

**CITY OF SELMA, ALABAMA**

**Financial Statements**

**For the Year Ended  
September 30, 2021**

**CITY OF SELMA, ALABAMA**

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For the Year Ended September 30, 2021**

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BORLAND  
BENEFIELD

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Selma, Alabama

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, 2021, 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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Selma, Alabama, as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule, schedule of changes in net pension liability, schedule of city contributions, schedule of changes in total OPEB liability and related ratios, and notes to the required supplementary information on pages 38 – 42 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 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.

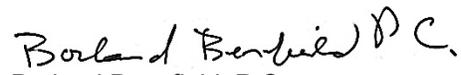
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Selma, Alabama's basic financial statements. The combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the 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 nonmajor fund financial statements and the 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 November 21, 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 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 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 of Selma, Alabama's internal control over financial reporting and compliance.



Borland Benefield, P.C.  
Birmingham, Alabama  
November 21, 2022

**CITY OF SELMA, ALABAMA**

**Statement of Net Position  
September 30, 2021**

	<b>Primary Government Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 10,407,930
Receivables, net	1,220,579
Prepaid expenses	28,978
Restricted assets:	
Cash and cash equivalents	5,453,179
Cash held by fiscal agent	1,503,021
Capital assets not being depreciated	
Land	3,470,518
Construction in progress	3,502,317
Capital assets net of accumulated depreciation	
Infrastructure	11,170,216
Buildings	4,441,080
Improvements	8,693,815
Machinery and equipment	3,532,062
<b>Total Assets</b>	<b>\$ 53,423,695</b>
<b>Deferred Outflows of Resources</b>	
Deferred charges on refunding of long-term debt	\$ 1,763,792
Deferred outflows related to OPEB plan - see Note 13	1,249,712
Deferred outflows related to pension plan - see Note 9	2,953,247
<b>Total Deferred Outflows of Resources</b>	<b>5,966,751</b>
<b>Liabilities</b>	
Accounts payable	990,372
Accrued interest payable	137,899
Unearned revenue	2,076,742
Other current liabilities	669,071
Contingent liability	968,000
Noncurrent liabilities	
Due within one year	2,291,600
Due in more than one year	28,474,281
<b>Total Liabilities</b>	<b>35,607,965</b>
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to OPEB plan - see Note 13	924,856
Deferred inflows related to pension plan - see Note 9	247,165
<b>Total Deferred Inflows of Resources</b>	<b>1,172,021</b>
<b>Net Position</b>	
Net investment in capital assets	30,066,153
Restricted for	
Capital projects	2,313,973
Debt service	3,571,356
Community development	29,406
Municipal court	43,461
Public safety	12,250
Public works	708,996
Unrestricted (deficit)	(14,135,135)
<b>Total Net Position</b>	<b>\$ 22,610,460</b>

*See accompanying notes to financial statements.*

CITY OF SELMA, ALABAMA

Government-Wide Statement of Activities  
For the Year Ended September 30, 2021

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net Revenue (Expense) and</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Changes in Net Position</u>
		<u>Services</u>	<u>and</u>	<u>and</u>	<u>Governmental</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Activities</u>
Primary Government					
Governmental activities					
General government	\$ 8,491,631	\$ 3,290,179	\$ 1,301,722	\$ -	\$ (3,899,730)
Public safety	8,084,731	348,684	88,271	113,200	(7,534,576)
Public works	3,339,441	106,643	-	-	(3,232,798)
Culture and recreation	888,903	109,815	-	-	(779,088)
Interest and fiscal charges on long-term debt	875,825	-	-	-	(875,825)
Total Governmental Activities	<u>\$ 21,680,531</u>	<u>\$ 3,855,321</u>	<u>\$ 1,389,993</u>	<u>\$ 113,200</u>	<u>\$ (16,322,017)</u>
<b>General revenues</b>					
Taxes					
Property					\$ 2,190,886
Sales & use					12,863,230
Lodging					435,045
Motor fuel					853,397
Alcoholic beverage					120,190
Tobacco					298,557
Other					795,376
Investment earnings					4,071
Miscellaneous revenues					1,108
Total General Revenues and Transfers					<u>17,561,860</u>
Change in net position					1,239,843
Net Position at Beginning of Year					<u>21,370,617</u>
Net Position at End of Year					<u>\$ 22,610,460</u>

See accompanying notes to financial statements.

**CITY OF SELMA, ALABAMA**

**Balance Sheet - Governmental Funds  
September 30, 2021**

	<u>General</u>	<u>Bond Fund</u>	<u>American Rescue Plan Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 7,162,965	\$ -	\$ -	\$ 3,244,965	\$ 10,407,930
Receivables	1,171,579	593	-	48,407	1,220,579
Prepaid expenses	28,978	-	-	-	28,978
Due from other funds	415,743	83,588	-	133,498	632,829
Note receivable	-	-	-	-	-
Restricted assets:					
Cash and cash equivalents	-	3,292,468	2,046,028	114,683	5,453,179
Cash held by fiscal agent	-	3	-	1,503,018	1,503,021
<b>Total Assets</b>	<u>\$ 8,779,265</u>	<u>\$ 3,376,652</u>	<u>\$ 2,046,028</u>	<u>\$ 5,044,571</u>	<u>\$ 19,246,516</u>
<b>Deferred Outflow of Resources</b>					
None	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Liabilities and Fund Balance</b>					
Accounts payable and accrued expenses	756,974	-	-	384,375	1,141,349
Unearned revenue	-	-	2,046,028	30,714	2,076,742
Due to other funds	73,580	-	-	559,249	632,829
Other liabilities	518,096	-	-	-	518,096
<b>Total Liabilities</b>	<u>1,348,650</u>	<u>-</u>	<u>2,046,028</u>	<u>974,338</u>	<u>4,369,016</u>
<b>Deferred Inflow of Resources</b>					
None	-	-	-	-	-
<b>Fund balance</b>					
Nonspendable	28,978	-	-	-	28,978
Restricted	-	3,376,652	-	3,302,790	6,679,442
Committed	-	-	-	496,761	496,761
Assigned	-	-	-	371,162	371,162
Unassigned	7,401,637	-	-	(100,480)	7,301,157
<b>Total Fund Balance</b>	<u>7,430,615</u>	<u>3,376,652</u>	<u>-</u>	<u>4,070,233</u>	<u>14,877,500</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 8,779,265</u>	<u>\$ 3,376,652</u>	<u>\$ 2,046,028</u>	<u>\$ 5,044,571</u>	<u>\$ 19,246,516</u>

See accompanying notes to financial statements.

**CITY OF SELMA, ALABAMA**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
September 30, 2021**

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Differences in amounts reported for governmental activities in the statement of net position.

Total fund balances - governmental funds. \$ 14,877,500

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds 34,810,008

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	1,763,792
Deferred outflows related to OPEB plan - see Note 13	1,249,712
Deferred outflows related to pension plan - see Note 9	2,953,247
Deferred inflows related to OPEB plan - see Note 13	(924,856)
Deferred inflows related to pension plan - see Note 9	(247,165)

Long-term liabilities, including bonds payable, and accrued interest are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Balances at September 30, 2021 were:

Bonds, warrants, and capital leases	\$ (22,063,855)
Unamortized net premiums	(7,755)
Unamortized net discounts	179,536
Compensated absences	(171,082)
Accrued interest	(137,899)
Contingency liability	(968,000)
Net pension liability	(3,099,675)
OPEB liability	(5,603,048)
	<u>(31,871,778)</u>

