

CITY OF SELMA, ALABAMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Reviewed By: Barry Daniels
Signature of Shareholder
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CITY OF SELMA, ALABAMA
SEPTEMBER 30, 2014

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Independent Auditors' Report

Honorable Mayor and Members of
The City Council
City of Selma, Alabama

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 City of Selma, Alabama (the City) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement 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 City as of September 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 15 to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board's (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary 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 other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and budgetary comparison schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

Warren Averett, LLC

Montgomery, Alabama
May 29, 2015

CITY OF SELMA

222 Broad Street
Selma, AL 36701

FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS ANNUAL FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

The Management's Discussion and Analysis (MD&A) offers readers of the City of Selma's (the "City") financial statements a narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2014. It is our intent that these comments provide all parties interested in the City's financial condition a better understanding of the City's operations and financial position.

The City reports its annual financial statements in a format required by the Governmental Accounting Standards Board.

FINANCIAL HIGHLIGHTS

- As of September 30, 2014, the City's net position (assets minus liabilities) totaled \$31,009,831, a decrease of \$1,318,485 from the September 30, 2013 figure.
- Total net position for governmental activities are comprised of the following:
 - (1) Net investment in capital assets of \$28,734,712, includes property and equipment, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$4,345,135 is restricted by constraints imposed from outside the City such as debt covenants, laws and regulations.
 - (3) Unrestricted net position had a deficit balance of \$2,070,016.
- Total net position for governmental activities decreased by \$1,268,601, thus bringing the total to \$30,445,730 for fiscal year 2014.
- Total net position for business-type activities decreased by \$49,884 thus bringing the total to \$564,101 for fiscal year 2014.
- Fund balances (a measure of current financial resources) in governmental funds increased by \$3,224,648 to a total of \$12,613,754. Of this amount \$705,628 is nonspendable and is not appropriable for expenditures or is legally segregated for a specific future use. The largest portion of the governmental fund balance is in the amount of \$9,128,852 which is restricted for capital projects, debt service and community development. There is also a committed amount of \$266,700 for economic development and an assigned amount of \$62,576 for miscellaneous projects. The combined totals for nonspendable, restricted and assigned, plus the unassigned amount of \$2,449,998 yields a total combined ending fund balance of \$12,613,754 for fiscal year 2014.

- The general fund unassigned fund balance, as of September 30, 2014, was \$2,569,327 or 16.1% of total general fund expenditures.
- The City's total bond and capital lease debt increased by \$3,137,555 (12.12%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and budgetary comparison, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide our readers with an overview of the City's finances, presenting all funds in a more simplified format. This section is similar to financial reporting used by commercial entities. Government-wide statements are separated into two major categories: 1) governmental activities that are principally supported by taxes and intergovernmental revenues, and 2) business-type activities that are supported by user fees and charges. Governmental activities include administrative functions, streets, garbage, public safety, public works, recreation, community development, and the cemetery funds. The sole business-type activity of the City is the Inert Landfill.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Again, this year we have added prior year information to analyze how the City's financial position has changed.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net position are reported using the accrual basis of accounting, requiring that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for the same functions as those reported under the government-wide statement of net position and statement of activities. However, unlike the government-wide financial statements, governmental fund financial statements focus on events that produce near-term inflows and outflows of spendable resources as well as on the balances of spendable resources available at the end of the year and is a narrower focus than the government-wide financial statements.

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, in order to facilitate this comparison.

The City maintains budgetary controls over its operating funds. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Budgets for governmental funds are established in accordance with state law, and are adopted on a fund level. A budgetary comparison statement is provided for the general fund to demonstrate compliance with the budget. Budgetary variances for the general fund are discussed in some detail later in this section.

Proprietary Funds – The City maintains only one proprietary fund type, an Enterprise Fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Enterprise Fund for the City is the Inert Landfill. Enterprise funds are used to report business-type activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs. The City collects various taxes that are remitted to the Selma Board of Education which include ad valorem, sales and use taxes.

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 immediately following the basic financial statements in this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Selma’s progress in funding its obligation to provide pension and postemployment benefits to its employees. Required supplementary information can be found beginning on page 41 of this report.

Combining and individual fund statements and schedules can be found beginning on page 44 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The statement of net position provides an overview of the City's assets, liabilities and net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The City's net position totaled \$31,019,831 as of September 30, 2014. The following table reflects the condensed government-wide statement of net position:

	Governmental Activities		Business-type Activities		Total	
	2014	2013 (Restated)	2014	2013	2014	2013 (Restated)
Current and other assets (net of internal balances)	\$ 22,582	\$ 19,729	\$ 18	\$ 20	\$ 22,600	\$ 19,749
Internal balances	279	267	(279)	(267)	-	-
Capital assets	38,219	39,220	829	873	39,048	40,093
Total Assets	61,080	59,216	568	626	61,648	59,842
Current and other liabilities	2,965	3,426	4	12	2,969	3,438
Long-term liabilities	27,669	24,076	-	-	27,669	24,076
Total Liabilities	30,634	27,502	4	12	30,638	27,514
Net Position:						
Net investment in capital assets	27,906	27,718	829	864	28,735	28,582
Restricted	4,345	5,028	-	-	4,345	5,028
Unrestricted	(1,805)	(1,032)	(265)	(250)	(2,070)	(1,282)
Total Net Position	\$ 30,446	\$ 31,714	\$ 564	\$ 614	\$ 31,010	\$ 32,328

The City's total assets were \$61,647,679 as of September 30, 2014. Of this amount, \$39,047,871 is accounted for by capital assets, which includes infrastructure.

Of the remaining City assets, \$3,668,462 is accounted for in cash and cash equivalents, \$1,662,436 in receivables, \$680,000 in a note receivable, \$2,899,328 in restricted cash and cash equivalents, \$4,636,591 in restricted cash held by fiscal agent, and the remainder spread among miscellaneous assets.

At September 30, 2014, the City had outstanding liabilities of \$27,668,979, of which \$27,668,979 was long-term debt. Long-term debt includes bonds and warrants payable and capital lease obligations. Of the total amount outstanding approximately \$1,349,259 was due within one year, with the remainder due at various dates before 2039.

Included in other liabilities in the above table are \$1,370,832 in accounts payable and other current liabilities and \$248,778 in accrued interest payable.

The largest portion of the City's net position reflects its investment in capital assets, less any outstanding related debt used to acquire those assets. The City's capital assets are used to provide services to citizens. Consequently, investments in capital assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. In the current fiscal year, this represents \$4,345,135 or 14.9% of total net position. The net result is a deficit in unrestricted net position totaling \$2,070,016.

As of September 30, 2014, the City reported positive net position in both governmental and business-type activities. The City's net position decreased \$1,963,397 or 3.9% during the fiscal year. This decrease was primarily due to the following reasons:

- 1) The City recognized a net increase in other postemployment benefit (OPEB) liability of \$448,540 for the year ended September 30, 2014.
- 2) Depreciation expense of \$1,902,373 on governmental activities and \$43,257 on business-type activities.

The second statement in the government-wide statements is the statement of activities. The following table outlines the major components of this statement:

	Changes in Net Position As of September 30 (In Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$ 3,800	\$ 4,107	\$ 48	\$ 74	\$ 3,848	\$ 4,181
Operating grants and contributions	596	917	-	-	596	917
Capital grants and contributions	25	208	-	-	25	208
General revenues						
Property taxes	2,356	2,396	-	-	2,356	2,396
Sales and use taxes	11,138	10,368	-	-	11,138	10,368
Lodging taxes	344	300	-	-	344	300
Other taxes	1,161	1,118	-	-	1,161	1,118
Investment earnings	8	10	-	-	8	10
Other	816	572	-	-	816	572
Total revenues	<u>20,244</u>	<u>19,996</u>	<u>48</u>	<u>74</u>	<u>20,292</u>	<u>20,070</u>
Expenses						
General government	7,452	7,687	-	-	7,452	7,687
Public safety	8,231	7,841	-	-	8,231	7,841
Public service	2,459	2,856	-	-	2,459	2,856
Other	2,031	1,831	-	-	2,031	1,831
Interest on long-term debt	1,210	1,268	-	-	1,210	1,268
Inert landfill	-	-	227	217	227	217
Total expenses	<u>21,383</u>	<u>21,483</u>	<u>227</u>	<u>217</u>	<u>21,610</u>	<u>21,700</u>
Decrease in net position before transfers	(1,139)	(1,487)	(179)	(143)	(1,318)	(1,630)
Transfers in (out)	(129)	(136)	129	136	-	-
Increase (decrease) in net position	<u>(1,268)</u>	<u>(1,623)</u>	<u>(50)</u>	<u>(7)</u>	<u>(1,318)</u>	<u>(1,630)</u>
Net position - beginning, as originally stated	31,714	33,982	614	621	32,328	34,603
Cumulative effect of change in accounting principle (Note 15)	-	(645)	-	-	-	(645)
Net position - beginning, as restated	<u>31,714</u>	<u>33,337</u>	<u>614</u>	<u>621</u>	<u>32,328</u>	<u>33,958</u>
Net position - ending	<u>\$ 30,446</u>	<u>\$ 31,714</u>	<u>\$ 564</u>	<u>\$ 614</u>	<u>\$ 31,010</u>	<u>\$ 32,328</u>

Total revenues for the City were \$20,291,439 for the year ended September 30, 2014. Governmental activities provided \$20,243,668 or 99.8%, while \$47,771 of business-type activities revenue was provided by charges for services and interest income. The governmental activities received \$11,138,042, or 54.9% of total revenue, from sales taxes and \$2,953,357, or 14.6% of total revenue, from business licenses and permits.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Selma uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds provide information on near-term inflows, outflows, and balances of expendable resources. Governmental fund types include General, Debt Service, Capital Projects, and Special Revenue Funds.

