693,066	575,320
Total government	\$ 12,679,295	\$ 2,803,833	\$ 1,821,649	\$ 13,661,479	\$ 846,518

Other Long-term liabilities

Governmental-type compensated absences have been paid in prior years by the General Fund.

Annual Requirements to Retire Debt Outstanding

The annual aggregate maturities for each debt type for years subsequent to June 30, 2019, are as follows:

Capital Outlay Notes

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2020	\$ 55,697	\$ 12,544	\$ 130,000	\$ 13,500	\$ 211,741
2021	57,474	10,740	130,000	10,900	209,114
2022	58,778	8,878	135,000	8,300	210,956
2023	60,611	6,973	140,000	5,600	213,184
2024	62,471	5,008	140,000	2,800	210,279
2025	59,783	2,982	-	-	62,765
2026	35,000	1,043	-	-	36,043
	\$ 389,814	\$ 48,168	\$ 675,000	\$ 41,100	\$ 1,154,082

TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

General Obligation Bonds

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2020	\$ 180,000	\$ 122,724	\$ 410,000	\$ 229,909	\$ 942,633
2021	190,000	116,660	420,000	217,006	943,666
2022	195,000	111,960	415,000	202,956	924,916
2023	200,000	107,160	415,000	189,056	911,216
2024	210,000	102,260	435,000	174,482	921,742
2025-2029	1,120,000	427,352	1,715,000	665,858	3,928,210
2030-2034	1,115,000	267,708	1,865,000	328,944	3,576,652
2035-2039	525,000	118,708	425,000	17,000	1,085,708
2040-2044	415,000	54,218	-	-	469,218
2045	95,000	2,969	-	-	97,969
	<u>\$ 4,245,000</u>	<u>\$ 1,431,719</u>	<u>\$ 6,100,000</u>	<u>\$ 2,025,211</u>	<u>\$ 13,801,930</u>

Revenue and Tax Bonds

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2020	\$ 35,320	\$ 46,794
2021	36,306	45,808
2022	37,319	44,795
2023	38,361	43,753
2024	39,431	42,683
2025-2029	214,288	196,282
2030-2034	245,906	164,664
2035-2039	282,188	128,482
2040-2044	323,825	86,745
2045-2049	371,603	38,967
2050-2052	88,849	1,692
	<u>\$ 1,713,396</u>	<u>\$ 840,665</u>

Direct Placement & Direct Borrowings

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2020	\$ 35,501	\$ 3,487
2021	36,359	2,629
2022	90,258	987
2023	-	-
2024	-	-
2024-2029	-	-
2030-2034	-	-
2035-2039	-	-
2040 - 2044	-	-
2045-2049	-	-
2050-2052	-	-
	<u>\$ 162,118</u>	<u>\$ 7,103</u>

NOTE IV – OTHER NOTES

A. INSURANCE

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

**TOWN OF SELMER, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

B. INTERFUND TRANSACTIONS AND BALANCES

DUE FROM:	<u>General</u>	<u>Sanitation</u>	<u>Water</u>	<u>Total</u>
Drug	\$ 20,831	\$ -	\$ -	\$ 20,831
Gas		22,421	\$ 18,790	41,211
	<u>\$ 20,831</u>	<u>\$ 22,421</u>	<u>\$ 18,790</u>	<u>\$ 62,042</u>

The outstanding balances between funds result from revenues that are collected by one fund for another fund. These balances are all expected to be repaid within one year. The Gas Fund made an operating transfer to the General Fund during the year in the amount of \$48,590 and the Water and Sewer Fund made one to the General Fund in the amount of \$49,478 for in-lieu-of tax payments.

