

**City of Selma, Alabama**

**FINANCIAL STATEMENTS**

**For the Fiscal Year Ended September 30, 2017**



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

[CRIcpa.com](http://CRIcpa.com)

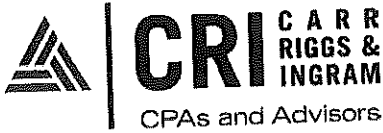
**City of Selma, Alabama**  
**Table of Contents**  
**September 30, 2017**

<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	1
Management's Discussion and Analysis	4.1
Government-wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements:	
Balance Sheet—Governmental Funds	7
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balance—Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds to the Government-wide Statement of Activities	10
Statement of Net Position—Fiduciary Fund	11
Notes to Financial Statements	12
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual—General Fund	43
Other Post-Employment Benefits – Schedule of Funding Progress	44
Schedule of Changes in Net Pension Liability	45
Schedule of Employer Contributions—Pension Plan	46
Notes to Required Supplementary Information	47
<b>OTHER INFORMATION</b>	
Combining Balance Sheet-Other Governmental Funds	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Other Governmental Funds	54
Schedule of Expenditures of Federal Awards	58
Notes to the Schedule of Expenditures of Federal Awards	59

**City of Selma, Alabama**  
**Table of Contents**  
**September 30, 2017**

**OTHER REPORTS**

Independent Auditors' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	62
Independent Auditors' Report on Compliance For Each Major Program and On Internal Control Over Compliance Required by Uniform Guidance	65
Schedule of Findings and Questioned Costs	68
Schedule of Prior Year Audit Findings	73
Corrective Action Plan	75



Carr, Riggs & Ingram, LLC  
3700 Colonnade Parkway  
Suite 300  
Birmingham, AL 35243

(205) 933-7822  
(205) 933-7944 (fax)  
www.cricpa.com

## 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, 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, 2017, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017, 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.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund financial statements and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements and schedule of expenditures of federal awards 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 fund financial statements and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

Birmingham, Alabama  
October 10, 2018

**CITY OF SELMA, ALABAMA**

222 Broad Street  
Selma, AL 36701

**FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS  
ANNUAL FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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, 2017. 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 (GASB).

**FINANCIAL HIGHLIGHTS**

- As of September 30, 2017, the City's net position (assets minus liabilities) totaled \$20,487,723, a decrease of \$9,400,212 from the September 30, 2016 figure.
- Total net position for governmental activities is comprised of the following:
  - 1) Net investment in capital assets of \$34,077,948, 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 \$3,835,066 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 \$17,425,291
- Total net position for governmental activities decreased by \$9,400,212, thus bringing the total to \$20,487,723 for fiscal year 2017. The approximate \$9.4 million decrease is in large part due to a prior period adjustment related to the prepayment of the City's unfunded pension liability. Please see Note #15 of the financial statements for further discussion.
- Fund balances (a measure of current financial resources) in governmental funds decreased by \$1,346,148 to a total of \$8,677,148. Of this amount \$461,809 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 \$7,284,073 which is restricted for capital projects, debt service as well as for community development and other purposes. There is also a committed amount of \$121,541 for economic development and an assigned amount of \$146,790 for miscellaneous projects. The combined totals for nonspendable, restricted committed and assigned, plus the unassigned amount of \$662,935 yields a total combined ending fund balance of \$8,677,148 for fiscal year 2017.

- The general fund unassigned fund balance, as of September 30, 2017, was \$1,241,242 or 7.1% of total general fund expenditures.
- The City's total bond and capital lease debt increased by \$1,980,402 (7.6%) 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 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. (During the prior fiscal year, the City transferred the operations of its business-type activities to be included with its governmental activities). Governmental activities include administrative functions, streets, garbage, public safety, public works, recreation, community development, and the cemetery funds.

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 two categories: governmental 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.

*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.

## Required Supplementary and Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including general fund budgetary comparison information, as well as 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 42 of this report.

Combining fund financial statements of the City's non-major governmental funds can be found beginning on page 49 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 \$20,487,723 as of September 30, 2017. The following table reflects the condensed government-wide statement of net position:

	<u>Government Activities</u>	
	2017	2016
Current assets	\$ 10,905	\$ 11,435
Capital assets	40,429	40,429
Total assets	<u>51,334</u>	<u>51,864</u>
Deferred outflow of pension obligation bonds	-	8,170
Deferred charges on refunding	2,548	-
Deferred outflows related to pension plan	1,938	1,505
Total deferred outflows of resources	<u>4,486</u>	<u>9,675</u>
Current and other liabilities	2,402	3,561
Long-term liabilities	32,339	27,882
Total liabilities	<u>34,741</u>	<u>31,443</u>
Deferred inflows attributable to pension plan	<u>591</u>	<u>208</u>
Net position		
Net investment in capital assets	34,078	29,793
Restricted	3,835	4,008
Unrestricted	(17,425)	(3,913)
Total net position	<u>\$ 20,488</u>	<u>\$ 29,888</u>

The City's total assets were \$51,334,217 as of September 30, 2017. Of this amount, \$40,429,027 is accounted for by capital assets, which includes infrastructure.

Of the remaining City assets, \$2,412,800 is accounted for in cash and cash equivalents, \$1,478,977 in receivables, \$410,000 in a note receivable, \$3,067,987 in restricted cash and cash equivalents, \$3,483,617 in restricted cash held by fiscal agent, and the remainder spread among miscellaneous assets.

At September 30, 2017, the City had outstanding liabilities of \$34,741,277, of which \$32,338,735 was long-term debt. Long-term debt includes bonds and warrants payable, capital lease obligations, compensated absences, net pension liability and other postemployment benefit obligation. Of the total amount outstanding approximately \$1,925,997 was due within one year, with the remainder due at various dates through 2036.

Included in current and other liabilities in the above table are \$1,627,864 in accounts payable, \$174,500 in accrued interest payable and \$600,178 in other liabilities.

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 \$3,835,066 or 19% of total net position. The net result is a deficit in unrestricted net position totaling \$17,425,291.

As of September 30, 2017, the City reported positive net position in governmental activities. The City's net position decreased \$9,400,212 or 31% during the fiscal year. This decrease was primarily due to the following reasons:

- 1) Prior period adjustments recorded during the current year. The most significant one was to correct for an error related to the City's prepayment of its net pension obligation in the amount of \$8,169,814.
- 2) The City recognized a net increase in other postemployment benefit (OPEB) liability of \$242,347 for the year ended September 30, 2017.
- 3) The City recognized additional pension expense in the amount of \$294,943 related to its net pension liability and deferred outflows/inflows of resources related to its pension plan.
- 4) Depreciation expense of \$2,120,401 on governmental activities.

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

Statement of Activities		As of September 30		(In Thousands)	
		<u>Government Activities</u>			
Revenues		2017		2016	
Program Revenues:					
	Charges for services	\$ 3,361	\$	3,812	
	Operating grants and contributions	808		645	
	Capital grants and contributions	819		729	
General Revenues:					
	Property taxes	2,418		2,475	
	Sales and use taxes	10,676		11,107	
	Lodging taxes	315		368	
	Other taxes	1,175		1,164	
	Other general revenues	602		893	
	Transfers	-		513	
		<u>20,174</u>		<u>21,706</u>	
<b>Expenses</b>					
	General government	7,994		7,994	
	Public Safety	7,557		7,978	
	Public Service	2,352		2,646	
	Other	1,839		2,023	
	Interest and fiscal charges	1,394		1,286	
		<u>21,136</u>		<u>21,927</u>	
	Increase/(decrease) in net position	(962)		(221)	
	Net position, beginning as originally stated	29,888		30,109	
	Prior period adjustment	(8,438)		-	
	Net position, ending	<u>\$ 20,488</u>	\$	<u>29,888</u>	

Total revenues for the City were \$20,174,196 for the year ended September 30, 2017. The governmental activities received \$10,676,253 or 52.9% of total revenue, from sales taxes and \$2,778,931, or 13.8% 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 \$8,677,148 a decrease of \$1,346,148 from the September 30, 2016 figure.

*General Fund* – At September 30, 2017, total fund balance was \$1,680,220 a decrease of \$390,660 from the previous year. Total revenue for the General Fund decreased by \$719,421 or 3.9% in 2017 compared to the previous year. This was due to a decrease in sales tax. Total expenditures for the General Fund decreased by \$136,583 or 0.8% in 2017 compared to the previous year. This was due to a decrease in public safety salary expenditures.

*Bond Fund* – At September 30, 2017, total fund balance was \$3,081,549, an increase of \$76,518 from the previous year.

*2014 GO Warrant Fund* – At September 30, 2017, total fund balance was \$2,942,471 a decrease of \$609,856 from the previous year. This fund accounts for resources accumulated and payments made for principal and interest on the Series 2014-CWSRF-DL General Obligation Warrant.

### **General Fund Budgetary Highlights**

Total general fund revenues were \$17,568,146, which was an increase of \$290,251 over final budgeted revenues. The primary cause of this is as follows:

The receipts for sales and use taxes were \$310,296 over the anticipated revenue.

### **Capital Asset and Debt Administration**

The City's investment in capital assets for governmental activities as of September 30, 2017, was \$40,429,027 (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:

- Five police interceptor vehicles
- Seven commercial mowers
- Two trucks used in the cemetery department
- Various capital improvements throughout the City
- Several real estate plots (including some donations)
- Sanitary sewer improvements and replacements

At the end of the fiscal year, the City had secured and bonded debt in the outstanding principal amount of \$26,995,000. This amount included the addition of the Series 2016 General Obligation Warrants as well as the refunding \$11,165,000 for the 2011 Taxable Pension Obligation Warrants. This entire amount comprises debt backed by the full faith and credit of the City. The principal amount of the City's total bond and capital lease debt increased by \$2,151,031 (8.2%) 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:

- Review and discussion of plans to revitalize the Good Samaritan Hospital on Broad Street to create a city health clinic.
- Infrastructure overhaul within the 20 mile radius of the City to repair or replace sewer lines as a result of the \$4 million bond warrant issuance.
- Negotiations for the sale of the St. James Hotel still in progress.
- Established the Selma Redevelopment Authority (SRA) to assist with the redevelopment of the downtown area.
- Acquisition of vacant building adjacent to Riverfront Amphitheater and Park for the expansion of park.
- HUD application for \$30 million Choice Grant for neighborhood stabilization/renovation of existing houses.
- Resurfaced existing Bloch Park tennis courts through the Walt Disney tennis court grant for \$45,000.
- Selma Interpretative Center renovation project received \$1.3 Million from Alabama Department of Transportation, \$150,000 from Delta Regional Authority; and \$394,000 from National Parks Service.
- Riverwalk construction in progress as a result of approval of the Riverwalk TAP Grant, a \$600,000 grant from Alabama Department of Transportation.

- Boardwalk (along the Alabama River) design phase process as a result of approval of the Riverwalk TAP Grant, a \$600,000 grant from Alabama Department of Transportation.
- ATRIP Phase 3 – Summerfield Avenue and Lapsley Street for street resurfacing and sidewalk repair in progress.
- Installed fee based Wi-Fi access for public rental buildings.
- Installed security cameras in city owned buildings.
- Migrated IT servers and updated financial software to the latest platform.
- Connected all city departments to city owned fiber optic cable network.
- Community Development Block Grant (CDBG) to implement underground infrastructure and storm water drainage.