**Net Position of Governmental Activities** **\$ 22,610,460**

*See accompanying notes to financial statements.*

**CITY OF SELMA, ALABAMA**

**Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds  
September 30, 2021**

	<u>General</u>	<u>Bond Fund</u>	<u>American Rescue Plan Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Taxes	\$ 15,694,284	\$ 1,132,283	\$ -	\$ 730,114	\$ 17,556,681
Licenses and permits	2,494,214	-	-	19,232	2,513,446
Intergovernmental	1,075,122	-	-	428,072	1,503,194
Charges for services	409,953	-	-	-	409,953
Fines and forfeits	-	-	-	338,195	338,195
Contributions and reimbursements	551,182	-	-	-	551,182
Other revenues	118,799	-	-	21,180	139,979
Investment earnings	698	3,221	-	152	4,071
<b>Total Revenues</b>	<u>20,344,252</u>	<u>1,135,504</u>	<u>-</u>	<u>1,536,945</u>	<u>23,016,701</u>
Expenditures					
General government	5,708,486	-	-	719,543	\$ 6,428,029
Public works	2,476,941	-	-	57,813	2,534,754
Public safety	6,975,814	-	-	10,291	6,986,105
Culture and recreation	819,185	-	-	8,975	828,160
Capital outlay	1,739,487	-	-	228,467	1,967,954
Debt service					
Principal retirement	545,211	905,000	-	876,715	2,326,926
Interest and fiscal charges	62,702	81,128	-	523,259	667,089
<b>Total Expenditures</b>	<u>18,327,826</u>	<u>986,128</u>	<u>-</u>	<u>2,425,063</u>	<u>21,739,017</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,016,426</u>	<u>149,376</u>	<u>-</u>	<u>(888,118)</u>	<u>1,277,684</u>
Proceeds from capital leases	979,787	-	-	-	979,787
Proceeds from sale of capital assets	1,108	-	-	-	1,108
Transfers in	-	-	-	1,193,937	1,193,937
Transfers out	(1,193,937)	-	-	-	(1,193,937)
<b>Total Other Financing Sources (Uses)</b>	<u>(213,042)</u>	<u>-</u>	<u>-</u>	<u>1,193,937</u>	<u>980,895</u>
<b>Net Change in Fund Balances</b>	1,803,384	149,376	-	305,819	2,258,579
<b>Fund Balance - Beginning of Year</b>	<u>5,627,231</u>	<u>3,227,276</u>	<u>-</u>	<u>3,764,414</u>	<u>12,618,921</u>
<b>Fund Balances - End of Year</b>	<u>\$ 7,430,615</u>	<u>\$ 3,376,652</u>	<u>\$ -</u>	<u>\$ 4,070,233</u>	<u>\$ 14,877,500</u>

See accompanying notes to financial statements.

**CITY OF SELMA, ALABAMA**

**Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the Statement of Activities  
September 30, 2021**

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Differences in amounts reported for governmental activities in the statement of activities.

Net change in fund balances - total governmental funds		\$ 2,258,579
Capital outlays, reported as expenditures in governmental funds, is shown as capital assets in the statement of net position.		1,967,954
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.		(2,126,782)
Repayment of long-term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the statement of net assets.		
General obligation bonds and warrants	\$ 1,835,000	
Capital leases	<u>491,926</u>	
Total Repayments		2,326,926
Certain revenues do not meet the availability criterion for recognition in the fund financial statements. As a result, they are deferred to the balance sheet. Furthermore, revenues deferred in the prior year were recognized as revenue in the governmental activities statement of activities.		(118,435)
Capital lease proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position.		(979,787)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(28,091)	
Change in accrued interest payable and other transactions related to long-term debt	8,596	
Difference in pension expense related to deferred outflows and inflows of resources and net pension liability	(860,830)	
Change in OPEB expense related to deferred outflows and inflows of resources and net OBEP liability	(22,955)	
Amortization of deferred charges on refunding	(195,977)	
Amortization of long-term debt issuance premium and discount	(21,355)	
Legal contingency liability	<u>(968,000)</u>	
		<u>(2,088,612)</u>
<b>Change in Net Position of Governmental Activities</b>		<b><u>\$ 1,239,843</u></b>

*See accompanying notes to financial statements.*

CITY OF SELMA, ALABAMA

Statement of Fiduciary Net Position - Fiduciary Fund  
As of September 30, 2021

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	<b>Agency Fund</b>
<b>Assets</b>	
Receivables - taxes	<u>\$ 342,642</u>
<b>Liabilities</b>	
Accounts payable	<u>\$ 342,642</u>
<b>Net Position</b>	
Unrestricted	<u>\$ -</u>

*See accompanying notes to financial statements.*

## CITY OF SELMA, ALABAMA

### Notes to Financial Statements For The Year Ended September 30, 2021

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#### **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 the 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 (continued)  
For The Year Ended September 30, 2021**

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**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 ad valorem, sales and use taxes.

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## CITY OF SELMA, ALABAMA

### Notes to Financial Statements (continued) For The Year Ended September 30, 2021

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#### 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 General Obligation Bonds.
- American Rescue Act Fund – This fund accounts for resources received and payments made for the City's American Rescue Act 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). 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 (continued)  
For The Year Ended September 30, 2021**

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**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, 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, ad valorem 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.

***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.

**CITY OF SELMA, ALABAMA**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2021**

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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:

<u>Asset Class</u>	<u>Estimated Useful Lives (in Years)</u>
Buildings	70
Improvements	15 - 20
Equipment	5 - 20
Vehicles	7 - 20
Infrastructure	10 - 50

***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.

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.

**CITY OF SELMA, ALABAMA**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2021**

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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.

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.

## CITY OF SELMA, ALABAMA

### Notes to Financial Statements (continued) For The Year Ended September 30, 2021

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#### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*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.

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 November 21, 2022 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

**CITY OF SELMA, ALABAMA**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2021**

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**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.

***Deficit Fund Balance***

Funds with deficit fund balance are as follows:

	Deficit Amount
<b>Nonmajor Governmental Funds</b>	
Drug Enforcement Unit	\$ 28,656
Pending General Forfeitures	175
Americorp Digital Divide	9,502
Firefighter Grant	3,212
Municipal Aid	-
Traffic Enforcement	8,981
Restitution	162
Brownsfield Fund	6,274
Major Projects	16,370
2009 Refunding Warrants	27,148
<b>Total</b>	<b>\$ 100,480</b>

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 September 30, 2021, the bank balances of the City's funds were either covered by federal depository insurance or secured by collateral through the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE program, the City's funds are protected through a collateral pool administered by the Alabama State Treasury. Certain banks holding deposits belonging to the state, counties, cities, or agencies of any of these entities must pledge securities as collateral against these deposits. In the event of the failure of a bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits.

**CITY OF SELMA, ALABAMA**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2021**

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**Note 3: CASH AND CASH EQUIVALENTS (continued)**

If the securities pledged failed to produce adequate funds for that purpose, every bank participating in the pool would share the liability for the remaining balance. At September 30, 2021, all of the City's depositories are participating in the SAFE program.

Included in the City's carrying amount of cash is \$1,181,176 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 \$321,845 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, 2021, for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Bond Fund</b>	<b>Other Gov't Funds</b>	<b>Total</b>
Taxes	\$ 1,078,548	\$ -	\$ 48,407	\$ 1,126,955
Accounts	28,448	-	-	28,448
Intergovernmental	64,583	-	-	64,583
Interest	-	593	-	593
Total	<u>\$ 1,171,579</u>	<u>\$ 593</u>	<u>\$ 48,407</u>	<u>\$ 1,220,579</u>

Management considers all receivables fully collectible and allowance for doubtful account is \$-0- at September 30, 2021.

**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 made principal payments of \$110,000 during the year-end September 30, 2021 to pay off the remaining balance of the warrants to the City.

**CITY OF SELMA, ALABAMA**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2021**

**Note 6: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2021, was as follows:

	<u>Balance September 30, 2020</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance September 30, 2021</u>
Capital Assets Not Being Depreciated				
Land	\$ 3,470,518	\$ -	\$ -	\$ 3,470,518
Construction in progress	<u>3,921,032</u>	<u>682,915</u>	<u>(1,101,630)</u>	<u>3,502,317</u>
Total Capital Assets Not Being Depreciated	<u>7,391,550</u>	<u>682,915</u>	<u>(1,101,630)</u>	<u>6,972,835</u>
Capital Assets Being Depreciated				
Infrastructure	46,292,213	854,311	-	47,146,524
Buildings	9,553,816	-	-	9,553,816
Improvements	12,651,635	278,619	-	12,930,254
Machinery and equipment	<u>18,537,494</u>	<u>1,237,389</u>	<u>-</u>	<u>19,774,883</u>
Total Capital Assets Being Depreciated	<u>87,035,158</u>	<u>2,370,319</u>	<u>-</u>	<u>89,405,477</u>
Less Accumulated Depreciation for:				
Infrastructure	(35,256,493)	(719,815)	-	(35,976,308)
Buildings	(4,976,712)	(136,024)	-	(5,112,736)
Improvements	(3,883,469)	(352,970)	-	(4,236,439)
Machinery and equipment	<u>(15,324,848)</u>	<u>(917,973)</u>	<u>-</u>	<u>(16,242,821)</u>
Total Accumulated Depreciation	<u>(59,441,522)</u>	<u>(2,126,782)</u>	<u>-</u>	<u>(61,568,304)</u>
Total Capital Assets Being Depreciated, Net	<u>27,593,636</u>	<u>243,537</u>	<u>-</u>	<u>27,837,173</u>
Total Capital Assets, Net	<u>\$ 34,985,186</u>	<u>\$ 926,452</u>	<u>\$ (1,101,630)</u>	<u>\$ 34,810,008</u>

