

City of Selma, Alabama

FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2018



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City of Selma, Alabama
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September 30, 2018

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We were engaged to audit 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, 2018, 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. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we are not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities, each major fund and the aggregate remaining fund information.

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.

Basis for Disclaimer of Opinion on the Governmental Activities, each Major Fund and the Aggregate Remaining Fund Information

For the year ending September 30, 2018, there was a limitation on the scope of our audit. This limitation was related to our inability to obtain adequate representations from management within the City's finance department. Management within the City's finance department did not provide us with written representations regarding the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City for the year ending September 30, 2018.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Governmental Activities, each Major Fund and the Aggregate Remaining Fund Information" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Selma, Alabama. Accordingly, we do not express an opinion on these financial statements.

Emphasis of Matter

As described in note 13 and note 15 to the financial statements, the City adopted Government Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which resulted in a cumulative effect of change in accounting principle of \$2,238,370 to the September 30, 2017 net position for governmental activities. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Governmental Activities, each Major Fund and the Aggregate Remaining Fund Information". We do not express an opinion or provide any assurance on the information.

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 is presented for purposes of additional analysis and is not a required part of the basic financial

statements. The schedule of expenditures of federal awards is presented for purpose of additional analysis as required by Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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. However, because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Governmental Activities, each Major Fund and the Aggregate Remaining Fund Information" paragraph, it is inappropriate to, and we do not, express an opinion on the supplementary information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2020, 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.

Carly Riggs & Ingram, L.L.C.

Birmingham, Alabama
May 19, 2020

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, 2018**

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, 2018. 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, 2018, the City's net position (assets plus deferred outflows of resources minus liabilities and deferred inflows of resources) totaled \$17,795,888, a decrease of \$2,691,835 from the September 30, 2017 figure.
- Total net position for governmental activities is comprised of the following:
 - 1) Net investment in capital assets of \$34,191,578, 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 \$3,754,000 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 20,149,690.
- Total net position for governmental activities decreased by \$2,691,835, thus bringing the total to \$17,795,888 for fiscal year 2018. The approximate \$2.69 million decrease is in large part due to a prior period adjustment related to implementation of a new accounting standard (GASB Statement No. 75) related to the City's Other Post-Employment Benefits (OPEB) Plan. Please see Notes #13 and #15 of the financial statements for further discussion.
- Fund balances (a measure of current financial resources) in governmental funds decreased by \$1,780,990 to a total of \$6,896,158. Of this amount \$343,978 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 \$6,248,539 which is restricted for capital projects, debt service as well as for community development and other purposes. There is also a committed amount of \$136,876 for economic development and an assigned amount of \$106,657 for miscellaneous projects. The combined totals for nonspendable, restricted, committed and

assigned, plus the unassigned amount of \$60,108 yields a total combined ending fund balance of \$6,896,158 for fiscal year 2018.

- The general fund unassigned fund balance, as of September 30, 2018, was \$682,101 or 4.0% of total general fund expenditures.
- The City's total bond and capital lease debt decreased by \$899,815 (3.2%) 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. (The City does not present any business-type 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 (as well as deferred outflows and inflows of resources), 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 pension and postemployment benefits to its employees. Required supplementary information can be found beginning on page 41 of this report.

Combining fund financial statements of the City's non-major governmental funds can be found beginning on page 51 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The statement of net position provides an overview of the City's assets, deferred outflows of resources, liabilities, deferred inflows of resources 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 \$17,795,888 as of September 30, 2018. The following table reflects the condensed government-wide statement of net position:

	<u>Government Activities</u>	
	2018	2017
Current assets	\$ 9,829	\$ 10,905
Capital assets	40,988	40,429
Net pension asset	1,425	-
Total assets	52,242	51,334
Deferred charges on refunding	2,352	2,548
Deferred outflows related to pension plan	1,242	1,938
Total deferred outflows of resources	3,594	4,486
Current and other liabilities	3,097	2,402
Long-term liabilities	32,177	32,339
Total liabilities	35,274	34,741
Deferred inflows attributable to OPEB plan	413	-
Deferred inflows attributable to pension plan	2,353	208
Total deferred inflows or resources	2,766	208
Net position		
Net investment in capital assets	34,192	34,078
Restricted	3,754	3,835
Unrestricted	(20,150)	(17,425)
Total net position	\$ 17,796	\$ 20,488

The City's total assets were \$52,241,927 as of September 30, 2018. Of this amount, \$40,987,985 is accounted for by capital assets, which includes infrastructure. Of the remaining City assets, \$2,596,138 is accounted for in cash and cash equivalents, \$1,199,195 in receivables, \$315,000 in a note receivable, \$3,090,902 in restricted cash and cash equivalents, \$2,598,518 in restricted cash held by fiscal agent, \$1,425,211 in net pension asset and the remainder comprised of prepaid expenses.

At September 30, 2018, the City had outstanding liabilities of \$35,273,794, of which \$32,176,549 was long-term debt. Long-term debt includes bonds and warrants payable, capital lease obligations, compensated absences and net OPEB liability. Of the total amount outstanding approximately \$2,160,284 was due within one year, with much of the remainder due at various dates through 2036.

Included in current and other liabilities in the above table are \$2,215,087 in accounts payable, \$164,672 in accrued interest payable, \$244,893 of unearned revenue and \$472,593 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 \$3,754,000 or 21% of total net position. The net result is a deficit in unrestricted net position totaling \$20,149,690.

As of September 30, 2018, the City reported positive net position in governmental activities. The City's net position decreased \$2,691,835 or 13% during the fiscal year. This decrease was primarily due to a prior period adjustment related to the implementation of GASB Statement No. 75 related to beginning of year postemployment benefit (OPEB) liability.

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)

		Government Activities	
		2018	2017
Revenues			
Program Revenues:			
	Charges for services	\$ 3,210	\$ 3,361
	Operating grants and contributions	808	808
	Capital grants and contributions	981	819
General Revenues:			
	Property taxes	2,323	2,418
	Sales and use taxes	10,875	10,676
	Lodging taxes	397	315
	Other taxes	1,117	1,175
	Other general revenues	512	602
	Transfers	-	-
		20,223	20,174
Expenses			
General government			
		8,027	7,994
Public Safety			
		8,066	7,557
Public Service			
		2,014	2,352
Other			
		1,417	1,839
Interest and fiscal charges			
		1,152	1,394
		20,676	21,136
Increase/(decrease) in net position		(453)	(962)
Net position, beginning as originally stated		20,487	29,888
Prior period adjustment		(2,238)	(8,438)
Net position, ending		\$ 17,796	\$ 20,488

Total revenues for the City were \$20,223,479 for the year ended September 30, 2018. The governmental activities received \$10,875,171 or 53.8% of total revenue, from sales taxes and \$2,731,116, or 13.5% 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 \$6,896,158 a decrease of \$1,780,990 from the September 30, 2017 figure.

General Fund – At September 30, 2018, total fund balance was \$1,026,079 a decrease of \$654,141 from the previous year. Total revenue for the General Fund decreased by \$858,322 or 4.9% in 2018 compared to the previous year. This was largely due to a decrease in grant revenues as several grant funded projects were near completion at the end of the prior fiscal year. Total expenditures for the General Fund decreased by \$282,874 or 1.6% in 2018 compared to the previous year. This was due to an overall decrease in capital purchases which was partially offset by an increase in public safety salary expenditures.

Bond Fund – At September 30, 2018, total fund balance was \$3,112,431, an increase of \$30,882 from the previous year.

2014 GO Warrant Fund – At September 30, 2018, total fund balance was \$2,026,689 a decrease of \$915,782 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 \$16,709,824, which was \$705,950 under final budgeted revenues. The primary cause of this is as follows:

Projected receipts for business licenses were \$3,113,846. However, total actual receipts were \$2,814,052. This resulted in a budget variance of \$299,794. Additionally, ad valorem receipts were projected to be \$1,092,087; however, actual receipts were \$987,484 resulting in a budget variance of \$104,603.

Capital Asset and Debt Administration

The City's investment in capital assets for governmental activities as of September 30, 2018, was \$40,987,985 (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:

- Three additional police interceptor vehicles
- Various capital improvements throughout the City
- Sanitary sewer improvements and replacements
- Five knuckle boom trash trucks

At the end of the fiscal year, the City had secured and bonded debt in the outstanding principal amount of \$25,565,000. 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 \$921,170 (3.2%) 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:

- 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.
- Sale of the St. James Hotel completed.
- The Selma Redevelopment Authority (SRA) received a \$75,000 grant award to assist with the upgrade of Wi-Fi in the downtown area.
- 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.

- Community Development Block Grant (CDBG) for \$450,000 to implement underground infrastructure and storm water drainage.
- ADECA- LWCF splash pad grant for the Riverfront location at \$150,000.

