

City of Selma, Alabama

FINANCIAL STATEMENTS

September 30, 2019



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City of Selma, Alabama
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require supplementing the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing 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 and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama
January 28, 2022

City of Selma, Alabama

Statement of Net Position

September 30, 2019	Primary Government Governmental Activities
Assets	\$ 5,037,742
Cash and cash equivalents	1,442,599
Receivables, net	28,978
Prepaid expenses	215,000
Note receivable	
Restricted assets:	3,119,103
Cash and cash equivalents	1,851,388
Cash held by fiscal agent	
Capital assets not being depreciated:	3,470,518
Land	3,508,941
Construction in progress	
Capital assets net of accumulated depreciation:	4,878,189
Buildings	8,117,333
Improvements	11,706,022
Infrastructure	3,713,317
Machinery and equipment	1,320,612
Net pension asset	
	48,409,742
Total assets	
Deferred Outflows of Resources	2,155,745
Deferred charges on refunding of long-term debt	1,189,659
Deferred outflows related to OPEB plan - see Note 13	1,608,171
Deferred outflows related to pension plan - see Note 9	
	4,953,575
Total deferred outflows	
Liabilities	1,801,561
Accounts payable and accrued expenses	164,672
Accrued interest payable	249,083
Unearned revenue	475,439
Other liabilities	
Noncurrent liabilities:	2,148,049
Due within one year	29,605,239
Due in more than one year	
	34,444,043
Total liabilities	
Deferred inflows of Resources	371,740
Deferred inflows related to OPEB - see Note 13	2,203,339
Deferred inflows related to pension plan - see Note 9	
	2,575,079
Total deferred inflows	
Net Position	29,400,364
Net investment in capital assets	
Restricted for:	649,801
Capital projects	23,699
Community development	3,186,689
Debt service	34,941
Municipal court	48,125
Public safety	277,141
Public works	(17,276,565)
Unrestricted (deficit)	
	\$ 16,344,195
Total net position	

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

September 30, 2019

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

City of Selma, Alabama
Balance Sheet – Governmental Funds

September 30, 2019

	General Fund	Bond Fund	2014 GO Warrant Fund	Americorp Digital Divide	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 3,357,383	\$ -	\$ 3,058	\$ -	\$ 1,677,301	\$ 5,037,742
Receivables	1,189,493	594	-	199,626	52,886	1,442,599
Prepaid expenses	28,978	-	-	-	-	28,978
Due from other funds	378,098	79,085	-	-	322,464	779,647
Note receivable	215,000	-	-	-	-	215,000
Restricted assets:						
Cash and cash equivalents	-	3,052,096	-	-	67,007	3,119,103
Cash held by fiscal agent	-	3	1,556,896	-	294,489	1,851,388
Total assets	\$ 5,168,952	\$ 3,131,778	\$ 1,559,954	\$ 199,626	\$ 2,414,147	\$ 12,474,457
Liabilities						
Accounts payable and accrued expenses	\$ 1,521,557	\$ -	\$ 89,497	\$ 1,495	\$ 189,012	\$ 1,801,561
Due to other funds	254,328	-	164	199,626	325,529	779,647
Unearned revenue	145,488	-	-	-	103,595	249,083
Other liabilities	396,794	-	-	-	78,645	475,439
Total liabilities	2,318,167	-	89,661	201,121	696,781	3,305,730
Deferred Inflows of Resources						
Unavailable revenue	-	-	-	199,626	-	199,626
Fund Balance						
Nonspendable	243,978	-	-	-	-	243,978
Restricted	-	3,052,099	1,467,399	-	1,358,993	5,878,491
Committed	-	-	-	-	273,637	273,637
Assigned	-	-	-	-	210,908	210,908
Unassigned	2,606,807	79,679	2,894	(201,121)	(126,172)	2,362,087
Total fund balance	2,850,785	3,131,778	1,470,293	(201,121)	1,717,366	8,969,101
Total liabilities, deferred inflows of resources and fund balance	\$ 5,168,952	\$ 3,131,778	\$ 1,559,954	\$ 199,626	\$ 2,414,147	\$ 12,474,457

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, 2019

Total fund balances - governmental funds	\$ 8,969,101
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	35,394,320
Net pension asset is applicable to future periods and, therefore, is not reported in governmental funds.	1,320,612
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in governmental funds.	
Deferred charges on refunding of long-term debt	2,155,745
Deferred outflows related to OPEB plan - see Note 13	1,189,659
Deferred outflows related to pension plan - see Note 9	1,608,171
Deferred inflows related to OPEB - see Note 13	(371,740)
Deferred inflows related to pension plan - see Note 9	(2,203,339)
Certain revenues do not meet the availability criterion for recognition in the fund financial statements. As a result, they are deferred in the governmental funds balance sheet.	199,626
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	\$ (25,623,618)
Unamortized net premiums	(15,515)
Unamortized net discounts	230,006
Accrued interest	(164,672)
Compensated absences	(135,592)
OPEB liability	(6,208,569) (31,917,960)
Net position of governmental activities	\$ 16,344,195