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

General government	\$ 873,990
Public safety	524,144
Public works	713,499
Culture and recreation	<u>15,149</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,126,782</u>

**CITY OF SELMA, ALABAMA**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2021**

**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, 2021, is shown below:

**Due to/from Other Funds:**

<b>Due From:</b>	<b>Due To</b>			
	General Fund	Bond Fund	Other Governmental Funds	Total
General Fund	\$ -	\$ 73,580	\$ 10,008	\$ 83,588
Bond Fund	-	-	-	-
Other Governmental Funds	415,743	-	133,498	549,241
<b>Total</b>	<b>\$ 415,743</b>	<b>\$ 73,580</b>	<b>\$ 143,506</b>	<b>\$ 632,829</b>

**Note 8: LONG-TERM LIABILITIES**

Long-term liabilities activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<b>Governmental</b>						
<b>Activities</b>						
General city bonds and warrants	\$22,535,000	\$ -	\$(1,835,000)	\$20,700,000	\$1,775,000	\$18,925,000
Less deferred amounts:						
For issuance discounts	(204,771)	-	25,235	(179,536)	(25,235)	(154,301)
Add deferred amounts:						
For issuance premium	11,635	-	(3,880)	7,755	3,880	3,875
<b>Total general city bonds and warrants</b>	<b>22,341,864</b>	<b>-</b>	<b>(1,813,645)</b>	<b>20,528,219</b>	<b>1,753,645</b>	<b>18,774,574</b>
Capital lease	875,993	979,789	(491,925)	1,363,857	512,293	851,564
Compensated absences	142,991	28,091	-	171,082	25,662	145,420
Legal contingent liability	-	968,000	-	968,000	25,000	943,000
Net pension liability	1,191,986	1,907,689	-	3,099,675	-	3,099,675
Net OPEB liability	5,262,525	340,523	-	5,603,048	-	5,603,048
<b>Total Long-Term Liabilities</b>	<b>\$29,815,359</b>	<b>\$4,224,092</b>	<b>\$(2,305,570)</b>	<b>\$31,733,881</b>	<b>\$2,316,600</b>	<b>\$29,417,281</b>

**CITY OF SELMA, ALABAMA**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2021**

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**Note 8: LONG-TERM DEBT (continued)**

Long-term debt payable at September 30, 2021, 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:

	<u>Balance at September 30, 2021</u>
Series 2009 General Obligation Refunding Warrants, interest at 3.50% to 3.875%	835,000
Series 2009-A General Obligation Build America Bonds, interest at 3.00% to 5.50%	1,915,000
Series 2014-CWSRF-DL General Obligation Warrants, interest at 1.50% to 2.25%	3,380,000
Series 2016 General Obligation Warrants, interest at 2.15% to 3.40%	<u>14,570,000</u>
Total Bonds and Warrants	<u>\$ 20,700,000</u>

The annual debt service requirements to maturity, including principal and interest, for General City bonds and warrants as of September 30, 2021, are as follows:

<u>For the years ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,775,000	\$ 589,561
2023	1,855,000	511,777
2024	2,060,000	466,318
2025	2,105,000	415,318
2026	2,160,000	361,307
2027-2031	9,490,000	869,570
2032-2036	1,255,000	86,061
Total	<u>\$ 20,700,000</u>	<u>\$3,299,912</u>

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, 2021 was \$1,763,792. The outstanding balance of the Refunded Warrants as of September 30, 2021 was \$10,830,000.

***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.

**CITY OF SELMA, ALABAMA**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2021**

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**Note 8: LONG-TERM DEBT (continued)**

The assets acquired through capital leases are as follows:

Governmental Activities	
Machinery and equipment	\$ 4,041,438
Less: Accumulated depreciation	<u>(2,281,416)</u>
Net Carrying Value	<u>\$ 1,760,022</u>

*[Remainder of page intentionally left blank.]*

**CITY OF SELMA, ALABAMA**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2021**

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**Note 8: LONG-TERM DEBT (continued)**

**Governmental Activities**

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.	\$5,052
Capital lease obligation for three police vehicles dated February 2, 2018, payable in monthly installments of \$2,115, final payment due January 9, 2023	32,570
Capital lease obligation for five trucks dated May 30, 2018, payable in monthly installments of \$13,519, final payment due September 15, 2021.	301,585
Capital lease obligation for a bulldozer dated August 26, 2019 payable in monthly installments of \$1,874, final payment due July 26, 2029.	96,011
Capital lease obligation for excavator dated March 26, 2021, payable in monthly installments of \$1,900, final payment due April 2028.	160,944
Capital lease obligation for a sweeper dated June 4, 2021, payable in annual installments of \$31,459, final payment due June 2026.	145,647
Capital lease obligation for a sewer jetter date September 5, 2021, payable in monthly installments of \$7,688, final payment due March 2026.	61,308
Capital lease obligation for a police car dated July 10, 2021, payable in monthly installments of \$509, final payment due June 2027.	30,350
Capital lease obligation for a police car dated July 10, 2021, payable in monthly installments of \$558, final payment due June 2027.	33,298
Capital lease obligation for a police car dated July 10, 2021, payable in monthly installments of \$558, final payment due June 2027.	33,298
Capital lease obligation for a police car dated July 10, 2021, payable in monthly installments of \$558, final payment due June 2027.	33,298
Capital lease obligation for a police car dated July 10, 2021, payable in monthly installments of \$558, final payment due June 2027.	33,298
Capital lease obligation for a police car dated July 10, 2021, payable in monthly installments of \$558, final payment due June 2027.	33,298

**CITY OF SELMA, ALABAMA**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2021**

**Note 8: LONG-TERM DEBT (continued)**

Capital lease obligation for a police car dated July 10, 2021, payable in monthly installments of \$558, final payment due June 2027.	33,298
Capital lease obligation for a backhoe loader dated June 30, 2021, payable in monthly installments of \$1,666, final payment due June 2026.	93,305
Capital lease obligation for a crawler dozer dated June 15, 2021, payable in monthly installments of \$1,740, final payment due June 2026.	99,173
Capital lease obligation for an excavator base dated April 28, 2021 payable in monthly installments of \$2,558, final payment due April 2026.	138,124
<hr/>	
<b>Total Capital Lease Obligations</b>	<b>\$ 1,363,857</b>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021, were as follows:

	<b>Governmental Activities</b>
Years ending September 30,	
2022	\$ 544,360
2023	218,440
2024	209,979
2025	209,979
2026	171,312
Thereafter	108,860
Total Minimum Lease Payments	1,462,930
Less: Amounts representing interest	(99,073)
Present Value of Minimum Lease Payments	<u>\$ 1,363,857</u>

**Other Long-Term Liabilities**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within A Year</b>
Compensated absences	\$ 142,991	\$ 28,091	\$ -	\$ 171,082	\$ 25,662
	<u>\$ 142,991</u>	<u>\$ 28,091</u>	<u>\$ -</u>	<u>\$ 171,082</u>	<u>\$ 25,662</u>

## CITY OF SELMA, ALABAMA

### Notes to Financial Statements (continued) For The Year Ended September 30, 2021

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#### 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](http://www.rsa-al.gov).

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

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

##### Benefits Provided

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

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.

**CITY OF SELMA, ALABAMA**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2021**

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**Note 9: PENSION PLAN (continued)**

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 853 local participating employers. The ERS membership includes approximately 101,245 participants. As of September 30, 2020, (measurement date) membership consisted of:

	<u>ERS</u>	<u>City</u>
Retirees and beneficiaries currently receiving benefits	28,672	193
Terminated employees entitled to but not yet receiving benefits	1,974	15
Terminated employees not entitled to a benefit	14,133	67
Active members	56,369	146
Post-DROP retired members still in active service	97	-
Total	<u>101,245</u>	<u>421</u>

**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.

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, 2021, 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, 2021 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, 2021.