C. COMMITMENTS AND CONTINGENCIES

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

Water System

As of June 30, 2019, the System has incurred \$212,567 for the Sewer Treatment System Improvements. The initial contract sum is \$3,200,000 with an estimated completion date of August 2023. When completed, the Sewer Treatment System will be more efficient in meeting standards set by TDEC and EPA.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total pension liability					
Service Cost	\$ 172,869	\$ 169,386	\$ 177,309	\$ 179,219	\$ 191,162
Interest	693,733	714,016	739,296	777,984	813,577
Changes in benefit terms	-	-	-	-	-
Differences between actual and expected experience	(248,291)	(193,275)	(19,841)	(12,183)	(367,301)
Change of assumptions	-	-	-	302,648	-
Benefit payments, including refunds of employee contributions	(334,029)	(354,733)	(367,251)	(398,407)	(423,569)
Net change in total pension liability	<u>284,282</u>	<u>335,394</u>	<u>529,513</u>	<u>849,261</u>	<u>213,869</u>
Total pension liability - beginning	<u>9,243,918</u>	<u>9,528,200</u>	<u>9,863,594</u>	<u>10,393,107</u>	<u>11,242,368</u>
Total pension liability - ending (a)	<u>\$ 9,528,200</u>	<u>\$ 9,863,594</u>	<u>\$ 10,393,107</u>	<u>\$ 11,242,368</u>	<u>\$ 11,456,237</u>
Plan fiduciary net position					
Contributions - employer	\$ 379,922	\$ 409,986	\$ 417,666	\$ 305,882	\$ 296,130
Contributions - employee	-	-	-	-	-
Net investment income	1,446,425	314,958	280,874	1,228,723	992,364
Benefit payments, including refunds of employee contributions	(334,029)	(354,733)	(367,251)	(398,407)	(423,569)
Administrative expense	(3,078)	(3,767)	(5,561)	(6,369)	(6,832)
Net change in plan fiduciary net position	<u>1,489,240</u>	<u>366,444</u>	<u>325,728</u>	<u>1,129,829</u>	<u>858,093</u>
Plan fiduciary net position - beginning	<u>8,711,236</u>	<u>10,200,476</u>	<u>10,566,920</u>	<u>10,892,648</u>	<u>12,022,477</u>
Plan fiduciary net position - ending (b)	<u>\$ 10,200,476</u>	<u>\$ 10,566,920</u>	<u>\$ 10,892,648</u>	<u>\$ 12,022,477</u>	<u>\$ 12,880,570</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ (672,276)</u>	<u>\$ (703,326)</u>	<u>\$ (499,541)</u>	<u>\$ (780,109)</u>	<u>\$ (1,424,333)</u>
Plan fiduciary net position as a percentage of total pension liability	107.06%	107.13%	104.81%	106.94%	112.43%
Covered payroll	\$ 2,285,934	\$ 2,386,414	\$ 2,431,112	\$ 2,549,016	\$ 2,472,654
Net pension liability (asset) as a percentage of covered payroll	-29.41%	-29.47%	-20.55%	-30.60%	-57.60%

Notes to Schedule:

Changes of assumptions. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 379,922	\$ 409,986	\$ 417,666	\$ 203,411	\$ 296,130	\$ 206,995
Contributions in relation to the actuarially determined contribution	<u>379,922</u>	<u>409,986</u>	<u>417,666</u>	<u>305,882</u>	<u>296,130</u>	<u>304,439</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (102,471)</u>	<u>\$ -</u>	<u>\$ (97,444)</u>
Covered payroll	\$ 2,285,934	\$ 2,386,414	\$ 2,431,112	\$ 2,549,016	\$ 2,473,752	\$ 2,536,994
Contributions as a percentage to covered payroll	16.62%	17.18%	17.18%	12.00%	11.97%	12.00%

GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

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

TOWN OF SELMER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2019 were calculated based on the July 1, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

**TOWN OF SELMER, TENNESSEE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>SPECIAL REVENUE</u>		Total Other Nonmajor Governmental Funds
	State Street Aid Fund	Drug Fund	
ASSETS			
Cash and cash equivalents	\$ 301,260	\$ 47,276	\$ 348,536
Receivables from other governments	25,892	1,561	27,453
Total Assets	<u>\$ 327,152</u>	<u>\$ 48,837</u>	<u>\$ 375,989</u>
LIABILITIES			
Accounts payable	\$ 4,415	\$ 1,638	\$ 6,053
Due to other funds	-	20,831	20,831
Unearned revenues - other	-	1,414	1,414
Total liabilities	<u>4,415</u>	<u>23,883</u>	<u>28,298</u>
FUND BALANCES			
Restricted			
State street aid	322,737	-	322,737
Drug	-	24,954	24,954
Total fund balances	<u>322,737</u>	<u>24,954</u>	<u>347,691</u>
Total liabilities and fund balances	<u>\$ 327,152</u>	<u>\$ 48,837</u>	<u>\$ 375,989</u>

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

TOWN OF SELMER, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	SPECIAL REVENUE		Total Other Nonmajor Governmental Funds
	State Street Aid Fund	Drug Fund	
Revenues:			
Intergovernmental revenues	\$ 153,589	\$ -	\$ 153,589
Fines and forfeitures	-	31,260	31,260
Interest income	249	49	298
Total revenues	<u>153,838</u>	<u>31,309</u>	<u>185,147</u>
Expenditures:			
Public works	55,641	-	55,641
Public safety	-	41,632	41,632
Total expenditures	<u>55,641</u>	<u>41,632</u>	<u>97,273</u>
Excess (deficiency) of revenues over expenditures	<u>98,197</u>	<u>(10,323)</u>	<u>87,874</u>
Other financing sources (uses):			
Sale of capital asset	-	3,859	3,859
Total other financing sources (uses)	<u>-</u>	<u>3,859</u>	<u>3,859</u>
Net change in fund balances	98,197	(6,464)	91,733
Fund Balance, beginning of the year	<u>224,540</u>	<u>31,418</u>	<u>255,958</u>
Fund Balance, end of the year	<u>\$ 322,737</u>	<u>\$ 24,954</u>	<u>\$ 347,691</u>