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

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<i>For the year ended September 30, 2019</i>	General Fund	Bond Fund	2014 GO Warrant Fund	Americorp Digital Divide	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 13,729,156	\$ 1,005,763	\$ -	\$ -	\$ 638,173	\$ 15,373,092
Licenses and permits	2,757,453	-	-	-	19,847	2,777,300
Intergovernmental	338,401	71,860	-	93,304	534,721	1,038,286
Charges for services	83,786	-	-	-	-	83,786
Fines and forfeitures	75	-	-	-	220,481	220,556
Other revenues	315,744	-	-	-	63,061	378,805
Interest	415	2,974	-	-	6,683	10,072
Total revenues	17,225,030	1,080,597	-	93,304	1,482,966	19,881,897
Expenditures						
Current operations:						
General government	4,574,289	-	-	349,876	564,563	5,488,728
Public safety	6,797,073	-	-	-	33,796	6,830,869
Public service	617,297	-	6,800	-	172,169	796,266
Other	740,752	-	-	-	58,022	798,774
Capital Outlay	535,913	-	549,596	-	79,262	1,164,771
Debt service:						
Principal retirement	535,698	840,000	180,000	-	428,504	1,984,202
Interest charges	75,234	221,250	88,425	-	492,881	877,790
Total expenditures	13,876,256	1,061,250	824,821	349,876	1,829,197	17,941,400
Excess (deficiency) of revenues over expenditures	3,348,774	19,347	(824,821)	(256,572)	(346,231)	1,940,497
Other Financing Sources (Uses)						
Transfers in	214	-	268,425	328,331	1,059,972	1,656,942
Transfers out	(1,656,728)	-	-	-	(214)	(1,656,942)
Proceeds from capital leases	132,446	-	-	-	-	132,446
Total other financing sources (uses)	(1,524,068)	-	268,425	328,331	1,059,758	132,446
Net change in fund balance	1,824,706	19,347	(556,396)	71,759	713,527	2,072,943
Fund balance beginning of year	1,026,079	3,112,431	2,026,689	(272,880)	1,003,839	6,896,158
Fund balance, ending	\$ 2,850,785	\$ 3,131,778	\$ 1,470,293	\$ (201,121)	\$ 1,717,366	\$ 8,969,101

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, 2019

Net change in fund balances - total governmental funds	\$ 2,072,943	
Capital outlays, reported as expenditures in governmental funds, are shown as capital assets in the Statement of Net Position.		1,164,771
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.		(2,381,027)
Capital leases provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the government-wide Statement of Net Position.		(132,446)
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	\$ 1,490,000	
Capital leases	<u>494,202</u>	1,984,202
Certain revenues do not meet the availability criterion for recognition in the fund financial statements. As a result, they are deferred in the governmental funds balance sheet.		199,626
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	\$ 64,467	
Change in accrued interest payable	-	
Difference in pension expense related to deferred outflows and inflows of resources and net pension asset	411,156	
Change in OPEB expense related to deferred outflows and inflows of resources and net OPEB liability	(240,644)	
Difference related to loss on disposal of capital assets	(4,377,409)	
Amortization of deferred charges on refunding	(195,977)	
Amortization of long-term debt issuance premium and discount	(21,355)	(4,359,762)
Change in net position of governmental activities	\$	<u>(1,451,693)</u>

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

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

September 30, 2019

	Agency Fund
Assets	
Receivable - taxes	\$ 261,883
Liabilities	
Accounts payable	261,883
Net Position	
Unrestricted	\$ -

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

City of Selma, Alabama

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

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.

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)

Fund Financial Statements (Continued)

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

- 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
- 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

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.

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.

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.

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

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.
- AmeriCorps Digital Divide – This fund accounts for resources received and payments made for the City's AmeriCorps Program

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)

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.

Cash and Cash Equivalents

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

Receivables

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.

Prepaid Items

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

City of Selma, Alabama
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

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

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

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

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.

Debt Issuance Costs

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

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.

City of Selma, Alabama

Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension (Continued)

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.

Compensated Absences

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

Lease Obligations

Capital lease obligations are stated at the original fair market value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate of interest 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.

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).

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.

City of Selma, Alabama
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

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

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

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.

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.

City of Selma, Alabama
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows (Continued)

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 and third are related to the City's pension and OPEB benefits. Deferred outflows of resources for pension and OPEB activity result from the City's participation in the Employee's Retirement System of Alabama and its retiree health insurance plan. The pension and OPEB activity represents differences between expected and actual experience, changes of assumptions and amounts resulting from employer contributions made subsequent to the Plan's measurement date but as of the date of the City's basic financial statements.

In addition to liabilities, the statement of financial position and or balance sheet 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 reports a type of deferred inflow, unavailable revenue, which arises only under a modified accrual basis of accounting that qualifies for reporting this category. Accordingly, the unavailable revenue is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also reports pension and OPEB related activity as a type of deferred inflow. The pension and OPEB activity represents differences between expected and actual experience, differences between projected and actual earnings on pension plan investments and changes in assumptions.

Subsequent Events

The City has evaluated subsequent events through January 28, 2022 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

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.

City of Selma, Alabama
Notes to Financial Statements

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Deficit Fund Balance

Funds with deficit fund balance are as follows:

	Deficit Amount
Nonmajor Governmental Funds	\$ 26,383
Drug Enforcement Unit	175
Pending General Forfeitures	3,212
Firefighter Grant	25,000
Municipal Aid	25,284
Traffic Enforcement	162
Restitution	44
Brownsfield Fund	13,096
Major Program	32,816
2009 Refunding Warrants	
Total	\$ 126,172

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

Note 3: CASH AND CASH EQUIVALENTS

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

	Carrying Amount	Bank Balance
All funds	\$ 10,008,233	\$ 8,512,500

At September 30, 2019, 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, 2019, all of the City's depositories are participating in the SAFE program.

City of Selma, Alabama
Notes to Financial Statements

Note 3: CASH AND CASH EQUIVALENTS (Continued)

Included in the City's carrying amount of cash is \$1,556,896 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 \$294,492 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 – 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.

Interest Rate Risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The City does not have a formal investment policy that limits investment securities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

Note 4: RECEIVABLES

Receivables as of September 30, 2019, for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

Due From:	General Fund	Bond Fund	Americorp Digital Divide	Other Governmental Funds	Total
Taxes	\$ 1,174,632	\$ -	\$ -	\$ 35,241	\$ 1,209,873
Accounts	3,375	-	-	16,144	19,519
Intergovernmental	11,486	-	199,626	1,501	212,613
Interest	-	594	-	-	594
	<u>\$ 1,189,493</u>	<u>\$ 594</u>	<u>\$ 199,626</u>	<u>\$ 52,886</u>	<u>\$ 1,442,599</u>

City of Selma, Alabama
Notes to Financial Statements

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>For the years ending September 30,</i>	Governmental Activities	
	Principal	Interest
2020	\$ 105,000	\$ 7,150
2021	110,000	2,420
Total	\$ 215,000	\$ 9,570