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, 2018</i>	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,596,138
Receivables, net	1,199,195
Prepaid expenses	28,978
Note receivable	315,000
Restricted assets:	
Cash and cash equivalents	3,090,902
Cash held by fiscal agent	2,598,518
Capital assets not being depreciated:	
Land	3,470,518
Construction in progress	3,013,077
Capital assets net of accumulated depreciation:	
Buildings	5,020,180
Improvements	12,586,368
Infrastructure	12,578,334
Machinery and equipment	4,319,508
Net pension asset	1,425,211
Total assets	52,241,927
Deferred outflows of resources	
Deferred charges on refunding of long term debt	2,351,722
Deferred outflows related to pension plan - see note 9	1,241,791
Total deferred outflows	3,593,513
Liabilities	
Accounts payable and accrued expenses	2,215,087
Accrued interest payable	164,672
Unearned revenue	244,893
Other liabilities	472,593
Noncurrent Liabilities:	
Due within one year	2,160,284
Due in more than one year	30,016,265
Total liabilities	35,273,794
Deferred inflows of resources	
Deferred inflows related to OPEB - see note 13	413,044
Deferred inflows related to pension plan - see note 9	2,352,714
Total deferred inflows	2,765,758
Net position	
Net investment in capital assets	34,191,578
Restricted For:	
Capital projects	262,884
Community development	36,812
Debt service	3,156,696
Municipal court	43,648
Public safety	45,257
Public works	208,703
Unrestricted (deficit)	(20,149,690)
Total net position	\$ 17,795,888

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

**City of Selma, Alabama
Statement of Activities**

September 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary government						
Governmental activities:						
General government	\$ 8,027,228	\$ 2,954,640	\$ 650,344	\$ -	\$ (4,422,244)	
Public safety	8,065,846	54,625	157,543	-	(7,853,678)	
Public service	2,014,113	40,722	-	980,999	(992,392)	
Other	1,417,479	159,990	-	-	(1,257,489)	
Interest and fiscal charges on long-term debt	1,152,278	-	-	-	(1,152,278)	
Total governmental activities	\$ 20,676,944	\$ 3,209,977	\$ 807,887	\$ 980,999	(15,678,081)	

General revenues:

Taxes:	
Property taxes	2,323,349
Sales taxes	10,875,171
Lodging taxes	397,197
Motor fuel taxes	819,869
Alcoholic beverage taxes	89,197
Tobacco taxes	207,451
Interest	10,819
Miscellaneous revenue	501,563
Total general revenues	15,224,616
Change in net position	(453,465)
Net position - beginning, as originally stated	20,487,723
Prior period adjustment - see note 15	(2,238,370)
Net position - beginning, as restated	18,249,353
Net position - ending	\$ 17,795,888

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

City of Selma, Alabama
Balance Sheet – Governmental Funds

September 30, 2018

	General Fund	Bond Fund	2014 GO Warrant Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,317,084	\$ -	\$ 21,847	\$ 1,257,207	\$ 2,596,138
Receivables	1,141,766	593	-	56,836	1,199,195
Prepaid expenses	28,978	-	-	-	28,978
Due from other funds	837,868	89,380	-	397,603	1,324,851
Note receivable	315,000	-	-	-	315,000
Restricted assets:					
Cash and cash equivalents	-	3,022,455	-	68,447	3,090,902
Cash held by fiscal agent	-	3	2,236,254	362,261	2,598,518
Total assets	\$ 3,640,696	\$ 3,112,431	\$ 2,258,101	\$ 2,142,354	\$ 11,153,582
Liabilities					
Accounts payable and accrued expenses	\$ 1,606,171	\$ -	\$ 209,748	\$ 399,168	\$ 2,215,087
Due to other funds	461,762	-	21,664	841,425	1,324,851
Unearned revenue	152,087	-	-	92,806	244,893
Other liabilities	394,597	-	-	77,996	472,593
Total liabilities	2,614,617	-	231,412	1,411,395	4,257,424
Fund balance					
Nonspendable	343,978	-	-	-	343,978
Restricted	-	3,022,458	2,026,506	1,199,575	6,248,539
Committed	-	-	-	136,876	136,876
Assigned	-	-	-	106,657	106,657
Unassigned	682,101	89,973	183	(712,149)	60,108
Total fund balance	1,026,079	3,112,431	2,026,689	730,959	6,896,158
Total liabilities and fund balance	\$ 3,640,696	\$ 3,112,431	\$ 2,258,101	\$ 2,142,354	\$ 11,153,582

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, 2018

Total fund balances - governmental funds	\$	6,896,158
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		40,987,985
Net pension asset is applicable to future periods and, therefore, is not reported in governmental funds.		1,425,211
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in governmental funds.		2,351,722
Deferred charges on refunding of long term debt		1,241,791
Deferred outflows related to pension plan - see note 9		(413,044)
Deferred inflows related to OPEB - see note 13		(2,352,714)
Deferred inflows related to pension plan - see note 9		
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds, warrants and capital leases	\$ (27,475,374)	
Unamortized net premiums	(19,395)	
Unamortized net discounts	255,241	
Accrued interest	(164,672)	
Compensated absences	(200,059)	
OPEB liability	(4,736,962)	(32,341,221)
		(32,341,221)
Net position of governmental activities	\$	17,795,888

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

<i>For the year ending September 30, 2018</i>	General Fund	Bond Fund	2014 GO Warrant Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 13,121,629	\$ 1,005,799	\$ -	\$ 584,806	\$ 14,712,234
Licenses and permits	2,711,772	-	-	19,344	2,731,116
Intergovernmental	428,753	84,111	-	1,431,319	1,944,183
Charges for services	108,885	-	-	-	108,885
Fines and forfeitures	-	-	-	317,402	317,402
Other revenues	338,509	-	-	35,331	373,840
Interest	276	6,363	-	4,181	10,820
Total revenues	16,709,824	1,096,273	-	2,392,383	20,198,480
Expenditures					
Current operations:					
General government	5,910,426	-	-	1,807,117	7,717,543
Public safety	7,419,601	-	-	304,591	7,724,192
Public service	1,970,620	-	1,111,046	29,499	3,111,165
Other	1,405,395	-	-	155,231	1,560,626
Debt service:					
Principal retirement	397,399	805,000	175,000	388,252	1,765,651
Interest charges	66,506	260,391	115,193	502,684	944,774
Total expenditures	17,169,947	1,065,391	1,401,239	3,187,374	22,823,951
Excess (deficiency) of revenues over expenditures	(460,123)	30,882	(1,401,239)	(794,991)	(2,625,471)
Other financing sources (uses)					
Transfers in	487,618	-	485,457	929,289	1,902,364
Transfers out	(1,414,746)	-	-	(487,618)	(1,902,364)
Proceeds from capital leases	733,110	-	-	111,371	844,481
Total other financing sources (uses)	(194,018)	-	485,457	553,042	844,481
Net change in fund balance	(654,141)	30,882	(915,782)	(241,949)	(1,780,990)
Fund balance beginning of year	1,680,220	3,081,549	2,942,471	972,908	8,677,148
Fund balance, ending	\$ 1,026,079	\$ 3,112,431	\$ 2,026,689	\$ 730,959	\$ 6,896,158

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, 2018

Net change in fund balances - total governmental funds		\$ (1,780,990)
Capital outlays, reported as expenditures in governmental funds, are shown as capital assets in the Statement of Net Position.		2,806,802
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.		(2,272,844)
Capital leases provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the government-wide Statement of Net Position.		(844,481)
Repayment of long-term debt is reported as an expenditure in governmental funds, but as a reduction of long-term liabilities in the Statement of Net Position.		
General obligation bonds and warrants	\$ 1,430,000	
Capital leases	<u>335,651</u>	1,765,651
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.		
Change in compensated absences	\$ (207)	
Change in accrued interest payable	9,828	
Difference in pension expense related to deferred outflows and inflows of resources and net pension asset	154,504	
Change in OPEB expense related to deferred outflows and inflows of resources and net OPEB liability	(99,396)	
Amortization of deferred charges on refunding	(195,977)	
Amortization of long-term debt issuance premium and discount	<u>(21,355)</u>	(152,603)
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		<u>25,000</u>
Change in net position of governmental activities		<u><u>\$ (453,465)</u></u>

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

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

<i>September 30, 2018</i>	Agency Fund
Assets	
Receivable - taxes	\$ 314,772
Total Assets	\$ 314,772
Liabilities	
Due to other government	\$ 314,772
Total Liabilities	\$ 314,772

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 City’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 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 other governmental 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 or committed to expenditures for specified purposes other than debt service or capital projects.

3. Debt Service Funds

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned 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 report financial resources that are restricted, committed, or assigned to expenditure for capital outlays.

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.

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.

City of Selma, Alabama
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (continued)

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, and net OPEB liability.

Long-term debt 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.

City of Selma, Alabama
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Equity (continued)

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

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

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

Unassigned – This classification includes all other spendable amounts.

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

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 three 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 2019. The third item is also associated with the City's pension plan and is related to 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. The City currently has four items that qualify for reporting in this category. The first item is associated with the City's OPEB and is related to the net difference between projected and actual experience. The second item is also associated with the City's OPEB and is related to changes in actuarial assumptions.

City of Selma, Alabama
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. *Deferred Outflows/Inflows (continued)*

The third item is associated with the City's pension plan and is related to the difference between expected and actual experience. The fourth item is also associated with the City's pension plan and is related to the net difference between projected and actual earnings on pension plan investments.

R. *Subsequent Events*

The City has evaluated subsequent events through May 19, 2020 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

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:

	Deficit Amount
Nonmajor Governmental Funds	
Drug Enforcement Unit	\$ 22,363
Pending General Forfeitures	175
Americorp Digital Divide	272,880
St. James Hotel Project	369,739
Firefighter Grant	3,212
Restitution	162
Major Program	12,593
2009 Refunding Warrants	31,025
Total	\$ 712,149

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

City of Selma, Alabama
Notes to Financial Statements

NOTE 3 – CASH AND CASH EQUIVALENTS

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

		Carrying Amount		Bank Balance
All funds	\$	8,285,558	\$	6,241,913

At September 30, 2018, 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.

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, 2018, all of the City's depositories are participating in the SAFE program.

Included in the City's carrying amount of cash is \$2,236,254 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 \$362,264 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.

City of Selma, Alabama
Notes to Financial Statements

NOTE 4 – RECEIVABLES

Receivables as of September 30, 2018, for the government's individual major and nonmajor funds, are as follows:

Due From:	General Fund	1999 Bond Fund	Other Governmental Funds	Total
Taxes	\$ 1,046,236	\$ -	\$ 34,741	\$ 1,080,977
Accounts	73,034	-	20,588	93,622
Intergovernmental	22,496	-	1,507	24,003
Interest	-	593	-	593
	\$ 1,141,766	\$ 593	\$ 56,836	\$ 1,199,195

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.