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

**TOWN OF SELMER, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State gas tax - 1989	\$ 13,000	\$ 13,000	\$ 13,335	\$ 335
State gas tax - 3 cent	24,000	24,000	24,709	709
State gas and motor fuel tax	80,000	80,000	83,647	3,647
State gas tax - 2017	14,000	14,000	31,898	17,898
Interest income	100	100	249	149
Total revenues	<u>131,100</u>	<u>131,100</u>	<u>153,838</u>	<u>22,738</u>
Expenditures				
Street lighting	50,000	50,000	55,641	(5,641)
Street repairs	2,500	2,500	-	2,500
Miscellaneous	-	-	-	-
Total expenditures	<u>52,500</u>	<u>52,500</u>	<u>55,641</u>	<u>(3,141)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>78,600</u>	<u>78,600</u>	<u>98,197</u>	<u>19,597</u>
Other financing sources (uses):				
Transfer in	-	-	-	-
Net change in fund balances	78,600	78,600	98,197	19,597
Fund Balance, beginning of the year	<u>224,540</u>	<u>224,540</u>	<u>224,540</u>	<u>-</u>
Fund Balance, end of the year	<u>\$ 303,140</u>	<u>\$ 303,140</u>	<u>\$ 322,737</u>	<u>\$ 19,597</u>

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

**TOWN OF SELMER, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 20,000	\$ 20,000	\$ 18,389	\$ (1,611)
Seizures	-	-	7,808	7,808
Forfeits	2,000	2,000	5,063	3,063
Interest income	200	200	49	(151)
Total revenues	<u>22,200</u>	<u>22,200</u>	<u>31,309</u>	<u>9,109</u>
Expenditures:				
Employee education	700	700	874	(174)
Vehicle tow-in	1,500	1,500	2,184	(684)
Utilities	5,000	5,000	5,432	(432)
Telephone	6,000	6,000	5,936	64
Repairs and maintenance	1,800	1,800	439	1,361
Miscellaneous	300	300	385	(85)
Office supplies	1,800	1,800	-	1,800
Operating supplies	1,500	1,500	8,770	(7,270)
Educational supplies	3,500	3,500	754	2,746
Gas, oil, & diesel	13,000	13,000	7,147	5,853
Drug control	12,000	12,000	9,711	2,289
Total expenditures	<u>47,100</u>	<u>47,100</u>	<u>41,632</u>	<u>5,468</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(24,900)</u>	<u>(24,900)</u>	<u>(10,323)</u>	<u>14,577</u>
Other financing sources (uses):				
Transfer in	20,000	20,000	-	(20,000)
Sale of capital asset	-	-	3,859	3,859
Total other financing sources (uses)	<u>20,000</u>	<u>20,000</u>	<u>3,859</u>	<u>(16,141)</u>
Net change in fund balances	(4,900)	(4,900)	(6,464)	(1,564)
Fund Balance, beginning of the year	<u>31,418</u>	<u>31,418</u>	<u>31,418</u>	<u>-</u>
Fund Balance, end of the year	<u>\$ 26,518</u>	<u>\$ 26,518</u>	<u>\$ 24,954</u>	<u>\$ (1,564)</u>

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

TOWN OF SELMER, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<u>Tax Levy for Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Beginning Outstanding Taxes</u>	<u>Additions and Adjustments</u>	<u>Collections</u>	<u>Ending Outstanding Taxes</u>	<u>Delinquent Taxes Filed in Chancery Court</u>
2019	0.818	\$ 704,256	\$ -	\$ 773,151	\$ -	773,151	\$ -
2018	0.806	\$ 704,256	704,256	72,558	691,385	85,429	-
2017	0.806	815,491	43,262	(81)	34,653	8,528	8,528
2016	0.806	820,158	9,036	-	3,264	5,772	5,772
2015	0.806	722,685	9,770	-	2,736	7,034	7,034
2014	0.806	825,580	4,100	-	671	3,429	3,429
2013	0.806	811,556	2,558	-	649	1,909	1,909
2012	0.806	797,532	2,900	-	738	2,162	2,162
2011	0.806	771,160	4,279	-	365	3,914	3,914
2010	0.806	781,240	1,393	-	-	1,393	1,393
2009	0.880	751,336	924	-	-	924	924
2008	0.880	682,683	922	-	-	922	922
2007	0.880	696,681	2,563	-	-	2,563	2,563
2006	0.880	649,017	545	-	-	545	545
			<u>\$ 786,508</u>	<u>\$ 845,628</u>	<u>\$ 734,461</u>	<u>\$ 897,675</u>	<u>\$ 39,095</u>

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

TOWN OF SELMER
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
GENERAL LONG TERM DEBT
JUNE 30, 2019