Note 6: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019, 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	3,013,077	713,196	-	(217,332)	3,508,941
Total capital assets not being depreciated	6,483,595	713,196	-	(217,332)	6,979,459
Capital assets, being depreciated:					
Buildings	9,553,816	-	-	-	9,553,816
Improvements	17,987,811	50,390	(6,448,404)	217,332	11,807,129
Infrastructure	46,247,763	-	-	-	46,247,763
Machinery and equipment	17,665,676	401,185	-	-	18,066,861
Total capital assets, being depreciated	91,455,066	451,575	(6,448,404)	217,332	85,675,569
Less accumulated depreciation for:					
Buildings	4,533,636	141,991	-	-	4,675,627
Improvements	5,401,443	349,111	(2,060,758)	-	3,689,796
Infrastructure	33,669,429	872,312	-	-	34,541,741
Machinery and equipment	13,346,168	1,017,613	(10,237)	-	14,353,544
Total accumulated depreciation	56,950,676	2,381,027	(2,070,995)	-	57,260,708
Total capital assets being depreciated, net	34,504,390	(1,929,452)	(4,377,409)	217,332	28,414,861
Governmental activities capital assets, net	\$ 40,987,985	\$ (1,216,256)	\$ (4,377,409)	\$ -	\$ 35,394,320

City of Selma, Alabama
Notes to Financial Statements

Note 6: CAPITAL ASSETS (Continued)

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

Governmental Activities:	\$ 978,471
General government	586,802
Public safety	798,794
Public service	16,960
Other	
Total depreciation expense - governmental activities	\$ 2,381,027

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, 2019, is shown below:

Due to/from Other Funds:

Due From:	Due To:				Total
	General Fund	Bond Fund	Americorp Digital Divide	Other Governmental Funds	
General Fund	\$ -	\$ 79,085	\$ -	\$ 175,243	\$ 254,328
2014 GO Warrant Fund	164	-	-	-	164
Americorp Digital Divide	199,626	-	-	-	199,626
Other Governmental Funds	178,308	-	-	147,221	325,529
Total	\$ 378,098	\$ 79,085	\$ -	\$ 322,464	\$ 779,647

Interfund Transfers:

Transfer Out:	Transfer In:				Total
	General Fund	2014 GO Warrant Fund	Americorp Digital Divide	Other Governmental Funds	
General Fund	\$ -	\$ 268,425	\$ 328,331	\$ 1,059,972	\$ 1,656,728
Other Governmental Funds	214	-	-	-	214
Total	\$ 214	\$ 268,425	\$ 328,331	\$ 1,059,972	\$ 1,656,942

City of Selma, Alabama
Notes to Financial Statements

Note 8: LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
General city bonds and warrants	\$ 25,565,000	\$ -	\$ (1,490,000)	\$ 24,075,000	\$ 1,540,000	\$ 22,535,000
Less deferred amounts:						
For issuance discounts	(255,241)	-	25,235	(230,006)	(25,235)	(204,771)
Add deferred amounts:						
For issuance premiums	19,395	-	(3,880)	15,515	3,880	11,635
Total general city bonds and warrants	25,329,154	-	(1,468,645)	23,860,509	1,518,645	22,341,864
Capital lease	1,910,374	132,446	(494,202)	1,548,618	602,286	946,332
Compensated absences	200,059	-	(64,467)	135,592	27,118	108,474
Net OPEB liability	4,736,962	1,471,607	-	6,208,569	-	6,208,569
Total long-term debt	\$ 32,176,549	\$ 1,604,053	\$ (2,027,314)	\$ 31,753,288	\$ 2,148,049	\$ 29,605,239

Long-term debt payable at September 30, 2019, 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%	\$ 215,000
Series 2009 General Obligation Refunding Warrants, interest at 3.5% to 3.875%	1,610,000
Series 2009-A General Obligation Build America Bonds, interest at 3.0% to 5.5%	3,690,000
Series 2014-CWSRF-DL General Obligation Warrants, interest at 1.5% to 2.25%	3,750,000
Series 2016 General Obligation Warrants, interest rate at 2.15% to 3.4%	14,810,000
Total bonds and warrants	\$ 24,075,000

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, 2019, are as follows:

<i>For the years ending September 30,</i>	Principal	Interest
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	2,060,000	466,318
2025-2029	11,105,000	1,504,048
2030-2034	3,385,000	210,545
2035-2036	520,000	17,663
Total	\$ 24,075,000	\$ 4,698,983

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, 2019 was \$2,155,745. The outstanding balance of the Refunded Warrants as of September 30, 2019 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	\$ 3,154,343
Less accumulated depreciation	(1,402,869)
Total	\$ 1,751,474

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.	\$ 299,888
Capital lease obligation for phone system dated April 24, 2015, payable in monthly installments of \$4,755, final payment due October 2020.	58,178
Capital lease obligation for excavator dated June 24, 2015, payable in monthly installments of \$1,848, final payment due May 2020.	90,908
Capital lease obligation for pothole patcher dated May 5, 2016, payable in annual installments of \$38,113, final payment due June 2021.	73,604
Capital lease obligation for backhoe dated February 17, 2016, payable in monthly installments of \$1,498, final payment due February 2021.	23,306
Capital lease obligation for excavator date July 16, 2015, payable in monthly installments of \$1,935, final payment due July 2020.	99,115
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.	81,238
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.	23,839
Capital lease obligation for three police vehicles dated February 2, 2018, payable in monthly installments of \$2,115, final payment due January 9, 2023.	75,441
Capital lease obligation for five trucks dated May 30, 2018, payable in monthly installments of \$13,519, final payment due June 30, 2021.	593,841
Capital lease obligation for five trucks dated August 26, 2019 payable in monthly installments of \$1,873.91, final payment due July 26, 2029.	129,260
Total capital lease obligations	\$ 1,548,618

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, 2019, were as follows:

<i>For the years ending September 30,</i>	Governmental Activities
2020	\$ 655,025
2021	847,864
2022	52,919
2023	28,832
2024	22,487
Thereafter	44,974
Total minimum lease payments	1,652,101
Less amount representing interest	103,483
Present value of minimum lease payments	<u>\$ 1,548,618</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>For the year ending September 30,</i>	
2020	\$ 57,200
Present value of minimum lease payments	<u>\$ 57,200</u>

Total rental expense for the above mentioned lease is \$68,640 for the year ended 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 90,999 participants. As of September 30, 2018, (measurement date) membership consisted of:

Retirees and beneficiaries currently receiving benefits	24,818
Terminated employees entitled to but not yet receiving benefits	1,426
Terminated employees not entitled to a benefit	7,854
Active members	56,760
Post-DROP retired members still in active status	141
	<hr/>
Total	90,999

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, 2019, the City's active employee contribution rate was 3.44% of covered payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 3.13% of covered payroll.