Governmental funds reported total fund balances of \$12,613,754, an increase of \$3,224,648 from the September 30, 2013 figure.

General Fund – At September 30, 2014, total fund balance was \$3,274,955, an increase of \$95,554 from the previous year. Total revenue for the General Fund increased by \$240,232 or 1.4% in 2014 compared to the previous year. This was due to an increase in sales tax. Total expenditures for the General Fund increased by \$408,470 or 2.6% in 2014 compared to the previous year. This was due to an increase in public safety salary expenditures.

Bond Fund – At September 30, 2014, total fund balance was \$2,886,698, a decrease of \$421,964 from the previous year.

2014 GO Warrant Fund – At September 30, 2014, total fund balance was \$4,265,000. This was a new fund for fiscal year 2014 to account for resources accumulated and payments made for principal and interest on the Series 2014-CWSRF-DL General Obligation Warrant.

Proprietary Fund

The fund statements for the proprietary fund look much like the business-type activities in the government-wide statements. Proprietary fund financial information is measured with the same principles used by commercial enterprises, so this information does not change from the fund statements to the government-wide statements.

Inert Landfill – At September 30, 2014, total net position was \$564,097, a decrease of \$49,888 from the previous year. This decrease is due partly to the continued decrease in landfill fees.

General Fund Budgetary Highlights

Total general fund revenues were \$17,235,736 which was an increase of \$751,258 over final budgeted revenues. The primary cause of this is as follows:

- The receipts for sales and use taxes were \$826,502 over the anticipated revenue.

Capital Asset and Debt Administration

The City's investment in capital assets for governmental and business-type activities as of September 30, 2014, was \$39,047,871 (net of accumulated depreciation). Capital asset investments include land, construction in progress, buildings, building improvements, infrastructure, and machinery and equipment, net of depreciation. New additions to capital assets included the following:

- Property tax software
- Sanitary sewer improvements and replacements
- Building improvements to Police Department

At the end of the fiscal year the City had secured and bonded debt outstanding of \$22,760,000. This entire amount comprises debt backed by the full faith and credit of the City. The City's total bond and capital lease debt decreased by \$1,578,543 (6.5%) during the current fiscal year.

THE OUTLOOK FOR NEXT YEAR

The historic City of Selma is continuing to see improvements within the downtown area and citywide. With ongoing implementation of the City's comprehensive plan, there have been four transportation related grants awarded that will allow the City to improve several major streets. The City has also been diligently working to increase tourism, and other economic engines throughout the City with new policies and procedures designed for such a purpose.

Several investments have been made in the City with the anticipation of increasing tourism and economic development, which will generate growth in the City's revenue.

The primary focus of the City is highlighted in the City's Comprehensive Plan, which includes some of the projects listed below:

- Selma Riverfront Park Development – The Riverfront Amphitheater, Phase II Construction, Playground, Event Parking, and other amenities are scheduled for completion in FY 2014-15.
- Plans to offer fueling services at the docks are being discussed.
- Renovation of Various Public Buildings – The City will continue to renovate and upgrade various public buildings including plans to renovate the City jail at an estimated cost of \$680,000.
- Establish a Police Substation at 1209 Lapsley Street on the western side of the City
- Renovation of the Charles Dinkins community pool in Ward 8
- Establish a Police Substation at 1 Lawrence Street at the River Front Park across from the Amphitheater
- Implementation of the downtown entertainment district
- Replacement of aging equipment and purchase of new equipment in various departments including the purchase of two new fire trucks
- Downtown Redevelopment – The City continues to work in public/private partnerships to assist with the rehabilitation and redevelopment of the downtown district.
- Selma Interpretive Center – The City has applied for funding to complete build-out of the facility. The City has received a \$150,000 grant from Delta Regional Authority as well as a \$1.5

million grant from the Alabama Department of Transportation to complete the build-out of the facility.

- The City will be seeking funding to implement a voluntary demolition program for abandoned and/or hazardous structures.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for anyone with interest in the economic well-being of the City. Questions concerning any of the information provided in this report or request for additional information should be addressed to The Finance Department, 222 Broad Street, Selma, Alabama, 36701.

FINANCIAL STATEMENTS

CITY OF SELMA, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 3,658,580	\$ 9,882	\$ 3,668,462
Receivables, net	1,654,481	7,955	1,662,436
Internal balances	278,780	(278,780)	-
Prepaid expenses	172,759	-	172,759
Note receivable	680,000	-	680,000
Net pension asset	8,880,232	-	8,880,232
Restricted assets:			
Cash and cash equivalents	2,899,328	-	2,899,328
Cash held by fiscal agent	4,636,591	-	4,636,591
Capital assets not being depreciated:			
Land	3,178,205	104,913	3,283,118
Construction in progress	2,069,951	-	2,069,951
Capital assets net of accumulated depreciation:			
Buildings	5,579,488	-	5,579,488
Improvements	10,116,941	356,609	10,473,550
Infrastructure	13,608,427	-	13,608,427
Machinery and equipment	3,665,748	367,589	4,033,337
TOTAL ASSETS	<u>\$ 61,079,511</u>	<u>\$ 568,168</u>	<u>\$ 61,647,679</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts payable and accrued expenses	\$ 820,947	\$ 4,067	\$ 825,014
Accrued interest payable	248,778	-	248,778
Deferred revenue	162,050	-	162,050
Other liabilities	383,768	-	383,768
Noncurrent liabilities:			
Due within one year	1,349,259	-	1,349,259
Due in more than one year	27,668,979	-	27,668,979
TOTAL LIABILITIES	<u>30,633,781</u>	<u>4,067</u>	<u>30,637,848</u>
NET POSITION			
Net investment in capital assets	27,905,603	829,109	28,734,712
Restricted for:			
Capital projects	525,749	-	525,749
Community development	227,864	-	227,864
Debt service	2,889,076	-	2,889,076
Municipal Court	95,097	-	95,097
Public safety	49,351	-	49,351
Public works	557,998	-	557,998
Unrestricted	(1,805,008)	(265,008)	(2,070,016)
TOTAL NET POSITION	<u>30,445,730</u>	<u>564,101</u>	<u>31,009,831</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 61,079,511</u>	<u>\$ 568,168</u>	<u>\$ 61,647,679</u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 7,452,479	\$ 3,482,753	\$ 583,424	\$ -	\$ (3,386,302)	\$ -	\$ (3,386,302)
Public safety	8,231,223	176,098	12,544	-	(8,042,581)	-	(8,042,581)
Public service	2,459,209	20,615	75	25,257	(2,413,262)	-	(2,413,262)
Other	2,030,523	120,193	-	-	(1,910,330)	-	(1,910,330)
Interest and fiscal charges on long-term debt	1,209,529	-	-	-	(1,209,529)	-	(1,209,529)
Total governmental activities	<u>21,382,963</u>	<u>3,799,659</u>	<u>596,043</u>	<u>25,257</u>	<u>(16,962,004)</u>	<u>-</u>	<u>(16,962,004)</u>
Business-type activities:							
Inert landfill	226,961	47,765	-	-	-	(179,196)	(179,196)
Total primary government	<u>\$ 21,609,924</u>	<u>\$ 3,847,424</u>	<u>\$ 596,043</u>	<u>\$ 25,257</u>	<u>(16,962,004)</u>	<u>(179,196)</u>	<u>(17,141,200)</u>
General Revenues							
Property taxes					2,356,108	-	2,356,108
Sales taxes					11,138,042	-	11,138,042
Lodging taxes					344,145	-	344,145
Motor fuel taxes					752,459	-	752,459
Alcoholic beverage taxes					110,628	-	110,628
Tobacco taxes					297,464	-	297,464
Investment earnings					7,825	6	7,831
Miscellaneous revenue					816,038	-	816,038
Transfers					(129,306)	129,306	-
Total general revenues and transfers					<u>15,693,403</u>	<u>129,312</u>	<u>15,822,715</u>
Change in net position					<u>(1,268,601)</u>	<u>(49,884)</u>	<u>(1,318,485)</u>
Net position - beginning, as originally stated					32,359,243	613,985	32,973,228
Cumulative effect of change in accounting principle					(644,912)		(644,912)
Net position - beginning, as restated					<u>31,714,331</u>	<u>613,985</u>	<u>32,328,316</u>
Net position - ending					<u>\$ 30,445,730</u>	<u>\$ 564,101</u>	<u>\$ 31,009,831</u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	General Fund	Bond Fund	2014 GO Warrant Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,925,742	\$ -	\$ -	\$ 1,732,838	\$ 3,658,580
Receivables	1,489,627	523	-	164,331	1,654,481
Prepaid expenses	25,628	-	147,131	-	172,759
Due from other funds	570,627	70,187	-	219,619	860,433
Notes receivable	680,000	-	-	-	680,000
Restricted assets:					
Cash and cash equivalents	-	2,815,985	-	83,343	2,899,328
Cash held by fiscal agent	-	3	4,117,869	518,719	4,636,591
TOTAL ASSETS	<u>\$ 4,691,624</u>	<u>\$ 2,886,698</u>	<u>\$ 4,265,000</u>	<u>\$ 2,718,850</u>	<u>\$14,562,172</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	\$ 695,761	\$ -	\$ -	\$ 180,793	\$ 876,554
Due to other funds	264,648	-	-	317,005	581,653
Deferred revenue	162,050	-	-	-	162,050
Other liabilities	294,210	-	-	33,951	328,161
TOTAL LIABILITIES	<u>1,416,669</u>	<u>-</u>	<u>-</u>	<u>531,749</u>	<u>1,948,418</u>
FUND BALANCES					
Nonspendable	705,628	-	-	-	705,628
Restricted	-	2,886,698	4,265,000	1,977,154	9,128,852
Committed	-	-	-	266,700	266,700
Assigned	-	-	-	62,576	62,576
Unassigned	2,569,327	-	-	(119,329)	2,449,998
TOTAL FUND BALANCES	<u>3,274,955</u>	<u>2,886,698</u>	<u>4,265,000</u>	<u>2,187,101</u>	<u>12,613,754</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,691,624</u>	<u>\$ 2,886,698</u>	<u>\$ 4,265,000</u>	<u>\$ 2,718,850</u>	<u>\$14,562,172</u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Differences in amounts reported for governmental activities in the Statement of Net Position.