<i>Year ending September 30:</i>	Governmental Activities	
	Principal	Interest
2019	\$ 100,000	\$ 11,635
2020	105,000	7,150
2021	110,000	2,420
Total	\$ 315,000	\$ 21,205

City of Selma, Alabama
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Transfers In/Out	Ending Balance
Primary Government					
Capital assets, not being depreciated:					
Land	\$ 3,470,518	\$ -	\$ -	-	\$ 3,470,518
Construction in progress	1,692,089	1,743,873	-	(422,885)	3,013,077
Total capital assets not being depreciated	5,162,607	1,743,873	-	(422,885)	6,483,595
Capital assets, being depreciated:					
Buildings	9,553,816	-	-	-	9,553,816
Improvements	17,983,021	4,790	-	-	17,987,811
Infrastructure	45,774,928	49,950	-	422,885	46,247,763
Machinery and equipment	16,632,487	1,033,189	-	-	17,665,676
Total capital assets, being depreciated	89,944,252	1,087,929	-	422,885	91,455,066
Less accumulated depreciation for:					
Buildings	4,393,809	139,827	-	-	4,533,636
Improvements	4,946,704	454,739	-	-	5,401,443
Infrastructure	32,883,122	786,307	-	-	33,669,429
Machinery and equipment	12,454,197	891,971	-	-	13,346,168
Total accumulated depreciation	54,677,832	2,272,844	-	-	56,950,676
Total capital assets being depreciated, net	35,266,420	(1,184,915)	-	422,885	34,504,390
Governmental activities capital assets, net	\$ 40,429,027	\$ 558,958	\$ -	-	\$ 40,987,985

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

Governmental Activities:	
General government	\$ 934,014
Public safety	560,140
Public service	762,500
Other	16,190
Total depreciation expense - governmental activities	\$ 2,272,844

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, 2018, is shown below:

Due to/from Other Funds:

	Due To:			
	General Fund	Bond Fund	Other Governmental Funds	Total
Due From:				
General Fund	\$ -	\$ 89,380	\$ 372,382	\$ 461,762
2014 GO Warrant Fund	21,664	-	-	21,664
Other Governmental Funds	816,204	-	25,221	841,425
Total	\$ 837,868	\$ 89,380	\$ 397,603	\$ 1,324,851

Interfund Transfers:

	Transfer In:			
	General Fund	2014 GO Warrant Fund	Other Governmental Funds	
Transfer Out:				
General Fund	\$ -	\$ 485,457	\$ 929,289	\$ 1,414,746
Other Governmental Funds	487,618	-	-	487,618
Total	\$ 487,618	\$ 485,457	\$ 929,289	\$ 1,902,364

City of Selma, Alabama
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental activities:						
General city bonds and warrants	\$ 26,995,000	\$ -	\$ (1,430,000)	\$ 25,565,000	\$ 1,490,000	\$ 24,075,000
Less deferred amounts:						
For issuance discounts	(280,476)	-	25,235	(255,241)	(25,235)	(230,006)
Add deferred amounts:						
For issuance premiums	23,275	-	(3,880)	19,395	3,880	15,515
Total general city bonds and warrants	26,737,799	-	(1,408,645)	25,329,154	1,468,645	23,860,509
Capital lease	1,401,544	844,481	(335,651)	1,910,374	491,580	1,418,794
Compensated absences	199,852	207	-	200,059	200,059	-
Net pension liability	1,187,300	-	(1,187,300)	-	-	-
Net OPEB liability	5,050,610	-	(313,648)	4,736,962	-	4,736,962
Total long-term debt	\$ 34,577,105	\$ 844,688	\$ (3,245,244)	\$ 32,176,549	\$ 2,160,284	\$ 30,016,265

Long term debt payable at September 30, 2018, 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%	\$ 315,000
Series 2009 General Obligation Refunding Warrants, interest at 3.5% to 3.875%	1,980,000
Series 2009-A General Obligation Build America Bonds, interest at 3.0% to 5.5%	4,530,000
Series 2014-CWSRF-DL General Obligation Warrants, interest at 1.5% to 2.25%	3,930,000
Series 2016 General Obligation Warrants, interest rate at 2.15% to 3.4%	14,810,000
Total bonds and warrants	\$ 25,565,000

City of Selma, Alabama
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

The annual debt service requirements to maturity, including principal and interest, for General City bonds and warrants as of September 30, 2018, are as follows:

<i>Year ending September 30:</i>	Principal	Interest
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	1,855,000	511,777
2024-2028	10,820,000	1,790,963
2029-2033	5,480,000	372,623
2034-2036	770,000	34,988
Total	\$ 25,565,000	\$ 5,497,923

As a result of refunding the City's Series 2011 Taxable Pension Warrants (the "Refunded Warrants") during the prior fiscal year through the issuance of its Series 2016 Warrants (the "Refunding Warrants"), the City recorded deferred charges in the Government-Wide Statement of Net Position. The changes represent the difference between the reacquisition price and the net carrying amounts of the Refunded Warrants. These are being amortized over the average remaining life of the Refunding Warrants. The unamortized portion of these costs as of September 30, 2018 was \$2,351,722. The outstanding balance of the Refunded Warrants as of September 30, 2018 was \$11,165,000.

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:

	Governmental Activities
Machinery and equipment	\$ 3,021,897
Less accumulated depreciation	(1,121,658)
	\$ 1,900,239

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.	\$ 443,271
Capital lease obligation for phone system dated April 24, 2015, payable in monthly installments of \$4,755, final payment due October 2020.	110,342
Capital lease obligation for excavator dated June 24, 2015, payable in monthly installments of \$1,848, final payment due May 2020.	109,693
Capital lease obligation for pothole patcher dated May 5, 2016, payable in annual installments of \$38,113, final payment due June 2021.	109,135
Capital lease obligation for backhoe dated February 17, 2016, payable in monthly installments of \$1,498, final payment due February 2021.	39,989
Capital lease obligation for excavator date July 16, 2015, payable in monthly installments of \$1,935, final payment due July 2020.	117,574
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.	119,086
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.	32,078
Capital lease obligation for three police vehicles dated February 2, 2018, payable in monthly installments of \$2,115, final payment due January 9, 2023.	96,096
Capital lease obligation for five trucks dated May 30, 2018, payable in monthly installments of \$13,519, final payment due June 30, 2021.	733,110
Total capital lease obligations	\$ 1,910,374

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, 2018, were as follows:

<i>Year ending September 30:</i>	Governmental Activities
2019	\$ 558,662
2020	631,461
2021	825,630
2022	30,432
2023	6,346
Total minimum lease payments	2,052,531
Less amount representing interest	141,797
Present value of minimum lease payments	<u>\$ 1,910,734</u>

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>	
2019	\$ 68,640
2020	57,200
Present value of minimum lease payments	<u>\$ 125,840</u>

Total rental expense for the above mentioned lease is \$68,640 for the year ended September 30, 2018.

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 agent 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.

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 909 local participating employers. The ERS membership includes approximately 88,517 participants. As of September 30, 2017, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,853
Terminated employees entitled to but not yet receiving benefits	1,401
Terminated employees not entitled to a benefit	7,154
Active members	55,941
Post-DROP retired members still in active status	168
Total	88,517

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, 2018, the City's active employee contribution rate was 2.79% of covered payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 2.81% of covered payroll.

The City's contractually required contribution rate for the year ended September 30, 2018 was 3.85% of pensionable pay for Tier 1 employees, and .48% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, 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 \$212,046 for the year ended September 30, 2018.

City of Selma, Alabama
Notes to Financial Statements

NOTE 9 – PENSION PLAN (CONTINUED)

Net Pension Asset

The City's net pension asset was measured as of September 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as September 30, 2016 rolled forward to September 30, 2017 using standard roll-forward techniques as shown in the following table:

TPL Roll Forward		
	Expected Valuation Assumptions	Actual 2017 Valuation Assumptions
(a) Total Pension Liability		
as of September 30, 2016	\$ 38,359,154	\$ 37,537,997
(b) Discount Rate	7.75%	7.75%
(c) Entry Age Normal Cost for		
October 1, 2016 – September 30, 2017	680,778	680,778
(d) Transfers Among Employers		(42,934)
(e) Actual Benefit Payment and Refunds for		
October 1, 2016– September 30, 2017	(2,990,820)	(2,990,820)
Total Pension Liability		
as of September 30, 2017		
$[(a) \times (1+(b))] + (c) + (d) + [(e) \times (1+.5 \times (b))]$	\$ 38,906,052	\$ 37,978,321

Difference

(g) Between Expected and Actual Experience (Gain)/Loss	\$ (927,731)
(h) Less Liability Transferred for Immediate Recognition	(42,934)
(i) Experience (Gain)/Loss = (g) - (h)	<u>\$ (884,797)</u>

Actuarial assumptions

The total pension liability in the September 30, 2016 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 actuarial valuation as of September 30, 2016, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016 which became effective at the beginning of fiscal year 2016.

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	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estates	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	100.00%	

*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, 2016	\$ 38,359,154	\$ 37,171,854	\$ 1,187,300
Changes for the year:			
Service cost	680,778	-	680,778
Interest	2,856,940	-	2,856,940
Differences between expected and actual experience	(884,797)	-	(884,797)
Contributions - employer	-	220,814	(220,814)
Contributions - employee	-	437,214	(437,214)
Net investment income	-	4,607,404	(4,607,404)
Benefit payments, including refunds of employee contributions	(2,990,820)	(2,990,820)	-
Administrative expense	-	-	-
Transfers among employers	(42,934)	(42,934)	-
Net changes	(380,833)	2,231,678	(2,612,511)
Balance at September 30, 2017	\$ 37,978,321	\$ 39,403,532	\$ (1,425,211)

Sensitivity of the net pension liability/(asset) 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/(asset) 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)	\$ 2,573,192	\$ (1,425,211)	\$ (4,824,996)

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, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017. The auditor's report dated August 31, 2018 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.