Year Ending June 30,	Series 2015		Series 2019		Capital Outlay Notes						Direct Borrowing & Direct Placement		Totals	
	General Obligation Bonds		General Obligation Bonds		Series 2018		Series 2014		Series 2012		Bancorp South 2016		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2020	\$ 140,000	\$ 68,848	\$ 40,000	\$ 53,876	\$ 21,614	\$ 5,094	\$ 29,500	\$ 6,705	\$ 4,583	\$ 745	\$ 35,501	\$ 3,487	\$ 271,198	\$ 138,755
2021	145,000	65,698	45,000	50,962	22,390	4,318	30,500	5,826	4,584	596	36,359	2,629	283,833	130,029
2022	150,000	62,798	45,000	49,162	23,194	3,514	31,000	4,917	4,584	447	90,258	987	344,036	121,825
2023	155,000	59,798	45,000	47,362	24,027	2,682	32,000	3,993	4,584	298	-	-	260,611	114,133
2024	160,000	56,698	50,000	45,562	24,889	1,819	33,000	3,040	4,582	149	-	-	272,471	107,268
2025	160,000	53,098	50,000	43,562	25,783	926	34,000	2,056	-	-	-	-	269,783	99,642
2026	165,000	49,498	50,000	41,562	-	-	35,000	1,043	-	-	-	-	250,000	92,103
2027	175,000	45,374	55,000	40,312	-	-	-	-	-	-	-	-	230,000	85,686
2028	175,000	40,998	55,000	38,938	-	-	-	-	-	-	-	-	230,000	79,936
2029	180,000	36,448	55,000	37,562	-	-	-	-	-	-	-	-	235,000	74,010
2030	190,000	31,768	60,000	36,188	-	-	-	-	-	-	-	-	250,000	67,956
2031	145,000	25,594	60,000	34,388	-	-	-	-	-	-	-	-	205,000	59,982
2032	150,000	20,882	65,000	32,588	-	-	-	-	-	-	-	-	215,000	53,470
2033	155,000	16,006	65,000	30,638	-	-	-	-	-	-	-	-	220,000	46,644
2034	160,000	10,968	65,000	28,688	-	-	-	-	-	-	-	-	225,000	39,656
2035	165,000	5,568	65,000	26,738	-	-	-	-	-	-	-	-	230,000	32,306
2036	-	-	70,000	24,788	-	-	-	-	-	-	-	-	70,000	24,788
2037	-	-	70,000	22,688	-	-	-	-	-	-	-	-	70,000	22,688
2038	-	-	75,000	20,588	-	-	-	-	-	-	-	-	75,000	20,588
2039	-	-	80,000	18,338	-	-	-	-	-	-	-	-	80,000	18,338
2040	-	-	80,000	15,938	-	-	-	-	-	-	-	-	80,000	15,938
2041	-	-	80,000	13,438	-	-	-	-	-	-	-	-	80,000	13,438
2042	-	-	85,000	10,936	-	-	-	-	-	-	-	-	85,000	10,936
2043	-	-	85,000	8,282	-	-	-	-	-	-	-	-	85,000	8,282
2044	-	-	85,000	5,624	-	-	-	-	-	-	-	-	85,000	5,624
2045	-	-	95,000	2,969	-	-	-	-	-	-	-	-	95,000	2,969
	<u>\$ 2,570,000</u>	<u>\$ 650,042</u>	<u>\$ 1,675,000</u>	<u>\$ 781,677</u>	<u>\$ 141,897</u>	<u>\$ 18,353</u>	<u>\$ 225,000</u>	<u>\$ 27,580</u>	<u>\$ 22,917</u>	<u>\$ 2,235</u>	<u>\$ 162,118</u>	<u>\$ 7,103</u>	<u>\$ 4,796,932</u>	<u>\$ 1,486,990</u>

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

TOWN OF SELMER, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
WATER/SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2019