The City's contractually required contribution rate for the year ended September 30, 2019 was 4.42% of pensionable pay for Tier 1 employees, and .75% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, 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 \$202,914 for the year ended September 30, 2019.

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, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as September 30, 2017 rolled forward to September 30, 2018 using standard roll-forward techniques as shown in the following table:

	TPL Roll Forward		
	Expected Valuation Assumptions	Actual 2018 Valuation Assumptions - Original	Actual 2018 Valuation Assumptions - Final
(a) Total Pension Liability as of September 30, 2017	\$ 37,978,321 7.75%	\$ 38,591,601 7.75%	\$ 38,774,776 7.70%
(b) Discount Rate			
(c) Entry Age Normal Cost for October 1, 2017 – September 30, 2018	628,567 -	628,567 187,303	634,149 187,303
(d) Transfers Among Employers			
(e) Actual Benefit Payment and Refunds for October 1, 2017– September 30, 2018	(2,978,800)	(2,978,800)	(2,978,800)
(f) Total Pension Liability as of September 30, 2018 [(a) x (1+(b))] + (c) + (d) + [(e)*(1+.5*(b))]	\$ 38,455,979	\$ 39,304,092	\$ 39,488,402
Difference			
(g) Between Expected and Actual Experience (Gain)/Loss		\$ 848,113	
(h) Less Liability Transferred for Immediate Recognition		187,303	
(i) Experience (Gain)/Loss = (g) - (h)		\$ 660,810	
(j) Difference between Actual at 7.70% and Actual at 7.75% [Assumption Change]			\$ 184,310

Actuarial Assumptions

The total pension liability as of September 30, 2018 was determined based on the annual actuarial funding valuation report as of September 30, 2017. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25 – 5.00%
Investment rate of return*	7.70%
*Net pension plan investment expense	

City of Selma, Alabama
Notes to Financial Statements

Note 9: PENSION PLAN (Continued)

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 of 125% at all ages for males and 120% for females ages 78 and older. 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.

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, 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, 7.70%. 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

City of Selma, Alabama
Notes to Financial Statements

Note 9: PENSION PLAN (Continued)

Discount Rate (Continued)

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 plan 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.

	Total Pension Liability (a)	Increase/(Decrease) Plan Fiduciary Net Position (b)	Net Position Liability/(Asset) (a)-(b)
Balance at September 30, 2017	\$ 37,978,321	\$ 39,403,532	\$ (1,425,211)
Changes for the year:			
Service cost	628,567	-	628,567
Interest	2,827,891	-	2,827,891
Changes of assumptions	184,310	-	184,310
Differences between expected and actual experience	660,810	-	660,810
Contributions - employer	-	189,718	(189,718)
Contributions - employee	-	459,696	(459,696)
Net investment income	-	3,547,565	(3,547,565)
Benefit payments, including refunds of employee contributions	(2,978,800)	(2,978,800)	-
Administrative expense	-	-	-
Transfers among employers	187,303	187,303	-
Net changes	1,510,081	1,405,482	104,599
Balance at September 30, 2018	\$ 39,488,402	\$ 40,809,014	\$ (1,320,612)

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 7.70%, 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 (6.70%) or one percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Plan's Net Pension Liability/(Asset)	\$ 2,734,023	\$ (1,320,612)	\$ (4,768,705)

City of Selma, Alabama
Notes to Financial Statements

Note 9: PENSION PLAN (Continued)

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, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated August 17, 2019 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.

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

For the year ended September 30, 2019, the City recognized pension expense of (\$208,242). At September 30, 2019, 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	\$ 525,951	\$ 841,488
Changes of assumptions	879,306	-
Net difference between projected and actual earnings on pension plan investments	-	1,361,851
Employer contributions subsequent to the measurement date	202,914	-
Total	\$ 1,608,171	\$ 2,203,339

The City will recognize its deferred outflow of resources related to employer contributions made subsequent to the measurement date in pension expense during the fiscal year ended September 30, 2020. The remaining amounts reported as deferred outflows and inflows of resources related to pensions of Governmental Activities will be recognized in pension expense as follows:

For the years ending September 30,

2020	\$ 36,851
2021	(416,580)
2022	(408,138)
2023	(10,215)
2024	-
Total	\$ (798,082)

City of Selma, Alabama
Notes to Financial Statements

Note 10: FUND BALANCES

As of September 30, 2019, fund balances consisted of the following:

	General Fund	Bond Fund	2014 GO Warrant Fund	Americorp Digital Divide	Other Governmental Funds	Total
Nonspendable:						
Prepaid expenses	\$ 28,978	\$ -	\$ -	\$ -	\$ -	\$ 28,978
Note receivable	215,000	-	-	-	-	215,000
Restricted:						
Debt services	-	3,052,099	-	-	134,590	3,186,689
Capital projects	-	-	1,467,399	-	840,497	2,307,896
Community development	-	-	-	-	23,699	23,699
Municipal court	-	-	-	-	34,941	34,941
Public safety	-	-	-	-	48,125	48,125
Public works	-	-	-	-	277,141	277,141
Committed:						
Economic development	-	-	-	-	273,637	273,637
Assigned:						
Police department	-	-	-	-	32,203	32,203
Fire department	-	-	-	-	1,279	1,279
Economic development	-	-	-	-	177,426	177,426
Unassigned	2,606,807	79,679	2,894	(201,121)	(126,172)	2,362,087
Total fund balance	\$ 2,850,785	\$ 3,131,778	\$ 1,470,293	\$ (201,121)	\$ 1,717,366	\$ 8,969,101

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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	70
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	207
<hr/>	
Total	<hr/> 277 <hr/>

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 \$6,208,569 was measured as of September 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2019 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	4.18% annually (Beginning of Year to Determine ADC)
	2.66% 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, 2019, 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, 2019 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2019.