#### **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.

**City of Selma, Alabama**  
**Statement of Net Position**

<i>September 30, 2017</i>	<b>Primary Government</b>
	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,412,800
Receivables, net	1,478,977
Prepaid expenses	51,809
Note receivable	410,000
Restricted assets:	
Cash and cash equivalents	3,067,987
Cash held by fiscal agent	3,483,617
Capital assets not being depreciated:	
Land	3,470,518
Construction in progress	1,692,089
Capital assets net of accumulated depreciation:	
Buildings	5,160,007
Improvements	13,036,317
Infrastructure	12,891,806
Machinery and equipment	4,178,290
<b>Total assets</b>	<b>51,334,217</b>
<b>Deferred outflows of resources</b>	
Deferred charges on refunding of long term debt	2,547,699
Deferred outflows related to pension plan - see note 9	1,937,775
<b>Total deferred outflows</b>	<b>4,485,474</b>
<b>Liabilities</b>	
Accounts payable and accrued expenses	1,627,864
Accrued interest payable	174,500
Unearned revenue	152,087
Other liabilities	448,091
Noncurrent Liabilities:	
Due within one year	1,925,997
Due in more than one year	30,412,738
<b>Total liabilities</b>	<b>34,741,277</b>
<b>Deferred inflows of resources</b>	
Difference between expected and actual experience - pension plan	590,691
<b>Net position</b>	
Net investment in capital assets	34,077,948
Restricted For:	
Capital projects	227,523
Community development	129,083
Debt service	3,053,892
Municipal court	53,634
Public safety	47,097
Public works	323,837
Unrestricted (deficit)	(17,425,291)
<b>Total net position</b>	<b>\$ 20,487,723</b>

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



# City of Selma, Alabama Statement of Activities

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary government</b>					
Governmental activities:					
General government	\$ 7,994,252	\$ 3,079,049	\$ 782,636	-	\$ (4,132,567)
Public safety	7,557,459	110,338	24,959	-	(7,422,162)
Public service	2,352,265	1,760	-	818,862	(1,531,643)
Other	1,838,521	169,901	-	-	(1,668,620)
Interest and fiscal charges on long-term debt	1,393,922	-	-	-	(1,393,922)
<b>Total governmental activities</b>	<b>21,136,419</b>	<b>3,361,048</b>	<b>807,595</b>	<b>818,862</b>	<b>(16,148,914)</b>

**General revenues:**

Taxes:	
Property taxes	2,418,133
Sales taxes	10,676,253
Lodging taxes	314,948
Motor fuel taxes	844,895
Alcoholic beverage taxes	90,425
Tobacco taxes	239,885
Investment earnings	32,953
Miscellaneous revenue	569,199
<b>Total general revenues</b>	<b>15,186,691</b>
<b>Change in net position</b>	<b>(962,223)</b>

Net position - beginning, as originally stated

29,887,935

Prior period adjustment - see note 15

(8,437,989)

Net position - ending

\$ 20,487,723

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

**City of Selma, Alabama**  
**Balance Sheet – Governmental Funds**

September 30, 2017

	General Fund	Bond Fund	2014 GO Warrant Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,113,391	\$ -	\$ 24,539	\$ 1,274,870	\$ 2,412,800
Receivables	1,421,655	593	-	56,729	1,478,977
Prepaid expenses	28,978	-	22,831	-	51,809
Due from other funds	1,054,820	91,933	-	420,515	1,567,268
Note receivable	410,000	-	-	-	410,000
Restricted assets:					
Cash and cash equivalents	-	2,989,020	-	78,967	3,067,987
Cash held by fiscal agent	-	3	3,137,542	346,072	3,483,617
<b>Total assets</b>	<b>\$ 4,028,844</b>	<b>\$ 3,081,549</b>	<b>\$ 3,184,912</b>	<b>\$ 2,177,153</b>	<b>\$ 12,472,458</b>
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 1,339,474	\$ -	\$ 2,682	\$ 285,708	\$ 1,627,864
Due to other funds	487,227	-	239,759	840,282	1,567,268
Unearned revenue	152,087	-	-	-	152,087
Other liabilities	369,836	-	-	78,255	448,091
<b>Total liabilities</b>	<b>\$ 2,348,624</b>	<b>\$ -</b>	<b>\$ 242,441</b>	<b>\$ 1,204,245</b>	<b>\$ 3,795,310</b>
<b>Fund balance</b>					
Nonspendable	\$ 438,978	\$ -	\$ 22,831	\$ -	\$ 461,809
Restricted	-	2,989,023	2,919,640	1,375,410	7,284,073
Committed	-	-	-	121,541	121,541
Assigned	-	-	-	146,790	146,790
Unassigned	1,241,242	92,526	-	(670,833)	662,935
<b>Total fund balance</b>	<b>1,680,220</b>	<b>3,081,549</b>	<b>2,942,471</b>	<b>972,908</b>	<b>8,677,148</b>
<b>Total liabilities and fund balance</b>	<b>\$ 4,028,844</b>	<b>\$ 3,081,549</b>	<b>\$ 3,184,912</b>	<b>\$ 2,177,153</b>	<b>\$ 12,472,458</b>

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

**City of Selma, Alabama**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**

September 30, 2017

Total fund balances - governmental funds	\$	8,677,148
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		40,429,027
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in governmental funds.		2,547,699
Deferred charges on refunding of long term debt		1,937,775
Deferred outflows related to pension plan - see note 9		(590,691)
Difference between expected and actual experience - pension plan		
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, 2017 were:		
Bonds, warrants and capital leases	\$ (28,396,544)	
Unamortized net premiums	(23,275)	
Unamortized net discounts	280,476	
Accrued interest	(174,500)	
Compensated absences	(199,852)	
Postemployment benefits other than pensions	(2,812,240)	
Net pension liability	(1,187,300)	
Total long-term liabilities		(32,513,235)
Net position of governmental activities	\$	20,487,723

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

**City of Selma, Alabama**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances – Governmental Funds**

	General Fund	Bond Fund	2014 GO Warrant Fund	Other Governmental Funds	Total Governmental Funds
<i>For the year ended September 30, 2017</i>					
<b>Revenues</b>					
Taxes	\$ 13,020,773	\$ 1,047,149	\$ -	\$ 516,616	\$ 14,584,538
Licenses and permits	2,757,722	-	-	21,209	2,778,931
Intergovernmental	1,213,636	95,549	-	473,376	1,782,561
Charges for services	80,826	-	-	-	80,826
Fines and forfeitures	-	-	-	299,549	299,549
Other revenues	494,652	-	-	98,885	593,537
Interest on investments	537	5,264	-	27,153	32,954
<b>Total revenues</b>	<b>17,568,146</b>	<b>1,147,962</b>	<b>-</b>	<b>1,436,788</b>	<b>20,152,896</b>
<b>Expenditures</b>					
Current operations:					
General government	7,333,873	-	-	927,974	8,261,847
Public safety	6,811,737	-	-	255,576	7,067,313
Public service	1,540,236	-	391,762	84,654	2,016,652
Other	1,289,748	-	-	561,343	1,851,091
Debt service:					
Principal retirement	404,759	775,000	170,000	384,089	1,733,848
Interest charges	72,468	296,444	59,939	820,486	1,249,337
<b>Total expenditures</b>	<b>17,452,821</b>	<b>1,071,444</b>	<b>621,701</b>	<b>3,034,122</b>	<b>22,180,088</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>115,325</b>	<b>76,518</b>	<b>(621,701)</b>	<b>(1,597,334)</b>	<b>(2,027,192)</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	11,845	308,591	320,436
Transfers out	(320,436)	-	-	-	(320,436)
Proceeds of refunding warrants	-	-	-	14,810,000	14,810,000
Payment to bond escrow agent	-	-	-	(13,813,924)	(13,813,924)
Original issue discount	-	-	-	(286,736)	(286,736)
Proceeds from capital leases	45,749	-	-	194,130	239,879
<b>Total other financing sources (uses)</b>	<b>(274,687)</b>	<b>-</b>	<b>11,845</b>	<b>1,212,061</b>	<b>949,219</b>
<b>Net change in fund balance</b>	<b>(159,362)</b>	<b>76,518</b>	<b>(609,856)</b>	<b>(385,273)</b>	<b>(1,077,973)</b>
Fund balance beginning of year - as previously stated	2,070,880	3,005,031	3,552,327	1,395,058	10,023,296
Prior period adjustment - see note #15	(231,298)	-	-	(36,877)	(268,175)
<b>Fund balance, ending</b>	<b>\$ 1,680,220</b>	<b>\$ 3,081,549</b>	<b>\$ 2,942,471</b>	<b>\$ 972,908</b>	<b>\$ 8,677,148</b>

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

**City of Selma, Alabama**

**Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances – Governmental Funds to the  
Government-wide Statement of Activities**

September 30, 2017

Net change in fund balances -- total governmental funds		\$ (1,077,973)
Capital outlays, reported as expenditures in governmental funds, are shown as capital assets in the Statement of Net Position.		2,098,809
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.		(2,120,401)
Capital leases provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the government-wide Statement of Net Position.		(239,879)
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.	\$ 1,385,000	
General obligation bonds and warrants	348,848	
Capital leases		1,733,848
Total repayments		1,733,848
The amount paid in order to refund old debt ("reacquisition price") is reported as an other financing use in the governmental funds. However, the principal amount of the refunded debt is reported as a reduction of long-term liabilities in the government-wide Statement of Net Position.		11,070,248
Furthermore, the difference between the reacquisition price and the carrying amount of the old debt is deferred and amortized in the government-wide Statement of Net Position.		2,743,676
The issuance of long-term debt (including issuance discount) provides current financial resources to governmental funds, but increases long-term liabilities in the government-wide Statement of Net Position.		(14,523,264)
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.	\$ 13,288	
Change in compensated absences	72,747	
Change in accrued interest payable		
Difference in pension expense related to deferred outflows and inflows of resources and net pension liability	(294,943)	
Change in net OPEB obligation	(242,347)	
Amortization of deferred charges on refunding	(195,977)	
Amortization of long-term debt issuance premium and discount	(21,355)	
		(668,587)
Contributed capital assets that will be used in the activities of the government are reported at their fair market value. Contribution revenue is recognized in the government-wide financial statements		21,300
		\$ (962,223)
<u>Change in net position of governmental activities</u>		<u>\$ (962,223)</u>

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

**City of Selma, Alabama**  
**Statement of Net Position – Fiduciary Fund**

*September 30, 2017*

	Agency Fund
<b>Assets</b>	
Receivable - taxes	\$ 129,448
<b>Liabilities</b>	
Accounts payable	129,448
<b>Net Position</b>	
Unrestricted	\$ -

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

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The City of Selma, Alabama (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 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.

**B. Government-Wide Financial 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 (of which the City has none). Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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.

**C. Fund Financial Statements**

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

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Fund Financial Statements (continued)**

A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

Governmental funds

**1. General Fund**

The General Fund is the principal fund of the City and is always classified as a major fund. It is used to account for all revenues and expenditures applicable to the general operations of city government which are not properly accounted for in another fund. All general operating revenues which are not restricted or designated as to their use by outside sources are recorded in the General Fund.

**2. Special Revenue Funds**

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

**3. Debt Service Funds**

Debt Service Funds are used for accumulating resources for the payment of interest and principal on long-term general obligation debt.

**4. Capital Project Funds**

Capital Projects Funds are used to account for and demonstrate compliance with legal and contractual provisions and to compile data related to financial resources to be used for the acquisition or construction of major fixed assets other than those financed by special assessments.