**CITY OF SELMA, ALABAMA**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2021**

**Note 9: PENSION PLAN (continued)**

**Net Pension Asset**

The City's net pension asset was measured as of September 30, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as September 30, 2019 rolled forward to September 30, 2020 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual Before Act 2019-132</u>	<u>Actual After Act 2019-132</u>
(a) Total Pension Liability as of September 30, 2019	\$ 40,239,754	\$ 41,108,298	\$ 41,340,790
(b) Discount rate	7.70%	7.70%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2019 - September 30, 2020	477,647	477,647	533,589
(d) Transfers Among Employers:	-	(25,735)	(25,735)
(e) Actual Benefit Payments and Refunds for the period October 1, 2019 - September 30, 2020	<u>(3,268,543)</u>	<u>(3,268,543)</u>	<u>(3,268,543)</u>
(f) TPL as of September 30, 2020 = [(a) x (1 + (b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$ 40,421,480</u>	<u>\$ 41,331,167</u>	<u>\$ 41,637,503</u>
(g) Difference between Expected and Actual		\$ 909,687	
(h) Less Liability Transferred for Immediate Recognition:		<u>(25,735)</u>	
(i) Difference between Expected and Actual Experience (Gain)/Loss = (g) - (h)		<u>\$ 935,422</u>	
(j) Difference between Actual TPL Before and After Act 2019-132- Benefit Change (Gain)/Loss			<u>\$ 306,336</u>

**Actuarial Assumptions**

The total pension liability as of September 30, 2020 was determined based on the annual actuarial funding valuation report as of September 30, 2019. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%, including inflation
Investment rate of return*	7.70%*

\* Net of pension plan investment expense

**CITY OF SELMA, ALABAMA**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2021**

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**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	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash Equivalents	3.0%	1.5%
Total	100%	

\* 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 contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF SELMA, ALABAMA**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2021**

**Note 9: PENSION PLAN (continued)**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2019	\$40,239,754	\$ 39,047,768	\$ 1,191,986
Changes for the year:			
Service cost	\$ 477,647	\$ -	\$ 477,647
Interest	2,972,622	-	2,972,622
Change in benefit terms	306,336	-	306,336
Changes of assumptions	-	-	-
Differences between expected and actual experience	935,422	-	935,422
Contributions - employer	-	267,482	(267,482)
Contributions - employee	-	361,705	(361,705)
Net investment income	-	2,155,151	(2,155,151)
Benefit payments, including refunds of employee contributions	(3,268,543)	(3,268,543)	-
Administrative expense	-	-	-
Transfers among employers	(25,735)	(25,735)	-
Net changes	<u>1,397,749</u>	<u>(509,940)</u>	<u>1,907,689</u>
Balances at September 30, 2020	<u>\$41,637,503</u>	<u>\$ 38,537,828</u>	<u>\$ 3,099,675</u>

**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 Rate (7.70%)	1% Increase (8.70%)
Net Pension Liability	<u>\$ 7,231,817</u>	<u>\$ 3,099,675</u>	<u>\$ (408,501)</u>

**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, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2020. The auditor's report dated April 30, 2021 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**CITY OF SELMA, ALABAMA**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2021**

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**Note 9: PENSION PLAN (continued)**

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

For the year ended September 30, 2021, the City recognized pension expense of \$1,125,102. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,303,323	\$ 247,165
Changes of assumptions	167,028	-
Net difference between projected and actual earnings on pension plan investments	1,218,624	-
Employer contributions subsequent to the measurement date	264,272	-
Total	<u>\$ 2,953,247</u>	<u>\$ 247,165</u>

The City will recognize its \$264,272 of deferred outflow of resources related to employer contributions made subsequent to the measurement date in pension expense during the fiscal year ended September 30, 2022. 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:

Year ended September 30:	
2022	\$ 634,076
2023	965,184
2024	692,765
2025	149,785
2026	-
Thereafter	-

*[Remainder of page intentionally left blank.]*

**CITY OF SELMA, ALABAMA**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2021**

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**Note 10: FUND BALANCES**

As of September 30, 2021, fund balances consisted of the following:

	<b>General Fund</b>	<b>Bond Fund</b>	<b>Nonmajor Funds</b>	<b>Total</b>
<b>Nonspendable:</b>				
Prepaid expenses	\$ 28,978	\$ -	\$ -	\$ 28,978
Total Nonspendable Funds	<u>\$ 28,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,978</u>
<b>Restricted:</b>				
Debt service	\$ -	\$ 3,376,652	\$ 194,704	\$ 3,571,356
Capital projects	-	-	2,313,973	2,313,973
Community development	-	-	29,406	29,406
Municipal court	-	-	43,461	43,461
Public safety	-	-	12,250	12,250
Public works	-	-	708,996	708,996
Total Restricted	<u>\$ -</u>	<u>\$ 3,376,652</u>	<u>\$ 3,302,790</u>	<u>\$ 6,679,442</u>
<b>Committed:</b>				
Economic development	\$ -	\$ -	\$ 496,761	\$ 496,761
Total Committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 496,761</u>	<u>\$ 496,761</u>
<b>Assigned</b>				
Police department	\$ -	\$ -	\$ 29,093	\$ 29,093
Fire department	-	-	1,279	1,279
Economic development	-	-	340,790	340,790
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 371,162</u>	<u>\$ 371,162</u>
<b>Unassigned</b>	<u>\$ 7,401,637</u>	<u>\$ -</u>	<u>\$ (100,480)</u>	<u>\$ 7,301,157</u>
<b>Total Fund Balance</b>	<u>\$ 7,430,615</u>	<u>\$ 3,376,652</u>	<u>\$ 4,070,233</u>	<u>\$ 14,877,500</u>

**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 (continued)  
For The Year Ended September 30, 2021**

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**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 also a defendant in several lawsuits arising in the normal course of business. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable loss to the City, such loss has been accrued in the accompanying financial statements in the amount of \$968,000. The outcome of the remaining claims cannot be determined at this time

**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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	73
Inactive employees entitled to but not yet receiving benefits	-
Active members	<u>126</u>
Total	<u><u>199</u></u>

**CITY OF SELMA, ALABAMA**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2021**

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**Note 13: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

***Total OPEB Liability***

The City's total OPEB liability of \$5,603,048 was measured as of September 30, 2021 and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the September 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	4.0%, including inflation
Discount rates	2.21% annually*
	2.15% annually**
Healthcare cost trend rates	Flat 5.5% annually for 10 years 4.5%, thereafter
Mortality	RP-2000 combined w/o projection

\*Beginning of Year to Determine ADC

\*\*As of End of Year Measurement Date

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of September 30, 2021, 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, 2021 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2021.

***Changes in the Total OPEB Liability***

Balances at September 30, 2020	\$ 5,262,525
Changes for the year:	
Service cost	109,601
Interest	114,332
Differences between expected and actual experience	225,649
Changes of assumptions	69,243
Benefit payments and net transfers	(178,302)
Net changes	<u>340,523</u>
Balances at September 30, 2021	<u>\$ 5,603,048</u>

**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 (1.15%) or 1-percentage-point higher (3.15%) than the current discount rate:

**CITY OF SELMA, ALABAMA**

**Notes to Financial Statements (continued)  
For The Year Ended September 30, 2021**

**Note 13: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

	1% Decrease (1.15%)	Current Rate (2.15%)	1% Increase (3.15%)
Total OPEB Liability	<u>\$ 6,771,582</u>	<u>\$ 5,603,048</u>	<u>\$ 4,701,090</u>

*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 Rate (5.5%)	1% Increase (6.5%)
Total OPEB Liability	<u>\$ 4,814,547</u>	<u>\$ 5,603,048</u>	<u>\$ 6,633,871</u>

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$25,250. At September 30, 2021, 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	\$ 288,613	\$ 700,265
Changes of assumptions	961,099	224,591
Total	<u>\$ 1,249,712</u>	<u>\$ 924,856</u>

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

For the years ended September 30:	
2022	\$ (68,586)
2023	(68,586)
2024	181,126
2025	107,403
2026	107,403
Thereafter	66,096

**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 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.

## CITY OF SELMA, ALABAMA

### Notes to Financial Statements (continued) For The Year Ended September 30, 2021

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#### Note 14: EFFECT OF NEW PRONOUNCEMENTS (continued)

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.

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, 2021. 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 2021, 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.