Changes in the Total OPEB Liability

Balance at September 30, 2018	\$ 4,736,962
Changes for the year:	
Service cost	105,543
Interest	194,518
Differences between expected and actual experience	179,064
Change in assumptions	1,159,302
Benefit payments and net transfers	(166,820)
Net changes	1,471,607
Balance at September 30, 2019	\$ 6,208,569

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 (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB Liability	\$ 7,220,305	\$ 6,208,569	\$ 5,403,755

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend

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	\$ 5,418,059	\$ 6,208,569	\$ 7,181,935

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$407,464. At September 30, 2019, 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	\$ 159,168	\$ 82,981
Changes of assumptions	1,030,491	288,759
Total	\$ 1,189,659	\$ 371,740

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:

For the years ending September 30,	
2020	\$ 107,403
2021	107,403
2022	107,403
2023	107,403
2024	107,403
Thereafter	280,904
Total	<u>\$ 817,919</u>

Note 14: EFFECT OF NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

City of Selma, Alabama
Notes to Financial Statements

Note 14: EFFECT OF NEW PRONOUNCEMENTS (Continued)

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this standard are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92 was issued in January 2020 and is an "omnibus" statement that amends existing standards covering multiple pronouncements that individually would not justify a separate project. The effective dates vary by topic, with the earliest being reporting periods beginning after June 15, 2021.

GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* in March 2020 to provide guidance to facilitate the transition from using Interbank Offered Rates in hedging derivative instruments and leases, and was prompted by the expectation that LIBOR in its current form is expected to effectively sunset at the end of 2021. GASB 93 will be effective for reporting periods beginning after June 15, 2021.

GASB issued Statement No. 94 in March 2020, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* to provide guidance for certain partnerships and arrangements that are not otherwise subject to current GASB standards. This statement is effective for reporting periods beginning after June 15, 2022.

City of Selma, Alabama
Notes to Financial Statements

Note 14: EFFECT OF NEW PRONOUNCEMENTS (Continued)

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* was issued in May 2020 in order to postpone the effective dates of certain Statement and Implementation Guide provisions as a result of the impact of the COVID-19 pandemic.

In May 2020 GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* was issued to provide accounting and financial reporting for subscription-based information technology arrangements based on the standards established in Statement No. 87, *Leases*. The statement requires governments to recognize such subscription-based arrangements as a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability (with an exception for short-term agreements with maximum possible terms of 12 months). This statement is effective for fiscal years beginning after June 15, 2022.

Note 15: TAX ABATEMENT

In order to promote economic development, the City entered into an agreement during the current fiscal year which involves providing incentive payments in the form of a percentage rebate of certain sales and lodging taxes collected within the City. As part of the agreement, the entity has agreed to develop certain property within the City and to maintain certain levels of employment after completion of the development project. The project was not completed prior to the end of the fiscal year 2019. As a result, no incentive payments were made during the current year.

Note 16: SUBSEQUENT EVENT

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**

	Budgeted Amounts			Variance with
			Actual on	Final Budget -
			Budgetary	Positive
			Basis*	(Negative)
For the year ended September 30, 2019	Original	Final		
Revenues				
Taxes	\$ 15,158,435	\$ 13,204,670	\$ 13,729,156	\$ 524,486
Licenses and permits	3,682,264	3,689,811	2,757,453	(932,358)
Intergovernmental	206,872	275,141	338,401	63,260
Charges for services	113,848	113,848	83,786	(30,062)
Fines and forfeitures	-	-	75	75
Other revenues	414,076	469,539	315,744	(153,795)
Interest on investments	343	343	415	72
Total revenues	19,575,838	17,753,352	17,225,030	(528,322)
Expenditures				
General government	5,188,642	5,327,505	4,768,094	559,411
Public safety	7,954,137	7,957,487	7,006,734	950,753
Public service	1,659,213	1,661,727	617,297	1,044,430
Other	1,421,721	1,451,881	873,199	578,682
Capital outlay	-	-	-	-
Debt service	966,529	966,529	610,932	355,597
Total expenditures	17,190,242	17,365,129	13,876,256	3,488,873
Excess (deficiency) of revenues over (under) expenditures	2,385,596	388,223	3,348,774	2,960,551
Other Financing Sources (Uses)				
Transfers in	-	-	214	214
Transfers (out)	341,000	341,000	(1,656,728)	(1,997,728)
Capital lease	-	-	132,446	132,446
Total other financing sources (uses)	341,000	341,000	(1,524,068)	(1,865,068)
Net change in fund balances	2,726,596	729,223	1,824,706	1,095,483
Fund balance beginning of year	1,026,079	1,026,079	1,026,079	-
Fund balances end of year	\$ 3,752,675	\$ 1,755,302	\$ 2,850,785	\$ 1,095,483

* For budgetary purposes, the City includes capital purchases in each department's expenditures. However, in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, this is presented as capital outlay. Actual expenditures by department and capital outlay have been adjusted by \$535,913 to reflect the budgetary grouping for the purposes of this budget to actual comparison.