Total fund balances - governmental funds		\$ 12,613,754
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		38,218,760
The proceeds of the pension obligation warrants were used to pre-pay the City's unfunded Employee's Retirement System of Alabama (ERS) accrued actuarial liability and is reported as a net pension asset in the Statement of Net Position.		8,880,232
Long-term liabilities, including bonds payable, and accrued interest are not due and payable in the current period and, therefore, are not reported in the governmental funds. Balances at September 30, 2013 were:		
Bonds, leases, and notes payable	\$ (27,035,000)	
Unamortized net premiums	(34,915)	
Unamortized net discounts	128,039	
Accrued interest	(248,778)	
Compensated absences	(224,259)	
Postemployment benefits other than pensions	<u>(1,852,103)</u>	
Total long-term liabilities		<u>(29,267,016)</u>
Net position of governmental activities		<u>\$ 30,445,730</u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Bond Fund	2014 GO Warrant Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$13,453,661	\$ 1,025,029	\$ -	\$ 517,507	\$14,996,197
Licenses and permits	2,934,642	-	-	18,716	2,953,358
Intergovernmental	205,261	126,250	-	792,887	1,124,398
Charges for services	20,615	-	-	-	20,615
Fine and forfeitures	-	-	-	312,824	312,824
Other revenues	619,929	-	-	208,550	828,479
Interest on investments	1,628	5,427	-	741	7,796
Total revenues	<u>17,235,736</u>	<u>1,156,706</u>	<u>-</u>	<u>1,851,225</u>	<u>20,243,667</u>
EXPENDITURES					
Current operations:					
General government	5,044,963	-	-	2,185,641	7,230,604
Public safety	7,393,457	-	-	67,785	7,461,242
Public service	1,705,316	-	10,000	49,871	1,765,187
Other	1,754,404	-	-	164,325	1,918,729
Debt service:					
Principal retirement	80,000	1,180,000	-	310,000	1,570,000
Interest charges	31,870	398,670	-	788,411	1,218,951
Total expenditures	<u>16,010,010</u>	<u>1,578,670</u>	<u>10,000</u>	<u>3,566,033</u>	<u>21,164,713</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,225,726</u>	<u>(421,964)</u>	<u>(10,000)</u>	<u>(1,714,808)</u>	<u>(921,046)</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	4,275,000	-	4,275,000
Transfers in	22,175	-	-	1,047,366	1,069,541
Transfers out	(1,152,347)	-	-	(46,500)	(1,198,847)
Total other financing sources (uses)	<u>(1,130,172)</u>	<u>-</u>	<u>-</u>	<u>1,000,866</u>	<u>4,145,694</u>
Net change in fund balances	95,554	(421,964)	4,265,000	(713,942)	3,224,648
FUND BALANCES - BEGINNING	<u>3,179,401</u>	<u>3,308,662</u>	<u>-</u>	<u>2,901,043</u>	<u>9,389,106</u>
FUND BALANCES - ENDING	<u>\$ 3,274,955</u>	<u>\$ 2,886,698</u>	<u>\$ 4,265,000</u>	<u>\$ 2,187,101</u>	<u>\$12,613,754</u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2014

Differences in amounts reported for Governmental Activities in the Statement of Activities.

Net change in fund balances - total governmental funds		\$ 3,224,648
Capital outlays, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.		904,668
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.		(1,902,373)
The net effect of transactions involving donation of capital assets is to increase net position in the Statement of Activities.		(3,659)
Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets		(4,275,000)
Repayment of long-term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the Statement of Net Position.		
General obligation bonds and warrants	\$ 1,570,000	
Capital leases	-	
Total repayments	<u>1,570,000</u>	1,570,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		1,566
Increases in long-term debt and related items that are not financial resources decrease net position in the Statement of Net Position.		
Accrued interest	9,422	
Post employment benefits other than pensions	<u>(448,540)</u>	
Total increases		(439,118)
Amortization of net pension asset		(355,209)
Governmental funds report the effects of issuance costs, premiums, discounts, and similar items when debt is first issued whereas these amounts are deferred and amortized in the Statement of Activities.		
Amortization		<u>5,876</u>
Change in net position of governmental activities		<u>\$ (1,268,601)</u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2014

	<u>Inert Landfill</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 9,882
Receivables, net	<u>7,955</u>
Total current assets	<u>17,837</u>
CAPITAL ASSETS	
Land	104,913
Machinery and equipment	1,654,522
Improvements other than buildings	426,115
Less accumulated depreciation	<u>(1,356,440)</u>
Total capital assets, net of accumulated depreciation	<u>829,110</u>
TOTAL ASSETS	<u>846,947</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	4,067
Due to other funds	<u>278,783</u>
Total current liabilities	<u>282,850</u>
TOTAL LIABILITIES	<u>282,850</u>
NET POSITION	
Net investment in capital assets	829,109
Unrestricted	<u>(265,012)</u>
TOTAL NET POSITION	<u>\$ 564,097</u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Inert Landfill
OPERATING REVENUES	
Service fees	\$ 47,761
OPERATING EXPENSES	
Personnel	79,063
Repairs and maintenance	36,357
Other operating expenses	63,861
Depreciation	43,257
Professional services	4,400
Total operating expenses	<u>226,938</u>
OPERATING LOSS	<u>(179,177)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	6
Interest expense	(23)
Operating transfers in	<u>129,306</u>
Total nonoperating revenues (expenses)	<u>129,289</u>
Change in net position	(49,888)
TOTAL NET POSITION - BEGINNING	<u>613,985</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 564,097</u></u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Inert Landfill
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 49,860
Payments to suppliers for goods and services	(103,776)
Payments to employees for services	(78,902)
Net cash used in operating activities	<u>(132,818)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	129,306
Net cash payments from other funds	<u>11,917</u>
Net cash provided by noncapital financing activities	<u>141,223</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on capital lease obligation	(8,543)
Interest paid on lease obligation	<u>(23)</u>
Net cash used in capital and related financing activities	<u>(8,566)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(161)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>10,043</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 9,882</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (179,177)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Interest income	6
Depreciation expense	43,256
Decrease in accounts receivable	2,094
Increase in accounts payable and accrued expenses	<u>1,003</u>
Net cash used in operating activities	<u><u>\$ (132,818)</u></u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2014

	<u>Agency Fund</u>
ASSETS	
Receivables - taxes	<u>\$ 145,862</u>
LIABILITIES	
Accounts payable	<u>143,726</u>
NET POSITION	
Unrestricted	<u><u>\$ 2,136</u></u>

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Selma (the City) was incorporated under the laws of the State of Alabama in 1837 and operates under an elected Mayor-Council form of government as required by State of Alabama Legislative Act No. 73-618 approved August 28, 1973. The City operates under a Mayor-Council form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, health and social services, public improvements, planning and zoning, recreation, and general administrative services. The City provides library, public housing, and education services through separate operating boards recognized as legal entities unto themselves and, accordingly, those boards' financial statements and information are not included herein.