## CITY OF SELMA, ALABAMA

### Notes to Financial Statements (continued) For The Year Ended September 30, 2021

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#### Note 14: EFFECT OF NEW PRONOUNCEMENTS (continued)

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.

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 2021. As a result, no incentive payments were made during the current year.

**CITY OF SELMA, ALABAMA**

**General Fund  
Statement of Revenue, Expenditures and Changes in  
Fund Balances - Budget and Actual  
For the Year Ended September 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenue</b>				
Taxes	\$ 13,205,823	\$ 14,889,812	\$ 15,694,284	\$ 804,472
Licenses and permits	3,610,601	2,600,983	2,494,214	(106,769)
Intergovernmental	637,768	460,820	1,075,122	614,302
Charges for services	69,127	54,573	409,953	355,380
Contributions and reimbursements	111,003	2,049,183	551,182	(1,498,001)
Investment earnings	343	-	698	698
Other revenues	40,196	22,070	118,799	96,729
<b>Total Revenue</b>	<u>17,674,861</u>	<u>20,077,441</u>	<u>20,344,252</u>	<u>266,811</u>
<b>Expenditures</b>				
General government	5,425,167	6,154,204	5,708,486	(445,718)
Public service	1,662,729	1,709,484	2,476,941	767,457
Public safety	7,466,181	7,370,965	6,975,814	(395,151)
Other	1,001,827	855,042	819,185	(35,857)
Capital outlay	411,280	358,990	1,739,487	1,380,497
Debt service				
Principal retirement	870,765	1,414,949	545,211	(869,738)
Interest and fiscal charges	125,531	97,727	62,702	(35,025)
<b>Total Expenditures</b>	<u>16,963,480</u>	<u>17,961,361</u>	<u>18,327,826</u>	<u>366,465</u>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<u>711,381</u>	<u>2,116,080</u>	<u>2,016,426</u>	<u>(99,654)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	667	-	1,108	1,108
Proceeds from capital leases	-	-	979,787	979,787
Transfers in	-	-	-	-
Transfers (out)	621,621	(2,364,701)	(1,193,937)	1,170,764
<b>Total Other Financing Sources (Uses)</b>	<u>622,288</u>	<u>(2,364,701)</u>	<u>(213,042)</u>	<u>2,151,659</u>
<b>Net Change in Fund Balances</b>	1,333,669	(248,621)	1,803,384	2,052,005
<b>Fund Balance - Beginning of Year</b>	<u>3,260,095</u>	<u>2,354,448</u>	<u>5,627,231</u>	<u>3,272,783</u>
<b>Fund Balance - End of Year</b>	<u>\$ 4,593,764</u>	<u>\$ 2,105,827</u>	<u>\$ 7,430,615</u>	<u>\$ 5,324,788</u>

**CITY OF SELMA, ALABAMA**

**Schedule of Changes in the Net Pension Liability  
For the Year Ended September 30, 2021**

<b>Measurement Date (Sept 30)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>							
Service cost	\$ 477,647	\$ 693,704	\$ 628,567	\$ 680,778	\$ 699,324	\$ 734,225	\$ 698,109
Interest	2,972,622	2,908,677	2,827,891	2,856,940	2,808,116	2,759,873	2,695,067
Changes of benefit terms	306,336	-	-	-	-	-	-
Differences between expected and actual experience	935,422	753,159	660,810	(884,797)	(532,430)	(257,917)	-
Changes of assumptions	-	-	184,310	-	1,688,185	-	-
Benefit payments, including refunds of employee contributions	(3,268,543)	(3,426,741)	(2,978,800)	(2,990,820)	(2,611,651)	(2,654,621)	(2,511,601)
Transfers among employers	(25,735)	(177,447)	187,303	(42,934)	(99,667)	-	-
<b>Net Change in Total Pension Liability</b>	<b>1,397,749</b>	<b>751,352</b>	<b>1,510,081</b>	<b>(380,833)</b>	<b>1,951,877</b>	<b>581,560</b>	<b>881,575</b>
<b>Total Pension Liability - Beginning</b>	<b>40,239,754</b>	<b>39,488,402</b>	<b>37,978,321</b>	<b>38,359,154</b>	<b>36,407,277</b>	<b>35,825,717</b>	<b>34,944,142</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 41,637,503</b>	<b>\$ 40,239,754</b>	<b>\$ 39,488,402</b>	<b>\$ 37,978,321</b>	<b>\$ 38,359,154</b>	<b>\$ 36,407,277</b>	<b>\$ 35,825,717</b>
<b>Plan Fiduciary Net Position</b>							
Contributions - employer	\$ 267,482	\$ 279,612	\$ 189,718	\$ 220,814	\$ 366,274	\$ 298,099	\$ 356,088
Contributions - member	361,705	551,043	459,696	437,214	427,528	454,864	450,697
Net investment income	2,155,151	1,012,287	3,547,565	4,607,404	3,524,344	429,298	4,081,364
Benefit payments, including refunds of employee contributions	(3,268,543)	(3,426,741)	(2,978,800)	(2,990,820)	(2,611,651)	(2,654,621)	(2,511,601)
Transfers among employers	(25,735)	(177,447)	187,303	(42,934)	(99,667)	(198,090)	(17,836)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(509,940)</b>	<b>(1,761,246)</b>	<b>1,405,482</b>	<b>2,231,678</b>	<b>1,606,828</b>	<b>(1,670,450)</b>	<b>2,358,712</b>
<b>Plan Net Position - Beginning</b>	<b>39,047,768</b>	<b>40,809,014</b>	<b>39,403,532</b>	<b>37,171,854</b>	<b>35,565,026</b>	<b>37,235,476</b>	<b>34,876,764</b>
<b>Plan Net Position - Ending (b)</b>	<b>\$ 38,537,828</b>	<b>\$ 39,047,768</b>	<b>\$ 40,809,014</b>	<b>\$ 39,403,532</b>	<b>\$ 37,171,854</b>	<b>\$ 35,565,026</b>	<b>\$ 37,235,476</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 3,099,675</b>	<b>\$ 1,191,986</b>	<b>\$ (1,320,612)</b>	<b>\$ (1,425,211)</b>	<b>\$ 1,187,300</b>	<b>\$ 842,251</b>	<b>\$ (1,409,759)</b>
Plan fiduciary net position as a percentage of the total pension liability	92.56%	97.04%	103.34%	103.75%	96.90%	97.69%	103.94%
Covered payroll *	5,582,617	6,163,818	7,607,181	7,166,671	7,465,065	7,994,811	7,988,915
Net pension liability as a percentage of covered payroll	55.52%	19.34%	-17.36%	-19.89%	15.90%	10.53%	-17.65%

\* Employer's covered payroll during the measurement period is the total covered payroll. For FY 2021 the measurement period is October 1, 2019 - September 30, 2020.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available.

\* The data provided in the schedule is as of the measurement date of the City's net pension liability, which is as of the beginning of the City's fiscal year.

**CITY OF SELMA, ALABAMA**

**Schedule of City Contributions  
For the Year Ended September 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution*	\$ 264,272	\$ 276,122	\$ 202,914	\$ 212,046	\$ 237,657	\$ 353,020	\$ 328,512
Contributions in relation to the actuarially determined contribution*	<u>264,272</u>	<u>276,122</u>	<u>202,914</u>	<u>212,046</u>	<u>237,657</u>	<u>353,020</u>	<u>328,512</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Covered payroll	\$ 7,815,869	\$ 5,582,617	\$ 6,163,818	\$ 7,607,181	\$ 7,166,671	\$ 7,465,065	\$ 7,994,811
Contributions as a percentage of covered payroll	3.38%	4.95%	3.29%	2.79%	3.32%	4.73%	4.11%

\* The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statements.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**CITY OF SELMA, ALABAMA**

**Employees' Medical Insurance plan of the City of Selma, Alabama  
Schedule of Changes in Total OPEB Liability and Related Ratios  
For the Year Ended September 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 109,601	\$ 79,671	\$ 105,543	\$ 118,356
Interest on total OPEB liability	114,332	162,628	194,518	180,477
Differences between expected and actual experience	225,649	(1,271,448)	179,064	(101,421)
Changes of assumptions	69,243	272,598	1,159,302	(352,937)
Benefit payments	<u>(178,302)</u>	<u>(189,493)</u>	<u>(166,820)</u>	<u>(158,123)</u>
Net change in total OPEB liability	340,523	(946,044)	1,471,607	(313,648)
Total OPEB liability, beginning	<u>5,262,525</u>	<u>6,208,569</u>	<u>4,736,962</u>	<u>5,050,610</u>
Total OPEB liability, ending	<u>\$ 5,603,048</u>	<u>\$ 5,262,525</u>	<u>\$ 6,208,569</u>	<u>\$ 4,736,962</u>
Covered payroll	\$ 3,798,438	\$ 3,652,344	\$ 5,625,618	\$ 5,409,248
Total OPEB liability as a % of covered payroll	147.51%	144.09%	110.36%	87.57%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**CITY OF SELMA, ALABAMA**