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

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 628,567	\$ 680,778	\$ 699,324	\$ 734,225	\$ 698,109
Interest	2,827,891	2,856,940	2,808,116	2,759,873	2,695,067
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	660,810	(884,797)	(532,430)	(257,917)	-
Changes of assumptions	184,310	-	1,688,185	-	-
Benefit payments, including refunds of employee contributions	(2,978,800)	(2,990,820)	(2,611,651)	(2,654,621)	(2,511,601)
Transfers among employers	187,303	(42,934)	(99,667)	-	-
Net change in total pension liability	1,510,081	(380,833)	1,951,877	581,560	881,575
Total pension liability - beginning	37,978,321	38,359,154	36,407,277	35,825,717	34,944,142
Total pension liability - ending (a)	\$ 39,488,402	\$ 37,978,321	\$ 38,359,154	\$ 36,407,277	\$ 35,825,717
Plan Fiduciary Net Position					
Contributions - employer	189,718	220,814	366,274	298,099	356,088
Contributions - employee	459,696	437,214	427,528	454,864	450,697
Net investment income	3,547,565	4,607,404	3,524,344	429,298	4,081,364
Benefit payments, including refunds of employee contributions	(2,978,800)	(2,990,820)	(2,611,651)	(2,654,621)	(2,511,601)
Transfers among employers	187,303	(42,934)	(99,667)	(198,090)	(17,836)
Net change in plan fiduciary net position	1,405,482	2,231,678	1,606,828	(1,670,450)	2,358,712
Plan net position - beginning	39,403,532	37,171,854	35,565,026	37,235,476	34,876,764
Plan net position - ending (b)	\$ 40,809,014	\$ 39,403,532	\$ 37,171,854	\$ 35,565,026	\$ 37,235,476
Net pension liability (asset) - ending (a) - (b)	\$ (1,320,612)	\$ (1,425,211)	\$ 1,187,300	\$ 842,251	\$ (1,409,759)
Plan fiduciary net position as a percentage of total pension liability	103.34%	103.75%	96.90%	97.69%	103.94%
Covered payroll *	\$ 7,607,181	\$ 7,166,671	\$ 7,465,065	\$ 7,994,811	\$ 7,988,915

Net pension liability (asset) as a percentage

* Employer's covered payroll during the measurement period is the total covered payroll. For FY 2019, the measurement period is October 1, 2017 – September 30, 2018.

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%
9/30/2019	202,914	212,046	-	6,163,818	3.44%

* Employer's covered payroll during fiscal year 2019 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

	2019	2018
Total OPEB Liability	\$ 105,543	\$ 118,356
Service cost	194,518	180,477
Interest	179,064	(101,421)
Differences between expected and actual experience	1,159,302	(352,937)
Changes of assumptions	(166,820)	(158,123)
Benefit payments		
Net change in total OPEB liability	1,471,607	(313,648)
Total OPEB liability - beginning	4,736,962	5,050,610
Total OPEB liability - ending (a)	<u>\$ 6,208,569</u>	<u>\$ 4,736,962</u>
Covered employee payroll	\$ 5,625,618	\$ 5,409,248
Total OPEB liability as a percentage of covered employee payroll	110.36%	87.57%

City of Selma, Alabama
Schedule of Employer Contributions - OPEB
As of Fiscal Year End

Year Ended	Actuarially Determined Contribution	Contributions in Relation 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%
9/30/2019	385,500	166,820	(218,680)	5,625,618	2.97%

* Employer's covered payroll during fiscal year 2019 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

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, 2019 were 4.42% for Tier 1 employees (hired before January 1, 2013) and .75% 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 2019 were based on the September 30, 2016 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	29 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Inflation	2.875%
Investment Rate of Return	7.875%
Projected Salary Increases	3.375% - 5.125%, 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	10/1/18 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	4.18% annually (Beginning of Year to Determine ADC) 2.66% 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, 2019	Special Revenue								
	State Lodging Tax	Revolving Loan Fund	Drug Enforcement Unit	Alabama Trust Fund	Awarded Drug Unit Fund	SPD Sundry Account	Municipal Court	Pending General Forfeitures	Fire Department Sundry
Assets									
Cash and cash equivalents	\$ 185,530	\$ 26,747	\$ 43,992	\$ 504,260	\$ 27,519	\$ 6,264	\$ 778	\$ 25	\$ 1,279
Receivables	-	-	-	-	-	500	1,641	-	-
Due from other funds	148,781	-	-	-	-	100	14,465	-	-
Restricted assets:									
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Cash held by fiscal agents	-	-	-	-	-	-	-	-	-
Total assets	\$ 334,311	\$ 26,747	\$ 43,992	\$ 504,260	\$ 27,519	\$ 6,864	\$ 16,884	\$ 25	\$ 1,279
Liabilities									
Accounts payable and accrued expenses	\$ 12,720	\$ -	\$ 69,798	\$ 1,486	\$ 1,150	\$ -	\$ 254	\$ -	\$ -
Due to other funds	47,954	-	577	2,874	160	870	-	200	-
Unearned revenue	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	116	-	-
Total liabilities	60,674	-	70,375	4,360	1,310	870	370	200	-
Fund Balances									
Restricted	-	26,747	-	499,900	-	-	16,514	-	-
Committed	273,637	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	26,209	5,994	-	-	1,279
Unassigned	-	-	(26,383)	-	-	-	-	(175)	-
Total fund balance	273,637	26,747	(26,383)	499,900	26,209	5,994	16,514	(175)	1,279
Total liabilities, deferred inflows of resources and fund balance	\$ 334,311	\$ 26,747	\$ 43,992	\$ 504,260	\$ 27,519	\$ 6,864	\$ 16,884	\$ 25	\$ 1,279
									(Continued)

(Continued)

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

	Special Revenue						
	Summer Food Program	St. James Hotel Project	Planning and Development	Firefighter Grant	Municipal Aid	Traffic Enforcement	Criminal Fines
Assets							
Cash and cash equivalents	\$ -	\$ 984	\$ 25,524	\$ 4,878	\$ 210,586	\$ 76,782	\$ 6,355
Receivables	-	751	-	-	35,172	-	-
Due from other funds	-	-	7,000	-	6,822	76,797	-
Restricted assets:							
Cash and cash equivalents	-	-	-	-	-	-	-
Cash held by fiscal agents	-	-	-	-	-	-	-
Total assets	\$ -	\$ 1,735	\$ 32,524	\$ 4,878	\$ 252,580	\$ 153,579	\$ 6,355
Liabilities							
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ 33,629	\$ 64,662	\$ -
Due to other funds	-	-	18,221	8,090	31,769	73,985	-
Unearned revenue	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-
Total liabilities	-	-	18,221	8,090	65,398	138,647	-
Fund Balance							
Restricted	-	-	14,303	-	212,182	40,216	6,355
Committed	-	-	-	-	-	-	-
Assigned	-	1,735	-	-	-	-	-
Unassigned	-	-	-	(3,212)	(25,000)	(25,284)	-
Total fund balance	-	1,735	14,303	(3,212)	187,182	14,932	6,355
Total liabilities, deferred inflows of resources and fund balance	\$ -	\$ 1,735	\$ 32,524	\$ 4,878	\$ 252,580	\$ 153,579	\$ 6,355