Government-Wide and Fund Financial Statements

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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 operation. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The City reports the following major governmental funds:

General Fund – This is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Bond Fund – This fund accounts for the resources accumulated and payments made for principal and interest on the 2009-A and 2009-B General Obligation Bonds.

2014 GO Warrant Fund – This fund accounts for the resources accumulated and payments made for principal and interest on the Series 2014-CWSRF-DL General Obligation Warrant.

The City reports the following major enterprise fund:

Inert Landfill – This fund accounts for the operations, maintenance, and development of the City-owned landfill.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

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, considered to be sixty days for property taxes and ninety days for all other revenue. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease are reported as other financing sources.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management Estimates and Assumptions

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

Assets, Liabilities, and Equity

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All receivables are shown net of any applicable allowance for uncollectibles.

City property taxes are levied by the County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and delinquent after December 31. In accordance with the nonexchange transactions provision of GASB Statement No. 33, a receivable for taxes is recorded when an enforceable legal claim has arisen or when resources are received, whichever is first.

Inventories and Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

Capital Assets

Capital assets, purchased or constructed, are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$4,000. The City did not report infrastructure acquired prior to October 1, 2001.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Buildings	70 years
Improvements	15-20 years
Equipment	5-20 years
Vehicles	7-20 years
Infrastructure	10-50 years

Compensated Absences

The City allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods.

Lease Obligations

Capital lease obligations are stated at the original fair market value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate of interest in the lease. Also, in the year an asset is acquired by capital lease, the expenditure for the asset and the offsetting amount of the financing source are reflected in the fund financial statements in the statement of revenues, expenditures, and changes in fund balances. Capital lease obligations of proprietary funds and governmental activities in the government-wide financial statements and the cost of assets so acquired are reflected in the accounts of those funds and statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

Fund Equity

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – This classification includes amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned – This classification includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, only the City Council may assign amounts for specific purposes.

Unassigned – This classification includes all other spendable amounts.

The City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The City considers committed, then assigned amounts to have been spent when an expenditure is incurred for purposes for which the amounts of unrestricted fund balance is available.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted for the City’s general fund. Under state law, the Mayor submits the annual budget to the City Council for consideration and approval no later than October 1. Such budget is based on expected expenditures by program and estimated resources by source. The budget is prepared using the modified accrual basis of accounting. Revisions to the budget must be approved by the City Council. All annual appropriations lapse at fiscal year-end.

Deficit Fund Balance

Funds with deficit fund balance are as follows:

	<u>Deficit Amount</u>
Nonmajor Governmental Funds:	
Drug Enforcement Unit	\$ 1,821
American Digital Divide	42,123
½ Cent Sales Tax Fund	59,499
2009 Refunding Warrants	15,866

The City’s intent is to appropriate funds from the General Fund in order to reduce the above deficits.

3. CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk.

As of September 30, 2014, none of the City’s bank balance of \$12,265,892 was exposed to custodial credit risk. All of the City’s bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) and the Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program is a multiple financial collateral pool administered by the State Treasurer according to State of Alabama statute.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

4. RECEIVABLES

Receivables as of September 30, 2014, for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Inert Landfill</u>	<u>Total</u>
Taxes	\$ 1,165,773	\$ -	\$ 16,928	\$ -	\$ 1,182,701
Accounts	308,184	-	24,596	7,955	340,735
Intergovernmental	15,670	-	122,807	-	138,477
Interest	-	523	-	-	523
	<u>1,489,627</u>	<u>523</u>	<u>164,331</u>	<u>7,955</u>	<u>1,662,436</u>
Gross receivables					
Net total receivables	<u>\$ 1,489,627</u>	<u>\$ 523</u>	<u>\$ 164,331</u>	<u>\$ 7,955</u>	<u>\$ 1,662,436</u>

5. NOTE RECEIVABLE

During 2005, the City issued warrants in the amount of \$1,260,000 for the benefit of the Selma City Schools. Principal payments are due annually with semiannual interest payments at 3.3% to 4.4%. The School System is indebted to the City as follows for the debt service of these warrants.

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending September 30:		
2015	\$ 85,000	\$ 27,413
2016	90,000	23,825
2017	95,000	19,938
2018	95,000	15,853
2019 – 2021	<u>315,000</u>	<u>21,205</u>
Total	<u>\$ 680,000</u>	<u>\$ 108,234</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,178,205	\$ -	\$ -	\$ 3,178,205
Construction in progress	<u>1,833,869</u>	<u>797,808</u>	<u>561,725</u>	<u>2,069,952</u>
Total capital assets, not being depreciated	<u>5,012,074</u>	<u>797,808</u>	<u>561,725</u>	<u>5,248,157</u>
Capital assets, being depreciated:				
Buildings	9,553,816	-	-	9,553,816
Improvements other than buildings	13,852,455	62,436	-	13,914,891
Infrastructure	43,815,374	375,630	-	44,191,004
Machinery and equipment	<u>12,189,078</u>	<u>226,861</u>	<u>-</u>	<u>12,415,939</u>
Total capital assets, being depreciated	<u>79,410,723</u>	<u>664,927</u>	<u>-</u>	<u>80,075,650</u>
Less accumulated depreciation for:				
Buildings	3,834,501	139,827	-	3,974,328
Improvements other than buildings	3,478,799	319,151	-	3,797,950
Infrastructure	29,731,413	851,164	-	30,582,577
Machinery and equipment	<u>8,157,960</u>	<u>592,231</u>	<u>-</u>	<u>8,750,191</u>
Total accumulated depreciation	<u>45,202,673</u>	<u>1,902,373</u>	<u>-</u>	<u>47,105,046</u>
Total capital assets, being depreciated, net	<u>34,208,050</u>	<u>(1,237,446)</u>	<u>-</u>	<u>32,970,604</u>
Governmental activities capital assets, net	<u>\$ 39,220,124</u>	<u>\$ (439,638)</u>	<u>\$ 561,725</u>	<u>\$ 38,218,761</u>

CITY OF SELMA, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

6. CAPITAL ASSETS (Continued)

Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 104,913	\$ -	\$ -	\$ 104,913
Capital assets, being depreciated:				
Improvements other than buildings	426,115	-	-	426,115
Machinery and equipment	<u>1,654,522</u>	<u>-</u>	<u>-</u>	<u>1,654,522</u>
Total capital assets, being depreciated	<u>2,080,637</u>	<u>-</u>	<u>-</u>	<u>2,080,637</u>
Less accumulated depreciation for:				
Improvements other than buildings	55,056	14,450	-	69,506
Machinery and equipment	<u>1,258,126</u>	<u>28,807</u>	<u>-</u>	<u>1,286,933</u>
Total accumulated depreciation	<u>1,313,182</u>	<u>43,257</u>	<u>-</u>	<u>1,356,439</u>
Total capital assets, being depreciated, net	<u>767,455</u>	<u>(43,257)</u>	<u>-</u>	<u>724,198</u>
Business-type activities capital assets, net	<u>\$ 872,368</u>	<u>\$ (43,257)</u>	<u>\$ -</u>	<u>\$ 829,111</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 610,091
Public safety	413,049
Public service	863,700
Other	<u>15,533</u>

Total depreciation expense – governmental activities \$ 1,902,373

Business-type Activities

\$ 43,257

CITY OF SELMA, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

7. INTERFUND BALANCES AND ACTIVITY

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures and should be repaid during the next fiscal year. The composition of interfund balances as of September 30, 2014, is shown below:

Due to/from other funds:

<u>Due From:</u>	<u>Due To:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Inert Landfill</u>	
General Fund	\$ -	\$ 70,187	\$ 193,274	\$ 60	\$ 263,521
Nonmajor Governmental Funds	291,784	-	26,345	-	318,129
Inert Landfill	278,843	-	-	-	278,843
Total	<u>\$ 570,627</u>	<u>\$ 70,187</u>	<u>\$ 219,619</u>	<u>\$ 60</u>	<u>\$ 860,493</u>

Interfund Transfers:

<u>Transfer Out:</u>	<u>Transfer In:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Inert Landfill</u>	
General Fund	\$ 675	\$ -	\$ 1,022,366	\$ 129,306	\$ 1,152,347
Nonmajor Governmental Funds	21,500	-	25,000	-	46,500
Total	<u>\$ 22,175</u>	<u>\$ -</u>	<u>\$ 1,047,366</u>	<u>\$ 129,306</u>	<u>\$ 1,198,847</u>

CITY OF SELMA, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

8. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General City bonds and warrants	\$ 24,330,000	\$ 4,275,000	\$ 1,570,000	\$ 27,035,000	\$ 1,125,000
Less deferred amounts:					
For issuance discounts	(135,195)	-	(7,156)	(128,039)	-
Add deferred amounts:					
For issuance premiums	<u>47,947</u>	<u>-</u>	<u>13,032</u>	<u>34,915</u>	<u>-</u>
Total General City bonds and warrants	24,242,752	4,275,000	1,575,876	26,941,876	1,125,000
Compensated absences	225,825	-	1,566	224,259	224,259
Postemployment benefits other than pensions	<u>1,403,563</u>	<u>448,540</u>	<u>-</u>	<u>1,852,103</u>	<u>-</u>
	<u>\$ 25,872,140</u>	<u>\$ 4,723,540</u>	<u>\$ 1,577,442</u>	<u>\$ 29,018,238</u>	<u>\$ 1,349,259</u>
Business-type Activities:					
Capital lease	<u>\$ 8,543</u>	<u>\$ -</u>	<u>\$ 8,543</u>	<u>\$ -</u>	<u>\$ -</u>

Long-term debt payable at September 30, 2014, is comprised of the following:

General City Bonds and Warrants

The City issues general obligation bonds and warrants to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The current outstanding balances are as follows:

Series 2005 General Obligation Warrants, interest at 3.3% to 4.4%	\$ 680,000
Series 2009 General Obligation Refunding Warrants, interest at 3.5% to 3.875%	3,330,000
Series 2009-A General Obligation Build America Bonds, interest at 3.0% to 5.5%	7,585,000
Series 2011 Taxable Pension Obligation Warrants, interest at 5.82% to 6.0%	11,165,000
Series 2014-CWSRF-DL General Obligation Warrants, interest at 1.5% to 2.25%	<u>4,275,000</u>
Total bonds and warrants	<u>\$ 27,035,000</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

8. LONG-TERM DEBT (Continued)

General City Bonds and Warrants (Continued)

The annual debt service requirements to maturity, including principal and interest, for General City bonds and warrants as of September 30, 2014, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:		
2015	\$ 1,125,000	\$ 1,160,456
2016	1,175,000	1,114,149
2017	1,385,000	1,124,907
2018	1,430,000	1,104,943
2019	1,490,000	1,045,008
2020 - 2024	7,935,000	4,106,348
2025 - 2029	3,440,000	2,886,272
2030 - 2034	4,340,000	1,982,493
2035 - 2039	<u>4,715,000</u>	<u>801,863</u>
Total	<u>\$ 27,035,000</u>	<u>\$ 15,326,439</u>

Operating Leases

The City is obligated under operating lease agreements for copiers through November 30, 2015. The future minimum lease payments under these lease agreements are:

Year ending September 30:	
2015	\$ <u>9,538</u>
Present value of minimum lease payments	\$ <u>9,538</u>

Total rental expense for the above mentioned lease is \$63,513 for the year ended September 30, 2014.

In addition, the City has agreed to lease space in the county jail on a year-to-year basis at a rate of \$200,000 per year ending September 30, 2019.

Other Long-Term Debt

Compensated absences, benefits, and other governmental activity obligations are generally liquidated by the General Fund.

9. EMPLOYEES' RETIREMENT PLAN

Employee Pension Plan

The City has a defined contribution benefit pension plan covering substantially all employees. The pension plan is funded as required by applicable statutes, ordinances, or as a percentage of eligible salaries and/or based upon actuarial valuations. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. The plan is an agent multiple-employer retirement plan. The agent for the plan is the Employees' Retirement System of Alabama (ERS).

9. EMPLOYEES' RETIREMENT PLAN (Continued)

Plan Description

The ERS is an agent multiple-employer public employee retirement system. The ERS was established on October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, state police, and, on an elective basis, all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operations of the ERS is vested in the ERS Board of Control. Authority to amend the plan rests with the Legislature of Alabama.

Substantially all employees are members of the ERS. Membership is mandatory for covered or eligible employees of the City of Selma. The ERS provides retirement benefits as well as death and disability benefits as established by state law. The retirement benefits are established by Title 36, Chapter 27 of Alabama State Law and must be amended by statute. Benefits vest after 10 years of creditable service.

Vested employees may retire with full benefits at age 60 or after 25 years of service, regardless of age (30 years of service for those units that have not elected 25 years retirement). Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The two methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under the formula method, upon service retirement, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation (best three of last ten years) multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as a full-time certified firefighter, police officer, or correctional officer. Disability benefits are calculated in the same manner as regular retirement benefits. A pre-retirement death benefit in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Retirement System of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the ERS. That report may be obtained by writing to The Retirement System of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

Contributions Required and Contributions Made

The actuary has computed, as of the date of the latest actuarial valuation (September 30, 2013), the estimated present value of benefits payable to retired members, beneficiaries, and active members. The actuarial valuation is prepared using the entry age method. The present value of all expected benefits payable to the present group of members and beneficiaries is calculated by adding the present value of the expected benefits payable to the active members to the present value of the expected future payments to retired members and beneficiaries.

As required by statute, the ERS funding policy provides for employer contributions at actuarially determined rates, expressed as a percent of annual covered payroll, in amounts sufficient to accumulate assets to pay benefits when due. The employer contributions required to support the benefits of each system are determined following a level funding approach and consist of a normal contribution, an accrued liability contribution, a pre-retirement death benefit contribution, and a portion to finance administrative costs.

CITY OF SELMA, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

9. EMPLOYEES' RETIREMENT PLAN (Continued)

Contributions Required and Contributions Made (Continued)

The required contribution rate is 5% for regular members and 6% for certified law enforcement, correctional officers, and firefighters. For the fiscal year ended September 30, 2014, the required employer contribution rate was 4.64% of annual covered compensation.

Annual Pension Cost

1. Current-Year Contribution Information

For the year ended September 30, 2014, the City's annual pension cost contributed by employees was \$450,697 and the City contributed \$384,207, or a total of \$834,904. Contributions were made in accordance with actuarially determined contribution requirements through an actuarial valuation performed at September 30, 2013.

2. Actuarial Assumptions and Methods

Valuation date	September 30, 2013
Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market
Amortization method	Level percent closed
Remaining amortization period	13 years
Period closed/open	Open
Actuarial assumptions:	
Ultimate Investment rate of return (discount rate)	8%*
Projected salary increases	3.75 – 7.25%
Cost of living increases	None

*Includes inflation at 3.00%.

In accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, a pension liability of \$0 was calculated at the transition date. Trend information for the most current valuation year and the two preceding years is as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
9/30/2011	\$ 770,058	100%	\$ -
9/30/2012	214,180	100	-
9/30/2013	302,239	100	-

CITY OF SELMA, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

9. EMPLOYEES' RETIREMENT PLAN (Continued)

Annual Pension Cost (Continued)

3. Funding Status

The funding status of the plan as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Liability	(b - a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b - a)/c UAL as a Percentage of Payroll
9/30/13 ^{1 2}	\$ 33,233,956	\$ 33,818,084	\$ 584,128	98.3%	\$ 7,456,228	7.8%

¹ Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

² Reflects implementation of Board Funding Policy.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

10. FUND BALANCES

As of September 30, 2014, fund balances consisted of the following:

	General Fund	Bond Fund	2014 GO Warrant Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Prepaid expenses	\$ 25,628	\$ -	\$ -	\$ -	\$ 25,628
Note receivable	680,000	-	-	-	680,000
Restricted:					
Debt service	-	2,886,698	-	2,377	2,889,075
Capital projects	-	-	4,265,000	1,044,467	5,309,467
Community development	-	-	-	227,864	227,864
Municipal Court	-	-	-	95,097	95,097
Public safety	-	-	-	49,351	49,351
Public works	-	-	-	557,998	557,998
Committed:					
Economic development	-	-	-	266,700	266,700
Assigned:					
Police Department	-	-	-	3,363	3,363
Fire Department	-	-	-	1,423	1,423
Economic development	-	-	-	57,790	57,790
Unassigned	2,569,327	-	-	(119,329)	2,449,998
Total fund balances	<u>\$ 3,274,955</u>	<u>\$ 2,886,698</u>	<u>\$ 4,265,000</u>	<u>\$ 2,187,101</u>	<u>\$ 12,613,754</u>

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City’s risk management program provides limited secondary market reinsurance to protect the City from any single loss in excess of a specific amount. Coverage consists of \$2,000,000 and \$500,000 in general and workers compensation insurance, respectively.

12. CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits whose outcome is not presently determinable. In the opinion of the City’s counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City of Selma administers a defined benefit healthcare plan (“the Employees’ Medical Insurance Plan”) for employees of the City. The plan provides lifetime healthcare insurance for eligible retirees through the City’s group health insurance plan, which covers both active and retired members. The Employees’ Medical Insurance Plan does not issue a publicly available financial report. At September 30, 2014, the plan had approximately 229 active participants and 64 retired members and beneficiaries.

Funding Policy

The employer contributes \$312 for active participants and requires monthly contributions of \$75 from active participants who maintain single coverage and \$367 to \$665 from active participants who maintain family coverage. Beginning January 2014, the employer began absorbing monthly Affordable Care Act fees and taxes (\$13 to \$40 depending on coverage) for all members. Retirees are required to contribute certain amounts based on level of coverage and date of retirement as follows:

	<u>Monthly Contribution</u>
Retiree under 65	\$ 193
Retiree over 65	68

Total member contributions were \$340,360 for active participants and \$77,823 for retirees and beneficiaries.

CITY OF SELMA, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the unit credit actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Employees' Medical Insurance Plan:

Annual required contribution	\$ 529,010
Interest on net OPEB obligation	56,143
Adjustment to ARC	<u>(58,790)</u>
Annual OPEB cost	526,363
Contributions made	<u>(77,823)</u>
Increase in net OPEB obligation	448,540
Net OPEB obligation – beginning of year	<u>1,403,563</u>
Net OPEB obligation – end of year	<u><u>\$ 1,852,103</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the previous two years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2012	\$ 565,402	38%	\$ 1,016,595
9/30/2013	510,884	24	1,403,563
9/30/2014	526,363	15	1,852,103

Funded Status and Funding Progress

As of September 30, 2014, the actuarial accrued liability for benefits was \$4,941,355 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$9,157,885, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 54%.

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress (Continued)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following significant assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at the earlier of 25 years of service at any age or 10 years of consecutive service and the attainment of age 60. In addition, “Tier II” retirement plan members (those hired on and after January 1, 2013) would not be eligible to retire before age 62.

Marital status – The City of Selma provides medical insurance coverage for retirees but not for dependents.

Mortality – The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used.

Turnover – An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 15%. It has also been assumed that 3% of retirees decline medical coverage at retirement because of the required retiree-paid premium.

Healthcare cost trend rate – The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

CITY OF SELMA, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Methods and Assumptions (Continued)

Health insurance premiums – 2012 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Discount rate – 4% per annum, compounded annually, if unfunded.

The Unit Cost Actuarial Cost Method was utilized in computing actuarial liabilities and costs. The unfunded actuarial accrued liability is being amortized over the maximum permissible period under GASB 45 of 30 years.

14. NET PENSION ASSET

On July 26, 2011, the City issued the 2011 Taxable Pension Obligation Warrants in the amount of \$11,165,000. The proceeds of the warrants were used to prepay the City's unfunded ERS accrued actuarial liability in the amount of \$10,301,068. This prepayment has been recorded on the statement of net position as a net pension asset. The effect of this prepayment will be reflected in future actuarial reports as that information becomes available from ERS. The net pension asset will be amortized as the debt is repaid. For the year ended September 30, 2014, \$355,209 was amortized and recorded as pension expenses.

As of September 30, 2014, changes to the net pension asset were as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities	<u>\$ 9,235,441</u>	<u>\$ -</u>	<u>\$ 355,209</u>	<u>\$ 8,880,232</u>

15. ACCOUNTING CHANGES AND RESTATEMENTS

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 65 amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues).

The implementation of GASB 65 resulted in the write-off of bond issuance costs, which resulted in the reduction of beginning net position at September 30, 2013, by \$644,912.

16. EFFECT OF NEW PRONOUNCEMENTS

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve accounting and financial reporting of government pensions. Also, it improves information provided by government employers about financial support for pensions that is provided by other entities. Requirements of this Statement are effective for financial statements whose fiscal year begins after June 15, 2014.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement will improve accounting for mergers and acquisitions among state and local governments by providing guidance specific to the situations and circumstances encountered within the governmental environment. Requirements of this Statement are effective for financial statements whose fiscal year begins after December 15, 2013.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This Statement addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*, relating to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contribution entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for financial statements whose fiscal year begins after June 15, 2014.

17. SUBSEQUENT EVENT

Subsequent to year-end, the City entered into leases in the approximate amount of \$1,423,000 for the acquisition of various fixed assets.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SELMA, ALABAMA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 12,928,571	\$ 12,771,818	\$ 13,453,661	\$ 681,843
Licenses and permits	2,820,510	2,820,510	2,934,642	114,132
Intergovernmental revenues	674,150	674,150	205,261	(468,889)
Charges for services	43,900	43,900	20,615	(23,285)
Other revenues	170,000	170,000	619,929	449,929
Interest on investments	4,100	4,100	1,628	(2,472)
Total revenues	16,641,231	16,484,478	17,235,736	751,258
EXPENDITURES				
Current operations:				
General government	4,905,966	5,145,703	5,044,963	100,740
Public safety	6,933,917	7,246,884	7,393,457	(146,573)
Public service	1,720,610	1,801,696	1,705,316	96,380
Other	1,816,147	1,894,866	1,754,404	140,462
Debt service:				
Principal retirement	280,842	280,842	80,000	200,842
Interest charges	662,936	662,936	31,870	631,066
Total expenditures	16,320,418	17,032,927	16,010,010	1,022,917
Excess of revenues over expenditures	320,813	(548,449)	1,225,726	1,774,175
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	22,175	22,175
Transfers out	(318,000)	(311,000)	(1,152,347)	(841,347)
Total other financing sources (uses)	(318,000)	(311,000)	(1,130,172)	(819,172)
Net change in fund balances	2,813	(859,449)	95,554	955,003
FUND BALANCES - BEGINNING	3,179,401	3,179,401	3,179,401	-
FUND BALANCES - ENDING	\$ 3,182,214	\$ 2,319,952	\$ 3,274,955	\$ 955,003

CITY OF SELMA, ALABAMA
EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date January 1	Actuarial Value of Assets* (a)	Actuarial Liability (AAL) - Entry Age (b)¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/04	\$ 26,260,887	\$ 29,008,566	\$ 2,747,679	90.5%	\$ 8,461,591	32.5%
09/30/05	26,657,412	30,305,715	3,648,303	88.0%	8,212,780	44.4%
09/30/06	26,592,837	31,820,475	5,227,638	83.6%	8,282,361	63.1%
09/30/07	26,988,355	32,372,847	5,384,492	83.4%	8,532,424	63.1%
09/30/08	26,494,719	34,002,156	7,507,437	77.9%	9,158,651	82.0%
09/30/09	25,420,119	32,881,513	7,461,394	77.3%	7,715,121	96.7%
09/30/10 ²	34,295,394	34,658,657	363,263	99.0%	8,036,319	4.5%
09/30/11 ⁴	33,211,271	34,473,443	1,262,172	96.3%	7,566,038	16.7%
09/30/12 ⁵	32,209,378	32,580,152	370,774	98.9%	6,984,645	5.3%
09/30/13 ⁶	33,233,956	33,758,054	524,098	98.4%	7,456,228	7.0%
09/30/13 ^{3,6}	33,233,956	33,818,084	584,128	98.3%	7,456,228	7.8%

¹ Reflects liability for cost of living benefits increases granted on or after October 1, 1978.

² Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

³ Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

⁴ Reflects changes in actuarial assumptions.

⁵ Reflects changes to interest smoothing methodology.

⁶ Reflects implementations of Board Funding Policy.