**Notes to Required Supplemental Information  
For the Year Ended September 30, 2021**

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**Note 1 – Method and Assumptions Used in Calculations of Actuarially Determined Contributions**

*Schedule of Employer Contributions – Pension Plan*

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2021 were based on the September 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2020 to September 30, 2021 are as follows:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	15.4 years
Asset valuation method	Five-year smoothed market
Inflation	2.75%
Salary increase	3.25 – 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

*Schedule of Employer Contributions – OPEB Plan*

Valuation Date	10/1/2020
Actuarial cost method	Individual entry age normal
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	2.50%
Healthcare trend	5.5% annually for 10 years, 4.5% thereafter
Salary increase	4.0% annually
Discount rate	2.21% annually (Beginning of Year to Determine ADC) 2.15% 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 after January 1, 2013 are not eligible to Retire until age 62
Mortality	RP-2000 combined without projection
Turnover	Age specific table with an average of 15% When applied to the active census

CITY OF SELMA, ALABAMA

Combining Balance Sheet - Nonmajor Governmental Funds  
September 30, 2021  
Special Revenue

	State Lodging Tax	Revolving Loan Fund	Drug Enforcement Unit	Alabama Trust Fund	Awarded Drug Unit Fund	SPD Sundry	Municipal Court	Pending General Forfeitures	Fire Department Sundry
<b>Assets</b>									
Cash and cash equivalents	\$ 496,382	\$ 26,747	\$ -	\$ 813,251	\$ 25,287	\$ 4,736	\$ 1,854	\$ 25	\$ 1,279
Receivables	-	-	-	-	-	-	-	-	-
Due from other funds	61,107	-	-	-	-	-	15,868	-	-
Restricted assets:									
Cash and cash equivalents	-	-	45,751	-	-	-	-	-	-
Cash held by fiscal agents	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 557,489</b>	<b>\$ 26,747</b>	<b>\$ 45,751</b>	<b>\$ 813,251</b>	<b>\$ 25,287</b>	<b>\$ 4,736</b>	<b>\$ 17,722</b>	<b>\$ 25</b>	<b>\$ 1,279</b>
<b>Liabilities</b>									
Accounts payable and accrued liabilities	\$ 40,757	\$ -	\$ 73,831	\$ -	\$ -	\$ -	\$ (1,384)	\$ -	\$ -
Unearned revenue	-	-	-	-	-	-	-	-	-
Due to other funds	19,971	-	576	2,875	160	770	-	200	-
<b>Total Liabilities</b>	<b>60,728</b>	<b>-</b>	<b>74,407</b>	<b>2,875</b>	<b>160</b>	<b>770</b>	<b>(1,384)</b>	<b>200</b>	<b>-</b>
<b>Fund balance</b>									
Restricted	-	26,747	-	810,376	-	-	19,106	-	-
Committed	496,761	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	25,127	3,966	-	-	1,279
Unassigned	-	-	(28,656)	-	-	-	-	(175)	-
<b>Total Fund Balance</b>	<b>496,761</b>	<b>26,747</b>	<b>(28,656)</b>	<b>810,376</b>	<b>25,127</b>	<b>3,966</b>	<b>19,106</b>	<b>(175)</b>	<b>1,279</b>
<b>Total Liabilities and Fund balance</b>	<b>\$ 557,489</b>	<b>\$ 26,747</b>	<b>\$ 45,751</b>	<b>\$ 813,251</b>	<b>\$ 25,287</b>	<b>\$ 4,736</b>	<b>\$ 17,722</b>	<b>\$ 25</b>	<b>\$ 1,279</b>

CITY OF SELMA, ALABAMA

Combining Balance Sheet - Nonmajor Governmental Funds (continued)  
 September 30, 2021  
 Special Revenue

	Americorp Digital Divide	St. James Hotel Project	Planning & Development	Firefighter Grant	Municipal Aid	Traffic Enforcement	Criminal Fines
<b>Assets</b>							
Cash and cash equivalents	\$ 331,414	\$ 984	\$ 34,284	\$ 4,878	\$ 599,004	\$ 88,092	\$ 10,696
Receivables	-	751	-	-	47,656	-	-
Due from other funds	-	-	7,000	-	-	-	-
Restricted assets:							
Cash and cash equivalents	-	-	-	-	-	-	-
Cash held by fiscal agents	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 331,414</b>	<b>\$ 1,735</b>	<b>\$ 41,284</b>	<b>\$ 4,878</b>	<b>\$ 646,660</b>	<b>\$ 88,092</b>	<b>\$ 10,696</b>
<b>Liabilities</b>							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 10,100	\$ 67,745	\$ -
Unearned revenue	-	-	-	-	-	-	-
Due to other funds	340,916	-	18,221	8,090	13,446	29,328	-
<b>Total Liabilities</b>	<b>340,916</b>	<b>-</b>	<b>18,221</b>	<b>8,090</b>	<b>23,546</b>	<b>97,073</b>	<b>-</b>
<b>Fund balance</b>							
Restricted	-	-	23,063	-	623,114	-	10,696
Committed	-	-	-	-	-	-	-
Assigned	-	1,735	-	-	-	-	-
Unassigned	(9,502)	-	-	(3,212)	-	(8,981)	-
<b>Total Fund Balance</b>	<b>(9,502)</b>	<b>1,735</b>	<b>23,063</b>	<b>(3,212)</b>	<b>623,114</b>	<b>(8,981)</b>	<b>10,696</b>
<b>Total Liabilities and Fund balance</b>	<b>\$ 331,414</b>	<b>\$ 1,735</b>	<b>\$ 41,284</b>	<b>\$ 4,878</b>	<b>\$ 646,660</b>	<b>\$ 88,092</b>	<b>\$ 10,696</b>

CITY OF SELMA, ALABAMA

Combining Balance Sheet - Nonmajor Governmental Funds (continued)  
 September 30, 2021  
 Special Revenue

	Cash Bonds	Restitutions	Restoration Revitalization Fund	ATF Sharing	PEG Fund	Occupancy Fee	Awarded General Forfeitures	Selma Animal Shelter	Municipal Judicial Admin Fund	Brownfield Grant
<b>Assets</b>										
Cash and cash equivalents	\$ 66,508	\$ 12,224	\$ 50	\$ 1,554	\$ 97,549	\$ 331,944	\$ 145	\$ 6,343	\$ 38,754	\$ 24,440
Receivables	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	17,352	-	-	-	-
Restricted assets:										
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-
Cash held by fiscal agents	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 66,508</b>	<b>\$ 12,224</b>	<b>\$ 50</b>	<b>\$ 1,554</b>	<b>\$ 97,549</b>	<b>\$ 349,296</b>	<b>\$ 145</b>	<b>\$ 6,343</b>	<b>\$ 38,754</b>	<b>\$ 24,440</b>
<b>Liabilities</b>										
Accounts payable and accrued liabilities	\$ 66,143	\$ 12,386	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenue	-	-	-	-	-	-	-	-	-	30,714
Due to other funds	-	-	-	-	11,717	10,241	-	-	14,909	-
<b>Total Liabilities</b>	<b>66,143</b>	<b>12,386</b>	<b>-</b>	<b>-</b>	<b>11,717</b>	<b>10,241</b>	<b>-</b>	<b>-</b>	<b>14,909</b>	<b>30,714</b>
<b>Fund balance</b>										
Restricted	365	-	50	1,554	85,832	-	145	6,343	23,845	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	339,055	-	-	-	-
Unassigned	-	(162)	-	-	-	-	-	-	-	(6,274)
<b>Total Fund Balance</b>	<b>365</b>	<b>(162)</b>	<b>50</b>	<b>1,554</b>	<b>85,832</b>	<b>339,055</b>	<b>145</b>	<b>6,343</b>	<b>23,845</b>	<b>(6,274)</b>
<b>Total Liabilities and Fund balance</b>	<b>\$ 66,508</b>	<b>\$ 12,224</b>	<b>\$ 50</b>	<b>\$ 1,554</b>	<b>\$ 97,549</b>	<b>\$ 349,296</b>	<b>\$ 145</b>	<b>\$ 6,343</b>	<b>\$ 38,754</b>	<b>\$ 24,440</b>