Year	Tax and Revenue Bonds				General Obligation Bonds				Capital Outlay Notes		Totals	
	Series 2010		Series 2001		Series 2013		Series 2019		Series 2012		Principal	Interest
Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	33,433	44,055	1,887	2,739	270,000	193,419	140,000	36,490	130,000	13,500	575,320	290,203
2021	34,366	43,122	1,940	2,686	275,000	187,006	145,000	30,000	130,000	10,900	586,306	273,714
2022	35,325	42,163	1,994	2,632	270,000	178,756	145,000	24,200	135,000	8,300	587,319	256,051
2023	36,311	41,177	2,050	2,576	270,000	170,656	145,000	18,400	140,000	5,600	593,361	238,409
2024	37,324	40,164	2,107	2,519	280,000	161,882	155,000	12,600	140,000	2,800	614,431	219,965
2025	38,365	39,123	2,166	2,460	290,000	152,782	160,000	6,400	-	-	490,531	200,765
2026	39,437	38,051	2,226	2,400	300,000	143,356	-	-	-	-	341,663	183,807
2027	40,536	36,952	2,289	2,337	310,000	132,856	-	-	-	-	352,825	172,145
2028	41,668	35,820	2,352	2,274	320,000	121,232	-	-	-	-	364,020	159,326
2029	42,830	34,658	2,419	2,207	335,000	109,232	-	-	-	-	380,249	146,097
2030	44,026	33,462	2,485	2,141	345,000	95,832	-	-	-	-	391,511	131,435
2031	45,255	32,233	2,556	2,070	355,000	81,600	-	-	-	-	402,811	115,903
2032	46,517	30,971	2,626	2,000	370,000	66,512	-	-	-	-	419,143	99,483
2033	47,815	29,673	2,700	1,926	390,000	50,788	-	-	-	-	440,515	82,387
2034	49,150	28,338	2,776	1,850	405,000	34,212	-	-	-	-	456,926	64,400
2035	50,521	26,967	2,853	1,773	425,000	17,000	-	-	-	-	478,374	45,740
2036	51,931	25,557	2,933	1,693	-	-	-	-	-	-	54,864	27,250
2037	53,381	24,207	3,014	1,612	-	-	-	-	-	-	56,395	25,819
2038	54,869	22,619	3,099	1,527	-	-	-	-	-	-	57,968	24,146
2039	56,401	21,087	3,186	1,440	-	-	-	-	-	-	59,587	22,527
2040	57,976	19,512	3,274	1,352	-	-	-	-	-	-	61,250	20,864
2041	59,592	17,896	3,367	1,259	-	-	-	-	-	-	62,959	19,155
2042	61,256	16,232	3,460	1,166	-	-	-	-	-	-	64,716	17,398
2043	62,965	14,523	3,556	1,070	-	-	-	-	-	-	66,521	15,593
2044	64,722	12,766	3,657	969	-	-	-	-	-	-	68,379	13,735
2045	66,529	10,959	3,758	868	-	-	-	-	-	-	70,287	11,827
2046	68,384	9,104	3,863	763	-	-	-	-	-	-	72,247	9,867
2047	70,294	7,194	3,971	655	-	-	-	-	-	-	74,265	7,849
2048	72,254	5,234	4,083	543	-	-	-	-	-	-	76,337	5,777
2049	74,271	3,217	4,196	430	-	-	-	-	-	-	78,467	3,647
2050	75,656	1,123	4,314	312	-	-	-	-	-	-	79,970	1,435
2051	-	-	4,434	192	-	-	-	-	-	-	4,434	192
2052	-	-	4,445	65	-	-	-	-	-	-	4,445	65
	<u>\$ 1,613,360</u>	<u>\$ 788,159</u>	<u>\$ 100,036</u>	<u>\$ 52,506</u>	<u>\$ 5,210,000</u>	<u>\$ 1,897,121</u>	<u>\$ 890,000</u>	<u>\$ 128,090</u>	<u>\$ 675,000</u>	<u>\$ 41,100</u>	<u>\$ 8,488,396</u>	<u>\$ 2,906,976</u>