Fiduciary fund

**1. Fiduciary Fund – Selma Board of Education**

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 resources of those funds are not available to support City programs. The City collects various taxes that are remitted the Selma Board of Education which include advalorem, sales and use taxes.



**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

***D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the 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 practice to use restricted resources first, then unrestricted resources as they are needed.

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***E. 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.

***F. 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.

***G. Receivables***

In the Government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, advalorem taxes, and other taxes.

In the fund financial statements, material receivables in governmental funds include the receivables mentioned in the preceding paragraph and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

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 Governmental Accounting Standards Board (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.

***H. Prepaid Items***

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

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. 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

**J. Long-Term Debt**

All long-term debt to be repaid from governmental resources is reported as a liability in the government-wide statements. The City's long-term debt consists of bonds and warrants payable, capital lease obligations, accrued compensated absences, net pension liability and the liability for other post-employment benefits.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

**K. Debt Issuance Costs**

Debt issuance costs (except for prepaid insurance costs) are recognized as an expense in the period incurred.

**L. Pension**

The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report. See also Note 9.

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. *Compensated Absences***

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

**N. *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 for 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 governmental activities in the government-wide financial statements and the cost of assets so acquired are reflected in the accounts of those statements.

**O. *Interfund Transactions***

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).

**P. *Fund Equity***

GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*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.

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Fund Equity (continued)**

*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.

**Q. Deferred Outflows/Inflows**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has four items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second one is related to pensions resulting from City contributions subsequent to the measurement date that will be recognized in pension expense in 2018. The third and fourth items are also associated with the City's pension plan and are related to differences between projected and actual earnings on pension plan investments and changes in actuarial assumptions. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At this time, the City has one transaction that meets the definition of deferred inflows of resources related to the net difference between projected and actual experience related to the City's pension plan.

**R. Subsequent Events**

The City has evaluated subsequent events through October 10, 2018 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. 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.

**B. Deficit Fund Balance**

Funds with deficit fund balance are as follows:

		<b>Deficit Amount</b>
<b>Nonmajor Governmental Funds</b>	\$	1,815
Drug Enforcement Unit		175
Pending General Foreitures		166,459
Americorp Digital Divide		467,134
St. James Hotel Project		3,212
Firefighter Grant		11,716
Major Program		20,322
2009 Refunding Warrants	\$	670,833

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

**NOTE 3 – CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount and bank balance of the City's governmental activities deposit accounts (included restricted cash and cash held by fiscal agent) were as follows:

	<b>Carrying Amount</b>		<b>Bank Balance</b>
All funds	\$ 8,964,404	\$	6,163,277

At September 30, 2017, the bank balances of the City's funds were either covered by federal depository insurance or secured by collateral through the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE program, the City's funds are protected through a collateral pool administered by the Alabama State Treasury. Certain banks holding deposits belonging to the state, counties, cities, or agencies of any of these entities must pledge securities as collateral against these deposits. In the event of the failure of a bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits.

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)**

If the securities pledged failed to produce adequate funds for that purpose, every bank participating in the pool would share the liability for the remaining balance. At September 30, 2017, all of the City's depositories are participating in the SAFE program.

Included in the City's carrying amount of cash is \$3,137,542 that is held in a pooled fund of cash and investments by the Alabama Water Pollution Control Authority (the "Authority"), which is component unit of the State of Alabama. This balance represents the remaining funds related to the City's Series 2014 Clean Water State Revolving Fund (CWSRF) loan project. The cash and investments held by the Authority are collateralized by U.S. Government Securities. The remaining \$346,075 of funds presented as cash with fiscal agent are held in the name of the City of Selma, Alabama and are covered either by federal depository insurance or under the SAFE program.

**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.

**NOTE 4 – RECEIVABLES**

Receivables as of September 30, 2017, for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

Due From:	General Fund	1999 Bond Fund	Nonmajor Governmental Funds	Total
Taxes	\$ 1,092,230	\$ -	\$ 34,634	\$ 1,126,864
Accounts	326,227	-	20,588	346,815
Intergovernmental	3,198	-	1,507	4,705
Interest	-	593	-	593
	<u>\$ 1,421,655</u>	<u>\$ 593</u>	<u>\$ 56,729</u>	<u>\$ 1,478,977</u>

**NOTE 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.

Year ending September 30:	Governmental Activities	
	Principal	Interest
2018	\$ 95,000	\$ 15,853
2019	100,000	11,635
2020	105,000	7,150
2021	110,000	2,420
Total	<u>\$ 410,000</u>	<u>\$ 37,058</u>

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Transfers In/Out	Ending Balance
<b>Primary Government</b>					
Capital assets, not being depreciated:					
Land	\$ 3,339,218	\$ 131,300	\$ -	\$ -	\$ 3,470,518
Construction in progress	1,722,380	1,544,447	-	(1,574,738)	1,692,089
<b>Total capital assets not being depreciated</b>	<b>5,061,598</b>	<b>1,675,747</b>	<b>-</b>	<b>(1,574,738)</b>	<b>5,162,607</b>
Capital assets, being depreciated:					
Buildings	9,553,816	-	-	-	9,553,816
Improvements	16,312,783	95,500	-	1,574,738	17,983,021
Infrastructure	45,748,528	26,400	-	-	45,774,928
Machinery and equipment	16,310,025	322,462	-	-	16,632,487
<b>Total capital assets, being depreciated</b>	<b>87,925,152</b>	<b>444,362</b>	<b>-</b>	<b>1,574,738</b>	<b>89,944,252</b>
Less accumulated depreciation for:					
Buildings	4,253,982	139,827	-	-	4,393,809
Improvements	4,573,710	372,994	-	-	4,946,704
Infrastructure	32,093,435	789,687	-	-	32,883,122
Machinery and equipment	11,636,304	817,893	-	-	12,454,197
<b>Total accumulated depreciation</b>	<b>52,557,431</b>	<b>2,120,401</b>	<b>-</b>	<b>-</b>	<b>54,677,832</b>
<b>Total capital assets being depreciated, net</b>	<b>35,367,721</b>	<b>(1,676,039)</b>	<b>-</b>	<b>1,574,738</b>	<b>35,266,420</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 40,429,319</b>	<b>\$ (292)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 40,429,027</b>

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

<b>Governmental Activities:</b>	
General government	\$ 871,368
Public safety	522,571
Public service	711,358
Other	15,104
<b>Total depreciation expense - governmental activities</b>	<b>\$ 2,120,401</b>



**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 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, 2017, is shown below:

**Due to/from Other Funds:**

Due From:	Due To:			
	General Fund	Bond Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 91,933	\$ 395,294	\$ 487,227
2014 GO Warrant Fund	239,759	-	-	239,759
Nonmajor Governmental Funds	815,061	-	25,221	840,282
	<u>\$ 1,054,820</u>	<u>\$ 91,933</u>	<u>\$ 420,515</u>	<u>\$ 1,567,268</u>

**Interfund Transfers:**

Transfer Out:	Transfer In:			Total
	General Fund	2014 GO Warrant Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 11,845	\$ 308,591	\$ 320,436

**NOTE 8 – LONG-TERM DEBT**

Long-term debt activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Refunded	Ending Balance	Due Within One Year	Due After One Year
<b>Governmental activities:</b>							
General city bonds and warrants	\$ 24,735,000	\$ 14,810,000	\$ (1,385,000)	\$ (11,165,000)	\$ 26,995,000	\$ 1,430,000	\$ 25,565,000
Less deferred amounts:							
For issuance discounts	(113,727)	(286,736)	25,235	94,752	(280,476)	(25,235)	(255,241)
Add deferred amounts:							
For issuance premiums	27,155	-	(3,880)	-	23,275	3,880	19,395
Total general city bonds and warrants	<u>24,648,428</u>	<u>14,523,264</u>	<u>(1,363,645)</u>	<u>(11,070,248)</u>	<u>26,737,799</u>	<u>1,408,645</u>	<u>25,329,154</u>
Capital lease	1,510,513	239,879	(348,848)	-	1,401,544	317,500	1,084,044
Compensated absences	213,140	-	(13,288)	-	199,852	199,852	-
Net pension liability	842,251	345,049	-	-	1,187,300	-	1,187,300
Postemployment benefits other than pensions	2,569,893	242,347	-	-	2,812,240	-	2,812,240
Total long-term debt	<u>\$ 29,784,225</u>	<u>\$ 15,350,539</u>	<u>\$ (1,725,781)</u>	<u>\$ (11,070,248)</u>	<u>\$ 32,338,735</u>	<u>\$ 1,925,997</u>	<u>\$ 30,412,738</u>

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

Long term debt payable at September 30, 2017, 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%	\$ 410,000
Series 2009 General Obligation Refunding Warrants, interest at 3.5% to 3.875%	2,335,000
Series 2009-A General Obligation Build America Bonds, interest at 3.0% to 5.5%	5,335,000
Series 2014-CWSRF-DL General Obligation Warrants, interest at 1.5% to 2.25%	4,105,000
Series 2016 General Obligation Warrants, interest rate at 2.15% to 3.4%	14,810,000
<b>Total bonds and warrants</b>	<b>\$ 26,995,000</b>

The annual debt service requirements to maturity, including principal and interest, for General City bonds and warrants as of September 30, 2017, are as follows:

<i>Year ending September 30:</i>	Principal	Interest
2018	\$ 1,430,000	\$ 858,877
2019	1,490,000	798,942
2020	1,540,000	734,187
2021	1,835,000	664,884
2022	1,775,000	589,561
2023-2027	10,395,000	2,058,647
2028-2032	7,515,000	593,878
2033-2036	1,015,000	57,825
<b>Total</b>	<b>\$ 26,995,000</b>	<b>\$ 6,356,800</b>

In October 2016, the City issued its General Obligation Warrants, Series 2016 (the "Warrants") to provide the funds needed to refund (on an advance basis) the City's Series 2011 Taxable Pension Obligation Warrants (the "Refunded Warrants") and for the payment of issuance expenses. The City deposited the proceeds of the Warrants into an Escrow Fund in accordance with its Escrow Trust Agreement. The amount deposited into the Escrow Fund was used to purchase U.S. Government securities. These securities will mature at such times and in such amounts in order to provide, when added to any uninvested cash in the Escrow Fund, sufficient funds to pay all principal and interest requirements of the Refunded Warrants through July 1, 2021 and the redemption price of the Refunded Warrants maturing in 2022 and thereafter, which will be called for redemption on July 1, 2021. As a result of this refunding transaction, the Refunded Warrants are considered defeased, and the City has removed the liability from its accounts. The outstanding principal balance of the Refunded Warrants was \$11,165,000 as of September 30, 2017.

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

The advance refunding of the Series 2011 Taxable Pension Obligation Warrants reduced total debt service payments over the next 23 years by approximately \$2,586,062. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$848,595.