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, 2018, the City recognized pension expense of \$532,453. At September 30, 2018, 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	\$ -	\$ 1,158,488
Changes of assumptions	1,051,135	-
Net difference between projected and actual earnings on pension plan investments	-	1,194,226
Employer contributions subsequent to the measurement date	190,656	-
Total	\$ 1,241,791	\$ 2,352,714

The City will recognize its deferred inflow of resources related to employer contributions made subsequent to the measurement date in pension expense during the fiscal year ended September 30, 2019. The remaining amounts reported as deferred inflows of resources related to pensions of Governmental Activities will be recognized in pension expense as follows:

Year ended September 30:	
2019	\$ (292,288)
2020	(20,263)
2021	(473,694)
2022	(465,252)
2023	(50,082)
Total	\$ (1,301,579)

City of Selma, Alabama
Notes to Financial Statements

NOTE 10 – FUND BALANCES

As of September 30, 2018, fund balances consisted of the following:

	General Fund	Bond Fund	2014 GO Warrant Fund	Other Governmental Funds	Total
Nonspendable:					
Prepaid expenses	\$ 28,978	\$ -	\$ -	\$ -	\$ 28,978
Note receivable	315,000	-	-	-	315,000
Restricted:					
Debt Services	-	3,022,458	-	134,238	3,156,696
Capital projects	-	-	2,026,506	730,917	2,757,423
Community development	-	-	-	36,812	36,812
Municipal Court	-	-	-	43,648	43,648
Public Safety	-	-	-	45,257	45,257
Public Works	-	-	-	208,703	208,703
Committed:					
Economic development	-	-	-	136,876	136,876
Assigned:					
Police department	-	-	-	40,648	40,648
Fire department	-	-	-	1,279	1,279
Economic development	-	-	-	64,730	64,730
Unassigned	682,101	89,973	183	(712,149)	60,108
Total fund balance	\$ 1,026,079	\$ 3,112,431	\$ 2,026,689	\$ 730,959	\$ 6,896,158

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.

City of Selma, Alabama
Notes to Financial Statements

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 provides certain continuing health care and life insurance benefits for its retired employees. The City of Selma's OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the City. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the City. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 *Postemployment Benefits Other Than Pensions—Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria—Defined Benefit*.

Benefits Provided

Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by the Retirement System of Alabama and must meet the eligibility provisions of that system to receive retiree medical benefits. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service (called "Tier I members). Employees hired on and after January 1, 2013 (called "Tier II" members) are eligible to retire only after attainment of age 62 or later completion of 10 years of service.

Employees Covered by Benefit Terms

At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	171
Inactive employees entitled to but not yet receiving benefit payments	28
Active employees	266
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Total	465

City of Selma, Alabama
Notes to Financial Statements

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

Total OPEB Liability

The City's total OPEB liability of \$4,736,962 was measured as of September 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs

The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	4.0%, including inflation
Discount rate	3.63% annually (Beginning of Year to Determine ADC)
	4.18% annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Flat 5.5% annually

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of September 30, 2018, the end of the applicable measurement period.

Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend.

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2018.

Changes in the Total OPEB Liability

Balance at September 30, 2017	\$ 5,050,610
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Changes for the year:	
Service Cost	118,356
Interest	180,467
Differences between expected and actual experience	(101,421)
Change in assumptions	(352,927)
Benefit payments and net transfers	(158,123)
Net Changes	(313,648)
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Balance at September 30, 2018	\$ 4,736,962
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City of Selma, Alabama
Notes to Financial Statements

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

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.18%) or 1-percentage-point higher (5.18%) than the current discount rate:

	1% Decrease (3.18%)	Current Discount Rate (4.18%)	1% Increase (5.18%)
Total OPEB Liability	\$ 5,414,507	\$ 4,736,962	\$ 4,186,784

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

	1% Decrease (4.5%)	Current Discount Rate (5.5%)	1% Increase (6.5%)
Total OPEB Liability	\$ 4,191,448	\$ 4,736,962	\$ 5,397,194

OPEB Expense & Deferred Outflows of Resources & Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$257,519. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (92,201)
Changes of assumptions	-	(320,843)
Total	\$ -	\$ (413,044)

City of Selma, Alabama
Notes to Financial Statements

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

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:		
2019	\$	(41,304)
2020		(41,304)
2021		(41,304)
2022		(41,304)
2023		(41,304)
Thereafter		(206,524)
<u>Total</u>	<u>\$</u>	<u>(413,044)</u>

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:

- Fiduciary activities
- Leases
- Certain disclosures related to debt, including borrowings and direct placements; and
- Accounting for interest cost incurred before the end of a construction period

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

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPAL

The City implemented Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (an amendment of GASB No. 45), in fiscal year ended September 30, 2018. The implementation of the statement required the City to record beginning total OPEB liability (the Plan has no assets). As a result, beginning net position for the year ended September 30, 2017 was restated which decreased by \$2,238,370.

NOTE 16 – SUBSEQUENT EVENTS

In January 2019, the City entered into a purchase and sale agreement whereby the City sold its property commonly referred to as the Historic St. James Hotel for \$400,000. The buyer intends to redevelop the property and to reopen the hotel to the public.

City of Selma, Alabama
Notes to Financial Statements

NOTE 16 – SUBSEQUENT EVENTS (CONTINUED)

In order to encourage economic development, increase employment opportunities and broaden the City's tax base, the City also entered into a Tax Revenue Sharing and Incentive Agreement whereby the City has agreed to refund a portion of sales and lodging tax proceeds received from the redeveloped property for a period of up to ten years or until an agreed upon maximum incentive payment has been reached.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. Uncertainties have arisen that may have a significant negative impact on the City because of disruptions in revenues and operations. While the disruptions are expected to be temporary, there is uncertainty as to the duration. As a result, the negative impact on the City's revenues and operations cannot be reasonably estimated at this time. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

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, 2018</i>	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 13,590,464	\$ 13,590,464	\$ 13,121,629	\$ (468,835)
Licenses and permits	3,256,156	3,256,156	2,711,772	(544,384)
Intergovernmental	-	-	428,753	428,753
Charges for services	74,795	74,795	108,885	34,090
Other revenues	493,938	493,938	338,509	(155,429)
Interest on investments	421	421	276	(145)
Total revenues	17,415,774	17,415,774	16,709,824	(705,950)
Expenditures				
General government	6,379,665	6,279,659	5,910,426	369,233
Public safety	7,414,847	7,402,669	7,419,601	(16,932)
Public service	1,717,133	1,791,951	1,970,620	(178,669)
Other	1,047,266	1,053,936	1,405,395	(351,459)
Debt service	909,081	909,081	463,905	445,176
Total expenditures	17,467,992	17,437,296	17,169,947	267,349
Excess (deficiency) of revenues over (under) expenditures	(52,218)	(21,522)	(460,123)	(438,601)
Other financing sources (uses)				
Transfers in	-	-	487,618	487,618
Transfers (out)	-	-	(1,414,746)	(1,414,746)
Capital lease	-	-	733,110	733,110
Total other financing sources (uses)	-	-	(194,018)	(194,018)
Net change in fund balances	(52,218)	(21,522)	(654,141)	(632,619)
Fund balance beginning of year	2,070,880	2,070,880	1,680,220	(390,660)
Fund balances - ending	\$ 2,018,662	\$ 2,049,358	\$ 1,026,079	\$ (1,023,279)

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

	2017	2016	2015	2014
Total pension liability				
Service Cost	\$ 680,778	\$ 699,324	\$ 734,225	\$ 698,109
Interest	2,856,940	2,808,116	2,759,873	2,695,067
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(884,797)	(532,430)	(257,917)	-
Changes of assumptions	-	1,688,185	-	-
Benefit payments, including refunds of employee contributions	(2,990,820)	(2,611,651)	(2,654,621)	(2,511,601)
Transfers among employers	(42,934)	(99,667)	-	-
Net change in total pension liability	(380,833)	1,951,877	581,560	881,575
Total pension liability - beginning	38,359,154	36,407,277	35,825,717	34,944,142
Total pension liability - ending (a)	\$ 37,978,321	\$ 38,359,154	\$ 36,407,277	\$ 35,825,717
Plan Fiduciary Net Position				
Contributions - employer	\$ 220,814	\$ 366,274	\$ 298,099	\$ 356,088
Contributions - employee	437,214	427,528	454,864	450,697
Net investment income	4,607,404	3,524,344	429,298	4,081,364
Benefit payments, including refunds of employee contributions	(2,990,820)	(2,611,651)	(2,654,621)	(2,511,601)
Transfers among employers	(42,934)	(99,667)	(198,090)	(17,836)
Net change in plan fiduciary net position	2,231,678	1,606,828	(1,670,450)	2,358,712
Plan net position - beginning	37,171,854	35,565,026	37,235,476	34,876,764
Plan net position - ending (b)	\$ 39,403,532	\$ 37,171,854	\$ 35,565,026	\$ 37,235,476
Net pension liability (asset) - ending (a) - (b)	\$ (1,425,211)	\$ 1,187,300	\$ 842,251	\$ (1,409,759)
Plan fiduciary net position as a percentage of total pension liability	103.75%	96.90%	97.69%	103.94%
Covered payroll *	\$ 7,607,181	\$ 7,166,671	\$ 7,465,065	\$ 7,994,811
Net pension liability (asset) as a percentage of covered payroll	-18.74%	16.57%	11.28%	-17.63%

* Employer's covered payroll during the measurement period is the total covered payroll. For FY 2018, the measurement period is October 1, 2016 – September 30, 2017.

This schedule is presented to illustrate the requirement to show pension information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years which are available.

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%
9/30/2018	212,046	212,046	-	7,607,181	2.79%

* Employer's covered payroll during fiscal year 2018 is the total covered payroll for the twelve month period of the underlying financial statements.

City of Selma, Alabama
Schedule of Changes in Net OPEB Liability
As of Fiscal Year End

Total OPEB Liability	
Service Cost	\$ 118,356
Interest	180,467
Differences between expected and actual experience	(101,421)
Changes of assumptions	(352,937)
Benefit payments	(158,123)
Net change in total OPEB liability	(313,658)
Total OPEB liability - beginning	5,050,610
Total OPEB liability - ending (a)	\$ 4,736,952
Covered employee payroll	\$ 5,409,248
Total OPEB liability as a percentage of covered employee payroll	87.57%

City of Selma, Alabama
Schedule of Employer Contributions - OPEB
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
9/30/2018	397,455	158,123	(239,332)	5,409,248	2.92%

* Employer's covered payroll during fiscal year 2018 is the total covered payroll for the twelve month period of the underlying financial statements.