CITY OF SELMA, ALABAMA

Combining Balance Sheet - Nonmajor Governmental Funds (continued)  
September 30, 2021

	Capital Projects				Debt Service					Total Nonmajor Governmental Funds
	1999 Capital Project Bond	Other Funds	2009 Capital Project Bond	Major Projects Fund	Public Building Authority	2009 Refunding Warrants	2011 Pension Warrants	2014 GO Warrants	2016 GO Warrants	
<b>Assets</b>										
Cash and cash equivalents	\$ -	\$ 220,705	\$ -	\$ 3,495	\$ -	\$ -	\$ -	\$ 2,341	\$ -	\$ 3,244,965
Receivables	-	-	-	-	-	-	-	-	-	48,407
Due from other funds	-	32,171	-	-	-	-	-	-	-	133,498
Restricted assets:										
Cash and cash equivalents	38,001	-	-	-	30,931	-	-	-	-	114,683
Cash held by fiscal agents	-	-	158,067	-	-	-	2	1,181,176	163,773	1,503,018
<b>Total Assets</b>	<b>\$ 38,001</b>	<b>\$ 252,876</b>	<b>\$ 158,067</b>	<b>\$ 3,495</b>	<b>\$ 30,931</b>	<b>\$ -</b>	<b>\$ 2</b>	<b>\$ 1,183,517</b>	<b>\$ 163,773</b>	<b>\$ 5,044,571</b>
<b>Liabilities</b>										
Accounts payable and accrued liabilities	\$ -	\$ 986	\$ -	\$ 150	\$ -	\$ 1,824	\$ -	\$ 111,837	\$ -	\$ 384,375
Unearned revenue	-	-	-	-	-	-	-	-	-	30,714
Due to other funds	35,625	7,000	-	19,715	-	25,324	-	165	-	559,249
<b>Total Liabilities</b>	<b>35,625</b>	<b>7,986</b>	<b>-</b>	<b>19,865</b>	<b>-</b>	<b>27,148</b>	<b>-</b>	<b>112,002</b>	<b>-</b>	<b>974,338</b>
<b>Fund balance</b>										
Restricted	2,376	244,890	158,067	-	30,931	-	2	1,071,515	163,773	3,302,790
Committed	-	-	-	-	-	-	-	-	-	496,761
Assigned	-	-	-	-	-	-	-	-	-	371,162
Unassigned	-	-	-	(16,370)	-	(27,148)	-	-	-	(100,480)
<b>Total Fund Balance</b>	<b>2,376</b>	<b>244,890</b>	<b>158,067</b>	<b>(16,370)</b>	<b>30,931</b>	<b>(27,148)</b>	<b>2</b>	<b>1,071,515</b>	<b>163,773</b>	<b>4,070,233</b>
<b>Total Liabilities and Fund balance</b>	<b>\$ 38,001</b>	<b>\$ 252,876</b>	<b>\$ 158,067</b>	<b>\$ 3,495</b>	<b>\$ 30,931</b>	<b>\$ -</b>	<b>\$ 2</b>	<b>\$ 1,183,517</b>	<b>\$ 163,773</b>	<b>\$ 5,044,571</b>

CITY OF SELMA, ALABAMA

Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds  
 September 30, 2021  
 Special Revenue

	State Lodging Tax	Revolving Loan Fund	Drug Enforcement Unit	Alabama Trust Fund	Awarded Drug Unit Fund	SPD Sundry	Municipal Court	Pending General Forfeitures	Fire Department Sundry
Taxes	\$ 312,609	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	212,638	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	3,759	-	-
Other revenues	-	-	-	-	-	1,751	60	-	-
Investment earnings	-	-	-	-	5	-	-	-	-
Total Revenues	<u>312,609</u>	<u>-</u>	<u>-</u>	<u>212,638</u>	<u>5</u>	<u>1,751</u>	<u>3,819</u>	<u>-</u>	<u>-</u>
Expenditures									
General government	238,320	-	3,324	37,914	-	-	-	-	-
Public service	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	3,673	6,618	-	-
Other	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>238,320</u>	<u>-</u>	<u>3,324</u>	<u>37,914</u>	<u>-</u>	<u>3,673</u>	<u>6,618</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	74,289	-	(3,324)	174,724	5	(1,922)	(2,799)	-	-
Transfers in	-	-	-	-	-	-	4,500	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,500</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	74,289	-	(3,324)	174,724	5	(1,922)	1,701	-	-
Fund Balance - Beginning of Year	<u>422,472</u>	<u>26,747</u>	<u>(25,332)</u>	<u>635,652</u>	<u>25,122</u>	<u>5,888</u>	<u>17,405</u>	<u>(175)</u>	<u>1,279</u>
Fund Balances - End of Year	<u>\$ 496,761</u>	<u>\$ 26,747</u>	<u>\$ (28,656)</u>	<u>\$ 810,376</u>	<u>\$ 25,127</u>	<u>\$ 3,966</u>	<u>\$ 19,106</u>	<u>\$ (175)</u>	<u>\$ 1,279</u>

CITY OF SELMA, ALABAMA

Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds (continued)  
 September 30, 2021  
 Special Revenue

	AmeriCorp Digital Divide	St. James Hotel Project	Planning & Development	Firefighter Grant	Municipal Aid	Traffic Enforcement	Criminal Fines
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 295,069	\$ -	\$ -
Licenses and permits	-	-	-	-	19,232	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	330,910	3,526
Other revenues	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	1
Total Revenues	-	-	-	-	314,301	330,910	3,527
Expenditures							
General government	-	-	-	-	11,194	270,336	216
Public service	-	-	-	-	57,813	-	-
Public safety	-	-	-	-	-	-	-
Other	8,975	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service:							
Principal retirement	-	-	-	-	-	56,715	-
Interest and fiscal charges	-	-	-	-	-	3,412	-
Total Expenditures	8,975	-	-	-	69,007	330,463	216
Excess (deficiency) of revenues over (under) expenditures	(8,975)	-	-	-	245,294	447	3,311
Transfers in	968	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	968	-	-	-	-	-	-
Net Change in Fund Balances	(8,007)	-	-	-	245,294	447	3,311
Fund Balance - Beginning of Year	(1,495)	1,735	23,063	(3,212)	377,820	(9,428)	7,385
Fund Balances - End of Year	\$ (9,502)	\$ 1,735	\$ 23,063	\$ (3,212)	\$ 623,114	\$ (8,981)	\$ 10,696

CITY OF SELMA, ALABAMA

Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds (continued)  
 September 30, 2021  
 Special Revenue

	Cash Bonds	Restitutions	Restoration Revitalization Fund	ATF Sharing	PEG Fund	Occupancy Fee	Awarded General Forfeitures	Selma Animal Shelter	Municipal Judicial Admin Fund
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,436	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	12,005	-	-	4,536	2,828
Investment earnings	-	-	-	-	86	-	-	-	-
Total Revenues	-	-	-	-	12,091	122,436	-	4,536	2,828
Expenditures									
General government	-	-	-	-	3,406	47,965	-	6,138	-
Public service	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	3,406	47,965	-	6,138	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	8,685	74,471	-	(1,602)	2,828
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	8,685	74,471	-	(1,602)	2,828
Fund Balance - Beginning of Year	365	(162)	50	1,554	77,147	264,584	145	7,945	21,017
Fund Balances - End of Year	\$ 365	\$ (162)	\$ 50	1,554	\$ 85,832	\$ 339,055	\$ 145	\$ 6,343	\$ 23,845

CITY OF SELMA, ALABAMA

Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds (continued)  
 September 30, 2021  
 Capital Projects