***Capital Leases***

The City has entered into lease agreements as lessee for financing the acquisition of property and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<b>Governmental Activities</b>
Machinery and equipment	\$ 2,154,814
Less accumulated depreciation	(704,270)
	<u>\$ 1,450,544</u>

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

**Governmental Activities**

Capital lease obligation for two fire trucks dated June 9, 2014, payable in annual installments of \$156,770, final payment due June 2021.	\$	582,450
Capital lease obligation for phone system dated April 24, 2015, payable in monthly installments of \$4,755, final payment due October 2020.		159,553
Capital lease obligation for excavator dated June 24, 2015, payable in monthly installments of \$1,848, final payment due May 2020.		127,744
Capital lease obligation for pothole patcher dated May 5, 2016, payable in annual installments of \$38,113, final payment due June 2021.		143,846
Capital lease obligation for backhoe dated February 17, 2016, payable in monthly installments of \$1,498, final payment due February 2021.		56,019
Capital lease obligation for excavator date July 16, 2015, payable in monthly installments of \$1,935, final payment due July 2020.		136,704
Capital lease obligation for five police cars dated March 3, 2017, payable in semi-annual installments of \$21,792, final payment due September 3, 2021.		155,041
Capital lease obligation for two work trucks dated May 10, 2017, payable in semi-annual installments of \$5,202, final payment due November 10, 2021.		40,187
<b>Total capital lease obligations</b>	<b>\$</b>	<b>1,401,544</b>

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 8 – LONG-TERM DEBT (CONTINUED)**

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

	<b>Governmental Activities</b>
<i>Year ending September 30:</i>	\$
2018	365,145
2019	367,498
2020	441,848
2021	333,293
2022	4,691
Total minimum lease payments	1,512,475
Less amount representing interest	110,931
Present value of minimum lease payments	\$ 1,401,544

**Operating Leases**

The City is obligated under operating lease agreements for copiers through July 30, 2020. The future minimum lease payments under these lease agreements are:

<i>Year ending September 30:</i>	\$
2018	68,640
2019	68,640
2020	57,200
Present value of minimum lease payments	\$ 194,480

Total rental expense for the above mentioned lease is \$68,640 for the year ended September 30, 2017.

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.

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 9 – PENSION PLAN**

Plan description

The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
  - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
  - b. Two vested active state employees.
  - c. Two vested active employees of an employer participating in ERS pursuant to § 36-27-6.

Benefits provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 9 – PENSION PLAN (CONTINUED)**

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in- service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status, and eligibility for retirement.

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 84,393 participants. As of September 30, 2016, membership consisted of:

Retirees and beneficiaries currently receiving benefits	\$	23,007
Terminated employees entitled to but not yet receiving benefits		1,155
Terminated employees not entitled to a benefit		6,654
Active members		54,823
Post-DROP retired members still in active status		235
Total	\$	85,874

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 9 – PENSION PLAN (CONTINUED)**

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2017, the City's active employee contribution rate was 3.32% of covered payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 2.81% of covered payroll.

City's contractually required contribution rate for the year ended September 30, 2017 was 4.14% of pensionable pay for Tier 1 employees, and .95% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$237,657 for the year ended September 30, 2017.



**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 9 – PENSION PLAN (CONTINUED)**

**Net Pension Liability**

The City's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

	TPL Roll Forward		
	Expected Valuation Assumptions	Actual 2015 Valuation Assumptions	Actual 2016 Valuation Assumptions
(a) Total Pension Liability as of September 30, 2015	\$ 36,407,277 8%	\$ 35,914,286 8%	\$ 37,552,668 7.75%
(b) Discount Rate			
(c) Entry Age Normal Cost for October 1, 2015 – September 30, 2016	699,324	699,324 (99,667)	708,674 (99,667)
(d) Transfers Among Employers			
(e) Actual Benefit Payment and Refunds for October 1, 2015 – September 30, 2016	(2,611,651)	(2,611,651)	(2,611,651)
<b>Total Pension Liability</b> as of September 30, 2016 [(a) x (1+(b))] + (c) + (d) + [(e)*(1+.5*(b))]	<b>\$ 37,303,066</b>	<b>\$ 36,670,969</b>	<b>\$ 38,359,154</b>

**Difference**

(g) Between Expected and Actual Experience (Gain)/Loss

\$ (632,097)

(h) Less Liability Transferred for Immediate Recognition

(99,667)

(i) Experience (Gain)/Loss = (g) - (h)

\$ (532,430)

(j) Difference between Actual (2015 Assumptions)

\$ 1,688,185

and Actual (2016 Assumptions) : Assumption Change (Gain)/Loss

Actuarial assumptions

The total pension liability in the September 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25 – 5.00%
Investment rate of return*	7.75%
*Net pension plan investment expense	

Mortality rates for ERS were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment at all ages for males and 120% for females at ages on and after 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 9 – PENSION PLAN (CONTINUED)**

The actuarial assumptions used in the September 30, 2015 valuation were based on the results of an actuarial experience study for the period October 1, 2010 – September 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate Of Return*
Fixed Income	17%	4.40%
U.S. Large Stocks	32%	8.00%
U.S. Mid Stocks	9%	10.00%
U.S. Small Stocks	4%	11.00%
International Developed Market Stocks	12%	9.50%
International Emerging Market Stocks	3%	11.00%
Alternatives	10%	7.50%
Real Estates	3%	1.50%
Cash Equivalents		
<b>Balance at September 30, 2017</b>	<b>100%</b>	

\*Includes assumed rate of inflation of 2.50%

Discount rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 9 – PENSION PLAN (CONTINUED)**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability (Asset)
	(a)	(b)	(a)-(b)
Balance at September 30, 2015	\$ 36,407,277	\$ 35,565,026	\$ 842,251
Changes for the year:			
Service cost	699,324		699,324
Interest	2,808,116		2,808,116
Changes of assumptions	1,688,185		1,688,185
Differences between expected and actual experience	(532,430)		(532,430)
Contributions - employer		366,274	(366,274)
Contributions - employee		427,528	(427,528)
Net investment income		3,524,344	(3,524,344)
Benefit payments, including refunds of employee contributions	(2,611,651)	(2,611,651)	-
Administrative expense	-	-	-
Transfers among employers	(99,667)	(99,667)	-
<b>Net changes</b>	<b>1,951,877</b>	<b>1,606,828</b>	<b>345,049</b>
<b>Balance at September 30, 2016</b>	<b>\$ 38,359,154</b>	<b>\$ 37,171,854</b>	<b>\$ 1,187,300</b>

*Sensitivity of the net pension liability to changes in the discount rate*

The following table presents the City's net pension liability/(asset) calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Plan's Net Pension Liability/(Asset)	\$ 5,234,195	\$ 1,187,300	\$ (2,248,211)

*Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2016. The auditor's report dated September 18, 2017 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 9 – PENSION PLAN (CONTINUED)**

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

For the year ended September 30, 2017, the City recognized pension expense of \$532,453. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 590,691
Changes of assumptions	1,369,660	-
Net difference between projected and actual earnings on pension plan investments	330,605	-
Employer contributions subsequent to the measurement date	237,510	-
<b>Total</b>	<b>\$ 1,937,775</b>	<b>\$ 590,691</b>

The City will recognize its deferred outflow of resources related to employer contributions made subsequent to the measurement date in pension expense during the fiscal year ended September 30, 2018. The remaining amounts reported as deferred outflows of resources related to pensions of Governmental Activities will be recognized in pension expense as follows:

Year ended September 30:	
2018	\$ 238,383
2019	238,384
2020	510,409
2021	56,978
2022	65,420
<b>Total</b>	<b>\$ 1,109,574</b>

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 10 – FUND BALANCES**

As of September 30, 2017, fund balances consisted of the following:

	General Fund	Bond Fund	2014 GO Warrant Fund	Nonmajor Governmental Funds	Total
<b>Nonspendable:</b>					
Prepaid expenses	\$ 28,978	\$ -	\$ 22,831	\$ -	\$ 51,809
Note receivable	410,000	-	-	-	410,000
<b>Restricted:</b>					
Debt Services	-	2,989,023	-	64,869	3,053,892
Capital projects	-	-	2,919,640	756,890	3,676,530
Community development	-	-	-	129,083	129,083
Municipal Court	-	-	-	53,634	53,634
Public Safety	-	-	-	47,097	47,097
Public Works	-	-	-	323,837	323,837
<b>Committed:</b>					
Economic development	-	-	-	121,541	121,541
<b>Assigned:</b>					
Police department	-	-	-	4,807	4,807
Fire department	-	-	-	1,282	1,282
Economic development	-	-	-	140,701	140,701
<b>Unassigned</b>	1,241,242	92,526	-	(670,833)	662,935
<b>Total fund balance</b>	<b>\$ 1,680,220</b>	<b>\$ 3,081,549</b>	<b>\$ 2,942,471</b>	<b>\$ 972,908</b>	<b>\$ 8,677,148</b>

**NOTE 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.

**NOTE 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 Management, the resolution of these matters will not have a material adverse effect on the financial condition of the City

**NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

***Plan Description***

The City 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, 2017, the plan had approximately 207 active participants and 70 retired members and beneficiaries.

***Contribution Rates***

Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

***Funding Policy***

Until 2008, the City of Selma recognized the cost of providing post-employment medical benefits (the City of Selma's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2017 and 2016, the City of Selma's portion of health care funding cost for retired employees totaled \$158,123 and \$131,723, respectively.

Effective October 1, 2008, the City of Selma implemented Government Accounting Standards Board Codification Section P50, Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions (GASB Codification Section P50). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

***Annual Required Contribution***

The City of Selma's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB Codification Section P50. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB Codification Section P50) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	2017	2016
Normal cost	\$ 190,108	\$ 228,377
30-year UAL amortization amount	265,840	298,744
<b>Annual required contribution (ARC)</b>	<b>\$ 455,948</b>	<b>\$ 527,121</b>

***Net Post-Employment Benefit Obligation***

The table below shows the City of Selma's Net Other Post-employment Benefit (OPEB) Obligation for fiscal years ending September 30:

	2017	2016
Beginning Net OPEB Obligation	\$ 2,560,061	\$ 2,203,960
Annual required contribution	455,948	527,121
Interest on net OPEB obligation	102,403	88,158
ARC adjustment	(148,049)	(127,455)
Annual OPEB cost	410,302	487,824
Current year retiree premium	(158,123)	(131,723)
Change in net OPEB obligation	252,179	356,101
<b>Net OPEB obligation - end of year</b>	<b>\$ 2,812,240</b>	<b>\$ 2,560,061</b>

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

The following table shows the City of Selma's annual other post-employment benefits (OPEB) cost, percentage of the cost contributed, and the net other post-employment benefits (OPEB) liability:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Liability (Asset)
September 30, 2017	\$ 410,302	38.54%	\$ 2,812,240
September 30, 2016	\$ 487,824	27.00%	\$ 2,560,061

**Funded Status and Funding Progress**

In 2017 and 2016, the City of Selma made no contributions to its post-employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the October 1, 2016 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year September 30, 2017 was \$4,780,915 which is defined as that portion, as determined by a particular actuarial cost method (the City of Selma uses the Projected Unit Credit Cost Method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost.

Actuarial accrued liability (AAL)	2017 \$ 4,780,915
Actuarial value of plan assets (AVP)	-
<u>Unfunded actuarial accrued liability (UAAL)</u>	<u>\$ 4,780,915</u>
Funded Ratio (AVP/AAL)	0.00%
Covered payroll (active plan members)	\$ 7,664,838
UAAL as a percentage of covered payroll	62.37%

**Methods and Assumptions**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post-employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of Selma and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Selma and its plan members to that point.



**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City of Selma and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

***Actuarial Cost Method***

The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality and turnover.

***Actuarial Value of Plan Assets***

There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Codification Section P50.

***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.

***Post-Employment Benefit Plan Eligibility Requirements***

It has been assumed that entitlement to benefits will commence upon actual retirement at an assumed age of the earlier of 25 years of service and age 60 and 10 years of service as described above under "Plan Description". In addition, "Tier II" retirement plan members (those hired on and after January 1, 2013) would not be eligible to retire before age 62. Medical benefits are provided to employees upon actual retirement.