* The actuarial value of assets was set equal to the market value of assets as of September 30, 2012.

Market Value of Assets as of September 30, 2013: \$34,859,774

CITY OF SELMA, ALABAMA

EMPLOYEES' MEDICAL INSURANCE PLAN OF THE CITY OF SELMA, ALABAMA
 SCHEDULE OF FUNDING PROGRESS

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]	
09/30/09	\$	-	\$ 3,297,967	\$ 3,297,967	0.0%	\$ 8,792,535	37.5%
09/30/10		-	5,172,791	5,172,791	0.0%	8,508,143	60.8%
09/30/11		-	5,172,791	5,172,791	0.0%	8,653,127	59.8%
09/30/12		-	4,941,355	4,941,355	0.0%	7,417,824	66.6%
09/30/13		-	4,941,355	4,941,355	0.0%	9,157,885	54.0%

SUPPLEMENTARY INFORMATION

CITY OF SELMA, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	Special Revenue								
	State Lodging Tax	Revolving Loan Fund	Drug Enforcement Unit	Alabama Trust Fund	Awarded Drug Unit Fund	SPD Sundry Account	Municipal Court	Fire Department Sundry	Summer Food Program
ASSETS									
Cash and cash equivalents	\$ 199,095	\$ 26,747	\$ 23,618	\$ 454,627	\$ 2,305	\$ 1,217	\$ 93,729	\$ 1,423	\$ -
Receivables	-	-	-	-	-	-	141	-	-
Due from other funds	72,182	-	-	1,125	-	-	-	-	84,634
Restricted assets:									
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Cash held by fiscal agent	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 271,277	\$ 26,747	\$ 23,618	\$ 455,752	\$ 2,305	\$ 1,217	\$ 93,870	\$ 1,423	\$ 84,634
LIABILITIES									
Accounts payable and accrued expenses	\$ 1,827	\$ -	\$ -	\$ 23,738	\$ -	\$ -	\$ 1,235	\$ -	\$ -
Due to other funds	2,750	-	578	-	160	-	592	-	73
Other liabilities	-	-	24,861	-	-	-	-	-	-
TOTAL LIABILITIES	4,577	-	25,439	23,738	160	-	1,827	-	73
FUND BALANCES									
Restricted	-	26,747	-	432,014	-	-	92,043	-	84,561
Committed	266,700	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	2,145	1,217	-	1,423	-
Unassigned	-	-	(1,821)	-	-	-	-	-	-
TOTAL FUND BALANCES	266,700	26,747	(1,821)	432,014	2,145	1,217	92,043	1,423	84,561
TOTAL LIABILITIES AND FUND BALANCES	\$ 271,277	\$ 26,747	\$ 23,618	\$ 455,752	\$ 2,305	\$ 1,217	\$ 93,870	\$ 1,423	\$ 84,634

See accompanying notes.

CITY OF SELMA, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	Special Revenue								
	Americorp Digital Divide	St. James Hotel Project	Planning and Development	Community Reinvestment	Firefighter Grant	Municipal Aid	Traffic Enforcement	Criminal Fines	Cash Bonds
ASSETS									
Cash and cash equivalents	\$ 49,994	\$ 3,302	\$ 25,150	\$ 47,726	\$ 9,984	\$ 531,891	\$ 16,041	\$ 2,058	\$ 56,152
Receivables	62,908	-	4,417	50,481	-	16,928	-	-	-
Due from other funds	-	424	7,000	-	-	-	2,812	-	-
Restricted assets:									
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Cash held by fiscal agent	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 112,902	\$ 3,726	\$ 36,567	\$ 98,207	\$ 9,984	\$ 548,819	\$ 18,853	\$ 2,058	\$ 56,152
LIABILITIES									
Accounts payable and accrued expenses	\$ 4,116	\$ -	\$ -	\$ -	\$ -	\$ 8,821	\$ -	\$ -	\$ 55,607
Due to other funds	149,770	944	18,221	-	8,090	15,853	-	-	-
Other liabilities	1,139	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	155,025	944	18,221	-	8,090	24,674	-	-	55,607
FUND BALANCES									
Restricted	-	-	18,346	98,207	1,894	524,145	18,853	2,058	545
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	2,782	-	-	-	-	-	-	-
Unassigned	(42,123)	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	(42,123)	2,782	18,346	98,207	1,894	524,145	18,853	2,058	545
TOTAL LIABILITIES AND FUND BALANCES	\$ 112,902	\$ 3,726	\$ 36,567	\$ 98,207	\$ 9,984	\$ 548,819	\$ 18,853	\$ 2,058	\$ 56,152

See accompanying notes.

CITY OF SELMA, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	Special Revenue								
	Restitutions	Restoration Revitalization Fund	ATF Sharing	PEG Fund	Occupancy Fee	Award General Foreitures	Selma Animal Shelter	Municipal Judicial Adm Fund	1/2 Cent Sales Tax Fund
ASSETS									
Cash and cash equivalents	\$ 7,985	\$ 50	\$ 2,554	\$ 41,736	\$ 47,024	\$ 1,884	\$ 24,706	\$ 593	\$ -
Receivables	-	-	-	3,785	-	-	-	-	-
Due from other funds	-	-	-	-	33,221	-	-	-	-
Restricted assets:									
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Cash held by fiscal agent	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 7,985	\$ 50	\$ 2,554	\$ 45,521	\$ 80,245	\$ 1,884	\$ 24,706	\$ 593	\$ -
LIABILITIES									
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ 25,236	\$ -	\$ 714	\$ -	\$ 59,499
Due to other funds	-	-	-	11,717	-	-	-	-	-
Other liabilities	7,951	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	7,951	-	-	11,717	25,236	-	714	-	59,499
FUND BALANCES									
Restricted	34	50	2,554	33,804	-	1,884	23,992	593	-
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	55,009	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	(59,499)
TOTAL FUND BALANCES	34	50	2,554	33,804	55,009	1,884	23,992	593	(59,499)
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,985	\$ 50	\$ 2,554	\$ 45,521	\$ 80,245	\$ 1,884	\$ 24,706	\$ 593	\$ -

See accompanying notes.

WORKING PAPER FOLDER

CITY OF SELMA, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	Capital Projects				Debt Service			Total Nonmajor Governmental Funds
	1999 Capital Project Bond	Other Funds	2009 Capital Project Bond	Major Project	Public Building Authority	2009 Refunding Warrants	2011 Pension Warrants	
ASSETS								
Cash and cash equivalents	\$ -	\$ 24,353	\$ -	\$ 36,894	\$ -	\$ -	\$ -	\$ 1,732,838
Receivables	-	11,000	-	-	-	14,671	-	164,331
Due from other funds	-	18,221	-	-	-	-	-	219,619
Restricted assets:								
Cash and cash equivalents	38,001	-	-	-	30,202	15,140	-	83,343
Cash held by fiscal agent	-	-	518,718	-	-	-	1	518,719
TOTAL ASSETS	\$ 38,001	\$ 53,574	\$ 518,718	\$ 36,894	\$ 30,202	\$ 29,811	\$ 1	\$ 2,718,850
LIABILITIES								
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 180,793
Due to other funds	35,625	7,645	-	19,290	-	45,697	-	317,005
Other liabilities	-	-	-	-	-	-	-	33,951
TOTAL LIABILITIES	35,625	7,645	-	19,290	-	45,697	-	531,749
FUND BALANCES								
Restricted	2,376	45,929	518,718	17,604	30,202	-	1	1,977,154
Committed	-	-	-	-	-	-	-	266,700
Assigned	-	-	-	-	-	-	-	62,576
Unassigned	-	-	-	-	-	(15,886)	-	(119,329)
TOTAL FUND BALANCES	2,376	45,929	518,718	17,604	30,202	(15,886)	1	2,187,101
TOTAL LIABILITIES AND FUND BALANCES	\$ 38,001	\$ 53,574	\$ 518,718	\$ 36,894	\$ 30,202	\$ 29,811	\$ 1	\$ 2,718,850

See accompanying notes.