TOWN OF SELMER, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2019

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2018	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2019
Governmental Activities									
NOTES PAYABLE									
Payable through Town of Selmer General Fund									
Home Banking Capital Outlay Notes	\$ 55,000	3.25%	4/13/2012	4/13/2024	\$ 27,500	\$ -	\$ 4,583	\$ -	\$ 22,917
General Obligation Capital Outlay Notes, Series 2014A	360,000	2.98%	7/15/2014	6/1/2026	253,500	-	28,500	-	225,000
Bancorp South - Garbage Truck	250,000	2.39%	11/28/2016	12/28/2021	196,781	-	34,663	-	162,118
Regions 2018 Capital Outlay Notes	141,897	3.59%	11/30/2018	11/30/2024	-	141,897	-	-	141,897
TOTAL NOTES PAYABLE - Payable through Town of Selmer General Fund					<u>\$ 477,781</u>	<u>\$ 141,897</u>	<u>\$ 67,746</u>	<u>\$ -</u>	<u>\$ 551,932</u>
BONDS PAYABLE									
Payable through Town of Selmer General Fund									
General Obligation Bonds Series 2011	\$ 1,220,000	3.00%	2/10/2011	6/1/2019	\$ 175,000	\$ -	\$ 175,000	\$ -	\$ -
General Obligation Bonds Series 2015	2,675,000	2.25% - 3.375%	10/22/2015	6/1/2035	2,605,000	-	35,000	-	2,570,000
General Obligation Bonds Series 2019 Park Grant	510,000	2.50% - 4.00%	5/22/2019	6/1/2045	-	510,000	-	-	510,000
General Obligation Bonds Series 2019 Paving	1,165,000	3.125% - 4.00%	5/22/2019	6/1/2045	-	1,165,000	-	-	1,165,000
TOTAL BONDS PAYABLE - Payable through Town of Selmer General Fund					<u>\$ 2,780,000</u>	<u>\$ 1,675,000</u>	<u>\$ 210,000</u>	<u>\$ -</u>	<u>\$ 4,245,000</u>
Business-Type Activities									
NOTES PAYABLE									
Payable through Town of Selmer Water Fund									
General Obligation Capital Outlay Notes, Series 2012	\$ 1,500,000	2.00%	12/18/2012	6/1/2024	\$ 800,000	\$ -	\$ 125,000	\$ -	\$ 675,000
TOTAL NOTES PAYABLE - Payable through Town of Selmer Water Fund					<u>\$ 800,000</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ -</u>	<u>\$ 675,000</u>
BONDS PAYABLE									
Payable through Town of Selmer Water Fund									
Water, Sewer, and Gas Revenue & Tax Bonds, Series 2010	\$ 1,824,000	2.75%	6/6/2012	6/6/2052	\$ 1,645,987	\$ -	\$ 32,627	\$ -	\$ 1,613,360
Water, Sewer, and Gas Revenue & Tax Bonds, Series 2010	\$ 112,000	2.75%	6/6/2012	6/6/2052	101,889	-	1,853	-	100,036
General Obligation Refunding Bonds, Series 2013	\$ 6,750,000	1.00% - 4.25%	8/1/2013	6/30/2035	5,475,000	-	265,000	-	5,210,000
General Obligation Refunding Bonds, Series 2011	\$ 2,680,000	3.40%	2/10/2011	6/1/2025	1,075,000	-	-	1,075,000	-
General Obligation Bonds, Series 2019 - Water and Sewer Portion	\$ 890,000	4.00%	5/22/2019	6/1/2025	-	890,000	-	-	890,000
TOTAL BONDS PAYABLE - Payable through Town of Selmer Water Fund					<u>\$ 8,297,876</u>	<u>\$ 890,000</u>	<u>\$ 299,480</u>	<u>\$ 1,075,000</u>	<u>\$ 7,813,396</u>

**TOWN OF SELMER, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
FOR THE YEAR ENDED JUNE 30, 2019**

Water/Sewer <u>Quantity</u>	<u>Inside City</u>		<u>Outside City</u>	
	<u>Water</u>	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>
First 2,000 gallons (minimum)	6.90	13.58	12.72	20.41
Over 2,000 gallons (per 1,000 gallons)	0.02666	0.03736	0.04909	0.05982

Natural Gas	<u>Inside City</u>		<u>Outside City</u>	
	<u>Residential</u>	<u>Commercial</u>	<u>Residential</u>	<u>Commercial</u>
1-700 MCF	6.90	6.90	7.93	7.93
Over 700 MCF	0.09575	0.09575	0.1098	0.1098

Industrial
All usage per MCF 0.09112

Garbage Rates	<u>Inside City</u>	<u>Outside City</u>
	<u>Residential</u>	<u>Residential</u>
	10.50	13.50

**Industry rates vary based on weight and frequency.

Number of customers at June 30, 2019:

Water	7,618
Sewer	2,020
Natural Gas	1,792
Garbage	2,122

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

TOWN OF SELMER, TENNESSEE
AWWA FREE WATER AUDIT SOFTWARE: REPORTING WORKSHEET - "UNAUDITED"
JUNE 30, 2019

AWWA Free Water Audit Software:
Reporting Worksheet

WAS v5.0
 American Water Works Association.
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Water Audit Report for: **Selmer Utility Division (TN0000615)**
 Reporting Year: **2019** **7/2018 - 6/2019**

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

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

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

WATER SUPPLIED

		----- Enter grading in column 'E' and 'J' ----->				Master Meter and Supply Error Adjustments					
Volume from own sources:	+ ?	9	749.781	MG/Yr	+ ?	7	0.00%	<input type="radio"/>	<input type="radio"/>		MG/Yr
Water imported:	+ ?	n/a	0.000	MG/Yr	+ ?			<input type="radio"/>	<input type="radio"/>		MG/Yr
Water exported:	+ ?	9	119.374	MG/Yr	+ ?	7	-1.00%	<input type="radio"/>	<input type="radio"/>		MG/Yr

WATER SUPPLIED: **629.201** MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: Value:
 Pcnt: Value:
 Pcnt: Value:
 Enter negative % or value for under-registration
 Enter positive % or value for over-registration

AUTHORIZED CONSUMPTION

Billed metered:	+ ?	9	537.492	MG/Yr
Billed unmetered:	+ ?	9	0.350	MG/Yr
Unbilled metered:	+ ?	9	0.130	MG/Yr
Unbilled unmetered:	+ ?	9	11.095	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: **549.067** MG/Yr