This schedule is intended to cover 10 fiscal years. As each year ensues in the future, the information will be added until the schedule covers 10 years. See Note 5 in "Notes to Required Supplementary Information" for notes to the schedule.

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.

NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET)

The total pension liability/(asset) presented in these schedules were provided by the Systems' actuarial consultants, Cavanaugh Macdonald Consulting, LLC. The net pension liability/(asset) 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 – PENSION PLAN

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, 2018 were 3.85% for Tier 1 employees (hired before January 1, 2013) and .48% for Tier 2 employees (hired after January 1, 2013).

City of Selma, Alabama
Notes to Required Supplementary Information

NOTE 4 – ACTUARIAL ASSUMPTIONS - PENSION

The actuarially determined contribution rates in the schedules of employer contributions – pension plan 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 2018 were based on the September 30, 2015 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 normal
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

Changes to Benefit Terms

Member contribution rates increased from 5% (6% for certified law enforcement, correctional officers, and firefighters) of earnable compensation to 7.25% (8.25%) of earnable compensation effective October 1, 2011 and to 7.50% (8.50%) of earnable compensation effective October 1, 2012.

Members hired on or after January 1, 2013 are covered under a new benefit structure.

Changes of Assumptions

In December 2018, the Boards of Control adopted a new discount rate of 7.70%.

In 2016, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older.

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

City of Selma, Alabama
Notes to Required Supplementary Information

NOTE 5 – ACTUARIAL ASSUMPTIONS – OPEB

Notes to Schedule

Valuation Date	10/1/17 Actuarially determined contributions are calculated as of the last day of the fiscal year in which contributions are reported
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level dollar, open
Amortization period	30 years
Asset valuation method	Market value
Inflation	2.5% annually
Healthcare trend	Flat 5.5% annually
Salary increases	4.0% annually
Discount Rate	3.63% annually (Beginning of Year to Determine ADC) 4.18% annually (As of End of Year Measurement Date)
Retirement age	25 years of service at any age; or, attainment of age 60 and 10 years of service; employees hired on and after January 1, 2013 are not eligible to retire until age 62.
Mortality	RP-2000 without projection, 50% unisex blend
Turnover	Age specific table with an average of 15% when applied to the active census
Decline Rate	3% of retirees are assumed to decline medical coverage.

OTHER INFORMATION

City of Selma, Alabama
Combining Balance Sheet
Other Governmental Funds

September 30, 2018

	State Lodging Tax	Special Revenue				SPD Sundry Account	Municipal Court	Pending General Forfeitures	Fire Department Sundry
		Revolving Loan Fund	Drug Enforcement Unit	Alabama Trust Fund	Awarded Drug Unit Fund				
Assets									
Cash and cash equivalents	\$ 20,156	\$ 26,747	\$ 48,656	\$ 483,570	\$ 40,614	\$ 464	\$ 2,254	\$ 25	\$ 1,279
Receivables	-	-	-	-	-	500	1,641	-	-
Due from other funds	187,402	-	-	-	-	100	17,030	-	-
Restricted assets:									
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Cash held by fiscal agents	-	-	-	-	-	-	-	-	-
Total assets	\$ 207,558	\$ 26,747	\$ 48,656	\$ 483,570	\$ 40,614	\$ 1,064	\$ 20,925	\$ 25	\$ 1,279
Liabilities									
Accounts payable and accrued expenses	\$ 70,682	\$ -	\$ 70,442	\$ 65,131	\$ -	\$ -	\$ 3,002	\$ -	\$ -
Due to other funds	-	-	577	2,874	160	870	-	200	-
Unearned revenue	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	116	-	-
Total liabilities	70,682	-	71,019	68,005	160	870	3,118	200	-
Fund balances									
Restricted	-	26,747	-	415,565	-	-	17,807	-	-
Committed	136,876	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	40,454	194	-	-	1,279
Unassigned	-	-	(22,363)	(22,363)	-	-	-	(175)	-
Total fund balance	136,876	26,747	(22,363)	415,565	40,454	194	17,807	(175)	1,279
Total liabilities and fund balance	\$ 207,558	\$ 26,747	\$ 48,656	\$ 483,570	\$ 40,614	\$ 1,064	\$ 20,925	\$ 25	\$ 1,279

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	Firefighter Grant	Municipal Aid	Traffic Enforcement	Criminal Fines
Assets								
Cash and cash equivalents	\$ -	\$ -	\$ 944	\$ 25,524	\$ 4,878	\$ 165,987	\$ 71,124	\$ 4,376
Receivables	-	-	751	4,417	-	34,741	-	-
Due from other funds	-	-	-	7,000	-	6,822	76,797	-
Restricted assets:								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Cash held by fiscal agents	-	-	-	-	-	-	-	-
Total assets	\$ -	\$ -	\$ 1,695	\$ 36,941	\$ 4,878	\$ 207,550	\$ 147,921	\$ 4,376
Liabilities								
Accounts payable and accrued expenses	\$ -	\$ -	\$ 2,898	\$ -	\$ -	\$ 22,099	\$ 108,594	\$ -
Due to other funds	-	272,880	368,536	18,221	8,090	31,769	-	-
Unearned revenue	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
Total liabilities	-	272,880	371,434	18,221	8,090	53,868	108,594	-
Fund balances								
Restricted	-	-	-	18,720	-	153,682	39,327	4,376
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	(272,880)	(369,739)	-	(3,212)	-	-	-
Total fund balance	-	(272,880)	(369,739)	18,720	(3,212)	153,682	39,327	4,376
Total liabilities and fund balance	\$ -	\$ -	\$ 1,695	\$ 36,941	\$ 4,878	\$ 207,550	\$ 147,921	\$ 4,376

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

	Special Revenue									
	Cash Bonds	Restitution	Restoration Revitalization Fund	ATF Sharing	PEG Fund	Occupancy Fee	Award General Forfeitures	Selma Animal Shelter	Municipal Judicial Adm Fund	Brownsfield Fund
Assets										
Cash and cash equivalents	\$ 66,508	\$ 11,575	\$ 50	\$ 1,554	\$ 66,688	\$ 35,917	\$ 144	\$ 18,530	\$ 45,306	\$ 96,270
Receivables	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	61,724	-	400	-	16,107
Restricted assets:										
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-
Cash held by fiscal agents	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 66,508	\$ 11,575	\$ 50	\$ 1,554	\$ 66,688	\$ 97,641	\$ 144	\$ 18,930	\$ 45,306	\$ 112,377
Liabilities										
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,911	\$ -	\$ 838	\$ 3,000	\$ 19,571
Due to other funds	-	-	-	-	11,717	-	-	-	16,974	-
Unearned revenue	-	-	-	-	-	-	-	-	-	92,806
Other liabilities	66,143	11,737	-	-	-	-	-	-	-	-
Total liabilities	66,143	11,737	-	-	11,717	32,911	-	838	19,974	112,377
Fund balances										
Restricted	365	-	50	1,554	54,971	-	144	18,092	25,332	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	64,730	-	-	-	-
Unassigned	-	(162)	-	-	-	-	-	-	-	-
Total fund balance	365	(162)	50	1,554	54,971	64,730	144	18,092	25,332	-
Total liabilities and fund balance	\$ 66,508	\$ 11,575	\$ 50	\$ 1,554	\$ 66,688	\$ 97,641	\$ 144	\$ 18,930	\$ 45,306	\$ 112,377

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	
Assets									
Cash and cash equivalents	\$ -	\$ 11,070	\$ -	\$ 6,997	\$ -	\$ -	\$ -	\$ -	\$ 1,257,207
Receivables	-	115	-	-	-	14,671	-	-	56,836
Due from other funds	-	24,221	-	-	-	-	-	-	397,603
Restricted assets:									
Cash and cash equivalents	38,001	-	-	-	30,445	1	-	-	68,447
Cash held by fiscal agents	-	-	258,468	-	-	-	2	103,791	362,261
Total assets	\$ 38,001	\$ 35,406	\$ 258,468	\$ 6,997	\$ 30,445	\$ 14,672	\$ 2	\$ 103,791	\$ 2,142,354
Liabilities									
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 399,168
Due to other funds	35,625	7,645	-	19,590	-	45,697	-	-	841,425
Unearned revenue	-	-	-	-	-	-	-	-	92,806
Other liabilities	-	-	-	-	-	-	-	-	77,996
Total liabilities	35,625	7,645	-	19,590	-	45,697	-	-	1,411,395
Fund balances									
Restricted	2,376	27,761	258,468	-	30,445	-	2	103,791	1,199,575
Committed	-	-	-	-	-	-	-	-	136,876
Assigned	-	-	-	-	-	(31,025)	-	-	106,657
Unassigned	-	-	-	(12,593)	-	-	-	-	(712,149)
Total fund balance	2,376	27,761	258,468	(12,593)	30,445	(31,025)	2	103,791	730,959
Total liabilities and fund balance	\$ 38,001	\$ 35,406	\$ 258,468	\$ 6,997	\$ 30,445	\$ 14,672	\$ 2	\$ 103,791	\$ 2,142,354