CITY OF SELMA, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue								
	State Lodging Tax	Revolving Loan Fund	Drug Enforcement Unit	Alabama Trust Fund	Awarded Drug Unit Fund	SPD Sundry Account	Municipal Court	Fire Department Sundry	Summer Food Program
REVENUES									
Taxes	\$ 307,909	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	178,259	-	-	-	-	144,987
Fines and forfeitures	-	-	-	-	20,707	-	43,844	-	-
Other revenues	-	-	-	26,700	-	1,450	5,026	250	-
Interest on investments	142	-	17	269	3	-	-	-	-
Total revenues	308,051	-	17	205,228	20,710	1,450	48,870	250	144,987
EXPENDITURES									
Current operations:									
General government	344,325	-	-	252,888	-	-	79	36	150,124
Public safety	-	-	-	-	28,285	-	38,685	-	-
Public service	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	8,889	7,319	-	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-	-
Total expenditures	344,325	-	-	252,888	28,285	8,889	46,083	36	150,124
Excess of revenues over (under) expenditures	(36,274)	-	17	(47,660)	(7,575)	(7,439)	2,787	214	(5,137)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	2,000	-	-	-	-	-
Transfers out	(15,000)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(15,000)	-	-	2,000	-	-	-	-	-
Net change in fund balances	(51,274)	-	17	(45,660)	(7,575)	(7,439)	2,787	214	(5,137)
FUND BALANCES - BEGINNING	317,974	26,747	(1,838)	477,674	9,720	8,656	89,256	1,209	89,698
FUND BALANCES - ENDING	\$ 266,700	\$ 26,747	\$ (1,821)	\$ 432,014	\$ 2,145	\$ 1,217	\$ 92,043	\$ 1,423	\$ 84,561

See accompanying notes.

CITY OF SELMA, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue								
	Americorp Digital Divide	St. James Hotel Project	Planning and Development	Community Reinvestment	Firefighter Grant	Municipal Aid	Traffic Enforcement	Criminal Fines	Cash Bonds
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 173,362	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	18,716	-	-	-
Intergovernmental	260,179	-	1,283	50,481	711	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	245,759	2,514	-
Other revenues	-	129,659	-	-	-	-	-	60	-
Interest on investments	-	8	-	-	-	251	-	1	-
Total revenues	<u>260,179</u>	<u>129,667</u>	<u>1,283</u>	<u>50,481</u>	<u>711</u>	<u>192,329</u>	<u>245,759</u>	<u>2,575</u>	<u>-</u>
EXPENDITURES									
Current operations:									
General government	381,787	192,083	13,327	27,398	-	222,481	233,454	2,675	-
Public safety	-	-	-	-	815	-	-	-	-
Public service	-	-	-	-	-	42,364	-	-	-
Other	-	-	-	-	-	147,127	-	-	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-	-
Total expenditures	<u>381,787</u>	<u>192,083</u>	<u>13,327</u>	<u>27,398</u>	<u>815</u>	<u>411,972</u>	<u>233,454</u>	<u>2,675</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(121,608)</u>	<u>(62,416)</u>	<u>(12,044)</u>	<u>23,083</u>	<u>(104)</u>	<u>(219,643)</u>	<u>12,305</u>	<u>(100)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	101,695	31,507	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(31,500)	-	-
Total other financing sources (uses)	<u>101,695</u>	<u>31,507</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,500)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(19,913)</u>	<u>(30,909)</u>	<u>(12,044)</u>	<u>23,083</u>	<u>(104)</u>	<u>(219,643)</u>	<u>(19,195)</u>	<u>(100)</u>	<u>-</u>
FUND BALANCES - BEGINNING	<u>(22,210)</u>	<u>33,691</u>	<u>30,390</u>	<u>75,124</u>	<u>1,998</u>	<u>743,788</u>	<u>38,048</u>	<u>2,158</u>	<u>545</u>
FUND BALANCES - ENDING	<u>\$ (42,123)</u>	<u>\$ 2,782</u>	<u>\$ 18,346</u>	<u>\$ 98,207</u>	<u>\$ 1,894</u>	<u>\$ 524,145</u>	<u>\$ 18,853</u>	<u>\$ 2,058</u>	<u>\$ 545</u>

See accompanying notes.

WORKING PAPER FOLDER

CITY OF SELMA, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue								
	Restitutions	Restoration Revitalization Fund	ATF Sharing	PEG Fund	Occupancy Fee	Award General Foreitures	Selma Animal Shelter	Municipal Judicial Adm Fund	1/2 Cent Sales Tax Fund
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 36,236	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Other revenues	-	-	-	15,300	-	1,884	21,499	593	-
Interest on investments	-	-	-	19	15	-	-	-	-
Total revenues	-	-	-	15,319	36,251	1,884	21,499	593	-
EXPENDITURES									
Current operations:									
General government	-	-	-	2,690	-	-	-	-	59,499
Public safety	-	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	7,507	-	-
Other	-	-	990	-	-	-	-	-	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	990	2,690	-	-	7,507	-	59,499
Excess of revenues over (under) expenditures	-	-	(990)	12,629	36,251	1,884	13,992	593	(59,499)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	10,000	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	10,000	-	-
Net change in fund balances	-	-	(990)	12,629	36,251	1,884	23,992	593	(59,499)
FUND BALANCES - BEGINNING	34	50	3,544	21,175	18,758	-	-	-	-
FUND BALANCES - ENDING	\$ 34	\$ 50	\$ 2,554	\$ 33,804	\$ 55,009	\$ 1,884	\$ 23,992	\$ 593	\$ (59,499)

See accompanying notes.

CITY OF SELMA, ALABAMA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Capital Projects				Debt Service			Total Nonmajor Governmental Funds
	1999 Capital Project Bond	Other Funds	2009 Capital Project Bond	Major Project	Public Building Authority	2009 Refunding Warrants	2011 Pension Warrants	
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 517,507
Licenses and permits	-	-	-	-	-	-	-	18,716
Intergovernmental	-	891	-	-	-	156,096	-	792,887
Fines and forfeitures	-	-	-	-	-	-	-	312,824
Other revenues	-	6,100	29	-	-	-	-	208,550
Interest on investments	-	-	-	-	16	-	-	741
Total revenues	-	6,991	29	-	16	156,096	-	1,851,225
EXPENDITURES								
Current operations:								
General government	-	5,336	297,020	400	-	39	-	2,185,641
Public safety	-	-	-	-	-	-	-	67,785
Public service	-	-	-	-	-	-	-	49,871
Other	-	-	-	-	-	-	-	164,325
Debt service:								
Principal retirement	-	-	-	-	-	310,000	-	310,000
Interest charges	-	-	-	-	-	127,475	660,936	788,411
Total expenditures	-	5,336	297,020	400	-	437,514	660,936	3,566,033
Excess of revenues over (under) expenditures	-	1,655	(296,991)	(400)	16	(281,418)	(660,936)	(1,714,808)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	241,363	660,801	1,047,366
Transfers out	-	-	-	-	-	-	-	(46,500)
Total other financing sources (uses)	-	-	-	-	-	241,363	660,801	1,000,866
Net change in fund balances	-	1,655	(296,991)	(400)	16	(40,055)	(135)	(713,942)
FUND BALANCES - BEGINNING	2,376	44,274	815,709	18,004	30,186	24,169	136	2,901,043
FUND BALANCES - ENDING	\$ 2,376	\$ 45,929	\$ 518,718	\$ 17,604	\$ 30,202	\$ (15,886)	\$ 1	\$ 2,187,101

See accompanying notes.

CITY OF SELMA, ALABAMA
 COMPUTATION OF LEGAL DEBT MARGIN
 SEPTEMBER 30, 2014

Assessed value		<u>\$ 125,879,820</u>
Legal debt margin		
Debt limitation - 20 percent of assessed value		\$ 25,175,964
Debt applicable to limitation:		
Long-term bonded debt including capital leases	\$ 27,035,000	
Less: Debt attributable for school purposes	(1,872,578)	
Less: Debt attributable for sewer purposes	(4,275,000)	
Less: Amount available for payment of general obligation debt	<u>(6,979,201)</u>	
Total debt applicable to limitation		<u>13,908,221</u>
Legal debt margin		<u>\$ 11,267,743</u>

Note: Section 225, as amended, Constitution of State of Alabama, limits debt of the City of Selma to 20 percent of the assessed value of taxable property. Excluded from this limitation are bonds issued for schools, sewers and assessed improvements.

Sources: Assessed value data provided by the Dallas County Tax Assessor.

See accompanying notes.

CITY OF SELMA, ALABAMA
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
 SEPTEMBER 30, 2014

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government (a)</u>	<u>Amount Applicable to Government</u>
Direct			
City of Selma:			
General obligations including capital leases	\$ 27,035,000 (a)	100.00%	\$ 27,035,000
Overlapping			
Dallas County:			
General obligations including capital leases	<u>8,161,937</u>	34.60%	<u>2,824,030</u>
Total	<u><u>\$ 35,196,937</u></u>		<u><u>\$ 29,859,030</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Dallas County Tax Assessor. Net General Obligation Bonded Debt outstanding data provided by the Dallas County Tax Assessor.

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

(a) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the County's boundaries and dividing it by the County's total taxable assessed value.

See accompanying notes.