(Continued)

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

	Special Revenue							Municipal		
	Cash Bonds	Restitution	Restoration Fund	ATF Sharing	PEG Fund	Occupancy Fee	Award General Forfeitures	Selma Animal Shelter	Judicial Adm Fund	Brownsfield Fund
Assets										
Cash and cash equivalents	\$ 66,508	\$ 12,224	\$ 50	\$ 1,554	\$ 76,626	\$ 137,059	\$ 144	\$ 11,514	\$ 34,584	\$ 104,954
Receivables	-	-	-	-	-	-	-	-	35	-
Due from other funds	-	-	-	-	-	43,878	-	400	-	-
Restricted assets:										
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-
Cash held by fiscal agents	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 66,508	\$ 12,224	\$ 50	\$ 1,554	\$ 76,626	\$ 180,937	\$ 144	\$ 11,914	\$ 34,619	\$ 104,954
Liabilities										
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,118	\$ 1,792	\$ 1,403
Due to other funds	-	-	-	-	11,717	5,246	-	400	14,909	-
Unearned revenue	-	-	-	-	-	-	-	-	-	103,595
Other liabilities	66,143	12,386	-	-	-	-	-	-	-	-
Total liabilities	66,143	12,386	-	-	11,717	5,246	-	2,518	16,701	104,998
Fund Balances										
Restricted	365	-	50	1,554	64,909	-	144	9,396	17,918	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	175,691	-	-	-	-
Unassigned	-	(162)	-	-	-	-	-	-	-	(44)
Total fund balance	365	(162)	50	1,554	64,909	175,691	144	9,396	17,918	(44)
Total liabilities, deferred inflows of resources and fund balance	\$ 66,508	\$ 12,224	\$ 50	\$ 1,554	\$ 76,626	\$ 180,937	\$ 144	\$ 11,914	\$ 34,619	\$ 104,954

City of Selma, Alabama
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
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	Nonmajor Governmental Funds
Assets									
Cash and cash equivalents	\$ -	\$ 104,087	\$ -	\$ 6,494	\$ -	\$ -	\$ -	\$ -	\$ 1,677,301
Receivables	-	115	-	-	-	14,672	-	-	52,886
Due from other funds	-	24,221	-	-	-	-	-	-	322,464
Restricted assets:									
Cash and cash equivalents	38,001	-	-	-	30,797	(1,791)	-	-	67,007
Cash held by fiscal agents	-	-	190,696	-	-	-	2	103,791	294,489
Total assets	\$ 38,001	\$ 128,423	\$ 190,696	\$ 6,494	\$ 30,797	\$ 12,881	\$ 2	\$ 103,791	\$ 2,414,147
Liabilities									
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189,012
Due to other funds	35,625	7,645	-	19,590	-	45,697	-	-	325,529
Unearned revenue	-	-	-	-	-	-	-	-	103,595
Other liabilities	-	-	-	-	-	-	-	-	78,645
Total liabilities	35,625	7,645	-	19,590	-	45,697	-	-	696,781
Fund Balances									
Restricted	2,376	120,778	190,696	-	30,797	-	2	103,791	1,358,993
Committed	-	-	-	-	-	-	-	-	273,637
Assigned	-	-	-	-	-	-	-	-	210,908
Unassigned	-	-	-	(13,096)	-	(32,816)	-	-	(126,172)
Total fund balance	2,376	120,778	190,696	(13,096)	30,797	(32,816)	2	103,791	1,717,366
Total liabilities, deferred inflows of resources and fund balance	\$ 38,001	\$ 128,423	\$ 190,696	\$ 6,494	\$ 30,797	\$ 12,881	\$ 2	\$ 103,791	\$ 2,414,147

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

	State Lodging Tax	Revolving Loan Fund	Drug Enforcement Unit	Alabama Trust Fund	Special Revenue				Municipal Court	Pending General Forfeitures	Fire Department Sundry
					Awarded Drug Unit Fund	SPD Sundry Account					
Revenues											
Taxes	\$ 329,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	188,298	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	4,695	-	-	-
Other revenues	492	-	-	-	-	5,800	-	428	-	-	-
Interest	-	-	-	-	314	-	-	-	-	-	-
Total revenues	329,692	-	-	188,298	314	5,800	-	5,123	-	-	-
Expenditures											
Current operations:											
General government	192,931	-	4,020	72,028	-	-	-	-	6,416	-	-
Public safety	-	-	-	-	14,559	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	31,935	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	192,931	-	4,020	103,963	14,559	-	-	6,416	-	-	-
Excess (deficiency) of revenues over expenditures	136,761	-	(4,020)	84,335	(14,245)	5,800	-	(1,293)	-	-	-
Other Financing Sources (Uses)											
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	136,761	-	(4,020)	84,335	(14,245)	5,800	-	(1,293)	-	-	-
Fund balance, beginning of year	136,876	26,747	(22,363)	415,565	40,454	194	17,807	(175)	1,279	-	-
Fund balance, end of year	\$ 273,637	\$ 26,747	\$ (26,383)	\$ 499,900	\$ 26,209	\$ 5,994	\$ 16,514	\$ (175)	\$ 1,279	-	-

(Continued)

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

	Special Revenue					
	Summer Food Program	St. James Hotel Project	Planning and Development	Firefighter Grant	Municipal Aid	Traffic Enforcement
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	191,128	\$ -
Licenses and permits	-	-	-	-	19,847	-
Intergovernmental	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	2,791
Other revenues	-	21,180	-	-	-	-
Interest	-	-	-	-	-	46
Total revenues	-	21,180	-	-	210,975	212,995
Expenditures						
Current operations:						
General government	-	-	4,417	-	5,306	168,387
Public safety	-	-	-	-	-	38
Public service	-	-	-	-	172,169	-
Other	-	16,592	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:	-	-	-	-	-	58,504
Principal retirement	-	-	-	-	-	10,461
Interest charges	-	-	-	-	-	-
Total expenditures	-	16,592	4,417	-	177,475	237,390
Excess (deficiency) of revenues over expenditures	-	4,588	(4,417)	-	33,500	(24,395)
Other Financing Sources (Uses)						
Transfers in	-	367,100	-	-	-	-
Transfers out	-	(214)	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-
Total other financing sources (uses)	-	366,886	-	-	-	-
Net change in fund balance	-	371,474	(4,417)	-	33,500	(24,395)
Fund balance, beginning of year	-	(369,739)	18,720	(3,212)	153,682	39,327
Fund balance, end of year	\$ -	1,735	14,303	(3,212)	187,182	14,932
						\$ 6,355