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

For the year ended September 30, 2018

	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				
Revenues										
Taxes	\$ 322,917	-	-	-	-	-	-	-	-	
Licenses and permits	-	-	-	-	-	-	-	-	-	
Intergovernmental	-	-	-	178,311	-	-	-	-	-	
Fines and forfeitures	-	-	-	-	50,584	-	14,589	-	-	
Other revenues	622	-	-	-	-	324	1,323	-	-	
Interest	-	-	-	-	209	-	-	-	-	
Total revenues	323,539	-	-	178,311	50,793	324	15,912	-	-	
Expenditures										
Current operations:										
General government	308,204	-	20,548	158,027	-	-	-	-	3	
Public safety	-	-	-	-	14,577	699	18,967	-	-	
Public service	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	
Debt service:										
Principal retirement	-	-	-	-	-	-	-	-	-	
Interest charges	-	-	-	-	-	-	-	-	-	
Total expenditures	308,204	-	20,548	158,027	14,577	699	18,967	-	3	
Excess (deficiency) of revenues over expenditures	15,335	-	(20,548)	20,284	36,216	(375)	(3,055)	-	(3)	
Other financing sources (uses)										
Transfers in	-	-	-	-	-	-	-	-	-	
Transfers out	-	-	-	-	-	-	-	-	-	
Proceeds from capital leases	-	-	-	-	-	-	-	-	-	
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	
Net change in fund balance	15,335	-	(20,548)	20,284	36,216	(375)	(3,055)	-	(3)	
Fund balance beginning of year	121,541	26,747	(1,815)	395,281	4,238	569	20,862	(175)	1,282	
Fund balance, ending	\$ 136,876	\$ 26,747	\$ (22,363)	\$ 415,565	\$ 40,454	\$ 194	\$ 17,807	\$ (175)	\$ 1,279	

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	Firefighter Grant	Municipal Aid	Traffic Enforcement	Criminal Fines
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 187,608	\$ -	\$ -
Licenses and permits	-	-	-	-	-	19,344	-	-
Intergovernmental	-	246,760	-	458,348	140,910	-	-	-
Fines and forfeitures	-	-	-	-	-	-	249,492	2,737
Other revenues	-	-	66	-	-	50	-	-
Interest	-	-	-	-	-	-	-	29
Total revenues	-	246,760	66	458,348	140,910	207,002	249,492	2,766
Expenditures								
Current operations:								
General government	-	353,181	-	488,675	-	27,026	209,833	3,437
Public safety	-	-	-	-	140,090	-	111,371	-
Public service	-	-	-	-	-	29,499	-	-
Other	97	-	40,839	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	33,252	-
Interest charges	-	-	-	-	-	-	7,576	-
Total expenditures	97	353,181	40,839	488,675	140,090	56,525	362,032	3,437
Excess (deficiency) of revenues over expenditures	(97)	(106,421)	(40,773)	(30,327)	820	150,477	(112,540)	(671)
Other financing sources (uses)								
Transfers in	-	-	138,168	29,700	-	-	-	-
Transfers out	(91,115)	-	-	-	(820)	(267,000)	-	-
Proceeds from capital leases	-	-	-	-	-	-	111,371	-
Total other financing sources (uses)	(91,115)	-	138,168	29,700	(820)	(267,000)	111,371	-
Net change in fund balance	(91,212)	(106,421)	97,395	(627)	-	(116,523)	(1,169)	(671)
Fund balance beginning of year	91,212	(166,459)	(467,134)	19,347	(3,212)	270,205	40,496	5,047
Fund balance, ending	\$ -	(272,880)	(369,739)	18,720	(3,212)	153,682	39,327	4,376

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

	Special Revenue									
	Cash Bonds	Restitution	Restoration Revitalization Fund	ATF Sherrif	PEG Fund	Occupancy Fee	Awarded General Forfeitures	Selma Animal Shelter	Municipal Judicial Adm Fund	Brownsfield Fund
Revenues										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,281	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	107,194
Fines and forfeitures	-	-	-	-	13,247	-	-	6,669	11,990	-
Other revenues	-	-	-	-	34	-	-	-	-	-
Interest	-	-	-	-	13,281	74,281	-	6,669	11,990	107,194
Total revenues										
Expenditures										
Current operations:										
General government	-	196	-	-	11,892	21,569	-	-	18,887	-
Public safety	-	-	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	7,101	-	107,194
Other	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal retirement	-	-	-	-	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-	-	-
Total expenditures										
	-	196	-	-	11,892	21,569	-	7,101	18,887	107,194
Excess (deficiency) of revenues over expenditures										
	-	(196)	-	-	1,389	52,712	-	(432)	(6,897)	-
Other financing sources (uses)										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(128,683)	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)										
	-	-	-	-	-	(128,683)	-	-	-	-
Net change in fund balance										
	-	(196)	-	-	1,389	(75,971)	-	(432)	(6,897)	-
Fund balance beginning of year										
	365	34	50	1,554	53,582	140,701	144	18,524	32,229	-
Fund balance, ending										
	\$ 365	\$ (162)	\$ 50	\$ 1,554	\$ 54,971	\$ 64,730	\$ 144	\$ 18,092	\$ 25,332	\$ -

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 Other Funds	2009 Capital Project Bond	Major Project	Public Building Authority	2009 Refunding Warrants	2011 Pension Warrants	2016 GO Warrants	
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 584,806
Licenses and permits	-	-	-	-	-	-	-	-	19,344
Intergovernmental	-	144,500	-	-	-	155,296	-	-	1,431,319
Fines and forfeitures	-	-	-	-	-	-	-	-	317,402
Other revenues	-	1,040	-	-	-	-	-	-	35,331
Interest	-	-	2,761	-	183	-	-	965	4,181
Total revenues	-	145,540	2,761	-	183	155,296	-	965	2,392,383
Expenditures									
Current operations:									
General government	-	138,800	55,758	877	-	9,091	-	-	1,807,117
Public safety	-	-	-	-	-	-	-	-	304,591
Public service	-	-	-	-	-	-	-	-	29,499
Other	-	-	-	-	-	-	-	-	155,231
Debt service:									
Principal retirement	-	-	-	-	-	355,000	-	-	388,252
Interest charges	-	-	-	-	-	80,238	-	414,870	502,684
Total expenditures	-	138,800	55,758	877	-	444,329	-	414,870	3,187,374
Excess (deficiency) of revenues over expenditures	-	6,740	(52,997)	(877)	183	(289,033)	-	(413,905)	(794,991)
Other financing sources (uses)									
Transfers in	-	-	-	-	-	278,330	-	483,091	929,289
Transfers out	-	-	-	-	-	-	-	-	(487,618)
Proceeds from capital leases	-	-	-	-	-	-	-	-	111,371
Total other financing sources (uses)	-	-	-	-	-	278,330	-	483,091	553,042
Net change in fund balance	-	6,740	(52,997)	(877)	183	(10,703)	-	69,186	(241,949)
Fund balance beginning of year	2,376	21,021	311,465	(11,716)	30,262	(20,322)	2	34,605	972,908
Fund balance, ending	\$ 2,376	\$ 27,761	\$ 258,468	\$ (12,593)	\$ 30,445	\$ (31,025)	\$ 2	\$ 103,791	\$ 730,959

City of Selma, Alabama
Schedule of Expenditures of Federal Awards

Year ended September 30, 2018

Description	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Expenditures
Corporation for National and Community Service				
<i>Passed through Serve Alabama</i>				
AmeriCorps	94.006	Unknown	\$ -	\$ 246,760
Total Corporation for National and Community Service				246,760
U.S. Department of Agriculture				
<i>Passed through the State of Alabama Department of Education</i>				
<u>Child Nutrition Cluster</u>				
Summer Food Service Program for Children	10.559	Unknown	-	135,561
Total Child Nutrition Cluster				135,561
Rural Business Development Grant	10.351	N/A	100,000	100,000
Total U.S. Department of Agriculture				235,561
U.S. Department of Transportation				
<u>Highway Planning and Construction Cluster</u>				
<i>Passed through the State of Alabama Department of Transportation</i>				
Highway Planning and Construction	20-205	TAPOA-TA13(911)	-	7,647
Total Highway Planning and Construction Cluster				7,647
Total U.S. Department of Transportation				7,647
U.S. Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	-	89,688
Assistance to Firefighters Grant	97.044	N/A	-	133,268
Total U.S. Department of Homeland Security				222,956
U.S. Department of Housing and Urban Development				
<i>Passed through the State of Alabama Department of Economic Development and Community Affairs</i>				
Community Development Block Grant - States' Program	14.228	LR-CM-PF-11-105/14-105	-	358,348
Total U.S. Department of Housing and Urban Development				358,348
U.S. Environmental Protection Agency				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	N/A	-	107,194
Total U.S. Environmental Protection Agency				107,194
Total expenditures of federal awards			\$ 100,000	\$ 1,178,466

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, 2018. 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, 2018.

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, 2018.

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**



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**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 were engaged to 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, 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 19, 2020. Our report disclaims an opinion on such financial statements because of a limitation on the scope of our audit. This limitation was related to our inability to obtain adequate representations from management within the City's finance department. Management within the City's finance department did not provide us with written representations regarding the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City for the year ending September 30, 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 (2018 – 1, 2018 – 2, 2018 – 3 and 2018 – 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 (2018 – 5).

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the City, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2018 – 6 and 2018 – 9. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

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.

Carly Riggs, E. Ingram, L.L.C.

Birmingham, Alabama

May 19, 2020

CITY OF SELMA, ALABAMA

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



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
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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 were engaged to audit 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, 2018. 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. Because of the matter described in the "Basis for Disclaimer of Opinion on Each Major Federal Program" paragraph, however, we are not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance for major federal programs.

Basis for Disclaimer of Opinion on Each Major Federal Program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the City with CFDA

14.228 Community Development Block Grants-States' Program and CFDA 97.044 Assistance to Firefighters Grant as described in finding number 2018-9 for Activities Allowed or Unallowed, Allowable Cost/Cost Principles, Cash Management, Period of Performance, Procurement and Suspension and Debarment, Reporting and Special Tests and Provisions #1 and #4 (14.228 Community Development Block Grant-States' Program) and for Activities Allowed or Unallowed, Allowable Cost/Cost Principles, Cash Management, Equipment and Real Property Management, Matching, Period of Performance, Procurement and Suspension and Debarment, and Reporting (97.044 Assistance to Firefighters Grant), consequently we were unable to determine whether the City complied with those requirements applicable to those programs.

Disclaimer of Opinion on Each Major Federal Program

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on Each Major Federal Program" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on compliance of the City with the types of compliance requirements referred to above that could have a direct and material effect on 14.228 Community Development Block Grants-States' Program and CFDA 97.044 Assistance to Firefighters Grant for the year ended September 30, 2018.