***Investment Return Assumption (Discount Rate)***

GASB Codification Section P50 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

***Health Care Cost Trend Rate***

The expected rate of increase in medical cost is based on a flat annual rate of 5.5%.

**NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

***Mortality Rate***

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. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

***Method of Determining Value of Benefits***

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays the cost of the medical insurance for the retiree but not dependents. The employer pays 50% of the "cost" for the employee/retiree only (not dependents) for the medical insurance, but it is based on the active/retiree blended rate. There is therefore an implicit employer subsidy since a portion of the blended rate is attributable to the retiree coverage. Since use of "unblended" rates is required by GASB 45 for valuation purposes, we have estimated the unblended retiree rate before age 65 to be 130% of the blended rate. We have used the "unblended" rates provided for post-65 benefits as required by GASB 45 for valuation purposes.

***Inflation Rate***

Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

***Projected Salary Increases***

This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

***Post-Retirement Benefit Increases***

The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

	FY 2015	FY 2016	FY 2017
OPEB Cost	\$ 473,824	\$ 487,824	\$ 410,302
Contribution	-	-	-
Retiree premium	121,966	131,723	158,123
Total contribution and premium	121,966	131,723	158,123
Change in net OPEB obligation	\$ 351,858	\$ 356,101	\$ 252,179
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	25.74%	27.00%	38.54%

**NOTE 14 – EFFECT OF NEW PRONOUNCEMENTS**

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Asset retirement obligations
- Fiduciary activities
- Certain general implementation issues ("Omnibus 2017")
- Leases
- Certain debt extinguishment issues

The City is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

**NOTE 15 – PRIOR PERIOD ADJUSTMENTS**

During the year ended September 30, 2017, the City recorded prior period adjustments in order to correct for an error relating to amounts received which were due to various other funds as well as for errors in miscellaneous liability accounts. As a result, beginning fund balance of the General Fund has been reduced by \$231,298. (Management also elected to reduce beginning balance of net position of Governmental Activities by the same amount).

**City of Selma, Alabama**  
**Notes to Financial Statements**

**NOTE 15 – PRIOR PERIOD ADJUSTMENTS (CONTINUED)**

During the year ended September 30, 2017, the City recorded a prior period adjustment in order to correct an error relating to the collection of taxes by the St. James hotel. As a result, beginning fund balance of Other Governmental Funds has been reduced by \$36,877. (Management also elected to reduce beginning balance of net position of Governmental Activities by the same amount).

During the year ended September 30, 2017, the City recorded a prior period adjustment in order to correct an error relating to the City's prepayment of its unfunded accrued actuarial liability (through the issuance of its Series 2011 Taxable Pension Obligation Warrants). The Governmental Accounting Standards Board ("GASB") Statement No. 68 *Accounting and Financial Reporting for Pensions* which was effective for fiscal years beginning after June 15, 2014 was issued to improve accounting and financial reporting by state and local governments for pension. According to GASB Statement No. 68, prepayments associated with the issuance of pension obligation bonds should be recorded as a reduction of the net pension liability. As a result, beginning balance of net position of Governmental activities has been reduced by \$8,169,814.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Selma, Alabama**  
**Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances Budget and Actual – General Fund**

<i>Year Ended September 30, 2017</i>	<u>Budgeted Amounts</u>		Actual Amounts	Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 13,328,194	\$ 13,328,194	\$ 13,020,773	\$ (307,421)
Licenses and permits	3,078,689	3,078,689	2,757,722	(320,967)
Intergovernmental	160,559	160,559	1,213,636	1,053,077
Charges for services	56,011	56,011	80,826	24,815
Other revenues	653,448	653,448	494,652	(158,796)
Interest on investments	994	994	537	(457)
<b>Total revenues</b>	<b>17,277,895</b>	<b>17,277,895</b>	<b>17,568,146</b>	<b>290,251</b>
<b>Expenditures</b>				
General government	6,379,665	6,279,659	7,333,873	(1,054,214)
Public safety	7,414,847	7,402,669	6,811,737	590,932
Public service	1,717,133	1,791,951	1,540,236	251,715
Other	1,047,266	1,053,936	1,289,748	(235,812)
Debt service	909,081	909,081	477,227	431,854
<b>Total expenditures</b>	<b>17,467,992</b>	<b>17,437,296</b>	<b>17,452,821</b>	<b>(15,525)</b>
Excess (deficiency) of revenues over (under) expenditures	(190,097)	(159,401)	115,325	274,726
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	(320,436)	(320,436)
Capital lease	-	-	45,749	45,749
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(274,687)</b>	<b>(274,687)</b>
Net change in fund balances	(190,097)	(159,401)	(159,362)	39
Fund balance beginning of year - as previously stated	2,070,880	2,070,880	2,070,880	-
Prior Period Adjustment	-	-	(231,298)	(231,298)
<b>Fund balances - ending</b>	<b>\$ 1,880,783</b>	<b>\$ 1,911,479</b>	<b>\$ 1,680,220</b>	<b>\$ (231,259)</b>

**City of Selma, Alabama**  
**Other Post-Employment Benefits- Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -entry age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2010	\$ -	\$ 5,172,791	\$ 5,172,791	0.0%	\$ 8,508,143	60.8%
9/30/2011	-	5,172,791	5,172,791	0.0%	8,653,127	59.8%
9/30/2012	-	4,941,355	4,941,355	0.0%	7,417,824	66.6%
9/30/2013	-	4,941,355	4,941,355	0.0%	9,157,885	54.0%
9/30/2014	-	5,166,012	5,166,012	0.0%	7,994,811	64.6%
9/30/2015	-	5,166,012	5,166,012	0.0%	7,465,065	69.2%
9/30/2016	-	4,597,034	4,597,034	0.0%	5,446,424	84.4%
9/30/2017	-	4,780,915	4,780,915	0.0%	7,664,838	62.4%

**City of Selma, Alabama**  
**Schedule of Changes in Net Pension Liability**  
**As of Measurement Date (September 30)**

	2016	2015	2014
<b>Total pension liability</b>	\$ 699,324	\$ 734,225	\$ 698,109
Service Cost	2,808,116	2,759,873	2,695,067
Interest	-	-	-
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(532,430)	(257,917)	-
Changes of assumptions	1,688,185	-	-
Benefit payments, including refunds of employee contributions	(2,611,651)	(2,654,621)	(2,511,601)
Transfers among employers	(99,667)	-	-
<b>Net change in total pension liability</b>	<b>1,951,877</b>	<b>581,560</b>	<b>881,575</b>
<b>Total pension liability - beginning</b>	<b>36,407,277</b>	<b>35,825,717</b>	<b>34,944,142</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 38,359,154</b>	<b>\$ 36,407,277</b>	<b>\$ 35,825,717</b>
<b>Plan Fiduciary Net Position</b>	<b>\$ 366,274</b>	<b>\$ 298,099</b>	<b>\$ 356,088</b>
Contributions - employer	427,528	454,864	450,697
Contributions - employee	3,524,344	429,298	4,081,364
Net investment income	-	-	-
Benefit payments, including refunds of employee contributions	(2,611,651)	(2,654,621)	(2,511,601)
Transfers among employers	(99,667)	(198,090)	(17,836)
<b>Net change in plan fiduciary net position</b>	<b>1,606,828</b>	<b>(1,670,450)</b>	<b>2,358,712</b>
<b>Plan net position - beginning</b>	<b>35,565,026</b>	<b>37,235,476</b>	<b>34,876,764</b>
<b>Plan net position - ending (b)</b>	<b>\$ 37,171,854</b>	<b>\$ 35,565,026</b>	<b>\$ 37,235,476</b>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 1,187,300</b>	<b>\$ 842,251</b>	<b>\$ (1,409,759)</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>96.90%</b>	<b>97.69%</b>	<b>103.94%</b>
<b>Covered employee payroll *</b>	<b>\$ 7,166,671</b>	<b>\$ 7,465,065</b>	<b>\$ 7,994,811</b>
<b>Net pension liability as a percentage of covered employee payroll</b>	<b>16.57%</b>	<b>11.28%</b>	<b>-17.63%</b>

\* Employer's covered payroll during the measurement period is the total covered payroll. For FY 2017, the measurement period is October 1, 2015 – September 30, 2016.



**City of Selma, Alabama**  
**Schedule of Employer Contributions – Pension Plan**  
**As of Fiscal Year End**

Year Ended	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contributions Excess / (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
9/30/2015	\$ 328,512	\$ 328,512	\$ -	\$ 7,994,811	4.11%
9/30/2016	353,020	353,020	-	7,465,065	4.73%
9/30/2017	237,657	237,657	-	7,166,671	3.32%

**City of Selma, Alabama**  
**Notes to Required Supplementary Information**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Budgets and Budgetary Accounting***

The City adopts annual budgets for the general, special revenue and capital projects funds and such budgets are prepared on a basis consistent with generally accepted accounting principles. Any revisions that alter the total expenditures must be approved by the City Council. The budget of the general fund is presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.

Budget information presented in the financial statements is based on the budget as adopted by the City Council for the fiscal year.

Expenditures exceeded appropriations for the general fund by \$15,525 for the year ended September 30, 2017.

**NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITY**

The total pension liabilities presented in these schedules were provided by the Systems' actuarial consultants, Cavanaugh Macdonald Consulting, LLC. The net pension liability is measured as the total pension liability less the components of the plan net position reserved to fund the total pension liability. Those components are annuity savings and pension accumulation. The related ratios show plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

**NOTE 3 – SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Contributions were made in accordance with actuarially determined contribution requirements. The employer contribution rate expressed as a percent of payroll is determined annually by reviewing a variety of factors including benefits promised, member contributions, investment earnings, mortality, and withdrawal experience. The City's employer contribution rates for fiscal year ended September 30, 2017 were 4.14% for Tier 1 employees (hired before January 1, 2013) and .95% for Tier 2 employees (hired after January 1, 2013).

**City of Selma, Alabama**  
**Notes to Required Supplementary Information**

**NOTE 4 – ACTUARIAL ASSUMPTIONS**

The actuarially determined contribution rates in the schedules of employer contributions are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year 2017 were based on the September 30, 2014 actuarial valuation.