Click here: ? for help using option buttons below

Pcnt: Value: MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: Value: MG/Yr

Pcnt: Value: MG/Yr

Pcnt: Value: MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

80.134 MG/Yr

Apparent Losses

Unauthorized consumption: + ? 10 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: + ? 7 MG/Yr
 Systematic data handling errors: + ? 5 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: **8.347** MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? MG/Yr

WATER LOSSES: **80.134** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: ? MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

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

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

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? 7 psi

COST DATA

Total annual cost of operating water system: + ? 9 \$/Year
 Customer retail unit cost (applied to Apparent Losses): + ? 9 \$/1000 gallons (US)
 Variable production cost (applied to Real Losses): + ? 9 \$/Million gallons Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 84 out of 100 ***

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

PRIORITY AREAS FOR ATTENTION:

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

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



**AWWA Free Water Audit Software:
 System Attributes and Performance Indicators**

WAS v5.0
 American Water Works Association.
 Copyright © 2014, All Rights Reserved.

Water Audit Report for:
 Reporting Year:

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 84 out of 100 ***

System Attributes:

	Apparent Losses:	<input type="text" value="8.347"/>	MG/Yr
	+	Real Losses:	<input type="text" value="71.787"/>
	=	Water Losses:	<input type="text" value="80.134"/>

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

Annual cost of Apparent Losses:

Annual cost of Real Losses: Valued at **Variable Production Cost**
 Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial: { Non-revenue water as percent by volume of Water Supplied:
 Non-revenue water as percent by cost of operating system: Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: gallons/connection/day
 Real Losses per service connection per day: gallons/connection/day
 Real Losses per length of main per day*: gallons/mile/day
 Real Losses per service connection per day per psi pressure: gallons/connection/day/psi

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

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

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

TOWN OF SELMER, TENNESSEE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass- Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Expenditures
<u>FEDERAL AWARDS</u>			
Tennessee Housing Development Agency Home Federal Grant	14.239	HM-14-47-0100	\$ 229,155
Department of Defense Law Enforcement Support Office	12.005	unknown	<u>332,538</u>
TOTAL FEDERAL AWARDS			<u>561,693</u>
<u>STATE FINANCIAL ASSISTANCE</u>			
State Law Enforcement Supplement	n/a	n/a	9,600
Agricultural Growth Initiative under Delegated Authority TN Agricultural Enhancement Program Farmers Market	n/a n/a	n/a n/a	1,000 800
Upgrades to Selmer Farmer's Market	n/a	n/a	<u>50,000</u>
TOTAL STATE AWARDS			<u>61,400</u>
TOTAL FEDERAL AND STATE AWARDS			<u><u>\$ 623,093</u></u>

Basis of Presentation

Note 1: The accompany schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the Town under programs of the federal and state governments for the year ended June 30, 2019. The schedule is presented using the modified accrual basis of accounting.

Note 2 - The City elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Selmer, Tennessee (the Town), as of and for the year ended June 30, 2019, and the relate notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 16, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described below as items 2019 – 001 through 2019 – 004 to be material weaknesses.

2019 – 001 INADEQUATE SEGREGATION OF DUTIES (Original Finding 2006 – 012)

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

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal controls are effective.

Cause: Lack of accounting staff.

Effect: The risk of errors or irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: Management should work to mitigate this risk by requiring preparation of monthly reports in key areas that are reviewed and maintained by the mayor and board. Additionally, adequate systems of internal control require segregation between individuals with access to assets from those who maintain accounting controls over the assets. The Board should review and document its review of each month's transactions and reconciliations.

Management Response: Efforts will be made to segregate access to both books and assets. Further training will take place.

2019 – 002 FINANCIAL STATEMENTS MATERIALLY MISSTATED BEFORE AUDIT ADJUSTMENTS (original finding 2008 – 001)

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

Criteria: Generally accepted accounting principles require the Town to have adequate internal controls over the maintenance of accounting records and employ an individual who has necessary skills, knowledge and experience to oversee the accounting records.

Cause: Lack of knowledgeable accounting staff.

Effect: Material adjustments were required because the Town's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records.

Recommendation: Personnel should properly record all financial transactions as they occur. Infrequent transactions should be properly classified to present financial statements in accordance with generally accepted accounting principles.

Management's Response: Efforts will be made to make necessary adjustments to reconcile accounts prior to year end.

2019 – 003 PURCHASE ORDERS (original finding 2015 – 007)

Condition: Purchase orders were not issued properly. Some purchase orders had no dates while some others were issued after the purchase was made.

Criteria: Minimum internal controls over purchasing. The lack of a formal purchase order system increases the risks of unauthorized purchases.

Cause: Client was unaware of the necessity.

Effect: Lack of controls over purchasing.

Recommendation: Purchase orders should be issued in accordance with the Town's policy.