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 connection with our engagement to audit 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. We did not

identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items – and 2018-7 and 2018-8 that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

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

Birmingham, Alabama
May 19, 2020

CITY OF SELMA, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Selma, Alabama
Schedule of Findings and Questioned Costs

Year ended September 30, 2018

Section I - Summary of Auditors' Results

Financial statements

Type of auditors' report issued:

Disclaimer

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?

 x yes no

Federal awards

Internal control over major programs:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified?

 x yes none reported

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

Disclaimer

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

 x yes no

Identification of major programs:

CFDA Number(s)

14.228

97.044

Name of Federal Program or Cluster

Community Development Block Grants-States' Program

Assistance to Firefighters Grant

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, 2018

2018-1 Audit Adjustments

Criteria: Audit adjustments are generally indicative of a weakness in the internal control structure of an organization.

Condition: Various financial statement amounts including: accounts receivable, restricted cash, accounts payable, unearned revenues, transactions related to long-term debt and capital assets as well as other transactions were either misstated or improperly recorded at year end. As a result of audit procedures performed, audit adjustments were required to be recorded.

Cause: Adjustments related to various year end accruals for revenue, unrecorded liabilities, unearned revenues, transactions related to long-term debt and capital assets as well as other miscellaneous transactions were not properly recorded prior to audit procedures being performed.

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. Review transactions related to principal and interest payments on all debt, loans, or notes payable (including payments made by related parties as well as federal interest subsidies received) to ensure that all transactions have been appropriately recorded.*
- ii. 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).*
- iii. Reconcile transactions related to the City's grant activity with the general ledger to ensure that all transactions have been appropriately recorded (including operating transfers and receivable/payable transactions, if any)*
- iv. 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.*

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-2 Reconciliation of Inter-Fund Accounts (Repeat Finding)

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 as of the end of the fiscal 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.

2018-3 Develop and Use an Accounting and Finance Procedures Manual (Repeat Finding)

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.*

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

**2018-3 Develop and Use an Accounting and Finance Procedures Manual (Repeat Finding)
(Continued)**

Recommendation (continued):

- 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.

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

2018-4 Municipal Court Records

Criteria: The City's Municipal Court should establish policies and procedures to ensure that records can be located in a timely manner.

Condition: The City's Municipal Court was unable to locate original documentation related to some of the court transactions selected for testing during the audit.

Cause: Due to a high level of turnover and limited staffing within the Municipal Court, documentation for some court cases and traffic citations were unable to be located by personnel.

Effect: Missing Municipal Court records could result in errors or omissions in the City's financial statements.

Recommendation: We recommend that management evaluate its procedures in order to establish methods to ensure that all necessary court records relating to municipal court cases and traffic citations can be located in a timely manner. This includes original signed documents supporting the case or citation.

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-5 Bail Bond and Restitution Fund Accounts (Repeat Finding)

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.

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.

2018-6 Municipal Court Electronic Traffic Tickets/Citations

Criteria: As it pertains to electronic tickets/citations, Alabama Judicial Administration Rule #19 requires a law enforcement officer ("complainant") to "without unnecessary delay, normally within 48 hours, acknowledge under oath the facts alleged therein before any person within the judicial branch of government who is authorized by the State of Alabama to administer oaths. Both the law enforcement officer and the person administering the oath may use electronic signature process approved by the ADC when swearing to and verifying electronic tickets".

Condition: During our audit procedures, it was noted that the law enforcement officer is not signing the copy of electronic traffic tickets/citations in the space provided for the "complainant signature". Based on discussions with Municipal Court personnel, it has not been a part of the process taken involving electronic tickets/citations in the City. Furthermore, an electronic signature process is not

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

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-6 Municipal Court Electronic Traffic Tickets/Citations

Condition (continued):

being used as the Magistrate or Clerk (person responsible for administering the oath) have been physically signing the copy of the electronic ticket/citation.

Cause: The Municipal Court does not have established policies and procedures to require that law enforcement officers sign electronic tickets/citations along with the Magistrate, Court Clerk or other appropriate personnel within the judicial administration.

Effect: Electronic tickets are not being signed by law enforcement officers as required by Alabama Judicial Rule #19.

Recommendation: The City should establish policies and procedures to ensure that law enforcement officers sign electronic tickets/citations along with the person in the judicial branch of the government, as described in Alabama Judicial Administration Rule #19.

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 that law enforcement officers sign electronic tickets/citations as required.

2018-9 Written Representations

See finding detail in Section III of the Schedule of Findings and Questioned costs

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2018-7 Suspension and Debarment Procedures

Federal Award #1

Federal agency: Department of Housing and Urban Development
Pass-through agency: Alabama Department of Economic and Community Affairs
Title: Community Development Block Grant – States' Program
CFDA Number: 14.228
Award Year: 2018
Award Number: LR-CM-PF-11/14-105

Federal Award #2

Federal agency: U.S. Department of Homeland Security
Pass-through agency: None
Title: Assistance to Firefighters Grant
CFDA Number: 97.044
Award Year: 2018
Award Number: EMW-2016-FV-01374

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2018-7 Suspension and Debarment Procedures (Continued)

Criteria: According to 2 CFR Section 200.213 and 2 CFR Section 180.220, non-federal entities are prohibited from contracting with or making subawards under covered transactions that are suspended or debarred. 2 CFR 200.303 requires the City to establish and maintain internal controls over compliance with federal awards.

Condition and perspective: During our testing of major programs, we observed that management does not document their verification that a vendor was not suspended or debarred prior to entering a covered transaction.

Cause: Documentation processes have not been adopted by the City to address compliance requirements related to suspension and debarment.

Effect: Federal funds could be expended to vendors that have been suspended or debarred by the Federal government.

Questioned Costs: No questioned costs identified.

Recommendation: Management should ensure personnel are aware of suspension and debarment requirements and adopt policies and procedures to ensure that this is verified and documented prior to entering into a covered transaction.

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

2018-8 Procurement Procedures

Federal Award #1

Federal agency: Department of Housing and Urban Development

Pass-through agency: Alabama Department of Economic and Community Affairs

Title: Community Development Block Grant – States' Program

CFDA Number: 14.228

Award Year: 2018

Award Number: LR-CM-PF-11/14-105

Federal Award #2

Federal agency: U.S. Department of Homeland Security

Pass-through agency: None

Title: Assistance to Firefighters Grant

CFDA Number: 97.044

Award Year: 2018

Award Number: EMW-2016-FV-01374

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2018-8 Procurement Procedures (Continued)

Criteria: According to 2 CFR Section 200.318 through 200.326, non-federal entities are required to have documented (written) procedures regarding procurement and follow those procedures in regards to procurement of goods and services with respect to federal awards. 2 CFR 200.303 requires the City to establish and maintain internal controls over compliance with federal awards.

Condition and perspective: During our testing of major programs, we observed that the City does not have documented (written) procedures regarding procurement with respect to federal awards.

Cause: The City has not developed policies and procedures regarding procurement in accordance with Uniform Guidance.

Effect: Federal funds could be expended that are not in compliance with procurement requirements of Uniform Guidance.

Questioned Costs: No questioned costs identified.

Recommendation: Management should develop documented (written) policies and procedures which address procurement policies to ensure that procurement practices with respect to federal awards are in accordance with the Uniform Guidance.

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

2018-9 Written Representations

Federal Award #1

Federal agency: Department of Housing and Urban Development

Pass-through agency: Alabama Department of Economic and Community Affairs

Title: Community Development Block Grant – States' Program

CFDA Number: 14.228

Award Year: 2018

Award Number: LR-CM-PF-11/14-105

Federal Award #2

Federal agency: U.S. Department of Homeland Security

Pass-through agency: None

Title: Assistance to Firefighters Grant

CFDA Number: 97.044

Award Year: 2018

Award Number: EMW-2016-FV-01374

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2018-9 Written Representations (Continued)

Criteria: Generally Accepted Auditing Standards and the Uniform Guidance require the auditor to obtain certain written representations from management of the City. Furthermore, 2 CFR Section 200.511(a) requires that management provide a corrective action plan for audit findings.

Condition and perspective: At the conclusion of our testing of major programs, we were unable to obtain written representations from management within the City's Finance Department. Management within the City's Finance Department also did not provide a corrective action plan for the related finding.

Cause: Management within the City's Finance Department chose not to provide written representations related to our audit and also did not provide a corrective action plan for the related finding.

Effect: Management's refusal to furnish written representations constitutes a limitation on the scope of the audit and the decision to not provide a corrective action plan for the related finding is an instance of noncompliance with 2 CFR Section 200.511(a).

Questioned Costs: No questioned costs identified.

Recommendation: Management should provide written representations as well as a corrective action plan for audit findings at the conclusion of the audit as required by Generally Accepted Governmental Auditing Standards and Uniform Guidance.

Management's response: The City acknowledges the finding and Management of the Finance Department has concluded it is not comfortable providing the written representations or a corrective action plan for the finding.



CITY OF SELMA
FINANCE DEPARTMENT

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Selma, Alabama 36702-0450

Ronita R. Wade
Treasurer

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SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

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.*

Management Response on the Current Status: It has been difficult for management to maintain control of the financial reporting process due to a lack of qualified supervision being that the Treasurer has been placed on leave multiple times for an extended period of time. The Treasurer along with the Accounting Manager will meet with the auditors to determine what adjustments have been omitted in the closeout process. Those adjustments will be included moving forward in the closeout process.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

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 Response on the Current Status: As previously stated, the City Treasurer has been placed on leave multiple times for an extended period of time. This has adversely affected the finance department's ability to move forward in resolving some findings. The City Treasurer will work with the Accounting Manager to reconcile inter-fund accounts on a monthly basis for the current fiscal year. Additionally, the Treasurer will seek outside assistance from an independent accounting firm to assist in reconciling prior year balances.

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.