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in the schedule for Governmental Activities:

Actuarial Cost Method	Entry age
Amortization Method	Level percent closed
Remaining Amortization Period	N/A years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Inflation	3%
Investment Rate of Return:	8%
Projected Salary Increases:	3.75% - 7.25%, including inflation
Cost-of-living adjustments	None

**OTHER INFORMATION**

**City of Selma, Alabama**  
**Combining Balance Sheet**  
**Other Governmental Funds**

	Special Revenue																			
	State Lodging Tax	Revolving Loan Fund	Drug Enforcement Unit	Alabama Trust Fund	Awarded Drug Unit Fund	SPD Sundry Account	Municipal Court	Pending General Forfeitures	Fire Department Sundry											
<b>Assets</b>																				
Cash and cash equivalents	\$ 20,569	\$ 26,747	\$ 30,170	\$ 420,914	\$ 4,398	\$ 839	\$ 3,092	\$ 25	\$ 1,282											
Receivables	-	-	-	-	-	500	1,641	-	-											
Due from other funds	119,750	-	-	-	-	-	16,530	-	-											
Note receivable	-	-	-	-	-	-	-	-	-											
Restricted assets:																				
Cash and cash equivalents	-	-	-	-	-	-	-	-	-											
Cash held by fiscal agents	-	-	-	-	-	-	-	-	-											
<b>Total assets</b>	\$ 140,319	\$ 26,747	\$ 30,170	\$ 420,914	\$ 4,398	\$ 1,339	\$ 21,263	\$ 25	\$ 1,282											
<b>Liabilities</b>																				
Accounts payable and accrued expenses	\$ 15,970	\$ -	\$ 31,407	\$ 22,758	\$ -	\$ -	\$ 285	\$ -	\$ -											
Due to other funds	2,808	-	578	2,875	160	770	-	-	-											
Other liabilities	-	-	-	-	-	-	116	-	-											
<b>Total liabilities</b>	18,778	-	31,985	25,633	160	770	401	200	-											
<b>Fund balances</b>																				
Restricted	-	26,747	-	395,281	-	-	20,862	-	-											
Committed	121,541	-	-	-	-	569	-	-	-											
Assigned	-	-	-	-	4,238	-	-	-	-											
Unassigned	-	-	(1,815)	395,281	4,238	569	20,862	(175)	1,282											
<b>Total fund balance</b>	121,541	26,747	(1,815)	395,281	4,238	569	20,862	(175)	1,282											
<b>Total liabilities and fund balance</b>	\$ 140,319	\$ 26,747	\$ 30,170	\$ 420,914	\$ 4,398	\$ 1,339	\$ 21,263	\$ 25	\$ 1,282											

**City of Selma, Alabama**  
**Combining Balance Sheet (continued)**  
**Other Governmental Funds**

	Special Revenue									
	Summer Food Program	Americorp Digital Divide	St. James Hotel Project	Planning and Development	Community Reinvestment	Firefighter Grant	Municipal Aid	Traffic Enforcement	Criminal Fines	
<b>Assets</b>										
Cash and cash equivalents	\$ -	\$ -	\$ 1,133	\$ 26,151	\$ -	\$ 4,878	\$ 264,949	\$ 69,500	\$ 5,047	
Receivables	-	-	751	4,417	-	-	34,634	-	-	
Due from other funds	199,138	-	-	7,000	-	-	6,822	2,812	-	
Note receivable	-	-	-	-	-	-	-	-	-	
Restricted assets:										
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	
Cash held by fiscal agents	-	-	-	-	-	-	-	-	-	
<b>Total assets</b>	\$ 199,138	\$ -	\$ 1,884	\$ 37,568	\$ -	\$ 4,878	\$ 306,405	\$ 72,312	\$ 5,047	
<b>Liabilities</b>										
Accounts payable and accrued expenses	\$ 104,656	\$ -	\$ 884	\$ -	\$ -	\$ -	\$ 4,431	\$ 31,816	\$ -	
Due to other funds	3,270	166,459	468,134	18,221	-	8,090	31,769	-	-	
Other liabilities	-	-	-	-	-	-	-	-	-	
<b>Total liabilities</b>	107,926	166,459	469,018	18,221	-	8,090	36,200	31,816	-	
<b>Fund balances</b>										
Restricted	91,212	-	-	19,347	-	-	270,205	40,496	5,047	
Committed	-	-	-	-	-	-	-	-	-	
Assigned	-	(166,459)	(467,134)	-	-	(3,212)	-	-	-	
Unassigned	-	(166,459)	(467,134)	19,347	-	(3,212)	270,205	40,496	5,047	
<b>Total fund balance</b>	91,212	(166,459)	(467,134)	19,347	-	(3,212)	270,205	40,496	5,047	
<b>Total liabilities and fund balance</b>	\$ 199,138	\$ -	\$ 1,884	\$ 37,568	\$ -	\$ 4,878	\$ 306,405	\$ 72,312	\$ 5,047	

**City of Selma, Alabama**  
**Combining Balance Sheet (continued)**  
**Other Governmental Funds**

	Special Revenue							Municipal	
	Cash Bonds	Restitution	Restoration Revitalization Fund	ATF Sharing	PEG Fund	Occupancy Fee	Award General Forfeitures	Selma Animal Shelter	Judicial Adm Fund
<b>Assets</b>									
Cash and cash equivalents	\$ 70,467	\$ 10,121	\$ 50	\$ 1,554	\$ 65,299	\$ 167,410	\$ 144	\$ 19,024	\$ 49,203
Receivables	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	44,242	-	-	-
Note receivable	-	-	-	-	-	-	-	-	-
Restricted assets:									
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Cash held by fiscal agents	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 70,467</b>	<b>\$ 10,121</b>	<b>\$ 50</b>	<b>\$ 1,554</b>	<b>\$ 65,299</b>	<b>\$ 211,652</b>	<b>\$ 144</b>	<b>\$ 19,024</b>	<b>\$ 49,203</b>
<b>Liabilities</b>									
Accounts payable and accrued expenses	\$ 2,050	\$ -	\$ -	\$ -	\$ -	\$ 70,951	\$ -	\$ 500	\$ -
Due to other funds	-	-	-	-	11,717	-	-	-	16,974
Other liabilities	68,052	10,087	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>70,102</b>	<b>10,087</b>	<b>-</b>	<b>-</b>	<b>11,717</b>	<b>70,951</b>	<b>-</b>	<b>500</b>	<b>16,974</b>
<b>Fund balances</b>									
Restricted	365	34	50	1,554	53,582	-	144	18,524	32,229
Committed	-	-	-	-	-	140,701	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
<b>Total fund balance</b>	<b>365</b>	<b>34</b>	<b>50</b>	<b>1,554</b>	<b>53,582</b>	<b>140,701</b>	<b>144</b>	<b>18,524</b>	<b>32,229</b>
<b>Total liabilities and fund balance</b>	<b>\$ 70,467</b>	<b>\$ 10,121</b>	<b>\$ 50</b>	<b>\$ 1,554</b>	<b>\$ 65,299</b>	<b>\$ 211,652</b>	<b>\$ 144</b>	<b>\$ 19,024</b>	<b>\$ 49,203</b>

**City of Selma, Alabama**  
**Combining Balance Sheet (continued)**  
**Other Governmental Funds**

	Capital Projects				Debt Service				Total
	1999 Capital Project Bond	Other Funds	2009 Capital Project Bond	Major Project	Public Building Authority	2009 Refunding Warrants	2011 Pension Warrants	2016 GO Warrants	
<b>Assets</b>									
Cash and cash equivalents	\$ -	\$ 4,330	\$ -	\$ 7,574	\$ -	\$ -	\$ -	\$ -	\$ 1,274,870
Receivables	-	115	-	-	-	14,671	-	-	56,729
Due from other funds	-	24,221	-	-	-	-	-	-	420,515
Note receivable	-	-	-	-	-	-	-	-	-
Restricted assets:									
Cash and cash equivalents	38,001	-	-	-	30,262	10,704	-	-	78,967
Cash held by fiscal agents	-	-	311,465	-	-	-	2	34,605	346,072
<b>Total assets</b>	\$ 38,001	\$ 28,666	\$ 311,465	\$ 7,574	\$ 30,262	\$ 25,375	\$ 2	\$ 34,605	\$ 2,177,153
<b>Liabilities</b>									
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 285,708
Due to other funds	35,625	7,645	-	19,290	-	45,697	-	-	840,282
Other liabilities	-	-	-	-	-	-	-	-	78,255
<b>Total liabilities</b>	\$ 35,625	\$ 7,645	\$ -	\$ 19,290	\$ -	\$ 45,697	\$ -	\$ -	\$ 1,204,245
<b>Fund balances</b>									
Restricted	2,376	21,021	311,465	-	30,262	-	2	34,605	1,375,410
Committed	-	-	-	-	-	-	-	-	121,541
Assigned	-	-	-	(11,716)	-	(20,322)	-	-	146,790
Unassigned	-	-	-	(11,716)	-	(20,322)	-	-	(670,833)
<b>Total fund balance</b>	\$ 2,376	\$ 21,021	\$ 311,465	\$ (11,716)	\$ 30,262	\$ (20,322)	\$ 2	\$ 34,605	\$ 972,908
<b>Total liabilities and fund balance</b>	\$ 38,001	\$ 28,666	\$ 311,465	\$ 7,574	\$ 30,262	\$ 25,375	\$ 2	\$ 34,605	\$ 2,177,153



**City of Selma, Alabama**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Other Governmental Funds**

	State Lodging Tax	Revolving Loan Fund	Drug Enforcement Unit	Alabama Trust Fund	Special Revenue			Municipal Court	Pending General Forfeitures	Fire Department Sundry
					Awarded Drug Unit Fund	SPD Sundry Account				
<b>Revenues</b>										
Taxes	\$ 307,672	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	178,021	-	-	22,203	-	-	-
Intergovernmental	-	-	-	-	10,113	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	200	2,053	-	-	-
Other revenues	2,500	-	-	-	7	-	-	-	-	-
Interest on investments	-	-	-	178,021	10,120	200	24,256	-	-	-
<b>Total revenues</b>	<b>310,172</b>									
<b>Expenditures</b>										
Current operations:										
General government	351,523	-	-	187,900	-	-	51,389	-	-	-
Public safety	-	-	-	-	9,000	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal retirement	-	-	-	-	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-	51,389	-	-	-
<b>Total expenditures</b>	<b>351,523</b>			<b>187,900</b>	<b>9,000</b>		<b>51,389</b>			
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(41,351)</b>			<b>(9,879)</b>	<b>1,120</b>	<b>200</b>	<b>(27,133)</b>			
<b>Other financing sources (uses)</b>										
Transfers in	-	-	-	-	-	-	-	-	-	-
Proceeds of refunding warrants	-	-	-	-	-	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-	-	-	-	-	-
Original issue discount	-	-	-	-	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>										
Net change in fund balance	(41,351)			(9,879)	1,120	200	(27,133)			
Fund balance beginning of year - as previously stated	162,892	26,747	(1,815)	405,160	3,118	369	47,995	(175)		1,282
Prior period adjustment - see note 15	\$ 121,541	\$ 26,747	\$ (1,815)	\$ 395,281	\$ 4,238	\$ 569	\$ 20,862	\$ (175)		\$ 1,282
<b>Fund balance, ending</b>										

**City of Selma, Alabama**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)**  
**Other Governmental Funds**

	Special Revenue									
	Summer Food Program	Americorp Digital Divide	St. James Hotel Project	Planning and Development	Community Reinvestment	Firefighter Grant	Municipal Aid	Traffic Enforcement	Criminal Fines	
<b>Revenues</b>										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	201,669	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	21,209	-	-	-
Intergovernmental	139,253	-	-	-	-	-	-	264,283	2,950	350
Fines and forfeitures	-	-	64,952	-	-	-	-	-	-	7
Other revenues	-	-	6,365	1	-	-	-	-	-	-
Interest on investments	-	-	71,317	1	-	-	222,878	264,283	-	3,307
<b>Total revenues</b>	<b>139,253</b>									
<b>Expenditures</b>										
Current operations:										
General government	-	-	-	-	-	-	42,771	232,084	-	3,444
Public safety	-	-	-	-	-	-	84,654	194,130	-	-
Public service	133,482	2	390,928	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	39,089	-	-
Debt service:										
Principal retirement	-	-	-	-	-	-	-	4,495	-	-
Interest charges	-	-	-	-	-	-	-	469,798	-	-
<b>Total expenditures</b>	<b>133,482</b>	<b>2</b>	<b>390,928</b>				<b>127,425</b>	<b>469,798</b>		<b>3,444</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>5,771</b>	<b>(2)</b>	<b>(319,611)</b>	<b>1</b>			<b>95,453</b>	<b>(205,515)</b>		<b>(137)</b>
<b>Other financing sources (uses)</b>										
Transfers in	-	-	-	-	-	-	-	-	-	-
Proceeds of refunding warrants	-	-	-	-	-	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-	-	-	194,130	-	-
Original issue discount	-	-	-	-	-	-	-	194,130	-	-
Proceeds from capital leases	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>							<b>95,453</b>	<b>(11,385)</b>		<b>(137)</b>
Net change in fund balance	5,771	(2)	(319,611)	1	-	-	95,453	(11,385)	-	(137)
Fund balance beginning of year - as previously stated	85,441	(166,457)	(110,646)	19,346	-	-	174,752	51,881	-	5,184
Prior period adjustment - see note 15	-	-	(36,877)	-	-	-	-	-	-	-
<b>Fund balance, ending</b>	<b>\$ 91,212</b>	<b>\$ (166,459)</b>	<b>\$ (467,134)</b>	<b>\$ 19,347</b>	<b>\$ -</b>	<b>\$ (3,212)</b>	<b>\$ 270,205</b>	<b>\$ 40,496</b>	<b>\$ 5,047</b>	<b>\$ -</b>