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

2019 – 004 IMPROPER SUPPORT FOR DISBURSEMENTS (original finding 2015 – 008)

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

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

Cause: Oversight.

Effect: The auditors were unable to determine if some of the disbursements were properly classified and did not have the ability to identify potential misuse of funds because of the lack of support for these disbursements.

Recommendation: Disbursements should be properly supported with detailed invoices or other properly supporting information.

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

Compliance and Other Matters

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

2019 – 005 EXPENDITURES EXCEEDED BUDGET APPROPRIATIONS (original finding 2016 – 009)

Condition: The expenditures exceeded the budget appropriations on the State Street Aid Fund.

Criteria: Tennessee Code Annotated (TCA) 6-56-203 states “no municipality may expend any monies regardless of their source (including moneys derived from bond and long-term note proceeds, federal, state or private grants or loans, or special assessments), except in accordance with a budget ordinance adopted under this section”.

Cause: The Town failed to monitor spending and amend the budget for the overages.

Effect: The Town is in violation with TCA 6-56-203 by having expenditures exceeding budget appropriations.

Recommendation: The Town should monitor the budget closely and amend it as necessary to remain within state compliance requirements.

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

2019 – 006 UNDERCOVER CONFIDENTIAL DRUG FUND REPORTS NOT PREPARED

Condition: The quarterly report of confidential funds was not prepared each quarter as required by State guidelines.

Criteria: Tennessee Code Annotated (TCA) 39-17-420(e) states that procedures and guidelines should be developed for handling cash transactions related to undercover investigative operations of municipal drug enforcement programs. The Confidential Drug Fund Manual prepared by the State of Tennessee develops these guidelines, which one being the preparation of quarterly reports of confidential funds.

Cause: The Town failed to prepare Form R-2, Quarterly Report of Confidential Funds.

Effect: The Town is in violation with TCA 39-17-420(e).

Recommendation: The Town should prepare these reports on a quarterly basis as required by the Confidential Drug Manual provided by the State of Tennessee.

Management's Response: The Town will prepare these reports on a quarterly basis and file them with the city recorder within thirty days of the end of the months of September, December, March, and June.

Town's Response to Findings

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

Purpose of this Report

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

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

March 16, 2020

TOWN OF SELMER, TENNESSEE

SCHEDULE OF DISPOSITION OF PRIOR YEAR AUDIT FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2018-001	Inadequate Segregation of Duties (original finding 2006 - 012)	Repeated/2019-001
2018-002	Financial Statements Materially Misstated Before Audit Adjustments (original finding 2008 -001)	Repeated/2019-002
2018-003	Purchase Orders (original finding 2015-007)	Repeated/2019-003
2018-004	Improper Support for Disbursements (original finding 2015-008)	Repeated/2019-004

Federal Award Findings and Questioned Costs

There were no findings.

Mayor
John Smith

TOWN OF SELMER

144 North Second Street • Selmer, Tennessee 38375

731.645.3241

MANAGEMENT'S CORRECTIVE ACTION PLAN JUNE 30, 2019

2019 – 001 INADEQUATE SEGREGATION OF DUTIES

Responsible party

Mayor John Smith, Anji Deaton, Ann Henderson

Corrective action planned

Efforts will be made to segregate access to both books and assets. Further training will take place.

Anticipated completion date

June 30, 2020

2019 – 002 FINANCIAL STATEMENTS MATERIALLY MISSTATED BEFORE AUDIT ADJUSTMENTS

Responsible party

Mayor John Smith, Anji Deaton, Ann Henderson

Corrective action planned

Efforts will be made to make necessary adjustments to reconcile accounts prior to year end.

Anticipated completion date

June 30, 2020

2019 – 003 PURCHASE ORDERS

Responsible party

Mayor John Smith, Anji Deaton, Ann Henderson, and all department heads

Corrective action planned

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

Anticipated completion date

June 30, 2020

2019 – 004 IMPROPER SUPPORT FOR DISBURSEMENTS

Responsible party

Mayor John Smith, Anji Deaton, Ann Henderson

Corrective action planned

The Town will work more diligently to follow correct procedures in the future.

Anticipated completion date

June 30, 2020

2019 – 005 EXPENDITURES EXCEEDED BUDGET APPROPRIATIONS – STATE STREET AID FUND

Responsible party

Mayor John Smith, Anji Deaton, Ann Henderson

Corrective action planned

The Town will monitor and amend the budget in a more timely manner to avoid future overruns.

Anticipated completion date

June 30, 2020

2019 – 006 UNDERCOVER CONFIDENTIAL DRUG FUND REPORTS NOT PREPARED

Responsible party

Mayor John Smith, Anji Deaton, Ann Henderson

Corrective action planned

The Town will work more diligently to follow correct procedures in the future

Anticipated completion date

June 30, 2020



Signature



Signature