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.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)

2017-3 Bail Bond and Restitution Fund Accounts (Continued)

Management Response on the Current Status: The Chief Magistrate will work with the Finance Department to establish policies and procedures that will be included in the Accounting and Finance Procedures Manual to ensure that funds are reconciled on a regular basis. This will be overseen by the City Treasurer and implemented by the Accounting Manager.

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.*

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 Response on the Current Status: Although a written accounting procedure manual is not available, procedures are in place and have been in place since prior to the current treasurer taking office in September 2014. The City has maintained a written policy manual in the past. However, the finance department has not been able to retrieve the manual in its entirety. Therefore, the City Council's Finance Committee will work collectively with City Treasurer, Accounting Manager, and City Clerk during the current fiscal year to re-create a written Accounting and Finance Procedures Manual to include the procurement procedures to present before Council for review and approval.



CITY OF SELMA
FINANCE DEPARTMENT

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Ronita R. Wade
Treasurer

CORRECTIVE ACTION PLAN

September 30, 2018

City of Selma, Alabama respectfully submits the following corrective action plan for the year ended September 30, 2018.

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, 2018

The findings from the September 30, 2018 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

2018-1 Audit Adjustments

Criteria: Audit adjustments are generally indicative of a weakness in the internal control structure of an organization.

Condition: Various financial statement amounts including: accounts receivable, restricted cash, accounts payable, unearned revenues, transactions related to long-term debt and capital assets as well as other transactions were either misstated or improperly recorded at year end. As a result of audit procedures performed, audit adjustments were required to be recorded.

Cause: Adjustments related to various year end accruals for revenue, unrecorded liabilities, unearned revenues, transactions related to long-term debt and capital assets as well as other miscellaneous transactions were not properly recorded prior to audit procedures being performed.

2018-1 Audit Adjustments (Continued)

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. Review transactions related to principal and interest payments on all debt, loans, or notes payable (including payments made by related parties as well as federal interest subsidies received) to ensure that all transactions have been appropriately recorded.
- ii. 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).
- iii. Reconcile transactions related to the City's grant activity with the general ledger to ensure that all transactions have been appropriately recorded (including operating transfers and receivable/payable transactions, if any)
- iv. 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: Due to the Treasurer being placed on multiple leave of absences during the past 2.5 years, this process has not been properly supervised. However, the Treasurer and Accounting Manager will meet with auditors in December 2019 to determine what adjustments need to be properly made. The finance department will make the correct adjustments moving forward during the 2020 year-end close.

2018-2 Reconciliation of Inter-Fund Accounts (Repeat Finding)

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 as of the end of the fiscal 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.

Action Taken: The City Treasurer will work with the Accounting Manager to reconcile inter-fund accounts on a monthly basis during the 2019-2020 fiscal year. Additionally, the Treasurer will seek outside assistance from an independent accounting firm to assist in reconciling prior year balances.

2018-3 Develop and Use an Accounting and Finance Procedures Manual (Repeat Finding)

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.*

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: Although a written accounting procedure manual is not available, procedures are in place and have been in place since prior to the current treasurer taking office in September 2014. The City has maintained a written policy manual in the past. However, the finance department has not been able to retrieve the manual in its entirety. Therefore, the City Council's Finance Committee will work collectively with City Treasurer, Accounting Manager, and City Clerk during the 2020 fiscal year to re-create a written Accounting and Finance Procedures Manual to include the procurement procedures to present before Council for review and approval.

2018-4 Municipal Court Records

Criteria: The City's Municipal Court should establish policies and procedures to ensure that records can be located in a timely manner.

Condition: The City's Municipal Court was unable to locate original documentation related to some of the court transactions selected for testing during the audit.

Cause: Due to a high level of turnover and limited staffing within the Municipal Court, documentation for some court cases and traffic citations were unable to be located by personnel.

2018-4 Municipal Court Records (Continued)

Effect: Missing Municipal Court records could result in errors or omissions in the City's financial statements.

Recommendation: We recommend that management evaluate its procedures in order to establish methods to ensure that all necessary court records relating to municipal court cases and traffic citations can be located in a timely manner. This includes original signed documents supporting the case or citation.

Action Taken: Per the Chief Magistrate, Kourtne Nelson, once a full staff is placed here at Selma Municipal Court this matter will be addressed and handled immediately by organizing and filing all backdated files properly to ensure that all records can be located upon request. The anticipated date to have this completed is January 2020.

SIGNIFICANT DEFICIENCY

2018-5 Bail Bond and Restitution Fund Accounts (Repeat Finding)

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.

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: Per the Chief Magistrate, Kourtne Nelson, municipal court personnel will work with the Finance Department to establish policies and procedures that will be included in the Accounting and Finance Procedures Manual to ensure that funds are reconciled on a regular basis. This will be overseen by the City Treasurer and implemented by the Accounting Manager. The anticipated date to have this completed is January 2020.

NONCOMPLIANCE WITH LAWS AND REGULATIONS

2018-6 Municipal Court Electronic Traffic Tickets/Citations

Criteria: As it pertains to electronic tickets/citations, Alabama Judicial Administration Rule #19 requires a law enforcement officer ("complainant") to "without unnecessary delay, normally within 48 hours, acknowledge under oath the facts alleged therein before any person within the judicial branch of government who is authorized by the State of Alabama to administer oaths. Both the law enforcement officer and the person administering the oath may use electronic signature process approved by the ADC when swearing to and verifying electronic tickets".

Condition: During our audit procedures, it was noted that the law enforcement officer is not signing the copy of electronic traffic tickets/citations in the space provided for the "complainant signature". Based on discussions with Municipal Court personnel, it has not been a part of the process taken involving electronic tickets/citations in the City. Furthermore, an electronic signature process is not being used as the Magistrate or Clerk (person responsible for administering the oath) have been physically signing the copy of the electronic ticket/citation.

Cause: The Municipal Court does not have established policies and procedures to require that law enforcement officers sign electronic tickets/citations along with the Magistrate, Court Clerk or other appropriate personnel within the judicial administration.

Effect: Electronic tickets are not being signed by law enforcement officers as required by Alabama Judicial Rule #19.

Recommendation: The City should establish policies and procedures to ensure that law enforcement officers sign electronic tickets/citations along with the person in the judicial branch of the government, as described in Alabama Judicial Administration Rule #19.

Action Taken: The Chief Magistrate, Kourtne Nelson, the Presiding Judge, Court Clerk and Chief of Police will work together on creating policies and procedures in reference to the officers swearing to a sign off on all traffic citations including the ones that are done electronically. The anticipated date to have this completed is January 2020.

FINDINGS – FEDERAL AWARDS AND QUESTIONED COSTS

SIGNIFICANT DEFICIENCIES

2018-7 Suspension and Debarment Procedures

Federal Award #1

Federal agency: Department of Housing and Urban Development

Pass-through agency: Alabama Department of Economic and Community Affairs

Title: Community Development Block Grant – States' Program

CFDA Number: 14.228

Award Year: 2018

Award Number: LR-CM-PF-11/14-105

2018-7 Suspension and Debarment Procedures (Continued)

Federal Award #2

Federal agency: U.S. Department of Homeland Security

Pass-through agency: None

Title: Assistance to Firefighters Grant

CFDA Number: 97.044

Award Year: 2018

Award Number: EMW-2016-FV-01374

Criteria: According to 2 CFR Section 200.213 and 2 CFR Section 180.220, non-federal entities are prohibited from contracting with or making sub awards under covered transactions that are suspended or debarred. 2 CFR 200.303 requires the City to establish and maintain internal controls over compliance with federal awards.

Condition and perspective: During our testing of major programs, we observed that management does not document their verification that a vendor was not suspended or debarred prior to entering a covered transaction.

Cause: Documentation processes have not been adopted by the City to address compliance requirements related to suspension and debarment.

Effect: Federal funds could be expended to vendors that have been suspended or debarred by the Federal government.

Questioned Costs: No questioned costs identified.

Recommendation: Management should ensure personnel are aware of suspension and debarment requirements and adopt policies and procedures to ensure that this is verified and documented prior to entering into a covered transaction.

Action Taken: The Planning & Development Director, Henry Thompson, will work with the City Clerk, Finance Director and the City attorney by August 31, 2020 to create a suspension and debarment procedure process to ensure that the City of Selma is in compliance; these procedures will be made to comply with all Federal, State and Local regulations in mind. This will make sure that the City of Selma has effective procedures in place going forward.

2018-8 Procurement Procedures

Federal Award #1

Federal agency: Department of Housing and Urban Development

Pass-through agency: Alabama Department of Economic and Community Affairs

Title: Community Development Block Grant -- States' Program

CFDA Number: 14.228

Award Year: 2018

Award Number: LR-CM-PF-11/14-105

2018-8 Procurement Procedures (Continued)

Federal Award #2

Federal agency: U.S. Department of Homeland Security

Pass-through agency: None

Title: Assistance to Firefighters Grant

CFDA Number: 97.044

Award Year: 2018

Award Number: EMW-2016-FV-01374

Criteria: According to 2 CFR Section 200.318 through 200.326, non-federal entities are required to have documented (written) procedures regarding procurement and follow those procedures in regards to procurement of goods and services with respect to federal awards. 2 CFR 200.303 requires the City to establish and maintain internal controls over compliance with federal awards.

Condition and perspective: During our testing of major programs, we observed that the City does not have documented (written) procedures regarding procurement with respect to federal awards.

Cause: The City has not developed policies and procedures regarding procurement in accordance with Uniform Guidance.

Effect: Federal funds could be expended that are not in compliance with procurement requirements of Uniform Guidance.

Questioned Costs: No questioned costs identified.

Recommendation: Management should develop documented (written) policies and procedures which address procurement policies to ensure that procurement practices with respect to federal awards are in accordance with the Uniform Guidance.

Action Taken: The City Council's Finance Committee will work collectively with the City Treasurer, Accounting Manager and City Clerk during the current fiscal year to develop an Accounting and Finance Procedures Manual to include the procurement procedures that will meet all new federal guidelines in order to present before Council for review and approval. The anticipated date for the first meeting to work on this manual will be January 2020.