(Continued)

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 Sharing	PEG Fund	Occupancy Fee	Awarded General Forfeitures	Selma Animal Shelter	Municipal Judicial Adm Fund	Brownfield Fund
Revenues										
Taxes	\$	- \$	- \$	- \$	- \$	117,845	- \$	- \$	- \$	-
Licenses and permits		-	-	-	-	-	-	-	-	-
Intergovernmental		-	-	-	-	-	-	-	-	29,211
Fines and forfeitures		-	-	-	-	-	-	-	-	-
Other revenues		-	-	-	12,596	-	-	3,479	5,369	-
Interest		-	-	-	36	-	-	-	-	-
Total revenues		-	-	-	12,632	117,845	-	3,479	5,369	29,211
Expenditures										
Current operations:										
General government		-	-	-	2,694	6,884	-	-	-	-
Public safety		-	-	-	-	-	-	-	12,783	-
Public service		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	12,175	-	29,255
Capital outlay		-	-	-	-	-	-	-	-	-
Debt service:		-	-	-	-	-	-	-	-	-
Principal retirement		-	-	-	-	-	-	-	-	-
Interest charges		-	-	-	-	-	-	-	-	-
Total expenditures		-	-	-	2,694	6,884	-	12,175	12,783	29,255
Excess (deficiency) of revenues over expenditures		-	-	-	9,938	110,961	-	(8,696)	(7,414)	(44)
Other Financing Sources (Uses)										
Transfers in		-	-	-	-	-	-	-	-	-
Transfers out		-	-	-	-	-	-	-	-	-
Proceeds from capital leases		-	-	-	-	-	-	-	-	-
Total other financing sources (uses)		-	-	-	-	-	-	-	-	-
Net change in fund balance		-	-	-	9,938	110,961	-	(8,696)	(7,414)	(44)
Fund balance, beginning of year	365	(162)	50	1,554	54,971	64,730	144	18,092	25,332	-
Fund balance, end of year	\$	365 \$	(162) \$	50 \$	1,554 \$	64,909 \$	175,691 \$	144 \$	9,396 \$	17,918 \$
										(Continued)

(Continued)

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	Other Funds	2009 Capital Project Bond	Public Building Authority	2009 Refunding Warrants	2011 Pension Warrants	2016 GO Warrants	
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 638,173
Licenses and permits	-	-	-	-	-	-	-	19,847
Intergovernmental	-	161,089	-	-	156,123	-	-	534,721
Fines and forfeitures	-	-	-	-	-	-	-	220,481
Other revenues	-	13,717	-	-	-	-	-	63,061
Interest	-	-	4,122	352	-	-	1,813	6,883
Total revenues	-	174,806	4,122	352	156,123	-	1,813	1,482,966
Expenditures								
Current operations:								
General government	-	81,789	24,567	503	179	-	-	564,563
Public safety	-	-	-	-	-	-	-	33,796
Public service	-	-	-	-	-	-	-	172,169
Other	-	-	-	-	-	-	-	58,022
Capital outlay	-	-	47,327	-	-	-	-	79,262
Debt service:								
Principal retirement	-	-	-	-	370,000	-	-	428,504
Interest charges	-	-	-	-	67,550	-	414,870	492,881
Total expenditures	-	81,789	71,894	503	437,729	-	414,870	1,829,197
Excess (deficiency) of revenues over expenditures	-	93,017	(67,772)	(503)	(281,606)	-	(413,057)	(346,231)
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	279,815	-	413,057	1,059,972
Transfers out	-	-	-	-	-	-	-	(214)
Total other financing sources (uses)	-	-	-	-	279,815	-	413,057	1,059,758
Net change in fund balance	-	93,017	(67,772)	(503)	(1,791)	-	-	713,527
Fund balance beginning of year	2,376	27,761	258,468	(12,593)	(31,025)	2	103,791	1,003,839
Fund balance, end of year	\$ 2,376	\$ 120,778	\$ 190,696	\$ (13,096)	\$ (32,816)	\$ 2	\$ 103,791	\$ 1,717,366

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 have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Selma, Alabama (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 28, 2022.

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 responses to be material weaknesses (2019 – 1, 2019 – 2, 2019 – 3, 2019-4 and 2019 – 6).

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 responses to be a significant deficiency (2019 – 5).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 responses as items 2019 – 7.

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.

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

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama
January 28, 2022

CITY OF SELMA, ALABAMA
SCHEDULE OF FINDINGS AND RESPONSES

City of Selma, Alabama Schedule of Findings and Responses

FINANCIAL STATEMENT FINDINGS

Year ended September 30, 2019

2019-1 Audit Adjustments (Repeat Finding)

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 Responses

FINANCIAL STATEMENT FINDINGS (Continued)

2019-2 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.

2019-3 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 Responses

FINANCIAL STATEMENT FINDINGS (Continued)

2019-3 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 (including topics such as bid law and expenditures of restricted funds), 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.

2019-4 Municipal Court Records (Repeat Finding)

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 Responses

FINANCIAL STATEMENT FINDINGS (Continued)

2019-5 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.

2019-6 Financial Records

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

Condition: The City's Finance Department was unable to locate original documentation or provide evidence of management review related to certain transactions for tests of controls over accounts payable/expenditures and payroll.

Cause: Due to misplaced or lost documentation, lack of adequate staffing and disorganized filing procedures, the Finance Department was unable to locate original documentation for certain transactions.

City of Selma, Alabama

Schedule of Findings and Responses

FINANCIAL STATEMENT FINDINGS (Continued)

2019-6 Financial Records

Effect: Missing 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 records can be located in a timely manner.

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

2019-7 Municipal Court Electronic Traffic Tickets/Citations (Repeat Finding)

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.

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.