**City of Selma, Alabama**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)**  
**Other Governmental Funds**

	Special Revenue							Municipal Judicial Adm Fund	
	Cash Bonds	Restitution	Restoration Revitalization Fund	ATF Sharing	PEG Fund	Occupancy Fee	Award General Forfeitures		Selma Animal Shelter
<b>Revenues</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	7,275	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	10,407	-	-	6,180	12,208
Other revenues	-	-	-	-	30	-	-	-	-
Interest on investments	-	-	-	-	10,437	7,275	-	6,180	12,208
<b>Total revenues</b>									
<b>Expenditures</b>									
Current operations:									
General government	55	-	-	-	7,113	-	-	-	57
Public safety	-	-	-	1,000	-	-	-	-	-
Public service	-	-	-	-	-	-	1	6,696	-
Other	-	-	-	-	-	-	-	-	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest charges	55	-	-	1,000	7,113	-	1	6,696	57
<b>Total expenditures</b>	(55)			(1,000)	3,324	7,275	(1)	(516)	12,151
<b>Excess (deficiency) of revenues over expenditures</b>									
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Proceeds of refunding warrants	-	-	-	-	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-	-	-	-	-
Original issue discount	-	-	-	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>									
Net change in fund balance	(55)			(1,000)	3,324	7,275	(1)	(516)	12,151
Fund balance beginning of year - as previously stated	420	34	50	2,554	50,258	133,426	145	19,040	20,078
Prior period adjustment - see note 15									
<b>Fund balance, ending</b>	\$ 365	\$ 34	\$ 50	\$ 1,554	\$ 53,582	\$ 140,701	\$ 144	\$ 18,524	\$ 32,229

**City of Selma, Alabama**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)**  
**Other Governmental Funds**

	Capital Projects				Debt Service				Total
	1999 Capital Project Bond	2009 Capital Project Bond	Major Project	Public Building Authority	2009 Refunding Warrants	2011 Pension Warrants	2016 GO Warrants	Nonmajor Governmental Funds	
<b>Revenues</b>									
Taxes	\$ -	\$ -	-	\$ -	\$ -	\$ -	-	\$ -	516,616
Licenses and permits	-	-	-	-	-	-	-	-	21,209
Intergovernmental	-	-	-	-	156,102	-	-	-	473,376
Fines and forfeitures	-	-	-	-	-	-	-	-	299,549
Other revenues	35	-	-	-	-	-	-	-	98,885
Interest on investments	-	750	-	41	-	1	19,951	-	27,153
<b>Total revenues</b>	35	750	-	41	156,102	1	19,951	-	1,436,788
<b>Expenditures</b>									
Current operations:									
General government	-	74,165	28,879	-	40	-	-	-	927,974
Public safety	-	-	-	-	-	-	-	-	255,576
Public service	-	30,234	-	-	-	-	-	-	84,654
Other	-	-	-	-	-	-	-	-	561,343
Debt service:									
Principal retirement	-	-	-	-	345,000	-	-	-	384,089
Interest charges	-	-	-	-	92,488	-	723,503	-	820,486
<b>Total expenditures</b>	-	104,399	28,879	-	437,528	-	723,503	-	3,034,122
<b>Excess (deficiency) of revenues over expenditures</b>	35	(103,649)	(28,879)	41	(281,426)	1	(703,552)	-	(1,597,334)
<b>Other financing sources (uses)</b>									
Transfers in	-	-	-	-	279,774	-	28,817	-	308,591
Proceeds of refunding warrants	-	-	-	-	-	-	14,810,000	-	14,810,000
Payment to bond escrow agent	-	-	-	-	-	-	(13,813,924)	-	(13,813,924)
Original issue discount	-	-	-	-	-	-	(286,736)	-	(286,736)
Proceeds from capital leases	-	-	-	-	-	-	194,130	-	194,130
<b>Total other financing sources (uses)</b>	-	-	-	-	279,774	-	738,157	-	1,212,061
<b>Net change in fund balance</b>	35	(103,649)	(28,879)	41	(1,652)	1	34,605	-	(385,273)
<b>Fund balance beginning of year - as previously stated</b>	2,376	20,986	17,163	30,221	(18,670)	1	-	-	1,395,058
<b>Prior period adjustment - see note 15</b>	-	-	-	-	-	-	-	-	(36,877)
<b>Fund balances, ending</b>	\$ 2,376	\$ 21,021	\$ 311,465	\$ 30,262	\$ (20,322)	\$ 2	\$ 34,605	\$	\$ 972,908

**City of Selma, Alabama**  
**Schedule of Expenditures of Federal Awards**

Year ended September 30, 2017

Description	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<b><u>National Park Service</u></b>			
National Park Service Conservation Protection	15.954	N/A	\$ 130,267
<b>Total National Park Service</b>			<b>130,267</b>
<b><u>U.S. Department of Agriculture</u></b>			
<i>Passed through the State of Alabama Department of Education</i>			
Summer Food Service Program for Children	10.559	Unknown	139,252
<b>Total U.S. Department of Agriculture</b>			<b>139,252</b>
<b><u>U.S. Department of Transportation</u></b>			
<b><u>Highway Planning and Construction Cluster</u></b>			
<i>Passed through the State of Alabama Department of Transportation</i>			
Highway Planning and Construction	20-205	TAPOA-TA13(911)	394,151
Highway Planning and Construction	20-205	STPTE-TE14(901)	405,801
<b>Total U.S. Department of Transportation</b>			<b>799,952</b>
<b><u>U.S. Department of Justice</u></b>			
<i>Passed through the State of Alabama Department of Economic Development and Community Affairs</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0336	23,659
<b>Total U.S. Environmental Protection Agency</b>			<b>23,659</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<i>Passed through the State of Alabama Department of Economic Development and Community Affairs</i>			
Community Development Block Grant	14.218	LR-CM-PF-11-105/14-105	18,910
<b>Total U.S. Department of Transportation</b>			<b>18,910</b>
<b><u>U.S. Department of Interior</u></b>			
<i>Passed through Alabama Historical Commission</i>			
Historic Preservation Fund Grants-in-Aid	15.904	AL-16-029	7,200
<b>Total U.S. Department of Transportation</b>			<b>7,200</b>
<b>Total expenditures of federal awards</b>			<b>\$ 1,119,240</b>

The City of Selma had no pass-through subrecipients during the year ended September 30, 2017.

**City of Selma, Alabama**  
**Notes to the Schedule of Expenditures of Federal Awards**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Selma, Alabama (the "City") under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Guidance Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**B. Indirect Cost**

The City has elected not to use the 10% de minimis indirect cost rate during the fiscal year ended September 30, 2017.

**C. Federally Funded Insurance and Federally Funded Loans**

The City has no federally funded insurance and no federally funded loans or loan guarantees for the fiscal year ended September 30, 2017.

**OTHER REPORTS**

**CITY OF SELMA, ALABAMA**

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





Carr, Riggs & Ingram, LLC  
3700 Colonnade Parkway  
Suite 300  
Birmingham, AL 35243

(205) 933-7822  
(205) 933-7944 (fax)  
www.cricpa.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 10, 2018.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2017 - 1, 2017 - 3 and 2017 - 4).

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency (2017 - 2).

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **City of Selma, Alabama's Response to Findings**

City of Selma, Alabama's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Selma Alabama's response were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this Report**

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

*Cam, Riggs & Ingram, L.L.C.*

Birmingham, Alabama  
October 10, 2018

**CITY OF SELMA, ALABAMA**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**



Carr, Riggs & Ingram, LLC  
3700 Colonnade Parkway  
Suite 300  
Birmingham, AL 35243

(205) 933-7822  
(205) 933-7944 (fax)  
www.cricpa.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Selma, Alabama's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

***Report on Internal Control Over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Carly Riggs & Ingram, L.L.C.*

Birmingham, Alabama  
October 10, 2018

**CITY OF SELMA, ALABAMA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**City of Selma, Alabama**  
**Schedule of Findings and Questioned Costs**

Year ended September 30, 2017

**Section I - Summary of Auditors' Results**

**Financial statements**

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

  x   yes                             no

Significant deficiency(ies) identified?

  x   yes                             none reported

Noncompliance material to financial statements noted?

       yes                        x   no

**Federal awards**

Internal control over major programs:

Material weakness(es) identified?

       yes                        x   no

Significant deficiency(ies) identified?

       yes                        x   none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

       yes                        x   no

Identification of major programs:

CFDA Number(s)

20.205

Name of Federal Program or Cluster

Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

       yes                        x   no

**City of Selma, Alabama**  
**Schedule of Findings and Questioned Costs (Continued)**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

*Year ended September 30, 2017*

**2017-1 Lack of internal controls over financial reporting process**

*Criteria:* Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and presentation of financial statements that are free from material misstatement.

*Condition:* The City does not have effective controls and procedures to ensure that all accounting transactions are identified and properly recorded in the books and records and that all account balances have been adjusted to reflect appropriate year-end balances.

*Cause:* The City's controls related to the financial reporting process are either inadequately designed or have not been implemented.

*Effect:* CRI noted multiple instances where transactions and / or significant assets and liabilities had not been recorded in the City's accounting records or were recorded incorrectly prior to submitting those records to us for audit. Failure to record these items resulted in a significant number of material adjustments to the City's financial statements necessary for presentation in accordance with US GAAP.

*Recommendation:* We recommend that management evaluate its accounting policies and procedures, particularly those related to year end close-out. This evaluation should include but is not limited to items such as:

- i. A reconciliation of accounts receivable and accounts payable from the general ledger to the subsidiary ledgers should be prepared to verify that all transactions have been recorded accurately.*
- ii. Principal payments and interest expense on debt, loans, or notes payable should be recorded.*
- iii. Transactions involving the issuance of long-term debt such as refunding bonds and capital leases should be recorded.*
- iv. Review transactions recorded to expenditure accounts to determine that the accounts are appropriate based on the nature of the transaction (for example, debt service and capital related transactions).*
- v. Reconcile transactions related to the City's grant activity with the general ledger to ensure that all transactions have been appropriately recorded.*
- vi. Determine that all transactions have been recorded and posted. Review the transactions for completeness by scanning the ending balances and the transactions posted to each general ledger account to detect unusual entries or unexpected ending balances. Also review transactions occurring subsequent to year end to ensure that all transactions that should be recorded have been accounted for at year end.*



**City of Selma, Alabama**  
**Schedule of Findings and Questioned Costs (Continued)**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2017-1 Lack of internal controls over financial reporting process (continued)**

*Management's response:* The City acknowledges the finding and is in the process of implementing procedures to address the items noted.