	Capital Projects					Debt Service					Total Nonmajor Governmental Funds
	Brownfield Grant	1999 Capital Project Fund	Other Funds	2009 Capital Project Fund	Major Projects Fund	Public Building Authority	2009 Refunding Warrants	2011 Pension Warrants	2014 GO Warrants	2016 GO Warrants	
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 730,114
Licenses and permits	-	-	-	-	-	-	-	-	-	-	19,232
Intergovernmental	-	-	60,004	-	-	-	155,430	-	-	-	428,072
Charges for services	-	-	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-	-	-	338,195
Other revenues	-	-	-	-	-	-	-	-	-	-	21,180
Investment earnings	-	-	-	-	-	6	-	-	-	54	152
Total Revenues	-	-	60,004	-	-	6	155,430	-	-	54	1,536,945
Expenditures											
General government	6,230	-	93,226	-	1,101	-	174	-	-	-	719,543
Public service	-	-	-	-	-	-	-	-	-	-	57,813
Public safety	-	-	-	-	-	-	-	-	-	-	10,291
Other	-	-	-	-	-	-	-	-	-	-	8,975
Capital outlay	-	-	-	-	-	-	-	228,467	-	-	228,467
Debt service:											
Principal retirement	-	-	-	-	-	-	395,000	-	185,000	240,000	876,715
Interest and fiscal charges	-	-	-	-	-	-	24,731	-	80,213	414,903	523,259
Total Expenditures	6,230	-	93,226	-	1,101	-	419,905	-	493,680	654,903	2,425,063
Excess (deficiency) of revenues over (under) expenditures	(6,230)	-	(33,222)	-	(1,101)	6	(264,475)	-	(493,680)	(654,849)	(888,118)
Transfers in	-	-	-	-	-	-	268,353	-	265,213	654,903	1,193,937
Transfers out	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	268,353	-	265,213	654,903	1,193,937
Net Change in Fund Balances	(6,230)	-	(33,222)	-	(1,101)	6	3,878	-	(228,467)	54	305,819
Fund Balance - Beginning of Year	(44)	2,376	278,112	158,067	(15,269)	30,925	(31,026)	2	1,299,982	163,719	3,764,414
Fund Balances - End of Year	\$ (6,274)	\$ 2,376	\$ 244,890	\$ 158,067	\$ (16,370)	\$ 30,931	\$ (27,148)	\$ 2	\$ 1,071,515	\$ 163,773	\$ 4,070,233

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

To the 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 21, 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) as a basis for designing 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we have identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2021-001 and 2021-002).

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 deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies (2021-003).

### **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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

City of Selma, Alabama's response 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 subject 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.



Borland Benefield, P.C.  
Birmingham, Alabama  
November 21, 2022

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

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

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

We have audited the City of Selma, Alabama's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

## Report on Internal Control over Compliance

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

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

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

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



Borland Benefield, P.C.  
Birmingham, Alabama  
November 21, 2022

CITY OF SELMA, ALABAMA

Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>ALN Number</u>	<u>Grant Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Expended</u>
<b>Federal Awards:</b>				
<b>Corporation for National and Community Service</b>				
<u>Passed Through Serve Alabama</u>				
Americorps	94.006		\$ -	\$ 275,057
<b>Total Corporation for National and Community Service</b>			<u>\$ -</u>	<u>\$ 275,057</u>
<b>Department of Homeland Security</b>				
<u>Passed Through Alabama Emergency Management Agency</u>				
Disaster Grants - Public Assistance	97.036		\$ -	\$ 25,549
<b>Total Department of Homeland Security</b>			<u>\$ -</u>	<u>\$ 25,549</u>
<b>U.S. Department of Justice</b>				
<u>Passed Through State of Alabama Department of Economic Development &amp; Community Affairs</u>				
Emergency Law Enforcement Assistance Grant	16.824		\$ -	\$ 88,271
<b>Total U.S. Department of Justice</b>			<u>\$ -</u>	<u>\$ 88,271</u>
<b>Department of Treasury</b>				
<u>Passed Through Alabama Department of Finance:</u>				
COVID-19: Coronavirus Relief Fund	21.019		\$ -	\$ 656,593
<b>Total Department of Treasury</b>			<u>-</u>	<u>656,593</u>
<b>Total Federal Awards</b>			<u>\$ -</u>	<u>\$ 1,045,470</u>

**CITY OF SELMA, ALABAMA**

**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2021**

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**Note 1: REPORTING ENTITY AND SCOPE OF AUDIT PURSUANT TO THE UNIFORM GUIDANCE**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal awards activity of the City of Selma, Alabama (the City) under programs of the federal government for the year ended September 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Guidance Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the City, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the City.

**Note 2: FISCAL PERIOD AUDITED**

Single Audit testing procedures were performed for program transactions occurring during the fiscal year ended September 30, 2021.

**Note 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The Schedule of Expenditures of Federal Awards has been prepared on the modified accrual basis of accounting. Federal grant revenues are recorded for financial reporting purposes when the City has met the qualifications for the respective grants. Encumbrances for purchase orders and contracts are not recorded as expenditures because the liability has not been incurred for goods received or services rendered; however, these encumbrances (if any) are reserved in the fund balances of the governmental funds. Costs incurred in programs partially funded by Federal grants are applied against grant funds to the extent of revenue available when they properly apply to the grant, except as described below.

***Indirect Cost***

The City has elected not to use the 10% de minimis indirect cost rate during the fiscal year ended September 30, 2021.

**Federally Funded Insurance and Federally Funded Loans**

The City has no federally funded insurance and no federally funded loans or loan guarantees for the fiscal year ended September 30, 2021.

CITY OF SELMA, ALABAMA

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2021

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

X  yes   no

Significant deficiency(ies) identified?

X  yes   no

Noncompliance material to financial statements noted?

yes  X  no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

yes  X  no

Significant deficiency(ies) identified?

yes  X  no

Type of auditor's report issued on compliance for major programs:

Unmodified

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

yes  X  no

Identification of major programs:

U.S. Department of Housing and Urban Development

ALN #21.019 - COVID-19: Coronavirus Relief Fund

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

\$750,000

Auditee qualified as low-risk auditee?

yes  X  no

**Section II - Financial Statement Findings**

See Following Page

**Section III - Federal Award Findings and Questioned Costs**

None Reported

**CITY OF SELMA, ALABAMA**

**Schedule of Findings and Questioned Costs (continued)  
For the Year Ended September 30, 2021**

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**PART II – FINANCIAL STATEMENT FINDINGS**

**2021-001 - 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, 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, unearned revenues, transactions related to long-term debt and capital assets as well as other miscellaneous transactions were not properly recorded prior to audit procedures being performed.

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

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

- i. Review transactions related to principal and interest payments on all debt, loans, or notes payable (including payments made by related parties as well as federal interest subsidies received) to ensure that all transactions have been appropriately recorded.*
- ii. Review transactions recorded to expenditure accounts to determine that the accounts are appropriate based on the nature of the transaction (for example, debt service and capital related transactions).*
- iii. Reconcile transactions related to the City's grant activity with the general ledger to ensure that all transactions have been appropriately recorded (including operating transfers and receivable/payable transactions, if any).*
- iv. Determine that all transactions have been recorded and posted. Review the transactions for completeness by scanning the ending balances and the transactions posted to each general ledger account to detect unusual entries or unexpected ending balances. Also review transactions occurring subsequent to year end to ensure that all transactions that should be recorded have been accounted for at year end.*

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

**CITY OF SELMA, ALABAMA**

**Schedule of Findings and Questioned Costs (continued)  
For the Year Ended September 30, 2021**

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**PART II – FINANCIAL STATEMENT FINDINGS (continued)**

**2021-002 - 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.

**2021-003 - 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.

**CITY OF SELMA, ALABAMA**

**Summary of Prior Year Findings  
For the Year Ended September 30, 2021**

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**FINANCIAL STATEMENT PRIOR YEAR FINDINGS**

*Year ended September 30, 2020*

**2020-001 - 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, 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, 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**

**Summary of Prior Year Findings (continued)  
For the Year Ended September 30, 2021**

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**FINANCIAL STATEMENT PRIOR YEAR FINDINGS (continued)**

**2020-002 - 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.

**2020-003 - 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**

**Summary of Prior Year Findings (continued)  
For the Year Ended September 30, 2021**

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**FINANCIAL STATEMENT PRIOR YEAR FINDINGS (continued)**

**2019-003 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.

**2020-004 - 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.*

**CITY OF SELMA, ALABAMA**

**Summary of Prior Year Findings (continued)  
For the Year Ended September 30, 2021**

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**FINANCIAL STATEMENT PRIOR YEAR FINDINGS (continued)**

**2020-004 - Bail Bond and Restitution Fund Accounts (Repeat Finding) (continued)**

*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.