**2017-2 Reconciliation of Inter-Fund Accounts**

*Criteria:* In order to properly prepare fund financial statements, inter-fund accounts should be reconciled and in balance.

*Condition:* During the course of our audit procedures, it was noted that the City's "Due To and Due From" as well as the "Transfer In and Transfer Out" accounts were not reconciled during the year.

*Cause:* The City did not reconcile inter-fund accounts during the year.

*Effect:* Inter-fund accounts were misstated resulting in audit adjustments, which were necessary in order to correct for errors in recording transactions during the year.

*Recommendation:* The City should reconcile inter-fund accounts on a regular basis (at least monthly) to ensure that transactions that are posted are appropriately recorded and that balances within the accounts are appropriate.

*Management's response:* The City acknowledges the finding and is in the process of implementing procedures to ensure that inter-fund accounts are reconciled on a monthly basis.

**2017-3 Bail Bond and Restitution Fund Accounts**

*Criteria:* In order to properly prepare fund financial statements, account balances should be reconciled to supporting documentation.

*Condition:* During our audit procedures, it was noted that the activity of the bail bond and restitution fund accounts is not being reconciled on a regular basis and the municipal court is unable to produce a report to support the balances reflected in these accounts at year end.

*Cause:* The City was unable to provide supporting documentation for balances reflected within the accounts of the bail bond and restitution fund.

*Effect:* The balances within the fund could be misstated if they are not reconciled to supporting documentation on a regular basis.

**City of Selma, Alabama**  
**Schedule of Findings and Questioned Costs (Continued)**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2017-3 Bail Bond and Restitution Fund Accounts (continued)**

*Recommendation:* The City should review its current policies and procedures associated with the bail bond and restitution fund and identify areas which could be strengthened and improved. They should also perform examinations of these items on a quarterly basis in order to ensure the established policies and procedures are being followed. This should include but not be limited to the following:

- i. *Ensuring all receipts are remitted to the Treasurer's office on a timely basis.*
- ii. *Proper documentation is maintained to allow for subsequent review.*
- iii. *Bail bond and restitution fund accounts are reconciled on a regular basis and reviewed by the appropriate personnel.*

*Management's response:* The City acknowledges the finding and is in the process of working with the Chief Magistrate in order to establish policies and procedures to ensure transactions are reconciled on a regular basis.

**2017-4 Develop and Use an Accounting and Finance Procedures Manual**

*Criteria:* The City should have a detailed, comprehensive accounting and financial reporting procedures manual in order to have consistency across accounting transactions.

*Condition:* The City does not have an accounting and financial reporting procedures manual in place.

*Cause:* The City has not devoted resources to the development of a comprehensive manual.

*Effect:* The City does not have effective written documentation for these functions of the finance department and other municipal staff, which could lead to error or omissions in the City's financial statements.

*Recommendation:* We recommend that management establish a detailed comprehensive and instructional accounting and financial reporting procedures manual, outlining policies and procedures to be followed. Established standard procedures can effectively assist with the following:

- i. *Establishing consistent City accounting practices.*
- ii. *Assigning accounting and bookkeeping responsibilities.*
- iii. *Reducing the likelihood of coding errors.*
- iv. *Preparing timely and accurate monthly financial statements.*
- v. *Management review.*
- vi. *Providing the City with a source of standardized reference information for continuity and training new employees in the event of untimely turnover.*

**City of Selma, Alabama**  
**Schedule of Findings and Questioned Costs (Continued)**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2017-4    Develop and Use an Accounting and Finance Procedures Manual (continued)**

The manual should include, along with a chart of accounts, detailed explanations of account content, appropriate descriptions of all accounting procedures and routines, and definitions of job authority and responsibility. Management should periodically review each department's compliance with standard procedures. Management should also make certain all applicable employees are aware of the accounting procedures manual and adhere to its contents.

The goal of any accounting and financial procedures manual should be to outline the policies and procedures that the accounting staff should follow in order to produce accurate and reliable financial reports that will aid the organization's leadership team in its decision-making. In addition, the manual should document how the City will ensure compliance with regulatory standards.

*Management's response:* The City acknowledges the finding and is in the process of developing a detailed accounting policies and procedures manual.



CITY OF SELMA  
FINANCE DEPARTMENT

222 Broad Street  
P.O. Box 450  
Selma, Alabama 36702-0450

Email: [rwade@selma-al.gov](mailto:rwade@selma-al.gov)  
Telephone (334) 874-2105  
Fax (334) 874-1748

Ronita R. Wade  
Treasurer

## **Schedule of Prior Year Audit Findings**

### **2016-001 Reconciliation of Inter-Fund Accounts**

**Observation:** It was noted that the City did not reconcile the "Due To/From" or the "Transfer In/Out" accounts during the year.

**Current Status:** The City received a quote from the previous audit firm to assist with the reconciliation of the "Due To/From" or the "Transfer In/Out" accounts. Although the liability/receivable accounts reflect a significant balance, most of the balances have been cleared in previous years and were not properly recorded. The City will work to get this resolved in the upcoming fiscal year.

### **2016-002 Accounts Receivable**

**Observation:** During the course of the audit, it was noted that five items (totaling \$248,965.18) had not been properly accrued at year-end.

**Current Status:** This was due to an oversight in the year-end closeout process. The City agrees with the finding and posted the related adjustment in the prior year. The City is working to implement procedures to ensure that adjustments such as this are not necessary in the future.

### **2016-003 Bail Bond and Restitution Fund**

**Observation:** During the course of the audit, it was noted that the activity of the bail bond and restitution fund accounts are not being reconciled on a regular basis and the municipal court is unable to produce a report to support the balances reflected in these accounts at year-end.

**Current Status:** The Magistrate office performs and monitors activity of the bail bond and restitution fund accounts. The City has experienced a high turnover in the Magistrate office including the position of the Chief Magistrate. As a result of the high turnover, it has been difficult to maintain a regular reconciliation schedule. The City has recently hired a new Chief Magistrate who is working to ensure that these accounts are being reconciled on a consistent basis.

### **2016-004 Davis Bacon Act**

**Observation:** During the course of the audit, one construction project funded with Highway Planning funds was selected for testing. The Selma Interpretive Center Phase II – Interior Renovations included



CITY OF SELMA  
FINANCE DEPARTMENT

222 Broad Street  
P.O. Box 450  
Selma, Alabama 36702-0450

Ronita R. Wade  
Treasurer

Email: [rwade@selma-al.gov](mailto:rwade@selma-al.gov)  
Telephone (334) 874-2105  
Fax (334) 874-1748

payments to contractors during the year. The City did not comply with the Davis Bacon Act (Wage Rate Requirements) requirements for certified payrolls for the subcontractors paid during the year.

Current Status: The Planning & Development Director currently mandates that all contractors performing contractual services with grant funds to submit certified payroll information to the City.



# CITY OF SELMA

DARRIO MELTON  
MAYOR

## CORRECTIVE ACTION PLAN

September 30, 2017

City of Selma, Alabama respectfully submits the following corrective action plan for the year ended September 30, 2017.

Name and address of independent public accounting firm:

Carr, Riggs & Ingram, LLC  
3700 Colonnade Parkway  
Suite 300  
Birmingham, AL 35243

Audit period:

Year ended September 30, 2017

The findings from the September 30, 2017 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### FINDINGS – FINANCIAL STATEMENT AUDIT

#### MATERIAL WEAKNESSES

##### 2017-1 – Lack of internal controls over the financial reporting process

Recommendation: We recommend that management evaluate its accounting policies and procedures, particularly those related to year-end close-out. This evaluation should include but is not limited to items such as:

- i. A reconciliation of accounts receivable and accounts payable from the general ledger to the subsidiary ledgers should be prepared to verify that all transactions have been

- ii. recorded accurately.
- ii. Principal payments and interest expense on debt, loans, or notes payable should be recorded.
- iii. Transactions involving the issuance of long-term debt such as refunding bonds and capital leases should be recorded.
- iv. Review transactions recorded to expenditure accounts to determine that the accounts are appropriate based on the nature of the transaction (for example, debt service and capital related transactions).
- v. Reconcile transactions related to the City's grant activity with the general ledger to ensure that all transactions have been appropriately recorded.
- vi. Determine that all transactions have been recorded and posted. Review the transactions for completeness by scanning the ending balances and the transactions posted to each general ledger account to detect unusual entries or unexpected ending balances. Also review transactions occurring subsequent to year-end to ensure that all transactions that should be recorded have been accounted for at year-end.

Action Taken: Effective immediately, the Finance Department will begin developing policies and procedures to ensure proper financial guidelines are followed. Due to the Treasurer currently being on administrative leave, these policies will start being implemented by the accounting manager.

#### **2017-2 – Reconciliation of Inter-Fund Accounts**

Recommendation: The City should reconcile inter-fund accounts on a regular basis (at least monthly) to ensure that transactions that are posted are appropriately recorded and that balances within the accounts are appropriate.

Action Taken: Effectively immediately, the Finance Department will begin to reconcile inter-fund accounts on a monthly basis to ensure the transactions are posted in a timely manner. Due to the Treasurer currently being on administrative leave these policies will start being implemented by the accounting manager.

#### **2017-3 – Bail Bond and Restitution Fund Accounts**

Recommendation: The City should review its current policies and procedures associated with the bail bond and restitution fund and identify areas which could be strengthened and improved. They should also perform examinations of these items on a quarterly basis in order to ensure the established policies and procedures are being followed. This should include but not be limited to the following:

- i. Ensuring all receipts are remitted to the Treasurer's office on a timely basis.

- ii. Proper documentation is maintained to allow for subsequent review.
- iii. Bail bond and restitution fund accounts are reconciled on a regular basis and reviewed by the appropriate personnel.

Action Taken: The Chief Magistrate will work with the Finance Department to establish policies and procedures to ensure that funds are reconciled on a regular basis. Due to the Treasurer currently being on administrative leave these policies will start being implemented by the accounting manager.

#### **2017-4 – Develop and Use an Accounting and Finance Procedures Manual**

Recommendation: We recommend that management establish a detailed comprehensive and instructional accounting and financial reporting procedures manual, outlining policies and procedures to be followed. Established standard procedures can effectively assist with the following:

- i. Establishing consistent City accounting practices.
- ii. Assigning accounting and bookkeeping responsibilities.
- iii. Reducing the likelihood of coding errors.
- iv. Preparing timely and accurate monthly financial statements.
- v. Management review.
- vi. Providing the City with a source of standardized reference information for continuity and training new employees in the event of untimely turnover.

The manual should include, along with a chart of accounts, detailed explanations of account content, appropriate descriptions of all accounting procedures and routines, and definitions of job authority and responsibility. Management should periodically review each department's compliance with standard procedures. Management should also make certain all applicable employees are aware of the accounting procedures manual and adhere to its contents.

The goal of any accounting and financial procedures manual should be to outline the policies and procedures that the accounting staff should follow in order to produce accurate and reliable financial reports that will aid the organization's leadership team in its decision-making. In addition, the manual should document how the City will ensure compliance with regulatory standards.

Action Taken: Effective immediately the Finance Department will begin developing a detailed policies and procedures manual to ensure proper financial guidelines are followed by all accounting staff and departments. Due to the Treasurer currently being on administrative leave these policies will start being implemented by the accounting manager.